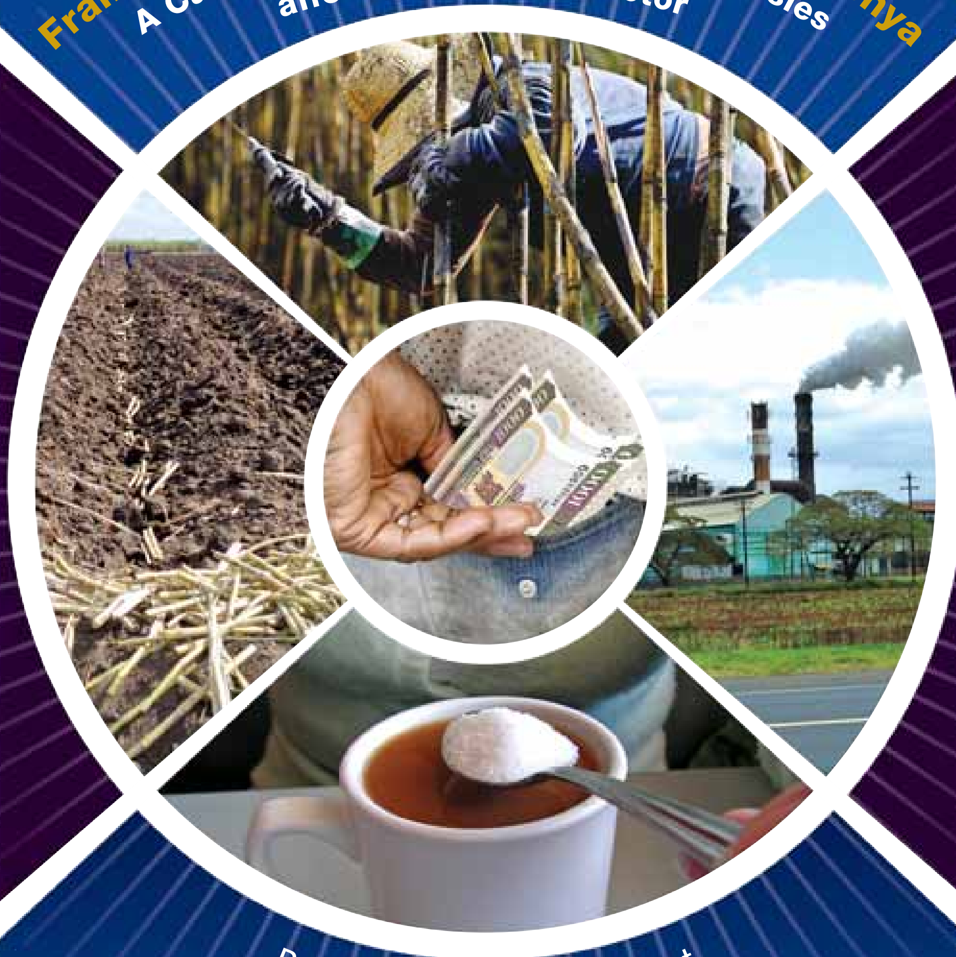
KENYA ANTI - CORRUPTION COMMISSION

Review of the Policy, Legal and Regulatory Framework for the Sugar Sub-Sector in Kenya

A Case Study of Governance Controversies affecting the Sub-Sector



Research & Policy Department
Directorate of Preventive Services

February 2010

On the Frontline against Coruption

KENYA ANTI - CORRUPTION COMMISSION

Review of the Policy, Legal and Regulatory Framework for the Sugar Sub-Sector in Kenya A Case study of governance controversies affecting the sub-sector

Research and Policy Department
Directorate of Preventive Services

February 2010

On the Frontline against Corruption

MISSION STATEMENT

OUR MANDATE

To combat corruption and economic crime in Kenya through law enforcement, prevention and public education as stipulated in The Anti-Corruption and Economic Crimes Act, 2003.

OUR VISION

To be a world class institution fostering zero tolerance to corruption in KENYA.

OUR MISSION

To combat corruption and economic crime in Kenya through law enforcement, prevention and public education.

OUR CORE VALUES

Integrity
Professionalism
Courage
Team Work
Fidelity To The Law
Excellence In Service

Foreword

Kenya Anti-Corruption Commission undertook a review of the policy, legal and regulatory framework for the sugar sub-sector with a view to establishing the source of controversies and corruption allegations affecting the sub-sector that had been reported in the media over time. Further, the study examined the institutional arrangements for the governance and management of the sub-sector mainly to identify weaknesses or failures that lead to corruption in the sub-sector.

The study brings out the challenges facing the sugar sub-sector. These include low productivity, un-competitiveness, poor governance, corruption and weak policy and legal framework. The governance and management challenges are manifested in the way decisions are made and implemented by key actors on matters of sugar importation, privatisation of sugar mills, negotiations on COMESA and other international agreements affecting the sub-sector. In addition, persistent political interference in the appointments of chief executives of mills, board members, KSB elections and other key auxiliary agencies associated with the sub-sector further compound the governance problems bedevilling the sub-sector.

The study reveals that corruption and mismanagement permeate nearly all the institutions connected to the sub-sector. Corruption is reported to be practiced in the appointment of chief executives of mills, the employment and promotion of staff in the mills, loss/theft of sugar from factories, and the process of accessing loans from KSB among others. The networks of mega-corruption are reported to run deep in the sub-sector involving KSB officials, managers of mills, managers of out-grower institutions and senior public officials to gain advantage in the distribution of the Sugar Development Fund (SDF). Similarly, corruption and influence peddling are practiced in the issuance of licenses to new sugar factories in contravention of the guidelines in the Sugar Act 2001, and for the importation of duty free sugar into the country.

The findings of this study should therefore be addressed as a matter of urgency to seal corruption loopholes in the systems of institutions connected with the subsector and to improve governance and management of the sub-sector. To this end, the Commission will use the findings of this study to enhance its anti-corruption efforts in the sub-sector. All the others stakeholders must also put in place measures to deal with the governance problems through targeted policy, legal and administrative reforms in line with the Kenya Vision 2030 and the Medium Term Plan (2008-2012).

Finally, I wish to extend my deepest appreciation to all individuals who supported the study. I acknowledge, with gratitude, contributions made by various sugar subsector stakeholders across the country who were the main respondents in this Survey and the active participation of the entire Survey Team and KACC staff.

Dr. John P. Mutonyi, MBS
Ag. Director/Chief Executive
Kenya Anti-Corruption Commission

TABLE OF CONTENTS

FOREWORD iii
TABLE OF CONTENTS v
ACRONYMS vi
EXECUTIVE SUMMARY vii
1.0 INTRODUCTION 1
1.1 BACKGROUND AND STUDY OBJECTIVES 1
1.2 BROAD OBJECTIVES OF THE STUDY 3
1.3 SPECIFIC OBJECTIVES OF THE STUDY 3
1.4 METHODOLOGY 4
1.5 ORGANIZATION OF THE REPORT 4
2.0 REVIEW OF LITERATURE ON THE SUGAR SUB-SECTOR 5
2.1 INTRODUCTION 5
2.2 SCOPE OF SUGAR FARMING IN THE COUNTRY 7
2.3 RECENT TRENDS IN SUGAR PRODUCTION 8
2.4 LIBERALISATION AND TRADE IN SUGAR 8
3.0 FINDINGS OF THE STUDY 9
3.1 INTRODUCTION 9
3.1 THE POLICY FRAMEWORK 10
3.1.1 The Policy Making Environment 10
3.1.2 Status Of Proposed Policy Reforms For The Sub-Sector 11
3.1.3 Policy Coordination Between Government Agencies 12
3.1.4 Policy Direction On Liberalization And Competition In The Sub Sector 13
3.1.5 Policy To Improve Performance Of Privatised Factories 13
3.2 THE LEGAL FRAMEWORK 14
3.2.1 The Sugar Act, 2001 14
3.3 THE REGULATORY FRAMEWORK 16
3.3.1 The Regulatory Environment 16
3.3.2 The Kenya Sugar Board 16
3.3.3 Stakeholder Participation In Decision Making For The Sub-Sector 18
3.3.4 Champions And Detractors Of The Sector 19
3.3.5 Roles Of Other Actors In The Act 19
3.4 CROSS-CUTTING ISSUES 22
3.4.1 Taxation 22
3.4.2 Cane Transportation, Infrastructure, Use Of Cess Money 22
3.4.3 Land Tenure System 22
3.4.4 Access To Loans By Farmers 23
3.4.5 Harvesting 23
3.4.6 Payment And Deductions 23
3.4.7 Importation of Sugar 24
4.0 CONCLUSIONS AND RECOMMENDATIONS 25
4.1 CONCLUSIONS 25
4.2 RECOMMENDATIONS 27
REFERENCES 32

ACRONYMS

AGM	Annual General Meeting
COMESA	Common Market of Eastern Africa
FTA	Free Trade Area
GDP	Gross Domestic Product
IGAD	Inter-Governmental Authority on Development
KACC	Kenya Anti-Corruption Commission
KESGA	Kenya Sugar Growers Association
KESMA	Kenya Sugar Manufacturers Association
KESREF	Kenya Sugar Research Foundation
KNTC	Kenya National Trading Company
KRA	Kenya Revenue Authority
KSA	Kenya Sugar Authority
KSB	Kenya Sugar Board
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MUSCO	Mumias Sugar Company Ltd
OGI	Out-Growers Institution
SDF	Sugar Development Fund
SDL	Sugar Development Levy
SIA	Sugar Industry Agreements
SOE	State Owned Enterprise
SUCAM	Sugar Campaign for Change
TC	Tonnage crushed
TS	Tonnage sugar
VAT	Value Added Tax

EXECUTIVE SUMMARY

Kenya Anti-Corruption Commission undertook a review of the policy, legal and regulatory framework for the sugar sub-sector with a view to establishing the source of controversies and corruption allegations affecting the sub-sector. The study was conducted in November-December 2007 and involved field visits to the sugar growing areas. Interviews were conducted with all major stakeholders both in the field and Ministry offices in Nairobi. Among those interviewed for the study were officials of the Ministry of Agriculture, Ministry of Trade and Industry, Managers of Sugar factories, Cane farmers, Out-grower Institutions, Kenya Sugar Research Foundation and Kenya Sugar Board.

