REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER NO.....4..... OF 1990

KENYA GOVERNMENT GUARANTEE OF LOANS TO KENYA POST AND TELECOMMUNICATIONS CORPORATION ("KP & TC") BY MANUFACTURERS HANOVER EXPORT FINANCE LIMITED AND BY MANUFACTURERS HANOVER TRUST COMPANY OF THE UNITED KINGDOM

UNITED KINGDOM

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.

2. The Kenya Posts and Telecommunications Corporation is a Parastatal of the Government of Kenya which has been established under KPTC Act Chapter 411 of the Laws of Kenya. KPTC will be the Borrower and the executing Agency for the proposed programme.

3. The Government proposes to guarantee loans totalling Pounds Sterling 20,000,000, roughly equivalent to Kenya shillings 736,000,000 (at the current ruling Exchange rate). The loans are to be made available to KP & TC by Manufacturers Hanover Export Finance Limited and Manufacturers Hanover Trust Company of the United Kingdom.

4. The Loans

4.1 Amount £Stg17,000,000
An amount of £Stg17,000,000 will be provided by the Export Credits Guarantee Department of the United Kingdom Government under a credit facility available from Manufacturers Hanover Export Finance Limited. Repayment of amounts drawn under the credit facility will be made by ten equal semi-annual instalments commencing six months from each drawdown. The credit facility will bear interest at the rate of 8.3 percent per annum. Fixed for the duration of the facility and payable in arrears on outstanding balances.

4.2 Amount £Stg3,000,000
A credit facility of £Stg 3 million available from Manufacturers Hanover Trust Company with a maturity of five and half years. Repayment will be by nine

equal semi-annual instalments commencing 12 months from execution. The facility will bear interest at the rate of two percent per annum over LIBOR (London Interbank Offered Rate) for successive three or six month periods and payable in arrears on outstanding balances. The facility will carry a commitment fee of one half percent per annum on undrawn balances and a single negotiation fee of one percent flat.

5. This loan is required to finance part of the cable requirement for Telecommunications Programme 1989/1993.

6. The main objectives of the Programme are to:

- Increase accessability of telephone services throughout the country, especially in the rural areas.
- Modernise telecommunications network.
- Improve the quality of domestic and international telecommunications services
- Expand and upgrade the long distance network to handle increased traffic.

7. Programme impact on the country's telecommunications infrastructure:

7.1 <u>Rural Areas</u>

- A total of 177 automatic telephone exchanges with 58,650 capacity line are to be installed;
- an additional 125 manual telephone exchanges with a total capacity of 8,750 lines will also be installed;
- a total of 2,500 coin telephones are to be installed at various centres throughout the country;
- remote centres will have radio call services;
- the rural telephone density will improve from 0.36 to 0.85 telephone stations per 100 population and a total of 106,000 cable pairs and 115,000 telephone will be installed by the end of the programme period.

7.2 <u>Urban Areas</u>

- Exchange capacity will increase from 155,350 lines to 306,350 lines;
- exchange connections will increase from 107,380 to 263,310;
- urban telephone density will improve from 6.94 to 10.14 telephone stations per 100 population;
- public call offices will increase from 2,653 to 4,396;
- Mobile telephone network with initial capacity of 2,000 lines will be installed.

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7.3 International Services

- Telephone circuits will increase from 377 to 684;
- telex circuits will increase from 280 to 392;
- data packet switch from telex and data network will be installed with initial capacity of 1,000 ports.

8. The main strategy of the programme is to place an equitable balance between rural and urban telecommunications development.

9. Hitherto stress has been put on the extension and improve of telecommunications services in Urban areas. For various important reasons it is now necessary not only to continue improving the telecommunications services in the urban areas but also to extend them through the rural areas. Hence the heavy requirement for cable material in the programme.

10. The Government attaches great importance to the development of telecommunications throughout the country as necessary infrastructure for socio-economic development. The Government therefore requests the National assembly to approve that the Government guarantee a loan of £Stg20 million equivalent to Ksh.736 million to Kenya Posts and Telecommunications Corporation.

11. The current total contingent liabilities of the Government of Kenya in respect of guarantees under Section Three (3) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts to K£1,159,637,886 and with this guarantee of a sum equivalent to K£36,800,000, the aggregate will be increased to K£1,196,437,866 of which K£83,489,499 will fall within paragraph (a) and K£1,112,968,387 within paragraph (b) of section 3(3) of the Act.

HON.PROF.GEORGE SAITOTI
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