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SESSIONAL PAPER NO.9 OF 1979

GUARANTEE BY GOVERNMENT OF KENYA TO THE
 FRENCH BANK - BANQUE DE PARIS ET DES
 PAYS-BAS FOR A LOAN TO NZOIA SUGAR
 COMPANY LIMITED



UNDER THE GUARANTEE LOANS ACT
 (CAP 461)

1. In accordance with Section 5(1) of the Guarantee Loans Act, Cap.461 of the Laws of Kenya, the following information is laid before the National Assembly in connection with a proposed guarantee by the Government of the obligations of Nzoia Sugar Company Limited for consideration and approval under:

(i) An Agreement dated 27th March 1979 between TECHNISUCRE a French Consortium of Government controlled institutions having its registered offices at 110 Ruede L'Universite, Paris 7, as supplier and Nzoia Sugar Company Limited of P.O. Box 47089 Nairobi as purchaser for the Supply by Technisucre to the Company of Technical Services to the total value of French Francs Twenty-three Million, One Hundred and Eighty-two Thousand (FF.23,182,000), which according to the current rate of exchange of FF.1 = KShs.1.73 is equivalent to Kenya Shillings Fourty Million, One Hundred and Four Thousand, Eight Hundred and Sixty (KShs.40,104,860) for the years 1979 - 1982. The Company will pay 15% of the said sum, and balance thereof will be provided under a Credit Agreement mentioned hereunder.

This Agreement is supplemental to the Principal Agreement dated 14th August 1975 made between the Government of the Republic of Kenya of the first part and Nzoia Sugar Company of the second part and Technisucre of the third part. It is an instrument for renewal of the Technisucre original contract which will expire on 31st May 1979.

(ii) An Agreement to be entered into between BANQUE DE PARIS ET DES PAYS-BAS of France as the lender and Nzoia Sugar Company Limited as the borrower for a credit of French Francs Twenty Million and Two Hundred and Seventy.(20,000,270) approximately Kenya Shillings

Thirty-four Million, Six Hundred Thousand, Four Hundred and Sixty-seven (KShs.34,600,467) at current exchange rates being extended by the Bank to the Nzoia Sugar Company to finance eighty-five per centum (85%) of the total cost of technical services to be supplied by Technisucre as aforementioned - in the years 1979 - 1982, pursuant to the agreement in sub-paragraph (i) above. The advance of FF.20,000,270 shall bear interest at the rate of seven and a quarter per centum per annum (7.25% p.a.) which will be calculated on the amounts of the loan utilized beginning from the date of the first drawing of the loan and payable by half yearly instalments. The Principal Loan will be paid by 10 half year yearly equal and consecutive instalments the first one falling due on 1st June 1980.

2. Nzoia Sugar Company Limited was incorporated in Kenya in 1975 for the purpose of carrying out the Nzoia Sugar Project comprising the establishment of a Sugar Factory of a capacity of about 60,000 tons of sugar per annum and a nucleus sugar cane estate of about 4,000 hectares to be owned by the Company, and the development of supporting outgrowers-owned sugar cane plantations totalling about 6,600 hectares and involving between 5,000 and 6,000 out-growers. The factory has already been commissioned and is doing a commendable function in the development of Sugar Industry in the country. Its success is attributed mainly to the technical services offered by Technisucre and also to Wananchi who have toiled hard to produce enough cane for Nzoia Sugar Factory. The Company has a Share Capital of KShs.210,000,000/= which is 90.1% Government owned with the remaining 7 being owned by Industrial Development Bank (IDB) of Kenya and Fives Cail Babcock - a French Company, on minority basis.

3. The Technical Services to be acquired under the Technisucre contract mentioned above involves provision of technical services by seconding qualified experts in sugar processing technology to supply needed technical and management skills in the Industrial and Agricultural Sectors of Nzoia Sugar Company.

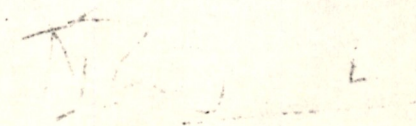
4. There is a commitment fee of 0.5% and management fee of 0.2% by the French Bank in respect of the credit to be extended to Nzoia Sugar Company. Kenya Government will charge Nzoia Sugar Company

a guarantee fee of 1% on the amount of the loan payable under the Bank's Credit Agreement which the Government is to guarantee. This fee will be payable with effect from the date of the first drawing and continued until the guaranteed loan is fully repaid by Nzoia Sugar Company.

5. The Government of Kenya has to date guaranteed a total sum of French Francs one hundred and sixty-five Million, Four hundred and eighty-two Thousand, eight hundred and forty-four (FF.165,482,844) which is approximately Kenya Shillings two hundred and eighty-six million two hundred and eighty-five thousand, three hundred and twenty (KShs.286,285,320) for credits issued to Nzoia Sugar Company by the French Banks. These Government guaranteed credits were approved by the National Assembly under Sessional Papers Nos. 19 of 1975 and 12 of 1976. Nzoia Sugar Company has fully utilized these credits on development of Nzoia Sugar Project.

6. The approval of the National Assembly is sought under the Guarantee Loans Act for the Government to guarantee the obligations of Nzoia Sugar Company Limited under the two agreements outlined in paragraphs 1(i) and (ii) above. The total amount to be guaranteed under these agreements is French Francs 23,182,000 which is approximately KShs.40,104,864 at current exchange rates of French Francs = 1.73 Kenya Shillings. This sum consists of the French Bank Credit of FF.20,000,270 and FF. 3,181,730 to be paid by Nzoia Sugar Company Limited from its own sources

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 the collateral and specified in the Schedule to the Act amount to K& 270,077,346. With the proposed guarantee of K&1,730,023-35 the aggregate will be increased to K&271,807,369-35 of which K&12,796,853 will fall within paragraph (a) and K&259,010,516 paragraph (b) of Clause 3(3) of the Act.


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

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