

SESSIONAL PAPER NO. 10 OF 1969 ON
GOVERNMENT GUARANTEE FOR A LOAN FROM
THE EAST AFRICAN DEVELOPMENT BANK TO THE
INDUSTRIAL ~~DEVELOPMENT~~ AND COMMERCIAL DEVELOPMENT
CORPORATION

In accordance with the Loans (Guarantee) Act, the Minister for Commerce and Industry has given notice of the following motion:-

THAT, this House approves the proposal by the Government to guarantee a loan from the East African Development Bank to the Industrial and Commercial Development Corporation of a sum not exceeding K£260,000 payable over a period of 12 years including 4 years of grace and carrying a rate of interest of 8% per annum payable half yearly plus a commitment fee of 1% per annum on funds not disbursed as contained in Sessional Paper No.10 of 1969 already laid on the Table of the House.

(President's consent signified)

2. The Industrial and Commercial Development Corporation, an autonomous body wholly owned by the Government, has negotiated a line of credit of K£260,000 from the East African Development Bank. This credit is required to finance the equity portion of the I.C.D.C. in respect of 6 large scale industrial projects, being jointly sponsored by I.C.D.C. and foreign industrialists. These projects are Hoechst East Africa Ltd. (synthetic resins), Kenya Industrial Plastics (plastic tablewares, toilet seats, stool, etc.), Kenya Engineering Industries Ltd. (locks, pad locks, matchets and

shovels), Ceramics Industries of East Africa Ltd. (crookery, glazed wall tiles, mosaic tile, low tension electrical porcelain, etc.), Heshima Carpets (carpets and rugs) and the expansion of the Thika Factory of Metal Box Company of East Africa. (Additional details attached).

3. This credit which is repayable over a period of 12 years, including 4 years of grace, carries a rate of interest of 8% per annum. The interest will be paid half yearly, the first instalment to be paid six months after the first disbursement. The I.C.D.C. shall also pay a commitment fee of 1% per annum. Before this loan is formally disbursed to the I.C.D.C., the East African Development Bank needs a guarantee from the Government.

4. The Industrial and Commercial Development Corporation was incorporated in 1954 in pursuance of the Industrial Development Act. The I.C.D.C. is concerned with the industrial and commercial development of Kenya by the initiation, assistance, or expansion of industrial, commercial or other undertakings or enterprises. Apart from rendering consultancy and extension services, particularly in the field of management practices, cost accountancy, book-keeping, etc., the Corporation provides credit facilities to small African commercial and industrial enterprises for short periods for working capital and on long term basis for machinery and equipment.

5. In keeping with its objectives of promoting the industrial development of the country and integrating Africans into the industrial and commercial sectors of the economy, the Corporation promotes joint industrial ventures with foreign investors and where necessary holds shares in such ventures; it being understood that part if not all of the I.C.D.C. shares are held in trust for

Africans. Through this policy, the Government ensures that the country benefits from modern technology and management and administrative expertise of the foreign industrialists.

6. To discharge its multifarious obligations, the Corporation has a capital of K£3.1 million (as at 30th June, 1969), out of which its overall investment in shareholding and loans have been financed. Of this total capital, the Corporation had invested K£2.9 million as at 30th June, 1969, on different fields of activities as follows:-

<u>INVESTMENT FIELD</u>	<u>INVESTMENT AS AT 30/6/69</u>
	K£
(i) Shareholdings	897,400
(ii) Large & Medium sized Loans	565,100
(iii) Small scale industries promotion (small loans and Kenya Industrial Estate Ltd.)	508,800
(iv) Commercial Loans	579,000
(v) Other Investments (Property Loans & Share-Purchase Loans)	350,000
	<u><u>Total</u></u>
	<u><u>K£2,900,300</u></u>

7. From the above, it would be observed that the Corporation has struck a healthy balance in the allocation of resources to small enterprises and large-scale ventures. However, the I.C.D.C. Board of Directors have approved a number of joint venture industrial projects between I.C.D.C. and foreign industrialists. It is for implementation of these projects that I.C.D.C. informally approached the East African Development Bank for loan assistance.

APPENDIX TO SESSIONAL PAPER NO.10
SOME VITAL STATISTICS RELATING TO 6 PROJECTS

Name of the Project:	Items to be Manufactured:	Total Investment: K£	Equity Capital:		Employment			Annual Production K£	Profitability at full Production % (Net profit x 100) Investment
			Total K£	ICDC'S Share K£	Direct NOS.	Indirect NOS.	Total NOS.		
1. Hoechst E.A. Ltd:	Synthetic Resins	243,750	107,150	32,000	20	20	40	211,650	12.3
2. Kenya Industrial Plastics Ltd:	Plastic Table-ware; Ash-trays; Toilet Seats; and Stools	49,000	15,000	5,000	10	10	20	70,900	34.5
3. Kenya Engineering Industries Ltd:	Locks; Pad Locks; Matchets; and Shovels:	345,950	200,000	100,000	160	240	400	469,350	26.0
4. Ceramics Industries of E.A. Ltd:	Crockery; Glazed Wall Tiles; Mosaic Tiles; Low Tension Electrical Porcelain etc.	150,000	100,000	20,000	80	120	200	173,775	24.0
	Sub-total c/f	788,700	422,150	157,000	270	390	660	925,675	...

	Sub-total b/f	788,700	422,150	157,000	270	390	660	925,675	
5. Heshima Carpets:	Carpets & Rugs:	120,000	85,000	25,500	60	90	150	177,500	9.3
6. Expansion of Metal Box Co. of East Africa:	Metal containers; Printed metal containers; and Plastic domestic appliances	1,295,000	750,000	75,000	50*	100*	150*	1,521,000	10.4
	Gross total	2,203,700	1,257,150	257,500	380	580	960	2,624,175	14.5

* This refers to additional employment resulting from expansion of the factory.