SPECIAL REPORT

Bid to manufacture fertilisers abandoned

By BLAMUEL NJURURI

KENYA's third attempt to set up a fertiliser factory in 14 years appears bleak following disagreement between the National Agricultural Chemicals and Fertilisers Ltd., (NACAF), and Stamicarbon B.V. a Dutch firm which would have undertaken the construction work.

The two parties entered into an agreement to set up a fertiliser factory following the collapse of Ken-Ren, which had intended to build a similar plant. The agreement was signed on December 10, 1980.

But over the next one and half years, the partners failed to cope with each other. There were accusations and counter-accusations, until the Kenyans called off the deal six months ago, saying the Dutch company was hood-winking them.

Crucial

A crucial meeting of NACAF board of directors held towards the end of 1981 was told by the managing director, Mr. J.S. Mburu, the performance of Stamicarbon was unsatisfactory.

The directors noted "with the greatest concern that no useful progress has been made so far, and it is extremely disappointing to note that Stamicarbon is not capable of giving some of the services it was appointed to undertake".

Mr. Mburu informed the board he had told Stamicarbon in August that they (Stamicarbo) had failed to diligently carry out its engineering duties. At that time NACAF wrote to Stamicarbon informing it the documents which were required as per consultancy agreement and which Stamicarbon had submitted were "incomplete, casual and of poor quality."

Subsequent meetings held between NACAF and Stamicarbon were fruitless. Stamicarbon allegedly promised to send complete documents but failed to do so. In accordance with Schedule 1 of the agreement, Stamicarbon should have provided most of what was being requested in August 1981 by February that year.

Stamicarbon had already utilised one-third of the man-months allocated for the completion of the work, and only 20 months were left out of the 30 months provided by the agreement. It had claimed Sh. 20 million by the end of October, 1981, representing a minimum of Sh. 2 million per month over 10 months.

Mr. Mburu told the board he was concerned that no acceptable technical recommendations and the necessary documents related to a previously planned (Ken-Ren) fertiliser plant, and any suggestions on modifications had been submitted by Stamicarbon.

NACAF noted that most of the technical data and material inventory had not been received from Ken-Ren as it was under liquidation.

Revealing

The managing director told the board that NACAF had discovered Stamicarbon was recommending modifications to the Ken-Ren plant without revealing the necessary technical features, thereby concealing many important weaknesses of the plant which NACAF ought to know and without which important decisions, particularly on additional capital expenditure, could not be taken. That was the very strategy used by Ken-Ren of which he had been the executive chairman, he said.

"It now looks as if Stamicarbon is deliberately submitting incomplete documents in order to justify utilisation of more man-months for which they were paid very high fees but fell behind schedule 1 of the agreement," Mr. Mburu said.

His board was disturbed because Stamicarbon had recommended that a pipe reactor of their design be used in the new plant with modifications that were to cost NACAF Sh. 47.5 million. Apparently, a pre-neutraliser costing Sh. 2 million and no longer patented could have served the purpose with minimal spare part needs.

The board then decided that the scope of work by Stamicarbon be reviewed. It recommended that training, construction, supervision civil engineering, erection and commissioning be taken away from Stamicarbon. That would save millions of shillings in fees, charges and commission, it was decided.

Attempts to implement the board's decisions met with opposition from Stamicarbon, and the two partners parted company last June. The termination of the agreement is understood to have provoked litigation yet to be brought againt NACAF.

Whatever has happened since then has been difficult to come by as both parties have remained tight-lipped. A provision of the agreement is said to prohibit either party from publicly saying what went wrong.

MR. J.S. Mburu: It is extremely disappointing.

Efforts to get comment from Mr. Mburu or the Ministry of Agriculture were fruitless.

Replying to a cable inquiry which set out a number of questions about the project and contract cancellation, Stamicarbon's parent company DSM boss, Mr. J.J.T.M. Geeerards, who had signed the cancelled contract with NACAF, told the *Sunday Nation* that under the agreement termination agreement between NACAF and Stamicarbon neither party was allowed to disclose information regarding the project.

"However, we reserve the right to react to public statements which might harm Stamicarbon's interests," he said.

Ken-Ren was a successor to the Sh. 100 million Triange Fertilisers factory launched for construction at Kwa Jomvu in 1968 as a joint project between the Development Finance Company of Kenya (DCFK), Covil (ICI) Albatross of Germany and Thyssen Rohr International GMBH of Dusseldorf. The latter was the medium for a German constructional loan for the project anticipated to take two years. The project was then hailed as the largest single project in East Africa.

After the collapse of Ken-Ren, which was being managed by N-Ren with Mr. Mburu as executive chairman, the Government in December, 1980, entered into an agreement with the Dutch firm to revive the aborted project. Mr. Mburu, as managing director of the newly-formed NACAF, signed on behalf of the Government while Dr. Geeerards signed for Stamicarbon.

The terms of agreement were not made public, but but Mr. Mburu then said the agreement was an effort by the Government to set up a fertiliser manufacturing industry.

"This time the Government is more determined to succeed in putting up the factory which will produce fertilisers in the country at a price local farmers can afford," Mr. Mburu said.

The Dutch firm was expected to study and investigate plans, designs, drawings, documents, specifications, equipment and machinery previously purchased by Ken-Ren for building the factory. Stamicarbon was also supported to carry out the necessary design and engineering work in building the factory. That now seems to have been a dream.

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Mengistu should meet with Barre

STATEMENTS of considerable interest and, we might add, significance as far as peace in this region is concerned, keep on cropping up in Mogadishu.

