



**PARLIAMENT
OF KENYA
LIBRARY**

KENYA NATIONAL ASSEMBLY

(TENTH PARLIAMENT-THIRD SESSION)

REPORT OF THE COMMITTEE ON IMPLEMENTATION

ON

**THE UNDERTAKING MADE IN THE HOUSE BY THE ASSISTANT
MINISTER FOR INDUSTRIALIZATION ON 28TH MAY, 2009 ON RE-
OPENING OF PAN AFRICAN PAPER MILLS, WEBUYE**

OCTOBER, 2009

Preface

Mr. Speaker sir,

The committee on implementation was re-established following the adoption of the new standing orders by the House on 10th December, 2008. The Committee was initially created in the revised standing orders of 1979 but was later disbanded in 1980 following an amendment to the rules of procedure.

The mandate of the committee emanates from standing order 196 which states:

- (1) There shall be a select committee to be designated the committee on implementation.
- (2) The Committee shall scrutinize the resolutions of the House (including adopted committee reports), petitions and the undertakings given by the Government on the floor of the House and examine-
 - (a) whether or not such decisions and undertakings have been implemented and where implemented, the extent to which they have been implemented; and whether such implementation has taken place within the minimum time necessary; and
 - (b) whether or not legislation passed by the House has been operationalised and where operationalised, the extent to which such operationalisation has taken place within the minimum time necessary.
- (3) The committee may propose sanctions to the House on any Minister who fails to implement resolutions of the House.

Mr. Speaker sir,

The committee was created by the House to follow-up on several issues ranging from assurances, promises and undertakings given by Ministers from time to time on the floor of the House either to consider a matter, take action, or to furnish information to the House.

The main task of the committee on implementation is therefore to ensure that the assurances, undertakings or promises made are not only carried out but also that they are carried out within minimum time necessary.

The undertakings are made on the floor of the House in reply to questions, Ministerial statements or during debate on Bills and Motions.

The committee is also mandated to follow-up on petitions presented to the House as well as the implementation of House resolutions and operationalisation of Bills passed by the House and, in particular ensure that Ministers comply with the provisions of standing order 183 (1) which states;

“Within sixty days of a resolution of the House or adoption of any report of a select committee, the Minister under whose portfolio the matter raised in the report or contained in the assurances or resolution fall, shall provide a report to the House.”

Mr. Speaker sir,

The committee on implementation was constituted on 17th June,2009 and comprises the following members:

The Hon. Jamleck Kamau, MP - Chairperson

The Hon. (Dr.) Joyce Laboso,MP - Vice-Chair

The Hon. Isaac Ruto,MP

The Hon. Gitobu Imanyara,MP

The Hon Charles Onyancha, MP

The Hon. Benjamin Langat,MP

The Hon. Abdirahman H. Ali,MP

The Hon. Peter Gitau,MP

The Hon. Alex Mwiru,MP

The Hon. Daniel Muoki,MP

The Hon. Elias Mbau,MP

Mr. Speaker sir,

It was in accordance with the mandate given in the standing orders that the matter regarding the closure of Pan African Paper Mills in Webuye and subsequent assurance by an Assistant Minister for Industrialization on its re-opening was referred to the committee on implementation.

I take this opportunity to sincerely thank members of the committee for their commitment during the enquiry.

Let me also take this opportunity to thank the offices of the Speaker and Clerk of the National Assembly for extending the necessary support to the committee to enable it to further its mandate particularly to undertake the enquiry referred to it by the House.

It is now my pleasure and privilege to present the report of the committee on Implementation on the undertaking made regarding the re-opening of Pan African Paper Mills, Webuye for consideration and adoption by the House.

Thank you.

Signed:..........

CHAIRMAN

(HON. JAMLECK KAMAU,MP)

Date:..... 10 - 11 - 2009

Introduction

The subject before the committee relates to a question by private notice raised in the House by the member for Webuye, Mr. Alfred Sambu regarding the re-opening of Pan African Paper Mills, Webuye on 28th May,2009.

The question read as follows:

“(a) Could the Minister table the findings and recommendations of the task force constituted by the Government to investigate the closing down of Pan African Paper Mills in Webuye?

(b)When will the employees who were in employment at the time of closure, and who were not compensated, receive their compensation?

