



REPUBLIC OF KENYA

MINISTRY OF FINANCE

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KENYA GOVERNMENT GUARANTEE OF A LOAN TO THE KENYA POSTS AND TELECOMMUNICATIONS CORPORATION (KP & TC) BY THE ISTITUTO CENTRALE PER IL CREDITO A MEDIO TERMINE - MEDIOCREDITO CENTRALE -- TO FINANCE PART OF TELECOMMUNICATIONS DEVELOPMENT PROGRAMME.

(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 U.S. Dollars four million, seven hundred and thirty six thousand, eight hundred and sixty two, (U.S. Dollars 4,736,862) equivalent approximately to Kenya Shillings seventy five million, seven hundred and eighty nine thousand, seven hundred and ninety two (KShs.75,789,792) to be made available to Kenya Posts and Telecommunications Corporation (KP & TC) by the Istituto Centrale per il Credito a medio Termine - Mediocredito Centrale which has its registered office in Rome, Italy. The total cost of the Italian-funded telecommunications project is estimated at KShs.81,491,536 of which Kenya Posts and Telecommunications Corporation will provide Kenya Shillings five million, seven hundred and one thousand, seven hundred and forty four (KShs.5,701,744), and the balance to be funded through the loan
3. The loan will be repaid in twenty six (26) consecutive equal semi-annual instalments. the first of which falls due thirty (30) months after the date of each drawdown. The loan will bear interest rate of two point five (2.5) per cent per annum, Payable in semi-annual instalments starting from each drawdown.

4. This loan is required to finance part of the cost of Kenya Posts and Telecommunications Corporation's 1984-1988 Development Programme. The loan will be made to KP&TC directly. KP&TC is expected to generate enough capital to meet its commitments in respect of servicing this loan.

5. The main objectives of the telecommunications project to be funded by the Italian loan are :-

- to improve rural telecommunications;
- to improve the quality of existing telecommunications services between urban centres;
- to expand domestic telecommunications network;
- to expand international telecommunications network and,
- to modernize and create diversity in international telecommunications routing.

6. The physical programme aims at:-

- improving rural telecommunications services on the following routes :-

Nakuru	-	Njoro
Murang'a	-	Kangema
Kitui	-	Mwingi
Mombasa	-	Mariakani
Nyeri	-	Kiganjo
Machakos	-	Kangundo
Thika	-	Gaichanjiru

- improving the quality of existing telecommunications services between the following urban centres :-

Nyeri	-	Embu
Kisumu	-	Kisii
Nairobi	-	Kitui
Nairobi	-	Garissa

- expanding domestic telecommunications network by opening up the following routes:-

Nairobi	-	Kinyuinyini
Kinyuinyini	-	Mbwinzau
Homa Bay	-	Gembe
South Hill	-	Naivasha
Nyahururu	-	Lesiolo
Nyeri	-	Kerugoya

- expanding the Nairobi-Longonot international telecommunications link.
- establishing an alternative international telecommunication link between Nairobi-Longonot.

7. Below is the project cost summary.

PROJECT COST SUMMARY

Project Details	ESTIMATED PROJECT COST			
	KSHS.		US \$	
	Local	Donor	Total	Total
Carrier System	152,880	9,413,568	9,566,448	597,903
Extension of Multiplex Equipment	565,200	15,107,008	15,670,208	979,388
New Multiplex Equipment	849,888	20,713,440	21,563,328	1,347,708
Expansion Nairobi-Longonot Link	112,000	3,923,904	4,035,904	252,244
Alternative Nairobi-Longonot Link	4,023,776	26,631,872	30,655,648	1,915,978
TOTAL	5,701,744	75,789,792	81,491,536	5,093,221

NOTE : Exchange rate being applied is : US \$1 = 16 KShs.

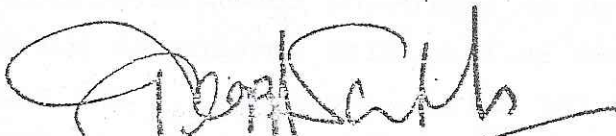
8. The Kenya Posts and Telecommunications Corporation is a wholly-owned Government parastatal, which was established under the Kenya Posts and Telecommunications Act, Chapter 411 of the Laws of Kenya. The Corporation will be the Borrower and the executing agency for the proposed project. KP & TC is accountable to the Ministry of Transport and Communications. Its duties include the following:-

- (a) establishment and operation of postal services and performance of incidental services relating to the receiving, collecting, sending, despatching and delivery of postal articles;
- (b) establishment and operation of money order services and performance of incidental services relating to the issuing, receiving and paying of money orders;
- (c) establishment and operation of telephone services and performance of incidental services relating to providing, installing and maintaining of telephone apparatus;
- (d) establishment and operation of telegraph services and performance of incidental services relating to the receiving, collecting, despatching and delivering of telegrams; and
- (e) establishment and operation of radio communications services, regulation and control of radio communication and provision, installation and maintenance of necessary equipment for any other person authorized to operate radio communication.

9. The proposed project aims at improving rural telecommunications services and is therefore in line with Government policy of District Focus Strategy for Rural Development. The project is expected to enhance improved quality of telecommunications in urban areas and hence stimulate urban commercial and related activities.

The creation of diversity in the international telecommunications link between Nairobi and Longonot Earth Satellite Radio Station is in the national interest because the country will still be able to communicate to the outside world in the event of Main route failure between Nairobi and Longonot Earth Satellite Radio Station. The routing to the outside world between the ground Satellite radio station at Longonot and space segments above the Atlantic and Indian Oceans are already diversified. Expansion of international telecommunications network is necessary in view of increasing traffic.

10. The Government attaches great importance to the development of telecommunications throughout the country as a necessary infrastructural development. The Government therefore requests the National Assembly to approve that the Government guarantees the re-payment of the loan as referred to above.
11. The current total contingent liability of the Government of Kenya in respect of guarantees given under Section 3(3) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£478,072,497 of which K£431,158,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and K£46,914,497 is in respect of covenants expressed in Kenya currency as per paragraph (a) of Section 3(3) of the Act.



Hon. Prof. George Saitoti
Minister for Finance
