

Kenya Government Guarantee of a Loan to Kenya Pipeline Company Limited by International Bank for Reconstruction and Development.

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 loan of US \$20 million equivalent to K£7,142,860 guaranteed by the International Bank for Reconstruction and Development.

The Kenya Pipeline Company Limited a wholly owned Government Company is undertaking the construction of a 14 inch oil products pipeline between the oil refinery at Mombasa and the oil companies' storage depots in the industrial area of Nairobi. This pipeline will transport gasoline, kerosene and gas-oil required for the Nairobi market and markets upcountry from Nairobi, presently undertaken by the E.A. Railways Corporation and private road transporters. Products will be pumped through four pump stations between Mombasa and Nairobi in a pipeline to be submerged below the ground.

The transportation of liquids by pipeline is generally regarded as the most efficient means available. This has been confirmed in respect of the transportation of petroleum products between Mombasa and Nairobi by consultants employed by the Kenya Pipeline Company and also in a detailed project appraisal undertaken by IBRD. Owing to the difficulties in obtaining sufficient tank cars from the E.A. Railways Corporation, shortages of petroleum products have on occasions already occurred and such shortages are likely to increase over the next two or three years. For these reasons, Government has decided that the construction of the oil products pipeline between Mombasa and Nairobi must be undertaken as a matter of urgency. Tenders are already being arranged for the supplying of equipment and the construction of the pipeline.

After detailed appraisal of the Project, the International Bank for Reconstruction and Development has offered to lend the Kenya Pipeline Company Limited \$20 million for the purchase of the steel-pipe and other supplies (including accrued interest) required for the project, subject to a 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 loan agreement.

The term of the loan will be for 20 years with a moratorium of principal repayments of four years. Interest on the loan will be payable at a rate of  $8\frac{1}{2}$  per cent per annum.

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 K£124,179,775. With the guarantee of the K£7,142,860 proposed, the aggregate will be increased by K£7,142,860 of which K£57,862,663 will fall within paragraph (a) and K£73,459,972 within paragraph (b) of Clause 3(3) of the Act.

MINISTER FOR FINANCE AND PLANNING

MEMO.

8th May, 1975.