

GOVERNMENT GUARANTEE OF A LOAN TO KENYA
FURFURAL COMPANY LIMITED BY THE GUINNESS
MAHON & CO. LIMITED (BANKERS) OF UNITED
KINGDOM OF GREAT BRITAIN & 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 proposes to guarantee a loan of up to £stg. 4,650,000 (equivalent to Ksh. 3,292,200 at the present rate of exchange) to be made available to the Kenya Furfural Company Limited by Guinness Mahon & Co. Limited (Bankers) acting on behalf of the Bank of Scotland.
3. The loan is 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 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 large supply in the country and the products will both be for local consumption and export, this aiding in the country's saving and earning of valuable foreign exchange needed for other developmental projects.
4. The Kenya Furfural Company was incorporated in 1977. The authorized share capital is Kshs. 60 million, which has been fully subscribed, with the Kenya Government holding the controlling interest in the Company to the extent of 34% of the shareholdings and the balance being held by the Industrial Development Bank Ltd. (a wholly owned government company), the Agricultural Development Corporation (ADC), a statutory government corporation, and the Development Finance Company of Kenya Ltd. also a government controlled entity, and the European Investment Bank in association Process Licensors.
5. The loan will bear interest at the rate of 8% per centum 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 fourteen half-yearly instalments commencing 31st May, 1980.
7. The loan is conditional upon a guarantee being provided by the Government for which Parliament's approval is sought.
8. The current contingent liability of the Government in respect of all guarantees to date under section 3 of the Guarantee (Loans) Act (Other than those specified in the schedule to the act) amounts to K£.296,436,841 with the guarantee of £stg.4,650,000, (equivalent to K£.3,292,200) proposed in this Sessional Paper, the aggregate will be increased to K£.299,729,041 of which K£.210,979,769 falls within para(a) and K£.88,749,272 within para. (b) of Section 3(3) of the Act.

HON. MWAI KIBAKI

MINISTER FOR FINANCE AND PLANNING