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GOVERNMENT GUARANTEE FOR A LOAN BY THE SOCIETA ITALIANA PER CONDOTTE D'ACQUA TO THE EAST AFRICAN COMMUNITY

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 relating to a Guarantee which the Kenya Government is asked to give with the Governments of the United Republic of Tanzania, and the Republic of Uganda in respect of a credit of Italian Lire 7,824,000,000 which is approximately equivalent to K£4,800,000 at the present rate of exchange, to the East African Community. This represents 80% of the Contract Price due to the Societa Italiana per Condotte D'Acqua (Condotte) for the construction of the Community Headquarters at Arusha.

2. The Credit will bear interest at six and one-half per cent (6½%) per annum, the interest commencing on various dates between February 1974 and October 1976, and being compounded for the periods of the respective promissory notes mentioned hereunder, calculated on reducing balances. Before the commencement of the repayment of the Credit, there will be one year's grace period after the completion of the construction.

3. The Credit is repayable over a period of 10 years, this being done through the issuance of an agreed 20 Promissory Notes whose amounts in each case shall form 4% of the total cost of the Project. The amount for each Promissory Note shall go towards the repayment of interest and the principal. The repayment will start on 1st February, 1977 in accordance with the agreed schedule of 20 Promissory Notes, the Notes being paid semi-annually.

4. The Community has asked Condotte to make the Credit available to assist in the financing of its Arusha Headquarters Capital Works Project, which shall provide for the expansion and modernisation of facilities and is intended to house the Headquarters Component, comprising of offices and an Assembly Hall for all the General Fund Services Departments, the gross area of the floors amounting to 35,000 sq. metres.

There will be a Housing Component, composed of 602 residential houses of various categories, for the Community members of staff. Finally, there will be an Industrial Area Component. It is expected that once this Project is completed, the facilities offered will alleviate the present congestion in offices and in housing and will lead to an improvement in the efficiency of the General Fund Services by a re-organisation of most of the Departments within the Headquarters.

5. The Finance Council of the East African Community has already given its approval for this Project, and has advised Condotte accordingly.

6. The total cost of this Project is estimated at K.Shs.120,000,000. Twenty per cent (20%) of this amount, i.e. Shs.24,000,000, shall be provided by the three Partner States and the East African Community, in four instalments of 5% each in Tanzanian Currency, each of them contributing a quarter of the amounts involved. The first 5% instalment becomes payable upon the execution by both East African Community and Condotte of a Deed of Ratification. The second, third, and fourth instalments will be paid three, six and fifteen months after the commencement of the construction of the Project, scheduled for February, 1974. Condotte as the Contractor has arranged for the remaining 80% of the total cost to be financed by the issue of the above mentioned promissory notes for Shs.96,000,000, the notes to be negotiated to various Italian financial institutions. The Credit has been approved formally by the Italian Government. Furthermore Condotte's obligations under the Agreement and Building Contract with the Community have been guaranteed by Italstat, an Italian Company which is wholly owned by the Italian Government and which in turn holds 51% of the total shares in Condotte.

7. Parliament is now requested to agree that Kenya Government extend to Societa Italiana per Condotte D'Acqua joint and several guarantees in Italian Lire, for a principal amount approximately equivalent (at current rates of exchange) to K24,800,000, plus interest at 6½ per cent per annum.

(3)

8. The current total contingent liability of the Kenya Government in respect of guarantees given under Section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£103,556,595.5. With the Guarantee of K£4,800,000 proposed in this Sessional Paper, the aggregate will be increased to K£108,356,595.5 of which K£34,896,623.5 will fall within paragraph (a) and K£73,459,972 within paragraph (b) of section 3(3) of the Act.

Minister for Finance and Economic Planning,
The Treasury,
NAIROBI.

