KENANA

KINGDOM OF GREEN GOLD

GRAND MULTINATIONAL VENTURE IN THE DESERT OF SUDAN




Osman A. El Nazir and Govind D. Desai

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Osman A. El Nazir and Govind D. Desai

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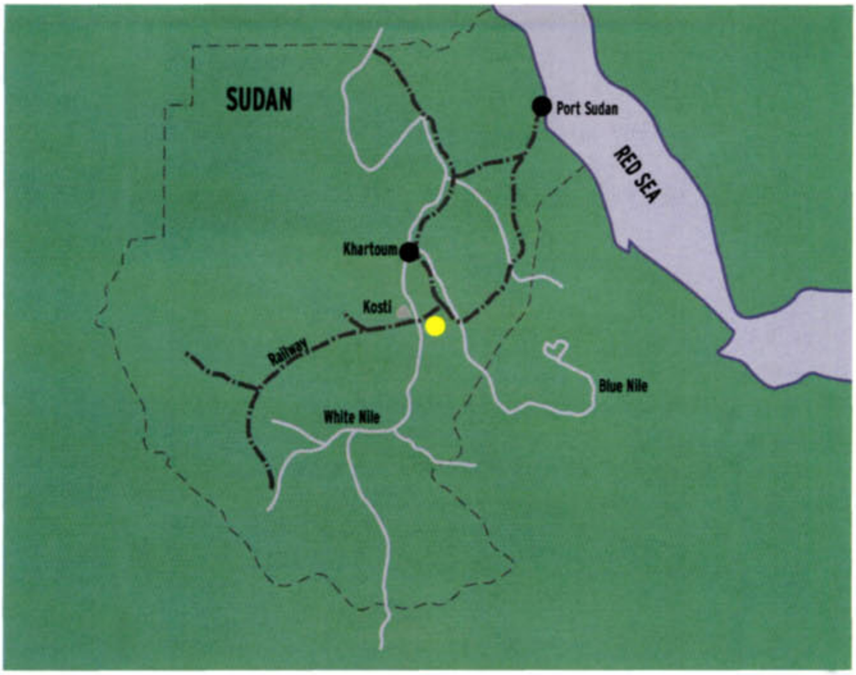
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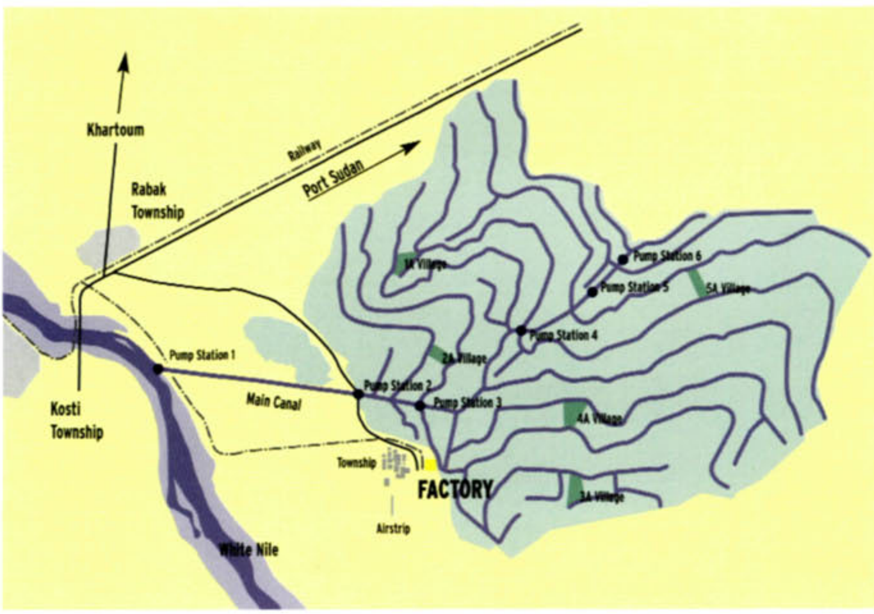
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FOREWORD

H. E. Badr Ed Din Mohammed Ahmed Sulieman, Minister of Industry, of Sudan and Chairman of Kenana Sugar Company Limited

I hold it an honour and a privilege to have been asked to contribute a brief foreword to *Kenana - Kingdom of Green Gold*. Although my appointment as Chairman of the Kenana Sugar Company Limited is of relatively recent standing, as coincidence would have it, I happened to occupy my present ministerial office at the time of Kenana's inception almost twenty-four years ago and was personally involved in the implementation of a number of important governmental concessions that have contributed in no small measure to the success of the Kenana project.

Kenana did not come about easily. It was surrounded by controversy and difficulties from the day the concept of establishing the Kenana project was first actively pursued. The prelude to Kenana's incorporation was long and protracted, and indeed for some time there was a grave danger of abandoning the project altogether. Accordingly, there was much rejoicing and not a little relief when, on 11 March 1975, Kenana, it's viability still dubious, was finally incorporated. Today, having survived turbulent and difficult initial years, Kenana has attained a healthy status within the world sugar industry.

The Kenana concept aimed to combine Western expertise, Arab financial resources and Sudan's natural resources of sun, fertile soil and plentiful water for irrigation purposes in the creation of a mega-agro-industrial project, bringing to the host country the advantages of large-scale job creation, transfer of advance technology and import substitution. The sheer size of the project, however, allied to Sudan's limited infrastructure and the remoteness of the chosen site from the country's only seaport, fuelled controversy, with negative comment the order of the day as far as the world's financial press was concerned. With the benefit of hindsight many of the reservations expressed were probably justified but, fortunately for Sudan, the dogged determination of the scheme's promoters was more than matched by the enthusiasm and dedication of the Kenana Board, Executive Committee and a small batch of senior managers. Before long, with Kuwait and Saudi Arabia providing additional finance, the Kenana juggernaut's momentum was all but unstoppable and, by 1980/81, the construction phase was over and Kenana was in commercial production.

