

Parliamentary Aid	No. 4
Social Sec. A.	1 Clerk Asst. IV
Clerk N.A.	1 Reporter
Clerk Asst. I	1 Press
Clerk Asst. II	Library
Clerk Asst. III	1 Binding

SESSIONAL PAPER NO. 7 OF 1994

**PARLIAMENT  
OF KENYA  
LIBRARY**

KENYA GOVERNMENT GUARANTEE OF A LOAN TO THE  
TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY BY  
GRINDLAYS BANK P.L.C. TO FINANCE PART OF THE  
CONSTRUCTION COST OF THE KIAMBERE HYDROELECTRIC  
PROJECT.

THE GUARANTEE (LOANS) ACT, CAP. 461

1. In accordance with the Provisions of the Guarantee (Loans) Act (Cap 461) the following information is laid before the National Assembly for consideration and approval.
2. The Government proposes to guarantee a loan of Deutsche Mark Twenty five million (DM 25,000,000) equivalent to Kenya Shillings One hundred thirty one million seven hundred forty thousand (Kshs. 131,740,000) to be made available to the Tana and Athi Rivers Development Authority (TARDA) by the Grindlays Bank p.l.c. which has its Head Office in London, United Kingdom. The International Bank for Reconstruction and Development (IBRD) and the Yugoslav Bank for International Economic Cooperation are co-financiers of the Project. Other financiers for this Project are the African Development Bank (AfDB), the Saudi Fund for Development (SFD), the Swedish International Development Agency (SIDA), the Skandinaviska Enskilda Banken (SEB), the Canadian International Development Agency (CIDA), the Kreditanstalt fuer Wiederaufbau (KfW) and the Government of the United Kingdom. The Government will on-lend the proceeds from these loans and grants to TARDA. A further Government contribution in the form of equity in the amount of Kshs. 603.8 million would be used to defray the cost of duties and taxes imposed on the Project.

Funds estimated at net Kshs. 585.5 million to cover the remaining unfunded components of the Project would be provided through a proportion of the development surcharge collected by the Kenya Power and Lighting Company Limited (KPEL). The total cost of the Project is estimated at Kshs. 4,392.0 million.

3. The loan will be paid within a period of six months (6) commencing 1974, and will bear interest on the principal amount of the loan withdrawn and outstanding from time to time at a rate per annum which is one and one quarter of one per cent ( $1 \frac{1}{4}\%$ ) above the rate at which Deutschmark deposits of an amount comparable to the sum outstanding for such interest period are offered to the lender by prime banks in the London Interbank Market. The interest for the last known interest period is 7 per cent per annum. The borrower (TARDA) will pay a bank fee equivalent to Deutsche Mark One hundred and twenty five thousand (DM 125,000) and a further commitment charge at the rate of one half of one per cent per annum on the principal amount of the loan not withdrawn from time to time.
4. This loan is required to finance part of the construction cost of the Kianbere Hydroelectric Project which is being developed by the Tana and Athi Rivers Development Authority which is a Government owned parastatal.
5. The main objective of the Kianbere Hydroelectric Project is to assure a firm source of reliable electric generating capacity to meet the growth in demand which is expected to exceed the capabilities of the generating facilities in existence in 1977. The Project would develop indigenous renewable energy resources and create new job opportunities, particularly during its construction period. A further objective would be to reduce the country's heavy dependence on imported oil.

The Project consists of the construction of hydroelectric generating facilities on the Tana River essentially as follows:

- a) a rock and earthfill dam, approximately 100 metres high with a crest length of about one kilometre, a saddle dam and a concrete-lined spillway and two diversion tunnels about 0.5 km long.
- b) an intake, a concrete and steel-lined shaft and a headrace tunnel 6.4 m in diameter and about 4.1 km long, to connect the reservoir to the underground powerhouse, and a reinforced concrete surge shaft near the downstream end of the tunnel.
- c) an underground powerhouse with two 70 MW vertical Francis turbines, and a tailrace tunnel of about 1.4 km long.
- d) one 220 KV switchyard.
- e) 90 km of 220 KV transmission lines to connect the generating station to the existing grid.

Upon completion of the Project a reservoir with a capacity of about 535 million cubic metres would be available to regulate the flow of the Tana River and carry stored water from a high flow year to the next year. The addition of 140 MW to the system would bring the total capacity, including the 30 MW supply of UEB to 602 MW, i.e. an 25% increase in installed capacity. It is expected to produce 940 GWh annually during an average water year which would increase the capacity of the system from 2,702 GWh to 3,602 GWh - a 33% increase in energy output.

