

PAPERS LAID		No.	
Speaker N.A.	1	Clerk Asst. IV	1
Clerk N.A.	1	Reporters	1
Clerk Asst. I	1	Press	3
Clerk Asst. II	1	Library	2
Clerk Asst. III	1	Binding	2

SESSIONAL PAPER NO. 7 OF 1980

GOVERNMENT GUARANTEE OF A LOAN TO KENYA FURFURAL
COMPANY LIMITED BY THE GUINNESS MAHON AND COMPANY
LIMITED (BANKERS) OF UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

THE GUARANTEE (LOANS) ACT (CAP 461)

1. In accordance with the provisions of the Guarantee (Loans) Act, Cap 461, Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.

2. The Kenya Government Vide Sessional Paper No. 9 of 1977 guaranteed a loan of up to £ stg 4,650,000 to the Kenya Furfural Company Limited by Guinness Mahon and Company Limited (Bankers) acting on behalf of the Bank of Scotland.

3. The loan was to be used to finance the purchase of goods and services originating from the United Kingdom for the construction and operation of a Furfural production plant at Eldoret with a forecast capacity of 5000 tons per annum of furfural and, as by-products 3000 tons per annum of acetic acid and 300 tons per annum of formic acid. The project will utilize maize cobs and the products will be for both local consumption and export, thus aiding in the country's savings and earnings of valuable foreign exchange needed for other developmental projects.

SECTIONAL BANK ACT OF 1980

GOVERNMENT GUARANTEE OF A LOAN TO KENYA FUTURE
COMPANY LIMITED BY THE BUSINESS HABON AND COMPANY
LIMITED (BANKERS) OF UNITED KINGDOM OF GREAT BRITAIN
AND IRELAND

THE GUARANTEE (LOANS) ACT (CAP 481)

In accordance with the provisions of the Statute
(Loans) Act, Cap 481, Laws of Kenya, the following
information is laid before the National Assembly for
consideration and approval.

The Kenya Government Vice-Chancellor Panel No. 2 of
1977 guaranteed a loan of US \$ 1,000,000 to
the Kenya Future Company Limited by Guinness Bank
and Company Limited (Bankers) acting on behalf of
the Bank of Scotland.

The loan was to be used to finance the purchase
of goods and services originating from the United
Kingdom for the construction and operation of a
pulp production plant at Ilmorog with a processing
capacity of 700 tons per annum of pulp and
as by-product 100 tons per annum of waste
and 150 tons per annum of formic acid. The project
will utilize waste wood from the process which
for both local consumption and export thus aiding
in the country's savings and earnings of valuable
foreign exchange needed for other developmental
projects.

4. The construction of the plant reached a stage whereby commercial trial runs were started in April, 1980. In spite of the progress so far achieved there have been some cost overruns arising from difficulties experienced in the timely supply of machinery and equipment, currency fluctuations which have also given rise to increase in customs duty and sales tax; and additional capital works which were not foreseen at the time when the project was conceived.
5. As a result of the foregoing, the Kenya Government proposes to guarantee a further loan of up to Estg. 1,750,000 equivalent to K£ 1,500,000 at the current rate of exchange to be made available to Kenya Furfural Company Limited by Guinness Mahon and Company Limited (Bankers), in order to bridge the financial shortfall which the company expects to experience.
6. The loan will bear interest at the rate of 8% per centum calculated on the amount of the loan drawn and outstanding from time to time. Interest on the loan principal will be paid half-yearly in arrears.
7. The loan principal will be amortized by ten half-yearly instalments commencing 30th May, 1982.
8. The loan is conditional upon a guarantee being provided by the Government for which Parliament's approval is sought.

The construction of the plant required a considerable amount of capital which was obtained from the sale of the property of the project and the proceeds of the project. It is believed that there have been some cost overruns arising from difficulties experienced in the timely supply of machinery and materials, currency fluctuations which have also risen due to exchange in constant but not higher tax and additional capital works which were not foreseen at the time when the project was conceived.

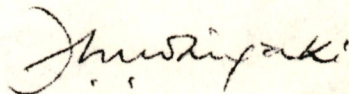
As a result of the foregoing, the Kenya Government has agreed to guarantee a further loan of up to Kshs. 1,750,000 equivalent to Kshs. 1,500,000 at the present rate of exchange to be made available to Kenya Petroleum Company Limited by Citibank, London and Citibank Limited (Kenya), in order to assist the financial effort which the company expects to undertake.

The loan will bear interest at the rate of 8 per cent per annum on the amount of the loan drawn and outstanding from time to time. Interest on the loan principal will be paid half-yearly in arrears.

The loan principal will be amortized by the half-yearly payments commencing from the year 1971. The loan is conditional upon a guarantee being provided by the Government for which full approval is sought.

9. The total current contingent liability of the Government in respect of guarantees given under Section 3 of the guarantee Loans Act (Cap 461) of the Laws of Kenya amount to K£ 312,848,094.

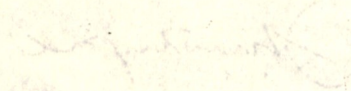
With the proposed guarantee of K£ 1,500,000 the aggregate will be increased to K£ 314,348,094 of which K£ 12,585,583 will fall within paragraph (a) and K£ 301,762,511 paragraph (b) of clause 3(3) of the Act.



MUNYUA WAIYAKI

MINISTER FOR INDUSTRY

The total current contingent liability of the Government in respect of guarantees given under section 3 of the Guarantees Loans Act, 1951 (11) of the laws of Kenya amount to Rs. 12,323,000. In addition the aggregate of Rs. 1,000,000 with the proposed guarantee of Rs. 1,000,000 the aggregate will be increased to Rs. 214,323,000 of which Rs. 15,253,511 fall within paragraph (a) and Rs. 201,723,511 paragraph (b) of clause 3(1) of the Act.


MINISTER FOR FINANCE