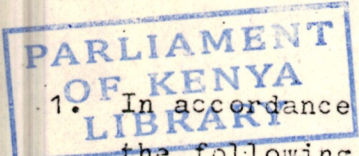


KENYA GOVERNMENT GUARANTEE OF MONEYS LEND TO THE KENYA POWER COMPANY LIMITED BY THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO FINANCE THE CONSTRUCTION OF OLKARIA GEOTHERMAL POWER EXPANSION PROJECT.



THE GUARANTEE (LOANS) ACT, CAP. 461 III 1 Binding ✓ 2

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 Twelve million (US\$12,000,000) equivalent to Kenya Shillings One Hundred Fifty Nine million Six Hundred Thousand (KSh159,600,000) to be made available to the Kenya Power Company Limited by the International Bank for Reconstruction and Development which has its Head Office in Washington D. C., U.S.A. The Commonwealth Development Corporation and the European Investment Bank are Co-financiers of the project,
3. The loan will be paid in 13 years commencing in August 1987, and will bear interest at the rate of 11.43 per cent per annum on the principal amount of the loan withdrawn and outstanding from time to time. The borrower (KPC) will pay a bank fee of US\$177,340 and a further commitment charge at the rate of 3/4 of 1% p.a. on the principal amount of the loan not withdrawn from time to time.
4. This loan is required to finance the expansion of the generating station at Olkaria Geothermal Power Station which is being developed by the Kenya Power Company Limited. The Kenya Power Company is a wholly Government owned parastatal. The Project consist of the following parts:-
 - a) Installation of a third 15 MW steam turbine-driven generator at the Olkaria geothermal plant, together with all auxiliaries and ancillary electrical and mechanical equipment, installation of an extension to the cooling tower and ancillary works, and expansion of the switching station and the well-head steam gathering system.
 - b) Construction of additional housing and expansion of the water supply to the generating station and the drilling sites.
 - c) Construction of a hard-surfaced road from the operators' houses to the generating station.

cooling towers of mechanically induced draught type with timber framing and circulating water system with 3 vertical pumps (1 stand-by),

generator transformer rated at 18 MVA to supply to the 132kV system, station transformer and auxiliary transformer (415 V),

switchgear for 132kV, 11kV and 415kV and accessories with complete installation of cables instrumentation and controls and other connected installations and equipment,

steam supply system including all well-head equipment, pipework, valves, instruments, silencers, steel supports and anchors.

b) Substation

to connect with the 132kV transmission line

c) Civil Works

relevant for the mechanical and electrical work and the substation as well

d) Access Road

of about 9 km length from the housing area at Lake Naivasha, capable of carrying heavy loads to the site

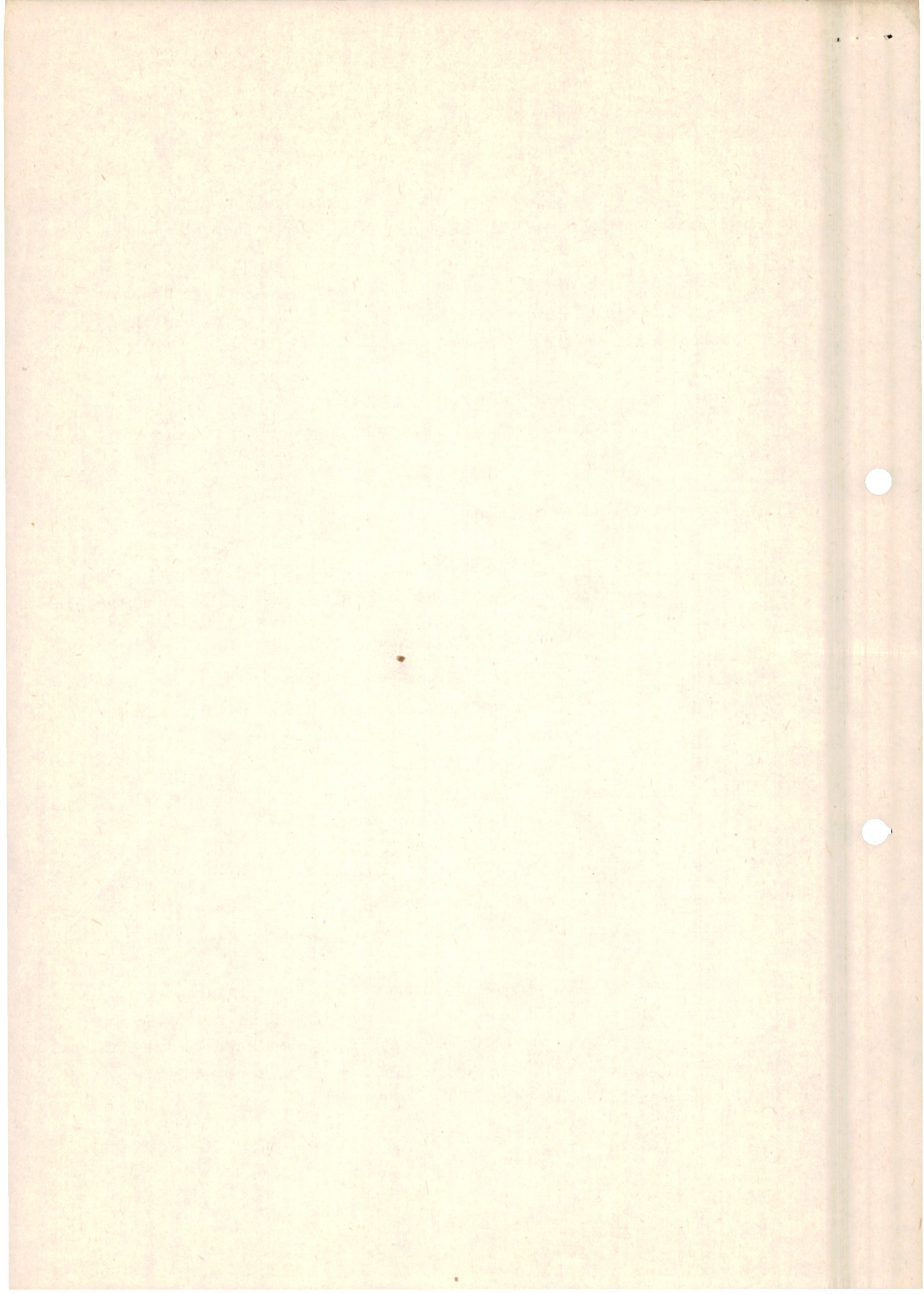
e) Water supply and Staff housing

for the additional requirements of Unit III

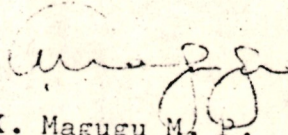
f) Drilling of Wells

sufficient to supply about 140 t/h of steam of 6 bars at the well-heads plus adequate reserves (estimated number 9 wells)

5. The Government attaches great importance to the development of non-conventional sources of energy and this project is an important step towards that objective. The Government therefore requests the National Assembly to approve that the Government may guarantee the repayment of the loan referred to above.



6. 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 of K£380,509,582. K£327,424,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and K£53,082,582 is in respect of covenants expressed in Kenya currency as per paragraph (a) of section 3 (3) of the Act.


A. K. Magugu M. P.
Minister for Finance

