

REPUBLIC OF KENYA



MINISTRY OF TRANSPORT

SESSIONAL PAPER NO 15 OF 2012

KENYA GOVERNMENT GUARANTEE OF A LOAN OF US\$93,000,000 EQUIVALENT TO KSH. 7,994,280,000 FROM EUROPEAN INVESTMENT BANK TO KENYA AIRPORTS AUTHORITY FOR THE REHABILITATION AND EXPANSION OF THE JOMO KENYATTA INTERNATIONAL AIRPORT

1. In accordance with Section 58 (1), of the Public Financial Management Act, 2012 of the Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.
2. The Kenya Airports Authority is a State Corporation, established under an Act of Parliament Cap. 395 of the Laws of Kenya. It is 100 per cent Government owned, and falls under the Ministry of Transport.
3. The primary function of Kenya Airports Authority is management infrastructural and facility development, and enhancement of safety and security within Kenyan Aerodromes.
4. With the full support of the Government, the Kenya Airports Authority has successfully negotiated for a loan of US\$93 million equivalent to Kshs. 7.99 billion from European Investment Bank to co-finance the rehabilitation and expansion of Jomo Kenyatta International Airport leading to its capacity

enhancement from 2.5 million passengers currently to 9.3 million passengers in 2015.

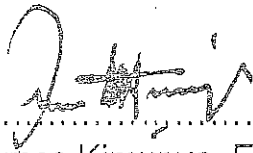
5. The Kenya Government in the context of the National Vision 2030, committed to transforming Kenya to a middle income Country by 2030. To realize this objective means, among other things, the Country must accelerate economic growth to around 10 per cent annual and sustain it at that level for a long period.

To achieve and sustain such high growth rates there is need to revitalize the delivery of efficient and effective transport services in road, rail, and air to spur the growth in infrastructural development and increase efficiency of air transport in order to meet the standards of the International Civil aviation Organization (ICAO) and the US Federal Aviation Administration (FAA).

6. The rehabilitation and expansion of the Jomo Kenyatta International airport is being implemented in three phases, the first covering the expansion apron for parking of aircraft which was completed in April, 2008, the second phase which includes construction of new terminal unit 4,² a multi-storied car park and grade parking was scheduled for completion in October, 2012. The third phase which entails the rehabilitation of the existing terminals 1, 2 and 3 and the construction of a new infill building for which funding is the subject of this paper is scheduled for completion by December, 2014. On completion of phase 2 and phase 3, the capacity of the airport will be raised from the current 2.5 million passengers per annum to 9.3 million passengers per annum.
7. The interest rate for the loan is based on EIB cost of funds plus a margin of 0.5%. Additional charges on the loan include commitment fee of 0.5% per annum of undisbursed loan amounts and one time appraisal fee of US\$55,000.
8. Kenya Airports Authority is expected to augment the total project financing by about 30% (Ksh. 4.5 billion) in the overall JKIA expansion covering the three phases of the project.

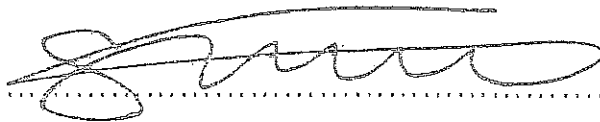
9. Based on the Kenya Airports authority's past performance which takes into account cash flows relating to the Jomo Kenyatta International airport expansion project, the authority will be able to meet the debt servicing obligations.
10. The National Assembly is requested to consider and approve the issuance of Government of Kenya Guarantee for the loan to Kenya Airport Authority of US\$93 million equivalent to Kshs. 7.99 billion from European Investment Bank (EIB), a Government owned overseas development assistance bank.

The current total contingent liabilities of the Government of Kenya in respect of the amount to Kshs 47.4 billion which is within the ceiling of the guaranteed debts of Kshs 200 billion set by parliament.



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Hon. Amos Kimunya, EGH, MP
Minister for Transport

Date 13 Dec 2012



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Hon. Robinson Njeru Githae, EGH, MP
Minister for Finance

Date 13TH DECEMBER 2012