The method of the research was qualitative and interviews were conducted on appointments. It was made clear from the outset that this was not an investigation or a systems audit, and therefore respondents were free to discuss all issues affecting the sub-sector without fear of recriminations.

Study objectives

The specific objectives of the study were:

1. Review the policies, legal and regulatory frameworks of the sugar subsector, to establish the cause and manifestation of corruption in the sector;
2. Critique the institutional arrangements for managing the sub-sector and

propose amendments, if any;

3. Establish the contribution, if any, of the institutional weaknesses and/or failures to corruption and malpractices in the sub-sector;
4. Establish from the perspective of stakeholders, the understanding of corruption and its effect on the overall performance of the sub-sector and its long term survival; and
5. Recommend measures for improving the institutional and governance framework of the sub-sector.

Summary of findings

1. The sub-sector is facing serious challenges:

The sub-sector is facing serious challenges of productivity, competition, governance and weakness in the operating legislative framework. The second aspect of the sector's challenges come from the way key decisions are made, by key actors including decisions on sugar importation, privatisation of sugar mills, negotiations on COMESA and other international agreements affecting the sub-sector. The third impediment comes from the political interference in the appointments of chief executives of mills, Board members, KSB elections and other key auxiliary agencies associated with the sub-sector.

Several analytical studies have already established that the sub-sector is constrained by low production capacities, high operating costs, huge debts and managerial inefficiency. These studies paint a picture of a sub-sector that has been in crisis for many decades and has failed to improve despite numerous efforts to revitalize it. Most reports predicate the failures on structural problems emanating from the government involvement in the management of the sub-sector.

Other factors exacerbating high cost of production include poor infrastructures in the sugar growing areas, poor varieties; land ownership structure that prevent land consolidation and plantation farming; and poor organisation of Out-grower Institutions. These domestic challenges are exacerbated by the pressure from world trade regimes and globalization that have no reverence for local circumstances.

2. Policy formulation process has serious weakness:

The policy formulation environment for the sugar sub-sector has not been favourable to speedy resolution of the problems identified in many stakeholder forums. The primary responsibility for policy formulation for the sub-sector rests with the Ministry of Agriculture. Since 2003, several consultative documents have been developed to respond to weakness in the sugar sub-sector. Among these was a report released by the Ministry of Agriculture in July 2003 titled **'Report on the Task Force on the Sugar Industry Crisis'.** This report identified major weakness of the subsector and recommended radical changes in the institutional structure and management of the sub-sector. Following recommendations of the task force a national sugar conference was held again in October 2004, bringing together all stakeholders to discuss the agenda of the government for the sub-sector's development. The conference also gave direction on the shape the sugar policy was to take.

This was followed by the development of a sessional paper by the Ministry of Agriculture entitled **'Revitalization of the Sugar Industry'** and issued for discussion in February 2006. The proposals in the paper have since been converted into a cabinet memorandum and is said to be awaiting cabinet decision.

In spite of the interest and continuous engagement of the Ministry of Agriculture and concerned stakeholders to attend to the problems identified in the various for a, practical steps to reverse the fortunes of the sub-sector have remained in the realm of discussions and production of documents. Most of the ills of the subsector have rightly been identified in various documents and are well known.

Industry players recommend that the conflict of roles by the Ministry of Agriculture, Ministry of Trade and Industry, Kenya Revenue Authority and the Kenya Sugar Board should be addressed by removal of duplications and overlaps among these key institutions in the sub-sector.

3. Delays in the implementation of policies:

There is a huge gap between problem identification and the process of developing solutions for the problems. There are no firm and binding timeframes for implementing decisions made at conferences and in policy documents. Where such timeframes exist, they are not respected by those tasked to implement them. For the sub-sectors problems to receive adequate attention the policy making environment needs to be purposeful and result oriented. The failure to revive the sub-sector therefore is not due to the absence of engagement but lack of commitment to carry through decisions already made. This responsibility rests

with the Ministry of Agriculture and its auxiliary agencies such as Kenya Sugar Board.

4. Inadequate legal framework:

Another aspect of the problem emanate from the Legal Framework currently in operation. Farmers, millers, sugar pundits and the Kenya Sugar Board have all identified certain sections that were not well thought out and have become an impediment to the success of the sub-sector. Various forums have discussed such sections, recommendations have been made by stakeholders but unfortunately, no changes have been achieved in the law to date. The sugar parliamentary group, SUCAM and various human rights organisation have sought to pressure the government to bring their proposals to parliament, but this is yet to happen. Some of these proposals have been taken up by the Ministry of Agriculture and a draft amendment bill prepared in 2006 is yet to be enacted.

Key proposals to amend the Sugar Act 2001 include articles that have become difficult to implement such as the issues of weighbridges, payment of farmers according to sucrose content of the cane and the recognition of Out-grower institutions that lacked the capacity to deliver on stipulated mandates, but which continue to borrow huge non-performing loans on behalf of farmers.

As a result, the legal framework is not adequate, the problems have been identified but the law has not been changed to address the problem. As is the case with policy-making environment, the law-making environment is similarly delaying implementation of identified solutions for the sector.

Other gaps in the Sugar Act 2001 such as the lack of an AGM for stakeholders, zoning within sugar belts, licensing of millers in a zone, farmers shares in privatized factories should be addressed in the amendments of the Act. It should also address the need for more farmer representation and include the strengthening and enforcement of the laws that criminalize the diversion and concealment of sugar.

5. Inadequate regulatory framework:

The Kenya Sugar Board, the apex regulatory organ for the sector is similarly poorly capacitated to adequately attend to the myriad problems of the sub-sector. From the point of view of most pundits, it is the failure of KSB to carry out the mandate given to it in the Sugar Act 2001, and the infiltration of selfish interest groups in its management that has encouraged all the connected sugar institutions to similarly fail in their mandate. The Board is believed to have failed to institute or

carry through its supervisory role, it is accused of lacking the commitment to resolve matters being brought to its attention by various stakeholders, and has simply become another layer of bureaucracy siphoning money from the sector without providing commensurate services to the sugar industry.

KSB has drawn up an impressive Strategic Plan for 2007-2012 for the sub-sector. The plan adequately addresses the problems bedevilling the sub-sector and proposes solutions for them. Other stakeholders have serious reservation on whether the plan will be implemented.

6. Corruption and mismanagement:

Besides structural impediments, there is blatant corruption and mismanagement of nearly all the institutions connected to the sugar sub-sector. As a major sub-sector that affects the employment and livelihoods of a significant population, there is unprecedented political interference that comes in various shapes and forms. There are lobby groups for farmers, sugar traders, importers, government official, trade unions and many other interest groups applying pressure to various organs that make decisions on the sub-sector. Detailed explanation on how these groups influence the actors in the sub-sector is explained in the main body of the report. It suffices to say here that, corruption and mismanagement of sugar resources is very perverse and affects all the sugar institutions. The primary agency responsible for discipline in the sub-sector, the KSB through the Ministry of Agriculture is main let down. Either, they are complicit and therefore lack the moral authority to stop corruption among its subsidiaries, or lacks managerial competence to supervise the sub-sector.

Incidences of corruption cited most often include the appointment of chief executives of mills, the employment and promotion of staff in the mills, theft of sugar from the factories, the process of accessing loans from KSB among others. Mega-corruption is reported to occur between KSB officials, managers of Mills, managers of Out-grower institutions and Senior Ministry officials to gain advantage in the distribution of the Sugar Development Fund (SDF). Individual cane growers who are usually at the bottom of the power chain appear to have little or no confidence in most of the above institutions. Similarly, corruption and influence peddling is reported in the issuance of licenses to new sugar factories in contravention of the guidelines in the Sugar Act 2001, and for the importation of duty free sugar into the country.

When the Ministry of Finance opens the brief window to allow importation of sugar to address the production shortfall, often estimated at 200,000 metric tones annually, big importers (often referred to as sugar cartels) fall over each other to secure the licenses. It is claimed that such importers flood the market with more sugar than is authorized with the connivance of officials at the Ministry of Agriculture, KSB or KRA. On such occasions sugar manufactured locally pile up in the factory stores, as distributors switch to the cheaper imported sugar. Factories make huge loses during these occasions and some of them lay-off their casual workers to remain open.

Recommendations:

a) Improve policy making environment

For the sub-sectors problems to receive adequate attention the policy making environment must be purposeful, honest and result oriented. The failure to revive the sub-sector therefore is not due to the absence of engagement but lack of commitment to carry through decisions already made. This responsibility rests with the Ministry of Agriculture and its auxiliary agencies such as Kenya Sugar Board.

It is acknowledged by all stakeholders that the only hope for survival for the subsector lies in privatisation of the factories. The Kenya Sugar Board has been given the responsibility of coordinating the disposal of the government owned mills. The Kenya Sugar Board lacks the technical capacity to effectively manage the sale of the mills.

While, most stakeholders agree that privatization will rid the sub-sector of its current inefficiency, there are grave fears that factories build on billions of tax payers money could be sold out at a fraction of their true values to corrupt industrialist who have no intention of expanding the sub-sector. There are already several controversies regarding the privatization of Miwani and Muhoroni Factories. It is recommended that a body be set up for the effective privatisation of the mills. Privatisation of Mumias Sugar Company is already a good success story for the sub-sector to replicate.

b) Examination of policies, systems, and procedures of the Kenya Sugar Board (KSB)

The KSB has failed sugar farmers. Both farmers and millers are of the view that KSB lacks the vision and competency to manage the industry. There are claims of corruption in the distribution of loan facilities from the Sugar Development Fund to Factories, farmers and Out-grower institutions. It is claimed that KSB officials give loans to Out-grower institutions and factories without performing due diligence. Some Out-grower institutions who are already heavily indebted, and who have no physical assets or capacity to deliver services to farmer continue receiving more loans with the connivance of KSB officials. A case in point is SONY Out-growers Co. ltd, which is now under receivership.

