
Kenya Government Guarantee of a loan to Kenya Pipeline Company
Limited by Barclays Bank International Limited,
London

THE GUARANTEE (LOANS) ACT
(Cap. 461)

In accordance with the provisions of the Guarantee (Loans) Act (Cap. 461), the following information is laid before the National Assembly relating to a guarantee by the Government of the obligation by the Kenya Pipeline Company Limited in respect of a foreign currency loan equivalent to a maximum of US \$ 8.4 million granted by Barclays Bank International Limited, London.

The Government has incorporated the Kenya Pipeline Company, wholly owned by itself, in order to undertake the construction of an oil products pipeline from Mombasa to Nairobi and a fuel hydrant facility at the reconstructed Nairobi Airport.

Negotiations are under way with financiers interested in assisting the Company to finance the main pipeline project but, in the meantime, the Company has pressed ahead with the construction of the fuel hydrant facility to provide fuelling facilities for aircraft at Nairobi Airport. The fuelling facilities must be ready for the opening of the new Nairobi Airport in the middle of 1976 and construction has already commenced.

Barclays Bank International Limited has offered the Company a loan in foreign currencies to be designated by the Company up to an amount equivalent to US\$8.4 million (£65 million) to finance the construction of the fuel hydrant system. The term of the loan will be ten and one half years with a three years moratorium of interest repayments. Interest will be payable at a net rate of 1½ per cent over the prime inter-bank lending rate in London. The loan is conditional on the provision of a guarantee by the Government under the Guarantee (Loans) Act

covering all payments of fees, interest and principal due from the Company under the Loan Agreement.

The Government has decided that the Kenya Pipeline Company Limited should borrow the funds it requires for the construction of the fuel hydrant facility abroad since the main part of the cost of this facility will have to be paid in foreign exchange.. In addition, the income to be derived by the Company from the facility will be paid, in the main, by foreign airlines and will, therefore, represent a foreign exchange receipt. The tariff to be charged for the use of the facility is estimated to provide the Company with an income more than sufficient to meet the payments of interest and principal under the Loan Agreement.

The current total contingency liability of the Kenya Government in respect of guarantees given under Clause 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts to KSh120,508,975. With the guarantee of the KSh3 million proposed, the aggregate will be increased by KSh3 million of which KSh50,109,003 will fall within paragraph (a) and KSh73,459,972 within paragraph (b) of Clause 3(3) of the Act.

(MUNAI KIBAKI)
MINISTER FOR FINANCE AND PLANNING

28th April, 1975.