A comprehensive environmental study was carried out by the Government prior to the construction of the Upper Reservoir, which is entitled "Upper Reservoir Pre-Construction Environmental Study", dated August 1976. The essential outcome of the study was that it was necessary to monitor closely the effect of the hydroelectric projects on the spread of vector-borne diseases likely to arise.



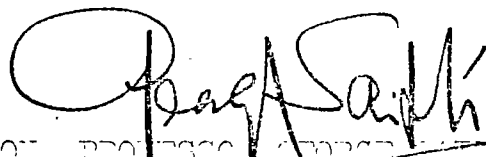
Account Name	1/1/04	12/31/04	1/1/05	12/31/04
Administrative	1,000.00	1,000.00	1,000.00	1,000.00
Business	5,000.00	5,000.00	5,000.00	5,000.00
Construction	2,000.00	2,000.00	2,000.00	2,000.00
Equipment	1,000.00	1,000.00	1,000.00	1,000.00
General	1,000.00	1,000.00	1,000.00	1,000.00
Inventory	500.00	500.00	500.00	500.00
Land	10,000.00	10,000.00	10,000.00	10,000.00
Leasehold Improvements	1,000.00	1,000.00	1,000.00	1,000.00
Liabilities	-	-	-	-
Net Assets	1,000.00	2,000.00	2,000.00	2,000.00
Office	500.00	500.00	500.00	500.00
Plant	500.00	500.00	500.00	500.00
Retained Earnings	-	1,000.00	1,000.00	1,000.00
Shareholders' Equity	1,000.00	2,000.00	2,000.00	2,000.00
Goodwill	-	-	-	-
Intangible Assets	-	-	-	-
Investments	-	-	-	-
Prepaid Expenses	100.00	100.00	100.00	100.00
Property	1,000.00	1,000.00	1,000.00	1,000.00
Receivables	500.00	500.00	500.00	500.00
Reserves	-	-	-	-
Total	1,000.00	2,000.00	2,000.00	2,000.00

Account Name	1/1/05	12/31/05	1/1/06
Administrative	1,000.00	1,000.00	1,000.00
Business	5,000.00	5,000.00	5,000.00
Construction	2,000.00	2,000.00	2,000.00
Equipment	1,000.00	1,000.00	1,000.00
General	1,000.00	1,000.00	1,000.00
Inventory	500.00	500.00	500.00
Land	10,000.00	10,000.00	10,000.00
Leasehold Improvements	1,000.00	1,000.00	1,000.00
Liabilities	-	-	-
Net Assets	1,000.00	2,000.00	2,000.00
Office	500.00	500.00	500.00
Plant	500.00	500.00	500.00
Retained Earnings	-	1,000.00	1,000.00
Shareholders' Equity	1,000.00	2,000.00	2,000.00
Goodwill	-	-	-
Intangible Assets	-	-	-
Investments	-	-	-
Prepaid Expenses	100.00	100.00	100.00
Property	1,000.00	1,000.00	1,000.00
Receivables	500.00	500.00	500.00
Reserves	-	-	-
Total	1,000.00	2,000.00	2,000.00



The project is a multi-stage project of 100 MW capacity and will be completed in three phases. The first phase is a 20 MW project which will be completed by May 31, 1971. The second phase is a 40 MW project which will be completed by May 31, 1972. The third phase is a 40 MW project which will be completed by May 31, 1973.

6. The Government attaches great importance to the development of other viable sources of energy and this project is an important step towards this objective. The Government therefore requests the National Assembly to approve that the Government may guarantee the repayment of the loan referred to above.
7. The current total contingent liability of the Government of Kenya in respect of guarantees given under section 3 (7) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount of KSh 530,500,532 of which KSh 327,424,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and KSh 53,082,532 is in respect of covenants expressed in Kenya currency as per paragraph (a) of section 3 (7) of the Act.

  
 HON. PROF. GEORGE S. MWANGI, M.P.  
 MINISTER FOR FINANCE AND PLANNING

Note.

The purpose of this loan on short terms is to bridge the finance for the advance and progress payments due to the German contractors in anticipation of the loan provided by the Kreditanstalt fuer Wiederaufbau (KfW) the details of which are currently under negotiation between the Government and the Federal Republic of Germany.

It is expected that funds from the KfW - loan will become available before September 1984 and out of these proceeds all amounts due at that time under the loan agreement with Grindlays Bank p.l.c. shall be settled.