Farmers' representatives and Out-growers who are unable to secure loans from the KSB claim that in order to have their applications attended to and approved, one has to lobby and agree to give some percentage of the loan to KSB officers.

It is also claimed that chief executives of mills obtain loans from KSB for factory repairs but do not carry out the repairs. In Chemelil, farmers' representatives claimed that the factory breaks down frequently because management often buys sub-standard spare parts - on loans obtained from KSB. They claim KSB is aware about this and is complicit in the scheme.

It is recommended that a thorough examination of policies, systems, and procedures of the Kenya Sugar Board (KSB) and its auxiliary agencies be carried out by KACC to identify opportunities and loopholes for corruption and economic crime and recommend appropriate measure for sealing such loopholes and improving corporate governance.

c) Allegation of preferential treatment of some sugar importers

It is claimed by boards of the millers and KSB officials that interference by politicians and senior officers in the Ministries of Agriculture and Finance are to blame for mismanagement of duty free importation of sugar into the country. It is alleged that, senior government officials from those ministries have their favoured importers. Hence when the importation window is opened, sugar barons use political influences to obtain the import licenses. Once duty free importation starts, local distributors stop buying sugar from the local mills. Some factories actually close down production until the excess sugar has been mobbed out of the market. During these times, both cane farmers and local factories suffer large losses, as they have to pay salaries and other costs when there is no production.

There is also allegation of collusion between KRA officials at the port of Mombassa and Sugar importers to disguise containers containing imported sugar as if they were fertilizers or other zero rated commodities to evade taxation. These corruption allegations should be addressed by the Ministry of Finance and Kenya Anti-corruption Commission. Furthermore, a thorough systems audit and investigations should be undertaken of the licensed sugar importers to determine their credibility, integrity and ethics among others.

d) Corruption allegations at the mills (factories)

Representatives of cane farmers and board members of the sugar mills point to serious corruption perpetrated by chief-executives of the mills and it is recommended that the following incidences be investigated:

i. It is alleged that the mills are unable to produce enough sugar for the country because large amount of sugar that is manufactured leave the stores of the mills undocumented with the knowledge of senior management and connivance of security officials of factories. This was cited by farmers' representatives in Nzoia Sugar Company and Sony Sugar Companies and also confirmed by other Out grower institutions as common practice across most mills.
ii. There are also claims of collusion between the sugar distributors and senior officials of mills to give undocumented credit advances to selected distributors. There is also laxity in collecting sales proceeds from buyers, in order to earn interest and kickbacks for sales officials.
iii. Nearly all mills operate below their crushing capacity and there is massive amount of contracted cane that is not harvested on time. This drives farmers to bribe officials responsible for harvesting programmes at the mills, cane transporters and officials of Out-grower institutions. In some instances, farmers resort to burning their own cane in order to force the mills to harvest their cane.

These claims need to be thoroughly investigated and action taken against the corrupt individuals.

e) Address management and accountability structures of all mills

It is important for the appointment of factory managers and officials of KSB is based on merit and professionalism. Many chief executives have been appointed based on political patronage. All management contracts in the sugar industry should be reviewed and redrafted with stringent performance criteria. Management contracts will only be effective and efficient if backed with long-term government commitment to restructuring the sugar industry.

It is also recommended that the factories adopt open accounting systems of all mills providing accurate data on financial systems in use to public for scrutiny. It is imperative that independent audits be carried out for all mills and procurement and tendering systems monitored to ensure they conform to the government procurement and disposal regulations.

It is also recommended that the debt portfolio of each factory be analysed before the mills are privatised. This will enable a cleaning of balance sheets of mills and identification of bad debts that need to be written off and those that can be recovered. Once analysis of bad debts is complete then it will be possible to determine what budgetary support is required.

f) Review of the Sugar Act 2001

There is no doubt that the Sugar Act 2001 requires some amendments, and they have ably been pointed out by various stakeholders. The proposals in the Sessional Paper should be used to guide the needed amendments rather than dwelling on the few impractical provisions in the Act to procrastinate.

g) Streamline the role of Out-Grower Institutions

Out-grower institutions are supposed to provide important services both to farmers and millers. Unfortunately most Out-grower Institutions have failed to perform their functions as envisaged in the Sugar Act 2001. It is therefore recommended that all OGIs be investigated and majority of them overhauled. Independent audits and assessment of OGIs is urgently required.

Out of the 14 Out-Grower Institutions visited, only 3 had semblance of serious business operations. The three are Mumias Out-growers Co Ltd, Chemelil Out-Grower Company and West Kenya Sugar Out-growers Company. All the rest are simply not solvent. However, they appear to attract large loans from KSB and have loans way above their capacity to pay back. It is alleged that most Outgrowers are run by close family members and farmers' can't obtain financial information from the managers. Some Out-grower institutions have stopped performing their mandate as required under the Sugar Act 2001, and have become private cane transporters, thereby disenfranchising their primary stakeholders, the farmers.

It is recommended that the books of accounts of all Out-grower institutions be investigated to protect farmers' interest in the Sugar Development Fund (SDF). This has to be done urgently, ahead of the privatisations of the sugar mills.

h) Administration of cess money

It is recommended that the cess tax levied on farmers be retained by the millers and used in full to maintain the feeder road networks in their zones. The government should also move with speed to ensure the main roads passing through the sugar belt regions are rehabilitated.

i) Review of land tenure system

The land tenure system in the cane growing areas needs to be reviewed. It is recommended that the Ministries of Agriculture and Lands develop a policy to limit the minimum acreage of land for sub-division.

j) Expand extension services

Farmers underscored lack of extension services from the Ministry of Agriculture as well as other stakeholders in the sub-sector. This they complained, led to planting of less productive varieties that are also characterized by long period before maturity. The ministry of Agriculture should allocate personnel and resources to provide needed extension services.

1.0 INTRODUCTION

1.1 Background

Agriculture is a leading sector in the Kenyan economy accounting for 24% of the country's Gross Domestic Product (GDP). Agriculture also provides employmentand livelihood to an estimated 75% of the population directly or indirectly. The sugar sub-sector employs about 40,000 people and support the livelihoods of about 6 million Kenyans directly or indirectly (KSB, 2006).

Sugar is a major food item in the household budget and refined sugar is an essential raw material in food processing, confectioneries, beverage manufacture, soft drinks and pharmaceutical industries among others.

Sugar farming dates back to 1922, when the first factories were established. Sugarcane is grown on fairly flat regions and is mostly rain-fed. The Sub-sector is regulated by the Ministry of Agriculture through the Kenya Sugar Board.

The government involvement in the sugar sub-sector particularly after independence was in recognition of the importance of the crop. Firstly, there was need to ensure self-sufficiency in sugar production for the consumption needs of the country. Second, sugar production was regarded as an essential import substitution strategy to save the country the much needed foreign exchange. It was also seen as a tool for social development that could provide gainful employment and wealth creation in the rural areas of Kenya. To achieve the above objectives, the government established five sugar factories mostly in the 1960s. Currently, there are seven major factories in the country supplying about 70 percent of the sugar consumed in the country (KSB, 2006).

The Ministry of Agriculture has the overall responsibility for the sugar sub-sector, but several other ministries have major stake in the development and protection of the sugar sub-sector.

Between 1998 and 2001, Kenya suffered from what was perceived as the biggest crisis to hit its sugar sub-sector. This was characterized by the near-collapse of the industry as most sugar mills suffered serious financial crises. The cause was often attributed to managerial inefficiency, unregulated importation of sugar as a result of liberalization. Since all the factories were government owned at the time, they faced collapse or receivership. The government was forced to initiate policy reforms leading to enactment of new legislation in the form of the Sugar Act 2001, complete with a new institutional framework and a regulator in the form of Kenya Sugar Board (KSB). Administrative reforms have followed backed by tough trade measures to control the conduct of players in the trade and distribution chain (Sserunkuma and Kimera, 2006).

Before liberalization of the sub-sector in early 1990s, all sugar manufactured in the country was sold to Kenya National Trading Corporation (KNTC), which was responsible for distribution of the sugar throughout the country. With the advent of liberalisation, factories now can sell sugar through appointed distributors an wholesalers.

Growth of the sugar sub-sector is vital to the economic development of the country as this ensures increased incomes and employment to the rural population especially small-scale producers. Considerable efforts have been made to promote growth in this sub-sector through systematic process of tariff reduction, removal of price controls and imposition of duties on sugar importation. These are all aimed at raising domestic production efficiency so as to enable Kenyan sugar to compete effectively with imported sugar.

The growth potential for the sub-sector notwithstanding, it has been loss making for many decades. Some of the loses were usually attributed to poor management, but also the operating environment made sugar produced in Kenya more costlier than imported ones on account of the poor infrastructure in the sugar growing areas.

Furthermore, the sugar sub-sector in Kenya has been dogged by controversies of corruption allegations involving senior government officials and sugar traders. The sub-sector has seen its fair share of strikes, factory shutdowns and high profile controversies in the media. In 2005, the Government introduced a

system that allowed sugar merchants to import 89,000 metric tones of duty free sugar from COMESA countries through a Gazette notice. This has led to cartel operations and has invariably led to allegation of collusion and corruption.

Some of the problems identified by the pundits of the sugar sub-sector point to poor policy and legislative frameworks as well as corruption. The Kenya Anti-Corruption Commission is mandated to examine the operations of government institutions with the view to advising them on corruption prevention strategies. A team of commission officers visited the sugar growing areas to interview stakeholders on their perception of corruption and if the obtaining legislative framework was adequate in solving the problems faced by the sector.

1.2 Broad Objectives of the Study

In order to improve the governance and improve productivity of the sugar subsector, it is important to review and understand the dynamics of the sub-sector, the policies and legislative frameworks governing the sub-sector at the present time and how they have helped perpetuate corruption. This will further enhance recommendations on how best to use policies, regulations and institutional frameworks to curb corruption in the sub-sector.

1.3 Specific Objectives of the Study

The main objectives of the study therefore were to review policies, legal and regulatory frameworks in the sub-sector and to seek to understand how existing operating frameworks have created corruption loopholes.

