

REPUBLIC OF KENYA
MINISTRY OF FINANCE

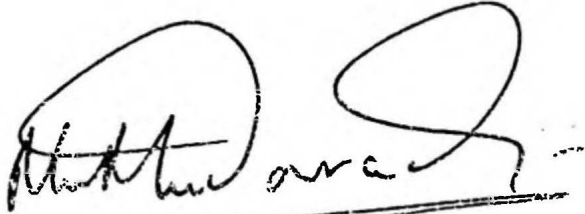
SESSIONAL PAPER NO.³..... OF 1997

**KENYA GOVERNMENT GUARANTEE OF A LOAN OF JAPANESE YEN
6,933,000,000 EQUIVALENT TO KSHS.3,466,500,000 FROM THE OVERSEAS
ECONOMIC CO-OPERATION FUND OF JAPAN TO THE KENYA POWER
COMPANY LIMITED FOR THE IMPLEMENTATION OF THE SONDU MIRIU
HYDRO-POWER PROJECT**

1. In accordance with the provisions of the Guarantee (Loans) Act (Cap 461) of the Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.
2. The Kenya Power Company Limited is a wholly Government-owned company established under the Companies Act (Cap 486 of the Laws of Kenya).
3. The primary function of the Kenya Power Company is to generate electricity for sale to the Kenya Power and Lighting Company which is sole distributor of commercial electricity in Kenya.
4. With the full support of the Government, the Kenya Power Company Limited has successfully negotiated for a loan of Japanese Yen 6,933,000,000 equivalent to Kshs.3,466,500,000 from the Government of Japan. The loan bears an interest rate of 2.3% per annum and carries a 10-year grace period. The loan repayment period will be thirty (30) years.
5. The proceeds of the loan will be used for the implementation of Phase I of the Sondu Miriu Hydro-Power Project whose scope of work will involve civil works and consulting services. Funds for Phase II will be committed during the next financial year. On completion, the project will provide an additional 60 MW to the national grid. The project is situated on Sondu-Miriu River in Kisumu District of Nyanza Province. It is expected to be completed by 2002.

6. The National Assembly is requested to approve the Kenya Government Guarantee of the loan of Japanese Yen 6,933,000,000 equivalent to Kenya Shillings Three billion, four hundred sixty-six million and five hundred thousand (Kshs.3,466,500,000) from the Overseas Economic Co-operation Fund of Japan to the Kenya Power Company.

7. The current total contingent liabilities of the Government of Kenya in respect of the Guarantee given under section (3) of the Guarantee (Loans) Act other than those specified in the schedule to the Act amount to K£1,707,010,367 and with the guarantee of a sum equivalent to K£173,325,000, the aggregate amount will be increased to K£1,880,335,367 of which K£46,510,367 will fall within sub-section (a) and K£1,833,825,000 within sub-section (b) of section (3) of the Act.



HON. MUSALIA MUDAVADI EGH, MP
MINISTER FOR FINANCE