



REPUBLIC OF KENYA

MINISTRY OF FINANCE

PHE

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SESSIONAL PAPER NO.2 OF 1990

KENYA GOVERNMENT GUARANTEE OF A LOAN OF JAPANESE YEN 7,674,000,000 EQUIVALENT TO KSHS.1,115,082,800 FROM OVERSEAS ECONOMIC COOPERATION FUND, JAPAN, TO EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED.

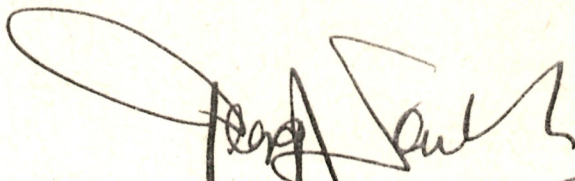
- In accordance with the provisions of the Guarantee (Loans) Act (Cap 461 of the Laws of Kenya), the following information is laid before the National Assembly for consideration and approval.
- The East African Portland Cement Company Limited is a Limited Company registered under the Company Act. It has a share capital of Kf1,500,000, consisting of Six million shares of nominal value of Ksh.5.00 per share. The shareholders are as follows.

(a) Government of Kenya	52%
(b) Blue circle Industries (U.K)	14%
(c) Cementia Holdings (Switzerland)	14%
(d) Public (through Stock Exchange)	20%
	100%
- The Company manufactures Cement by utilisation of locally available raw materials. It is one of the only two cement Manufacturing Companies in the country. ~~The total current production is sold in the Kenyan market leaving Bamburi portland cement company Limited at Mombasa to deal with exports and also to supplement the local demand.~~ The present plant is 33 years old and subsequently it has become uneconomical to run due to delapidated equipment which require replacement in view of high Maintenance cost. If this is not done the plant would certainly collapse in a few years time.
- With the full assistance of the Kenya Government, East African Portland Cement Company Limited has successfully negotiated for a loan of Japanese Yen 7,674,000,000 equivalent to Kshs.1,115,082,800 from the overseas Economic cooperation Fund of Japan. The Loan is concessionary. The Loan bears an interest rate of 2.5% per annum, payable semi annually on the Principal disbursed and outstanding.

The loan carries 10 years Grace period and 20 years Repayment period.

5. In 1983 the total local consumption per year was only 517,000 tonnes. In 1989 the consumption had risen to 1,070,000 tonnes, a growth of nearly 107%. Effectively this has been reducing what is available for export since the National production capacity is 1,200,000 tonnes per year. The proceeds of the loans will be utilised to increase the production capacity from the current level of 340,000 tonnes per year to 552,000 tonnes per year and later to 700,000 tonnes per year at minimal additional investment. This investment will bring the following benefits to the economy.
 - (a) To increase foreign exchange earnings
 - (b) The technology currently used at Athi River (Wet process) is very expensive in terms of fuel consumption. At the present low production, the factory burns about 130 metric tonnes of fuel oil per day. At an increased production of 552,000 tonnes per year, the factory would burn about 215 metric tonnes of fuel per day. This would cost a lot to the Company and also to the Nation in terms of foreign Exchange. The project funded by this loan is therefore intended to change the technology to modern one (Dry process) which will save fuel consumption by up to 45% thereby considerably reducing the production cost.
 - (c) The project being funded by this loan will create employment opportunities for Kenyans in short and long term.
 - (d) The increased cement consumption is an indication of economic growth, particularly in the building sector. The loan will therefore enable sustenance of this growth due to continued availability of cement at affordable costs.
6. The National Assembly is therefore requested to approve the Government Guarantee of a loan of Japanese Yen 7,674,000,000 equivalent to Ksh.1,115,082,800 from Overseas Economic Cooperations Fund of Japan to the East African Portland Cement company Limited.
7. The current total contingent Liabilities of the Government of Kenya in respect of the Guarantees given under section (3) of the Guarantee (Loans) Act other than those specified in the schedule to the Act) amount

to Kf1,041,783,746 and with this guarantee of a sum equivalent to Kf55,754,140, the aggregate amount will be increased to Kf1,097,537,886 of which Kf83,489,499 will fall within paragraph (a) and Kf1,014,048,387 within paragraph (b) of section 3(3) of the Act.



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