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SESSIONAL PAPER NO. 6 OF 1987

GOVERNMENT GUARANTEE OF LOAN TO EAST AFRICAN SUGAR INDUSTRIES LIMITED BY STORK SUGAR OF THE NETHERLANDS FOR THE FINANCING OF THE COMPANY'S RENOVATION/MODERNISATION PROJECT UNDER THE GUARANTEE (LOANS) ACT, (CAP.461)

1. In accordance with the provisions of the Guarantee (Loans) Act, (Cap.461) Laws of Kenya, the following information is laid before the National Assem for consideration and approval.
2. The Government proposes to guarantee a loan in Netherlands Guilders Seventeen Million Two Hundred and Twelve Thousand Eight Hundred and Nine (Netherlands Guilders 17,212,809) equivalent to approximately Kenya pounds Six Million Nine Hundred and Twenty-eight Thousand One Hundred and Fifty Six (KSh6,928,156) at the current rates of exchange, to be made to East African Sugar Industries Limited (hereinafter referred to as "EASI") by Stork Sugar of the Netherlands (hereinafter referred to as "STORK").
3. EASI is a limited liability Company in which the majority shareholding (83%) is held by Agricultural Development Corporation. EASI's factory is unable to achieve rated capacity and optimum recovery levels as a result of its age. The factory is over 20 years old, and its deteriorating performance is affecting the Company's financial performance. In order to solve these problems, EASI is implementing a comprehensive Renovation/Modernisation Project, under which worn out equipment will be replaced, imbalances removed, technology upgraded, throughput stabilised and sugar recovery level increased.
4. The Company has entered into a supply and service contract with STORK SUGAR of Netherlands for a total sum of Netherlands Guilders 31,300,600 for this project. A sum of Netherlands Guilders 14,087,791 will be provided by the Government of the Kingdom of Netherlands as a loan to the Government of the Republic of Kenya, and will carry interest at the rate of 2 1/2% per annum, repayable in twenty-three consecutive annual instalments.



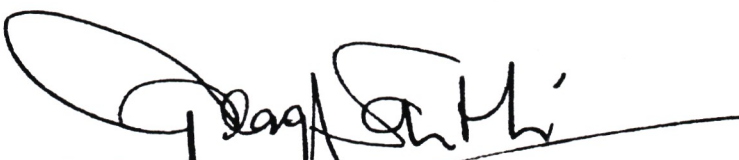
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4.cont.

- This sum is to be on-lent by the Government to the Company. The balance of Netherlands Guilders 17,212,809, which the Government proposes to guarantee, will be provided by STORK SUGAR by way of a suppliers' credit and will carry interest at the rate of 6% per annum, and will be repayable in equal half-yearly instalments becoming due in 1996.
5. The Government has agreed and decided that EASI should obtain the loan it requires for implementing the Renovation/Modernisation project and the loan is subject upon the provision of the guarantee by the Government under the Guarantee (Loans) Act.
 6. By this paper, the National Assembly is requested to approve and agree that the Kenya Government may guarantee the loan intimated in paragraph two of the paper.
 7. The current total contingent Liability of the Government of Kenya in respect of guarantees given under section 3 (3) of the guarantee (Loans) Act (other than those specified in the Schedule to the Act) amount to K£.499,550,653 of which K£.452,636,156 is in respect of covenants expressed in foreign currency as per paragraph (b) and K£.46,914,497 is in respect of covenants expressed in Kenya currency as per paragraph (a) of section 3 (3) of the Act.


PROF. GEORGE S. OTI
MINISTER FOR FINANCE