REPUBLIC OF KENYA

THE GREEN JEWEL

COUNTY GOVERNMENT OF KAKAMEGA

COUNTY GOVERNMENT OF KAKAMEGA

TASKFORCE REPORT 2019

PROTECTION OF PUBLIC ASSETS IN THE WIDER MUMIAS REGION AND THE REVIVAL OF MUMIAS SUGAR COMPANY LIMITED

MUMIAS SUGAR
COMPANY LIMITED

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LIST OF ABBREVIATIONS

AFA	:	Agricultural and Food Authority
ASK	:	Agricultural Society of Kenya
BOCO	:	Busia Outgrowers Company
CAC	:	County Agricultural Committee
CEO	:	Chief Executive Officer
COMESA	:	Common Market for Eastern and Southern Africa
Cr	:	Credit
CGK	:	County Government of Kakamega
CTU	:	Cane Testing Unit
CMA	:	Capital Markets Aurthority
DAP	:	Di-ammonium Phosphate
DR	:	Debit Returns
EAC	:	East African Community
FGD	:	Focus Group Discussions
KESREF	:	Kenya Sugar Research Foundation
KPLC	:	Kenya Power and Lighting Company
KRA	:	Kenya Revenue Authority
KSB	:	Kenya Sugar Board
MOCO	:	Mumias Outgrowers Company
MOSACCO	:	Mumias Outgrowers Savings and Credit Company
MSC	:	Mumias Sugar Company Limited
MT	:	Metric Tonnes
MMUST	:	Masinde Muliro University of Science and Technology
NOCO	:	NzoiaOutgrowers Company
NSE	:	Nairobi Securities Exchange Limited
Pol	:	Pol (Amount of sugar in cane)
PPA	:	Power Purchase Agreement
SRI	:	Sugarcane Research Institute
SIRP	:	Sugar Industry Reform Program
SOP	:	Standard Operating Procedures
TCD	:	Tonnes Cane per Day / Diffused
TCH1	:	Tonnes Cane per Hectare (Yield in Agriculture)
TCH2	:	Tonnes Cane per Hour (Factory Crushing Capacity)

FOREWORD

The County Government of Kakamega is located in the Western part of Kenya. The County covers an area of 3,051.3 Km2 and is the second most populous county in Kenya with the largest rural population of 1.8 million people (GoK Cencus, 2009).

The County Government of Kakamega is an Agricultural hub and essentially relies on agriculture as its' main economic activity. The main crops grown in Kakamega County are sugarcane and maize which are generally grown on large scale with the total acreage under cash crops being 141,429.7 Ha.

Kakamega County for a long time has served as the headquarters of Kenya's largest sugar producing firm, Mumias Sugar Company Limited which is located in Mumias town.

The Company has been an employer of majority of the population in the sugar belt with most families having allocated a larger portion of their land to the cash crop. The miller is on the verge of collapse, plunging families into unemployment, insecurity, acute poverty, desperation and frustrations just to mention a few. The National Government and County Government of Kakamega lost out on a large source of revenue.

Most families in the sugarcane-growing zone viewed the sugar industry as an economic pillar and hence the effects of a total collapse are extremely adverse. Numerous efforts by the National Government to revive the giant miller proved futile due to the poor governance and challenges in the industry.

The National government came up with a Taskforce appointed by H.E. the president to resuscitate the sector. However, before completion of the task, the County Government noted with concern the advert that appeared in the Daily Nation of 30th April 2019 requesting the public to bid for the leasing of non-core assets of MSC contrary to the work of the national taskforce appointed by the President. This prompted the Governor of Kakamega County, H.E. Wycliffe Ambesta Oparanya to establish a Taskforce on protection of public assets in Mumias region and the revival of Mumias Sugar Company.

The taskforce has developed this report aimed at protecting public assets in Mumias Region and reviving the fallen giant with a view of re-positioning the county strategically in line with National Big Four Agenda. The findings and recommendations of this report will require the support of all key stakeholders including political goodwill for successful implementation.

In this regard, I sincerely hope that this report will bring forth and chart a clear way forward on protecting public assets in Mumias Region and revival of MSC to meet the high expectations of the public.

Kassim Were Ali
Chairperson CGK - Taskforce , CECM
Trade, Industrialization and Tourism

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The taskforce is grateful to the Governor of the County Government of Kakamega H.E. Wycliffe Ambesta Oparanya for being proactive in initiating this discourse by establishing the County Government of Kakamega Taskforce on Protection of Public Assets in Mumias Region and the Revival of Mumias Sugar Company Limited in the interest of the farmers and those who depend on MSC for a livelihood. This is a public demonstration of his visionary and servant leadership to economically empower the people of this great County.

Special thanks go to H.E. Deputy Governor of the County Government of Kakamega Prof. Philip Museve Kutima for his unwavering support and advice to the taskforce.

The taskforce thanks the County Government of Kakamega Cabinet members for passing the cabinet memorandum for operationalization of the Taskforce and sharing valuable input in the report.

Special thanks go to Mr. Kassim Were Ali, Chairperson of the County Government of Kakamega Taskforce and the County Executive Committee Member for Trade, Industrialization and Tourism who selflessly led the Taskforce with a clear vision, zeal, courage, honour and impeccable integrity to ensure that the team achieves its goals and targets.

The taskforce appreciates the County Assembly of Kakamega for passing the Committee's supplementary budget in a timely manner.

We thank the staff of the County Government of Kakamega for their technical advisory and moral support in this task.

Our sincere gratitude to all the stakeholders: Farmers, current and former Mumias Sugar Company employees, National Treasury, MSC Auditors, Shareholders, Creditors, Clerk of the National Assembly, Western Kenya Jurists, AFA, Sugar Sector specialist, Researchers, friends of the Taskforce for their expert contributions, provision of documents for reviews and recommendations during public meetings, plenary sessions and written submissions.

Our sincere gratitude is directed to members of the taskforce drawn from MSC, County Assembly, and the County Executive. The team demonstrated competence and relentlessly put in efforts to execute their mandate.

We also thank the team of co-opted members from County Government of Kakamega, Masinde Muliro University of Science and Technology (MMUST), National Land Commission and National Security within their areas of expertise and special knowledge in adding value to the taskforce process and report.

Special thanks go out to all who contributed in one way or another; your contributions were valuable to the taskforce team in executing its mandate.

EXECUTIVE SUMMARY

Background

The County government of Kakamega is endowed with numerous public assets that contribute immensely to the economic growth of the county. The 4,294.8Ha land under the nucleus at MSC owned by Government and leased to MSC for growing sugarcane. The public through shares and contributions also owns Mumias Outgrowers Company (MOCO) and Mumias Outgrowers Savings and Credit Company (MOSACCO). These installations are key to economic activities of the County and require to be protected. However, it is noted that the dwindling fortunes in the sugar sector in Kenya has negatively affected these public assets leading to vandalism, looting, plunder, stealing and grabbing of these key installations.

The National Government came up with a Taskforce appointed by H.E. the President of the Republic of Kenya Uhuru Muigai Kenyatta to resuscitate the sugar sector. However, before completion of the task, the County Government noted with concern an advert that appeared in the Daily Nation of 29th April 2019 requesting the public to bid for the leasing of non-core assets of Mumias Sugar Company Limited (MSC) contrary to the work of the national taskforce appointed by the President to look into the issues bedeviling the sugar sector. This prompted the County to raise the red flag and formed a taskforce meant to protect public assets in the wider Mumias region and map out strategies to revive MSC.

The Taskforce Gazette Notice dated 22nd May 2019 was pursuant to the provisions of Schedule Four, Article 61 and 62 of the Constitution, section 30 (2) (l) and 102-111 of the County Governments Act, 2012, section 10 and 17 of the Land Act, No. 6 of 2012 and Section 36-42 of the Urban Areas and Cities Act No. 13 of 2011. The composition of taskforce had the County Executive Committee Member for Trade, Industrialization and Tourism as Chairperson; Chief Officers for Service Delivery and Agriculture respectively, Deputy County Secretary and County Attorney representing the County Executive, four (4) County Assembly members and four (4) Co-opted persons from Masinde Muliro University of Science and Technology, County Ministry of Finance, Planning & Investment, National Ministry for Lands, and National Security respectively as members.

Taskforce Objectives

The Taskforce objectives in reference to the Gazette Notice No. 4723 of 31st May 2019 were to: (i) Identify ways of protecting public and community land under sugarcane farming, (ii) identify public assets at risk of vandalism, looting, plunder, stealing or grabbing and recommend ways of protecting them in the wider Mumias region, and (iii) Map out strategies for the revival of Mumias Sugar Company Limited.

Situation Analysis

Public and Community Land under sugarcane farming consist of out growers, leased and the nucleus land. The land has factory plant, housing estate, sugarcane plantations, schools and social amenities that support employees that work at the factory. However, the land is at risk due to the recent adverts to lease it in order to finance company operations instead of fully utilizing land for the intended purpose and as per the lease agreement by the republic of Kenya.

The key public assets in the wider Mumias region are also at risk of vandalism, looting plunder, stealing or grabbing due to the company stopping its operations in March, 2018. The once vibrant region is now dormant with heightened insecurity cases, theft of company assets at Mumias Sugar Company and its support agencies MOCO and MOSACCO are at the verge of collapse. Land also as a key asset is under risk of encroachment due to underutilization and non-use of the intended purpose.

Mumias Sugar Company a key public asset in the region is at the verge of collapse. The Company has had a steady rise since inception in 1974 with a good track record up to 2010 when its performance began going down and grounded to a halt in March 2018. The issues that led to its collapse are many. However, when categorized, it narrows down to poor governance that led farmers abandon cane production. The lack of cane production led to survival mechanism of diversification and outsourcing being put into play. However, both were mismanaged leading to the current state of affairs.

The trend of cane produced, sugar production rendement, factory efficiencies, ethanol production, bottled water production, cogeneration power export, financial and sales performance adhere to the law of diminishing returns after 2010.

Mumias Sugar Company case is not unique as the sugar sector is grappling with a number of issues threatening existence of the sector. The government on its part has put in recently measures to support the sector through a national sugar taskforce that was to look at the sector holistically and give recommendations. However, the recommendations would not go deep into revival mechanisms of a Company like Mumias Sugar Company that is on its death bed and had stopped crushing cane that is its core mandate.

Methodology

To achieve this, the taskforce members undertook to first, understand their Terms of Reference (ToR), came up with a work plan and a countdown of activities. Secondly, to identify and recommend ways and means of protecting public and community land under sugarcane farming, the taskforce set out to establish the MSC land from the company records and those at the National Lands offices. This was done by expert presentations from the Kakamega County Land Registrar, the MSC Secretary and former officials of the now defunct Mumias municipality.

In the identification of public assets at risk of vandalism, looting, plunder, stealing or grabbing in the wider Mumias region, the committee undertook the exercise through focused group discussions and face to face interviews with persons of interest where MSC Ltd, MOCO, MOSACCO Ltd were identified as having assets that were at risk and required due care and protection.

In achieving the objective of mapping out strategies for the revival of MSC, the members through participatory and consultative approaches, summoned, requested for reports, interviewed and held focused group discussion with various stakeholders. These stakeholders included both former and current MSC management & workers representatives, MOCO Management; Clerk of the National Assembly, Agricultural and Food Authority (AFA), political leaders from the region including Senators, Members of Parliament and Members of County Assembly drawn from the sugar belt region. The committee also conducted field visits and collected public memoranda from farmer representatives and organizations in the seven (7) major sub counties growing cane and from MSC employees. The committee held consultative sessions with shareholders, creditors and lenders, National Treasury, Western Kenya Jurists, Auditors, volunteer friends of the Taskforce and Consultancy firms in Nairobi.

Findings

Literature shows that firms go through stages of development and after a certain point they deteriorate and need to be re-engineered to go back to the growth trajectory. This is confirmed by the Contingency theory of structural adaptation to regain fit theory and the Life Cycle Theory. Turnaround strategies have to be employed to ensure normalcy is achieved based on prevailing conditions. Several countries have had successes in developing the Sugar industry notably: Brazil, India, South Africa, Egypt, Sudan, and Swaziland. However in Kenya the Government is grappling with many challenges. The sector has been assisted through sector friendly regulations, capacity building sessions, taskforces, and privatisation, writing off debts, grants and diversification efforts.

The Objective based findings revealed that protecting public and community land under sugarcane farming, the taskforce found that the land asset includes the 4,294.8 Ha Nucleus farm (land under cane and factory development including housing and schools), satellite cane centres in Bumula, Kisoko, Budonga, Teso South, and Nambale, golf course way, sports ground, real estate, schools and Shimuli Nabongo Shrine.

The public assets at risk of vandalism, looting, plunder, stealing or grabbing in the wider Mumias region include the factory plant (equipment), Motor vehicles, Weighbridges at MSC and Satellites centres, Housing Estate, Schools, MOCO Assets, MOSACCO Assets (Farmers Bank), Water bottling plant, Power generation plant, and guest house, Sukari Sacco, Transport yards, Shimuli Nabongo Shrine.

In mapping out strategies for the revival and operationalization of MSC, the taskforce found out that the problem MSC was facing was not unique as other countries and firms have gone through the same. The report noted that countries like Fiji, Australia, Mauritius, and Kenya have navigated through tough times. Each has had unique ways of resolving the problems based on prevailing circumstances. The ways include: grants by government, farmers capacity building programs, renovating factories, prudent financial management precision Agriculture and corrupt officials being laid off or arraigned in court. Ramisi factory in Kenya is an example close home that would lay a foundation of our revival strategy. The company had closed in 1980 but came up with turnaround strategies that included: Emergency management, re-organization, repositioning, modernization, asset reduction, operations strategies laying emphasis on profit rather than cash flow at a cost of KShs. 17.8billion.

The issues in Ramisi and Mumias Sugar Company are almost similar. Mumias Sugar Company woes are associated with poor governance that has led to mismanaged outsourcing, farmer apathy due to mistreatment by MSC employees, and lack of cane development as a raw material for sugar production and by extension the dependent by-products.

General Recommendations

On the Objective to identify and recommend means and ways of protecting public and community land under sugarcane farming, the taskforce recommended that: (i) The Ministry in charge of Lands put a caveat on all current land transaction under MSC, (ii) The Ministry in charge of Lands needs to further audit of the MSC satellite land and put it under caveat, and (iii) The land in the nucleus needs to be re-surveyed by the National Government, beaconed and areas that boarder private farms be fenced to prevent encroachment and undesired access.

On the objective to identify public assets at risk of vandalism, looting, plunder, stealing or grabbing in the wider Mumias region and recommend ways of protecting them recommendations are that, (i) MSC prepare an Assets register to confirm their status, (ii) MSC in collaboration with CGK establish controlled entry and exit barriers for the nucleus access., and (iii) MSC in collaboration with CGK recruit and engage the appropriate security personnel to protect key installations.

On the Objective of mapping out strategies for the revival and operationalization of MSC, the taskforce recommends MSC revival follows a phased approach with activities spread as Emergency Management (1 year), Restructuring (2 years) and Recovery (2 years). The strategies under each are shown in Table 1, 2 & 3.

Table 1: Emergency Management (Short term- 1year)

Strategy 1: Governance & HR Management	
STRATEGIC FOCUS	**ACTIVITIES**
Revitalize leadership and come up with mechanisms to resolve unethical issues and issues affecting human resource	(i) Place the management of the company under a court appointed Administrator (Insolvency act- financial challenges go into administration before winding up/liquidation e.g. ARM cement, Deacons, Nakumatt) (ii) Advertise all positions of senior management and middle level management of the company and hire on 3 year contractual terms renewable based on performance (iii) Recommend further investigation and prosecution of all individuals who were adversely mentioned in corruption related issues (iv) Review the existence of current departments and Merge some departments to ensure a lean, efficient and effective structure with role clarity to avoid confusion (v) Negotiate with the union so that staff from non-core sections of the business are paid three months basic salary in lieu of notice and be released to proceed on two (2) years unpaid compulsory leave (vi) Negotiate with the union so that staff from core sections of the business continues working but at half basic salary until the situation stabilizes (vii) Put all staff on performance and appraisal contracts with clear goals and targets which should be monitored on quarterly basis and evaluated at the end of every year (viii) Realign the business and adopt a new business model and build an infrastructure for implementation (ix) The Company should adhere to corporate governance Principles and ensure regulatory compliance
Strategy 2: Financial Empowerment	
STRATEGIC FOCUS	**ACTIVITIES**
Increasing the equity capital by recapitalizing the company first, then fixing the debt by restructuring and sustainable profitability	(i) Identify and negotiate with an investor (National Government, County Government, Private) to finance at least five billion (KShs 5B) to jumpstart the operations of the company. These operations will include: Maintenance of the Factory; Setting up a revolving fund for direct purchase of sugarcane through willing buyer willing seller arrangement; Rehabilitation of the Nucleus estate; purchase of molasses for ethanol production and revitalization of the Out growers section (ii) Negotiate with the company creditors to defer debt repayment for at least three years before debt repayment commences with a clear schedule or convert debt into equity

STRATEGIC FOCUS	ACTIVITIES
	(iii) Negotiate with KPLC to first defer payment of the outstanding electricity bill for at least one (1) year and secondly reconnect the power back to the facility immediately and agree on the repayment mode of electricity (iv) Negotiate with KRA to defer payment of the accrued outstanding taxes for a period of two years and to waive the tax penalty slapped on the company and agree on payment of principal. (v) Ensure there is a risk management framework which includes risk identification, and mitigation (vi) All plants (Sugar, Ethanol, Water, and Cogen) to be managed as independent business entities with appropriate governance structures in place (vii) Sell off most of the dead or dilapidated/ obsolete assets (Old vehicles, Old tractors, Scrap metal etc) as mechanism to raise cash for the turnaround. This will reduce the too much cash held in items that are not of value to the company (viii) Hire to investors non-core assets of the company such as Mumias Club, Nabongo club, the Supermarket, Grocery market and the stadium including the library and the bar to investors who will be paying rent to the company (ix) The housing facility to partner with the County Government on the Big 4 Agenda and use it as a revenue stream for MSC (x) Lease out the schools to the International known brands or partner(s) (xi) Ensure cost and revenue enhancements strategies are incorporated in the company corporate strategy (xii) Develop an Asset register for all moveable and non-movable company assets. (xiii) Insure all moveable and non –moveable company assets to ensure their safety (xiv)Close down the Nairobi Head office to reduce the cost spend on monthly rent payment
Strategy 3: Cane Development	
STRATEGIC FOCUS	**ACTIVITIES**
Ensure that there is availability of raw material (sugar cane) for purposes of sugar production.	(i) Rehabilitate the 3500 Ha of Nucleus Estate through planting fallow fields, maintain the existing crop and embrace both manual and chemical weed control. (ii) The County Government of Kakamega to partner with MSC farmers / farmer organizations in developing 10,000 Ha of cane with TCH 80 per year through its relevant agencies, in provision of land preparation and farm inputs (fertilizer, seed and herbicides)

STRATEGIC FOCUS	ACTIVITIES
	(iii) Revamp the Agronomy section and collaborate with SRI to ensure development of high yielding and early maturing varieties, variety soil mapping, select suitable fertilizer and herbicide formulations for both the Nucleus Estate and out growers. (iv) Put in place a revolving fund that ensure farmers are paid within seven days of cane delivery. (v) Organize farmers through relevant County Government agencies to form cooperatives at ward level with clear governance structures. (vi) Put under cane all mapped out satellite pieces of land either purchased or leased by the Company. (vii) Operationalize seed treatment for both Commercial Out grower cane development and seed bulking (viii) Engage large scale farmers on contract (over five hectares) in seed and cane development in the sugar zone and its environment for sustainable supply of sugar cane. (ix) Procure / re-engage current cane haulage on new terms / return former MOCO cane haulage fleet (x) Organize farmers field days for capacity building on sugarcane husbandry '
Strategy 4: Factory Rehabilitation	
STRATEGIC FOCUS	**ACTIVITIES**
Ensuring optimal performance of the factory geared towards efficiency and effectiveness of its operations in sugar production.	(i) Reconfigure boilers to 3200 tonnes per day (ii) Service the factory by repairing or replacing all worn-out parts and run the factory for 10 months in a year (iii) Service the Ethanol plant and continue operating it with raw-material (molasses) from the sugar plant or competitively purchased from other sources. (iv) Service the water bottling plant and run it as a business unit. (v) Service the Co-gen power plant and park it until when there will be enough cane (bagasse) to run it. (vi) Ensure PPA with KPLC is correctly documented (vii) Commercialize the factory/ Fleet workshops and factory laboratories
Strategy 5: Marketing	
STRATEGIC FOCUS	**ACTIVITIES**
To implement Marketing and Distribution Strategy for MSC	(i) Establish a sugar and by-products marketing agency (ii) Diversify Product range Single Keeping Units (SKUs) (iii) Implement a branding Strategy

Strategy 6: Security	
STRATEGIC FOCUS	**ACTIVITIES**
Ensuring that company assets are safe and secured.	(i) The Company should engage National Government and County Government to second senior security officers to ensure safety of their assets. (ii) Enhance security by erecting solar powered high mast lights in strategic positions to enhance security. (iii) Install CCTV in strategic positions in the factory to enhance security. (iv) Purchase drones for security surveillance in the Nucleus Estate. (v) Equip security personnel appropriately to enable them function effectively. (vi) Repair old and construct new watch towers in strategic places to enhance security. (vii) Engage neighborhood locals to safe guard assets of the company including the Nuclear Estate against arson and cane poaching. (viii) Repair or acquire firefighting engines to be used in case of fire outbreaks
Strategy 7: Legal	
STRATEGIC FOCUS	**ACTIVITIES**
Create an enabling policy environment	(i) Draft the Sugar Bill 2019 and present to parliament for consideration (ii) Renew production licenses (iii) Review the County Sugarcane Development Fund to align it with the new MSC model (iv) Assign cases competitively to legal practitioners
Strategy 8: New Business Model	
STRATEGIC FOCUS	**ACTIVITIES**
To implement a practical Business Model of Sugarcane for MSC	(i) Create MoU with MSC on cane development, transportation and Marketing. (ii) Create enabling infrastructure for Microfinance Corporation and Investment Corporation to take up key functions of MOCO and MOSACC respectively. (iii) Create structures to operationalize the model (iv) Implement the model

Restructuring (Medium term year 2 & 3)

Strategy 1: Governance & HR Management	
STRATEGIC FOCUS	**ACTIVITIES**
leadership revitalization; all the people issues and ethical issues affecting the business	i) Review administrator terms and set new targets ii) Review the skill set of staff and capacity build them based on the gaps iii) Put measures to prevent corruption through automation of systems (to support audit trail)
Strategy 2: Financial Empowerment	
STRATEGIC FOCUS	**ACTIVITIES**
Increasing the equity capital by recapitalizing the company first, then fixing the debt by restructuring and sustainable profitability	i) Work on cost cutting strategies ii) Institute prudent financial procedures iii) Review performance of the leased out assets and set new revenue targets
Strategy 3: Cane development	
STRATEGIC FOCUS	**ACTIVITIES**
Ensure that there is availability of raw material (sugar cane) for purposes of sugar production.	i) Step up cane development in Out growers at 10,000 Ha per year ii) Embrace blended fertilizer formulations, new varieties, and herbicide cocktails from relevant agrochemical companies to boost the yield above 70TCH County Governments to pursue contracts with blended fertilizer manufacturers / importers to directly sell to the relevant County Government / Agencies at cost effective prices iii) Enhance the revolving fund to meet the increasing demand
Strategy 4: Factory Rehabilitation	
STRATEGIC FOCUS	**ACTIVITIES**
Ensuring optimal performance of the factory geared towards efficiency and effectiveness of its operations in sugar production.	(i) Carry out OOC maintenance every year in accordance to cane development plan (ii) Improve factory capacity utilization and efficiencies (Throughput and overall recoveries) (iii) Complete refurbishment of boilers (iv) Restart Co-gen at half capacity (17 megawatts) (v) Modify the water bottling plant to include blending and bottling of spirits

Strategy 5: Marketing	
STRATEGIC FOCUS	**ACTIVITIES**
To implement Marketing and Distribution Strategy for MSC	(i) Curry out survey and audit on retail and distribution to identify current position of MSC products (ii) Increase product range and develop new products, packs and sizes (iii) Curry out promotions to build loyalty and support brand distribution objectives
Strategy 6: Legal	
STRATEGIC FOCUS	**ACTIVITIES**
Create an enabling policy environment	(i) Implement the Sugar Act, 2019 that are MSC related (ii) Review the Sugar Development fund based on experience (iii) Review the cases and in collaboration with the court conclude them
Strategy 7: New Business Model	
STRATEGIC FOCUS	**ACTIVITIES**
To implement a practical Business Model of Sugarcane for MSC	(i) Review bottlenecks in the model (ii) Come up with SOPs to make the model robust.

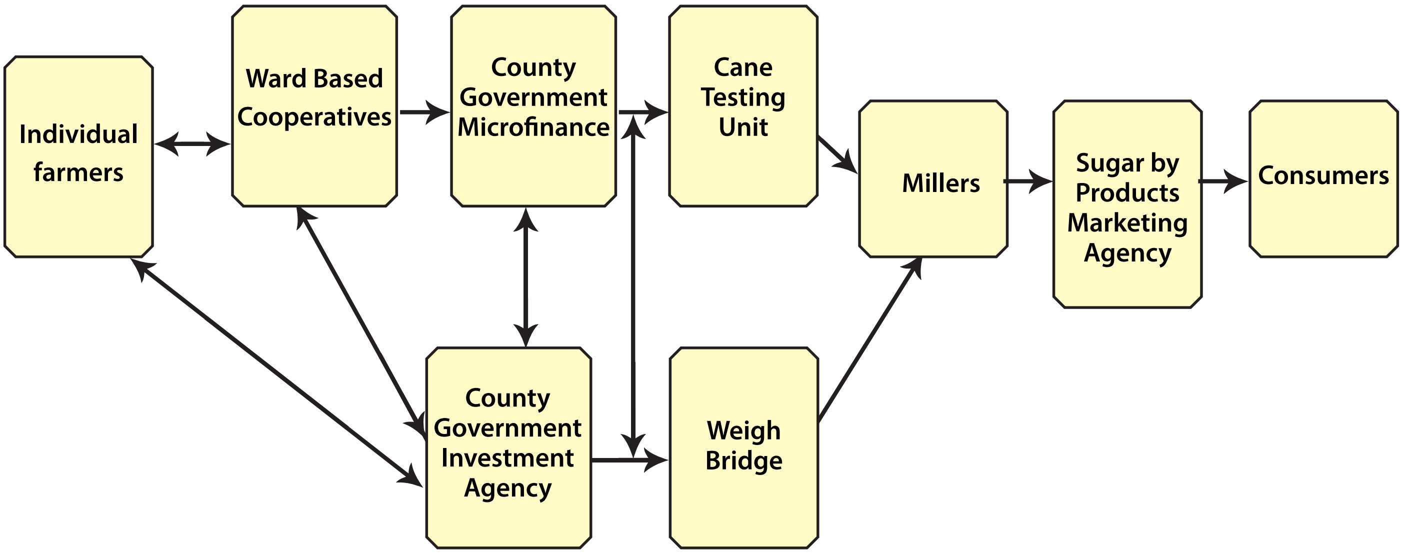
Table 3: Recovery (Long term year 4 & 5)

Strategy 1: Governance & HR Management	
STRATEGIC FOCUS	**ACTIVITIES**
leadership revitalization; all the people issues and ethical issues affecting the business	i) Hire a competent Managing Director and competent Heads of Departments ii) Recruit Board Members with requisite competences iii) Initiate discussions for merger with other sugar factories in the Lake Region Economic Bloc (LREB)
Strategy 2: Financial Empowerment	
STRATEGIC FOCUS	**ACTIVITIES**
Increasing the equity capital by recapitalizing the company first, then fixing the debt by restructuring and sustainable profitability	i) Resume payment of creditors ii) Operationalize the reserve account iii) Optimize the established revenue and cost centers
Strategy 3: Cane development	
STRATEGIC FOCUS	**ACTIVITIES**
Ensure that there is availability of raw-material (sugar cane) for purposes of sugar production.	i) Source for large areas of land for sustainable cane development through Purchase or lease approach from various farmers. ii) Procure strategic cane haulage fleet iii) Partner with Insurance Firms to develop cane insurance packages iv) In partnership with SRI, put up a seed multiplication centers, fertilizer blending equipment's, and bulk procurements of herbicides v) Support cane development along River Belt / lowlands vi) Lease idle institutional land e.g. Bukura, Sikusa and convert it into cane production vii) Look for farmers with large farms and lease the land
Strategy 4: Factory Rehabilitation	
STRATEGIC FOCUS	**ACTIVITIES**
Ensuring optimal performance of the factory geared towards efficiency and effectiveness of its operations in sugar production.	(i) Diversify production by producing granulated or caster sugar (ii) Automation of weighbridges (iii) Modernize the factory to produce refined sugar for industries (granulated castor sugar (iv) Restore the factory to full capacity utilization (v) Carry out feasibility study on production of Carbon dioxide, fertilizer and yeast.

Strategy 5: Marketing	
STRATEGIC FOCUS	**ACTIVITIES**
To implement Marketing and Distribution Strategy for MSC	(i) Develop loyalty programs with all distributors, wholesalers and key retailers. (ii) Establish strategic partnership with MSC product consumers to co-brand (iii) Deploy MSC branded containers to be operated by MSC product stockiest (iv) Re introduce new products like fortified sugar and Mumias Sprinkles for domestic consumers (v) Re-establish brand equity initiatives to place MSC back in the market as brand of choice
Strategy 6: Legal	
STRATEGIC FOCUS	**ACTIVITIES**
Create an enabling policy environment	(i) Enhance efficiency of the legal office at the company. (ii) Enforce the rule of law to avoid future litigations
Strategy 7: New Business Model	
STRATEGIC FOCUS	**ACTIVITIES**
To implement a practical Business Model of Sugarcane for MSC	(i) Monitor and review the model

The new business model referred to as "Oparanya-Inyingo Model.

Figure 1: The MSC *"Oparanya-inyingo"* Business Model



Individual farmers will be sensitized and profiled by community administrators. The profile details will be entered into an Enterprise Resource Planning (ERP) system to monitor progress. The individual farmers will be put into blocks that will be amalgamated in WARD BASED Cooperatives to act as a collective bargaining avenue for the sugarcane enterprises. In total, there will be 32 Cooperatives that will form a major farmers Umbrella Cooperative dubbed "Inyingo Farmers" Cooperative Society. The Cooperative will be the voice of the farmers to market their produce through County Government of Kakamega Investment Agency and be paid through a cane payment revolving fund domiciled at County Government of Kakamega Microfinance Corporation that will open Front Office Services Activities (FOSA) at the previous MOSACCO offices.

The Investment agency will package a cane development scheme that will include subsidized farm inputs, house sugarcane agronomy staff and deal with sugar harvesting and haulage to the miller.

The Miller and the Investment Agency will agree on a payment formula that will enable seamless movement form weight based payment system to Quality Based Payment System with funds channelled back through Microfinance Corporation to pay farmers and also deal with Financial Assistance Services (FAS) for farmers whose cane development is on track.

The miller (MSC and others) will concentrate on milling/diffusing sugarcane and diversified products from Ethanol, Water bottling and Cogeneration plants.

The products will be handed over seamlessly to the Marketing Agency that will have staff seconded from Microfinance Corporation and MSC with the skill to market the products to the consumers.

To operationalize the model a process flow will be prepared, structures to operationalize the model laid, enter into a Memorandum of Understanding (MoU) with MOCO & MOSACCO to take their premises and form Ward Based Cooperatives.

County Specific Recommendations

THAT, the CGK should consider a raft of measures meant to put the sector back on track.

THAT, CGK Ministry in charge of Finance should centralize billing of Rates, Licences, Permits, CESS, Rent and other levies especially for manufacturing companies and incorporate them in the County Government of Kakamega annual Appropriation Bill and convert the resource through an MoU with MSC to be shares.

THAT, the CGK considers a fund called "Oparanya-Inyingo Fund" to take care of cane development

Table 4: Financial projection for Cane Development

Item Description	Estimated Cost (KShs.)		
	Year 1	Year 2	Year 3
(i) Nucleus 4,000 Ha @100,000 farm input	400,000,000	200,000,000	100,000,000
(ii) Outgrowers 10,000 Ha @100,000 farm input	1,000,000,000	1,000,000,000	1,000,000,000
(iii) Factory Repair	500,000,000	300,000,000	200,000,000
(iv) Working Capital	200,000,000	100,000,000	100,000,000
Total	**2,100,000,000**	**1,600,000,000**	**1,400,000,000**

Source: Taskforce

THAT, CGK re-organize Agri-business in the County to have a fully fledged department domiciled in County Government of Kakamega Investment Agency to take care of Cane development. The department should have a Head of Department who is well versed in Sugar Agronomy and 32 Extension Staff placed in the Sugar growing wards.

Table 5: Annual financial projection for cane development staff (Agronomy)

Item Description	Estimated Annual Cost (KShs.)
(i) Head of Department 1@150,000 x12months	1,800,000
(ii) Extension Staff 32@50,000 x12months	19,200,000
(iii) Motorbikes 32@250,000	9,000,000
Total	**30,000,000**

Source: Taskforce

THAT, CGK establishes a Cane development package per Ha KShs. 100,000 "Oparanya-Inyingo Fund" promoted by the County and used as a revolving fund with set targets.

THAT, CGK re-organizes the County Government of Kakamega Microfinance Corporation to develop a fully fledged Microfinance to offer the financial resources.

Table 6: Annual Financial Projection for financial services staff

Item Description	Estimated Cost
Head of Finance 1@150,000 x 12	1,800,000
Finance Officers 7@50,000 x 12	4,200,000
Office Assistants 7@20,000 x 12	1,680,000
Total	**7,680,000**

THAT, CGK should appoints a ***MSC Caretaker committee*** to oversee the implementation of the Taskforce Report with new Terms of References geared towards revival of MSC.

THAT, CGK should review existing ***"Sugarcane Fund"*** regulations to align to the Taskforce recommendations.

THAT, CGK move with speed to empower CGK Microfinance Corporation and CGK Investment Agency to take up the roles of MOSACCO and MOCO respectively using laid down legal procedures as they are willing to engage.

THAT, CGK engage with potential development partners e.g. European Union (EU), GIZ etc. to fund seed cane development in the Nucleus.

