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SESSIONAL PAPER NO. I OF 1981

REPUBLIC OF KENYA

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THE GOVERNMENT OF KENYA GUARANTEE OF A
LOAN TO THE INDUSTRIAL AND COMMERCIAL DEVELOP-
MENT CORPORATION FROM THE DEUTSCHE GESELLSCHAFT FUR
WIRTSCHAFTLICHE ZUSAMMENARBEIT (ENTWICKLUNGSGESELLSCHAFT)
MBH, A PRIVATE LIMITED COMPANY INCORPORATED UNDER THE LAWS
OF THE FEDERAL REPUBLIC OF GERMANY WITH ITS HEADQUARTERS IN
COLOGNE, FEDERAL REPUBLIC OF GERMANY

THE GUARANTEE (LOAN) ACT CAP. 461

1. In accordance with the provisions of the Guarantee (Loans) Act, Chapter 461, of the Laws of Kenya, the following information is laid before the National Assembly for the proposed guarantee by the Government of the obligations of the Industrial and Commercial Development Corporation (hereinafter called ICDC) in respect of a loan of fifteen million Deutsche Marks (15,000,000) equivalent to about Kenya Shillings Sixty Million (KShs. 60,000,000/=) at current exchange rates to be granted to ICDC by the Deutsche Gesellschaft Fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbh (hereinafter called D.E.G.) a financial institution of the Federal Republic of Germany to enable ICDC to make further additional financial contributions by way of equity to the Rift Valley Textiles Company Limited (RIVATEX).
2. RIVATEX was incorporated as a private limited liability company on 19th June, 1975 with a nominal share capital of Shs. 200,000/= divided into 10,000 shares with a nominal value of Shs. 20/= each. The share capital was subsequently increased to Shs. 115,000,000/= divided into 5,750,000 shares of Shs. 20/= each. The additional shares were to rank in all respects pari passu with the original shares.

The shareholders of RIVATEX are listed below together with the percentage and number of their shareholding:--

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<u>SHAREHOLDER</u>	<u>NUMBER OF SHARES</u>	<u>%</u>
I.C.D.C.	2060400	35.83
Seditex Group	1683862	29.28
I.F.C.	1030738	17.93
D.E.G.	875000	15.22
SIFIDA	<u>100000</u>	<u>1.74</u>
	<u>TOTAL</u>	<u>100.00</u>

At incorporation RIVATEX was managed by foreigners who left towards the end of 1979. The company is now headed by a local Managing Director.

3. A SUMMARY OF THE LONG TERM LOANS AND MACHINERY SUPPLIER'S CREDIT TO RIVATEX

A. INDUSTRIAL DEVELOPMENT BANK (IDB) LOAN:

- i) Loan Amount in Foreign Currency - US\$ 1,120,000
- ii) Purpose of the loan - to finance foreign costs of the plant i.e. imported machinery and services.
- iii) Government Guarantee - none
- iv) Principal Amount Already Repaid - US\$ 56,000 in June, 1978

B. DEVELOPMENT FINANCE COMPANY OF KENYA (DFCK) LOAN:

- i) Loan Amount in Local Currency - KShs. 5,000,000/=
- ii) Purpose of Loan - to finance Local Capital Costs of the RIVATEX project.
- iii) Government Guarantee - none
- iv) Principal Amount Already Repaid - none

C. INTERNATIONAL FINANCE CORPORATION (IFC):

- i) Loan Amount in Foreign Currency - US\$ 6,300,000
- ii) Purpose of Loan - to finance foreign costs of RIVATEX project.
- iii) Government Guarantee - none
- iv) Principal Amount Already Repaid - none

D. SIFIDA LOAN

- i) Loan Amount in Foreign Currency - Deutsche Mark 736,000
- ii) Purpose of Loan - to finance foreign costs of the RIVATEX projects,
- iii) Government Guarantee - none
- iv) Principal Amount Already Repaid - DM 46,000
June, 1978

E. EAST AFRICAN DEVELOPMENT BANK (EADB):

- i) Loan Amount in Local Currency - KShs. 3,000,000/=
- ii) Purpose of Loan - to finance Local Capital Costs of the RIVATEX project.
- iii) Government Guarantee - none
- iv) Principal Amount Already Repaid - KShs. 750,000/=

F. DEUTSCHE GESELLSCHAFT FÜR WIRTSCHAFTLICHE ZUSAMMENARBEIT (ENTWICKLUNGSGESELLSCHAFT, MbH (DEG) LOAN:

- i) Loan Amount in Foreign Currency - DM 1,300,000
- ii) Purpose of Loan - to finance the purchase of fixed assets for the RIVATEX project.
- iii) Government Guarantee - none
- iv) Principal Amount Already Repaid - none

G. ICDC LOAN - KSHS. 11.65 MILLION:

Following Government supported efforts for the financial rehabilitation of RIVATEX, ICDC will now be converting the above loan together with any interest accrued on it into equity.

H. ICDC LOAN - KSHS. 30 MILLION:

ICDC negotiated the above facility from the Commercial Bank of Africa which it then on-lent to RIVATEX. This followed a Government directive to ICDC to ensure continuity of operations at RIVATEX following the pull-out of foreign management. The funds were mainly utilised in meeting an amount of Shs. 22 million due on Machinery Credits.

1. On November 7th, 1980, ICDC deposited the sum K.sh. 10.5 million in RIVATEX's account with Commercial Bank of Africa to assist RIVATEX to meet suppliers credit payments which had fallen due on November 1st, 1980 and not rescheduled.

ICDC retains the option to convert the above sum together with any interest accrued on it into equity.

J. MACHINERY CREDIT:

The total amount involved and guaranteed by the Government through ICDC is Shs. 88,723,753/-.

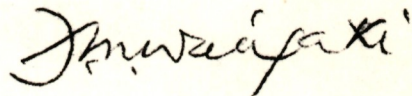
4. ICDC together with other Shareholders of RIVATEX have agreed to take appropriate steps leading to the financial restructuring and rehabilitation of RIVATEX. These steps include increasing the nominal share capital of RIVATEX and the acquisition by ICDC of shares originally held by Seditex and Associates (Seditex Engineering Beratungsgesellschaft fur die Textilindustrie MBH, Josef Hansen and Sohne, Aubenhandels-gesellschaft MBH and Findomer S.A.) who have pulled out of the company as managers and Shareholders. The loan the subject of this guarantee will be used to meet ICDC's financial obligation to RIVATEX which include subscribing for shares in the increased share capital, of the company. Part of the loan will also be given as a loan to RIVATEX and part to meet any financial commitment which ICDC may have met on behalf of the company.
5. The disbursement of the loan is conditional upon a Government guarantee being provided by the Government. The National Assembly is therefore requested to approve that the Government may guarantee repayment of the loan referred to in paragraph I hereof and other charges connected therewith.

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The current total contingent liability of the Government in respect of guarantees given under section 3 of the Guarantee (Loans) Act, (other than those specified in the schedule to the Act) amounts to K£307,600,494 with the proposed guarantee of a sum equivalent to K£3,000,000 now proposed, the aggregate will be increased to K£310,600,494 of which K£12,585,583 will fall within Paragraph (a) and K£298,014,911 will fall within Paragraph (b) of Section 3 (3) of the Act.



HON. DR. MUNYUA WAIYAKI
MINISTER FOR INDUTRY

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