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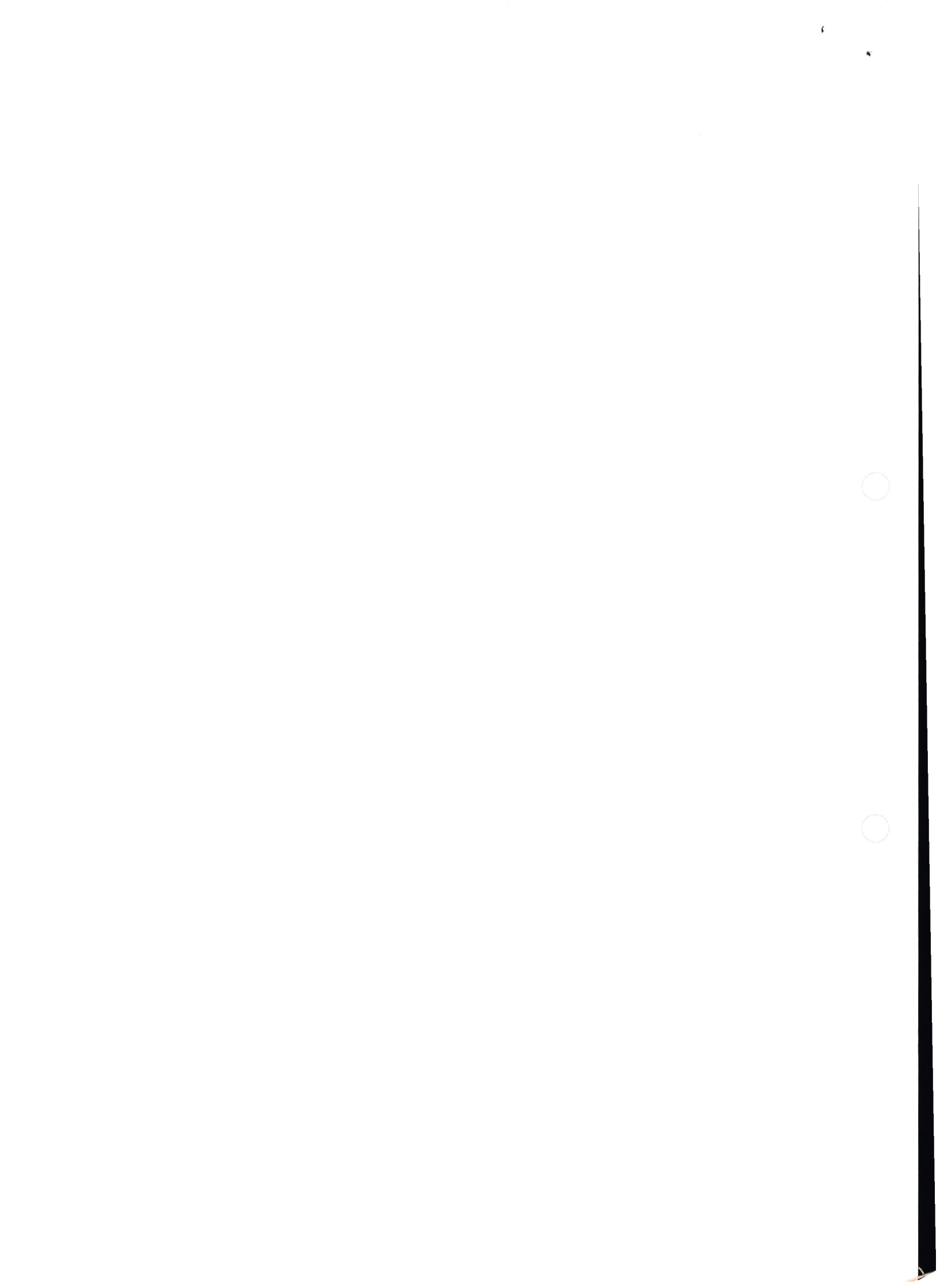


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GOVERNMENT GUARANTEE OF A LOAN OF SDR 577,503 EQUIVALENT TO KSHS 17,556,091 FROM EAST AFRICAN DEVELOPMENT BANK TO NZOIA SUGAR COMPANY LIMITED

1. 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 for consideration and approval.
2. The Nzoia Sugar Company Limited has secured a supplementary loan of SDR 577,503 equivalent to Ksh.17,556,091 from the East African Development Bank in respect of project variation costs occasioned by the delay in the implementation of the Rehabilitation and Expansion of the programme by 16 months.
3. Pursuant to an agreement dated sixth day of June 1988, entered into between Nzoia Sugar Company Limited and the East African Development Bank, the Bank advanced to the company a loan denominated in various currencies equivalent to SDR 2,500,000. The guarantee of this loan was approved by parliament vide Sessional Paper No. 3 of 1988. The Nzoia Sugar Company Limited has interalia encountered a short fall in the funds for the execution of the project for which the loan was advanced. The company has requested the East African Development Bank for additional assistance in terms of a further loan to finance the deficit. The East African Development Bank has acceded to the request of the company and in pursuance thereof has agreed to advance to the company a further sum of SDR 577,503 equivalent to Kshs17,556,091 on the following terms and conditions upon a government guarantee.
 - (i) The loan will carry an interest rate of 14% per annum, payable semi annually
 - (ii) The loan will be repayable in sixteen (16) equal half yearly instalments (i.e 8 years) with a grace period of one year.
 - (iii) The company will pay a management fee of 1% on the total supplemental loan.
4. The loan proceeds will be used to cover costs variations and escalations in the implementation of the project
5. The Government therefore requests the National Assembly to approve that the government guarantee a loan of SDR 577,503 equivalent to Kshs17,556,091 from



the East African Development Bank to Nzoia Sugar Company Limited.

6. The current total contingent liability of the Government of Kenya 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 Kf1,196,437,886 and with this guarantee of a sum equivalent to Kf877,804 the aggregate will be increased to Kf1,197,315,690 of which Kf83,489,499 will fall within paragraph (a) and Kf1,113,846,191 within paragraph (b) of section 3(3) of the Act.



HON. PROF. GEORGE SAITOTI

VICE PRESIDENT AND MINISTER FOR FINANCE