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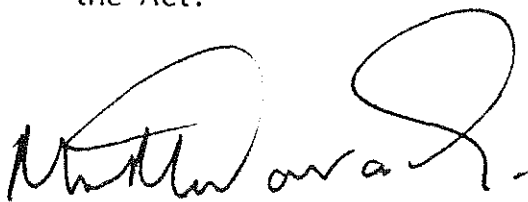
SESSIONAL PAPER NO2 OF 1995GOVERNMENT GUARANTEE OF A LOAN BETWEEN OECF - JAPAN AND
KENYA POWER COMPANY LIMITED

1. In accordance with the provisions of the Guarantee (Loans) Act (Cap 461 of Laws of Kenya) the following information is laid before the National Assembly for consideration and approval.
2. Kenya Power Company Limited is a limited liability company established by Companies Act (Cap 486). The Company basically generates power and sells it to the Kenya Power and Lighting Company.
3. With the full support of the Government the Kenya Power Company has entered into contract with OECF of Japan for implementation of the Mombasa Diesel Generating Power Plant Project. The scope of work will cover:-
 - (a) Construction of approximately (75mw - 80mw) Diesel Power Plant Comprising several medium speed units of each 10 to 15 mw.
 - (b) Construction of mechanical auxiliaries, transformers switch gears, substations, panel and related facilities.
 - (c) Civil and Building Works
 - (d) Consulting Services.
4. The Government proposes to guarantee a loan of JY 10,716 million equivalent to Kshs 5.32 billion at the current exchange rate to be made to Kenya Power Company Limited by OECF.

5. The loan will carry maturity of 20 years payable semi annual after the grace period of 10 years
 - The rate of interest will be two point six (2.6%) per cent per annum.
 - Disbursement period will be (5) five years from the date of coming into force of the said Loan Agreement.
6. As at 31st May, 1995 the Kenya Power Company Limited had outstanding foreign loan of K£ 95,185,000 (at the prevailing exchange rate)
7. The government attaches great importance to both Urban and Rural Electrification Programme throughout the Country as a necessary infrastructural development.

The National Assembly is therefore requested to approve the Government Guarantee of JY 10,716 million equivalent to Kshs 5.32 billion from OECF.

8. The current total contingent liability of the Government of Kenya in respect of guarantees given under section 3(3) of the Guarantees Loans Act (other than those specified in the schedule of the Act) amounts to K£ 3,590,789,700 and with the guarantee of K£ 266,000,000 which is proposed in this Sessional Paper, the aggregate amount will increase to K£3,856,789,700 of which K£40,168,044 for Local guarantee will fall within paragraph (a) and K£3,816,621,656 for external guarantees within paragraph (b) of Section 3(3) of the Act.



HON. MUSALIA MUDAVADI,
MINISTER FOR FINANCE