



REPUBLIC OF KENYA

MINISTRY OF FINANCE

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SESSIONAL PAPER NO. 10 OF 1989

KENYA GOVERNMENT GUARANTEE OF LOAN TO SOUTH NYANZA SUGAR COMPANY LIMITED FROM COMMONWEALTH DEVELOPMENT CORPORATION

- In accordance with provisions of the Guarantee (Loans) Act, (Cap.461) of the Laws of Kenya, the following information is laid before the National assembly for consideration and approval.
- South Nyanza Sugar Company was established in 1977 with the dual objectives of reducing the country's dependence on Sugar import and also of providing a focus for development in the South Nyanza District and the 60,000 tonnes of Sugar per year capacity factory was Commissioned in 1979.

With effect from January, 1986 Booker Agricultural International (BAI) took over the management under the Technical Management Agreement.

The decline in production was reversed quite rapid under Booker Tate's management. The record production of over 45,000 tonnes of Sugar was achieved in 1988/89 financial year. Booker Tate has now re-established the farmer's confidence in SONY and the farmers are now paid in time for their cane. The financial results have improved gradually and losses at SONY have been reduced to about half of their previous level. However, progress on the financial results is dependant upon the rehabilitation programme.

- The Government propose to guarantee a loan of Stg.£3,900,000 equivalent to KShs.133,157,700 at the current rate of exchange to be made available to South Nyanza Sugar Company by Commonwealth Development Corporation under conditional Nature of CDC's obligations. The loan will carry an interest rate of 8% p.a. and a maturity of 14 years i.e. 5 years Grace period and 9 years repayment period.



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4. The Government has agreed and decided that South Nyanza Sugar Company should obtain the loan-it required for rehabilitation and development of 2,300 hectare nucleus estate, expansion of 2,400 tonnes per day cane factory and 10,700 hectares of outgrowers cane in the South Nyanza District. Expansion project upon the provision of Guarantee by the Government under the Guarantee (Loan Act.).
5. By this paper, the National Assembly is requested to approve and agree--that Kenya Government may guarantee the loan spelt out under paragraph three of the paper.
6. The current contingent liabilities of the Government in respect of guarantees under section 3 of the guarantee (Loan) Act (Other than those specified in the schedule to the act) amount to Kf1,059,296,828 and with this guarantee of a sum equivalent to Kf^{6,657,883}~~6,57,883~~ the aggregate will be increased to Kf1,065,954,713 of which Kf83,489,499 will fall within paragraph (a) and Kf979,599,234 within paragraph (b) of section 3(3) of the Act.

HON. PROF. GEORGE SAITOTI
VICE PRESIDENT AND MINISTER FOR FINANCE