The specific objectives were to:

i. Review the policies, legal and regulatory frameworks of the sugar subsector, to establish the cause and manifestation of corruption in the sector;
ii. Critique the institutional arrangements for managing the sub-sector and propose amendments, if any;
iii. Establish the contribution, if any, of the institutional weaknesses and or failures to corruption and malpractices practices in the sub-sector;
iv. Establish from the perspective of stakeholders, the understanding of corruption and its effect on the overall performance of the sub-sector and its long term survival; and
v. Recommend measures for improving the institutional and governance framework of the sub-sector.

1.4 Methodology

The study used a qualitative approach in collecting and collating data. Prior to conducting the field interviews, the team conducted a thorough desk review of literature on policies, legal and regulatory frameworks on the sub-sector. The team also examined the Sugar Act 2001, Sugar policies and functions of regulatory agencies and implementation of policies.

Discussions were conducted with key informants such as managers of factories, farmers, officials of Out-grower Institutions, regulators, research organisation and Ministry officials. A key informant questionnaire and discussion guide was used to conduct interview sessions. Some key discussions were tape recorded with the permission of interviewees and while group discussions especially with farmers representatives was conducted in an informal settings to facilitate free and uninhibited discussion.

While the study was conceived essentially as review of literature and use of secondary data, it became necessary to supplement this information with a field visit to the sugar growing areas for two main reasons. Firstly, the documents obtainable from official sources such as the Ministry of Agriculture, KSB and other concerned agencies were not up to date and were not abreast with the dynamic nature of the issues affecting the sector. Secondly, there is a lot of sensationalisation of corruption allegations in the print and electronic media that tend to generate lots of political heat between concerned ministries. It was therefore necessary to review literature but also interview stakeholders on their understanding of the current state of affairs in their industry.

This enabled the team to establish knowledge levels and perceptions on corruption generally, and specifically among the stakeholders in the sugar subsector. Among the stakeholders interviewed were; Kenya Sugar Board; Millers; Out-grower Institutions (OGIs); Ministry of Agriculture; Ministry of Trade and Industry; Ministry of Agriculture; Ministry of Finance, advocacy organisations, farmers unions, distributors, traders and consumers.

1.5 Organization of the Report

This Report is organized into four sections. Section one introduces the parameters of the research and methodology adopted. In section two, we review the literature on the sub-sector specifically on the structure of the sub-sector and challenges facing it. Section three discusses the main findings under the headings of the policy environment, regulatory and legal framework. Section four summarizes the findings and recommends the way forward for the sub-sector.

2.0 REVIEW OF LITERATURE ON THE SUGAR SUB-SECTOR

2.1 Introduction

From the early 1990s to date, the Kenya sugar sub-sector has been in crisis. It has experienced strikes, factory shutdowns, agitations by politicians and advocacy groups. During the same period, the sub-sector was characterized with poor stewardship, mismanagement, low utilization of capacities, obsolete technologies in the mills and lack of policy to resolve the myriad problems. This was coupled with the general increase in sugar imports to the country and a non-sequenced government trade liberalization policy. Cartel operations in the sub-sector and the myth of cheap imported sugar versus expensive sugar in the Kenyan market added to the malaise in the sugar industry. The sub-sector by and large remained stuck in high production cost paradigm.

At the time of independence, the domestic Kenyan market was served by imported sugar. In order to protect this domestic market, local sugar cane production was seen as a viable alternative. Deliberate policy measures were put in place to attain this goal. In pursuit of the above policy objectives, the development of the sugar industry has been political and hence sugar can aptly be regarded a commodity which is quite politically sensitive. Sugar cane growing is also viewed as an agent for infrastructural and rural development. Sugar industries naturally promote other economic activities in the sugar growing areas.

Considerable efforts have been made to promote growth in this sub-sector through systematic process of tariff reduction, removal of price and imposition of duties on sugar importation. These are all aimed at raising domestic production efficiency to be able to compete effectively with imported sugar. However despite these efforts, the sub-sector's growth has been hampered by low productivity, inefficiencies and mismanagement at the factory level, cheap imports and poor government regulation among others (Otieno-Odek et al, 2003).

The Kenya government has recognised that the country does not produce enough sugar for local consumption or for export. The Government policy has always been to improve on the productivity of the sub-sector, and has put in place measures to solve some of the problems affecting the sub-sector such as uncontrolled importation and non-payment of dues to farmers by the cane factories.

Apart from the increasing demand for sugar in the country, Kenya has the opportunity to benefit from annual export quota to the European Union after being granted the status of an exporting member of the International Sugar Organization. There also exists a potential market in the COMESA and IGAD regions. With the increasing sugar consumption, the rapid increase in population and the existing export potential, further production is necessary in the sub-sector. This calls for more investment from both local and foreign investors.

Kenya was granted a four year moratorium to control imports from COMESA countries in 2004. This was in response to fears that local producers will not be able to survive open competition from their counterparts in the trading bloc. Preferential treatment was granted so that Kenya could carry out reforms in its sugar industry to make the locally produced commodity competitive. Under the terms of the agreement, Kenya is allowed to restrict sugar imports from other COMESA members to a quota of 200,000 tonnes annually - the shortfall between average domestic production and consumption (KSB 2007). The country was again given an extension of the safeguards for a further four years starting March 2008. The second extension is conditional on the country opening up its sugar market progressively, so that at the end of the extension period there will be no restriction of importation from the COMESA market.

2.2 Scope of Sugar Farming in the Country

The total area under cane at the end of 2006 was 147,730 hectares compared to 144,765 hectares in 2005. 82 percent of cane growing is by small scale farmers, and the remaining 12% by nuclear farm under the control of factories. The importance of smallholder farms in Kenya cannot be underestimated. About 55,000 hectares (excluding harvested area in Busia, West Kenya and non contracted farmers) were harvested in 2006. The total cane deliveries were 4,932,839 metric tonnes in 2006. Of this delivered cane, 10 percent was from the nucleus estates, 68 percent from Out-grower farms while 22 percent was from non-contracted farmers. The average cane yield in 2006 was 70.89 tonnes per hectare (KSB Year Book, 2006).

There are eight major sugar factories in Kenya with a total installed capacity of 24,250 tonnes of cane per day (TCD), which at full capacity for 300 days a year would produce approximately 550,000 tonnes of sugar (KSB, 2006). The local demand is estimated at 700,000 tonnes. The consumption of sugar in Kenya is mainly for direct human consumption and industrial use.

Table 1: Installed capacity of sugar factories in Kenya

Factory	Year established	Current Capacity (TCD)
Miwani Sugar Company Ltd (currently closed)	1927	2,400
Chemelil Sugar Company Ltd	1968	3360
Mumias Sugar Company Ltd	1973	9200
Nzoia Sugar Company Ltd	1978	3360
South Nyanza (Sony) Sugar Company Ltd	1979	3120
West Kenya Sugar Company Ltd	1981	2,500
Muhoroni Sugar Company Ltd (under receivership)	1966	2,200
Soni Sugar Company	-	100
Total		**24,250**

Source: KSB- Strategic Plan 2007- 2012

2.3 Recent Trends in Sugar Production

By the end of the first quarter of 2004, the sugar industry had recorded a remarkable improvement in sugar production compared to the same period in 2003. Sugar sales also increased immensely as a result of Government efforts to curb illegal sugar importation. On Factory performance, Mumias crushes the most sugar and has the highest recovery rate of 9.72 TCD. In 2006 Mumias Sugar accounted for 48 percent of the sugar produced in the country (KSB, 2006).

Sugar Imports in 2006 stood at 166,280 metric tonnes. The imports comprised 48 percent brown/mill and 52 percent refined white sugar. Egypt and South Africa were the main suppliers. On the other hand, Kenya exported 13,533 metric tonnes of sugar to the COMESA region during the same period (KSB 2007).

2.4 Liberalisation and Trade in Sugar

As stated earlier, Sugar is a special commodity. It is a food crop as well as an important trade good. Kenya's trade negotiations must encompass the special nature of the sugar. The cost of production in Kenya is very high compared to our trading bloc. While restructuring our sugar industry is the first step in reducing cost of production, the government has also maintained robust trade negotiations to cushion the industry from unfair competition.

Some of the strategies used previously to cushion the industry included:

- The setting up of importation quotas and punitive customs duty on imported sugar;
- Writing off loans to millers and farmers by the government;
- Assisting sugar companies to settle pending payments to farmers;
- Improving some infrastructure in the sugar belts; and
- Some tariff reduction on raw materials and capital inputs for cane farming.

However, some of these strategies have not produced dividends to the sub-sector because of poor implementation.

3.0 FINDINGS OF THE STUDY

3.1 Introduction

Our findings of the survey point to a sub-sector facing serious challenges of productivity, competition, governance and weakness in the operating legislative framework. Other challenges of the sub-sector involve the decision making processes on important issues like privatization of sugar mills, sugar importation, negotiations on COMESA safeguards and other international agreements affecting the sub-sector. The third impediment comes from the political interference in the appointments of chief executives of mills, Kenya Sugar Board and other key agencies connected to sugar industry.

Besides structural impediments, there is blatant corruption and mismanagement of nearly all the institutions connected to the sugar sub-sector. As a major sub-sector that affects the employment and livelihoods of a significant population, there is unprecedented political interference that comes in various shapes and forms. There are lobby groups for farmers, sugar traders, importers, government official, trade unions and many other interest groups applying pressure to various organs that make decisions in the sub-sector. In this chapter we focus on the policy, legal and regulatory environment that underpin the operation of the sub-sector. We ask whether the legal framework as it exists today can be used to resolve the malaise in the sub-sector, or is there need for reviewing the laws as well as the regulatory framework.

3.1 The Policy Framework

3.1.1 The policy making environment

The sugar sub-sector is one of the largest contributors to the GDP saving the country in excess of US$ 20 billion in foreign currency and producing 500,000 metric tones to satisfy the domestic demand. While the sub-sector's competitiveness is believed to be below par, the government has long recognised the crop's strategic importance to the country, especially in Western and Nyanza provinces. Hence the government's long term policy for the sub-sector is to improve the productivity and enhance country's self sufficiency in sugar supply.

