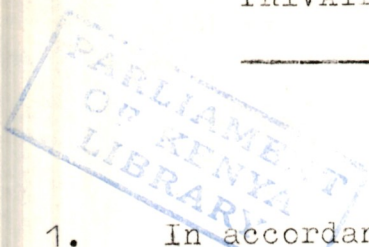


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SESSIONAL PAPER NO. 5 OF 1977
 GOVERNMENT GUARANTEE OF A LOAN TO SOUTH-NYANZA SUGAR COMPANY LIMITED BY THE EQUATOR BANK LIMITED, PRIVATE EXPORT FUNDING CORPORATION AND EXPORT-IMPORT BANK OF THE UNITED STATES OF AMERICA



THE GUARANTEE LOANS ACT (CAP.461)

- In accordance with Section 5(1) of the Guarantee (Loans) Act, (Cap.461) the following information is laid before the National Assembly for consideration and approval.
- The Government proposes to guarantee a loan of U.S. \$3.4 million equivalent to approximately KSh1,410,000 (at current exchange rates) to be made to the South Nyanza Sugar Company Limited (hereinafter called "the Company") by a consortium of U.S.A. banks; the Export-Import Bank of the U.S. (Eximbank) U.S. \$1,600,000 (the Eximbank Credit), Equator Bank Limited (Bank) U.S. \$1,000,000 (the Bank Credit), and Private Export Funding Corporation (PEFCC) U.S. \$800,000 (the PEFCC Credit).
- The Eximbank and PEFCC Credits will bear interest at the rate of 8½% and 8¾% per annum respectively calculated on the basis of actual number of days using a 365 day factor. The Bank Credit will bear interest at the rate of 2% above the cost of funds on the offered quotations to first class banks in the interbank Euro-dollar market. This means approximately a going rate of interest of 8½% to 10% per annum. Both the Eximbank Credit, the Bank Credit, and the PEFCC Credit will each carry a commitment fee or charge of ½% (one half) per cent per annum on the principal amount of the Credits not withdrawn or uncanceled or unexpired calculated in respect of the Bank Credit on the basis of the actual number of days elapsed using a 360 day year, and in respect of the Eximbank and PEFCC Credits, using a 365 day year. In addition, the Company will also pay a commitment fee of 1/8% (one eighth) per cent per annum to Eximbank in respect of the guarantee by Eximbank to the PEFCC Credit.
- The Credits plus interest are repayable over a period of 8 years including a period of 3 years moratorium for the Bank Credit, 4 years for the PEFCC Credit, and 5 years for the EXIMBANK Credit, beginning respectively from March, 1980 to September, 1984 in accordance with an agreed amortization schedule.

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5. The Company was incorporated in Kenya in 1976 for the purpose of carrying out the Sugar project. The Government including the Government Agencies (the Industrial Development Bank and ICDC) is to hold approximately 90% of the total share capital. Private investors will subscribe the other 10% of the share capital of the Company.

6. The Credits are conditional upon the provision of a guarantee by the Government under the Guarantee Loans Act covering the Principal, interest and commitment fees due from the Company under the Credit Agreement.

7. The Government has agreed and decided that the Company should obtain the Credit it requires for the purchase of Agricultural equipment for use in the cultivation of cane in the Company's own nucleus estate and the outgrowers in the project area. It is anticipated that when the project becomes operational in about two (2) years time, the total amount of sugar currently imported to supplement local production will be reduced substantially and hence help in saving valuable foreign exchange which can be diverted to other needy areas of development. Parliament is now requested to agree that the Kenya Government extend to each of the Lenders a guarantee in the sums cited in paragraph 2 of this paper.

8. The current total contingent liability of the Kenya Government in respect of guarantees given under Section 3 of the Guarantee (Loans) Act, (other than those specified in the Schedule to the Act) amount to K£277,786,841. With the guarantee of K£ 1,410,000 proposed, the aggregate will be increased to K£ 279,196,841 of which K£ 190,447,569 will fall within paragraph (a) and K£ 88,749,272 within paragraph (b) of Section 3(3) of the Act.

HON. MWAI KIBAKI
MINISTER FOR FINANCE AND
PLANNING
