

GOVERNMENT GUARANTEE ON A LOAN TO THE KENYA  
FURFURAL COMPANY LIMITED BY THE EUROPEAN INVESTMENT  
BANK OF LUXEMBOURG IN ACCORDANCE WITH THE E.E.C./A.C.P  
CONVENTION OF LOME

---

THE GUARANTEE (LOANS) ACT, CAP.461

1. In accordance with 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 5,880,000 European Units of Account (equivalent to approximately 58,800,000 Kenya Shillings) to be made to the Kenya Furfural Company Limited by the European Investment Bank within the framework of the European Economic Community's Indicative Aid Programme for the Republic of Kenya.
3. The loan is to be used for financing the construction and operation costs of a furfural production plant to be built at Eldoret with a forecast capacity of 5,000 tons per annum of furfural and, as by-products, 3,000 tons per annum of acetic acid and 300 tons per annum of formic acid. The project will utilize maize cobs which are in plentiful supply in the country and the products will both be for local consumption and export, thus earning the country much needed foreign currency.
4. The Kenya Furfural Company Ltd was incorporated in 1977. The authorised share capital is KShs. 60 million, which has been fully subscribed. The Government and quasi Government financial institutions have controlling interest in the Company to the extent of 51% of the share holdings with the balance being held by foreign and local share holders.
5. The loan will bear interest at the rate of approximately six per cent per annum 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.
6. The loan principal will be amortised by ten half-yearly instalments commencing 20th January, 1981.

7. The loan is conditional upon a guarantee being provided by the Government of Kenya for which Parliament's approval is sought.

8. The current total contingent liability of the Government in respect of all guarantees provided to date under Section 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act) amounts to K£279,196,841. With the guarantee of 5,880,000 European Units of Accounts (equivalent to £2,940,000) proposed in this Sessional Paper, the aggregate will be increased to K£282,136,846 of which £2193,387,569 falls within para (a) and K£88,749,272 within para (b) of Section 3(3) of the Act.

MINISTER FOR FINANCE AND PLANNING

July, 1977.