In recognition of the important role sugar plays in the national economy and in the light of productivity challenges, the government through the Ministry of Agriculture came up with a draft Sessional Paper that detail long term reforms necessary for the sub-sector. The Paper addresses the structural factors that have prevented the industry from attaining global competitiveness, efficiency in delivery of services and returns to public equity (Draft sessional paper, February 2006). The paper recognises the reprieve obtained under the COMESA safeguards ending February 2008 as the basis for improving competitiveness and lays down a programme for financial restructuring for all the government owned mills.

Other major components of the reform programme include:

- Increasing farm and factory level productivity through efficient growing and management practices;
- Improving infrastructure in the sugar growing arrears to reduce transport cost;
- Providing affordable credit, efficient research and extension services; and
- To review the Sugar Act 2001 in order to resolve implementation.

3.1.2 Status of proposed policy reforms for the sub-sector

Interviews with stakeholders indicate that despite a concerted effort spearheaded by the Ministry of Agriculture to implement reforms identified through various forums, practical reforms have not been achieved. This is in spite of the development of the Sessional Paper in 2006, a draft amendment Bill for the Sugar Act 2001 and a Cabinet Memo to authorize proposed reforms, the sub-sector is yet to receive a formally approved plan of action from the government. Several proposals have been implemented in piecemeal. For instance, privatisation of some mills has occurred[1] and the Kenya Sugar Board and Ministry of Finance are pursuing the privatisation of the remaining public owned mills.

To safeguard productivity gains achieved under the COMESA agreement, the government has also obtained a further four year conditional safeguard. The provisions of the new safeguards are stringent and not extendable. Since the proposed reform documents have already been developed and are known to the actors, the sub-sector requires a swift implementation of the reform activities without fail. The sub-sector did not benefit substantially from the first COMESA safeguards mainly because of the structural impediments inherent in the subsector. Any further procrastination to implement the new safeguards will result in a sudden collapse of the sub-sector as the country opens its borders to duty-free sugar from COMESA countries starting March 2008.

Once the import floodgates opens, the opportunity for production efficiency under the current cost structure will be lost. The only option left will be to sell the factories under heavy discounts and at the cost of great uncertainty to farmers whose livelihoods depend on cane farming. This calls for speedy restructuring including the privatisation of SONY, Chemelil and Nzoia Sugar companies.

It is worth noting that chief executives interviewed for this study were not optimistic that production efficiency will be realised even if COMESA were to extend the safeguard period. They were unanimous in their pessimism that an extension will not occasion any substantive improvement because of the structural problem such as the bloated workforce, the poor infrastructure and the political interference in the management of the sub-sector. They contend that as parastatals, factories are forced to provide employment to a large number of permanent staff, staff that cannot be sacked without government approvals.

---

[1] According to a recent report attributed to the PS Ministry of Agriculture carried in the *Daily Nation* of March 18, 2007 'the government has already given letters of offer to two consortia expected to take over the management of Muhoroni and Miwani Sugar Companies. Country Logistics, led by the Sudanese Miller Kenana Sugar Company will take charge of Miwani Sugar Company, while another group of investors, KIBOS sugar will manage Muhoroni Sugar Company' DN, p6.

Employments in the State Owned Enterprise (SOEs) are highly political and often times handicaps the chief executives from sacking or replacing redundant staff. It is therefore crucial that employment in the management of the sugar mills is depoliticised along side the institutional restructuring.

3.1.3 Policy coordination between government agencies

This aspect of the sub-sectors management was also found to be murky. Cane as a crop has several phases. Cane growing falls under the Ministry of Agriculture and cane manufacturing falls under the Ministry of Trade and Industry. The Ministry of Finance who determine taxation levels and import management through KRA is similarly interested in the crop. It is therefore a crop that is the responsibility of different ministries at different stages. The Ministry of Agriculture has the largest stake in the crop. Its responsibilities include policy formulation, development of varieties and also ensuring adequate resource allocation for providing extension services for the crop.

The Ministry of Trade and Industry similarly has two major responsibly for the sugar. As an industrial product with several intermediate products, the ministry is concerned with having suitable manufacturing framework for the crop including growth of sugar industries. The second aspect of the Ministry of Trade interest in the crop is sugar as a traded commodity. The Ministry is charged with the responsibility of trade negotiations and marketing Kenyan Sugar abroad.

A major problem that was identified in the policy making framework was the lack of clear guidelines to guide the interaction of the Ministries concerned with sugar at different stages of the product. This calls for a well laid out co-ordination structures for effective decision making.

For instance the research team was informed by officials of the Ministry of Trade that, the ministry is often excluded from participating in decisions on the importation of sugar. This role, it is claimed has been totally monopolised by the Ministry of Agriculture. It is also claimed that the Ministry of Agriculture determines the amount of import required annually without reference to the Trade Ministry. The award of the import licences to influential sugar merchants has attracted corruption allegations, yet the Ministry of Agriculture is not keen on opening up the process of awarding the licences to public scrutiny.

It is imperative that two aspects of poor coordination problem be addressed urgently. Firstly, since sugar is the responsibility of different agencies at different stages, the responsible agency is formally identified for each stage, and the

functions clarified in law. Where an agency's responsibility cuts across stages, then it is imperative that the agency knows where its responsibilities start and where it ends. Where all agencies need to be involved, there is need for a mechanism for securing the participation of all agencies.

Without proper definition of roles and responsibilities for the various agencies involved in the sub-sector, sugar will become the business of everybody, to the detriment of the poor farmer. It will be difficult to arrest corruption in the subsector as the sugar barons play one agency against another in order to obtain import licenses and flood the market with cheap sugar. Lack of clear harmony and clear responsibility definition is therefore an issue that must be addressed from a policy, legal and regulatory perspectives.

3.1.4 Policy direction on liberalization and competition in the sub-sector

It is acknowledged by all stakeholders that the only hope for survival for the subsector lies in privatisation of the factories. The Kenya Sugar Board has been given the responsibility of coordinating the disposal of some government owned mills. Kenya has conducted successfully the sell of many government owned enterprises. The privatisation Act of 2005 provides comprehensive guidelines for implementing the sale of government assets. However, two mills (Muhoroni and Miwani) are currently being privatised under the auspices of the Kenya Sugar Board, an organisation that is found to lack the technical capacity to effectively manage the sale process. There are already several controversies regarding the sale, including postponing of the tender opening and claims of undervaluation of the factory assets.

While, most stakeholders agree that privatization will rid the sub-sector of its current inefficiency, there are grave concerns that factories build on billions of tax payers money could be sold out at a fraction of their true values to corrupt industrialists with the connivance of government officials. It is claimed that the primary aims of the new investors are to acquire the factories and the rights to the nuclear farmlands.

3.1.5 Policy to improve performance of privatised factories

The sub-sector has performed fairly well under the first four years of COMESA safeguards. Mumias Sugar Company has been privatized and performed exceedingly well since then and its shares are traded on the Nairobi stock exchange. Initially, farmers and government were to retain a controlling share of the company. Farmers and MUSCO (Mumias Sugar Out-grower Company Ltd) have progressively lost the initial shares the government promised to allocate

and safeguard for them. The second factory that is privately owned is the West Kenya Sugar factory. The cane farmers in that area are not protected against the vagaries of the private owners. While privatisation is key to turning round the sector, the public interest in the mills must be safeguarded.

3.2 The Legal Framework

3.2.1 The Sugar Act, 2001

The main law governing the sugar industry was enacted in 2001. The Sugar Act 2001 and regulations thereof provide the framework for relationships for all the industry players, with the exception of sugar consumers who have no representation in the Act. While it is an important piece of legislation for managing the sub-sector, according to critics and stakeholders, the Act is said to have several impracticable provisions. It is important to note that laws do not change attitudes by themselves; they require a strong implementation framework and enforcement mechanism to be effective.

The sugar Act 2001 will not work if people do not want it to work. Many of the amendments proposed or raised by stakeholders cannot fundamentally inhibit the reform programmes. However, the weakness in the Act has been exploited by millers and Out-grower Institutions to disenfranchise farmers. Many of the proposed amendments are located in the second schedule of the Act, which can be reviewed by the Minister for Agriculture through gazette notice.

The Act provides for the roles and responsibilities of the Ministry of Agriculture, the Kenya sugar Board, Kenya Sugar Research Foundation (KESREF), Kenya Sugar Growers Association (KESGA), Kenya Sugar Manufacturers Association (KESMA), Out-grower Institutions (OGI) and contracted farmers. According to KSB, different actors have pushed for different amendment to the Act, and because of lack of unanimity on proposed amendments, the amendments drawn up by the Ministry of Agriculture in conjunction with KSB have not been presented to parliament.

There are arguments surrounding the representation of various actors in the KSB board, and the constitution of Out-grower associations that have become very contentious. Small-scale farmers complain of lacking sufficient representation in the KSB board, where they believe large scale farmers dominate the board and hence disenfranchise them. There are also claims that board members have no power to restrain the KSB executive officials such as the Chief Executive, the legal officers, the financial directors and debt managers from acting contrary to the resolutions of the board. Some factory managers have argued that farmers

should not be allowed to have directly elected representatives to the KSB and rather KSB directors should be appointed by government.

The composition of KSB board has been the most contentious issue of debate. It is claimed that farmer representation should be much stronger during the restructuring, as it is them whose livelihoods will be most affected. Farmer representation should continue to be based on direct elections, so as to increase their genuine voices in the apex body. Representation of millers and government in the KSB board is also contentious. Since most mills are government owned, farmers claim that they are over represented in the KSB board leaving few slots for farmers.

There is no doubt the Sugar Act 2001 requires some amendments, and they have ably been pointed out by various stakeholders. The reform agenda for the subsector is much wider and is well articulated in the Sessional Paper of 2006. The proposals in the Paper should have been used to improve the sub-sector rather than dwelling on the impractical provisions in the Act.

