

GOVERNMENT GUARANTEE FOR A LOAN BY THE IBRD (WORLD BANK) TO
THE EAST AFRICAN POSTS AND TELECOMMUNICATION CORPORATION

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 which the Kenya Government proposes to give jointly and severally with the Governments of the United Republic of Tanzania, and the Republic of Uganda in respect of a Loan in various currencies equivalent to US \$32,500,000 or approximately K211,607,143 at the present rate of exchange, by the International Bank for Reconstruction and Development (World Bank) to the East African Posts and Telecommunication Corporation. The Loan will bear interest at whatever rate is being charged by the Bank for new loans when the Bank Loan Agreement is signed. This is calculated on the principal amount of Loan withdrawn and outstanding from time to time. In addition there will be a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the loan not withdrawn from time to time.

The Loan is repayable over a period of 20 years with 4 years grace period. Repayment will start on 1st July 1978 in accordance with an agreed amortization schedule. The interest and other charges will be paid semi-annually.

The East African Posts & Telecommunication Corporation is provided for in the Treaty for East African Co-operation and established under East African Posts & Telecommunication Corporation Act 1967. The Corporation has asked the International Bank for Reconstruction and Development to make the Loan to assist it in financing a project which is geared to meet the additional demand for telecommunications facilities up to 1975. It will also alleviate present congestion, overcome service difficulties, and improve and extend telecommunications in rural areas. The project comprises the first three-year (1973 - 1975) phase of long-term seven-year (1973 - 1979) development program drawn up by East African Posts & Telecommunication Corporation and approved by the Communication Council of the East African Community.

The project proposed for Bank financing provides for the expansion and modernization of facilities and includes:-

Part A

Provision and installation of telephone exchange equipment and facilities for about 19,300 automatic subscriber connections and about 10,000 manual subscriber connections in rural areas; expansion of the cable and subscriber distribution networks and provision and installation of the necessary subscriber apparatus.

Part B

Provision and installation of (i) additional microwave systems to link Nairobi with Arusha, Nairobi with Nyeri, Dar-es-Salaam with Dodoma, and Dodoma with the Zambian border; (ii) VHF/UHF radio systems, overhead lines and carrier circuits to extend services to existing and new exchanges; (iii) additional multiplex equipment; and (iv) subscriber trunk dialing exchange equipment, for about 2,000 additional long distance circuits and about 139,000 circuit miles.

Part C

Provision and installation of teleprinters for the connection of about 900 subscribers on telex exchanges and about 70 teleprinters in public offices; and of about 60 data terminals and about 180 VF telegraph circuits.

Part D

Construction of a new headquarters building for the Corporation in Kampala, and expansion of its training program through provision of additional equipment, facilities and instructors.

Parliament is now requested to agree that the Kenya Government extend to the International Bank for Reconstruction and Development joint and several guarantees in the sum of US \$32,500,000.

The current total contingent liability of the Kenya Government in respect of guarantees given under Section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£ 90,862,534. With the Guarantee of K£ 11,607,143 proposed in this Sessional Paper, the aggregate will be increased to K£102,469,678 of which K£ 33,809,705 will fall within paragraph (a) and K£ 68,660,242 within paragraph (b) of Section 3 of the Act.

Minister of Finance & Planning,
The Treasury,
NAIROBI