SESSIONAL PAPER NO.12 OF 1976

Government Guarantee of contracts and borrowing by NZOIA SUGAR COMPANY LIMITED

The Guarantee (Loans) Act, Cap.461.

In accordance with section 5 of the Guarantee (Loans) Act, the following information is laid before the National Assembly in connection with guarantees by the Government of the obligations of the NZOIA SUGAR COMPANY LIMITED, under:-

(a) An Agreement dated 30th July 1976 between TECHNISUCRE of France as supplier and Nzoia Sugar Company Limited of Kenya as purchaser for the supply by Technisucre to the Company of agricultural equipment to the total value of French Francs 30,348,700 in the years 1976-78;

(b) An Agreement dated 8th October 1976 between BANQUE DE PARIS ET DES PAYS-BAS and BANQUE FRANCAISE DU COMMERCE EXTERIEUR both of France as lenders and Nzoia Sugar Company as borrower for a credit of up to French Francs 24,278,960 extended by those banks to the Nzoia Company to finance 80% of the cost of the agricultural equipment to be supplied by Technisucre as above. The advances are to bear interest at the rate of 7.2% per annum in respect of F.F. 12,656,674 to be advanced in 1976-1977, and at the rate of 7.5% per annum in respect of the remaining F.F. 17,692,026 to be advanced in 1978, which interest is to be capitalised half-yearly until principal repayments start and is thereafter payable half-yearly on the reducing balances of the compounded principal. The principal of the Credit is to be repaid by half yearly equal instalments in the case of F.F.12,656,674, and

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13 such instalments in the case of the F.F.17,692,026, commencing in each case six months after the first harvest of sugar-cane for the Nzoia Sugar Company's new sugar factory to be erected at Nzoia in Western Kenya but not later than 30 June 1979.

2. These Agreements are supplemental to the agreements between the same parties in August 1975 described in paragraphs 4 and 5 of Sessional Papaer No. 19 of 1975 and cover some of the further contracts and credits envisaged in paragraph 12 of that paper.

3. The 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 (under the factory supply contract mentioned in paragraph 3 of Sessional Paper no.19 of 1975) and a nucleus sugar-cane estate of about 3600 hectares to be owned by the Company, and the development of supporting outgrower-owned sugar-cane plantations totalling about 6600 hectares and involving some 4000 to 5000 local growers. The Company has a share capital of K.shs.30,000,000 which is wholly owned by the Government although other investors assisting with the project may later be included on a minority basis.

4. The agricultural equipment to be acquired under the Technisucre contract mentioned above comprises mobile and workshop machinery, equipment and implements needed for bush clearing, soil preparation, general plantation work and transport, maintenance and technical services in both the nucleus estate and outgrower sectors of the project.

5. No commitment fee or management fee is being charged by the French banks in respect of the Credit to be extended. Kenya Government will charge Nzoia Sugar Company a guarantee fee of 1% on the amount of capitalised principal payable under the Bank's credit agreement which Government is to guarantee. This fee which is a single flat one will be payable 8 years from the factory start-up date.

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6. Under arrangements made by Kenya Government with the Government of France, a further amount of approximately French Francs 22,000,000 can be made available on similar credits from the French banks to finance further expenditure by the Nzoia Sugar Company on the project at Nzoia, including the provision of buildings and other capital works and the supply of further expert personnel. It is proposed to utilize these funds under further contracts to be entered into with Technisucre, which is a consortium of French government-controlled institutions, and to be financed under similar credit agreements with the aforementioned French banks. These further contracts of up to F.F.22,000,000 and the credits relative thereto, of up to 80% of the contract amounts, would likewise be guaranteed by Kenya Government, on similar terms - interest not exceeding 8% per annum and repayment over not less than five years - as in the existing agreements.

7. The approval of the House is sought under the Guarantee (Loans) Act to Government guaranteeing the obligations of Nzoia Sugar Company under the two agreements outlined in paragraphs (a) and (b) above and under the agreements to be entered into under paragraph 6 above. The amounts of contingent liability to be guaranteed under these agreements (calculated at the present exchange rate of 1 Fr.Fr. = K.shs 1.68) is -

(a) Technisucre equipment contract F.F.30,348,700 less F.F.3,034,870 already paid = F.F.27,313,830 = K.shs. 45,887,234

(b) Banks credit therefor F.F.24,278,960 = K.shs.40,788,652

(c) Future contracts & credits under paragraph 6 above - up to F.F. 22,000,000 = K.shs.37,000,000.

As the incurrence of liability under the credit agreements will ipso facto discharge liability for the corresponding amount paid under the supply contract, only the amount mentioned in (a) above, together with that mentioned in (c) above, is included in paragraph 9 below.

8. It is notified by way of correction to Sessional Paper no.19 of 1975 that the amounts of F.F.1,576,000 and K.shs.2,502,500 in its paragraph 11(B) should read F.F.15,760,000 and K.shs.25,025,000 respectively. This does not affect the figures appearing elsewhere in that Paper.

9. The current total contingent liabilities of 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) amounts to K£252,516,479.

With the above proposed guarantees of K£ 4,144,362, the agregate will be increased to K£256,660,841 of which K£167,911,569 will fall under paragraph (b), of section 3(3) of the Act.

J.J.M. NYAGAH, EGH, MP
MINISTER FOR AGRICULTURE

Dated this .....day of ....., 1976