(c) Could the Minister confirm that the factory will re-open on 1st June, 2009 as promised by the Government?”

In his reply, the Assistant Minister for Industrialization (Mr. Nderitu Muriithi) confirmed that the Government appointed a technical and financial evaluation task force on 2nd April, 2009 to undertake an urgent evaluation of Pan African Paper Mills, East Africa Ltd to establish the viability of the company. The report by the task force noted that the company was technically and financially viable subject to the restructuring of debts owed by the firm. The Assistant Minister also informed the House that the concerns of all former employees of the company including those laid off by the receivers would be addressed when the discussions which were on going at the time were concluded. He further confirmed that the factory was initially scheduled to re-open around 1st June,2009, but due to unforeseen technicalities, the re-opening was rescheduled to take place later in the same month. He assured the House that the company would re-open at the end of June,2009 as follows:

....“secondly, I could commit myself to re-opening the factory on 21st June,2009 but I know this process has certain issues that may force us not to re-open it on that date. I wish the Hon. Member could accept the last week of June as the firm target that we have given the teams that are working there, to deliver a working factory at Webuye.”

When the factory did not re-open as promised, the member for Webuye sought a ministerial statement on 4th August,2009 seeking a firm work-plan indicating the exact date of re-opening the factory. The matter was again raised in the House by the member for Webuye on 13th August,2009, who sought guidance from the Chair on when the statement would be issued.

Eventually, the Minister for Industrialization issued a Ministerial statement regarding the state of Pan African Paper Mills on 19th August,2009.

The Minister informed the House as follows:

- a) Pan African Paper Mills was established in 1967 with majority shareholding by Opil Group of India whereas the Government and other investors like IFC were minority shareholders;
- b) The company accumulated huge debts over the years which it was unable to service culminating into its abrupt closure on 30th January,2009 due to power disconnection arising from non-payment of bills to KPLC;
- c) The management which was also the majority shareholder absconded to India in March, 2009 without the knowledge of the Government;
- d) The company's performance prior to the closure had deteriorated which was attributed to failing plants, inadequate wood supplies, high cost of fuel and stiff competition from imported cheap paper products;
- e) The above factors resulted in the formation of a task-force which was working with the management of PPM on the implementation of turn-around strategy;
- f) There appears to be something wrong with the management structure of the company and there could be a criminal element and it would be necessary to conduct forensic audit before re-opening the company;
- g) The task-force appointed by the Government was negotiating with lenders and key suppliers on the revival of the plant under a joint receivership as directed by the Cabinet;
- h) The Treasury had set aside Ksh. 500 million as part of the revival package for the plant; and,
- i) A Cabinet memo had been prepared seeking further direction on the matter and a response is being awaited.

The matter was subsequently referred to the committee on implementation by the House on 19th August, 2009 to investigate the circumstances surrounding the closure of Pan African Paper Mills and especially establish the factors against its re-opening thereof as earlier promised by the Assistant Minister.

The committee held three meetings with the Minister and Assistant Minister for Industrialization who were accompanied by officials from the Ministry. The committee also invited the Solicitor General, the Permanent Secretary, Treasury and the Permanent Secretary, Ministry of Forestry and Wildlife. The Ministers and officials provided invaluable information and their insight on the matter in question assisted the committee in understanding the history of Pan African Paper Mills, its operations and circumstances surrounding its closure.

Arising from the foregoing meetings, the committee made the following notes and observations.

Notes and observations

- a) The closure of Pan African Paper Mills has adversely affected the economy of the country and particularly that of Webuye town and its environs;
- b) The question of Pan African Paper Mills involves many parties which includes majority and minority shareholders, long-term and short-term lenders, suppliers, and employees, which makes revival efforts very complex;
- c) The Government has demonstrated intention and further taken tangible measures aimed at the revival of the company; and,
- d) The Assistant Minister made a firm commitment to the House in good faith that PPM would be re-opened at the end of June,2009 but Government efforts have been hampered by other parties with a stake in the plant.

The committee will continue to follow-up the undertaking made to the House to its logical conclusion.

Recommendation

The committee, after examining all the above factors makes the following recommendation:

The Government should continue and even enhance its efforts to ensure that the Pan African Paper Mills re-opens as soon as practically possible, to safeguard the national interest.

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