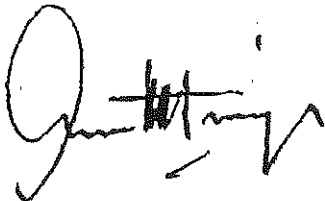


GOVERNMENT OF KENYA GUARANTEE OF ¥ 26.7 BILLION EQUIVALENT TO KSHS 16.18 BILLION LOAN FROM JAPAN BANK FOR INTERNATIONAL COOPERATION TO THE KENYA PORTS AUTHORITY FOR THE MOMBASA PORT DEVELOPMENT PROJECT

1. In accordance with the provisions of the Guarantee (Loans) Act, Cap 461, Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.
2. The Kenya Ports Authority (KPA) is a State Corporation established under the KPA Act, (CAP 391, Laws of Kenya), and falls under the Ministry of Transport.
3. The Port of Mombasa, which is the gateway to East and Central Africa, is also the principal sea port for the region. As gazetted under schedule (ii) of the KPA Act, the primary function of the KPA is management of sea ports in Kenya, which includes Mombasa, Vanga, Shimoni, Mtwapa, Kilifi, Funzi, Malindi, Kiunga and Lamu. In addition, Cargo handling as specified in KPA Tariff constitutes a core activity of the Authority.
4. With full support of the Government, KPA has successfully negotiated for a loan of ¥ 26.7 billion, equivalent to Kshs 16.18 billion, from the Japan Bank of International Cooperation (JBIC) to finance the Mombasa Port Development Project. JBIC is a Government of Japan overseas development assistance bank.
5. The project aims at enhancing Mombasa Port's container handling capacity to enable accommodation of the projected container traffic growth from the current 0.6 million to 2 million containers by 2025, consistent with *Kenya Vision 2030*. The expansion entails establishment of three new deep water berths to allow much bigger ships (Panamax size) to dock at the Port of Mombasa.

6. The scope of work will include the reclamation of the sea to create 100 hectares of space, civil works for the berths, container stacking yards, rail terminal and a six (6) lane access road, buildings, purchase of equipment and consulting services. The first phase of the project is expected to be ready by 2013 and the final phase by 2015.
7. The loan bears an interest rate of 0.2% per annum, carries a 10 year moratorium and has a repayment period of thirty (30) years. Based on KPA performance, the Authority will be able to meet its debt service obligations.
8. The National Assembly is requested to consider and approve the issuance of Government of Kenya Guarantee for the loan of ¥ 26.7 billion, equivalent to Kshs 16.18 billion, from JIBC to KPA.
9. The current total contingent liabilities of the Government of Kenya in respect to the guarantees given under section 3(3) of the Guarantee (Loans) Act, Cap 461, Laws of Kenya, other than those specified in the schedule to the Act, amount to Kshs 24.7 billion. This request for guarantee of a sum equivalent to Kshs 16.18 billion will increase the aggregate amount to Kshs 40.9 billion which is within the ceiling of the guaranteed debts of Kshs 80 billion set under sub-section 3(3) of the Act.



HON. AMOS KIMUNYA, EGH, MP
MINISTER FOR FINANCE

DATE 19th May 2008