Among an array of proposals to amend the Act, most stakeholders have cited the following:

1. De-politicise the appointment of the chief executives of KSB and sugar mills;
2. Payment of farmers according to the sucrose content of their cane: The millers argue that they do not have the technology to determine the sucrose content of the cane delivered to the factory, and so the government should buy the testing equipments. Farmers on the other hand wish the government to enforce the provision of the Act requiring payment on sucrose content;
3. According to the Act, the millers are supposed to provide weighbridges at the farm gate, so that cane is not lost during transportation. Farmers argue that the millers have deliberately ignored this provision. The millers on the other hand contend that they cannot provide weighbridges to every farm where harvesting is to take place. They claim that unlike other countries with plantation farming, it is impracticable to supply weighbridges to our small scale farming system; and
4. Also very contentious is the recognition of the Out-grower Institutions (OGIs) in the Sugar Act 2001. The millers and farmers are unanimous in their contention that out growers in this country perform very little function and have become a liability to farmers and Millers. Since they are recognised in the Act, they have also been allowed to borrow huge

loans from the Sugar Development Levy (SDF) on the pretext that they provide some services to farmers. It is proposed by farmers and millers that they be removed from the Act and in their place, the Act should just recognise farmers associations.

3.3 The Regulatory Framework

3.3.1 The regulatory environment

The key regulatory agency envisaged in the Sugar Act 2001 is the Kenya Sugar Board (KSB) through the Ministry of Agriculture. As a typical parastatal, the KSB has a Board whose composition is determined by the Sugar Act 2001 and representing the various interests in the industry, including growers' representatives, millers' representatives and the Permanent Secretaries of the Ministries of Agriculture and Finance. Its accounts are audited by the Auditor General under the provisions of the State Corporations Act. The supervisory framework envisaged for the sector is no different to those established for the other productive sub-sectors such as coffee and tea crops. The capacity of these boards to respond to the challenges faced by the sub-sector is significantly constrained by disjointed decision making processes and weakness in the structure of the apex regulatory body, KSB.

3.3.2 The Kenya Sugar Board

The Kenya Sugar Board (KSB) is mandated by the Sugar Act 2001 to regulate, develop and promote the sugar industry, co-ordinate the activities of individuals and organizations within the industry and facilitate equitable access to the benefits and resources of the industry by all interested parties. Under the above provisions the board:

- Participates in formulation and implementation of overall policies;
- Plans and programs work of developing the industry;
- Act as intermediary between the industry and the Government;
- Facilitate the flow of research findings to the interested parties through the provision of extension services;
- Monitor the domestic market with the view of identifying and advising the government on distortions in the sugar market;
- Facilitate the arbitration of disputes, facilitate the export of local sugar, promote and encourage the use of environmentally friendly technologies,
- Provide advisory services to growers, out-growers and millers;
- Facilitate equitable mechanism for pricing of sugar cane and appropriation proceeds from the disposal of the by-products of sugar between millers and growers;

- Represent the industry in such organizations as are relevant for the promotion of the industry;
- Oversee the formulation of standard provisions governing the rights and obligations of growers, millers and out-growers, collect, collate and analyze industry statistics and maintain a database; and
- License sugar mills and promote the efficiency and development of the industry through the establishment of appropriate institutional linkages (The Sugar Act, 2001).

The roles of KSB as promulgated in the Act are a far cry from the functions it is actually performing in the sub-sector. Firstly, the industry players believe KSB has been politicised to an irredeemable level that it cannot earn back the trust of farmers. Farmers suggest the disbanding of KSB and the formation of another agency with the capacity to implement the reforms envisaged for the sub-sector. Farmers believe that KSB has been used by politicians and senior officers of the Ministry of Agriculture to siphon farmers' money. It is claimed that the body has been used by sugar barons to import and dump duty free sugar in the market and are responsible for the collapsing the Kenyan factories. Other weaknesses of the KSB cited by different stakeholders are as follows:

- The role of government in the Kenya Sugar Board has been unclear, largely due to negative attitudes and perceptions towards the sugar industry and lack of goodwill to implement the Sugar Act 2001 or reform the industry.
- Management capacity of Kenya Sugar Board needs to be reviewed, strengthened and made more professional. Authority and Management systems need to be redefined with clear demarcation and distinction between the executive management and its accountability to the Board of directors.
- KSB must adopt open accounting systems and open information systems to create greater transparency and accountability in the industry. All loopholes for corruption and financial wastage must be sealed.
- KSB directors must be accountable to an AGM. This is to provide checks and balances and ensure that all stakeholders understand problems and challenges faced by AGM and the support or changes by all stakeholders.

The potential for KSB to drive reforms in the industry is badly compromised by lack of capacity in the agency and political interference. These two factors must be addressed urgently, if KSB is to be relevant to the needs of the industry.

The KSB is not able to effectively reign in on the sector players due to the limitations of the regulations currently in force. In fact, the regulations have not been approved and gazetted for implementation. Comprehensive regulations need to put in place to support KSB's supervision and surveillance over the sector. The review of the legal and regulatory framework is also protracted and lengthy due to many actors and interest groups in the sector. This may have delayed the finalisation of the Sugar Sector Revitalisation Policy, amendment of the Sugar Act and gazettement of new regulations for the Sector. In the meantime, we have to bear with the lengthy process.

Amidst all these, the sub-sector has achieved the following:

- ✔The Sugar Bill which sets the eligibility criteria for stakeholder representation in the KSB, administration of the SDF etc;
- ✔Performance contracting which has been in force since 2002
- ✔Development of Service charters; and
- ✔Competitive recruitment of CEOs among others.

3.3.3 Stakeholder participation in decision making for the sub-sector

There has been a number of stakeholder conferences and workshop, especially in the lead up to the development of the draft Sessional Paper of 2006. From field interviews, it appears that, stakeholders on the production side i.e. farmers, Outgrower institutions send their representatives to attend stakeholder meetings, but their contributions are often ignored in the final documents. They claim that, many stakeholder conferences are held to rubber stamp positions already developed by the government, Millers or KSB. On the other hand, the government, millers and KSB are very well versed with all issues and are the main drivers of the workshops. They usually have larger and more enlightened representations in such forums, and farmers believe that it is the views and interest of such big players that often rule the discussions and subsequent resolutions.

The second difficulty the farmers and Out-grower representatives face emanates from the fact that they are too many, and hence when invited to a stakeholder conference, it is often a new participant who attend such meetings. This deprives them of opportunity to follow through issues that are raised in other foras by their representatives.

3.3.4 Champions and detractors of the sector

It has emerged that, the sub-sector also has two competing interest groups. On the one hand are the Ministries of Agriculture, farmers, millers and generally government agencies charged with the responsibility of promoting of domestic production, and on the other are sugar importers. It is the policy of the government to protect, nurture and safeguard the development of a vibrant sugar industry for the country. In practice, however, the decisions and actions of some of the above players especially, the Ministry of Agriculture, often times favour sugar traders and importers in contradiction to stated national interests. These contradictions have often caused the delays or reversals in the implementation of policy intervention for the sub-sector.

3.3.5 Roles of other actors in the Act

Among actors mentioned in the Sugar Act are the Out-grower Institutions (OGIs), Kenya Sugar Research Foundation (KESREF), Kenya Sugar Growers Association (KESGA), Kenya Sugar Manufacturers Association (KESMA) and Sugar Arbitration Tribunal. We will discuss briefly, the roles envisaged by the Act and if in deed they do perform those roles.

a) Out-Grower Institutions (OGI)

Out-grower institutions are supposed to give advice and guidance to farmers from planting to harvesting. Currently most Out-growers do not perform these functions, and the farmers have been left to the mercy of millers. The fact that they have been recognized in the Sugar Act 2001 also means that they have statutory right to access farmers' money through KSB. Farmers contend that the Out-grower institutions have become a conduit for KSB officials to borrow money from the Sugar Development Fund (SDF) with no intention to pay back. Most Out-growers are indebted to KSB beyond their capacity to pay back the loans and are collapsing.

It is therefore recommended that all OGI be investigated and majority of them overhauled. Most have become too corrupt resulting in lack of trust and support from farmers. KSB has to play its supervisory role over these institutions so that they can serve farmers better. Many farmers, particularly in the Western Sugar belts are faced with OGI monopolies preventing choice or competition for services. Independent audits and assessment of all OGI is urgently required.

Nearly all the Out-grower Companies visited have shown lack of capacity to address farmer's problems. It also emerged that most Out-grower Companies are run by close knit family members and relatives, making it difficult for farmers

to obtain information on the institutions. Farmers decried the lack of skilled personnel for managing the institutions.

Two of the seriously incapacitated Out-growers institutions who also have huge debts from KSB are Nandi Hills Out-growers Company and Sony Sugar Outgrowers Company. The Sony Sugar Out-growers Company is currently under receivership, but the receiver managers have no capacity to run the institutions and it is claimed that they have been posted there to provide cover for KSB officials. The Company owes close to Kshs. 400 Million to Kenya Sugar Board and an additional Kshs. 65 Million to other creditors. It was clear that there exist no relationship between farmers, the Out-growers and the Miller in this region.

Due to mismanagement and misuse of resources by the Out-grower companies, co-operative societies and unions have emerged in their place to manage farmers' affairs. It was also reported that KSB extends SDF loans directly to societies since it recognizes them as members. For instance, in Chemelil area, there were about 200 societies, and they are not recognised in the Sugar Act.

b) Kenya Sugarcane Growers Association (KESGA)

The Sugar Act 2001 envisaged the need for an umbrella association for the sugar farmers. Even though KESGA has been formed, it does not command a national support from sugar farmers. KESGA elections are supposed to be carried out regularly but do not happen. If KESGA is to be a meaningful representative of farmers, it must have truly democratic grassroots elections with all farmers involved. KESGA should not be a representative of OGIs, but should provide checks and balances to the performance of OGIs on behalf of farmers. The Kenya Sugar Board (KSB) was supposed to coordinate impartial elections of KESGA but has failed in its duty. KESGA should not receive any monetary support from KSB until grassroots elections are facilitated with majority farmers participating in direct elections of their representatives.

c) Kenya Sugar Research Foundations (KESREF)

According to the Sugar Act 2001, KESREF is charged with the responsibility of developing cane varieties, conducting research on sugar cane and appraising suitable technologies for the growth and development of the cane industry in the country. The potential of KESREF to drive the industry technical innovation is immense, particularly over low cost technologies.