THAT, CGK bid to take over the MSC Administration role through the court process as it has the Human Resources, Financial muscle and the Public goodwill to manage the revival of the company.

THAT, CGK prioritise land preparation services for cane development through the County mechanization services e.g. consider the purchase of relevant horse power tractors and utilize Mould board technology through relevant legislation.

THAT, CGK through a strategic member of parliament fund the preparation of and lobbying for a Sugarcane Bill 2019 to be presented to the National Assembly for enactment into law to protect the industry.

THAT, CGK negotiate with National Government to own shares that enable it to have a representation on the MSC Board of Directors, at least 5%.

THAT, CGK lead negotiation with the Government of Uganda to supply ready cane for processing through linkages with relevant regulatory bodies until when the current cane is able to sustain the factory in 3 years.

THAT, CGK Facilitate DCI to ensure corruption cases at MSC are investigated and recovery of the lost resources brought back to salvage the Company as shared in a separate report dubbed ***"malpractices at MSC"***.

THAT, CGK engage the County Government of Bungoma, Busia, and Siaya to support cane development initiatives in the Sugar Catchment areas using the prescribed ***"Oparanya-InyingoModel"***.

THAT, CGK Second a senior security manager and enforcement officers to oversee security at MSC;

THAT, the CGK negotiate with National Government to second a national security officer to work with the existing company,

THAT, the CGK engage neighbouring community to safeguard the company assets.

THAT, CGK takes lead in putting a caveat on all current MSC land transactions.

Conclusion

The public and community land under sugarcane can be broadly divided into two namely; Nucleus Estate land whose size is 4,294 hectares and pieces of land that were either purchased or leased by MSC. To protect both the Nucleus and the satellite pieces of land which add up to 5,740 Ha, they should be put under caveat. Further, resurveying and fencing off of the Nucleus Estate land should be done. The local community that neighbours the company pieces of land should be engaged as part of the security to protect the identified pieces land against encroachment.

The Cane Buying Centres (CBC) and satellite farms stand the highest risk of being grabbed due to non-resolved litigations. There is urgent need to enhance security in the identified high risk areas both within MSC and the wider Mumias region. The County Government of Kakamega should enjoin in the on-going litigations to protect assets for public good.

Based on the historical performance, the current status of MSC and the submissions from the key stakeholders, it is evident that the Company can be revived if only the revival plan prioritizes: change of governance, investment in cane development, engagement with lenders and creditors on viable debt payment plan and finally pursue capital injection for key areas of operation.

The structural change in governance, staff reduction and new functional leadership will ensure, informed, timely, value adding, and corrupt free decision making in the organization. The cane development model targeting a minimum of 10,000 Ha in Outgrowers and 4,000 Ha in the Nucleus estate over a period of 3 years will address sustainable cane development, and bring back farmers confidence in cane farming to ensure raw material availability. Timely engagement with creditors on both short and long-term payment plan will help ease pressure to enable smooth operational take off at MSC.

A well-structured minimum capital injection of KShs. 5 Billion is urgently required to enable realise all the other revival plans and smooth MSC operational take off.

The county Government of Kakamega should be involved in the Management of Mumias Sugar Company through the relevant departments for successful implementation of the taskforce report and revival of MSC.

The recommendations of the Taskforce can only be implemented through a multifaceted approach where support from stakeholders is of paramount importance. Procrastination in the implementation of the recommendations may lead to lethargy and lack of confidence by key stakeholders.

1.0 INTRODUCTION

1.1 Background

Sugar is produced in 127 countries in the world. The total production amounts to 135 million tonnes. It is vital to note that 65 % of the sugar that is traded in the world comes from four countries namely Brazil, Australia, Cuba and Thailand. The biggest importer of sugar is Russia. Today, multilateral corporation policies play a significant role in sugar trade with 70 percent of sugar produced in the world traded under preferential and quota regimes. The balance of sugar is traded in the residual free market (USDA, 2019; Odek, Kegode, Ochola & Stiftung, 2003).

The African continent is a net importer of sugar. However, sugar is produced in more than 40 countries in Africa with majority of the production coming from the SADC region. The product is a major foreign exchange earner in most countries in Africa and most notably a top five (5) earner in Zimbabwe, Mauritius and number one in Swaziland. Major producers of sugar in Africa as of 2018 are as shown in Annex 1.

Sugar cane farming was first introduced in Kenya in the year 1902. The first sugar processing factory was established at Miwani near Kisumu in 1922 and later Ramisi in the then Kwale District in 1927. Due to increase in demand for sugar, the desire to reduce overdependence on sugar imports, employment and wealth creation, the government later got widely involved in sugar production through additional investments in sugarcane growing schemes and factories (Kenya National Assembly: March, 2015).

This crop is mainly grown in the former western and Nyanza provinces and in parts of Nandi, Kericho and Narok, Kwale and Tana-River counties. About 90% of the total sugarcane production is contributed by small scale farmers. Sugar cane production from large scale farmers and farms owned by sugar factories (nucleus estates) accounts for 10% of the total production. This is in contrast to other COMESA countries where plantations owned by sugar firms (Nucleus) account for at least 60% of total cane production (KSB 2003).

The Kenya Sugar Directorate under the AFFA is the regulatory body of the Kenya Sugar Industry. It is responsible for regulating, developing and promoting the Kenya Sugar Industry. The Sugar Research Institute (SRI) under the Kenya Agricultural and Livestock Research Organization (KALRO) conducts research on sugar cultivation and production by developing appropriate and suitable technologies.

The Kenya vision 2030 stipulates that the manufacturing industry should account for 20% of the GDP. However, the industry, in which the sugar sector belongs, has remained stagnant in its contribution to the GDP. The contribution has remained at an average of 10% for more than ten years (Kenya Economic Survey, 2015).

Kenya harvested an area of 77,000 hectares in 2011 that yielded 501,473 MT of sugar while Zimbabwe harvested 37,500 hectares from which it produced 430,000 MT of sugar. The average cane yield in Kenya during the period is 65.4 TC/Ha. This is very low compared to other COMESA countries like Egypt 126.4 TC/Ha, Zimbabwe 93 TC/Ha, Tanzania 85 TC/Ha and Malawi 113 TC/Ha. Low yields are attributed to poor cane husbandry, high costs of farm inputs and low yielding cane varieties (MAFAP, 2013).

The Quality of sugar cane crushed measured as pol % cane (sucrose content) in Kenya has been steadily decreasing from 13.28 in 1996 to 11.16 in 2013 against an industry target of 13.50. This is low compared to other countries in the region like Malawi with 14.26. The low sucrose content is due to poor cane varieties, fluctuating weather patterns and lack of coordinated extension services.

Kenya's sugar exports decreased from 24,478 MT in 1996 to 11,580MT in 2004. In 2004 sugar exports decreased further to 104 MT in 2013. In contrast, sugar imports have steadily increased from 65,816 MT in 1996 to 238,046 MT in 2013. The decrease in sugar exports is mainly due to relatively higher domestic ex-factory prices. The increase in imports is as a result of increase in sugar demand and a deficit in local sugar production (KSB, 2013). Unlike other COMESA countries like Zimbabwe and Zambia, Kenya has not regularly utilized its EU sugar export quota of 11,300 MT due to deficits in sugar production (Monroy et al., 2013).

The sugar industry in Kenya greatly contributes to social and economic development of the country in addition to enhancing the growth of Gross Domestic Product (GDP). There are more than 250,000 small scale sugar cane farmers in Kenya who depend on the industry. The Kenya Sugar Board estimated that approximately six million Kenyans rely directly or indirectly on the industry as their main source of livelihood (KSB, 2011).

The industry generates revenue to the government through taxes. It has also contributed immensely in infrastructure development through road construction and maintenance of bridges as well as provision of social amenities such as education, health, sports and recreation facilities.

The by-products of sugar manufacturing are a source of raw materials for other industries. They include bagasse (cane residue) used for power co-generation and molasses which is used for industrial production of ethanol. Sugar is an important food item and a critical raw material in food, beverage and pharmaceutical industries. The industry has immensely contributed to the development of urbanization through emergence of towns near sugar factories.

Kenya has been experiencing a steady rise in the domestic demand for sugar. The gap between sugar production and consumption has continued to increase making Kenya a net importer of sugar. The area under cane grew from 95,279 hectares in 1984 to 213,920 hectares in 2013. The increase in area under cane was due to high cane demand because of new mills and expanded capacity of most sugar factories. However, the increase in area under cane has not translated to self-sufficiency in sugar production (KSB 2001 and 2013).

The sugar industry in Kenya has made a major contribution to the development of the nation. Despite its key importance to the economy, it has continued to perform dismally leading to persistent deficits in production. The main challenges include: inadequate research and extension services, liberalization of trade, corruption, unfavourable policies, political interference, bureaucratic systems, resource mismanagement, declining productivity, limited access to finance and credit facility, high transport costs and skewed sharing of income in which the sugar companies retain about 60% of the gross income leaving the farmers with only 40% which translate to low profits once they make deductions of their production and related costs. The poor performance puts at risk the livelihoods of over 250,000 small-scale farmers who depend on the sector (KSB, 2010).

1.2 Motivation

Public assets are key to development in any society. The County Government of Kakamega is endowed with numerous public assets that contribute immensely to its economic growth. The county is referred to as the green jewel as it relies heavily on Agri-based Industries for growth.

Land that is under sugarcane in the nucleus at MSC is a public asset owned by government and leased to MSC for growing sugarcane. The public through shares and contributions also owns MOCO and MOSACCO. These installations are key to economic activities of the County and require to be protected.

However, it is noted that the dwindling fortunes in the sugar sector in Kenya has negatively affected this public goods leading to vandalism, looting, plunder, stealing and grabbing of the key installations. Agriculture being a devolved function, the county government has taken note of what is happening in the sector hot on the heels of the national government that already had formed a taskforce to look at the issues affecting the sector and offering recommendations.

The County Government of Kakamega noted with concern the advert that appeared in the Daily Nation of 30th April 2019 requesting the public to bid for the leasing of non-core assets of MSC one of the key companies utilizing public land. This was in contravention of the lease agreement with the Government of Kenya and happened before the conclusion of the national taskforce thus prompting the county to raise the red flag and formed a taskforce meant to protect public assets in the wider Mumias region and map out strategies to revive MSC a key public asset in the region which is at the verge of collapse.

1.3 Objectives of the Taskforce

The objectives of the taskforce were:

(i) Identify and recommend means and ways of protecting public and community land under sugarcane farming.

(ii) Identify public assets at risk of vandalism, looting, plunder, stealing or grabbing in the wider Mumias region and recommend ways of protecting them.

(iii) Work collaboratively with the Board of Directors and Management of Mumias Sugar Company to map out and recommend strategies for the revival and operationalization of Mumias Sugar Company Limited, a public asset on the verge of collapse.

2.0 SITUATION ANALYSIS

2.1 Review of public and Community land under sugarcane farming

Corporate management relies on assets to boost productivity in the short, medium and long terms. The assets in Mumias Sugar Company are categorized into fixed and current. The fixed assets include among others the Nucleus land, which is a public good and hosts the factory plants, estates and the Company sugarcane farm. There is lack of proactive value addition to the land asset in Mumias Sugar Company to help salvage the dwindling performance. Most successful sugar Companies in the world have fully utilized their Nucleus farms with new farming technologies targeting a minimum TCH of 80. At the minimum productivity level, the Nucleus estate with 4000 Ha can sustain two months of factory crushing operations.

2.2 Sugarcane production technologies

2.2.1 Sugarcane breeding

Breeding is mainly focused on reducing the maturity period and increase in sucrose content. In Kenya, the Sugar Research Institute (SRI, formerly KESREF) is mandated to produce locally varieties with shorter maturity period, (SRI, 2018). The main challenge is the seed cane multiplication of the released varieties.

2.2.2 Irrigation

Most countries with high production of sugarcane have a substantial part of it under irrigation. Irrigation technologies have continued to evolve towards efficient use of water and energy. Drip irrigation around the globe enable to double the yields while saving 20-40% water & 30% fertilizers where fertigation is practiced compared to furrow irrigation (Naandanjain, 2017). In Kenya, Kwale International Sugar Company Ltd (KISCOL) is the only company that has established this system.

2.2.3 Agronomic practices

(i) Field Establishment

The developed factories in the world have employed highly mechanized systems. Generally, such mechanization is favoured by large-scale production under which such companies operate. In Kenya, most of the operations are small scale on small land holdings; however high technology mechanization is possible of Nucleus farms of Mumias Sugar Company Ltd.

(ii) Soil nutrient supply

Little work has been done to clearly define cane nutrition requirements in Kenya unlike other world leading Sugar Countries where Sugarcane specific formulations have been done and supervised application. Mumias Sugar Company was the first Company in Kenya to embrace Sugarcane nutrient specific fertilizer formulations; however, this was hampered by lack of cane development funds to sustain the production and supply of the fertilizer to farmers.

(iii) Weed Management

Almost 30% of sugar production is lost due to poor weed management. The Sugar industry has embraced several herbicides to control weeds in their fields which can be efficient means especially where precision agriculture technologies are deployed. A lot of efforts are needed to embrace such new technologies for weed management in the Kenyan Sugar industry.

(iv) Seed production system.

Production of clean seed cane starts with seed bulking and ends into heat treatment. In Kenya, seed development is the responsibility of state sugar companies with technical support from SRI. Seed production system in Kenya has collapsed due to lack of funding by the Sugar mills and SRI.

2.3 Sugar Production Technologies

The production of sugar from sugarcane is an integrated process, which is composed of a number of operations, which include juice extraction, juice purification (clarification and evaporation), crystallization, centrifugation, drying and packaging. In all cases, attainment of profitability in operations is dependent on how each of these operations is efficient. A summary of the processes is highlighted below.

2.3.1 Juice Extraction

Entails the process in which the solid and the liquid constituents of sugarcane are separated into sugarcane juice and bagasse. There are two main methodologies in which this is achieved, which are milling and diffusion. Diffuser technology in juice extractions is the current advancement in the Sugar industry. Oliverio et al (2014) did a comprehensive comparison of the diffuser and milling technologies in terms of functional, technical, economics and expandability. Diffusers have higher extraction capacity than millers, lower power consumption, maintenance costs and operating costs. The factors that contributed to increased choice of diffusers as sugar extraction solutions were their novelty, modular design, expansibility and easy applicability to large sugarcane amounts (Oliveiro et al, 2014). Diffusers also have lower investment costs and installation costs. They exhibit high operation flexibility and reliability. It was also noted that proper cane preparation before entry into the diffuser improves the extraction rate.

On the contrary, the reasons for limited use or reduced preference of diffusers vary from country to country and can be fairly difficult to establish but the main ones are summarized here (Voigt, 2009): The cane preparation requirements are more demanding for diffusers than mills. Diffusers require higher imbibition water rates than mills, and hence additional exhaust steam demand and evaporator capacity. Unlike in South Africa, opportunity to share diffuser technological information is not forthcoming in many other countries including leading producers like Brazil and India. With less amounts of cane, the economic benefits of a diffuser are more marginal when compared to mills.

2.3.2 Juice purification

Consist of screening of impurities; the juice undergoes a clarification process where milk of lime coagulates all the solid impurities to facilitate clarification within a clarifier. All the clarified and filtered juice is conveyed to the vacuum evaporators where juice concentration occurs.

2.3.3 Crystallisation

The syrup is evaporated until saturated with sugar in a single-stage vacuum pan. As soon as the saturation point has been exceeded, small grains of sugar are added to the pan. These small grains serve as nuclei for the formation of sugar crystals. Additional syrup is added and evaporated so that the original crystals that were formed are allowed to grow in size. The growth of the crystals continues until the pan is full. When sucrose concentration reaches the desired level, the dense mixture of syrup and sugar crystals, called massecuite, is discharged into large containers known as crystallizers.

2.3.4 Centrifugation

A high-speed centrifugal action is used to separate the massecuite into raw sugar crystals and molasses in revolving machines called centrifugals. The centrifugal machine has a cylindrical basket suspended on a spindle, with perforated sides lined with wire cloth, inside which are metal sheets containing 400 to 600 perforations per square inch. The basket revolves at speeds from 1,000 to 1,800 rpm. The raw sugar is retained in the centrifuge basket while the mother liquor, or molasses, passes through the lining. The final molasses (blackstrap molasses) containing sucrose, reducing sugars, organic non-sugars, ash, and water, is sent to large storage tanks. Once the sugar is centrifuged, it is sent to a granulator for drying.

2.3.5 Drying and bagging

The crystallizer, damp sugar crystals are dried by tumbling through heated air in a granulator. The dried sugar crystals are then sorted by size through vibrating screens and placed into storage bins. Sugar is afterwards sent for packaging in packets, in bulk, or liquid form for industrial use.

2.4 Successful Countries in the global sugar Industry

Success of the sugar factories at both global and local level is determined by factors such as policy environment, governance and technology in raw material development and mill infrastructure. Some of the most successful countries are discussed below with a brief overview of their status.

2.4.1 Brazil

Brazil is the world's leading producer of sugar accounting for about 20% of the world's sugar production. Brazil produces about 39 million metric tonnes of sugar per year (in 2018) and constitutes over 40% of the world's total export (UNICA, 2018). In Brazil, cane production is done on large scale is fully mechanized. Currently about 1,705,000 hectares of land in Brazil is under sugarcane irrigation (de Oliveira et al., 2018).

The government offered a range of subsidies to the sugar industry such as; guaranteed purchases of ethanol by the state-owned oil company Petro bras, low-interest loans to agro-industrial ethanol firms, lower excise taxes on ethanol than on petrol and the fixing of hydrous ethanol prices at 59 per cent of the government-set gasoline price at the pump (Agbenyegah, 2014). Brazil has a policy, which requires blending of ethanol with gasoline and the highest blend of E25 (25% ethanol).

2.4.2 India

India is the second largest producer of sugar after Brazil. India's production has been growing over time due to re-organization of the cane development as well as increasing efficiency in the factories. India has over 700 sugar factories out of which only 43 (6%) are state owned, all the rest being private (Venkatesh and Venkateswarlu, 2012). Typical to the Kenya Sugar industry situation, India's sugarcane is produced under small to medium size farms.

2.4.3 South Africa

South Africa is the leading sugarcane producer in Africa with over 2 million tonnes per year in 2013-2014 out of which 75% is exported within the SACU region (FAOSTAT, 2018). Majority of the companies that are just about 15, are privately owned. Their production is mixed between irrigated (30%) and rain fed (70%). South Africa is leading in diffuser technology adoption for cane juice extraction and this has perfected their factory efficiency.

2.4.4 Egypt

Egypt is the second largest producer of sugar in Africa after South Africa and produces sugar from both sugarcane and sugar beet. In Egypt, the government play a major role by regulating prices for sugarcane, sugar beet, and fertilizers to ensure that farmers get them at the lowest price possible and has one of the highest yields of sugarcane in the world, a factor that is partly attributed to the efficiency of the irrigation system employed. All the 142 800 Ha under sugarcane in Egypt are under irrigation (Abul-Naga, 2009).

2.4.5 Sudan

Sudan has the largest sugar factory in Africa (Kenana) producing white sugar. The Sudanese Government has heavily invested in the sugar production including irrigated production, mechanization and computerization. Production is on large scale and mainly in low altitude areas.

2.4.6 Swaziland

In Swaziland, it was established that sugarcane profitability is anchored on good husbandry practices of the cane crop which include timely weeding, fertilizer application and irrigation. Profit in sugarcane farming is generally determined by size of the farm, costs of inputs like labour and fertilizer and experience in farming. Other factors influencing the sugarcane yields are labour related issues, distance of the farm to the mill and technique of fertilizer application hence profitability of the cane to Swaziland farmers.

2.5 Case Study of successful Sugar Companies in Kenya

2.5.1 West Kenya Sugar Company

The company has adopted modern technologies in their factory operations. They have a standby mill installed parallel to the existent mill for purposes of significantly lowering down time, hence improving factory capacity. Other companies that have embraced modern technology are; Butali, Transmara, Sukari and Kibos Sugar Companies.

2.5.2 Kwale International Sugar Company Limited (KISCOL) – Former Ramisi

This company has a modern factory with state-of-the-art mills, juice purification systems, boilers and a cogeneration plant. They also practice irrigation using drip irrigation systems. KISCOL is the only company that has achieved complete mechanization of agricultural operations on large-scale farms.

2.6 Case Study of successful turnaround strategies in the Sugar Industry

2.6.1 Turn around strategies

Turnaround is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround Management involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once analysis is completed, a long term strategic plan and restructuring plan are created. Once approved, turnaround professionals begin to implement the plan, continually reviewing its progress and making changes to the plan as needed to ensure the company returns to solvency.

Turnarounds are superb management schools, everything needs fixing (McCann et al, 2009). Nothing is sure except the need to recover with an intense learning experience. Never again will the turnaround leader assume that customers always buy, vendors always ship, and bankers always lend (Akrani, 2012). Turnarounds differ from managing a company well by the compression of time and the scarcity of resources (McCann et al., 2009). As such, the works by various authors can be regarded as salient contributions to turnaround.

The recommendations in this report are aligned to two theories namely: the Contingency theory of structural adaptation to regain fit theory and the Life Cycle Theory.

2.6.2 Theories that explain firms phases of life

2.6.2.1 Contingency theory of structural adaptation to regain fit theory

This theory argues that functionalist theories and quantitative methods can explain structural change. This is exemplified by a diachronic enquiry into strategy and structure. Organizations change from one fit to another over time. An organization in fit enjoys higher performance, which generates surplus resources and leads to expansion such as growth in size, geographic extension, innovation or diversification. This increases the level of the contingency variables, such as size, leading to a misfit with the existing structure. The misfit lowers performance, eventually leading to a performance crisis and adaptive structural change into fit (Donaldson, 1987).

The structural adaptation to regain fit theory assumes several seminal works in structural contingency theory, such as on divisionalization changes in response to changing strategies and on changes from mechanistic to organic structures in response to technological and market change in the environment. Thus, the structural contingency theory tradition has always contained ideas about dynamics (Collard, 2011). The theory states that an organization only remains in fit temporarily, until the surplus resources from the fit-based higher performance produce expansion. This increases contingency variables, such as size or diversification, leading the organization into misfit with its existing structure. Thus, in this view, fit and misfit are each temporary states that alternate with each other.

An organization in fit tends to expand into misfit, which provokes structural adaptation into fit, which then leads to further expansion into misfit. This cycle repeats itself over time. As the organization moves between fit and misfit so it has resultant higher and lower performance, respectively. Each phase of moving into misfit produces incremental increases in contingency, and each phase of moving into fit produces incremental increases in structure. Thereby, these increments accumulate over time and so tend to eventually produce growth from being a small, local and undiversified organization to being a larger, geographically widespread and diversified organization (Donaldson, 2008). This theory is clearly demonstrated by means of an examination of the relationship between strategy and structure (Collard, 2011) which also form the main variables in the study. This theory originates from the contingency theory which provided the framework for the study of organizational design by stating that the best organizational structural design is the one whose structure fits with the organization " s contingencies (Donaldson, 2008).

This theory is applicable to all organizations undergoing the 19 turnaround process because they all need change to realign themselves so they can fit in the dynamic environment. Managers of organizations that are declining in performance have to adjust from a fit to non-fit situation every so often due to competition and other challenges (Uzel et al., 2015). The application of this theory will help the turnaround managers not to be comfortable with their fit situation but rather to take advantage of the fit situation in order to diversify, modernize, cut costs and reorganize in order to cushion themselves for survivability, continuity in operations, competitive advantage and sustainable good performance over time.

2.6.2.2 Life Cycle Theory

The theory was first introduced in 1966 by Raymond Vernon to explain the expected life cycle of a typical product from design to obsolescence, a period divided into the phases of product introduction, product growth, maturity, and decline. The theory further finds its application on companies which also go through the same phases of life (Sasaka, 2016). Penrose (2010) argued that the turnaround process "if successful, may be chartered as an inverse product life cycle". Life cycle theories entail the "extension" of the life of a product or, the life of a business.

Penrose (2010) aligns the product life cycle theory with turnaround and argue that a turnaround is an extended life added to the existing deteriorating life span of a business. In the "Enterprise Life Cycle", the enterprise was assimilated to the life body, and the life cycle theory thought that as the life body would go through the life course from birth, growth to death, the enterprise would also experience the process from generation, growth, aging and death. As the flexibility of enterprise gradually decreases and the controllability of enterprise gradually increases and decreases, the enterprise growth can be divided into the growth stage, the regeneration and mature stage, and the aging stage, (Maishanu, 2012).

The growth stage includes gestation stage, infant stage and step-learning stage. The regeneration and mature stage includes youth stage and prime stage. The aging and death stage includes stabilization stage, noble stage, early bureaucracy stage, bureaucracy stage and death. The character changes of various stages in the lifecycle of enterprise essentially reflect the change of enterprise culture, and to keep lively enterprise culture and flexible organization structure is very important in this theory (Hanks, 2009). The theory has a bearing on the following variables: cost reduction, reorganization, modernization and diversification, and all depend on the life cycle stage of the company under consideration and the necessary change is adopted.

Most of the companies undergoing the decline stages tend to run for strategies that can keep them longer in the business with the hope of revamping back hence end up adopting among others the cost reduction, reorganization, modernization and even diversification. This can help these companies to shed their negative trends and assume positive trends hence adding a new lifeline to themselves (Wandera, 2012).

2.6.3 Turnaround Country and Industry Case studies

2.6.3.1 Turnaround for the sugar industry in Fiji

Fiji was left devastated after the Category 5 Cyclone Winston especially the cane belt areas in the Western Division. Majority of the crop was destroyed or severely impacted with lowest quantity of cane produced in the last 50 years. Crop yield was severely impacted hitting rock bottom at 37.7 tonnes per hectare which is 20% reduction compared to previous year. There was dwindling number of farmers; closure of Penang, Rarawai and Pautoka mills and the high negative stances by some against the industry would easily have sent many packing.

The industry was in a crisis. Dilapidated factories, outdated production unit and aging farming population are some of the problems that were facing the sugar industry. A team of Technocrats was formed and tasked to develop strategies to get the industry back on its feet. The government provided opportunity through grants, the team looked for new markets all over the world, farmers were capacity built, factories were renovated, prudent financial management was embraced and corrupt officials were either laid off or arraigned in courts. Suddenly, the industry went into recovery mood under good governance.

2.6.3.2 Sugar Industry Reform Program (SIRP) in Australia

Emanating from an independent assessment of the sugar industry commissioned by the Australian Government in 2002, Sugar Industry Reform Program 2004 (SIRP 2004) was formed. The areas addressed were; Low global sugar prices and the exclusion of sugar in a free trade agreement with the United States, Financial hardship of millers and growers; Communities in sugar regions were under pressure as a result of successive seasons with low production; Sugar industry was largely unprofitable; High debt levels for the farmers, and succession difficulties.

The program was implemented between 2004 and 2008 and had not previously been evaluated. The government's two primary objectives for implementing SIRP 2004 were: to alleviate the immediate financial hardship of millers and growers and to reform the industry structure through rationalization and diversification, to make it competitive and sustainable. The methodology was first to carryout interviews with key stakeholders from the administrative bodies involved in SIRP 2004 (administrative participants'), as well as with SIRP 2004 component recipients such as growers, harvesters and millers. Secondly, carry out a desktop analysis of records and annual reports were also used as data sources to track changes in the industry's performance to 2010.

The reform components of SIRP 2004, delivered over five financial years from 2003–04 to 2007–08 comprised of six key funding areas which included: Business Planning Grants; Re-establishment Grants; Retraining Grants; Restructuring Grants; Intergenerational Transfer Scheme and the Regional and Community Projects grants (RCPs). The objective of the RCPs was to provide grants at a regional level to stimulate medium to long-term restructuring of the sugar industry. The situation for the sugar industry has changed significantly since the Sugar Industry Reform Program 2004 was introduced, with higher sugar prices, fewer growers and a better understanding among growers of the issues facing the industry.

2.6.3.3 Turnaround for Mauritius Sugarcane Industry

Mauritius is as a small vulnerable economy which has to operate in a globalized environment. Mauritius therefore needed a roadmap that could allow it to preserve its sugarcane sector and its multiple benefits and to transform the then threats into opportunities.

The roadmap was aimed at addressing the following: Preserve and consolidate the foreign exchange earnings from the sector to ensure stable and predictable revenue for food imports; Preserve the livelihood of small planters and employees and their families who depended directly on the sugarcane sector; Optimize value-addition to sugar and its co-products; Maintain social cohesion, which is the foundation of the much appreciated peaceful and stable democracy; preserve and protect the environment; Optimize the production of environment friendly sources of energy, electricity from bagasse and ethanol from molasses; Preserve the secondary employment created by those who indirectly service the industry, namely the SMEs have built on this foundation to create employment and tackle poverty; and Ensure that the corporate sector is pro-active, with a leaner and more efficient organization which will allow it to meet the challenges of decreasing sugar prices.

Strategies proposed by the Mauritius Sugarcane Road Map Team include: Production and Export Mix which aimed at providing the formation of a sugar cluster which inter alia involves a much higher level of electricity produced from bagasse, higher production of special sugars, the production of ethanol from molasses and the development of other sugar based products; Field Operations aimed at efforts to improve yields through mechanization/irrigation, to reduce both production and management costs and to invest in co-products; providing guidance and advice as well as identify problems in the timely implementation of the irrigation network; Small planters would be encouraged to regroup in order to facilitate land preparation, mechanization and irrigation.

Ensuring the labour, social and welfare aspects are given special attention with a view to protect the interest of employees and to ensure that the restructuring process is conducted in a socially sensitive manner. Optimal use of co-products; the production of special sugars, as well as the optimal use of cane interlines and cane rotational land.

With the implementation of the Mauritius Action Plan 2005-2015, the Road Map team helped to evolve the sugar industry by creating a collective will and concerted action that certainly overcame the challenges the industry was facing.

2.6.3.4 Turnaround of Kwale International Sugar Company Limited (KISCOL)

KISCOL formerly Ramisi Sugar Factory was established in 1927 near river Ramisi but later closed down in 1980. The shutdown of Kwale International Sugar Company Limited can be attributed to several factors including the following: Fraud and corruption activities in the management; political interferences; high operating costs; Huge loans that resulted into their property being held by the Bank of India; new innovations by competitors which leads to a loss of market share and revenue; There were serious financial irregularities and procurement abuses due to lax management; poor credit management and Accounting systems; Poor Asset and liability management; poor Inventory controls and reduced Sales and Mismanagement of organizational resources among others.

The turnaround team used a number of strategies to turnaround the company. Some of the strategies they used include: Financial turnaround strategies; Reorganization turnaround strategy; Strategic repositioning turnaround strategy; Modernization turnaround strategy; Asset Reduction turnaround strategy and Operational Strategy. The Turnaround Management team started by carrying out situational assessment. Secondly, the emergency management stage was carried out with objectives of securing the short-term future of the business through stabilizing and laying the foundation for funding and fixing of the distressed company by allowing a window of opportunity for turnaround plan refinement.

Thirdly, the team moved to the restructuring stage which involved the implementation of the turnaround plan devised during turnaround situation assessment and refined during the emergency management stage. Turnaround restructuring took the form of Leadership restructuring, Financial restructuring, Strategic re-organization and operational restructuring. Finally, the team moved to recovery stage entailed embedding these changes, and managing the business during its return to normality. The Turnaround recovery was characterized by an increased emphasis on profits in addition to the earlier emphasis on cash flow, Operational efficiency improvements and building the organization. The company was re-started at a cost of Sh17.8 billion. Its core activities are to process sugarcane for the production of sugar, ethanol and electricity. The company currently provides direct employment for 650 local residents. The project has also created indirect employment for over 500 people who work for the various contractors for the works being done at the site.

2.7 Efforts to revive the Sugar Industry in Kenya

The Kenyan Government and the sugar stakeholders have tried to revitalize the sugar sector. They have come up with strict policies to control economics liberalization of the section. This has included regulations to ensure reduction in taxes on farm inputs and refined sugar to enhance completion of the Kenya Sugar in both domestic and foreign markets.

The government through (SRI) has been undertaking research on various aspects of cane production and dissemination input to the farms to enhance cane husbandry. The government has also planned to sell shares in five millers to private entities with the aim of offsetting their debts and ensure smooth running of the millers, it has written off debts for instance, MSC by repaying debts owed by the millers to farmers. In addition the Government has encouraged diversification by Sugar processing factories to utilize by-products in production of ethanol and Cogen by offering tax incentives on the side of the by products.

The Kenya national assembly during the eleventh parliament third session in 2015 through the departmental Committee on Agriculture, Livestock and Cooperatives came up with a report on the crisis facing the Sugar Industry in Kenya. The committee came up with a raft of recommendations that if implemented will go a long way in resuscitating the sector.

The government through the ministry of Agriculture formed Taskforces 2003 and 2019 to look into issues affecting sugar industry in Kenya and suggest measures to address them.

2.8 Gaps in the Kenya sugar industry

Despite the efforts by the Kenya Sugar Industry, the Sugar Industry performance is on a declining lane. Mumias Sugar Company in particular is on the verge of collapse. Certain concerns have persisted in the industry over a long time despite the numerous efforts to address them. Certain issues have remained unresolved from the time of the 2003 task force for instance; the Sugar Act 2001 was enacted to bring order into the sugar industry. The key objective of the act then was to: provide for the development, regulation and promotion of the sugar industry, and to provide for the establishment, powers and functions of the Kenya Sugar Board. In the current dispensation, the Sugar Act 2001 has been effectively repealed with the enactment of the Crops Act 2013 and the AFA Act 2013 and the concerns remain unresolved. There is hence lack of industry specific regulations following the repeal of the Sugar Act 2001.

The issues related to the cost of production remain high on the agenda of farmers and millers as well. The farmers' problem is compounded by late or non-payment for cane delivered to state-owned mills and the contracts for the purchase of sugar are unenforceable. This situation largely blamed on mismanagement and inefficiencies at the mills. Related to the issue of payment is the argument by the farmers that they do not receive a fair price because they are paid through an unsustainable payment system that focuses on weight rather than sucrose content.

The regulation of sugar importation and tax waivers has continuously rattled the Sugar industry in Kenya and contributed to the flooding of the local market with imported sugar. Policy makers are seen to have failed to take a holistic approach to reforming the sugar sector and continued to conceal the industry under extension of the COMESA safeguards. The absence of comprehensive supportive policy framework has resulted in an increase in trade rather than in productivity and competitiveness in the industry (IEA, 2005).

