

GOVERNMENT GUARANTEE OF A LOAN TO SOUTH
NYANZA SUGAR COMPANY LIMITED BY THE
DEUTSCHE GENOSSENSCHAFTSBANK FRANKFURT
am MAIN ("DG BANK") OF THE FEDERAL
REPUBLIC OF GERMANY:

THE GUARANTEE (LOANS) ACT
(CAP 461)

In accordance with the provisions of the Guarantee Loans Act (Cap.461) of the Laws of Kenya, the following information is laid before the National Assembly relating to a guarantee by the Government of the Republic of Kenya of the obligations of the South Nyanza Sugar Company Limited in respect of a foreign currency loan equivalent to DM.35,552,000 million granted by Deutsche Genossenschaftsbank (DG Bank), a German Co-operative bank which supports agricultural based industries in Germany, and is for the first time ever lending credit to a foreign institution.

The South Nyanza Sugar Company Limited (hereinafter called the Company) was incorporated in mid 1976 by the Government for the purpose of initiating erecting and commissioning a white sugar factory (hereinafter called the "Project") at Awendo in South Nyanza District, in Nyanza Province. The Government is to have approximately 90% of the share capital of the Company.

Negotiations are currently under way with other financiers interested in assisting the Company to finance the agricultural equipment for the project and when these are concluded the necessary Sessional Paper will be prepared and laid before the National Assembly.

DG. Bank has offered the Company a loan in German Deutsche Mark amounting to DM.35,552,000 for financing the purchase of factory equipment in Germany. This amount is equivalent to Kenya pounds (KSh6,115,000). The terms of the loan include eleven

and half years with a three year moratorium on capital and interest repayments. Interest will be payable at the rate of 8% per cent which is the lowest lending rate for Government Banks in the Federal Republic of Germany.

The loan is conditional upon the provision of a guarantee by the Government under the Guarantee (Loans) Act covering all payments of fees, interest, and principal due from the Company under the Loan Agreement.

The Government has decided that the South Nyanza Sugar Company Limited should borrow the funds it requires for the construction of the project (sugar factory) since the main equipment plant etc. will have to be paid for in foreign exchange. It is anticipated that when the project becomes operational in about 3 years time, the total amount of sugar currently imported to supplement local production will be reduced substantially, and hence help in saving much needed foreign exchange which can be diverted to other needy areas of development.

The current total contingent liability of the Kenya Government in respect of guarantee given under clause 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act) amounts to K246,401,479 with the guarantee of K36,115,000 proposed, the aggregate will be increased to K252,516,479 of which K163,767,207 will fall within paragraph (a) and K88,749,272 within paragraph (b) of Clause 3(3) of the Act.

HON. J.J.M. NYAGAH

AG. MINISTER FOR FINANCE AND PLANNING

18th October, 1976