However, KESREF is struggling for recognition among farmers and millers. In spite of having developed several important varieties for the industry, KESREF claims to be poorly funded and largely ignored by the industry. In fact millers

have their own research staff that do not liaise with KESREF and hence develop varieties in parallel with them.

This research function must be given much greater priority, as is the case in other sugar producing countries and further recommend that KESREF should be represented on the KSB board.

d) Kenya Sugar Manufacturers Association (KESMA).

The sugar Act 2001 establishes KESMA as a lobby organisation for the Sugar manufactures in the country. It is supposed to participate in policy formulation and advising government on industry needs. The organisation is supposed to hold elections and hold regular meetings to deliberate on issues affecting the manufactures. Unfortunately, the organisation is largely defunct and it was difficult to establish who the office bearers are for interviews. The managing Director of Nzoia Sugar Company admitted having been the last chairman but wasn't sure if he was still in office legally, because the organisation has not held a meeting or elections for a long time.

It appears that the millers influence government policy through other means and not through KESMA. The sugar Act 2001 should therefore stipulate how this organisation should operate or scrap it all together.

e) Jaggeries

The Sugar Act 2001 classifies Jaggeries as millers and hence are equally licensed to crush cane. However, it emerged that jaggeries do not meet the same regulations as required of Out-growers and millers. It emerged that most jaggeries in operation are not licensed. Millers contend that KSB should shut them all as the jaggeries are poaching onto contracted farmers. Millers complained of difficulty to recover loans from farmers who took their cane to jaggeries. Farmers claim that jaggeries perform important rescue function for them when they are unable to have the millers' harvest their cane.

3.4 Cross-Cutting Issues

3.4.1 Taxation

Sugar is not classified as basic food and hence attracts Value Added Tax (VAT) currently set at 16 percent. In addition, the sub-sector is financed by the Sugar Development Levy (SDL) initially set at 7 percent but currently reduced to 4 percent. Cess is also levied to facilitate development of the infrastructure.

All the farm inputs such as fertilizers, herbicides and machinery such as boilers and tractors are taxed. Compared to other countries such as India, Sudan and Egypt, Kenya doesn't subsidize cane farmers and hence the cost of production is high which is reflected in the price of sugar. There is a huge outcry from farmers and millers that Kenyan sugar suffers double taxation, i.e. sugar inputs are taxed and then VAT is charged on the final product. It is also claimed that the high price of Kenyan sugar is as a result of this double taxation. It is suggested that sugar be classified as a food item to enable it to be zero rated like maize and other food crops.

3.4.2 Cane transportation, infrastructure, use of cess money

The road network in the sugar belt regions is dilapidated. In Chemelil, Muhoroni and Miwani, the roads have not been repaired and maintained since the inception of the mills. In Sony area, tractors hardly last beyond five years due to the bad terrain. The case of over-mature cane on farms is partly blamed on the bad road network.

Millers are of the view that the cess money which they currently submit to local authorities for the repair of the roads be retained by them (millers), and be used to repair roads. They claim that they deduct the money from farmers and submit to the local authorities but the local authorities do not repair the roads. The government should also move with speed to repair major roads in the sugar belt to reduce cost of transportation.

3.4.3 Land tenure system

Over 80 percent of cane in Kenya is Out-grower based. The continuous subdivision of land particularly in Western province leads to reduced cane-growing area. For example, in the Mumias zone, the average acreage of land under cane per out-grower is 0.6 acres.

It is recommended the Ministry of Agriculture and the Ministry of Lands develop a policy to limit the minimum acreage of land for sub-division in the sugar growing area. In addition, millers should make efforts to group farmers in clusters of reasonable land size to benefit from economies of scale.

3.4.4 Access to loans by farmers

Interviews with farmers indicate that it is difficult for farmers to access loans from the SDF fund. Farmers claim that they are supposed to have an automatic right to borrow money from the SDF as long as they are registered/contracted farmers with millers. Farmers claim that they are now required to produce title deeds in order to access loans. Majority do not have title deeds and therefore are not able to borrow funds. It is also alleged by farmers that KSB has contracted Agricultural Finance Corporation (AFC) Bank to disburse the SDF funds to farmers, which makes it more difficult for sugar farmers to access the funds on typical commercial basis.

It is also reported that KSB takes a very long time to process loan application of Out-grower Companies. For instance, the West Kenya Out-growers Company claims to have received a loan three years from the date of application, and only after lots of lobbying and revision of the amount applied for. Nzoia area, farmers similarly complained that they are yet to receive the loan they applied for over 5 years ago.

3.4.5 Harvesting

Except Mumias Sugar Company, most other mills do not practice reliable harvesting schedules. There is clear lack of harvesting procedure and hence there were widespread complaints of bribery and favouritism in cane harvesting. Incidences of cane fires as a result of over mature cane are rampant in Chemelil and Sony Areas. It was reported that close to 50 percent of the farms had overmature cane.

Farmers underscored lack of extension services form the Ministry of Agriculture as well as other stakeholders in the sub-sector. This led to planting of less productive varieties that are also characterized by long period before maturity.

There is also conflict of interest in cane harvesting. It sufficed that some farmers are also employees of the mills and hence influence harvesting programmes. There are cases of farmers selling their cane through middlemen to expedite harvesting and also to evade loan deductions by millers.

3.4.6 Payment and deductions

The Sugar Act 2001 stipulates the manner in which loan recoveries are supposed to be implemented. Farmers indicated that although interest is only supposed to be charged up to 24 months, they continue to be charged interest even after this period. On loan recoveries, farmers reported violation of 40:40:20 rule.

This implies that the miller should recover 40% on the plant crop and subsequent proportion for the rattoon crop. For these two reasons, farmers indicated that they receive nil payments sometimes when they deliver cane as a result of over deductions. The problem was more prevalent at the Sony and Muhoroni areas.

Some millers have developed a payment schedule for their farmers. The most efficient in payment of farmers is the West Kenya Sugar Company that pays its farmers a week after supplying cane. In Chemelil, farmers reported that they are paid after every one month although there were cases of delays running into two to three months.

Millers retain 15 percent of farmers' income accruing from cane sales and are thus supposed to remit to the Out-grower Companies for disbursement every year. It was reported that millers do not remit this money to the Out-grower for further release to the farmers. For instance, in Nzoia, the farmers complained that Nzoia Sugar Company has not remitted the money for the last 6 years. It is only in Mumias where farmers made a resolution in order to set up a revolving fund for cane development.

3.4.7 Importation of sugar:

It was noted that diversion of sugar destined to other countries into the local market relates to the enforcement of the rules of origin. This is not done stringently to the extent that sugar is concealed as other products such as fertilizers. There is need to enforce rules of origin and verify contents of containers at the Port.

4.0 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

The sugar sub-sector is an important contributor to the national economy. The industry supports directly and indirectly some 6 million Kenyans. Sugar cane growing is also a major source of income to many households. The Sub-sector is regulated primarily by the Ministry of Agriculture through the Kenya Sugar Board.

Growth of the sugar sub-sector is therefore of vital importance to the economic importance of the country. Considerable efforts have been made to promote growth in this sub-sector by government already, but the sub-sector is constrained by poor management and corruption.

In spite of the interest and continuous engagement of the Ministry of Agriculture and concerned stakeholders to attend to the problems identified in the various fora, practical steps to reverse the fortunes of the sub-sector have remained in the realm of discussions and production of documents. Most of the ills of the subsector have rightly been identified in various documents and are well known. The main problem identified in the policy making arena is the delay of decision making and implementation of recommendations by key KSB and the Ministry of Agriculture.

The policy making environment has been found to be very slow and recommendations are ignored by key actors. Key proposals to amend the Sugar Act 2001 include articles that have become difficult to implement such as the issues of weighbridges, payment of farmers according to sucrose content of the cane and the recognition of Out-grower institutions that lacked the capacity to deliver on stipulated mandate, but which continue to borrow huge nonperforming loans on behalf of farmers.

The legal framework is not adequate, the problems have been identified but the law has not been changed to address the problem. As is the case with policymaking environment, the law-making environment is similarly delaying implementation of identified solutions for the sector.

Besides these structural impediments, there is blatant corruption and mismanagement of nearly all the institutions connected to the sugar sub-sector. There are lobby groups for farmers, sugar traders, importers, government official, trade unions and many other interest groups applying pressure to various organs that make decisions on the sector. Corruption and mismanagement of sugar resources is very perverse and affects all the sugar institutions. The primary agency responsible for discipline in the sector, the KSB is part of the problem. It is claimed that KSB is complicit in the corruption that is rife in the sector and therefore lacks the moral authority to fight corruption in the sub-sector. It also lacks managerial competence to supervise the sector.

Other areas where serious corruption is sited in the sub-sector include; the appointment of chief executives of mills, the employment and promotion of staff in the mills, the process of accessing loans from KSB. Mega-corruption is reported to occur between KSB officials, managers of Mills, managers of Outgrower intuitions and Senior Ministry Officials to gain advantage in the distribution of the Sugar Development Levy (SDL). Similarly, corruption and influence peddling is reported in the issuance of licenses for the importation of duty free sugar into the country.

There are also allegations of corruption in the mills, usually perpetrated by chief executives. It is alleged that the mills are unable to produce enough sugar for the country because large amount of the sugar that is manufactured leave the stores of the mills undocumented with the knowledge of senior management and connivance of security officials of factories. The effect of sugar disappearing from the mills means there is less sugar available for sell, hence factories make losses.

It is claimed that KSB officials give loans to Out-grower institutions and factories without performing due diligence. Some Out-grower institutions who are already heavily indebted, and who have no physical assets or capacity to deliver services to farmer continue receiving more loans with the connivance of KSB officials. A case in point is SONY Out-growers Co. ltd, which is now under receivership.

It is also claimed that chief executives of mills obtain loans from KSB for factory repairs but do not carry out the repairs. It is claimed that KSB is aware about this and is complicit in the scheme.