The sugar mills in Kenya remain highly inefficient using obsolete technology with unsustainable maintenance policy. The problem is compounded by low production of sugarcane to the extent that factory capacities are not attained.

3.0 TASKFORCE APPROACH

His Excellency FCPA Wycliffe Ambesta Oparanya, EGH, CGJ the Governor of the County Government of Kakamega appointed the taskforce through the Kenya Gazette Notice No. 4723 dated 31st May 2019.

To achieve the objective of identifying public land under sugarcane, the team co-opted the Land Registrar who did her research and gave an expert opinion. The MSC management also shared the parcel details as shown in Annex 13. The team then proceeded to the ground to verify and talk to persons of interest and prepared a report based on the findings.

In order to identify public assets at risk in the wider Mumias region, the team engaged opinion leaders and persons of interest who had historical background of the region. The details shared formed a base for further inquiry during the focus group discussions that followed.

In mapping out strategies for revival and operationalization of MSC, a public asset on the verge of collapse, the taskforce adopted a multi-pronged approach. The team undertook a literature review and developed a common understanding of the Sugar sector and the status of Mumias Sugar Company Ltd. This included but not limited to: Literature Review of Turnaround Strategies for various success narratives globally; Sugar taskforce report CGK; 2014; County Sugarcane Fund Regulations; AFFA reports; Mumias Cane production report of 1973 – 2018; National Draft Sugar Taskforce report; and KPMG Report. MSC Strategic Plans for 2008 – 2012, 2018 – 2022; Media Report; Factory production report of 1973 – 2018; Booker Tate report; MOCO reports; COMESA and Continental Free Trade Area agreements, and MSC Short term plan reports were also reviewed.

Through participatory and consultative approaches, the taskforce interviewed persons of interest, and held focused group discussion with various stakeholders. The stakeholders included both former and current MSC Managing Directors, management and workers representatives, MOCO and MOSACCO representatives; political leaders from the region including political leaders drawn from the sugar belt regions and Members of County Assembly.

The team divided itself into 3 groups and held Focused Group Discussions (FGDs) during field visits collecting public memoranda from farmer representatives and organizations in the 7 major sub counties growing cane, MSC employees, Persons of interest selected based on their interactions with MSC, individual Memoranda and friends of the taskforce.

The Taskforce held consultative sessions with shareholders, creditors and lenders, National Treasury, Western Kenya Jurists, Auditors and Consultancy firms in Nairobi on 24thand 25th,June 2019.

The taskforce brainstormed and developed a workable Business Model based on devolved county administrative units to revive the company.

4.0 FINDINGS

4.1 Public and Community Land under Sugarcane Farming

4.1.1 History of Land acquisition for Mumias Sugar Company

The government of Kenya way back between 1969 and 1977, acquired several parcels of land via gazette notice number 675 of 9th march 1973 in various registration sections namely; Ekero, Matungu, Kholera, Mung'ang'a, Eluche and Khalaba. Between 1980 and 2000, parcels in each registration sections were combined to one parcel as follows: Khalaba created 1017; Eluche created 754; Mung'ang'a created 794; Kholera created 938 and Ekero created 2240.

In 2001, the government combined the above parcels to form Mumias Sugar Scheme 1 and 2. Thereafter, conversion from freehold to leasehold: hence preparation of 99 years leases document and vesting the same in Mumias Sugar Company limited.

4.1.2 Current ownership status

Mumias Sugar Company holds leasehold properties namely: Mumias sugar scheme (1), and Mumias sugar scheme (2). It was allocated land by government of Kenya in the year 1974 and 2003 respectively where the government of Kenya is the leaser while Mumias Sugar Company is the lessee. The first registration was effected on 12th February, 1974 under registration section of Mumias sugar scheme (2) covering an approximate area of 117.7 Ha for a term of 99 years with effect from 1st January, 1973 on annual rent of KShs. 12,997.

The second registration was effected on 6th February, 2003 under registration section of Mumias sugar scheme (1) covering an approximate area of 4,294.8 Ha for a term of 99 years with effect from 1st July, 2001 on annual rent of KShs. 858,960 in the names of Mumias sugar company P.O. Box Private Bag Mumias. A lease certificate was issued to that effect. Mumias Sugar Company purchased and leased other pieces of land with intention of developing more cane. Total leasehold is 383.996Ha, while additional land purchased apart from scheme 1 & 2 amounts to 57.512Ha. The details of this information are available in Annex 14

4.1.3 Loans/ Liabilities

It is evident from the records held at Kakamega lands registry office that the company secured loans from various financial institutions as shown below:

i. On 10th May , 1975, it secured a sum of KShs. 25,000,000 from Kenya Commercial Bank Limited

ii. On 31st July, 1977, it secured a sum of KShs. 20,000,000 from Kenya Commercial Bank Limited

iii. 4th January, 1978, it secured a sum of KShs. 30,000,000 from Barclays Bank International limited

iv. On 15th August , 1978, it secured a sum of KShs. 20,000,000 from Kenya Commercial Bank

v. On 15th June, 1979, it secured a sum of KShs. 15,000,000 from Kenya Commercial Bank

vi. On 20th April , 1994, it secured a sum of KShs. 90,600,000 from Kenya Commercial Bank

vii. On 11th January 1995, it secured a sum of Ksh.1, 250,000,000 from Kenya Commercial Bank, Barclays Bank limited, K.C.F.C and Stanbic Bank.

viii. On 20th February 1997, it secured a sum of KShs. 70,815,000 from Barclays Bank of Kenya limited.

ix. On 29th July, 1998, it secured a sum of KShs. 90,600,000 from Kenya Commercial Bank

x. On 5th July, 2002, it secured a sum of Ksh.710,000,000 from Kenya Commercial Bank

4.2 Public Assets at Risk of Vandalism, Looting, Plunder, Stealing or Grabbing in the Wider Mumias Region

a) The Factory ; (water bottling plant, Ethanol plant, Cogeneration plant, sugar plant and associated equipment)

b) Nucleus farm

c) Satellite cane farms

d) Satellites Cane Buying Centres

e) Residential Estate

f) Schools

g) Golf Course Way

h) Guest House, Nabongo Club

i) Mumias Sugar Sports Complex

j) Administrative Offices, Stores, Petrol Station

k) Sukari Sacco Facilities

l) Grocery Market

m) Health Centre and MCH

n) Motor vehicles

o) MOCO Assets

p) MOSACCO Assets (farmers Bank)

4.3 Mumias Sugar Company Analysis for mapping out revival strategies

4.3.1 History of Mumias Sugar Company Limited

In 1965, the Ministry of Agriculture prepared a sugar project for the Nzoia river valley as the climate was suitable; also the region though quite densely populated was very underdeveloped.

In 1967, the Government of Kenya commissioned Booker Agriculture and Technical Services (now Booker Tate) to study the feasibility of growing sugarcane at Mumias and then initiate a pilot project.

Mumias area was seriously underdeveloped; land utilization was poor as farmers grew food crops on small areas for subsistence only while the rest of the land was purely for grazing at the time. The relative remoteness of the area and poor communication prevented the development of an active market economy. However, owing to the fact that land adjudication had been carried out and farmers had freehold title to their land, this favoured the proposed sugarcane project of which studies had returned a clean bill of health. It was possible to establish a viable sugar scheme at Mumias with the factory supplied by cane from both the Nucleus Estate and the indigenous Outgrower farmers.

Objectives of MSC

The major objectives of establishing Mumias Sugar Company were to:

i) Provide a source of cash income for farmers,

ii) Create job opportunities

iii) Curb rural-urban migration,

iv) Reduce overdependence on importation and aim for self-sufficiency in sugar production,

v) To operate on a commercial basis and make profits.

4.3.2 Summary of Major Milestones of MSC Ltd

Table 7: Summary of the key MSC Ltd Milestones

DATE	EVENT
1967	• The Government commissioned a subsidiary of Booker McConnell, Bookers Agriculture and Technical Services, which is now BTL, to study the feasibility of growing cane at Mumias and to initiate a pilot project.
1971	• The study concluded that it would be possible to establish a viable sugar scheme at Mumias with a factory supplied with cane from both nucleus estate and outgrower cane farmers through an Outgrowers Scheme. The Government accepted the findings of the feasibility study and on 29th June 1971, incorporated the Company as the body to implement the project with a majority share held by the Government (70.76%) and minority interests held by the DCE (17.18%), KCFC (5%), Booker McConnell (4.41%), and the EADB (2.65%). Bookers Agriculture and Technical Services provided management under contract to the Company. It's capital structure comprised of 3,500,000 authorized shares of 20 Kenya shillings each. • Cane planting on the Nucleus estate and outgrower areas commenced. • The company was expected to operate on a commercial basis and make profits. The scheme was unique because of its dependence on sugar grown by small-scale farmers, whose average holdings are today 0.88 hectares. • Commencement of cane planting on the nucleus estate and outgrower areas.
1973	• First sugar produced by the Company
1974	• The company was profitable from the first six months of operation. This was due to higher cane yields, higher Factory Capacity Utilisation, and lower costs. Towards the end of 1974, a mere 18 months after production began, the project, based on the opportunity value of sugar at world price levels, had completely paid for itself.
1976	• Expansion of milling capacity from 80 tons of cane per hour to 125 tons of cane per hour
1979	• The Company decided to proceed with an expansion of factory capacity to 300 tons of cane per hour, an expansion equivalent to the construction of a large new factory. Contractors for the supply and erection of this extension were signed
1985	• Completion of expansion of factory, giving the company a potential capacity of 210,000 tons of sugar per year.
1993	• Commencement of factory rationalization project.
DATE	**EVENT**
1997	• Completion of factory rationalization. The project consisted of the erection of a new 110 tons per hour boiler, a 7.0 MW turbo-alternator, a juice clarifier, heaters and juice evaporators, a new diffuser with associated cane handling equipment and de-watering mills. Daily milling capacity increased to 7,000 tons of cane per day and the efficiency of sucrose extraction was raised from 82% to the current 86%.
1999	• Staff Rationalization through a voluntary early retirement scheme that reduced the permanent workforce from 4,650 employees to 3,400 employees by October 2000.
2000	• Establishment of a nationwide distribution network for sales and marketing, and branding of product in 2Kg packets. • Concluded power sale agreement with Kenya Power and lighting Company to supply 10 000MWh of electricity per annum to the national grid.
2001	• Conversion of the company from a private to a public company and listing on the Nairobi Stock Exchange
2002	• Considerable increases in sales of branded sugar in wake of sugar price declines.
2003	• Expiry of management contract with Booker Tate and subsequently, Dr. Evans Kidero appointed as Managing Director.

2004	• Highest profit after tax results since inception • 11% growth in cane processed and sugar produced. Factory achieved production of 264 000 metric tonnes. • Strengthened distribution network leading to increased market penetration. This ensured availability of Mumias Sugar in all parts of the country. • Doubled branding packaging capacity and introduced the ¼ Kg and ½ Kg packets. Finalised plans to invest in capacity expansion.

2005	• Highest production by the company (269,184 metric tonnes) since inception. • Board approved strategic plan to exploit co-generation opportunities, and establish an ethanol plant. • Factory refurbishment undertaken to enhance factory capacity to 410 tons of cane per hour. • Signed contract with KPLC to supply 2 MW of electricity to the National Grid.
2006	• Embarked on a project to increase its production capacity to 300 0000 tons per annum. • Signed an agreement with Avant Garde Engineers and Consultants (P) Ltd of India to put up a USD 40M power production unit which will see its generating capability increased to 35 MW and enable the Company to sell up to 25 MW to the National Grid at a cost of USD 48,937,164.44. • The Company entered into a ten (10) year agreement (2009 – 2019) with Japanese Carbon Finance Company Limited. This arrangement should see the company receive "carbon credits" as a result of replacing thermal production of electricity with the more environmentally friendly "bagasse" production. The Company will then exchange these credits.

2007	• President Mwai Kibaki commissions the construction of the Co-gen Plant with production capacity of 34.2MW of electricity
2008	• ICT Department establishes a Data Recovery Centre as part of the Company's Business Continuity Management Programme.
2009	• Commissioned the Co-generation Plant with production capacity of 34.2 mw of electricity • Company Maternal Child Health and Family Planning Clinic (MCH/FP) which doubles up as a VCT Centre wins the National Aids, STI Control Programme Award for 2008. • MSC sponsors the first ever Western Province Economic Forum at Masinde Muliro University of Science and Agriculture
2010	• Main sponsor of the Kenya National Music Festivals • Main sponsor of the Kenya Schools and Colleges Drama Festivals • Takes over Sponsorship of AFC Leopards SC • Launches first ever youth football tournament dubbed "Utamu Halisi Soccer Challenge Cup". • MSC introduces cane cutter salary payments through Mpesa. • Company unveils a KShs. 2.5M Mentorship Programme
2011	• Main sponsor of the Kenya National Music Festivals • Main sponsor of the Kenya Schools and Colleges Drama Festivals • Main sponsor of the first ever Save Kakamega Forest Half Marathon • Global Credit Rating Company accords MSC a domestic Kenyan Shilling currency long term rating of A+ and a short term rating of A1.

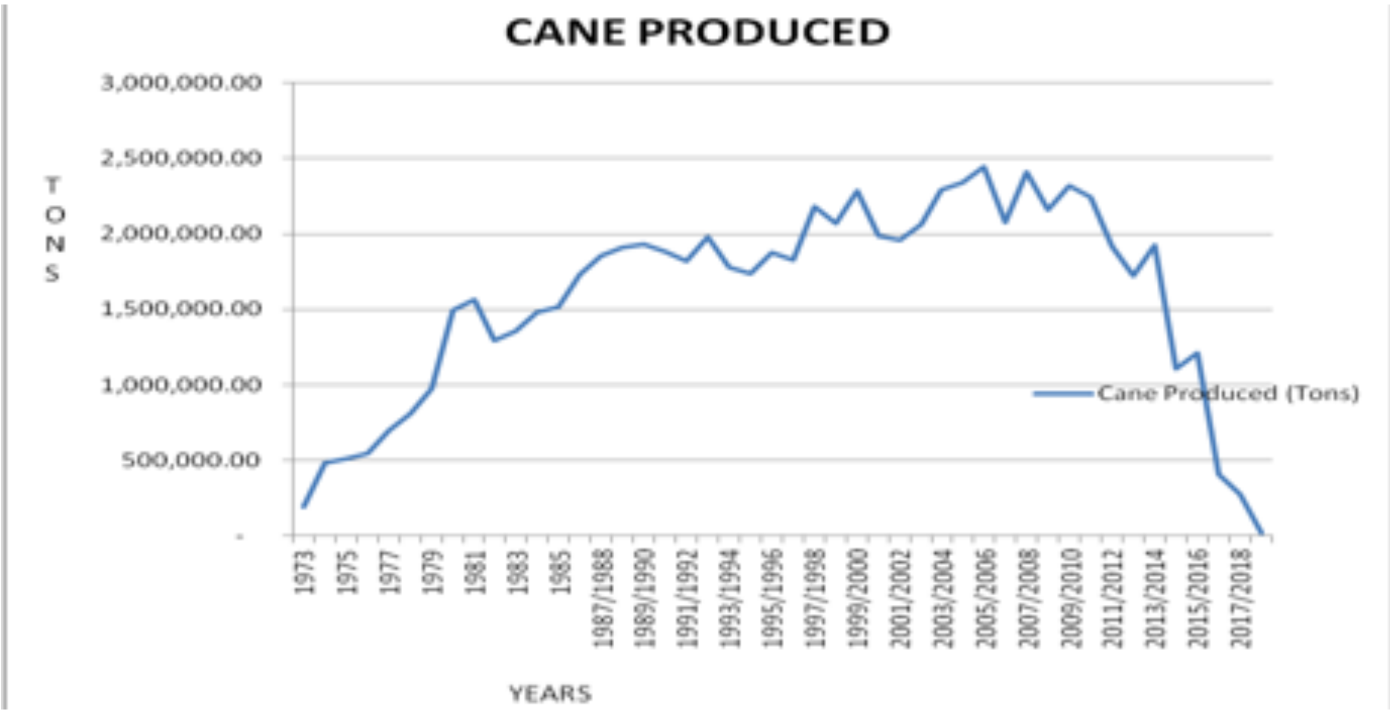
	• Launch of First Fortified Sugar with Vitamin A in East Africa • Construction of Ethanol Distillery commenced at a contract sum of USD 41,869,344.54 and Euros 3,167,000 quality assurance. • Construction of Water Bottling plant commenced at a contract sum of USD 3,448,000 and USD 260,000 for operation and maintenance.
2012	• Ethanol Plant commissioned • Water Bottling Plant commissioned • Crushed below 2 million tons of cane since 2002 • Evans Kidero left, Peter Kebati took over
2014	• Peter Kebati left, Coutts Otolo took over • Kenya Power disconnected • Acute Shortage of Cane experienced
2015	• Errol Johnson took over from Coutts Otollo • The title of heads of department was changed to Departmental Chiefs
2016	• Operated the whole year without Kenya Power, relied on Aggrekko generators, registered the worst rendement1 ever at 3.83
2017	• Bail out of 500 million from Government to revive MSC • Nashon Aseka took over from Errol Johnson • Kenya Power reconnected in July
2018	• Last Sugar Processed on 31st March 2018 • Patrick Chebosi took over from Nashon Aseka
2019	• Issac Sheunda took over from Patrick Chebosi • No sugar produced

Source: Mumias Sugar Company Records

4.3.2 Sugarcane Production Analysis

The figure 1 presents Sugarcane Production status in Mumias Sugar Company from 1973 to 2019. The trend shows that there was a steady rise in cane production and supply to Factory up to 2011 except for a few dips in 1982 and 1994 which can be attributed to weather and level of investment. A serious decline was noticed as from 2011 to date.

Figure 1: Trends of Cane produced from 1973 to 2018



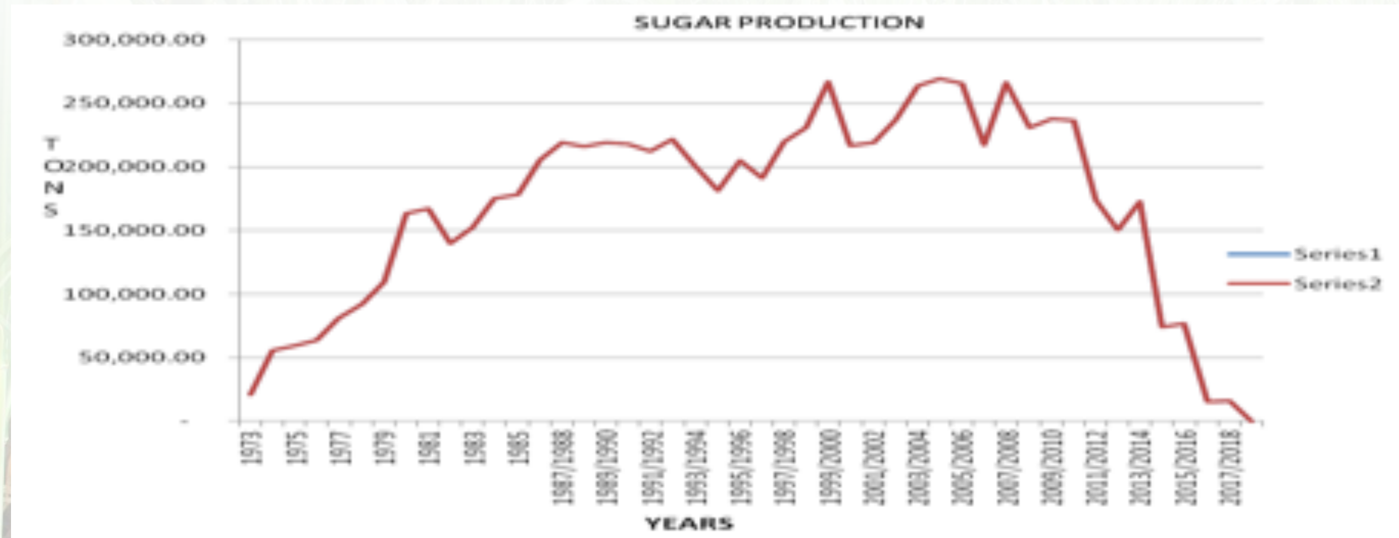
Source: Mumias Sugar Company Records

4.3.3 Factory Production and Productivity Analysis

4.3.4.1 Sugar production

The figure 2 shows increase in sugar production in 1979, 1997 and 2008 after expansions that brought in mill B, Diffuser and Process House modernization respectively, however both sugar cane crushed and sugar produced trends took a nose dive in 2011 following shortage of cane.

Figure 2: Trends of Sugar production from 1973 to 2018

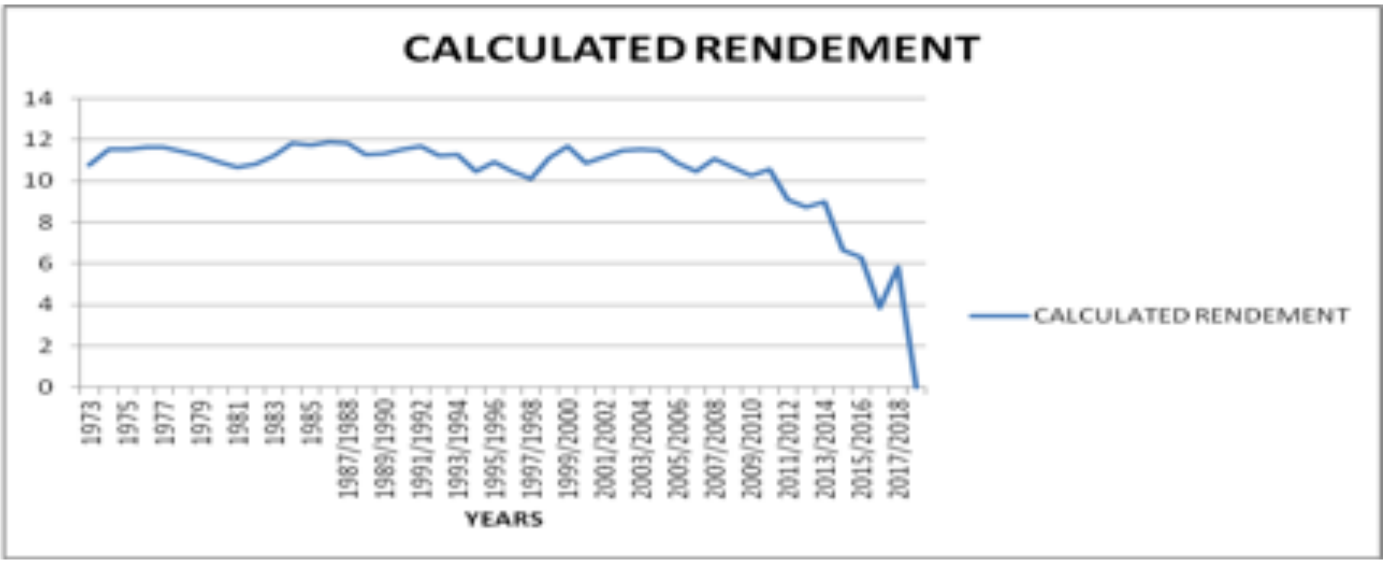


Source: Mumias Sugar Company Records

Sugar Productivity Index

The figure 3 shows rendement over the years since 1973 to 2018, it remained steadily over the years until 2011 when it began going down and took a nose dive in 2015. The main reasons were shortage of quality cane in terms of pol % and increase in factory inefficiencies caused by lack of scheduled annual maintenance. Quality of cane was affected by decreased input in cane development and maintenance could not be carried out consistently due to financial constraints.

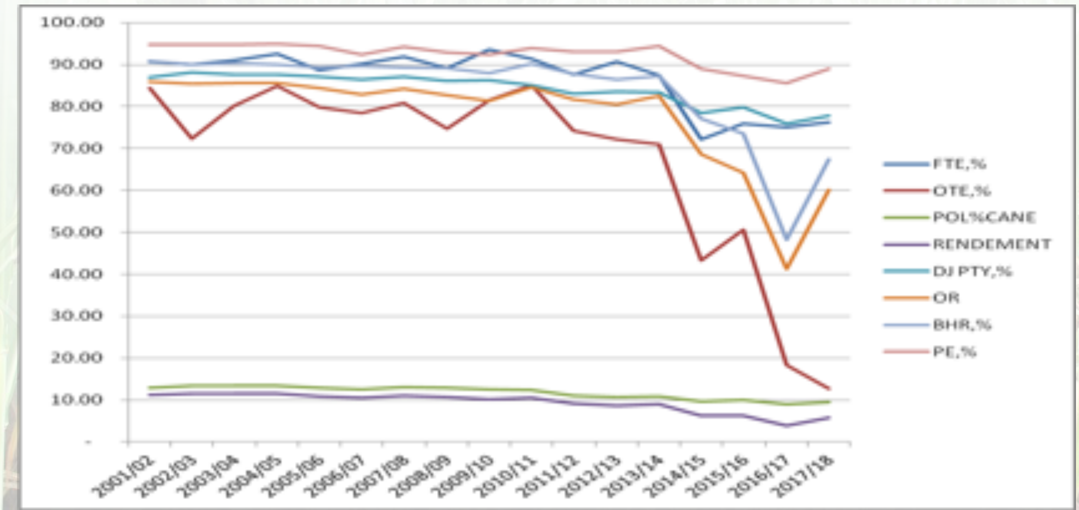
Figure 3: Showing the Trend of Rendement, TC/TS from 1973 to 2018



Source: Mumias Sugar Company Records

Factory Efficiencies/ Productivity The charts below show Factory efficiencies figures which remained averagely okay until in 2011 when they went off before worsening from 2015. This was due to shortage of cane and hence milling of young immature cane that had ripple effects since this led to disruption in cane development plan and hence more idle time and less utilization of the factory. In turn this led to low production, low productivity due to numerous start stops regimes which are harmful both to the products, product quality and equipment in general. Note in 2015 situation was worse due to running the plant on diesel engines which were under capacity and this led to numerous disruptions in the processes hence wastage of cane, intermediate material and the final product. There has been no sugar production since March 31st 2018.

Figure 4: Trend of factory efficiencies from 2001 - 2018

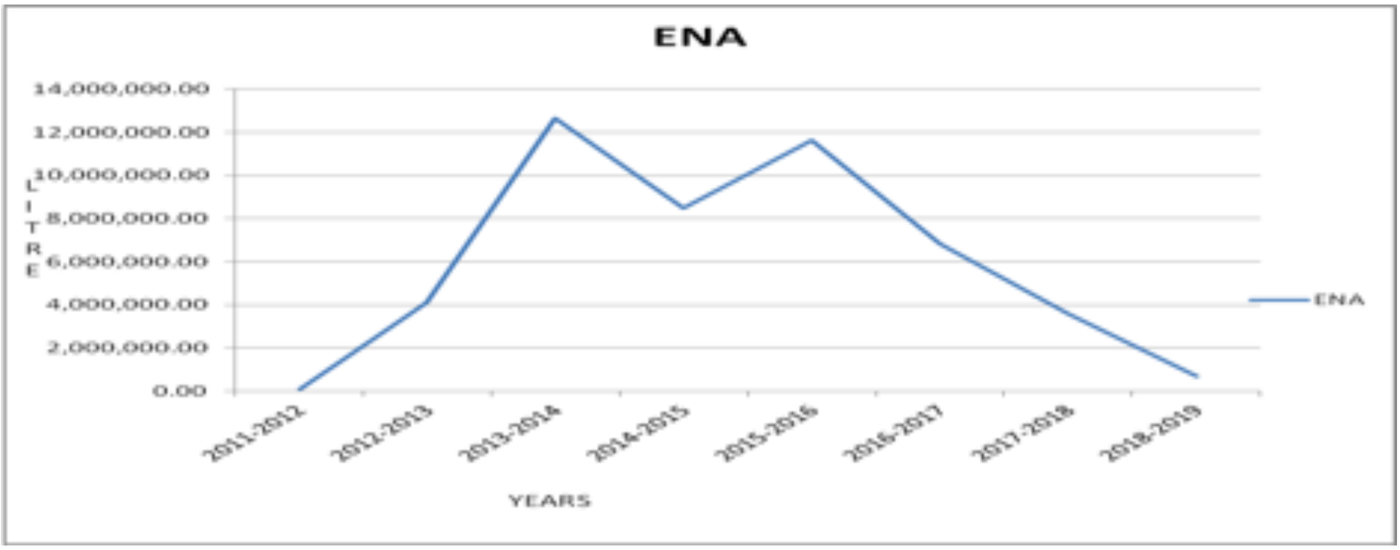


Source: Mumias Sugar Company Records

4.3.4.2. Ethanol Production

Ethanol was commissioned in 2012. Its production rose steadily up to 2015 when it dropped due to lack of sugar cane. The plant is currently off due to lack of finances to purchase molasses.

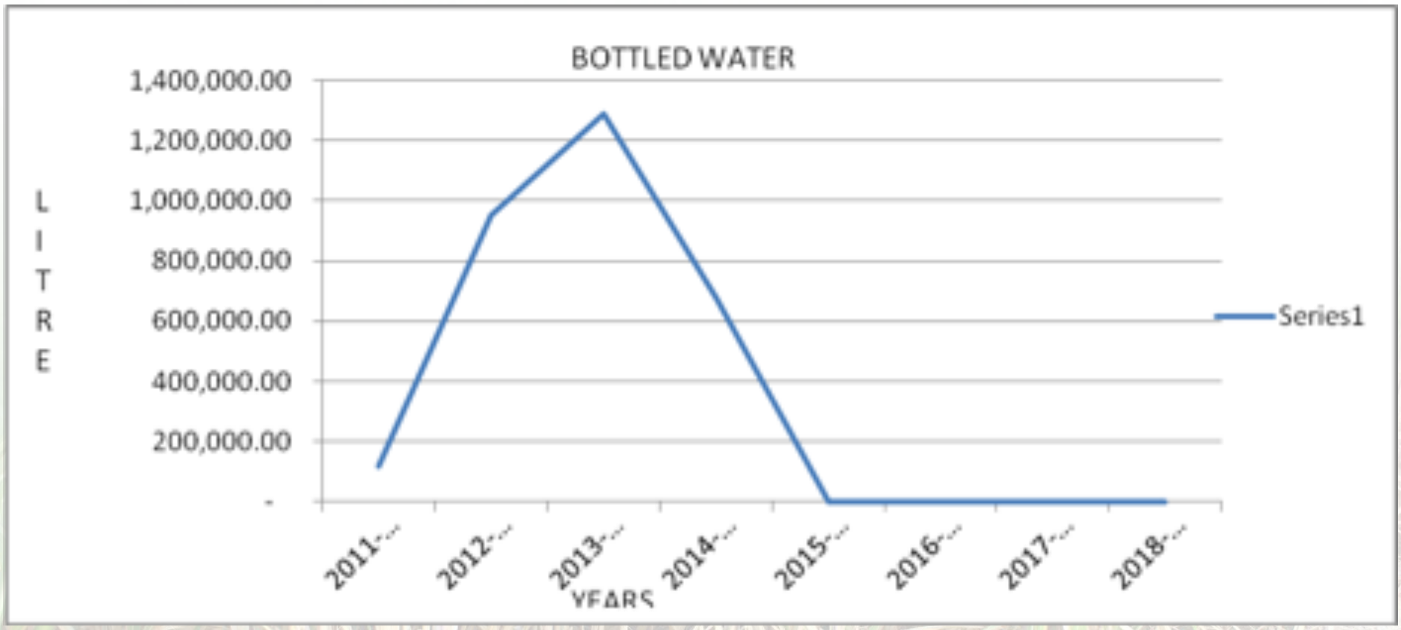
Figure 5: Ethanol Production since inception



Source: Mumias Sugar Company Records

Water Bottling Plant was commissioned in October 2012. Its production and sales rose steadily but since it was not giving returns on investment, it was decommissioned in 2014. The company board and management are yet to make a decision about the business unit.

Figure 6: Bottled Water Production Statistics

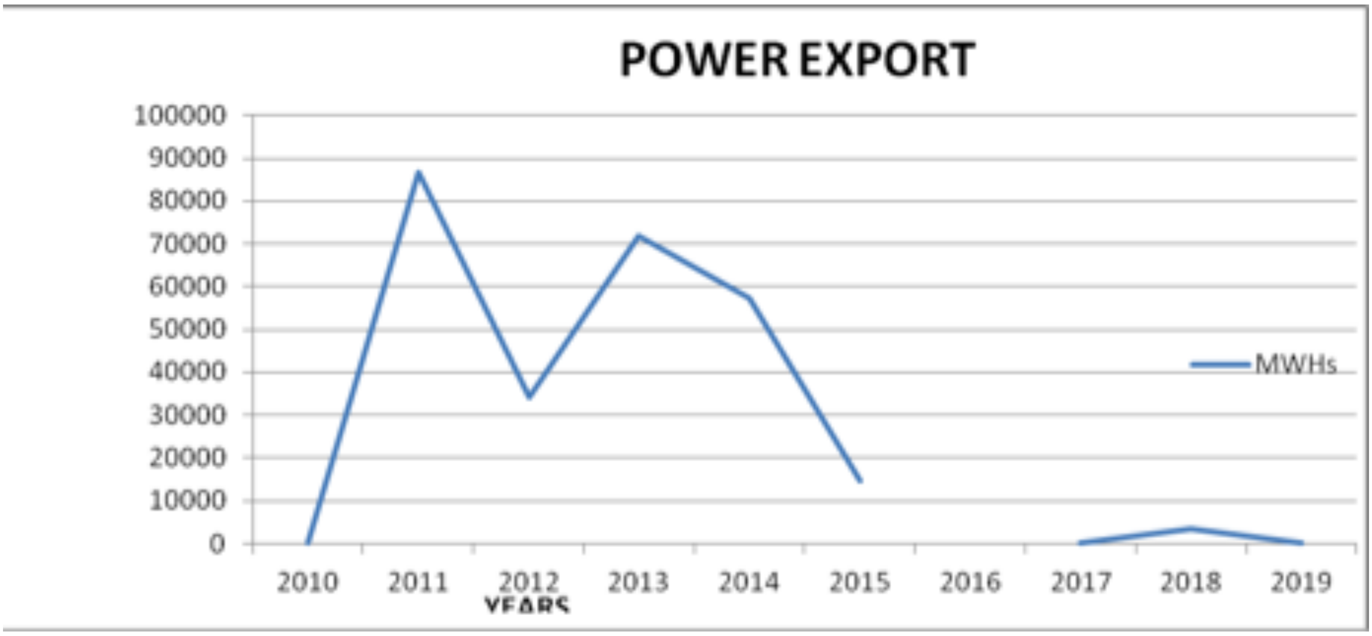


Source: Mumias Sugar Company Records

4.3.4.4 Power Export

Power generation was commissioned in 2009. The production and export to the national grid remained unsteady with several peaks due to sugarcane shortage which began in 2011. Crushing young cane didn't generate enough bagasse hence bagasse importation began as a way to supplement. In 2014 to 2017 there was no export since KPLC had disconnected the meter due to unpaid charges that had accrued. There has been no tangible export to date due to lack of sugarcane.

