

SESSIONAL PAPER, NO. 4 OF 1978

GOVERNMENT GUARANTEE OF MONEYS LENT TO TANA RIVER
DEVELOPMENT COMPANY LIMITED TO FINANCE THE CONSTRUCTION OF GITARU HYDRO-ELECTRIC SCHEME ON THE TANA RIVER

PARLIAMENT
OF KENYA
LIBRARY

THE GUARANTEE (LOANS) ACT, CAP 461

The following information is laid before the National Assembly for consideration and approval.

1. The Government proposes to guarantee a loan of £ 2,000,000 sterling (equivalent to approximately 1,600,000 Kenya pounds) to be made to Tana River Development Company Limited by the Commonwealth Development Corporation of the United Kingdom.
2. The loan is to be used as part of the financing of the Gitaru Hydro-electric Scheme on the Tana River the construction of which is now in progress under contracts let by the Tana River Development Company Limited, a Kenya incorporated company wholly owned by the Government.
3. The loan will bear interest at the rate of $8\frac{1}{2}$ percent per annum calculated on the amount of the loan drawn and outstanding from time to time. Interest up to 31st December 1978 will be capitalised; interest on the loan principal and capitalised interest will from that date be paid half-yearly in arrear.
4. The loan principal and capitalised interest will be repaid to the lender over 12 years by equal annual instalments starting on 30th December 1980.
5. In addition £5000 sterling is payable by the borrower (TRDC) to the lender (CDC) for work done and expenses incurred by CDC in relation to the loan agreement.

6. The loan will be secured by the issue to CDC of debenture stock for the amount of the loan and capitalised interest pursuant to a Trust Deed dated 26th May 1966 between the borrower and Phoenix Assurance Company Limited as trustee, and various trust deeds supplemental thereto, whereby such debenture stock will be secured on the assets of the borrower company (TRDC) equally in all respects (pari passu) with similar debenture stock already issued under such trust deeds to other lenders, including the International Bank for Reconstruction and Development (see Sessional Paper no.6 of 1975).

7. All payments under the loan agreement are to be made by the borrower to CDC in sterling currency in London, and are to be guaranteed by the Government.

8. The current total contingent liability of the Government in respect of all guarantees provided to date under Section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act but including those set out in Sessional Papers nos. 1, 2 and 3 of 1976) amounts to K£ 239,308,555. With the guarantee of £2,000,000 sterling (equivalent to K£ 1.6 million) proposed in this Sessional Paper, the aggregate will be increased to K£ 240,908,555 of which K£ 152,261,207 falls within para. (A) and K£ 88,749,272 within para. (B) of Section 3(3) of the Act.

MINISTER OF POWER & COMMUNICATIONS

6th April 1976.

