

65

LIBRARY

SESSIONAL PAPER NO. 8 OF 1973
KENYA GOVERNMENT FOR A SECOND LINE OF CREDIT
OF SHS. 6,115,000/- TO THE INDUSTRIAL AND
COMMERCIAL DEVELOPMENT CORPORATION

1. In accordance with the Provisions of the Guarantee (Loans) Act CAP.461 the following information is laid before the National Assembly relating to a guarantee which the Government proposes to give to the East African Development Bank in respect of a second Line of Credit of Shs. 6,115,000/- to the Industrial and Commercial Development Corporation for investment in various industrial projects.

2. The Industrial and Commercial Development Corporation is a parastatal body wholly owned by the Government and was originally incorporated in 1954 under the Industrial Development Act. The Industrial and Commercial Development Corporation was extensively reorganised to widen its assistance to African businessmen and industrialists after Kenya's independence.

At its inception, the Corporation was formed with the main objective of promoting and fostering industrial and commercial development in Kenya by the initiation, assistance, or expansion of industrial, commercial and other undertakings or enterprises. To this end, the Corporation has expanded its activities quite considerably in recent years in the field of investigating and investing in small, medium and large industrial and commercial projects as well as extending financial assistance in the form of loans to the Wananchi for the development of such projects.

In the process of trying to meet these challenges and objectives, the Corporation has found itself in need of more and more funds and the gap between the available funds and the demand has gone on widening. To meet this shortfall, the Corporation has found it necessary to seek additional financial assistance from public and private institutions such as the commercial banks and has now successfully negotiated with the East African Development Bank for a second line of credit of Shs.6,115,000/- to be invested in various identified commercially viable projects.

3. The East African Development Bank after investigating each of the projects separately and after it is satisfied that they are commercially and economically viable has agreed to extend a line of credit of Shs.6,115,000/- to the Industrial and Commercial Development Corporation, subject to the following terms and conditions:

- (a) Full repayment to be effected within nine years;
- (b) Moratorium on capital repayment for the first two years during which only interest will be paid. The first instalment to be paid half yearly on 1st June and 1st December. The first payment fell due on 1st June, 1973. Thereafter, the loan will be repaid over seven years;
- (c) Kenya Government Guarantee to be given;
- (d) Interest to be charged at 9% p.a.
- (e) A commitment fee of 1% per annum be charged on the total amount of the loan not withdrawn from time to time, and to be paid semi-annually and

should start to accrue sixty (60) days from the date of offer or from the date of the signing the loan Agreement whichever is the earlier;

(f) A commission fee of 1% on the total loan be chargeable at the time of the first disbursement.

4. Parliament is now requested to agree that Kenya Government extend to the East African Development Bank the required guarantee of payment of principal given and interest thereon in respect of a loan of Shs.6,115,000/- to the Industrial and Commercial Development Corporation.

5. The current total contingent liability of Kenya Government in respect of the guarantees given under Section 3 of the Guarantee (loans) Act (other than those specified in the schedule to the Act) inclusive of the guarantees sought to be given in Sessional Paper No.8 of 1973 amounts to Shs.35,422,980/-. With the guarantee of Shs.6,115,000/- proposed by this Sessional Paper, the aggregate will be increased to Shs.41,537,980/- of which Shs.41,537,980/- will fall within paragraph (a) and Shs. nil within paragraph (b) of Section 3 (3) of the Act.

MINISTER FOR COMMERCE AND INDUSTRY.

SCHEDULE OF PROJECTS TO BE FINANCED BY
THE ABOVE SECOND LINE CREDIT TO I.C.D.C.

<u>PROJECT</u>	<u>ICDC'S EQUITY PARTICIPATION</u>	<u>AMOUNT LHS.</u>
1. Tannery	49%	980,000
2. P.V.C. coated fabrics	40%	600,000
3. Associated battery Manufacturers (E.A.) Ltd.	20%	855,000
4. Ready Made Garments	40%	1,280,000
5. Fibreboard	34%	2,400,000
		<hr/>
	TOTAL	6,115,000
		<hr/> <hr/>