Figure 7: MSC Power Export



Source: Mumias Sugar Company Records

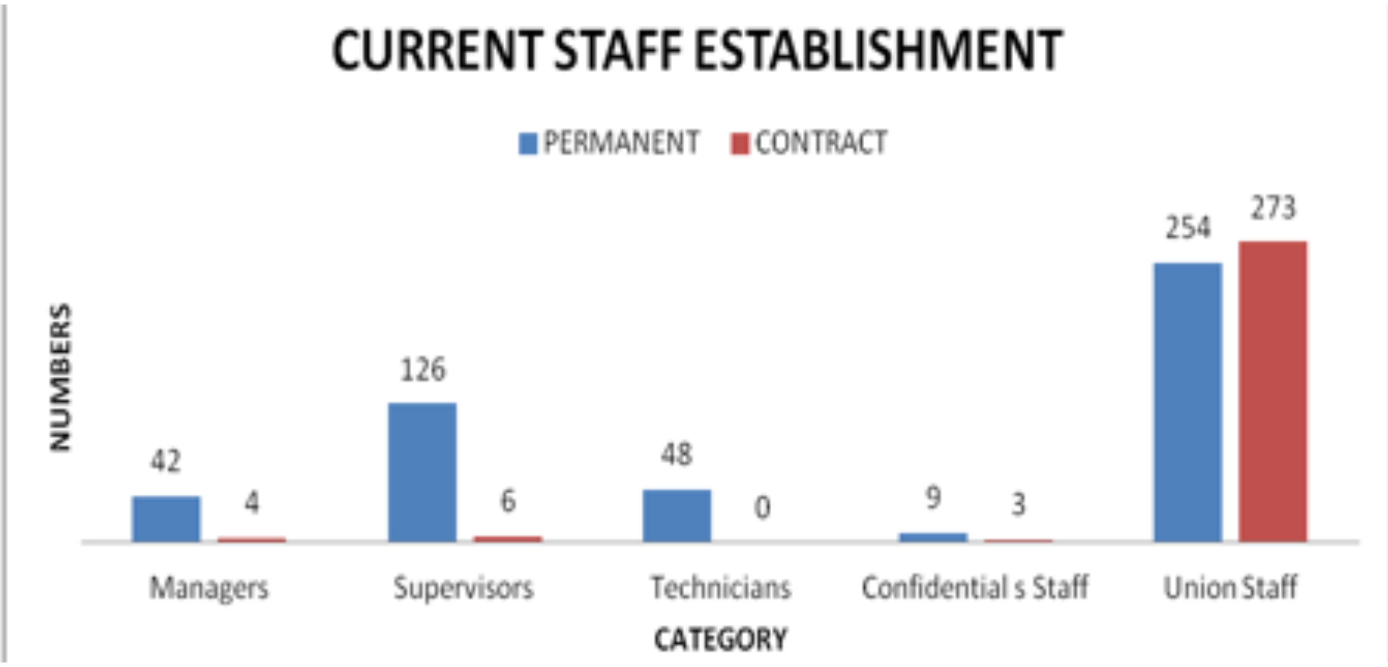
4.3.4 Human Resources Analysis

MSC has failed in succession planning mechanism in the last eight years. This can majorly be attributed to unequipped Human Resource (HR) team to manage the process of recruiting the right skills and a technical succession planning structure geared towards developing an action plan for a positive change to avoid to deprivation, exclusion and other bad practices of discrimination in employment which has been prevalent at the company.

4.3.4.1 Current Establishment

As at 30th June 2019, MSC had a total of 765 staff who were deployed in various sections. Out of this, permanent staff are 479 while 286 are on short term renewable contracts. The Numbers across the board have drastically come down compared to the previous years as a result of inactivity which was fuelled by acute shortage of the main raw material (sugarcane). This situation in turn led to financial constraints. Most of the employees left in the last 2 years due to lack of salary payment. It should be noted that the company still owes the contracted employees whose contracts expired last year.

Figure 8: Current Staff Establishment

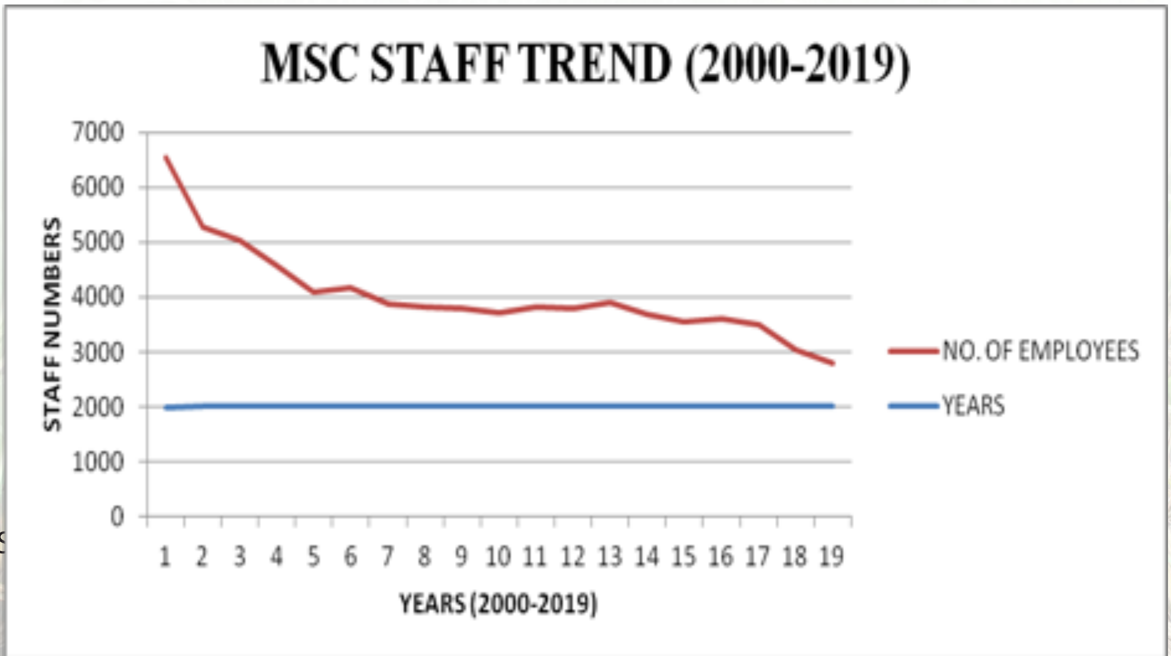


Source : MSC HR records

4.3.4.1 MSC Staff Trends from 2000 to 2019

The table Figure 4-9 and Annex 4 shows MSC staff trend as from the year 2000 to 2019. Generally, it can be noted that the number has been declining steadily. However, there are a few notable instances, which can be attributed to various reasons. The years from 2000 to 2005, there was Voluntary Early Retirement Scheme (VERS). Other reasons that led to the decline include, outsourcing of several functions, restructuring among others. However, in year 2011 the number slightly went up owing to diversification through introduction of Ethanol, Cogeneration, and Bottled water. As from 2014, the number dropped drastically due to financial constraints that have been bedevilling the company leading to delayed or non-payment of salaries. Currently, the salary arrears stand at 24 months.

Figure 9: MSC Staff Trends from 2000 to 2019



4.3.5 Financial Analysis

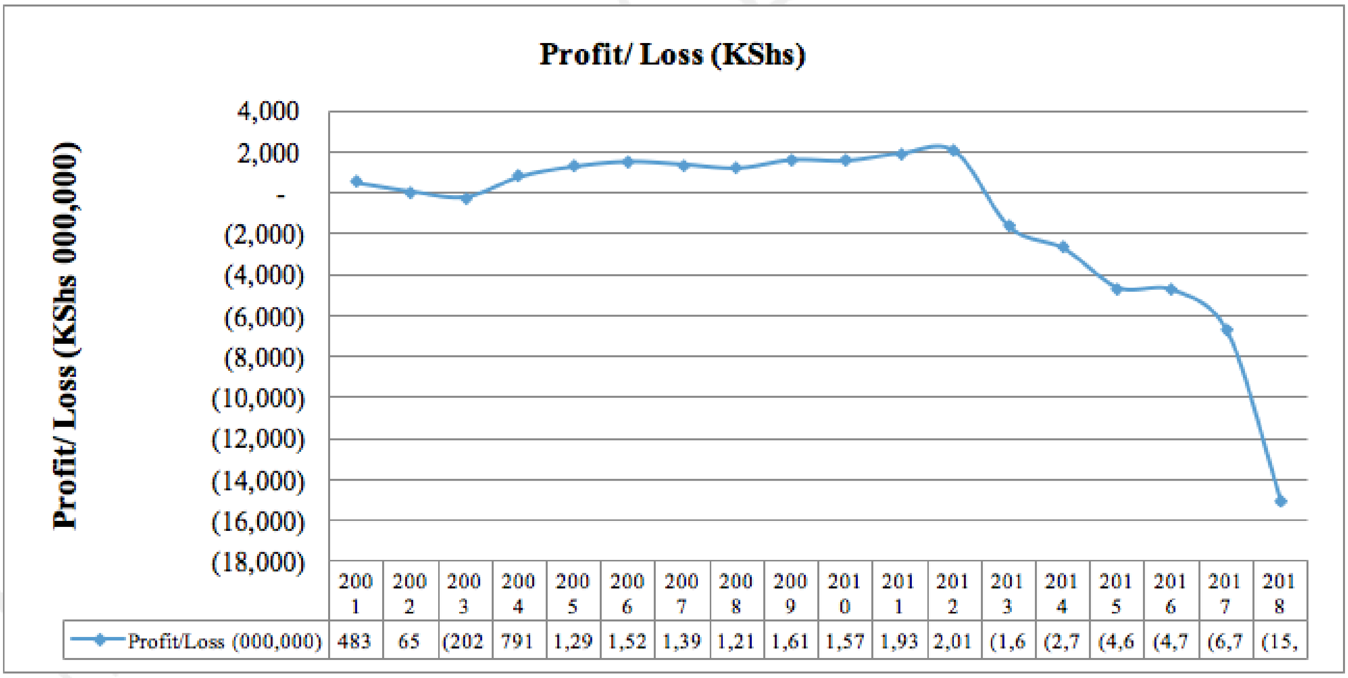
Mumias Sugar Company used to account for 60 percent of all sugar produced in the country. In the last one year, it has not produced a single grain of sugar. The company has had a history of making profits in billions of shilling over the years. These profits were invested in treasury bills and bonds then part of it was deposited into a reserve account. This was the amount that was partly used to fund some projects since it does not exist anymore.

The company relied on Government for protection via strict import controls and regulations. However, the advent of Free Trade Protocols and Market liberalization in the 1990s almost brought the company to its knees due to the influx of cheap imported sugar. The branding idea effectively neutralized the threat from imports, since the branded sugar value outperformed the imported sugar which was sold as a commodity at much lower prices.

The company financial status has been dwindling since 2013, this has been largely due to mega projects that the company engaged in and whose return on investments (ROI) has never been realised. Lack of sugarcane due to various reasons coupled with mismanagement has led to a growing trend in losses as shown. Currently, the Company is technically insolvent. As per the audited accounts for 2017/2018 financial year current liabilities stand kshs.30 billion, while Assets base of the company stand at KShs. 15 billion.

The figure 10 and Annex 5 illustrate an analysis of financial trends for Mumias Sugar Company since 2001.

Figure 10: MSC Line graph of the Profit/ Loss trends 2001 - 2018



Source: MSC records

4.3.6 Sales Analysis

It can be established from figure 11 that sales increased steadily from year 2001 when it was at KShs. 6.6 billion until 2010 when it grew tremendously to 15.6 billion in 2010 with the highest figure of 15.8 billion being realised in the year 2011. This was attributed to expansion, modernisation, diversification and robust marketing strategies. However, from 2015, the figures dropped drastically and have never picked up due to lack of raw material.

Figure 11: MSC line graph Sales trends 2001 - 2018

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue (000,000)	6,65	7,84	7,62	9,79	10,0	11,6	10,3	11,9	11,7	15,6	15,7	15,5	11,9	13,0	5,53	6,28	2,09	1,37

Source: MSC records

4.3.7 Cane Testing Unit (CTU) for quality cane payment system

This is an industry-wide project implemented by AFA. Through COMESA directive No. 1 of 2007, Kenya was expected to do a number of things to turn around the sugar sector and make it competitive. The conditions for the COMESA safeguard include: Privatizing the State-Owned Mills; Conducting research into new and high sucrose content sugar cane varieties and adopting them; Adaptation and application of research findings by cane growers to be spearheaded; Maintaining and providing infrastructure including roads and bridges in sugar growing areas; and Paying farmers on the basis of sucrose content instead of weight of cane alone.

On paying farmers on the basis of sucrose content the Kenya sugar industry through the Cane Testing Unit (CTU) Project is shifting from weight to quality-based cane payment system both for competitiveness and as a legal requirement. The quality cane payment system aims to provide a strong incentive for: Growers to maximize sugar content in cane, and Millers to maximize sugar recovery.

Countrywide, the physical infrastructure has been deployed in eleven (11) Mills. However, two (2) Mills Nzoia and Sony require upgrades to enable harmonization of methods of cane analysis across the industry. Eighteen operations staff have been recruited, trained and deployed. Each Mill currently has two staff but bare minimum should be five (5) for three shifts that should include Analysts and plant operators.

The major challenges of the CTU revolve around funding for the operationalization. It was anticipated that in the interim period, funding of the Cane testing service operations would be through the Sugar Development Levy. However, the Levy was scrapped alongside all the agricultural commodity levies during the 2015/2016 national budget. While there is good progress on the fulfilment of this conditionality by COMESA, where there has been substantial government investment in the infrastructure for the quality payment system, there is lack of funding for the operationalization of the cane testing services. Other challenges inherent in the sugar industry like lack/ poor quality of cane, slow adoption of varieties that support the quality cane payment system, mills that are not operational, putting in place regulations that will govern the operations of the Cane Testing Services still exist.

Though not being used for payment, CTUs at the nine units are operational to the extent that sampling is being done and data analysis undertaken in Mills where cane is available. However, we have started parallel runs (i.e. Weight and Quality systems) at Mills that are operational for one year with periodic reviews. It is also anticipated that through the funding by Millers and Outgrowers, the project will be handed over to an autonomous body after three years.

It is expected that the quality cane payment system will: enhance competitiveness from farm across to marketing; entice farmers to improve quality of the cane thus improvement on cane yield; and improve sugar recovery efficiency of millers.

The expected outputs include: 10% improvement in factory recovery; 30% improvement on cane yield by the end of the third year; all cane samples analyzed through both dry and wet chemistry; Seamless transition from the weight based to the quality-based cane payment system.

The expected CTU impacts include: Kenya's profile in the world sugar landscape will be elevated; the sugar industry will become regionally and internationally competitive; the country will move towards being a net exporter of sugar; and provision of incentives for quality and performance improvements. Others are to engender equity in the sharing of proceeds from cane processing products; enable sharing of price and quality risks and benefits; facilitate new income streams sharing between growers and processing following diversifications into new products such as bio ethanol and high efficiency cogenerated electricity; and to minimize losses attributed to failure to meet cane quality and process efficiency targets. The Quality Based Pricing (payment) system is shown in Annex 15

4.4 Stakeholders Engagement for views on MSC Revival and Asset Protection

4.4.1 Farmers Submissions

The taskforce engaged sugar cane farmers in the wider MSC cane growing zone in the areas of: farmers proposed revival strategies for MSC as summarized in Table 4-2.

The taskforce general observation is that farmers are happy with the effort of the taskforce and are willing to go back to the farm and plant cane if the listed revival proposals are considered.

Table 8: Farmer Submission on MSC revival and Asset protection

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Cane Development	• Poor soil management • Lack of farm inputs • Poor cane varieties • Unutilised nucleus cane seeds • Lack of seed	• Need for proper soil management by timely and quality fertilizers and seed supply • Need urgent support on cane development in terms of seed, fertilizer and herbicides • Support extension services and ensure no staff operate from offices • Reduce the cost of farm inputs (land preparations, seed, fertilizers and herbicides) • Distribute cane development recoveries from plant to third ratoon • MSC Nucleus estate to develop seed cane and sale to farmers at fair price to encourage farmers go back to cane farming • Ensure the extension staff are locals for ownership and sustainability of extension and impact on cane development • Embrace NPK fertilizers instead of DAP and Urea • Carefully select cane varieties that can guarantee return on investment
2. Transport and Harvesting	• High transport cost • Delayed transportation • Delayed harvesting • Poor road network • Cane diversion to jaggeries • Corrupt handling of delivery notes • Harvesting of young cane	• Reduce cost of cane transport • Manage delayed cane transportation that leads to loss in weight and sugar recovery • Manage on-transit cane diversions to jaggeries leading to losses on farmers cane • Eliminate corrupt handling of the delivery notes resulting to loss of income by farmers • Avoid harvesting young cane that don't add value to both the factory and farmers in terms of income
3. Weighing	• Corruption at the weighbridge	• Control corrupt deals at weighbridges
4. Governance of MSC	• Board not well constituted • Corruption • Poor customer care • Nepotism and favouritism in employment • Bloated staff	• Farmer representation in the MSC board of management • Bring back booker Tate • Remove unethical and corrupt MSC staff • Regulate MSC staff enumerations based on the Company performance • Debit recovery (DR) management to ensure farmers get return on investment • Reconstitute the MSC board with people of integrity and critical interests in terms of investment and management experience. • Manage nepotism in MSC • Improve customer care at MSC and treat farmers as critical stakeholders with incentives

ISSUES	PROBLEMS	REVIVAL PROPOSALS
		• Need for a corrupt free cane land survey • Prioritize employment of farmers sons and daughters when opportunity arises • Charge and prosecute the former MSC management involved in corruption that brought down the company • County Government of Kakamega to buy shares on behalf of farmers • MSC staff to take unpaid leave until the factory resumes operations • Reduce the number of managers at MSC • National government to help manage excessive sugar importation • Board expenditure be investigated and charged • The Generator (Gen sets) saga at the factory be urgently investigated to salvage MSC money • MSC assets need to be protected by Government
5. Farmers Payment and Incentives	• Overcharging of inputs • Delayed payment	• Proper management of farm inputs to ensure no overcharge • Prioritize timely farmers' payment in regard to all other payments to be assured of steady cane supply. • Pay farmers arrears • Re-introduce cane ***"Farmers Advance Scheme"*** (FAS) when cane can guarantee breakeven • Evaluate the impact of the sucrose based payment on farmers income before implementation • Introduce cane insurance against fire and climate change
6. Farmer Organisation	• Collapse of MOCO • Collapse of MOSACCO • Loss of assets of the two organisations	• Revive MOCO and secure their investment • Re-introduce 15% to support cane development through farmer organizations • Form cane farmer cooperatives to seek support on cane development and transport from Counties • Carry out MOCO assets forensic audit and CGK take over MOCO
7. Legal	• Poorly done farmer contracts	• Zoning to be carefully looked at to take care of farmers interests • Farming contracts be reviewed to reflect farmers interests • Cane pricing formula to be reviewed in view of the current business environment
8. County Government	• Lack of support for cane development	• County Government of Kakamega to support cane development in the County on farm inputs (ploughing, seed support, fertilizers and herbicides) • MSC should concentrate on milling and leave the business of cane development to farmer organizations and CGK • Bring on board a strategic investor but not Asians • Involve County community administrators in cane farming by recruiting farmers

4.4.2 Employees Submissions

Table 9: Employee Submissions

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Human Resources	• Overstaffing • Briefcase workers in Agriculture who do not go to the field • Semi baked or inexperienced engineers • Employees not paid for 26 months • Non-remittance of statutory deductions • Top management sharing resources alone	• Advance payment of staff • Put right staff structure
2. Governance	• Board signatories to company accounts • Top management unethical culture • Failure to make farmers return to cane farming • Failed leadership of the company	• Disband the board of directors • Return reserve account • Bring culprits to book
3. Complains	• Sale of nucleus estate sugarcane • Sale of scrap metal • Unwarranted lease of satellite fields • Company generators paid for and the seller wants to reposes • Equipment stolen e.g. the company fuel station • Mismanaged outsourcing where senior managers demand for 10% from the contractors • Fertilizer blending machine disappeared • Survey machine leased by one MSC manager • Laptops have been taken away by user employees • Stealing of cane advanced by agriculture and Security • Cane poaching	• Protect the company assets from the board and the EXCOM (Top Management)
4. Cane Development	• Low productivity where more than 20 tons of cane are used to generate 1 ton of sugar	•Highlight and address farmers plight

4.4.3 Shareholders Submissions

Table 10: Shareholder Submissions

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Shareholding	• 133,215 shareholders with unclaimed shares unclaimed shares and dividends • Minority shareholders oppressed by the National Treasury	• Need to update the shareholders list to account for unclaimed shares • County Government to buy shares to have a say in MSC board appointment • CGK to provide more land for cane development
2.Farmers	• Farmers in Western deprived of shareholding	• Establish structure that allows collectively farmers to own shares
3. Corruption	• DPP report	• Charge those who stole • Shield MSC from political interference
4. Governance	• Shareholders detached from MSC board • No AGM held in Nairobi • Unqualified people appointed to the board through treasury powers • Board conniving with politicians to sell company at 5 billions • Board of directors not answerable to shareholders • Board lacks experience in sugar issues • Board not interested in farmers welfare	• Passed a vote of no confidence in the BOD • BOD to step down and handover to caretaker committee • AGM to be convened as per CMA rules • Board to be constituted as following • 1 government representative • 1 creditors representative • 1 farmer representative • 1 shareholder representative • 30% special interest representative • Board allowance to be halved • Treasury to stop using its powers to discriminate against other shareholders
5. Assets	• Lease of assets	• No leasing of assets

It was resolved that:

(i) Shareholders shall cooperate and support all efforts to revive MSC.

(ii) A strategic partner who understands the sugarcane industry to be brought on board to rescue the company.

(iii) Shareholders willing to work with lenders and creditors to appoint an administrator

4.4.4 Company Auditor submissions

RSM have been MSC Auditors for the last 4 years and is currently not an MSC creditor. RSM came on board when CMA requested for change of auditors when 2.7 Billion was overstated but took over from Deloitte. There is a 14 Billion deficit at MSC. They gave the following submissions.

Table 11: Company Auditor Submission

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Governance	• Unnecessary board meetings • Board allowance too high, chairman makes KShs. 6 million plus 2.4 millions in allowances per year • Board managing itself and not answerable to anyone • No clear distinction between the BOD and management • Board lacks skilled personnel	• Board meetings and allowances should be regulated • Implement a board charter
2. Corruption	• Overpricing of supplies above market prices • Computer project costs inflated especially ERP	• Those found palpable should be prosecuted
3. HR	• High turnover at senior levels (5 MDs in 4 years) • IT system compromised, one cannot do an audit trail	• Restructure HR to conform with current operations requirements
4. Operations	• Machines not efficient e.g. Cogen not economically viable	• Operate sections that make economic sense

The Auditor holds the view that 4-5 billion is required to revive the MSC.

• It was recommended that the ideal solution is to start afresh. Restructuring of Human Resource, sourcing for a strategic partner to work on cane development - at least 105, 000 acres of cane maturing at different levels is needed.

• MSC also requires a 2 months or a minimum 1 month working capital to operate at minimum.

• The company must be protected from creditors. Technical people should be sourced to assess the machines which have been lying dormant for a long time, and Governance issue at MSC need to be addressed.

4.4.5 National Treasury submission

Treasury holding of 20% of Mumias Sugar Company shareholding felt a special task committee should be formed alongside a technical committee on a turn out around strategy.

Treasury was of the view that the current shareholding of the company did not give them a well structured governance since it was not able to use its regulatory agencies such as the Auditor General and State Corporations Inspector departments to carry out supervision.

They had a view that a management coup through a special general meeting where a stakeholders special task committee will be appointed consisting of representatives from :

Ministry of Agriculture , Treasury, Attorney General, Lenders representative and Management will work out on a revival strategy and report to the stakeholders committee. Meanwhile the governance structure would continue as it is - "Status quo". Treasury felt, revival of Mumias Sugar Company in the absence of The Board and Management would be a futile exercise, as any other method would disrupt the Capital Markets Authority (CMA) rules and regulations.

4.4.6 Western Kenya Jurists

Fully support the task force in its efforts to revive MSC. The team is willing to collaborate with the task force on voluntary basis to offer free legal services. They expressed winding up case which had been presented to court, to be opposed and instead push for appointment of an administrator. They are willing to support the inclusion of CGK into MSC shareholding

4.4.7 Politicians Submissions

The political class that included the Kakamega Senator and members of the County Assembly of Kakamega gave the following submissions. Initially some were sceptical and pessimistic about the outcome of the taskforce. However, they gave the following submissions some which had been captured elsewhere in this document.

Table 12: Submissions by Politicians

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Cane Development	• Poor management of nucleus estate • No cane development • Lack of incentives to farmers	• CGK to lease and manage nucleus estate • County Government to lead cane development • Farmers to access microfinance • Set aside a revolving fund to facilitate cane development
2. Governance	• Poor governance structure • Cane poaching • Poor farmer / relationship	• Stop cane poaching • County government to find an entry point by negotiating with the National Government to get part of the 20 % to have a voice and to have a director, but not all as that will mean taking over the debts • Other noncore assets can be leased out except for the nucleus estate • Get an agent to manage the residential estates to collect revenue that can help in reviving the company
3. Corruption	• Violation of procurement procedures • Faulty weighbridges • Weighbridge corruption	• Prosecute those who were involved • Weigh cane in the field
4. Debts	MSC heavy laden with debts	• Negotiate to Waive the 10 billion KRA tax • Negotiate with the lenders on behalf of MSC

4.4.8 Lenders/ Creditors

Table 13: Creditors Submission

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Governance	• Non responsiveness from the board of directors • No road map to recovery	• In the meantime work on cash on delivery basis • Restructure debt repayment
	• Inept Board of Management	• Appoint an administrator who is answerable to creditors, shareholders, and answerable to the court to resuscitate the ailing miller.

4.4.9 Former MSC Employees

Table 14: Former employees Submission

ISSUES	PROBLEMS	REVIVAL PROPOSALS
1. Cane Development	• Strained relationship between MSC and MOCO • DR concept • Mismanaged out growers	• CGK take over the mandate of cane production • Millers should not be involved directly in cane production • Established revolving fund to manage cane production • Revive MOCO • Write off debt between MSC and MOCO
ISSUES	**PROBLEMS**	**REVIVAL PROPOSALS**
2. Corruption	• Overpriced Projects of Cogen, Ethanol and Water Bottling Plant • Farmers do not have share certificate • Poorly managed real estate • Violation of procurement procedures • Overdesigned and overstated projects • Nepotism and favouritism in recruitment • Sycophancy in employment • High wage bill • Current employee arrears • Window for sugar importation to help revive the company, was misused hence didn't materialise as the powerful forces brought in a middleman who could have made 400 USD per ton • Molasses importation marred by theft • Politicians have interfered with previous revival plans • Disappearance of Ethanol worth KShs. 60 millions aimed for Tanzania market	• Real estate agent to manage housing and social amenities • Board tendering committee to be prosecuted • Restructure HR • Reschedule current employee arrears • Encourage multi tasking
3. Shareholding	• CGK do not have shares	• CGK to acquire shares
4. Diversification	• Uneconomical business units • KPLC PPA did not favour MSC	• Make business units semi autonomous • Blend ethanol with water to get alcohol products
5. Governance	• Skewed board appointments • Booker Tate succeeded through a technical team that focused more on Agriculture and Factory	• National treasury not to dominate board appointments • National government to review sugar policies on licensing
6. Operations	• Sugar plant rotten since it has not had any major repairs since 2012	• Have scheduled OOC maintenance

4.4.10 Mumias Outgrowers Company (MOCO) Limited Situation Analysis

Mumias Outgrowers Company (MOCO) is a company limited by guarantee formed for the purpose of representing and promoting the interests of Outgrowers and provide finance for out growers who become members of MOCO. It was formed in 1975 as the voice of farmers and was also charged with the responsibility of fighting for their rights.

Mumias Outgrowers was charged with the functions of: Seed cane supply, Land preparation, Supply of fertilizer, Supply of herbicides and pesticides, Extension/Advisory services, and Financing of sugarcane cultivation and supply by either party in cash or though promotion of services. Others include Negotiating for affordable credit, maintaining proper book keeping,

Transport/distribution of inputs, Timely transport of seed cane, and Provision of educational programmes for farmers.

The problems of Mumias Outgrowers Company (MOCO) started on 28th May, 1976 when MOCO accounts were put under Mumias Sugar Company.

Mumias Outgrowers Company (MOCO) supplied sugar cane to Mumias Sugar Company harvested from farmers for crushing were credited to MOCO accounts from the years 2002 – 2008. Mumias Sugar Company (MSC) was expected to remit funds for Sugar Cane Development to Mumias Outgrowers Company (MOCO) which they abruptly stopped.

According to MOCO, Mumias Sugar Company owes them Kshs.3.7 billion. MOCO has unpaid Kenya Sugar Board loan of KShs. 251,621,923.39

Table 15: Status of MOCO loan from Kenya Sugar Board

Item Description	Amount
Principal Loan	212,793,018.75
Interest on Loan	65,657,532.84
Sub Total	278,450,551.59
Paid up	26,828,628.20
Loan Balance	251,621,923.39

Table 16: MOCO Management Submission

ISSUES	PROBLEMS	REVIVAL RECOMEN-DATIONS
1. Gover-nance	• Non remittance of cane development fund by MSC • Many litigations • Inability to service creditors • Political Interfer-ence due to personal reasons • Mismanagement by MOCO Directors and staff	• County Government to take over cane de-velopment and bring to book those respon-sible for looting cane development fund. • County Government to take over all assets of MOCO after forensic audit and inventory assessment. • Submit to DCI names of those to be investi-gated. • Negotiate with Sugar board to offer flexible debt payment and waiver of interest.

Source: MOCO Records

4.4.11 Mumias Outgrowers Savings and Credit Company

Historical Background

Mumias Outgrowers Savings and Credit Cooperative Society Company Limited (MOSACCO) was started by Mumias Outgrowers Company Limited (MOCO) as Mumias Outgrowers Cooperative Society limited in late 1970s. It became independent of MOCO in November 1989 when it started banking services and changed its name to MOSACCO Society Limited under the management of a government employee from the them Ministry of Cooperatives who handed over the management to Mr. Michael Washika.

Members and Management

Membership by sugarcane farmers was voluntary and was obtained through buying of at least one share at KShs. 2,000/= each. The Sacco was divided into nine (activities) zones and each zone was required to elect officials depending on the number of farmer members through a delegates system. The zonal delegates elected a chairperson and the nine chairpersons formed an Executive Management Committee with Chairman, Secretary and Treasurer.

Functions of MOSACCO

The farmers Bank provided saving and credit (loans) services for members and Sacco employees who became compulsory members on employment. The employees were hired by the management committee depending on their Accounting academic qualifications and training. Members' savings were mainly from Mumias Sugar Company as payment to farmers towards sugarcane delivered as raw materials. Members were allowed to make weekly withdrawals from their accounts and had rights credit their accounts with money from any other sources including a loan from Sacco.

The Sacco banked its money with Kenya Commercial Bank Limited, Mumias Branch but nearly all sugarcane farmers used to bank their money with MOSACCO because it had good systems and was a success story in the banking sector. It was one of the best Sacco's in Kenya with people referred to MOSACCO for training and exchange programmes including from Ugandan Cooperatives.

Challenges

In the period 1992- October 2002 under the Chairmanship of Mr. Michael Washika, the Sacco was seemingly successful and he left a rich and vibrant Sacco at retirement. The new Board membership is said to have been bedevilled with mismanagement resources challenges in collusion with staff by stealing, looting and employing unqualified staff. Eventually farmers started moving to other banks and Sukari Sacco. As things became worse at Mumias Sugar Company that showed signs of collapsing also due to mismanagement, farmers started avoiding the sugarcane growing enterprise. Other challenges include political interference by local politicians and over-dependence on sugarcane farming instead of diversification.

The Sacco attempts to diversify its services and sources of income saw it purchase a piece of land in Musango area to put a Sacco poultry project with a factory and a 7 acre public land behind MOSACCO Plaza on a 99 years lease arrangement for a dairy project with a factory too. The poultry project land was later sold to County Government of Kakamega to construct an Industrial park. In effect, ownership simply changed from Nitunze (MOSACCO) to Kakamega County Government but for the same purpose. However, the Sacco management was heavily destabilized thereafter by local politicians a situation that led to its liquidation by the government. It is recommended that the County Government of Kakamega takes over and revives MOSACCO Society Limited in support of the Sugarcane farmers in the region.

4.5 Mumias Sugar Company Status on Legal Issues and Malpractices

4.5.1 Legal Issues

Currently there are 65 active industrial matters in Court. The number of these cases is expected to rise due to employee resignations and receipt of demand letters from advocates for salary arrears and terminal dues.

The company has over 500 civil matters that are active in court ranging from insurance claims arising from accidents, claims from creditors, contractors and other service providers who have instituted legal proceedings against MSC.

The non-payment of insurance premiums by MSC worsens the situation as successful claims in court as MSC is forced to settle the claims which include costs of the suit [Files not availed by Management].

There are also numerous criminal matters and range from theft of company property by employees, importation of contraband sugar, cane poaching and cane burning [Files not availed by Management].