4.2 Recommendations

a) Improve policy making environment

For the sub-sectors problems to receive adequate attention the policy making environment must be purposeful, honest and result oriented. The failure to revive the sub-sector therefore is not due to the absence of engagement but lack of commitment to carry through decisions already made. This responsibility rests with the Ministry of Agriculture and its auxiliary agencies such as Kenya Sugar Board.

It is acknowledged by all stakeholders that the only hope for survival for the subsector lies in privatisation of the factories. The Kenya Sugar Board has been given the responsibility of coordinating the disposal of the government owned mills. The Kenya Sugar Board lacks the technical capacity to effectively manage the sale of the mills.

While, most stakeholders agree that privatization will rid the sub-sector of its current inefficiency, there are grave fears that factories build on billions of tax payers money could be sold out at a fraction of their true values to corrupt industrialist who have no intention of expanding the sub-sector. There are already several controversies regarding the privatization of Miwani and Muhoroni Factories. It is recommended that a body be set up for the effective privatisation of the mills. Privatisation of Mumias Sugar Company is already a good success story for the sub-sector to replicate.

b) Examination of policies, systems, and procedures of the Kenya Sugar Board (KSB)

The KSB has failed sugar farmers. Both farmers and millers are of the view that KSB lacks the vision and competency to manage the industry. There are claims of corruption in the distribution of loan facilities from the Sugar Development Fund to Factories, farmers and Out-grower institutions. It is claimed that KSB officials give loans to Out-grower institutions and factories without performing due diligence. Some Out-grower institutions who are already heavily indebted, and who have no physical assets or capacity to deliver services to farmer continue receiving more loans with the connivance of KSB officials. A case in point is SONY Out-growers Co. ltd, which is now under receivership.

Farmers' representatives and Out-growers who are unable to secure loans from the KSB claim that in order to have their applications attended to and approved, one has to lobby and agree to give some percentage of the loan to KSB officers.

It is also claimed that chief executives of mills obtain loans from KSB for factory repairs but do not carry out the repairs. In Chemelil, farmers' representatives claimed that the factory breaks down frequently because management often buys sub-standard spare parts - on loans obtained from KSB. They claim KSB is aware about this and is complicit in the scheme.

It is recommended that a thorough examination of policies, systems, and procedures of the Kenya Sugar Board (KSB) and its auxiliary agencies be carried out by KACC to identify opportunities and loopholes for corruption and economic crime and recommend appropriate measure for sealing such loopholes and improving corporate governance.

c) Allegation of preferential treatment of some sugar importers

It is claimed by boards of the millers and KSB officials that interference by politicians and senior officers in the Ministries of Agriculture and Finance are to blame for mismanagement of duty free importation of sugar into the country. It is alleged that, senior government officials from those ministries have their favoured importers. Hence when the importation window is opened, sugar barons use political influences to obtain the import licenses. Once duty free importation starts, local distributors stop buying sugar from the local mills. Some factories actually close down production until the excess sugar has been mobbed out of the market. During these times, both cane farmers and local factories suffer large losses, as they have to pay salaries and other costs when there is no production.

There is also allegation of collusion between KRA officials at the port of Mombassa and Sugar importers to disguise containers containing imported sugar as if they were fertilizers or other zero rated commodities to evade taxation. These corruption allegations should be addressed by the Ministry of Finance and Kenya Anti-corruption Commission. Furthermore, a thorough systems audit and investigations should be undertaken of the licensed sugar importers to determine their credibility, integrity and ethics among others.

d) Corruption allegations at the mills (factories)

Representatives of cane farmers and board members of the sugar mills point to serious corruption perpetrated by chief-executives of the mills and it is recommended that the following incidences be investigated:

i) It is alleged that the mills are unable to produce enough sugar for the country because large amount of sugar that is manufactured leave the stores of the mills undocumented with the knowledge of senior management and connivance of security officials of factories. This was cited by farmers' representatives in Nzoia Sugar Company and Sony Sugar Companies and also confirmed by other Out-grower institutions as common practice across most mills;

ii) There are also claims of collusion between the sugar distributors and senior officials of mills to give undocumented credit advances to selected distributors. There is also laxity in collecting sales proceeds from buyers, in order to earn interest and kickbacks for sales officials.

iii) Nearly all mills operate below their crushing capacity and there is massive amount of contracted cane that is not harvested on time. This drives farmers to bribe officials responsible for harvesting programmes at the mills, cane transporters and officials of Out-grower institutions. In some instances, farmers resort to burning their own cane in order to force the mills to harvest their cane.

These claims need to be thoroughly investigated and action taken against the corrupt individuals.

e) Address management and accountability structures of all mills

It is important for the appointment of factory managers and officials of KSB is based on merit and professionalism. Many chief executives have been appointed based on political patronage. All management contracts in the sugar industry should be reviewed and redrafted with stringent performance criteria. Management contracts will only be effective and efficient if backed with long-term government commitment to restructuring the sugar industry.

It is also recommended that the factories adopt open accounting systems of all mills providing accurate data on financial systems in use to public for scrutiny. It is imperative that independent audits be carried out for all mills and procurement and tendering systems monitored to ensure they conform to the government procurement and disposal regulations. It is also recommended that the debt portfolio of each factory be analysed before the mills are privatised. This will enable a cleaning of balance sheets of mills and identification of bad debts that need to be written off and those that can be recovered. Once analysis of bad debts is complete then it will be possible to determine what budgetary support is required.

f) Review of the Sugar Act 2001

There is no doubt that the Sugar Act 2001 requires some amendments, and they have ably been pointed out by various stakeholders. The proposals in the Sessional Paper should be used to guide the needed amendments rather than dwelling on the few impractical provisions in the Act to procrastinate.

g) Streamline the role of Out-Grower institutions

Out-grower institutions are supposed to provide important services both to farmers and millers. Unfortunately most Out-grower Institutions have failed to perform their functions as envisaged in the Sugar Act 2001. It is therefore recommended that all OGIs be investigated and majority of them overhauled. Independent audits and assessment of OGIs is urgently required.

Out of the 14 Out-Grower Institutions visited, only 3 had semblance of serious business operations. The three are Mumias Out-growers Co Ltd, Chemelil Out-Grower Company and West Kenya Sugar Out-growers Company. All the rest are simply not solvent. However, they appear to attract large loans from KSB and have loans way above their capacity to pay back. It is alleged that most Outgrowers are run by close family members and farmers' can't obtain financial information from the managers. Some Out-grower institutions have stopped performing their mandate as required under the Sugar Act 2001, and have become private cane transporters, thereby disenfranchising their primary stakeholders, the farmers.

It is recommended that the books of accounts of all Out-grower institutions be investigated to protect farmers' interest in the Sugar Development Fund (SDF). This has to be done urgently, ahead of the privatisations of the sugar mills.

h) Administration of cess money

It is recommended that the cess tax levied on farmers be retained by the millers and used in full to maintain the feeder road networks in their zones. The government should also move with speed to ensure the main roads passing through the sugar belt regions are rehabilitated.

i) Review of land tenure system

The land tenure system in the cane growing areas needs to be reviewed. It is recommended that the Ministries of Agriculture and Lands develop a policy to limit the minimum acreage of land for sub-division.

j) Expand extension services

Farmers underscored lack of extension services from the Ministry of Agriculture as well as other stakeholders in the sub-sector. This they complained, led to planting of less productive varieties that are also characterized by long period before maturity. The ministry of Agriculture should allocate personnel and resources to provide needed extension services.

k) Transparency of factories:

When privatized, all factories should be governed strictly by the Companies Act which makes it mandatory for the companies to publish their accounts. Otherwise all government owned sugar factories and millers are governed by the State Corporations Act which is not clear on publications of accounts. Recent trends indicate that some state corporations are publishing their accounts when giving account of their activities and finances in their annual reports. The research team needs to clarify this position further.

REFERENCES

Action Aid International (2005); Impact of Sugar import surges on Kenya

COMESA report on the Kenya Sugar Sector Safeguard; Assessment mission, Lusaka June 2007

Daily Nation Newspapers, March 18. 2007, p6.

Government of Kenya, Ministry of Agriculture. **'Report of the Task force on the Sugar Industry Crisis'**. July 2003.

Kenya Sugar Board (KSB) Investment Guide, 2006

_______ Kenya Sugar Industry Strategy, 2004-2009

_______ Sugar Development Fund, Financial statement 2006.

________Strategic Plan, 2007-2012.

Republic of Kenya, Ministry of Agriculture; **Proceedings of the National Sugar Conference,** Kenya School of Monitory Studies, April 2004.

_______Ministry of Agriculture **Sessional Paper of 2006 on 'Revitalisation of the Sugar Industry'**, February 2006

The Sugar Act 2001, Kenya Gazette Supplement, January 2002.

SUCCAM; Poverty and Challenges in the Sugar Industry.

Mauro, Paolo. (1997).**The Effects of Corruption on Growth, Investment and Government Expenditure of Corruption and the Global Economy,** edited by K. Elliot, 83–108.

OECD (2005). **A Policy Framework for Investment: Public Governance**, Background information in support of the Global Forum on International Investment "Putting the Policy Framework for Investment into Action" Hosted by the Government of Brazil in Partnership with the World Bank.

Otieno-Odek, Kegode P. & Ochola S. (2003). **The Challenges and Way Forward for the Sugar sub-sector in Kenya**, Published by Friedrich Ebert Stiftung.

Sserunkuma S. R. & Kimera R. H. (2006), **Impact of EU Sugar Trade on Developing Countries – Kenya Uganda and Tanzania,** Published by German Watch.

Notes:

Notes:

Notes:

Head quarters
Integrity Centre
Milimani, Valley Road Junction
P.O. Box 61130 – 00200, Nairobi, Kenya
Tel: +254 020 2717318 / 310722
Fax: +254 020 2719757
Hot Fax: +254 020 2717473
Hot Line: +254 020 2717468
Mobile: +254 727285663 / +254 733520641
Email: kacc@integrity.go.ke
Website: www.kacc.go.ke

Mombasa Office
Apollo Court
Moi Avenue
P.O. Box 82351 – 80100, Mombasa, Kenya
Tel: +254 041 2319081 / 2319082
Fax: +254 041 2319083
Mobile: +254 710768706 / +254 710600308