

GOVERNMENT GUARANTEE OF A LOAN TO THE SOUTH		Part IV	1
NYANZA SUGAR COMPANY LIMITED BY THE EAST			1
AFRICAN DEVELOPMENT BANK:			1
		Clerk Asst. II	1
		Clerk Asst. II	1
THE GUARANTEE (LOANS)		Clerk Asst. II	2

1. In accordance with the provisions of Section 5(1) 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 Government proposes to guarantee a loan of up to twenty million Kenya shillings (KShs. 20,000,000) to be made to the South Nyanza Sugar Company Limited (the Company) by the East African Development Bank (EADB) for financing in part the purchase of factory equipment and machinery for the white sugar factory to be built at Awendo in South Nyanza District, Nyanza Province with associated estate including a nucleus estate of up to 3,400 hectares, outgrower development, estate and factory roads, housing and social amenities.

3. The loan will bear interest at the rate of eleven per centum (11%) per annum on the principal amount of the loan advanced and outstanding from time to time, and is payable half-yearly in arrears on June 1 and December 1 of each year commencing not later than December, 1981.

4. The loan principal will be repayable in twenty (20) equal consecutive half-yearly instalments each payable on the first of June and first of December, in each year, the first of such instalments becoming payable on the first of June or first December, approximately, three (3) years (moratorium) after the last disbursement in accordance with an agreed amortization Schedule. Such repayment is expected in any event to commence not later than first December, 1981.

5. The Company was incorporated in Kenya in 1976 for the purpose of carrying out the sugar project. The Government including Government developmental agencies, (the Industrial Development Bank and ICDC) is to hold approximately 97% of the total share capital. Private shareholders, most of them local, will subscribe the other 3% of the Company's share capital.

6. The East African Development Bank loan is conditional upon the provision of a guarantee by the Government under the Guarantee (Loans) Act, of the obligations of the Company, principally, the repayment of principal interest commitment and commission, and other normal banking charges due from the Company to EADB under the Loan Agreement.

7. The Government agrees that the Company should obtain the loan in question for the purposes of the project. It is expected that when the project becomes operational in about 24 months' time, the total amount of sugar currently imported into the country will be reduced substantially and the foreign reserves thereby saved will be utilized for other needy projects in rural areas. Parliament is now requested to agree that the Kenya Government extend to the EADB a guarantee in the sum of twenty million Kenya shillings (KShs. 20,000,000). Parliament has already agreed to the guarantee of U.S. \$3.4 million being lent by the U.S.A. - Eximbank to the Company for the purchase of agricultural equipment from the U.S.A. Similar guarantees are being sought for the European Investment Bank Loan for funds to complete the total financing of the project.

8. The current total contingent liability of the Kenya Government in respect of guarantees given under the Guarantee (Loans) Act, (other than those specified in the Schedule to the Act) amount to K£299,729,041. With the guarantee of K£1,000,000 proposed in this Sessional Paper, the aggregate will be increased to K£300,729,041 of which K£211,979,769 will fall within paragraph (a) and K£88,749,272 within paragraph (b) of Section 3(3) of the Act.