On taxation matters, there exists:38 claims by Prof. Tom Ojienda; Over 300 by Wetangula, Adan and Makokha Advocates; and a number of Advocates that have made applications in court to cease acting for MSC in various matters due to non-payment of legal fees. They are expected to file for taxation of their fee notes against MSC. The key cases include:

(i) MOCO vs. MSC and Sukari Sacco a claim of KShs.13 Billion

(ii) KPLC vs. MSC a claim of KShs.1.1 Billion

(iii) Taxation matters by Prof Tom Ojienda and Associates, Advocates. Claims amount to

KShs.541,405,418.96

(iv) Taxation by Kimeto and Associates Advocates a claim of KShs.445m and KShs.60 million as legal fees.

(v) Milicons Ltd vs. MSC 293/2015 a claim of KShs.96 million

(vi) Various industrial suits filed by former MSC employees that have since been determined with the following awards;

(vii) Nancy Christine Otieno and 34 others KShs.36 million

(viii) Pamela Nelima Lutta KShs.13 million

(ix) Magret Makhungu KShs.1.2 million

(x) Hain Building and Construction Ltd vs. MSC 4/2018

4.5.2 Malpractices at MSC

The Mumias Sugar Company Board, Management staff, and suppliers have over time engaged in unprofessional malpractices that contributed immensely to the current state of the company.

The commercial department diverted ethanol meant to be sold in Tanzania and also the imported molasses tankers never arrived at Mumias Sugar Company. The staff diverted sugar and colluded with firms that distributed sugar to defraud the company. They inflated prices, offered sugar discounts beyond acceptable limits and participated in the purported sugar export of 2006–2012.

The Agriculture department fraudulently acquired satellite fields some did not exist, paid ghost farmers in collaborations with the Information Technology (IT) department, overstated acreage firm inputs in collaboration with the survey section, diverted firm inputs meant for the nucleus and farmers. The department also prepared fictitious contracts of cane harvesting, ploughing and packaging; in collusion with IT department they also converted company sugarcane into private sugarcane with a project dubbed "termination of plots".

The Board of Directors Chief Executive Officer and his Managers keenly stopped remittance of sugar development fund to MOCO Leading to unclaimed shares and colluded with well-connected politicians and the IT Manager of MOCO to irregularly sell shares on the stock exchange. They jointly in collaboration with Board members sold a mill to West Kenya at a throw away price colluded with weighbridge staff to manipulate tonnage. They also smartly overstated major projects Co-generation of power, Ethanol and water bottling plant, cabro road from Mayoni to the factory, wall around the factory, Administration block and they could not be detected as they had closed internal audit department. They also jointly colluded to irregularly sell assets, disposed the fuel station, scrap metals, survey equipment among others as recorded in police occurrence book at MSC police station. They misused company vehicles with impunity and came up with projects they could not complete that include CCTV, IDMS, Ethanol, Bagging machine, HT clocking system. They recruited staff un-procedurally, failed to control Board of Directors expenditure and colluded with board members to open an account in Dubai that was used to deposit customer funds. The team also began a project TARDA that a lot of money was spend without any tangible outcomes.

Finance Department irregularly procured activities were the order of the day where outsourced services were not properly awarded, double procurement was common, single sourcing, overstating of books of account, inflated commercial activities, printing of books and fliers with renowned fraudulent companies compounded by poor record keeping and manipulation of the audit trail.

Legal department malpractices are at the verge of winding up the company due to exaggerated legal fees, fictitious cases, impounding of vehicles without due procedures, poorly managing cases in court.

In a nutshell, it is a sad assertion that since MSC started operations and produced its first sugar it has no other investments in its name. It is important to note that other companies use reserve funds to come up with investments like owning buildings in major towns that would be bringing in rental income. Instead, MSC under a few managers that were corrupt now own property like Yala towers, Gem Apartments among others. The list of those found palpable is attached in a separate document to the DCI for further investigation and action.

5.0 RISKS IN IMPLEMENTING THE REPORT

The anticipated risks are as listed in Table 5-1.It is hoped that the adoption of the mitigation measures as suggested will create an enabling environment for successful deployment of this Taskforce recommendations for the revival of MSC limited.

Table 17: Risks in implementing the Taskforce report

S/ No	Risk	Mitigation
	Governance	
1.	Court award of the Administration another firm/ individual other than the County Government of Kakamega	• Implementation of the taskforce report may not be thorough if given to others. The County Government of Kakamega has passion for the revival of MSC and has gone into detail to understand the genesis of the problem and how to fix it in both short and long terms. Any other Administrator may not be to the point.
2.	Procrastination in the implementation of the report mat cause lethargy and lack of confidence in revival of the factory	• County Government to come up with a supplementary budget to address the company's financial need and also lay ground for an investor through emergency management.
3.	Political interference with a view to scuttle the revival plan	• Organize a briefing session of all the politicians to be in sync with the revival plan
4.	National Government holding 20% shareholding - National government may not surrender their shareholding hence making the County engagement difficult	• County Government to convert all the support advanced to MSC into equity in structured MoUs as they negotiate with National Government to cede at least 5 %minimum shares.
5.	Current Structure composition and operations of the BOD if not changed	• Explore two options of Administration and the Special AGM way to have individuals of sound focus
6.	The possibility of not securing a strategic partner/ an investor for the company	• Come up with a funding mechanism that utilizes the local investors, National government and County government
7.	Government Goodwill - if there is no goodwill from the Central Government	• Involve the National government at every stage of the revival to be in sync with County vision
	Cane Development	
8.	Farmers may refuse to plant cane or work with MSC staff due to previous injustices meted out of them	• Conduct massive sensitization using community administrators, popular media houses and political leaders to drum support in public forums
9.	Shrinking acreage due to subdivision of land and pressure from other crops especially maize and sorghum	• Make the pricing mechanism of Sugar competitive compared to other crops. • Encourage household clustering of homestead to spare land for cane farming.
10.	Seed cane poses a short term challenge since its full development takes not less than one year.	• The company should come up with short term varieties in appropriate areas. • County Government of Kakamega negotiate with Uganda to import the raw materials.

11.	Unfavourable weather patterns	• Re-align cane development to the current weather patterns resulting from climate change • Promote the River belt initiative.
Human Resource		
12.	Internal sabotage by MSC staff, if the recommendations do not favor them	• Undertake staff rationalization in a consultative manner and in accordance to the labour laws
13.	Most of the required skills may have left	• Recruit new staff based on need and operationalize the sugar training centre at MSC
Financial		
14.	Lack of cooperation from Creditors and lenders	• Prepare a well thought out and practical convincing payment plan for creditors by the third year of the strategy
15.	The National Government may be reluctant to negotiate the outstanding KRA and KPLC debt which is slightly over KShs. 10 billion.	• Utilize the current Council of Governors Chair to negotiate on behalf of the team.
S/ No	**Risk**	**Mitigation**
Factory		
16.	Factory may be too worn out to run by the time the implementation is done	• Undertake piecemeal repairs and run the factory on cane from areas that have plantations e.g. in Uganda
17.	Competing millers may increase pressure on raw material	• CGKK through the investment Agency to prepare contracts with farmers before offering subsidy on inputs
Legal		
18.	Litigation cases that consume huge chunks or threaten to take up huge chunks of any money pumped into MSC	• Negotiate with Western Jurists to take up matters in court at subsidized rates after forensic audit of all cases
Operations		
19.	Uncontrolled cheap imports (Negative impact of importation policy on MSC milling activities)	• Incorporate Controls in The National Sugar Act, 2019 for importation to be done by millers

Source: Taskforce

6.0 TURNAROUND STRATEGIES FOR MUMIAS SUGAR COMPANY

Mumias Sugar Company requires robust, practical and committed turnaround strategies to revive its operations. The Company must ensure an integrated strategic approach. A single phased approach may not yield the desired results. It is of paramount importance that the strategies put in place for the revival are owned by all stakeholders.

6.1 The Turnaround Strategies

The taskforce mapped out MSC revival strategies in a phased approach with activities spread as Emergency Management (1 year), Restructuring (2 years) and Recovery (2 years). The strategies under each are shown in Table 18, 19 & 20.

Table 18: Emergency Management (Short term- 1year)

STRATEGIC FOCUS	ACTIVITIES
Strategy 1: Governance & HR Management	
Revitalize leadership and come up with mechanisms to resolve unethical issues and issues affecting human resource	(i) Place the management of the company under a court appointed Administrator (ii) Advertise all positions of senior management and middle level management of the company and hire on 3 year contractual terms renewable based on performance (iii) Recommend further investigation and prosecution of all individuals who were adversely mentioned in corruption related issues (iv) Review the existence of current departments and Merge some departments to ensure a lean, efficient and effective structure with role clarity to avoid confusion (v) Negotiate with the union so that staff from non-core sections of the business are paid three months basic salary in lieu of notice and be released to proceed on two (2) years unpaid compulsory leave (vi) Negotiate with the union so that staff from core sections of the business continues working but at half basic salary until the situation stabilizes (vii) Put all staff on performance and appraisal contracts with clear goals and targets which should be monitored on quarterly basis and evaluated at the end of every year (viii) Realign the business and adopt a new business model and build an infrastructure for implementation (ix) The Company should adhere to corporate governance Principles and ensure regulatory compliance
Strategy 2: Financial Empowerment	
Increasing the equity capital by recapitalizing the company first, then fixing the debt by restructuring and sustainable profitability	(i) Identify and negotiate with an investor (National Government, County Government, Private) to finance at least Five billion (KShs. 5Billion) to jumpstart the operations of the company. These operations will include: Maintenance of the Factory; Setting up a revolving fund for direct purchase of sugarcane through willing buyer willing seller arrangement; Rehabilitation of the Nucleus estate; purchase of molasses for ethanol production and revitalization of the Out growers section

STRATEGIC FOCUS	ACTIVITIES
	(ii) Negotiate with the company creditors to defer debt repayment for at least three years before debt repayment commences with a clear schedule. (iii) Negotiate with KPLC to first defer payment of the outstanding electricity bill for at least one (1) year and secondly reconnect the power back to the facility immediately and agree on the repayment mode of electricity (iv) Negotiate with KRA to defer payment of the accrued outstanding taxes for a period of two years and to waive the tax penalty slapped on the company and agree on payment of principal. (v) Ensure there is a risk management framework which includes risk identification, and mitigation (vi) All plants (Sugar, Ethanol, Water, and Cogen) to be managed as independent business entities with appropriate governance structures in place (vii) Sell off most of the dead or dilapidated/ obsolete assets (Old vehicles, Old tractors, Scrap metal etc) as mechanism to raise cash for the turnaround. This will reduce the too much cash held in items that are not of value to the company (viii) Hire to investors non-core assets of the company such as Mumias Club, Nabongo club, the Supermarket, Grocery market and the stadium including the library and the bar to investors who will be paying rent to the company (ix) The housing facility to partner with the County Government on the Big 4 Agenda and use it as a revenue stream for MSC (x) Lease out the schools to the International known brands or partner(s) (xi) Ensure cost and revenue enhancements strategies are incorporated in the company corporate strategy (xii) Develop an Asset register for all moveable and non-movable company assets. (xiii) Insure all moveable and non –moveable company assets to ensure their safety (xiv) Close down the Nairobi Head office to reduce the cost spend on monthly rent payment
Strategy 3: Cane Development	
Ensure that there is availability of raw-material (sugar cane) for purposes of sugar production.	(i) Rehabilitate the 3500 Ha of Nucleus Estate through planting fallow fields, maintain the existing crop and embrace both manual and chemical weed control. (ii) The County Government of Kakamega to partner with MSC farmers / farmer organizations in developing 10,000 Ha of cane through its relevant agencies, in provision of land preparation and farm inputs (fertilizer, seed and herbicides) (iii) Revamp the Agronomy section and collaborate with SRI to ensure development of high yielding and early maturing varieties, variety soil mapping, select suitable fertilizer and herbicide formulations for both the Nucleus Estate and out growers.

STRATEGIC FOCUS	ACTIVITIES
	(iv) Put in place a revolving fund that ensure farmers are paid within seven days of cane delivery. (v) Organize farmers through relevant County Government agencies to form cooperatives at ward level with clear governance structures. (vi) Put under cane all mapped out satellite pieces of land either purchased or leased by the Company. (vii) Operationalize seed treatment for both Commercial Out grower cane development and seed bulking (viii) Engage large scale farmers on contract (over five hectares) in seed and cane development in the sugar zone and its environment for sustainable supply of sugar cane. (ix) Procure / re-engage current cane haulage on new terms / return former MOCO cane haulage fleet (x) Organize farmers field days for capacity building on sugarcane husbandry '
Strategy 4: Factory Rehabilitation	
Ensuring optimal performance of the factory geared towards efficiency and effectiveness of its operations in sugar production.	(i) Service the factory by repairing or replacing all worn-out parts (ii) Service the Ethanol plant and continue operating it with raw- material (molasses) from the sugar plant or competitively purchased from other sources. (iii) Service the water bottling plant and run it as a business unit. (iv) Service the Co-gen power plant and park it until when there will be enough cane (bagasse) to run it. (v) Ensure PPA with KPLC is correctly documented (vi) Commercialize the factory/ Fleet workshops and factory laboratories
Strategy 5: Marketing	
To implement Marketing and Distribution Strategy for MSC	(i) Establish a sugar and by-products marketing agency (ii) Diversify Product range Single Keeping Units (SKUs) (iii) Implement a branding Strategy
Strategy 6: Security	
Ensuring that company assets are safe and secured.	(i) The Company should engage National Government and County Government to second senior security officers to ensure safety of their assets. (ii) Enhance security by erecting solar powered high mast lights in strategic positions to enhance security. (iii) Install CCTV in strategic positions in the factory to enhance security. (iv) Purchase drones for security surveillance in the Nucleus Estate. (v) Equip security personnel appropriately to enable them function effectively. (vi) Repair old and construct new watch towers in strategic places to enhance security.

STRATEGIC FOCUS	ACTIVITIES
	(vii) Engage neighborhood locals to safe guard assets of the company including the Nuclear Estate against arson and cane poaching. (viii) Repair or acquire firefighting engines to be used in case of fire outbreaks
Strategy 7: Legal	
Create an enabling policy environment	(i) Draft the Sugar Bill 2019 and present to parliament for consideration (ii) Renew production licenses (iii) Review the County Sugarcane Development Fund to align it with the new MSC model (iv) Assign cases competitively to legal practitioners
Strategy 8: New Business Model	
To implement a practical Business Model of Sugarcane for MSC	(i) Create MoU with MSC on cane development, transportation and Marketing. (ii) Create enabling infrastructure for Microfinance Corporation and Investment Corporation to take up key functions of MOCO and MOSACC respectively. (iii) Create structures to operationalize the model (iv) Implement the model

Table 19: Restructuring (Medium term year 2 & 3)

STRATEGIC FOCUS	ACTIVITIES
Strategy 1: Governance & HR Management	
leadership revitalization; all the people issues and ethical issues affecting the business	i) Review administrator terms and set new targets ii) Review the skill set of staff and capacity build them based on the gaps iii) Put measures to prevent corruption through automation of systems (to support audit trail)
Strategy 2: Financial Empowerment	
Increasing the equity capital by recapitalizing the company first, then fixing the debt by restructuring and sustainable profitability	i) Work on cost cutting strategies ii) Institute prudent financial procedures iii) Review performance of the leased out assets and set new revenue targets
Strategy 3: Cane Development	
Ensure that there is availability of raw-material (sugar cane) for purposes of sugar production.	

STRATEGIC FOCUS	ACTIVITIES
Strategy 4: Factory Rehabilitation	
Ensuring optimal performance of the factory geared towards efficiency and effectiveness of its operations in sugar production.	(i) Carry out OOC maintenance every year in accordance to cane development plan (ii) Improve factory capacity utilization and efficiencies (Throughput and overall recoveries) (iii) Complete refurbishment of boilers (iv) Restart Co-gen at half capacity (17 megawatts) (v) Modify the water bottling plant to include blending and bottling of spirits
Strategy 5: Marketing	
To implement Marketing and Distribution Strategy for MSC	(i) Curry out survey and audit on retail and distribution to identify current position of MSC products (ii) Increase product range and develop new products, packs and sizes (iii) Curry out promotions to build loyalty and support brand distribution objectives
Strategy 6: Legal	
Create an enabling policy environment	(i) Implement the Sugar Act, 2019 that are MSC related (ii) Review the Sugar Development fund based on experience (iii) Review the cases and in collaboration with the court conclude them
Strategy 7: New Business Model	
To implement a practical Business Model of Sugarcane for MSC	(i) Review bottlenecks in the model (ii) Come up with SOPs to make the model robust.

Table 20: Recovery (Long term year 4 & 5)

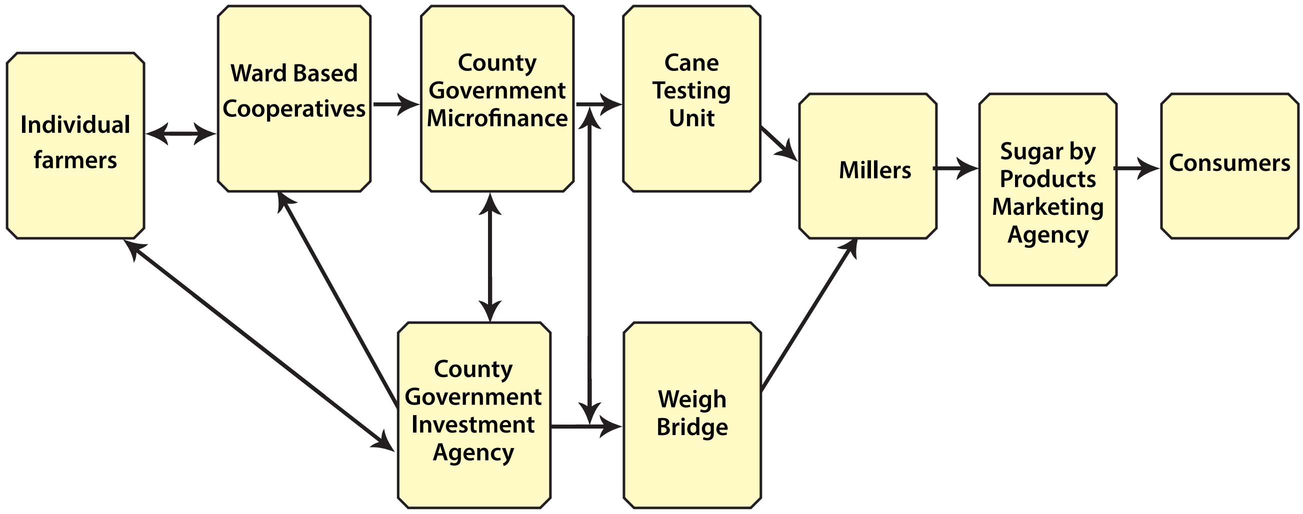
STRATEGIC FOCUS	ACTIVITIES
Strategy 1: Governance & HR Management	
leadership revitalization; all the people issues and ethical issues affecting the business	i) Hire a competent Managing Director and competent Heads of Departments ii) Recruit Board Members with requisite competences iii) Initiate discussions for merger with other sugar factories in the Lake Region Economic Bloc (LREB)
Strategy 2: Financial Empowerment	
Increasing the equity capital by recapitalizing the company first, then fixing the debt by restructuring and sustainable profitability	i) Resume payment of creditors ii) Operationalize the reserve account iii) Optimize the established revenue and cost centers

STRATEGIC FOCUS	ACTIVITIES
Strategy3: Cane development	
Ensure that there is availability of raw-material (sugar cane) for purposes of sugar production.	i) Source for large areas of land for sustainable cane development through Purchase or lease approach from various farmers. ii) Procure strategic cane haulage fleet iii) Partner with Insurance Firms to develop cane insurance packages iv) In partnership with SRI, put up a seed multiplication centers, fertilizer blending equipment's, and bulk procurements of herbicides v) Support cane development along River Belt / lowlands
Strategy 4: Factory Rehabilitation	
Ensuring optimal performance of the factory geared towards efficiency and effectiveness of its operations in sugar production.	(i) Diversify production by producing granulated or caster sugar (ii) Automation of weighbridges (iii) Modernize the factory (iv) Restore the factory to full capacity utilization (v) Carry out feasibility study on production of Carbon dioxide, fertilizer and yeast.
Strategy 5: Marketing	
To implement Marketing and Distribution Strategy for MSC	(i) Develop loyalty programs with all distributors, wholesalers and key retailers. (ii) Establish strategic partnership with MSC product consumers to co-brand (iii) Deploy MSC branded containers to be operated by MSC product stockiest (iv) Re introduce new products like fortified sugar and Mumias Sprinkles for domestic consumers (v) Re-establish brand equity initiatives to place MSC back in the market as brand of choice
Strategy 6: Legal	
Create an enabling policy environment	(i) Enhance efficiency of the legal office at the company. (ii) Enforce the rule of law to avoid future litigations
Strategy 7: New Business Model	
To implement a practical Business Model of Sugarcane for MSC	(i) Monitor and review the model

Source: Taskforce

6.2 The MSC Business Model

Figure 12: The MSC "Oparanya-Inyingo" Business Model Developed by the Taskforce



Source: Taskforce

Under this model, Farmers will be required to form Sugarcane Farmers Ward Based (SFWBC) Cooperatives with clear leadership structure. This will help in ensuring that cane poaching is collectively monitored and that subsidized farm inputs like fertilizer are indeed applied to the cane.

The farmers will also deal with the millers through the County Micro-Finance and investment Agency. Individual farmers can also deal with the Investment Agency directly and not necessarily through SFWBC. The farmers who will be supported by the County Investment Agency in form of farm preparation and or through subsidized farm inputs will deal with the miller through the Micro-finance Corporation.

The subsidized farm inputs will be accessed by the farmers through the Kakamega County Investment Agency. The Kakamega County Investment Agency will work hand in hand with the department of Agriculture, Livestock, Fisheries and Cooperatives when dealing with the farmers on matters related to subsidized farm inputs. All payments to the farmers by the millers will be made through the County Micro Finance Corporation which is expected to open a FOSA.

The Micro Finance Corporation (MFC) will operate in a similar way as the National Governments Agricultural Finance Corporation (AFC) while in the other hand the County Investment Agency (CIA) will also operate in similar way as the National Governments Agricultural Development Corporation (ADC)

7.0 IMPLEMENTATION PLAN

This section presents of the five (5) goals identified for the revival of MSC as follows:

(i) Goal 1: To restructure MSC Governance

(ii) Goal 2: To improve the Financial performance of MSC

(iii) Goal 3: Develop 10,000Ha of Cane in Outgrowers annually for 3 years

(iv) Goal 4: To conduct factory maintenance

(v) Goal 5: To implement Marketing and Distribution Strategy for MSC

(vi) Goal 6: Ensuring security and safety for company assets.

(vii) Goal 7: Create an enabling policy environment

(viii) Goal 8: To implement a practical Business Model of Sugarcane for MSC

7.1 Implementation plan by Goals

7.1.1 Goal 1: To restructure MSC Governance

Strategic Objective: To promote good and effective leadership, good corporate governance and ethical practices in the company.

Table 21: Implementation plan for Goal 1 on restructuring MSC Governance

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTI-MATED COST	IMPLEMEN-TOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Put the management of the company under an Administrator	Administrator in place	Court proceedings and Letter appointing the Administrator	24M	Court	×				
(ii) Advertise top management position	No. of managers hired	Copy of advert	1M	Administrator	×				
(iii) All top company management to be hired on three (3) year contractual terms	No. of employment contracts filled		18M	Administrator	×				
(iv) Investigation and prosecution of all individuals adversely mentioned in corruption	No. arraigned in court	Court proceedings	20M	Western Jurists	×				

(v) Merging of some departments to ensure a lean, efficient and effective structure	New organogram	New Structure	-	Administrator					
(vi) Pay non- core staff three months basic salary in lieu of notice and release them on compulsory leave	• No. of pay slips • No. of employee delivering leave forms	• Pay slips • leave forms	100M	Administrator	×				
(vii) Staff from core sections of the business to be put on half basic salary			240M	Administrator	×				
(viii) Put all staff on performance and appraisal				Administrator	×				
(ix) Insure all moveable and non – moveable company assets	Insurance Premium certificate	Insurance sticker	70M	Administrator	×				
(x) Improve IT systems	ERP system installed	IT services printouts	50M	Administrator	×				
(xi) Close down the Nairobi Head office	Last rent certificate	Copy of rent certificate		Administrator	×				

Source: Taskforce

7.1.2 Goal 2: To improve the financial performance of MSC

Strategic Objective: To ensure that there is equity capital by recapitalizing the Company, fixing debt through reconfiguration, designing, financial Re-engineering and securitization.

Table 22: Implementation plan for Goal 2 on improving financial performance

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Seek for a lender, an investor or donor to advance MSC at least 5B.	• Revised credit facility agreements with lenders with new cash injection • Approval of shareholders for new capital injection by investors • Signed agreements with investors/ donors on capital injection • Statutory approvals from CMA, NSE, etc	• Physical signed agreements • Minutes/ resolutions • Approval letters • Bank statement confirmations • Special General Meeting of Shareholders	AGM costs 8 million Lenders outstanding 13 billion	Management / Task force	×				
(ii) Creditors to defer debt repayment for at least 3 years.	• Reconciled creditors balances with signed acknowledgements by both parties • Agreed payment plans covering the period of deferment	• Verify creditor statements • Minutes of meetings with creditors • Registered payment plans	Outstanding creditors approximately 2 billion	Management/ Taskforce	×	×	×		
(iv) Negotiate with KPLC on payment of the outstanding electricity bill and reconnection	• Signed PPA (revised with new terms and rates) • Agreed payment plan for outstanding bills • Resolution of disputed bill and payment plan of the agreed bill	• Copy of signed PPA copied to formerly ERC • Registered payment plans • Revised bill based on verified and agreed billing mechanism	Running bills 187million Disputed bills 1.2 billion	Management/ Taskforce	×				

(v) Negotiate with KRA to defer payment of the outstanding taxes and waive penalties and interest	• Approved payment plan for outstanding taxes including deferred period • Letter of waiver of penalties and interest	• Signed payment plan acceptable to both parties • Letter of waiver of interest and penalties for any agreed waivers	Principal taxes 6 billion Interest & penalty 2.9 billion	Management/ Taskforce	×				
(vi) Embrace risk management practices	• Updated risk registers for MSC with details on risk owner and mitigation measures. • Appointment and training of the risk champions covering all departments of the company	• Risk register • Competent risk team responsible for risk management	Training costs for risk champions and development of risk register approximately 5 million	Management/ Taskforce		×			
(vii) Management of all plants as independent business entities.	• Revised plant operation workflow diagrams detailing points of integration and resource mobilization logistics • Appointment/ assignment of Independent operation controllers/ management for each of the plants • Service level agreements (SLA) between the controllers/ management on resource	• Documented workflows detailing independence • SLAs between parties • Management actions based on independent operations of each plant	Required factory modifications to be advised by factory strategy Approx. 500M	Management (Factory dept)	×	×	×		
	mobilization and output utilization at integration points								

(viii) Selling off most of the dead or dilapidated/ obsolete assets.	•Comprehensive and verified list of obsolete assets for disposal • Agreed mode of sale for the various components of obsolete assets e.g. sale as scrap, sale as spares • Commission an assets disposal committee to manage the process	• List of assets for disposals • Adverts for sale • ADC in place	Cost of advertising approximately 0.5 million per advert	Manage-ment	×				
(ix) Develop an Asset register for all assets.	• Classify MSC assets into relevant categories/functions e.g. • Agreed mode of nomenclature, coding and tagging of the assets based on above categories • Maintain asset register	• Complete Asset Register	Asset tagging costs approximately 10 million (depends on tags and management software)	Manage-ment/Task force			×		

Source: Taskforce

In Year 1, the strategy should be to hold off on all key payments and prioritize cane development on the Nucleus Estate and Outgrower support. The Cash flow will be worked out according to operations from all other departmental strategies.

Assuming a perfect production a Rendement of 9 should give 720 tons of sugar per day while Molasses at 5% is 400 tons, 720 x 80,000 for sugar and 400 x 220 x 85 for Ethanol (ENA) all be provided for at 90% to allow for losses. Consider that at any time, free cash is just about 30% since you need to pay for cane, chemicals and other normal operating expenses.

Breaking down the above scenario on a per day basis (considering 8000 tons delivery of cane at the above Rendement), Sugar income becomes KShs. 57,600,000 per day while ENA income KShs. 7,480,000 per day making a total income of KShs. 65,080,000 per day. When you reduce this by 10% to allow for losses KShs. 59,572,000 and take out 70% for direct and other costs you are left with 17,871,600 as free cash. This cash you can pay for the most critical services.

7.1.3 Goal 3: Develop 10,000Ha of Cane in Outgrowers annually for 3 years

Strategic Objective: To develop sugar cane with the aim of ensuring availability of raw- material for purposes of sugar production.

Table 23: Implementation plan for Goal 3 on Cane Development

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Rehabilitate the Nucleus Estate by planting 3500 ha	3500 Ha under cane with projected TCH of 80	Established NE cane fields with records	KShs. 350 Millions	MSC / County affiliate development agency	×	×			
(ii) Partner with the farmers / farmer organizations in cane development of the out growers.	10,000 Ha established with projected 70 TCH	Farmers register and cane farming contractor	KShs. 1Billion	County affiliate farmer organizations	×	×	×	×	×
(iii) Revamp the Agronomy section in collaboration with SRI	Staff with relevant competencies sourced, SLA and MOUs signed with SRI and CGK on variety development and seed multiplication. Appropriate funding. New varieties sourced and existing seed bulking sites	Formally signed MOUs / SLAs	KShs. 350 Millions	MSC / SRI and CGK affiliate organization and farmer organization	x	x			
(iv) Sensitization and assurance of farmers on MSC commitment	Farmer meetings On-farm demonstrations	Farmers attendance lists and list of demonstration sites	KShs. 50 Millions	MSC, CGK and farmer organizations	x	x			
(v) Formation of farmers' cooperatives at ward level	Established offices Established governance structures	Registration certificates Membership lists and minutes of meetings	KShs. 10 Millions	CGK relevant ministries, affiliate farmer organizations,	x	x			
(vi) Map out and put under cane all satellite pieces of land.	Established cane area with projected TCH of 80	List of satellite farms with their title deeds	KShs. 50 Million	MSC, CGK affiliate organizations	x	x			

Source: Taskforce

7.1.4 Goal 4: To Conduct Factory Maintenance

Strategic Objective: To ensure optimal performance of the factory geared towards efficient and effective operations in sugar production.

Table 24: Implementation plan for Goal 4 on factory maintenance

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Service the factory by repairing or replacing all worn-out parts.	Efficient Sugar production	Equipment Maintenance Checklist	KShs. 500 millions	Factory Management	×				
(ii) Service the Ethanol plant and continue operating it with raw- material (molasses) from the sugar plant or competitively purchased from other sources.	Efficient Ethanol Production	Production Records	KShs. 500 millions	Factory Management, Finance Management	×				
(iii) Service the water bottling plant and run it as a business unit.	Bottled water Production	Production Records	KShs. 10 millions	Factory Management, Finance Management	×				
(iv) Service the Co-gen power plant and park it until when there will be enough cane (bagasse) to run it.	Water quality in the tubes	Equipment Maintenance Checklist	Part of the 500 million above	Factory Management	×				
(v) Ensure PPA with KPLC is correctly documented	Signed PPA	Signed PPA		Factory , Finance and Legal	×				
(vi) Commercialize the factory/ Fleet workshops and factory laboratories	Upgraded New Workshop Machinery Profits	Business Records	50 millions	Factory, Agriculture and Finance Management	×				
(vii) Carry out OOC maintenance every year in accordance to cane development plan	Enhanced Plant Reliability , FTE above 90%	Plant maintenance Report, Plant Maintenance Schedule	300 millions every year	Factory Management		×	×	×	×

(viii) Improve factory capacity utilization and efficiencies (Throughput and overall recoveries)	Overall Recovery of 86% and optimum Capacity Utilization	Factory Daily and Monthly Reports	Part of the annual KShs. 300 millions under OOC	Factory and Finance Management		×	×		
(ix) Complete refurbishment of boilers	MCR (Maximum Continuous Ratings)	Equipment Maintenance Checklist	Part of the OOC money	Maintenance and Electrical Engineering Managers		×	×		
(x) Restart Co-gen at half capacity (17 megawatts)	17 megawatts	Cogen Records	0	Factory Management		×	×		
(xi) Modify the water bottling plant to include blending and bottling of spirits	Bottled Spirits and other products	Production Records	20 millions	Factory, Finance, Marketing, and Legal		×	×		
(xii) Diversify production by producing granulated or caster sugar	Improved Sugar Colour of below 100 ICUMSA	Production Records	500 millions	Factory, Finance, Marketing, and Legal				×	×
(xiii) Modernize the factory, (Factory automation)	Efficient Production of the various products	Maintenance Checklist, Production Records	KShs. 150 millions	Factory and Finance Management				×	×
(xiv) Restore the factory to full capacity utilization	TCD of 8,000	Maintenance Checklist, Production Records	Part of the OOC cash	Factory and Finance Management				×	×
(xv) Carry out feasibility study on production of Carbon dioxide, fertilizer and yeast.	Feasibility study,	Feasibility study Reports, Project Checklist and Minutes	5 millions	Factory, Finance, Agriculture, Marketing and Legal				×	×

Source: Taskforce

7.1.5 Goal 5: To implement Marketing and Distribution Strategy for MSC

Implementation plan for Goal 7 on an MSC Marketing and Distribution Strategy

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Product development	Loyalty programs with all distributors, wholesalers and retailers and focus on colour definition between white and brown sugar	Sustained customer loyalty programs and special sugar/ products market development	Kenya shillings 14,000,000	MSC Marketing department	√				
(ii) Market research	Usage and attitude, product concept, trade research, archive and sustain the target 70% branded sugar	Key retailer and consumer attitude survey, up market sugar packing and retail audits	KShs. 18,000,000	MSC Marketing department		√			
(iii) Trade marketing/ Market domination initiation	Distributor and trading incentive (trade promotions), distributor loyalty programs, export development and distributor staff training	Based distributor awards and sales conferences	KShs. 25,000,000	MSC Marketing department		√	√		
(iv) Brand equity initiatives	Brand maintenance (media), new production, branded sponsorships and trademark diversification	Marketing/ consumer advertising endearment through drama/ music, wall rebranding and merchandising	KShs. 129,000,000	MSC Marketing department				√	√

(v) Tactical consumer promotions, training and seminars/ visits	Communicate high quality, purity and known natural production processes	Survey on established market share on branded sugar through territorial sales management	KShs. 39,000,000	MSC Marketing department				√	√
(vi) Strategic partnership	Conduct a dealer survey and build detailed data bank on the entire trade channel Initiate customer call and Route coverage programs and daily/ weekly market situation report	Avail branded MSC branded sugar and Mumias sprinkles that withstand importation in all market segments	KShs. 20,000,000	MSC Management / CGK			√		

Source: Taskforce

7.1.6 Goal 6: Ensuring security and safety for company assets.

Strategic Objective: To ensure that both moveable and non-movable company assets are safeguarded.

