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 SESSIONAL PAPER NO.
 GUARANTEE BY GOVERNMENT OF KENYA TO BARCLAYS BANK KENYA
 LIMITED FOR OVERDRAFT FACILITY TO KENYA CO-OPERATIVE
 CREAMERIES (K.C.C.) UNDER THE GUARANTEE LOANS ACT (CAP. 461)

Speaker N.A.	Clerk Asst. IV	1
Clerk N.A.	OF 1979	1
Clerk Asst. I		2
Clerk Asst. II		2
Clerk Asst. III		2

1. In accordance with the Provision of Section 5(1) 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.
2. The Government has, in recognition of the current K.C.C.'s financial problems and the need for implementation of the new Primary Schools' Milk Scheme on schedule, proposed to give a guarantee to Barclays Bank Kenya Limited of Enterprise Road Branch, P.O. Box 18060, NAIROBI. for overdraft facilities of Kenya Shilling Fifty Million (KSh. 50 million) being extended by the Bank to Kenya Co-Operative Creameries Limited (K.C.C.) to enable K.C.C. to pay farmers on due dates; implement the new Primary Schools' Milk Schemes; improve and expand, supply and Marketing of Milk and Milk products.
3. Current K.C.C. overdraft facility with Barclays Bank Kenya Ltd. is Kenya Shillings forty-five million (KShs. 45 million) secured against K.C.C. assets. K.C.C. cannot meet its current obligation within this overdraft facility Limits. The additional overdraft facility of KShs. 50 million is required now because of the following factors which have aggravated K.C.C. financial position:-
 - (i) Accumulated deficits of KShs. 67,352,340 brought forward from previous years.
 - (ii) An outstanding debt of KShs. 16 million owed to

K.C.C. by Uganda.

- (iii) Large accumulations of dairy products and stock holdings which could not be disposed off due to the abnormal weather conditions, K.C.C. has now managed to halt any further accumulations of dairy products and Stock holding by increasing Sales of liquid milk and disposing of powder milk to Sudan, Ethiopia, Manila and Uganda.
- (iv) Milk intake from farmers has increased considerably during the current financial year and therefore pay out to farmers has continued to be at high levels. This has made it difficult for K.C.C. to effect payment on due dates within the current overdraft limits. Payments to farmers have therefore been delayed for long periods.
- (v) K.C.C. has started implementation of the new Primary Schools' Milk Scheme. An estimated total expenditure of KShs. 19 million is required for immediate capital investments by K.C.C. for expansion of production and marketing facilities.

4. The Kenya Co-operative Creameries Ltd. which was established in 1925 with the objectives of receiving milk and cream from its members, processing milk and cream into various types of milk products and marketing milk and milk products has continued to play an important role in the dairy industry. The Government has therefore since 1969 taken a keen interest in K.C.C. operations and has consequently secured and guaranteed various loans outlined in the Appendix to this paper.

for K.C.C. for construction of dairy processing plants in various parts of the country from external donors under bilateral Aid Agreements. The total current indebtedness of K.C.C. is K£3,781,583 composed of K£1,531,583 loans outlined in the Appendix to this Paper and K£2,260,000 current overdraft facility with Barclays Bank Kenya Ltd. With the proposed additional overdraft facilities of K£2,500,000 the total overdraft facilities will amount to K£4,750,000. This will raise total indebtedness from K£3,781,583 to K£6,281,583. K.C.C. has finalised negotiations for a further loan of K£5,000,000 from Danish grant to Kenya Government for establishment of a new factory at Nairobi and extensions of Eldoret, Kitale and Nakuru Factories. The grant total indebtedness of K.C.C. will amount to K£11,281,583 if K.C.C. utilizes the later loan.

5. K.C.C. will by the additional overdraft facility improve its operations and reduce the large outstanding deficit. It will reduce the overdraft by periodic payments in the usual course of its operations.
6. By this Sessional Paper, the National Assembly is requested to approve and agree that the Government may give to the Barclays Bank Kenya Ltd. a guarantee by Government for bank overdraft facilities of Kenya Shillings fifty million (Kshs. 50 million) under the Guarantee Loans Act.

7. The total current contingent liability of Kenya Government in respect of guarantees given under Section 3 of the Guarantee Loans Act (Cap. 461) of the Laws of Kenya excluding liability under collateral and those specified in the Schedule to the Act amount to K£263,577,346. With the proposed guarantee of K£2,500,000 the aggregate will be increased to K£266,077,346 of which K£8,796,853 will fall within paragraph (a) and K£257,280,493 (b) of clause 3(3) of the Act.

(J. J. M. NYAGAH)
MINISTER FOR AGRICULTURE.

APPENDIX

LOAN	PROJECT	AMOUNT KSHS.	TERMS AND CONDITIONS FOR LOAN REPAYMENT	BALANCE TO DATE KSHS.
1. U.K/Kenya Government	Kiganjo Milk Factory	3,150,093/10	Payable in 10 Years by equal instalments. Interest at 6% per annum.	7,84,680
2. Danish/Kenya Government Loan	Sotik Milk Factory	6,669,180	Repayable in 8 years by equal instalments. Interest at 6% per annum.	5,001,880
3. Danish/Kenya Government Loan	Nyahururu Milk Factory	12,739,406/30	Repayable in 10 years by equal instalments. Interest at 6% per annum.	15,336,680
4. Danish/Kenya Government Loan	Kitale Milk Factory	9,310,480	Repayable over a period of 7 years in equal instalments. Interest at 8% per annum.	9,222,740
5. Danish/Kenya Government Loan	Milk Coolers	319,086/85	Repayable in 7 years by equal instalments. Interest at 5% per annum.	285,680