The latest came from Somalia Minister for Defence Lt. Gen. Mohamed Ali Samatar who claimed last week that his country has no designs on Ethiopian territory. Apparently having forgotten that Somalia and the Soviet Union once used to cohabitate, Gen. Samatar charged that Russian "expansionist" strategy was responsible for the continuing conflict in the Horn of Africa.

The conflict Gen. Samatar was referring to is, of course, continued fighting between Somalia guerrillas and Ethiopian troops in The Ogaden on one hand and Somalia troops and guerrillas opposed to the regime of President Mohamed Siad Barre on the other.

It is not our intention here to defend the Russians. However, we find it difficult to agree that they are responsible for the conflict. If anything, we think, and there is ample evidence, that different regimes in Mogadishu have been largely responsible for the conflict.

The Mogadishu leadership has a tendency to forget history or rather to ignore it whenever the question of conflict in this region is concerned. It was Somali leadership that made annexation of The Ogaden and north eastern Kenya their country's constitutional requirement in pursuit of what they called Greater Somalia.

As a result, a whole generation of Somali people has been raised believing that annexation of The Ogaden and Kenya's north eastern is a matter of national honour. This has meant that the Somali leaders have been caught in a corner and to save face have more often than not opted for annexation.

To achieve this goal, they have supported incursions and subversions in the two regions. In 1978 they openly sent their armed forces to The Ogaden and the Ethiopians had a hard time driving them out. But since this thrashing, the Somali leaders, and particularly President Barre, have been talking less tough and making statements that appear to indicate they are prepared to relinquish their claims on both The Ogaden and Kenya's North Eastern Province.

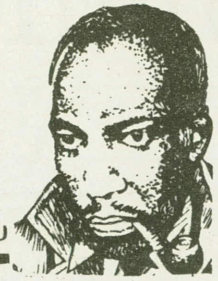
It is worthy of note that the Somalia constitution no longer requires the Somali people to pursue the creation of a Greater Somalia nation. It does, however, pledge that the Somali Republic will always support self-determination of peoples.

That is a good cover under which the Somalia Government can continue to support the self-determination of the people who live in The Ogaden — essentially the same people who have always been supported by Mogadishu in the past — and also any dissidents in Kenya's North Eastern Province, as was the case in the 60s.

On the other hand, the idea of supporting self-determination of peoples can also be an escape hatch for President Barre. As it is understood internationally, the concept of supporting self-determination of peoples has no place in what the Somalia Government has been doing in The Ogaden or Kenya's North

Oil prices should be allowed to fall

By CHEGE MBITIRU



IT is silly that a world which has learned to live with high oil prices should now panic because members of the Organisation of Oil Exporting Countries (OPEC) appear to be heading into a price war.

For one thing, it is unlikely that Opec countries will engage in a cut-throat price war and even if they were to do so, it will only be for a short time before the prices stabilise at a lower level, which will be good news anyway.

The panic started on Tuesday following the failure of Opec ministers meeting in Geneva to agree on measures to stabilise falling oil prices.

All it needed was Saudi Oil Minister Ahmed Zaki Yamani to say "there has been a complete failure" for people in the industrialised world and oil producers that are non-Opec members to start predicting disasters.

The issue before Opec ministers was a straightforward one. The world is not only experiencing an economic recession but has also learned how to conserve fuel. As a result there is a glut (over-supply) of oil in the world.

Consequently, the prices are going down. In addition, some oil producing countries, some of them Opec members, need the money badly and are, therefore, selling their oil at prices lower than Opec's bottom-line and

be totally operative in a country like Kenya or other developing nations that have been forced to spend most of their foreign exchange earnings on petroleum products. But in these countries the foreign exchange burden will ease and the effect will eventually reach the consumer.

A review by the American Express International Banking Corporation says that the stimulative effects of lower oil prices "would be a welcome factor in ensuring economic recovery, not least as a means of easing corporate and country cash flows..."

Reason

Governments in the industrialised oil producing countries like the US, Britain, Norway and Australia, would face immediate loss of tax revenues. But they are bound to gain from other sources in improved economies.

extended them loans were to sink, it is doubtful that in real terms the amount of money involved is large enough to lead to damages that out-weigh the benefits accrued through low oil prices.

It is important to recall what has happened since the oil prices started going up in the mid-seventies both, in the oil producing countries and in the developing world.

By and large the oil producing nations have been wasting the money they have been accumulating. This is particularly so in the oil-producing Arab countries. They have engaged in some of the most grandiose projects and conspicuous consumption unparalled in the history of mankind.

In all fairness, these countries have created development funds and have helped some poor developing nations. But the among of money ear-marked for these funds has not off-set the damages caused by high oil prices.

Other countries — developing ones but with oil as the main source of revenue — have been equally wreckless. They too, have engaged in grandiose projects under the impression that oil prices will continue going up.

These prices would have only gone up if there wasn't a recession or people did not learn how to conserve energy, particularly energy deprived from oil. But there was evidence to the contrary but it wasn't taken into consideration.

The Ochieng View

University, politics, scholars and girls

MY good friend, Reuben, came home the other day and narrated graphically his performance before the Presidential Commission charged with the restructuring the university.

"Are you sure you are not kidding? Are you saying you volunteered to appear before those wise men to discuss the university?" I asked.

"I gave them a piece of my mind," Reuben boasted. "If intelligent taxpayers like us cannot offer their opinions on such important public issues, then who will?"

"And what do you know about the university, if I may ask?" I said.

"What do you take me for?" Reuben asked indignantly. "I did not pick up my degrees from Lake Victoria! I went to university and I feel I know what a university should be".

"And what the hell should a university be?" I pressed.

"Let us start with what a university should not be. Our university must not be turned into a labour dump where long-legged girls and distant cousins are given employment. It is amazing how many useless