Table 25: Implementation plan for Gaol 6 on Security Enhancement

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Request for secondment of both the National and County Government security officers.	Officer of integrity seconded	Secondment letter	Rank dependent 2.4M p.a	National Police Service	×				
(ii) Erection of solar powered high mast lights.	High mast erected	Contract records	50M	MSC		×			
(iii) Install CCTV in strategic positions.	CCTV installed in strategic positions	Certificate of installations, Payment Receipts	10M	MSC		×			

(iv) Purchase drones for security surveillance.	No. of drones purchased	Payment Receipts	KShs. 80, 000	MSC		×			
(v) Equip security personnel.	No of security personnel equipped	Receipts, Outsourcing Contracts	5M	MSC					
(vi) Refurbishment and construct of watch towers.	Refurbished watch tower	Procurement records	5M		×				
(vii) Engage locals as casual security	No. of locals engaged for casual security	Casual security contracts	10M		×				

Source: Taskforce

7.1.7 Goal 7: Create an enabling policy environment

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Sugarcane Development Fund to align it with the new MSC model	Reviewed the County Sugarcane Development Fund	Sustained customer loyalty programs and special sugar/ products market development	Final County Sugarcane Development Fund	MSC Marketing department	×				
(ii) Assign cases competitively to legal practitioners	No of MSC cases competitively to legal practitioners	Court proceedings	Case Dependent 6M	Western Jurists	×				
(iii) Revamp the legal office at the company	No of legal officers hired, No. of cases successful handled in court	Court fees receipts, Court awards and proceedings	12M	MSC Administrator	×				

(iv) Draft the Sugar Bill 2019 and present to parliament for consideration	Draft Sugar Bill 2019	Sugar Act 2019 document, Government printer records, Parliament Hansard records	CGKK/ Parliament 10M	Administrator	×				
(v) Engage locals as casual security	No of locals as casual security	HR records, Minutes of meetings	500,000		×				
(vi) Renew production licenses	No. of licenses renewed	Payment receipts	Project/ Business Unit dependent 10M	MSC	×	×	×	×	×
(vii) Implement the Sugar Act, 2019 that are MSC related	No. of MSC related issues implemented	Company records				×	×		

Source: Taskforce

7.1.8 Goal 8: To implement a practical Business Model of Sugarcane for MSC

Table 26: Implementation plan for Goal 5 on a practical Business Model for MSC operations

PROGRAMME ACTIVITIES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ESTIMATED COST	IMPLEMENTOR	TIMEFRAME (IN YEARS)				
					1	2	3	4	5
(i) Prepare process flow for the model	Process flow prepared	Printed or Soft copy process flow	KShs. 10,000	MSC	×				
(ii) Sensitize farmers about the new model	No. of farmers sensitized on new model	Attendance lists		MSC	×	×	×	×	
(iii) Conduct forensic audit of MOCO and MOSACCO	Forensic audit of MOCO and MOSACCO conducted	Audit report	KShs. 2,000,000	Auditor	×				
(iv) Prepare take over MoU MOCO and MOSACCO leadership	Takeover MoU prepared	Signed MoU	KShs. 50,000,000	Legal Department	×				
(v) Register farmer cooperative societies at Ward level	No. of farmers registered in WBFCs	Registration lists	5M	Microfinance / Investment Corporations	×	×	×	×	×

(vi) Prepare an MoU and cascade it to a service level agreement between CGK institutions and MSC Ltd	MOUs prepared	Signed MoUs	1M	Legal Department	×					
(vii) Operationalize the model	Operational-ized Model	Financial records, Farmer contracts, Records of farmer accounts opened with microfinance Corporation		MSC Management	×	×	×	×	×	×

Source: Taskforce

9.0 CONCLUSION

The public and community land under sugarcane can be broadly divided into two namely; Nucleus Estate land whose size is 4,294 hectares and pieces of land that were either purchased or leased by MSC. To protect both the Nucleus and the satellite pieces of land which add up to 5,740Ha, they should be put under caveat. Further, resurveying and fencing off of the Nucleus Estate land should be done. The local community that neighbours the company pieces of land should be engaged as part of the security to protect the identified pieces land against encroachment.

The Cane Buying Centres (CBC) and satellite farms stand the highest risk of being grabbed due to non-resolved litigations. There is urgent need to enhance security in the identified high risk areas both within MSC and the wider Mumias region. The County Government of Kakamega should enjoin in the ongoing litigations to protect assets for public good.

Based on the historical performance, the current status of MSC and the submissions from the key stakeholders, it is evident that the Company can be revived if only the revival plan prioritizes: change of governance, investment in cane development, engagement with lenders and creditors on viable debt payment plan and finally pursue capital injection for key areas of operation.

The structural change in governance, staff reduction and new functional leadership will ensure, informed, timely, value adding, and corrupt free decision making in the organization. The cane development model targeting a minimum of 10,000 Ha in Outgrowers and 4,000Ha in the Nucleus estate over a period of 3 years will address sustainable cane development, and bring back farmers confidence in cane farming to ensure raw material availability. Timely engagement with creditors on both short and long-term payment plan will help ease pressure to enable smooth operational take off at MSC.

A well-structured minimum capital injection of KShs. 5 Billion is urgently required to enable realise all the other revival plans and smooth MSC operational take off.

The county Government of Kakamega should be involved in the Management of Mumias Sugar Company through the relevant departments for successful implementation of the taskforce report and revival of MSC. The recommendations of the Taskforce can only be implemented through a multifaceted approach where support from stakeholders is of paramount importance. Procrastination in the implementation of the recommendations may lead to lethargy and lack of confidence by key stakeholders.

10.0 RECOMMENDATIONS

On the basis of our findings, the taskforce makes the following recommendations:

10.1 County Specific Recommendations

1. Financial input by County Government of Kakamega and the National Government dubbed "Oparanya-Inyingo Fund".

Table 27: Financial projection for Cane Development

Item Description	Estimated Cost (KShs.)			
	Year 1	Year 2	Year 3	
(v)	Nucleus 4,000 Ha @100,000 farm input	400,000,000	200,000,000	100,000,000
(vi)	Out growers 10,000 Ha @100,000 farm input	1,000,000,000	1,000,000,000	1,000,000,000
(vii)	Factory Repair	500,000,000	300,000,000	200,000,000
(viii)	Working Capital	200,000,000	100,000,000	50,000,000
Total		2,100,000,000	1,600,000,000	1,350,000,000

Source: Taskforce

2. Reorganize Agri-business in the County to have a fully fledged department domiciled in County Government of Kakamega Investment Agency to take care of Cane development. The department should have a Head of Department who is well versed in Sugar Agronomy and 32 Extension Staff placed in the Sugar growing wards as shown in Annex 8.

Table 28: Annual financial projection for cane development staff (Agronomy)

Item Description	Estimated Annual Cost (KShs.)
(iv) Head of Department 1@150,000 x12months	1,800,000
(v) Extension Staff 32@50,000 x12months	19,200,000
(vi) Motorbikes 32@250,000	9,000,000
Total	30,000,000

Source: Taskforce

3. Cane development package per Ha KShs. 100,000 "Oparanya-Inyingo Fund" promoted by the County and used as a revolving fund with set targets.

4. The County should re-organize the Microfinance Corporation to develop a fully fledged Microfinance to offer the financial resources.

Table 29: Annual Financial Projection for Financial Services

Item Description	Estimated Cost
Head of Finance 1@150,000 x 12	1,800,000
Finance Officers 7@50,000 x 12	4,200,000
Office Assistants 7@20,000 x 12	1,680,000
Total	7,680,000

5. The County Government should appoint the Caretaker committee to oversee the implementation of the Taskforce Report with new Terms of References geared towards revival of MSC.

6. The County Government should review existing "Sugarcane Fund" regulations to align to the Taskforce recommendations.

7. The County should move with speed to empower Microfinance Corporation and Investment Agency to take up the roles of MOSACCO and MOCO respectively using laid down legal procedures as they are willing to engage.

8. The County Government of Kakamega to engage with potential development partners e.g. European Union (EU) to fund seed cane development in the Nucleus.

9. The County should bid to take over the MSC Administration role through the court process as it has the Human Resources, Financial muscle and the Public goodwill.

10. The county should prioritise the land preparation services for cane development through the County mechanization services e.g. consider the purchase of relevant horse power tractors and utilize Mould board technology through relevant legislation.

11. County through a strategic member of parliament fund the preparation of and lobbying for a Sugarcane Bill 2019 to be presented to the National Assembly for enactment into law to protect the industry.

12. County Government of Kakamega should negotiate with National Government to own shares that enable it to have a representation on the MSC Board of Directors, at least 5%.

13. The County Government of Kakamega to lead negotiation with the Government of Uganda to supply ready cane for processing through linkages with relevant regulatory bodies until when the current cane is able to sustain the factory in 3 years.

14. Facilitate DCI to ensure corruption cases at MSC are investigated and recovery of the lost resources brought back to salvage the Company as shared in a separate report.

15. The County Government of Kakamega to engage the County Government of Bungoma, Busia, and Siaya to support cane development initiatives in the Sugar Catchment areas using the prescribed "Oparanya-Inyingo Model".

16. County Government to Second a senior security manager to oversee security at MSC; Complement security at key installations by seconding senior enforcement offices; negotiate with National Government to second a national security officer to work with the existing company, and envisaged county security apparatus; and engage neighbouring community to safeguard the company assets.

17. Put a caveat on all current MSC land transactions.

10.2 General Recommendations

10.2.1 Objective One: To identify and recommend means and ways of protecting public and community land under sugarcane farming.

9.2.1.1 Recommendations

(i) Put a caveat on all current land transaction under MSC.

(ii) There is need for further audit of the MSC satellite land transactions.

(iii) County Government of Kakamega should centralize billing of Rates, Licences, Permits, CESS, Rent and other levies especially for manufacturing companies and incorporate them in the County Government of Kakamega annual Appropriation Bill.

10.2.2 Objective Two: To identify public assets at risk of vandalism, looting, plunder, stealing or grabbing in the wider Mumias region and recommend ways of protecting them.

9.2.2.1 Recommendations to MSC

(i) Prepare an Assets list to confirm the status of:

a. The factory plant (equipment), nucleus and satellite cane centres, Weighbridges at MSC and Satellites centres, water bottling plant, power generation plant, golf course way, guest house, stadium, Shimuli Shrines, Sukari Sacco

b. Motor vehicles,

c. Estate,

d. Schools,

e. MOCO Assets,

f. MOSACCO Assets (farmers Bank)

(ii) Provide insurance cover for movable assets, and an industrial risk insurance cover.

(iii) Provide a high mast lighting system for the estate and the factory security.

(iv) Go green technology in all areas apart from factory

(v) Install CCTV in strategic areas

(vi) Purchase drones for surveillance of the nucleus.

(vii) Repair the watch tower

(viii) Establish controlled entry and exit barriers for the nucleus access,

(ix) Recruit and engage the right security personnel

10.2.3 Objective Three: Work collaboratively with the Board of Directors and Management of Mumias Sugar Company to map out and recommend strategies for the revival and operationalization of Mumias Sugar Company Limited, a public asset on the verge of collapse.

9.2.3.1 Recommendations

1. As an ongoing concern, map out strategies for the revival and operationalization of MSC based on departments/ sections namely: Agriculture addressing Sugar value chain and raw materials; Factory focusing Sugar plant, Co-gen, Water, and Ethanol projects; Human Resources, and Marketing focusing products distribution value chain.

9.2.3.1.1 Governance Strategy

(i) Restructure the share the shareholding of MSC by bringing a strategic partner who has a 50+1% shareholding once the emergency phase is completed.

(ii) The County Government of Kakamega to advocate for the Court to appoint an Administrator to manage MSC Ltd and take care of all stakeholders interests to allow 3 years recovery with possibility of 1-year extension.

(iii) Map out strategies to have a farmer representative on MSC Board of Directors through the envisaged farmer ward-based cooperatives and minority shareholder representatives.

9.2.3.1.2 Human Resources Strategy

(i) Evaluate the production requirement visa vis the Human resources requirement and structure pay based on productivity for return on investment.

(ii) Management should be hired on contract basis.

(iii) Review the Organogram to merge departments and review salary scales based on job evaluations.

(iv) Re-train the staff on good ethical practices and impart practical skills.

9.2.3.1.3 Cane Development for Raw Materials strategy

(i) Invest in cane development on a minimum of 10,000 Ha per year for 3 years in Outgrowers and 4,000Ha in MSC Nucleus estate with a projected minimum TCH of 70. The projection will give a total of 2,380,000 Tonnes of cane that will bridge the cane supply gap projected by AFFA and also enable the factory run at its installed capacity of 8,000 Tonnes of Cane Diffused (TCD).

(ii) The projected development is as follows;

a) Cost of developing 1HA of cane is averagely KShs. 100,000

b) To develop 34,000 HA will cost (34,000 Ha x 100,000) = KShs. 3.4 Billion plus 300 Million.

c) Spread in 3 years, you need 1.4 Billion year1, 1Billion Year2, 1Billion Year3 to enable full raw material availability in a period of 3 years.

d) Develop a sustainable model on cane development and cane haulage fleet in Kakamega County with technical assistance from Sugar Research Institute.

(iii) Need for a vibrant seed cane development arm created by the County government and technically supported by Sugar Research Institute (SRI).

(iv) Introduce mobile weighbridges and automated fixed on factory site to cut down on cane losses and bring back farmers confidence on value for their products.

(v) Tag employment contract and remuneration of the extension staff in the 4,294.8 Ha Nucleus estate farm to 80 TCH productivity to get value out of the farm.

(vi) Re-introduce the Farmers Advance Scheme (FAS) to encourage farmers prioritize cane farming through the Microfinance Corporation.

(vii) Enhance timely payment of farmers to facilitate early maintenance of subsequent ratoons maximum of 7 days.

(viii) County to subsidize cane development through utility of County tractors for land preparation, farm inputs for 3 years.

(ix) Establish Kakamega County Sugar Development fund and run it as a revolving fund to facilitate sugarcane sector development.

(x) Restructure MOCO, manage it as a business unit and link farmers to MSC through the Kakamega County Investment Agency and Microfinance Corporation.

(xi) Farmers be sensitised through wards as devolved units into blocs and linked to the Miller through the Kakamega County Microfinance Corporation and the Kakamega County Investment Agency

(xii) Invest in cane development, succession planning, employee and farmer attitude change to avert farmer apathy and support provision of raw materials.

(xiii) Government has to be involved in all stages of policy regulatory framework of cane development through the sugar Act of 2019 and must address the gaps on importation, taxation, and cane payment based on sucrose content.

a. The CGKK Attorney should work with the team of Western Kenya Jurists to develop a bill to address these three gaps and share with MPs from cane growing regions for support in parliament.

9.2.3.1.4 The factory/ Sugar Plant Strategy

(i) Cogeneration plant to be serviced using quality chemicals and parked correctly as per the manufacturers' requirements until the company is able to generate enough cane to produce bagasse.

(ii) The general company servicing be done in three phases with the following financial requirements i.e. Phase 1 = 500million; Phase II = 300 million; Phase III = 200million.

(iii) Capacity be stepped down from 350 TCH to 250 TCH to enable operations with lower supply of cane raw materials.

(iv) Ethanol plant be serviced and continue operations with by-products combined with water to produce GIN for value addition.

(v) Water plant be serviced and continue operations with a new business model based on Return on Investment (RoI).

9.2.3.1.5 Marketing and Distribution strategy

(i) Establish a sugar and by-products marketing Agency.

(ii) Equip the Agency to have a keen eye on pricing, branding, packing and distribution of sugar and by-products based on market dynamics.

(iii) Consistency in production through negotiated importation deficit.

9.2.3.1.6 Legal Strategy

(i) Streamline the legal office by requesting the western jurists to facilitate officers to carry out a legal audit of all cases currently in court. They should determine who is the advocate legally instructed to act for Mumias Sugar Company, Nature of the case, livelihood of success/loss on Mumias Sugar Company part, explore alternate dispute resolution to reduce costs, Amount of legal fees in reference to Advocates and remunerate order to determine authenticity of what has been paid and what is pending.

(ii) The County Government through the Western Jurists to seek for a blanket injunction against creditors for a period of 6 months and therefore negotiate payment plan.

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12.0ANNEXES

Annex 1: Major Producers of Sugar in Africa as of 2018

Country Production in 2018 (Metric Tons)

Country	Sugar production in Metric Tonnes
1. South Africa	2,192,000
2. Egypt	2,114,000
3. Sudan	762,000
4. Swaziland	707, 000
5. Kenya	592,668
6. Zimbabwe	460,000
7. Mauritius	400,179
8. Ethiopia	397,000
9. Uganda	360,040

Source: (World Population Review, 2019)

Annex 2: Summary of employees by category as June 2019

CATEGORY	PERMANENT	CONTRACT	TOTAL
Managers	42	4	46
Supervisors	126	6	132
Technicians	48	0	48
Confidential s Staff	9	3	12
Union Staff	254	273	527
TOTAL	479	286	765

Source: Mumias Sugar Company Records

Annex 3: Summarized staff establishment for the years 2010 - 2019

YEAR	MANAGEMENT	UNIONISABLE	CONTRACTED / CAS	TOTAL EMPLOY-EES
2010	533	873	297	1703
2011	519	819	465	1803
2012	602	831	465	1898
2013	579	697	628	1904
2014	536	600	548	1684
2015	464	495	574	1533
2016	462	487	678	1627
2017	416	431	640	1487
2018	271	299	449	1019
2019	238	254	273	765

Source: Mumias Sugar Company Records

Annex 4: MSC Staff Trends from 2000 to 2019

YEARS	NO. OF EMPLOYEES
2000	4546
2002	3265
2003	3027
2004	2574
2005	2086
2006	2156
2007	1860
2008	1821
2009	1776
2010	1703
2011	1803
2012	1776
2013	1882
2014	1684
2015	1533
2016	1586
2017	1487
2018	1019
2019	765

Source: Mumias Sugar Company Records

Annex 6: Mumias Sugar Company sales trend since 2001 - 2018

Financial Year Ended	Profit/Loss (000,000)
2001	483
2002	65
2003	(202)
2004	791
2005	1,290
2006	1,527
2007	1,394
2008	1,214
2009	1,610
2010	1,572
2011	1,933
2012	2,013
2013	(1,670)
2014	(2,741)
2015	(4,645)
2016	(4,757)
2017	(6,774)
2018	(15,142)

Source: Mumias Sugar Company Records

Annex 5: Mumias Sugar Company financial trend from 2001 - 2018

Financial Year Ended	Profit/Loss (000,000)
2001	483
2002	65
2003	(202)
2004	791
2005	1,290
2006	1,527
2007	1,394
2008	1,214
2009	1,610
2010	1,572
2011	1,933
2012	2,013
2013	(1,670)
2014	(2,741)
2015	(4,645)
2016	(4,757)
2017	(6,774)
2018	(15,142)

Source: Mumias Sugar Company Records

Annex 7: Countdown of Taskforce Activities undertaken

S/No	Activity & Description	Timeline (Days)	Action
1.0	Literature Review- Documents to be reviewed.	**3**	
	1.1 Sugar taskforce report CGKK, 2014 1.2 County Sugarcane Fund Regulations 1.3 AFFA reports 1.4 Mumias Cane production report of 1973 - 2018		Namunyu
	1.5 National Draft Sugar Taskforce report 1.6 KPMG Report		Chairperson/ Secretariat
	1.7 Strategic Plans, 2008 – 2012; 2018 – 2022 1.8 Media Reports (Newspaper cuttings etc.)		Brenda
	1.9 Factory production report of 1973 - 2018 1.10 Booker Tate report		Ibrahim
	1.11 MOCO reports		Secretariat
	1.12 COMESA and Continental Free Trade Area agreements		Amb. Ochami
	1.13 MSC Short term plan report		Brenda
2.0	**Review all reports for common understanding** • Current state of Mumias Sugar Company Ltd	**Monday 10th June**	Taskforce
3.0	**Interviewing of Key Stakeholders, analyze and contextualize key interview results**		
	3.1 Former and Present Managing Directors ,Top Management & workers representative	**Wednesday 12th June**	Wangatia
	3.2 MOCO Management & County Staff formerly MSC employees	**Monday 17th June**	Wangatia
4.0	**Interview for political leaders**		
	4.1 Deputy Governor	**Tuesday 18th June**	Chairperson
	4.2 MPs in the sugar belt region - Mumias East, Mumias West, Matungu, Navakholo, Nambale, Bumula, Siaya, Teso South (Amukura)		Wangatia
	4.3 MCAs - Mumias East, Mumias West, Matungu, Marama Central, Marama North, Shianda-Marenyo, Navakholo, Malava		Wangatia
5.0	**Field visits to meet farmer representatives and farmer organizations**		
	5.1 Mumias East (Group1) - Ongoro, Ochami, Sande, Oteng'o	**Wednesday 19th June**	Ongoro / Secretariat
	5.2 Navakholo & Budonga (GROUP 2) - Namunyu, Songa, Brenda, Kutekha		Namunyu / Secretariat
	5.3 Butere (GROUP 3) - Makokha, Odanga, Omwendo, Ibrahim		Makokha / Secretariat
	5.4 Mumias West(GROUP 1) - Ongoro, Oteng'o, Wangatia, Mmbaka		Ongoro / Secretariat

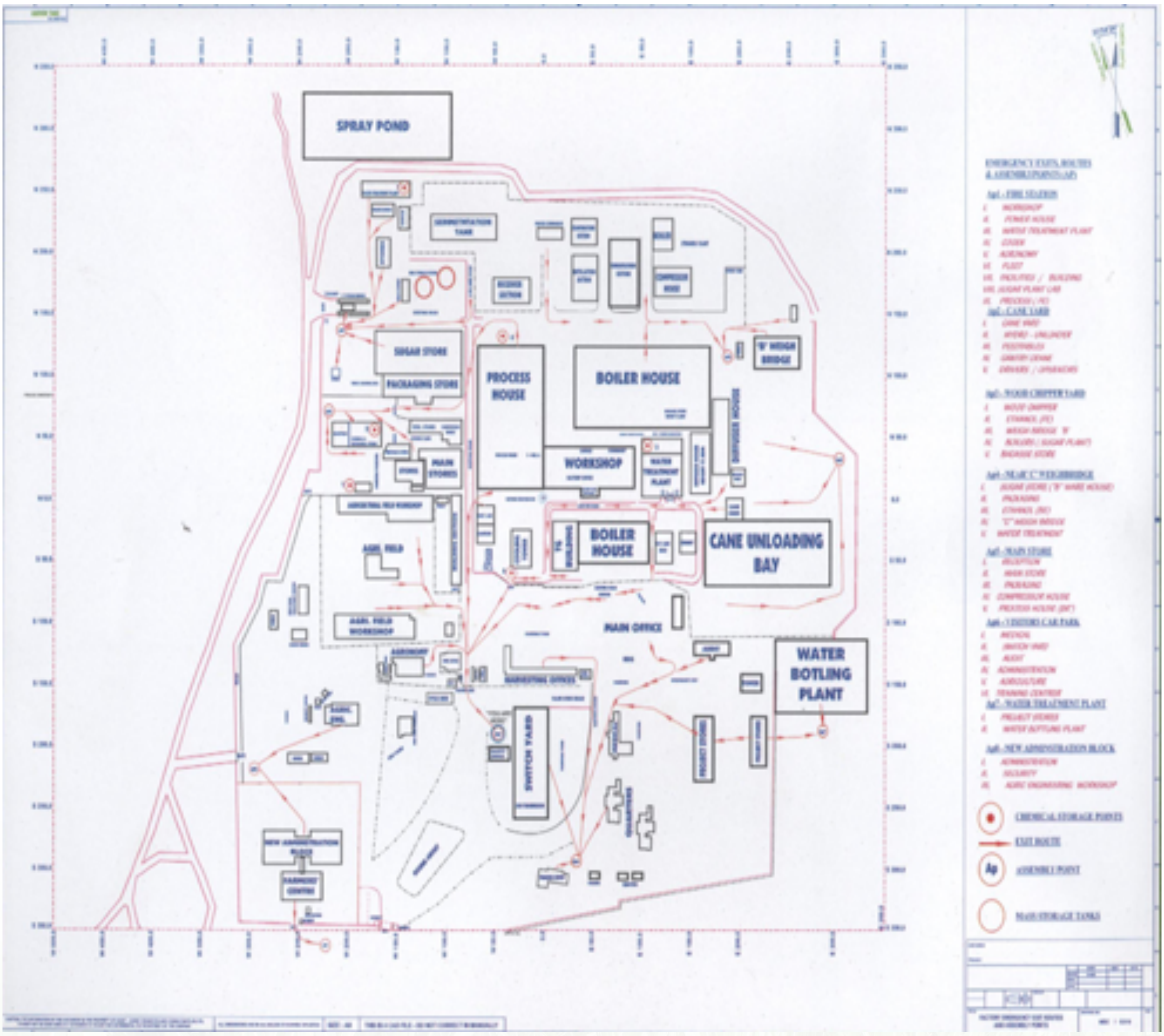
	5.5 Matungu (GROUP 2) - Namunyu, Omondi, Brenda, Kutekha		Namunyu / Secretariat
	5.6 Bumula, Busia (Teso North & South) (GROUP 3) - Makokha, Songa, Omwendo, Ibrahim, Omondi		Makokha / Secretariat
	5.7 Busia, Busia nucleus, Nambale (GROUP 1) - Ongoro, Ochami, Sande, Songa	**Friday 21st June**	Ongoro / Secretariat
	5.8 Teso South (GROUP 2) - Namunyu, Oteng'o, Brenda, Kutekha		Namunyu / Secretariat
	5.9 Nambale&Teso North (GROUP 3) - Makokha, Odanga, Omwendo, Ibrahim, Omondi		Makokha / Secretariat
6.0	Site visits to verify MSC Limited assets • Site visit to MSC employees, nucleus, factory estates, schools and sports complex	**Saturday 22nd June**	Ibrahim &Makokha
7.0	**Meeting with major shareholders and creditors in Nairobi**		
	7.1 K.C.B Bank Kenya Ltd, National Treasury, Jubilee Insurance –Kassim, Ochami, Sande, Namunyu, Wangatia, Mmbaka	**Monday 24th June**	Chairperson / Mmbaka
	7.2 Creditors & Consultancy firms – RSM, PWC, Delloitte, KPMG, Image	**Tuesday 25th June**	Chairperson / Mmbaka
8.0	**Field visits to meet farmer representatives in Nambale(Busia County)**		
	8.1 Lwanikha - Group 1	**Wednesday 26th June**	Makokha
	8.2 Nambale, Kisoko CBC - Group 3		Wang'anya
9.0	Report writing in Kisumu	**Thursday & Friday 27th& 28th June**	Chairperson/ Secretariat
10.0	**Briefing H.E Governor with Draft report and seek further guidance**	**Saturday 29th June/ Monday 1st July**	Chairperson
11.0	**Preparation of a final report**		Chairperson/ Secretariat
12.0	**Printing Report**		
	Total (Days)	**18**	

Source: Taskforce

Annex 8: Sugar Cane growing Wards in County Government of Kakamega

NO.	SUB-COUNTY	NUMBER OF WARDS	WARD NAMES
1.	Mumias East	3	1. Lusheya /Lubinu
			2. Malaha /Isongo /Makunga
			3. East Wanga
2.	Matungu	5	1. Koyonzo
			2. Kholera
			3. Khaleba
			4. Mayoni
			5. Namamali
3.	Butere	5	1. Marama West
			2. Marama Central
			3. Marenyo – Shianda
			4. Marama North
			5. Marama South
4.	Navakholo	5	1. Ingotse – Mathia
			2. Shinoyi – Shikomari
			3. Esumeyia
			4. Bunyala West
			5. Bunyala East
			6. Bunyala Central
5.	Lurambi	3	1. Butsotso – Central
			2. Butsotso – East
			3. Butsotso – South
6.	Mumias West	4	1. Mumias Central
			2. Mumias North
			3. Etenje
			4. Musanda
7.	Malava	7	1. West Kabras
			2. Chemuche East
			3. Kabras
			4. Butali /Chegulo
			5. Manda – Shivanga
			6. Shirugu – Mugai
			7. South Kabras
Total Wards		32	

Annex 9: MSC factory layout



Annex 10: MSC management structure in different regimes

Table 30: Evans Kidero Regime

MANAGING DIRECTOR (MD) Peter Kebati							
Agriculture	**Factory**	**Finance**	**Gen Management**	**Commercial**	**Marketing & Corporate Affairs**	**ICT**	**HR**
Jonathan Mutonyi	Jonah Omuyoma JosphatAsira	Chris Chesire John Imbogo	Peter Kebati	Paul Murgor	Pamela Lutta	Wesley Koech	Stephen Olieka
ODS- Outgrowers Development Services	Electrical & Instruments	Revenue	Legal (Emily Otieno)	Sales • Sugar • Ethanol • Water	Marketing • Sugar • Water & Ethanol		HR Administration
FSS- Fertilizer &Seed cane Supply	Mechanical & Maintenance	MA- Management Accounts	Security	Customer Service	Corporate Affairs • Internal • External		Industrial Relations
NE – Nucleus Estate	Production	Creditors		Warehouse			T & D – Training & Development
		Procurement					Medical
AE – Agriculture Engineering	Projects	ASA- Outgrowers and Services Accounts					H & S- Health & Safety

Source: MSC records

Table 32: Errol Johnson Regime

MANAGING DIRECTOR Errol Johnson						
Agriculture	**Factory**	**Finance**	**Gen Management**	**Commercial**	**Supply Chain**	**HR**
Alexander Chirchir	Josphat Asira	Jonathan Koome	Errol Johnson	Julie Kisaka	Eddie Odhiambo	Voi Chiulu
ODS- Outgrowers Development Services	Sugar Plant	Revenue	Legal	ales (Sugar, Ethanol, Water)	Procurement	Learning & Development
FSS- Fertilizer & Seed cane Supply	Ethanol Plant	MA- Management Account	Security	Customer Service& Logistics	Warehouse	Talent Management
NE – Nucleus Estate	Power Plant, Instrumentation & Electrical	Agriculture Services Accounts (ASA)	Risk & Compliance	Marketing	Stores	Employee Relations
AE – Agriculture Engineering	Maintenance Program & Water	Creditors	Corporate Affairs & Strategy			H & S- Health & Safety
H&T- Harvesting & Transport	Projects & Planning					Medicine
Agronomy	Factory Lab (QA)					Estate Services
T&E- Entrepreneurship, Training & Development						

Source: MSC records

Annex 11: MSC List of the Board of Directors 2003 - 2019

List of Directors from 2003 - 2019		
2019		
1	Dr. Kennedy Ngumbau	Chairman
2	Mr. Peter Khamusali Ingosi	Director
3	Mrs. Joanne Tabuke	Director
4	Ms. Naomi Cidi	Director
5	Mr. Henry Rotich – Alt. Abraham Koech	Director
6	Mr. John Mwangi Maina	Director
7	Mr. Stanley Were	Director
8	Mr. Henry Nyang'or	Director
9	Mr. Peter Maiyo	Director
10	Mr. John Gathecha	Director
11	Mr. Isaac Sumba Sheunda	Ag. Chief Executive Officer
12	Ms. Lynette Okiro	Company Secretary
2018		
1	Dr. K. Ngumbau	Chairman
2	Mr. Henry Rotich - Alt. Mr. A. Koech	Director
3	Mrs. N. Kaminchia	Director
4	Ms. Naomi CidiKumbathia	Director
5	Mrs. Joanne Tabuke	Director
6	Mrs. P. Adala	Director
7	Mr. N. Orgut	Director
8.	Mr. Peter Ingosi	Director
9	Mr. J Maina	Director
10	Mr. S. Were	Director
11	Mr. Isaac Sumba Sheunda	Ag. Chief Executive Officer
12	Ms. Lynette Okiro	Company Secretary
2017		
1	Dr. K. Ngumbau	Chairman
2	Mr. Henry Rotich - Alt. Mr. A. Koech	Director
3	Mrs. N. Kaminchia	Director
4	Ms. Naomi CidiKumbathia	Director
5	Mrs. Joanne Tabuke	Director
6	Mrs. P. Adala	Director
7	Mr. N. Orgut	Director
8.	Mr. Peter Ingosi	Director
9	Mr. J Mathenge	Director
10	Mr. J. Opindi	Director
11	Mr. Nashon Aseka	Chief Executive Officer
12	Mr. Henry Wanyundi	Ag. Company Secretary
2016		
1	Mr D K Ameyo	Chairman
2	Mr. Henry Rotich - Alt. Mr. F. Kingori	Director
3	Mr. J K Barorot	Director
4	Ms. Naomi CidiKumbathia	Director

5	Mr. J Mathenge	Director
6	Dr. K. Ngumbau	Director
7	Mrs. Joanne Tabuke	Director
8	Mr. J Opindi	Director
9	Mrs. N. Kaminchia	Director
10	Mrs. Elizabeth Kyengo	Director
11	Mr. Errol Johnston	Chief Executive Officer
12	Mr. Ronald Lubya	Ag. Company Secretary
	2015	
1	Mr D K Ameyo	Chairman
2	Mr. Henry Rotich - Alt. Mr. F. Kingori	Director
3	Mr. J K Barorot	Director
4	Mrs. N Kaminchia	Director
5	Mr. E. Kyengo	Director
6	Mr. J. Mathenge	Director
7	Mr. J. Opindi	Director
8	Mrs. S. Serem	Director
9	Mr. E. Mukabanah	Director
10	Mr. N. Namenge	Director
11	Mrs. Joanne Tabuke	Director
11	Mr. C. Otolo	Managing Director
13	Mr. Ronald Lubya	Ag. Company Secretary
	2014	
1	Mr D K Ameyo	Chairman
2	Mr. Henry Rotich - Alt. Mrs. E Koimett	Director
3	Mr. J G Chege	Director
4	Mrs. S K Serem	Director
5	Mr. F. Kigen	Director
6	Mr. E. Mukabanah	Director
7	Mr. N. Namenge	Director
8	Mr. J Opindi	Director
9	Mrs. N. Kaminchia	Director
10	Mrs. Elizabeth Kyengo	Director
11	Mr. C. Otolo	Managing Director
13	Miss Diana Barasa	Ag. Company Secretary
	2013	
1	Mr J V Bosse	Chairman
2	Mr. Henry Rotich - Alt. Mrs. E Koimett	Director
3	Mr. J G Chege	Director
4	Mrs. S K Serem	Director
5	Mr. F. Kigen	Director
6	Mr. E. Mukabanah	Director
7	Mr. C. Otolo	Director
8	Mr. N. Namenge	Director
9	Mr. J Opindi	Director
10	Mrs. N. Kaminchia	Director
11	Mr. P Kebati	Managing Director

