Sessional Paper No.......12........... of 1989

Kenya Government guarantee of a loan to Kenya Pipeline Company Limited by Directions Des Relation Economique Exterieure of France

The Guarantee (Loans) Act (Capt 461)

In accordance with the provision of the Guarantee (Loans) Act (Cap 461) the following information is laid before the National Assembly relating to a guarantee by the Government in respect of a loan of US $ 21311640... equivalent to K£.23261655.06...... granted by the Directions Des Relation Economique Exterieure of France.

The Kenya Pipeline Company Limited a wholly owned Government Company is undertaking the extension of the Mombasa-Nairobi White Petroleum products pipeline from Nairobi through Nakuru biforking at Sinendet and initially terminating at Eldoret and Kisumu and thereafter at Malaba. This extended pipeline will transport gasolines, kerosene and gasoil required for Western Kenya market and for export to neighbouring countries. The products will be pumped through four booster stations with terminals at Nakuru Eldoret and Kisumu and connected by a pipeline submerged under the ground.

Transportation of bulk liquid petroleum products by pipeline has been proven as the most efficient means available. This has been confirmed by the performance of the existing pipeline from Mombasa to Nairobi and by feasibility studies undertaken by consultants and detailed appraisals made by the World Bank.

The Kenya Pipeline Company Limited following normal tendering procedures has entered into an agreement with Messrs Sogea of France for the supply of French goods and services at a cost of US $ .21311640....equivalent to K£ ..23261655.06..... Following the agreement with Sogea the Directions Des Relation Economique Exterieure of France has offered to lend the Kenya Pipeline Company Limited US $ 21,311,640.........equivalent to K£ 23,261,655.05...... for the acquisition of the French goods and services required for the project subject to a provision of a guarantee by the Government under the Guarantee (Loans) Act covering all payments of fees, interest and principal

due from the Company under the loan agreement.
The loan will carry a maturity of ..13.......years i.e....10...years repayment period and ...3.....years of grace period. Interest on the loan will be payable at the rate of ..8.3.....per cent per annum.

As at ...6.12........... 19.89.. the Kenya Pipeline Company Limited had outstanding foreign loan of K£ 19,433,909 (~~at current rate of exchange~~ at a rate of Kshs. 21.83 toU.).

The current total contigency liability of the Kenya Government in respect of guarantee given under clause 3 (3) of the Guarantee (Loans) Act other than those specified in the schedule to the Act amounts to K£ 1,129,649,894.. With the guarantee of US $ 21,311,640 equivalent to K£ 23,261,655....proposed in this Sessional Paper, the aggregate will be increased to K£ 1,152,911,549.. of which K£ 1,066,556,070.. falls within paragraph (b) of section 3 (3) of the Act.

Hon Prof. G. Saitoti
Vice President and Minister for Finance