13	Mrs. Emily Otieno	Company Secretary
2012		
1	Mr J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. P. Okoth	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Ms. S K Serem	Director
7	Mr. S. Bunyasi	Director
8	Mr. M R Juma	Director
9	Mr. E M Mukabanah	Director
10	Mr. F K Kigen	Director
11	Mr. J M Mruttu	Director
12	Dr. E Kidero	Managing Director
13	Mrs. Emily Otieno	Company Secretary
2011		
1	Mr J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. P. Okoth	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Ms. S K Serem	Director
7	Mr. S. Bunyasi	Director
8	Mr. M R Juma	Director
9	Mr. E M Mukabanah	Director
10	Mr. F K Kigen	Director
11	Mr. J M Mruttu	Director
12	Dr. E Kidero	Managing Director
13	Mrs. Emily Otieno	Company Secretary
2010		
1	Mr J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. P. Okoth	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director
9	Mr. E M Mukabanah	Director
10	Mr. F K Kigen	Director
11	Mr. J M Mruttu	Director
12	Dr. E Kidero	Managing Director
13	Mrs. Emily Otieno	Company Secretary
2009		
1	Mr J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. P. Okoth	Director

4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director
9	Mr. E S Osundwa	Director
10	Mr. F K Kigen	Director
11	Mr. A. Hassan	Director
12	Dr. E Kidero	Managing Director
13	Mrs. Emily Otieno	Company Secretary
2008		
1	Mr J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. A Mboya	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director
9	Mr. E S Osundwa	Director
10	Mr. F K Kigen	Director
11	Mr. A. Hassan	Director
12	Dr. E Kidero	Managing Director
13	Mr. M J R Guto	Company Secretary
2007		
1	Mr J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. A Mboya	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director
9	Mr. E S Osundwa	Director
10	Mr. F K Kigen	Director
11	Mr. A. Hassan	Director
12	Dr. E Kidero	Managing Director
13	Mr. M J R Guto	Company Secretary
2006		
1	Mr. J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E Koimett	Director
3	Hon. Amos Wako – Alt. A Mboya	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director

9	Mr. E S Osundwa	Director
10	Mr. F K Kigen	Director
11	Mr. A. Hassan	Director
12	Dr. E Kidero	Managing Director
13	Mr. M J R Guto	Company Secretary
	2005	
1	Mr. J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. E. Koimett	Director
3	Hon. Amos Wako – Alt. A Mboya	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director
9	Mr. E S Osundwa	Director
10	Mr. F K Kigen	Director
11	Mr. A Hassan	Director
12	Dr. E Kidero	Managing Director
13	Mr. M J R Guto	Company Secretary
	2004	
1	Mr. J V Bosse	Chairman
2	Mr. J Kinyua – Alt. Mrs. C. Kimura	Director
3	Hon. Amos Wako – Alt. A Mboya	Director
4	Mr. J G Chege	Director
5	Mr. K. Gatabaki	Director
6	Dr. C W Wangia	Director
7	Ms. G K Ngala	Director
8	Mr. M R Juma	Director
9	Mr. E S Osundwa	Director
10	Mr. F K Kigen	Director
11.	Dr. E Kidero	Managing Director
12	Mr. M J R Guto	Company Secretary
	2003	
1.	M K Sang	Chairman
2	Mr. J Magari – Alt. Mrs. C. Kimura	Director
3	Hon. Amos Wako – Alt. Mr. D K Ameyo	Director
4	Mr. B. Yates – Alt. Mr. R. Speddy	Director
5	Mr. J G Chege	Director
6	Mr. K Gatabaki	Director
7	Dr. C W Wangia	Director
8	Ms. G K Ngala	Director
9	Mr. M R Juma	Director
10	Mr. E S Osundwa	Director
11	Mr. J V Bosse	Director
12	Dr. Evans Kidero	Managing Director
13	Mr. P. Mutanda	Ag. Chief Executive Officer
14	Mr. M J R Guto	Company Secretary

Annex 12: Company Debts as at June 2018

(i) Bank Loans, Government Loans

INSTITUITION	PRINCIPAL	INTEREST	TOTAL OUTSTANDING	PURPOSE
Proparco	1,484,148,128.25	483,062,944.13	1,967,211,072.38	Co-gen plant
CBA Loan	257,935,005.00	143,325,239.69	401,260,244.69	Ethanol plant
ECO Bank(Kes)	350,000,000.00	395,212,025.99	745,212,025.99	Ethanol plant
ECO Bank (USD)	136,737,020.10	23,452,887.84	160,189,907.94	Ethanol plant
Treasury	3,000,000,000.00	681,215,770.60	3,681,215,770.60	Government Bailout Fund
Bank of Africa	777,347,873.60	290,218,303.31	1,067,566,176.91	Ethanol plant
KCB	375,075,910.04	172,419,111.41	547,495,021.45	Working Capital
AFFA (KSB)	1,383,759,651.80	300,473,799.65	1,684,233,454.45	Government Bailout Fund
TOTAL	7,765,003,588.79	2,489,380,082.62	10,254,383,671.41	

Source: MSC records

(ii) Bank Overdrafts as at June 2018

BANK NAME	ACCUMULATED OVERDRAFT (KES)	REASON
KCB MUMIAS	1,229,744,228.80	Working Capital
KCB KISUMU	387,333,906.75	Working Capital
CFC STANBIC	625,491,554.90	Working Capital
CBA	5,131,810.65	Working Capital
KCB (USD)	373,241,680.	Working Capital
ECO (KES)	1,999,573.36	Working Capital
BBK	159,397,389.17	Working Capital
TOTAL	2,782,340,143.64	

Source: MSC records

(iii) Suppliers' Balances

Suppliers are owed 1,204,998,095.00 made up of creditors' balance of 1,063,259,760.34 & 141,738,334.66. This amount excludes totals for creditors with debt balances.

(iv) Taxes

A SUMMARY OF ACCRUED TAX LIABILITY				
TAX TYPE	**PRINCIPAL AMOUNT**	**PENALTIES**	**INTEREST**	**TOTAL**
VAT	2,134,589,588.72	-	1,076,013,807.02	3,210,603,395.74
PAYE	1,062,043,879.16	270,510,969.71	277,672,754.71	1,610,227,603.57
SDL	490,658,423.02			490,658,423.02
EXCISE DUTY	2,109,374,280.00	105,468,714.00	716,892,415.96	2,931,735,409.96
WITHHOLDING	15,506,579.80	1,513,905.54	10,079,193.85	27,099,679.19
TOTAL TAX LIABILITY	5,812,172,750.70	377,493,589.25	2,080,658,171.54	8,270,324,511.49

Source: MSC records

(v) Farmers Balances

ITEM	AMOUNT
Pre Start Up	658,183,142.98
Post Start Up	138,161,253.99
HT To Clear	5,500,744.02
Not Yet On Pay sheet	87,596,768.64
Total	889,441,909.63

Source: MSC records

(vi) Employee Salaries

Employees, former employees and directors liabilities	AMOUNT
Employees Net Pay	624,366,373.52
Directors fees & Allowances	7,907,231.00
Gratuity accrued	99,683,555.74
Accrued Leave Pay	20,390,793.95
Terminal Dues to ex-employees	28,812,251.57

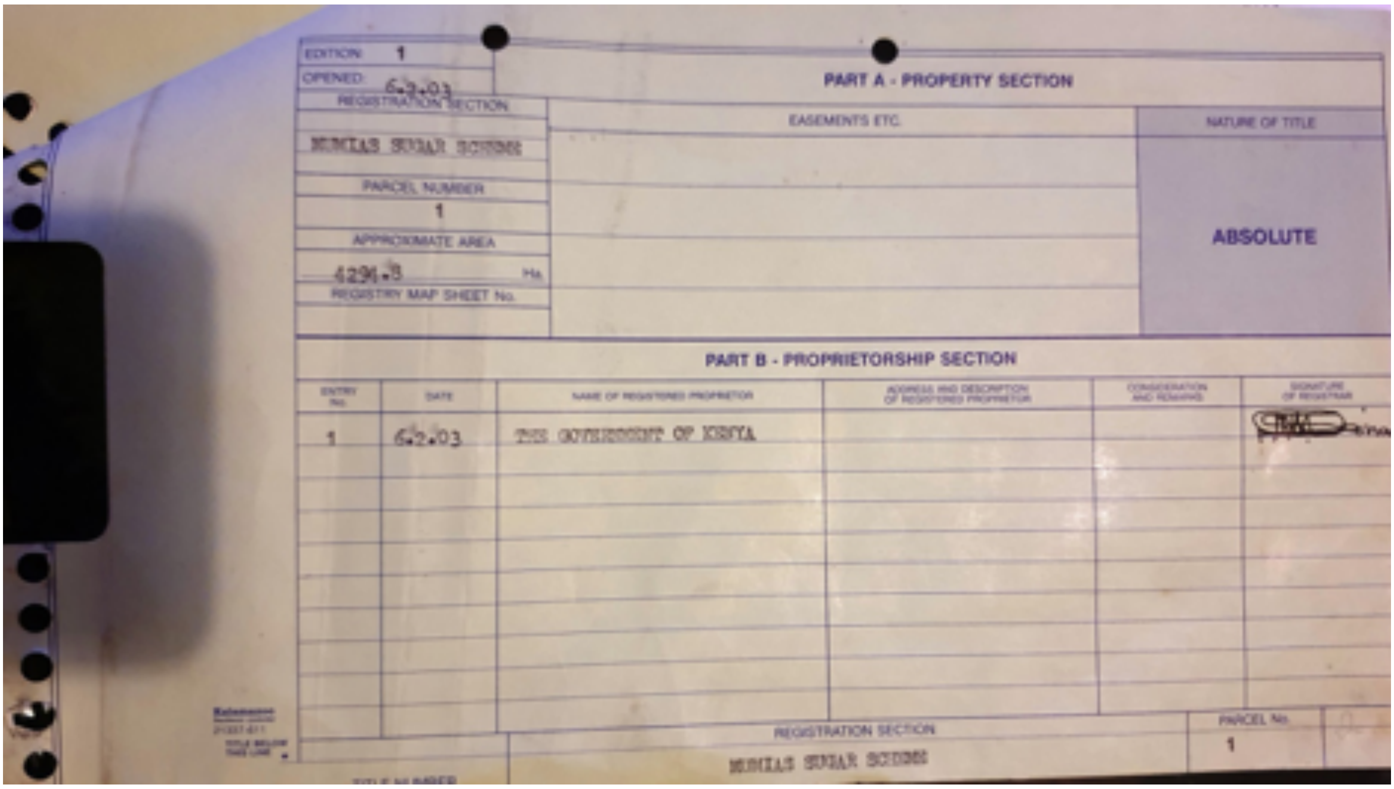
Source: MSC records

(vii) Statutory Deduction Balances

ITEM	AMOUNT
NSSF	4,394,000.00
NHIF	8,212,350.00
Sukari Sacco	86,983,837.00
Stima Sacco	13,187,583.00
NITA	346,150.00
Pension/Provident	387,314,033.00
Union Dues	5,212,185.00
COTU Dues	1,103,120.00
HELB	1,660,333.00

Annex 13: Details on MSC land ownership and other transactions

Green card scheme 1



EDITION 1
OPENED 6.2.03
REGISTRATION SECTION
MUMIAS SUGAR SCHEME
PARCEL NUMBER
1
APPROXIMATE AREA
4291.8 Ha
REGISTRY MAP SHEET No.

PART A - PROPERTY SECTION

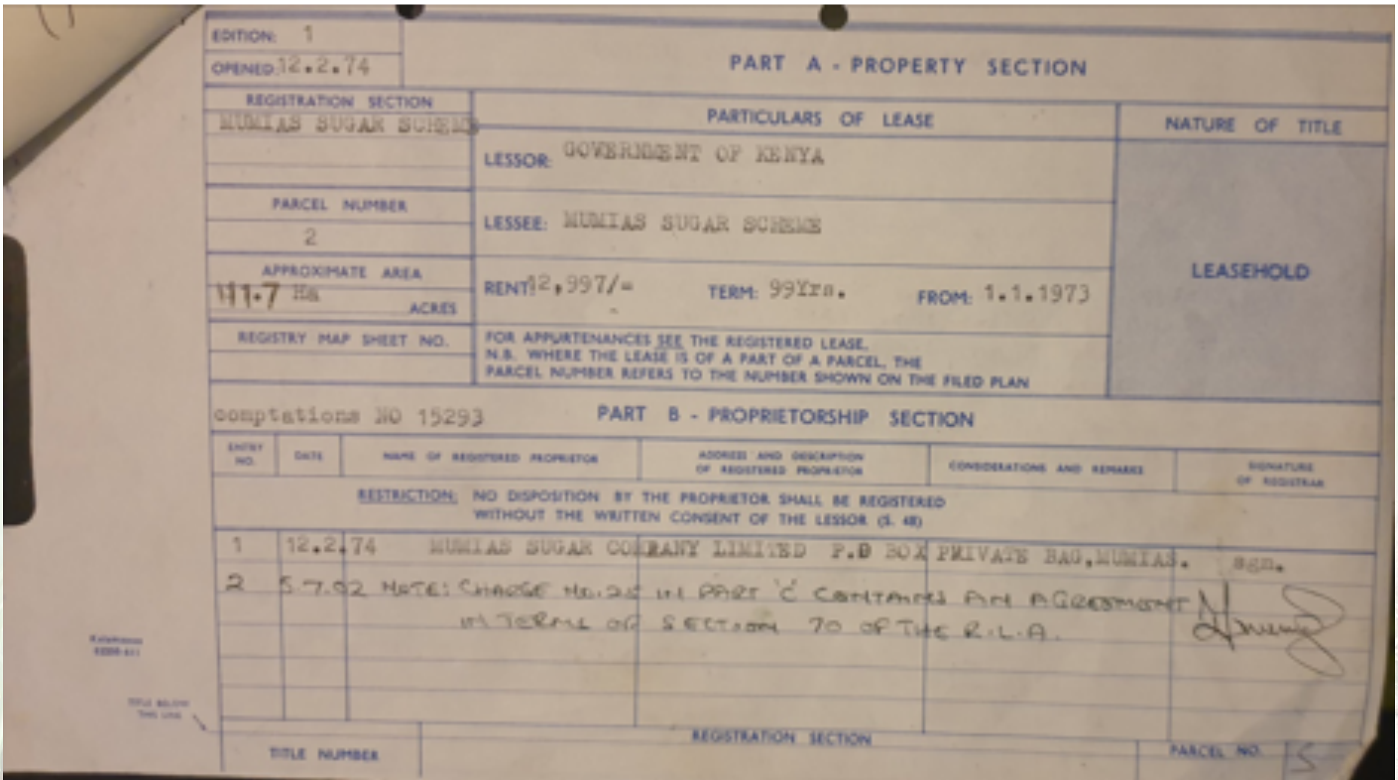
EASEMENTS ETC.	NATURE OF TITLE
	ABSOLUTE

PART B - PROPRIETORSHIP SECTION

ENTRY No.	DATE	NAME OF REGISTERED PROPRIETOR	ADDRESS AND DESCRIPTION OF REGISTERED PROPRIETOR	CONSIDERATION AND REMARKS	SIGNATURE OF REGISTRAR
1	6.2.03	THE GOVERNMENT OF KENYA			[signature]

REGISTRATION SECTION
MUMIAS SUGAR SCHEME
PARCEL No. 1
TITLE NUMBER

White card scheme 2



EDITION: 1
OPENED 12.2.74
REGISTRATION SECTION
MUMIAS SUGAR SCHEME
PARCEL NUMBER
2
APPROXIMATE AREA
411.7 Ha
ACRES
REGISTRY MAP SHEET NO.

PART A - PROPERTY SECTION

PARTICULARS OF LEASE	NATURE OF TITLE
LESSOR: GOVERNMENT OF KENYA	LEASEHOLD
LESSEE: MUMIAS SUGAR SCHEME	
RENT 12,997/= TERM: 99Yrs. FROM: 1.1.1973	
FOR APPURTENANCES SEE THE REGISTERED LEASE. N.B. WHERE THE LEASE IS OF A PART OF A PARCEL, THE PARCEL NUMBER REFERS TO THE NUMBER SHOWN ON THE FILED PLAN	

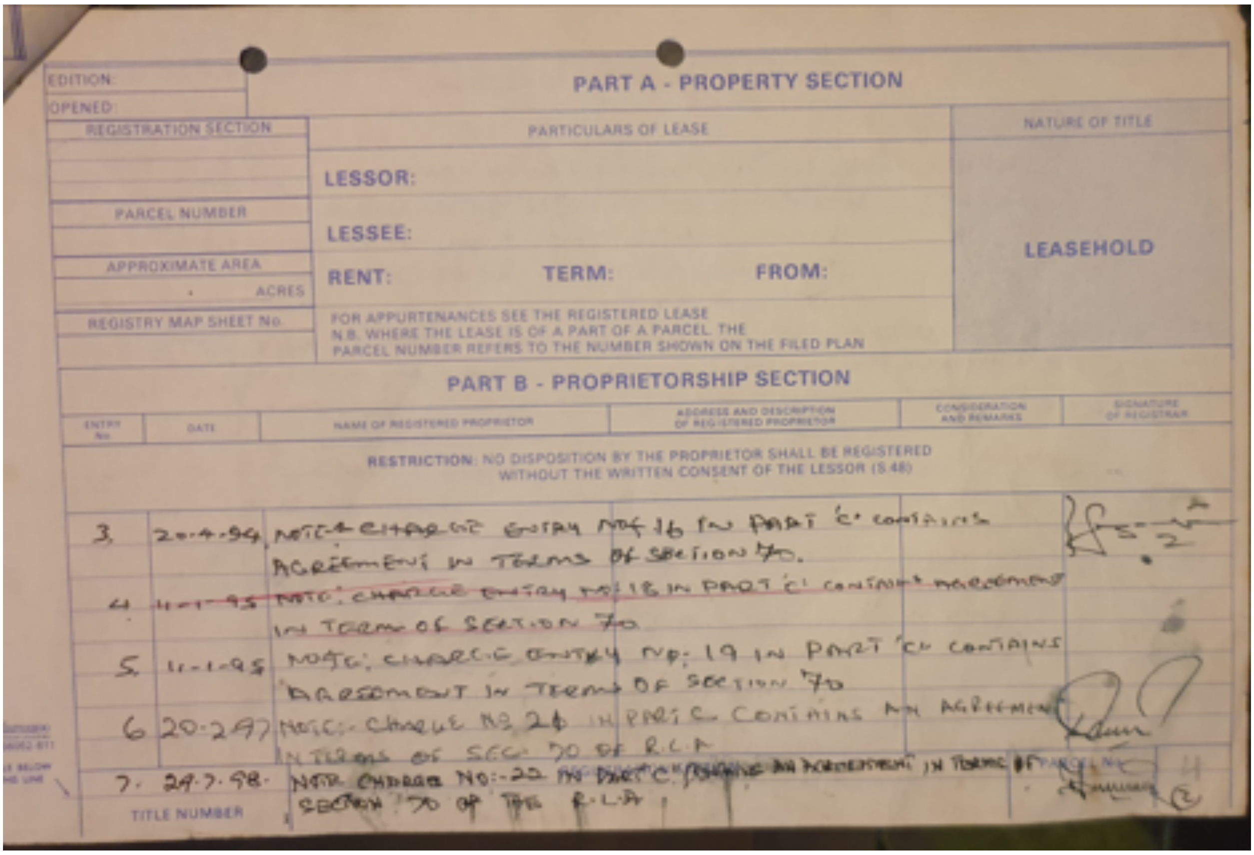
computations NO 15293

PART B - PROPRIETORSHIP SECTION

ENTRY NO.	DATE	NAME OF REGISTERED PROPRIETOR	ADDRESS AND DESCRIPTION OF REGISTERED PROPRIETOR	CONSIDERATIONS AND REMARKS	SIGNATURE OF REGISTRAR
RESTRICTION: NO DISPOSITION BY THE PROPRIETOR SHALL BE REGISTERED WITHOUT THE WRITTEN CONSENT OF THE LESSOR (S. 48)					
1	12.2.74	MUMIAS SUGAR COMPANY LIMITED	P.O BOX PRIVATE BAG, MUMIAS.		sgn.
2	5.7.02	NOTE: CHARGE No. 2 IN PART 'C' CONTAINS AN AGREEMENT IN TERMS OF SECTION 70 OF THE R.L.A.			[signature]

REGISTRATION SECTION
TITLE NUMBER
PARCEL NO. 5

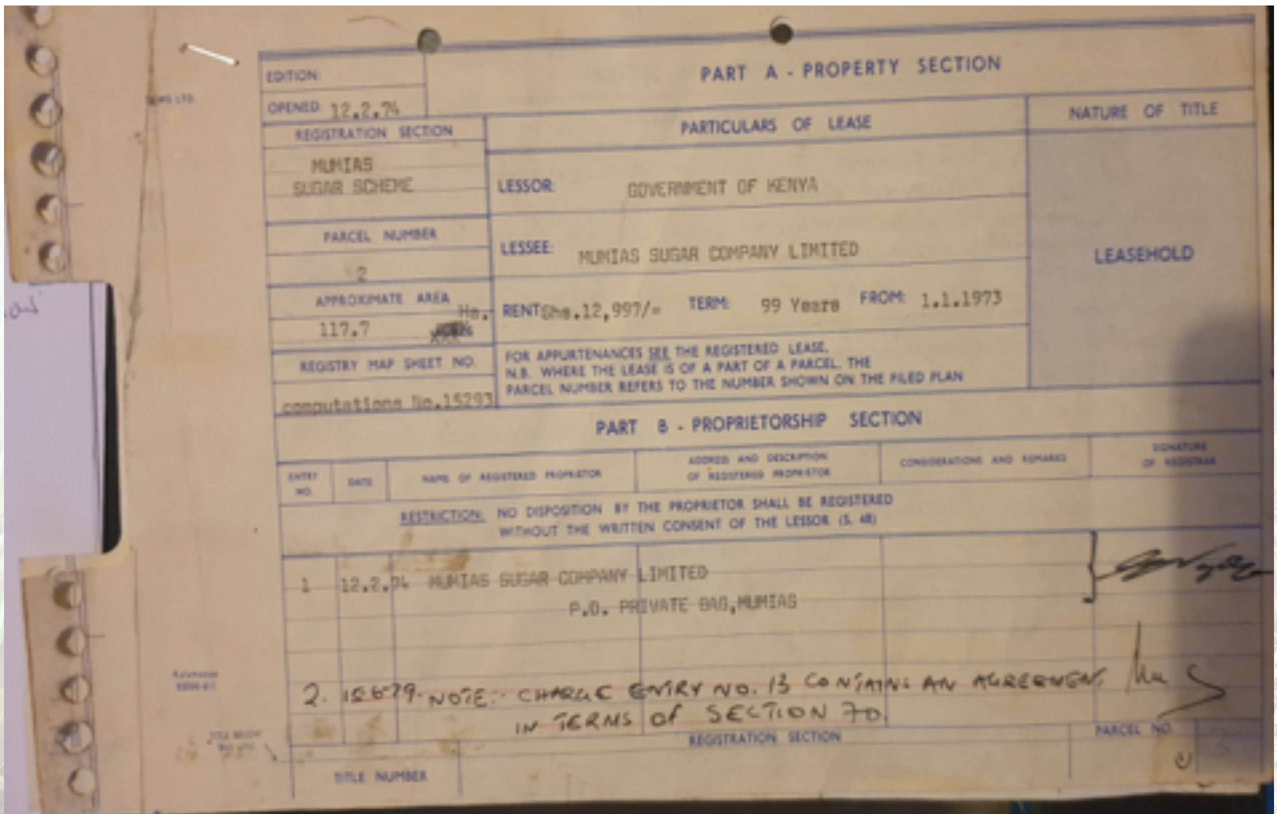
White card scheme 2


EDITION:
OPENED:
PART A - PROPERTY SECTION
REGISTRATION SECTION
PARTICULARS OF LEASE
NATURE OF TITLE
LESSOR:
PARCEL NUMBER
LESSEE:
LEASEHOLD
APPROXIMATE AREA
ACRES
RENT: TERM: FROM:
REGISTRY MAP SHEET No.
FOR APPURTENANCES SEE THE REGISTERED LEASE
N.B. WHERE THE LEASE IS OF A PART OF A PARCEL THE PARCEL NUMBER REFERS TO THE NUMBER SHOWN ON THE FILED PLAN
PART B - PROPRIETORSHIP SECTION

ENTRY No.	DATE	NAME OF REGISTERED PROPRIETOR	ADDRESS AND DESCRIPTION OF REGISTERED PROPRIETOR	CONSIDERATION AND REMARKS	SIGNATURE OF REGISTRAR
		RESTRICTION: NO DISPOSITION BY THE PROPRIETOR SHALL BE REGISTERED WITHOUT THE WRITTEN CONSENT OF THE LESSOR (S.48)			
3.	20-4-94	Note: Charge entry No. 16 in Part 'C' contains agreement in terms of Section 70.			
4	~~11-1-95~~	~~Note: Charge entry No. 18 in Part 'C' contains agreement~~ in term of Section 70			
5.	11-1-95	Note: Charge entry No. 19 in Part 'C' contains agreement in terms of Section 70			
6	20-2-97	Note: Charge No. 2[illegible] in Part C contains an agreement in terms of sec. 70 of R.L.A			
7.	24-7-98	Note: Charge No: 22 in Part C contains an agreement in terms of Section 70 of the R.L.A.			

TITLE NUMBER

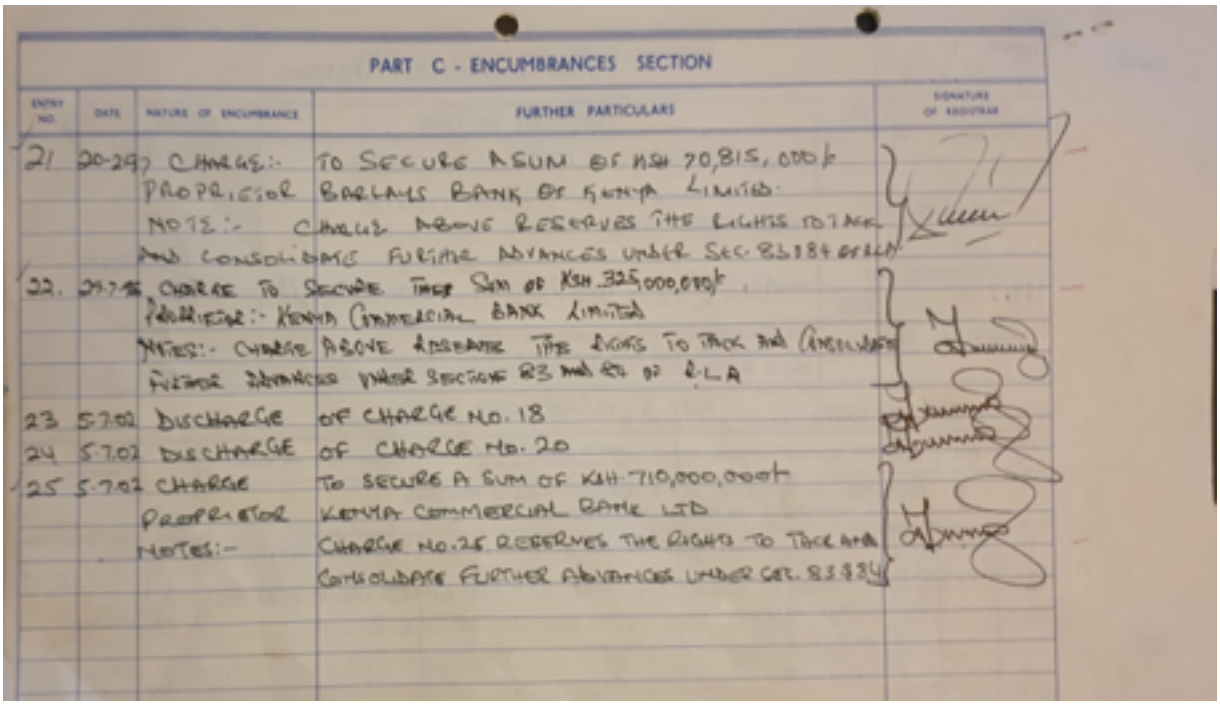
(a) Particulars Scheme 2


EDITION:
OPENED: 12.2.74
PART A - PROPERTY SECTION
REGISTRATION SECTION
MUMIAS SUGAR SCHEME
PARTICULARS OF LEASE
NATURE OF TITLE
LESSOR: GOVERNMENT OF KENYA
PARCEL NUMBER
2
LESSEE: MUMIAS SUGAR COMPANY LIMITED
LEASEHOLD
APPROXIMATE AREA
117.7 Ha.
RENT: Shs.12,997/- TERM: 99 Years FROM: 1.1.1973
REGISTRY MAP SHEET NO.
computations No.15293
FOR APPURTENANCES SEE THE REGISTERED LEASE.
N.B. WHERE THE LEASE IS OF A PART OF A PARCEL THE PARCEL NUMBER REFERS TO THE NUMBER SHOWN ON THE FILED PLAN
PART B - PROPRIETORSHIP SECTION

ENTRY NO.	DATE	NAME OF REGISTERED PROPRIETOR	ADDRESS AND DESCRIPTION OF REGISTERED PROPRIETOR	CONSIDERATIONS AND REMARKS	SIGNATURE OF REGISTRAR
		RESTRICTION: NO DISPOSITION BY THE PROPRIETOR SHALL BE REGISTERED WITHOUT THE WRITTEN CONSENT OF THE LESSOR (S. 48)			
1	12.2.74	MUMIAS SUGAR COMPANY LIMITED	P.O. PRIVATE BAG, MUMIAS		
2.	12-6-79	Note: Charge entry No. 13 contains an agreement in terms of Section 70.			

REGISTRATION SECTION
PARCEL NO.
TITLE NUMBER

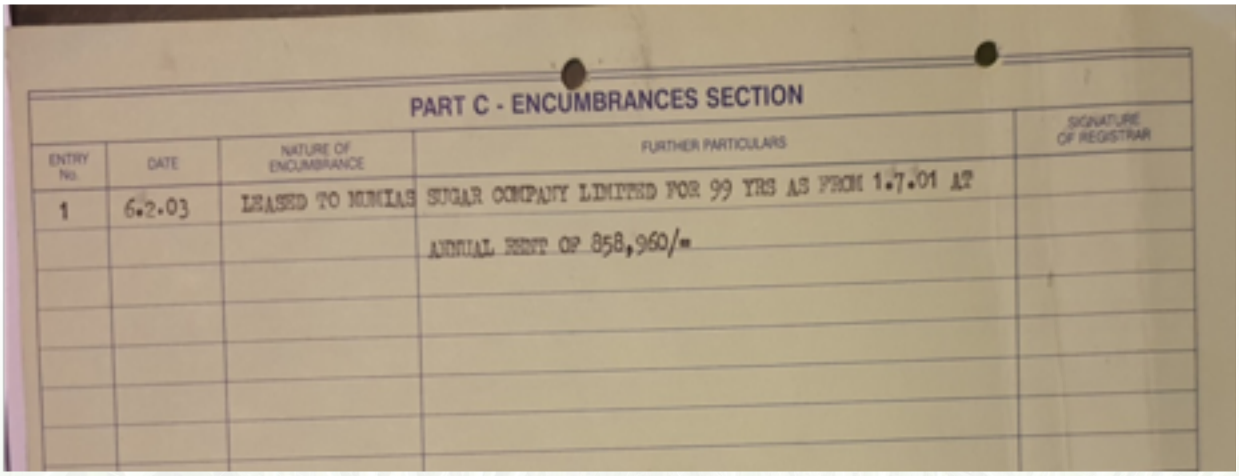
(b) Encumbrances 1



PART C - ENCUMBRANCES SECTION

ENTRY NO.	DATE	NATURE OF ENCUMBRANCE	FURTHER PARTICULARS	SIGNATURE OF REGISTRAR
21	20-2-97	CHARGE:-	TO SECURE A SUM OF KSH 70,815,000/=	
		PROPRIETOR	BARCLAYS BANK OF KENYA LIMITED.	
		NOTE:-	CHARGE ABOVE RESERVES THE RIGHTS TO TACK	
		AND CONSOLIDATE	FURTHER ADVANCES UNDER SEC. 83 & 84 OF RLA	
22.	24-7-98	CHARGE TO	SECURE THE SUM OF KSH 325,000,000/= .	
		PROPRIETOR:- KENYA COMMERCIAL BANK LIMITED		
		NOTES:- CHARGE	ABOVE RESERVES THE RIGHTS TO TACK AND CONSOLIDATE	
		FURTHER ADVANCES	UNDER SECTIONS 83 AND 84 OF R.L.A	
23	5.7.02	DISCHARGE	OF CHARGE NO. 18	
24	5.7.02	DISCHARGE	OF CHARGE NO. 20	
25	5.7.02	CHARGE	TO SECURE A SUM OF KSH. 710,000,000/=	
		PROPRIETOR	KENYA COMMERCIAL BANK LTD	
		NOTES:-	CHARGE NO. 25 RESERVES THE RIGHTS TO TACK AND	
			CONSOLIDATE FURTHER ADVANCES UNDER SEC. 83 & 84	

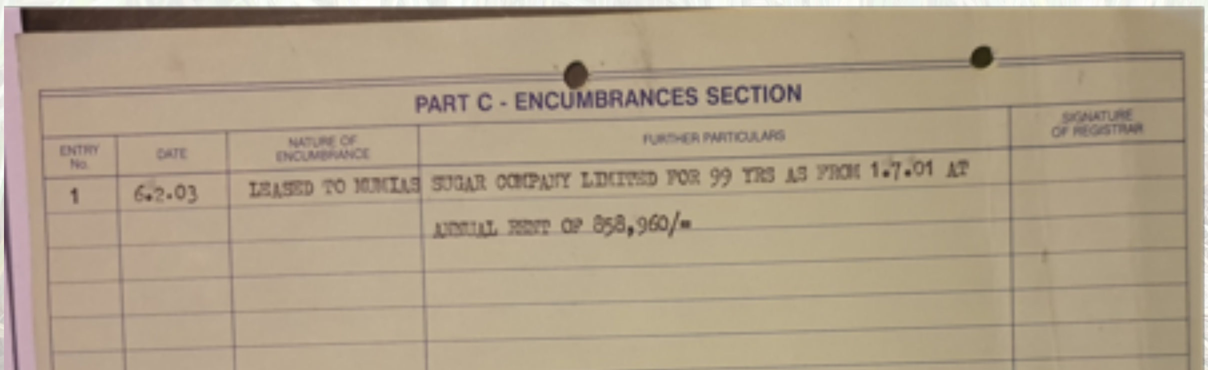
(c) Encumbrances 2



PART C - ENCUMBRANCES SECTION

ENTRY No.	DATE	NATURE OF ENCUMBRANCE	FURTHER PARTICULARS	SIGNATURE OF REGISTRAR
1	6.2.03	LEASED TO MUMIAS	SUGAR COMPANY LIMITED FOR 99 YRS AS FROM 1.7.01 AT	
			ANNUAL RENT OF 858,960/=	

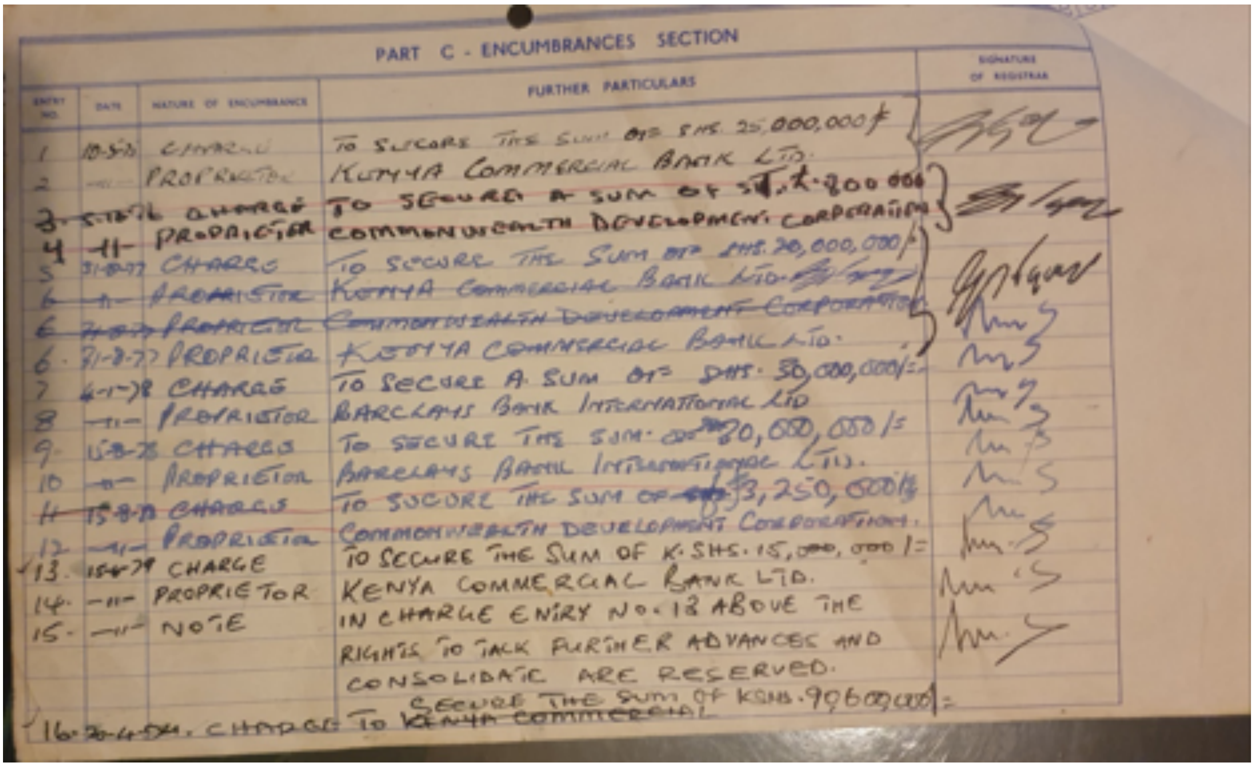
(d) Encumbrances 3



PART C - ENCUMBRANCES SECTION

ENTRY No.	DATE	NATURE OF ENCUMBRANCE	FURTHER PARTICULARS	SIGNATURE OF REGISTRAR
1	6.2.03	LEASED TO MUMIAS	SUGAR COMPANY LIMITED FOR 99 YRS AS FROM 1.7.01 AT	
			ANNUAL RENT OF 858,960/=	

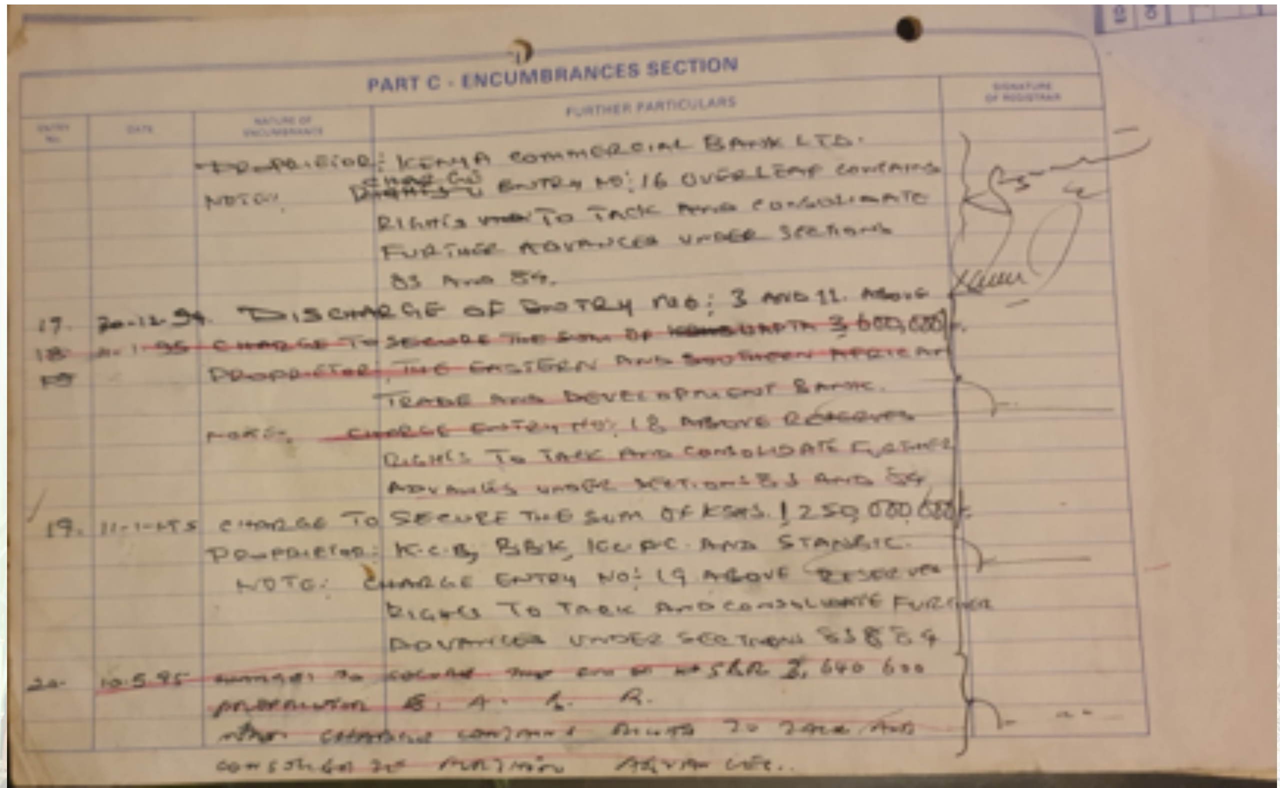
(e) Encumbrances 4



PART C - ENCUMBRANCES SECTION

ENTRY NO.	DATE	NATURE OF ENCUMBRANCE	FURTHER PARTICULARS	SIGNATURE OF REGISTRAR
1	10-8-[illegible]	CHARGE	TO SECURE THE SUM OF SHS. 25,000,000/-	
2	-"-	PROPRIETOR	KENYA COMMERCIAL BANK LTD.	
3	[illegible]-12-76	CHARGE	TO SECURE A SUM OF SHS. 1,200,000	
4	-"-	PROPRIETOR	COMMONWEALTH DEVELOPMENT CORPORATION	
5	31-8-77	CHARGE	TO SECURE THE SUM OF SHS. 20,000,000/-	
6	-"-	PROPRIETOR	KENYA COMMERCIAL BANK LTD.	
~~6~~	~~[illegible]~~	~~PROPRIETOR~~	~~COMMONWEALTH DEVELOPMENT CORPORATION~~	
6	31-8-77	PROPRIETOR	KENYA COMMERCIAL BANK LTD.	
7	6-1-78	CHARGE	TO SECURE A SUM OF SHS. 30,000,000/=	
8	-"-	PROPRIETOR	BARCLAYS BANK INTERNATIONAL LTD	
9	15-8-78	CHARGE	TO SECURE THE SUM OF 20,000,000/-	
10	-"-	PROPRIETOR	BARCLAYS BANK INTERNATIONAL LTD.	
11	15-8-78	CHARGE	TO SECURE THE SUM OF 3,250,000/-	
12	-"-	PROPRIETOR	COMMONWEALTH DEVELOPMENT CORPORATION.	
13	15-6-79	CHARGE	TO SECURE THE SUM OF K.SHS. 15,000,000/=	
14	-"-	PROPRIETOR	KENYA COMMERCIAL BANK LTD.	
15	-"-	NOTE	IN CHARGE ENTRY NO. 13 ABOVE THE RIGHTS TO TACK FURTHER ADVANCES AND CONSOLIDATE ARE RESERVED.	
16	26-4-94	CHARGE	TO SECURE THE SUM OF KSHS. 90,600,000/= ~~KENYA COMMERCIAL~~	

(f) Encumbrances 5



PART C - ENCUMBRANCES SECTION

ENTRY NO.	DATE	NATURE OF ENCUMBRANCE	FURTHER PARTICULARS	SIGNATURE OF REGISTRAR
		PROPRIETOR:	KENYA COMMERCIAL BANK LTD.	
		NOTE:	CHARGE ENTRY NO: 16 OVERLEAF CONTAINS RIGHTS TO TACK AND CONSOLIDATE FURTHER ADVANCES UNDER SECTIONS 83 AND 84.	
17	20-12-94	DISCHARGE OF ENTRY NOS: 3 AND 11 ABOVE		
18	[illegible]-1-95	~~CHARGE~~	~~TO SECURE THE SUM OF [illegible] 3,600,000/-~~	
		~~PROPRIETOR:~~	~~THE EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK.~~	
		NOTE:	~~CHARGE ENTRY NO: 18 ABOVE RESERVES RIGHTS TO TACK AND CONSOLIDATE FURTHER ADVANCES UNDER SECTIONS 83 AND 84~~	
19	11-1-95	CHARGE	TO SECURE THE SUM OF KSHS. 1,250,000,000/-	
		PROPRIETOR:	K.C.B., BBK, KCB [illegible] AND STANBIC.	
		NOTE:	CHARGE ENTRY NO: 19 ABOVE RESERVES FURTHER RIGHTS TO TACK AND CONSOLIDATE FURTHER ADVANCES UNDER SECTIONS 83 & 84	
20	10-5-95	~~CHARGE~~	~~TO SECURE THE SUM OF KSHS 2,640,600~~	
		PROPRIETOR	[illegible]	
		NOTE	CHARGE CONTAINS RIGHTS TO TACK AND CONSOLIDATE FURTHER ADVANCES.	

Annex 14: MSC Additional Land Purchased and Leased Plots

MUMIAS SUGAR COMPANY PURCHASED LAND AND LEASE PLOTS				
FIELD No.	**FIELD**	**HA**	**CURRENT FIELD STATUS**	**OWNERSHIP**
02304700	BUSAMBE H12C WESIMIKHA	3.39	FALLOW	LEASE
02304400	BUSAMBE H14B BUSOMBI	6.549	FALLOW	LEASE
02304200	BUSAMBE H14C BUSOMBI	5.888	FALLOW	LEASE
02304800	BUSAMBE H16A NAMULUNGU	7.702	FALLOW	LEASE
02304900	BUSAMBE H16B MUKHWEYA	2.465	FALLOW	LEASE
02305000	BUSAMBE H16C NAMULUNGU MUSLIM	2.818	FALLOW	LEASE
02304500	BUSAMBE H17E CHANDA	3.035	FALLOW	LEASE
02304600	BUSAMBE H17F CHANDA	1.923	FALLOW	LEASE
02304300	BUSAMBE H18A SANG`ALO	4.682	FALLOW	LEASE
02306400	BUSAMBE H2A-KHABUKOSHE	2.5	FALLOW	LEASE
02305100	BUSAMBE H6A BUMULA	6.467	FALLOW	LEASE
02305200	BUSAMBE H7A LUMBOKA	3.538	FALLOW	LEASE
02305300	BUSAMBE H7B LUMBOKA	3.126	FALLOW	LEASE
02305400	BUSAMBE H7C LUMBOKA	5.985	FALLOW	LEASE
02305500	BUSAMBE H7D LUMBOKA	6.492	FALLOW	LEASE
02306000	BUSAMBE H7E LUMBOKA	6.119	FALLOW	LEASE
02306100	BUSAMBE H7F LUMBOKA	1.336	FALLOW	LEASE
02212900	MUNGANGA K16G CHENGO	2.879	FALLOW	LEASE
02206900	MUNGANGA K17F LUNGANYIRO BUBUKA	1.23	FALLOW	LEASE
02212300	MUNGANGA K17H LUBUNDA	2.294	FALLOW	LEASE
02213000	MUNGANGA K19B MALANGA	3.411	FALLOW	LEASE
02213100	MUNGANGA K19C MALANGA	1.565	FALLOW	LEASE
02207300	MUNGANGA K22A KHAYO	0.842	FALLOW	LEASE
02207400	MUNGANGA K22B KHAYO	1.138	FALLOW	LEASE
02207500	MUNGANGA K22C KHAYO	0.692	FALLOW	LEASE
02207700	MUNGANGA K22D KHAYO	1.694	FALLOW	LEASE
02207800	MUNGANGA K22E KHAYO	0.613	FALLOW	LEASE
02208100	MUNGANGA K23B ALUDEKA	10	FALLOW	LEASE
02208200	MUNGANGA K23C ALUDEKA	10	FALLOW	LEASE
02208300	MUNGANGA K23D ALUDEKA	10	FALLOW	LEASE
02208400	MUNGANGA K23E ALUDEKA	10	FALLOW	LEASE
02208500	MUNGANGA K23F ALUDEKA	10	FALLOW	LEASE
02208600	MUNGANGA K23G ALUDEKA	10	FALLOW	LEASE
02208700	MUNGANGA K23H ALUDEKA	10	FALLOW	LEASE
02208800	MUNGANGA K23J ALUDEKA	10	FALLOW	LEASE
02208900	MUNGANGA K23K ALUDEKA	10	FALLOW	LEASE
02209000	MUNGANGA K24A MURUMBA B LUANDA	9.721	FALLOW	LEASE
02211500	MUNGANGA K24B MURUMBA B LUANDA	1.711	FALLOW	LEASE
02209900	MUNGANGA K24C MURUMBA B LUANDA	3.866	FALLOW	LEASE
02213200	MUNGANGA K24D MURUMBA LUANDA	8.667	FALLOW	LEASE
02209100	MUNGANGA K25 KOYONZO MAIRA	3.373	FALLOW	LEASE
02209200	MUNGANGA K26 BUSIBWABO NASIRA RC	3.163	FALLOW	LEASE
02209300	MUNGANGA K27A IGARA	1.217	FALLOW	LEASE
02209400	MUNGANGA K27B IGARA	2.461	FALLOW	LEASE

02209500	MUNGANGA K27C IGARA	3.047	FALLOW	LEASE
02212000	MUNGANGA K33A MUNAMI	2.045	FALLOW	LEASE
02212400	MUNGANGA K35A MURUMBA KOMORO	4.413	FALLOW	LEASE
02212500	MUNGANGA K36A KHAYO MATILI	0.562	FALLOW	LEASE
02212600	MUNGANGA K36B KHAYO MATILI	0.99	FALLOW	LEASE
02212700	MUNGANGA K36C KHAYO MATILI	0.766	FALLOW	LEASE
02212800	MUNGANGA K36D KHAYO MATILI	0.459	FALLOW	LEASE
02213500	MUNGANGA K37 ISONGO KHAIMBA	1.64	FALLOW	LEASE
02207100	MUNGANGA K3B KWANGMOR	2.78	FALLOW	LEASE
02206800	MUNGANGA K20C SHITOTO	0.405	GOOD CANE	LEASE
02208000	MUNGANGA K23A ALUDEKA	3.422	GOOD CANE	LEASE
02303800	BUSAMBE H17C MAKHOKHWE	0.647	GRAZED	LEASE
02303600	BUSAMBE H17A CHANDA	2.964	GRAZED	LEASE
02303700	BUSAMBE H17B CHANDA	1.585	GRAZED	LEASE
02204900	MUNGANGA K19 MALANGA	9.618	NO CANE	LEASE
02206000	MUNGANGA K20A SHITOTO	0.475	NO CANE	LEASE
02206100	MUNGANGA K20B SHITOTO	0.752	NO CANE	LEASE
02304100	BUSAMBE H15D WANAINCHI	2.93	NO CANE, CROP FAILURE	LEASE
02205200	MUNGANGA K14B MAUKO	0.754	NO CANE, CROP FAILURE	LEASE
02303900	BUSAMBE H17D MAKHOKHWE	1.44	NO CANE, GRAZED	LEASE
02304000	BUSAMBE H2B KHABUKOSHE	1.35	NO CANE, GRAZED	LEASE
02303200	BUSAMBE(H15A) WANAINCHI	2.322	NO CANE, GRAZED	LEASE
02303400	BUSAMBE(H15C) WANAINCHI	2.85	NO CANE, GRAZED	LEASE
02300400	BUSAMBE(H2)KHABUKOSHE	3.351	NO CANE, GRAZED	LEASE
02203100	MUNGANGA K11 MAUKO	2.727	NO CANE, GRAZED	LEASE
02203200	MUNGANGA K12 ESHIRANDURA	2.371	NO CANE, GRAZED	LEASE
02204000	MUNGANGA K12B ESHIRANDURA	1.759	NO CANE, GRAZED	LEASE
02204100	MUNGANGA K12C ESHIRANDURA	1.681	NO CANE, GRAZED	LEASE
02203500	MUNGANGA K14 MAUKO	1.93	NO CANE, GRAZED	LEASE
02203600	MUNGANGA K15 MAUKO	1.33	NO CANE, GRAZED	LEASE
02203700	MUNGANGA K16A MAHOLO	2.281	NO CANE, GRAZED	LEASE
02203800	MUNGANGA K16B MAHOLO	1.342	NO CANE, GRAZED	LEASE
02203900	MUNGANGA K16C MAHOLO	1.51	NO CANE, GRAZED	LEASE
02205000	MUNGANGA K16D MAHOLO	0.954	NO CANE, GRAZED	LEASE
02204200	MUNGANGA K16E MAHOLO	0.729	NO CANE, GRAZED	LEASE
02205100	MUNGANGA K16F MAHOLO	3.124	NO CANE, GRAZED	LEASE
02205300	MUNGANGA K17D MUNGORE LUBUNDA	2.244	NO CANE, GRAZED	LEASE
02207000	MUNGANGA K17G LUNGANYIRO BUBUKO	2.8	NO CANE, GRAZED	LEASE
02204700	MUNGANGA K18A MUNGORE MARABA	0.725	NO CANE, GRAZED	LEASE
02204800	MUNGANGA K18B MUNGORE MARABA	0.877	NO CANE, GRAZED	LEASE
02205500	MUNGANGA K18C MUNGORE MARABA	1.108	NO CANE, GRAZED	LEASE
02205600	MUNGANGA K18D MUNGORE MARABA	2.327	NO CANE, GRAZED	LEASE
02205700	MUNGANGA K18E MUNGORE MARABA	8.404	NO CANE, GRAZED	LEASE
02205800	MUNGANGA K18F MUNGORE MARABA	0.364	NO CANE, GRAZED	LEASE
02205900	MUNGANGA K18G MUNGORE MARABA	0.383	NO CANE, GRAZED	LEASE
02206200	MUNGANGA K21A LUKHUNA KHAYO	1.375	NO CANE, GRAZED	LEASE
02206400	MUNGANGA K21B LUKHUNA KHAYO	1.661	NO CANE, GRAZED	LEASE

02206500	MUNGANGA K21C LUKHUNA KHAYO	0.498	NO CANE, GRAZED	LEASE
02206600	MUNGANGA K21D LUKHUNA KHAYO	0.397	NO CANE, GRAZED	LEASE
02210000	MUNGANGA K29A LUNGANYIRO NAMBEREKEYA	0.688	NO CANE, GRAZED	LEASE
02210100	MUNGANGA K29B LUNGANYIRO NAMBEREKEYA	1.276	NO CANE, GRAZED	LEASE
02210200	MUNGANGA K29C LUNGANYIRO NAMBEREKEYA	0.256	NO CANE, GRAZED	LEASE
02210300	MUNGANGA K29D LUNGANYIRO NAMBEREKEYA	0.759	NO CANE, GRAZED	LEASE
02210400	MUNGANGA K29E LUNGANYIRO NAMBEREKEYA	0.434	NO CANE, GRAZED	LEASE
02210500	MUNGANGA K29F LUNGANYIRO NAMBEREKEYA	0.264	NO CANE, GRAZED	LEASE
02210600	MUNGANGA K29G LUNGANYIRO NAMBEREKEYA	0.586	NO CANE, GRAZED	LEASE
02211000	MUNGANGA K30D LUNGANYIRO MURABE	0.329	NO CANE, GRAZED	LEASE
02211100	MUNGANGA K30E LUNGANYIRO MURABE	0.659	NO CANE, GRAZED	LEASE
02210700	MUNGANGA K30A LUNGANYIRO MURABE	0.643	POACHED THE PLANT CROP, FAIR CROP	LEASE
02210800	MUNGANGA K30B LUNGANYIRO MURABE	0.826	POACHED THE PLANT CROP, FAIR CROP TO WE	LEASE
02303500	BUSAMBE(H16) NAMULUNGU	8.243	SCANTY POPULATION, WEEDY AND GRAZED	LEASE
02303000	BUSAMBE(H14A) BULIMBO	2.947	WEEDED PARTIALLY GRAZED	LEASE
02203300	MUNGANGA K13A INDANGALASIA JAMBO	5.02	WEEDY FIELD BUT LEASED TO OTHER PEOPLE	LEASE
02203400	MUNGANGA K13B INDANGALASIA JAMBO	2.42	WEEDY FIELD BUT LEASED TO OTHER PEOPLE	LEASE
02204300	MUNGANGA K13C INDANGALASIA JAMBO	5.39	WEEDY FIELD BUT LEASED TO OTHER PEOPLE	LEASE
02302900	BUSAMBE(H13)SOUTH MATEKA	6.048	WEEDY FIELD, GAPPY	LEASE
02303300	BUSAMBE(H15B) WANAINCHI	1.204	WEEDY FIELD, GAPPY	LEASE
02209600	MUNGANGA K28A LUREKO	1.309	WEEDY, GAPPY	LEASE
02209700	MUNGANGA K28B LUREKO	1.309	WEEDY, GAPPY	LEASE
02209800	MUNGANGA K28C LUREKO	1.309	WEEDY, GAPPY	LEASE
02210900	MUNGANGA K30C LUNGANYIRO MURABE	0.493	WEEDY, GAPPY	LEASE
02204400	MUNGANGA K17A MUNGORE KHULWANDA	5.742	WEEDY, GAPPY AND PARTIAL-LY GRAZED	LEASE
02204500	MUNGANGA K17B MUNGORE LUBUNDA	4.859	WEEDY, GAPPY AND PARTIAL-LY GRAZED	LEASE
02204600	MUNGANGA K17C KHULWANDA B	0.524	WEEDY, GAPPY AND PARTIAL-LY GRAZED	LEASE
02205400	MUNGANGA K17E MUNGORE KHULWANDA	0.952	WEEDY, GAPPY AND PARTIAL-LY GRAZED	LEASE
02200400	MUNGANGA(K3)KWANGMOR	10.51	WEEDY, PARTIALLY GRAZED	LEASE
02300100	BUSAMBE H1KANDUYI	7.977	WEEDY, GAPPY AND PARTIAL-LY GRAZED	LEASE
	Sub Total 1	383.996		
02202900	MUNGANGA K9D BUDONGA	2	FALLOW	PURCHASED
02200100	MUNGANGA(K1)KISOKO	4.237	FALLOW	PURCHASED
02202100	MUNGANGA(K10)BUDONGA	4.681	FALLOW	PURCHASED
02202500	MUNGANGA(K10C)BUDONGA	10.5	FALLOW	PURCHASED
02200700	MUNGANGA(K5)BUHERI	1.408	FALLOW	PURCHASED
02202600	MUNGANGA(K10D)BUDONGA	10.99	NO CANE, GRAZED	PURCHASED
02202000	MUNGANGA(K9)BUDONGA	8.75	NO CANE, GRAZED	PURCHASED

02301100	BUSAMBE(H6)MYANGA	3.437	WEEDY Field, gappy	PURCHASED
02202300	MUNGANGA(K10B)BUDONGA	1.549	NO CANE, GRAZED	PURCHASED
02202200	MUNGANGA(K9B)BUDONGA	7.18	NO CANE, GRAZED	PURCHASED
02202400	MUNGANGA(K9C) BUDONGA	2.78	NO CANE, GRAZED	PURCHASED
	Sub Total 2	57.512		
	Grand Total in Ha	441.508		

Annex 15: Cane Quality Based Payment the Mauritius Way

Introduction

In Mauritius, cane is paid on sucrose content and by extension other products of cane like fibre. The weighing is done normally as it happens here in Kenya but in addition to weight, samples are taken at the weighbridge to analyze various quality parameters in the cane. The results are used to compute for the final payment of what the farmer gets after the miller has crushed the cane and produced the various by products.

It is divided into three phases

1. Cane Testing

2. Sugar Assessment

3. Apportionment of By products

Cane Testing

The land under cane cultivation is delimited into 19 factory areas, each of which is further subdivided into distinct zones (regions) according to such factors such as climate, relief and type of soil. For payment purposes, all canes harvested from the same region are tested and the results form the basis of the sugar assessment which applies to all planters in that region.

In addition, individual planters or groups may have their canes tested separately on application to the Cane Planters and Millers Arbitration and Control Board. The minimum weight of cane required to qualify for a separate test is 500 tonnes although this can vary.

Each region or separate test is allocated a code (001,002,003 etc). Immature or burnt canes are also tested separately on request to the Board's laboratory. The number of tests to be performed daily and weekly for each region is determined by the Board. As of 2003, Mauritius had 21 cane testing laboratories.

Under cane testing we have sampling, sample preparation and analysis

(i) Sampling

The Board's chemist issues, at frequent intervals, a request list to the chief weigher indicating regions and the number of cane loads he wants to test. A sample is picked from the first tractor that reaches the weighbridge from the specified region specified by the Chemist. The sample is taken in 4 areas (cores) of the truck (composite sampling for uniformity). The sample is 5-10 kg and is collected in plastic bags. Details of the sample are filled in a ticket for identification purpose.

(ii) Sample Preparation and Analyses

The cane sample is shredded into finely divided state, 1 kg of the sample is subjected into a pressure of 20 MPa (200 bars) for 2 minutes in a hydraulic press to obtain press juice and residual bagasse cake. The juice is divided into two portions for pol and brix analysis while the fibre content of the cane is also determined through the known ICUMSA methods and equations

Sugar Assessment

The various results for Brix, pol and fibre for each region and for each for each factory are tabulated for a whole crop (whole crushing season) and from here averages are calculated. The figures are compared and from here, the grower's portion is calculated. The growers' portion in Mauritius is 76% of the corrected yield which can be as high as 90 kg of sugar per ton of cane.

Apportionment of By Products

According to the act, every planter is entitled to receive in respect of each tone of cane supplied to a factory in any crop year the following:

1) The average quantity of scums produced by the factory per tonne of cane milled during the preceding crop year, and is calculated on a dry matter basis

2) The average quantity of the molasses produced by the factory per ton of cane milled by the factory during that crop year

3) In addition, the planter receives, in cash, a share in the revenue from the sale of excess bagasse and electricity produced from it.

The actual weight of scum is calculated after factoring in the moisture of both the scum and cane

The differences between the test figures in the cane testing centers and the average of the factory for the year are calculated and from here the figures whether positive or negative are then added or subtracted from the crop (annual averages) for factory which represents the average analysis of all canes crushed by the factory for the season.

Recoverable Sugar at 98.50 pol % cane or yield

At the end of each crop the Control Board draws up Mill Extraction (ME) and Boiling House Recovery (BHR) tables based on the average efficiency of all factories in the island. Using the tables in conjunction with the parameters calculated above, the recoverable sugar % cane for each region is calculated as :

Recoverable sugar at 98.5 pol x ME x BHR

Calculation of grower's share of sugar

The total yield of sugar thus calculated for all regions may not tally with the actual production of a particular factory. Under the Cane Planters and Millers Arbitration and Control Board Act No. 46 of 1973 section 31 as subsequently amended, every planter is entitled to receive for his cane 76% of the quantity of sugar in his cane, if delivered at the factory over the crop year, may be expected to yield either actual production of the factory or expected (standard), production if the factory had performed at the average efficiency of all factories in the island, whichever is higher figure.

Conclusion

By paying cane based on quality and not just quantity delivered, both the grower and the miller benefit mutually and hence productivity increases since proper cane husbandry is undertaken and factory efficiencies are maintained at the highest standards. The result is a more efficient sugar industry that is competitive to the World standards

Annex 15: Gazette Notice

THE KENYA GAZETTE 31st May, 2019

GAZETTE NOTICE NO. 4723

THE CONSTITUTION

THE COUNTY GOVERNMENTS ACT

(*No.* 17 *of* 2012)

THE LAND ACT

(*No.* 6 *of* 2012)

THE URBAN AREAS AND CITIES ACT

(*No.* 13 *of* 2011)

COUNTY GOVERNMENT OF KAKAMEGA

TASKFORCE ON PROTECTION OF PUBLIC ASSETS IN MUMIAS REGION AND THE REVIVAL OF MUMIAS SUGAR COMPANY LIMITED

APPOINTMENT

PERSUANT to the provisions of Schedule Four, Articles 61 and 62 of the Constitution of Kenya, sections 30 (2) (l) and 102-111 of the County Governments Act, 2012, sections 10 and 17 of the Land Act, 2012 and section 36-42 of the Urban Areas and Cities Act, 2011, the Governor of Kakamega County establishes a taskforce on protection of public assets in Mumias region and the revival of Mumias Sugar Company Limited comprised as follows—

Kassim Were Ali—*Chairperson*

Members

Rocky R. Omwendo
Charles P. Odanga
Godliver Omondi
Joel Otwoma
Shaban Oteng'o
Amb. James Ochami
Joshua Kutekha
Jeremiah Namunyu
Moses Sande
Vitalis K. Makokha
Ibrahim O. Wang'anya
Brenda L. Barasa
Harry Songa

Joint Secretaries

Vivianne K. Mmbaka
Wangatia M. Vincenzio

Terms of Reference

(a) Identify and recommend means and ways of protecting public and community land under sugarcane farming.

(b) Identify public assets at risk of vandalism, looting, plunder, stealing or grabbing in the wider Mumias region and recommend ways of protecting them.

(c) Work collaboratively with the Board of Directors and Management of Mumias Sugar Company to map out and recommend strategies for the revival and operationalization of Mumias Sugar Company Limited, a public asset on the verge of collapse.

In the discharge of its mandate, the taskforce may—

(*a*) Co-opt up to a maximum of four (4) persons with special expertise or knowledge to assist the taskforce to achieve its mandate.

(*b*) Summon and interview any person including government officials, management of Mumias Sugar Company Limited, farmers or farmer organizations, stakeholders in the wider Mumias region or any other person the taskforce shall deem fit and necessary to interview.

(*c*) Visit government departments, agencies, Mumias Sugar Company Limited and other public institutions to access relevant records or information necessary for the discharge of its mandate.

The taskforce is appointed for a period of fourteen (14) working days, with effect from the 3rd June, 2019.

Dated the 28th May, 2019.

W. A. OPARANYA,
Governor, Kakamega County.

MR/6335986

Annex 16: Taskforce Members

S/No	Name	Position	Signature
1.	Kassim Were Ali	Chairperson	
2.	Joshua Kutekha	Member	
3.	Amb. James Ochami	Member	
4.	Jeremiah Namunyu	Member	
5.	Moses Sande	Member	
6.	Joel Otuoma Ongoro	Member	
7.	Rocky Omwendo	Member	
8.	Godliver Omondi	Member	
9.	Charles P. Odanga	Member	
10.	Zaid Oteng'o Shaaban	Member	
11.	Brenda L. Barasa	Member	
12.	Ibrahim O. Wang'anya	Member	
13.	Harry Songa	Member	
14.	Vitalis K. Makokha	Member	
15.	Lawrence Omuhaka	Co-opted Member	
16.	Peter Kattam	Co-opted Member	
17.	Vitalis Ogemah	Co-opted Member	
18.	Monicah Boor	Co-opted Member	
19.	Wangatia Manyah Vincenzio	Joint Secretary	
20.	Vivianne K. Mmbaka	Joint Secretary	

CONTACT US

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