Much has been made of the project's capital cost overrun, but the effects of the following should be taken into account:

- mid-seventies world inflation directly attributable to the OPEC oil price hikes following the Arab-Israeli war of 1973;
- the finance-related limitation of factory procurement to France and Japan, with consequent loss of the price benefits inherent in worldwide competitive bidding.

The significant cost overrun is then greatly diminished, clouding into insignificance when compared to such recent European debacles as Eurodisney and the Channel Tunnel, where advanced technology and sophisticated management techniques were readily available.

It is a tribute to a dedicated and innovative management team that, following its notable successes in the crop years 1984/85 through 1986/87, Kenana continued to operate profitably at around 90 percent of design capacity despite a number of crippling constraints. It would appear that plans (facilitated by Kenana's freedom to export all production in excess of Sudan Government's contractual quota of 150,000 metric tons per annum) designed to achieve on a regular basis annual production levels in excess of the 300,000 metric tons upon which the project was predicated, are now coming to fruition, as evidenced by the 1996/97 and 1997/98 crops which exceeded the project's design capacity by a massive 33,000 metric tons (11 percent) and 56,000 metric tons (18.7 percent) respectively, the latter producing an all-time record of 357,000 metric tons of sugar.

In the present global economic climate it seems that the day of the Third World mega-project may have gone never to return, leaving Kenana (far from being the white elephant or dinosaur that it was variously described as) to stand alone as a shining example of what can be achieved by grit, determination and, above all, international co-operation.

Khartoum
September 1998
Badr Ed Din M. A. Sulieman

Footnote: Traditionally Sudan's Minister of Industry assumes the chairmanship of the Kenana Board. In this regard Dr Abdel Halim Ismaeil El Mutaafi, ex-Governor of White Nile Province, was appointed Minister for National Industry and Investment (on 25 January 2000) prior to publication.

PREFACE

'If Allah bestows oil upon us, it will not be a substitute for agriculture, but just a tool, a means for development and for transforming Sudan into a green paradise that feeds its own people and the rest of the world. Even if the black gold of oil flows on top of our soil like rivers, it will be used mainly to help the flourishing growth of green gold on our farms . . . I see Kenana as a signpost to our country's future wealth.'

H. E. Gaafar M. Nimeiri, President of the Sudan, 3 March 1981

'Kenana Sugar Project – a bold venture wins through.'

Heading of three-page article published on 27 February 1981, Financial Times, London

'In less than four years the world's largest integrated sugar project was built in a roadless desert. A stunning agricultural success . . . a mass of verdant green surrounded by the lifeless browns of the desert . . . and the factory at night stands out like some space-age monster.'

Dr R. B. A. Wilson and Tony Doran in Agribusiness Worldwide, July 1980

'In a departure from our normal editorial policy, we are devoting this entire issue to one subject – the vast project in Sudan known as Kenana. It is the largest single undertaking ever attempted in the long and dramatic history of the sugar industry.'

Donald K. Luke, Chief Editor, Sugar Y Azucar, international sugar industry magazine, February 1981

The Kenana factory was officially inaugurated on 3 March 1981 by the President of Sudan amidst a blaze of publicity. From the time the concept was unveiled in 1972, the scheme for the creation of a mega-sugar project in Sudan attracted more adverse comment than any contemporary international project. Western media predicted doom and gloom, generally enjoying a field day as the scheme's promoters encountered a series of daunting obstacles and setbacks in the long run-up to Kenana's incorporation.

It is well known that Kenana was the brain-child of former President Nimeiri of Sudan; Dr Khalil Osman Mahmoud (mercurial Sudanese businessman); and Roland Walter ('Tiny') Rowland, then the entrepreneurial Chief Executive of Lonrho, which was one of the most controversial companies in the City of London at the time. The British Prime Minister, the Rt. Hon. Edward Heath, had Lonrho in mind when in the mid-seventies he spoke of 'the unacceptable face of capitalism'. With such parentage, the infant Kenana could hardly expect to enjoy a conventional upbringing and, but for the financial participation of the Kuwait and Saudi Arabian governments, Kenana would scarcely have progressed beyond the drawing board stage.

Kenana has proved to be a shining example of the benefits of international co-operation, combining Arab finance, Western technology and the natural resources of the developing world.

The scale of the project was colossal and so were the problems right from day one, not only in sourcing adequate finance, but also with the operation itself. Newspapers claimed that the factory would never produce sugar, or that the project could not be completed before 1984, a view shared by some of Kenana's early expatriate managers. Capital costs escalated from the [1]$125 million of the feasibility study to $700 million. Things went sour and eventually Lonrho had to bow out of project management in the midst of the construction phase.

By that time, however, the project had received the full backing of the major shareholders Government of Sudan, the State of Kuwait and the Kingdom of Saudi Arabia, who had given a firm indication of financial support. Fortunately for Kenana, the co-operation of the latter two governments rescued the project from its impending collapse and with the promise of sufficient funding, Kenana was by now a juggernaut which could not be stopped, given the drive and determination of those

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[1] $ = US dollar

directly involved in bringing it to fruition. This is the story of how it happened.

The idea to have the Kenana story written was originally mooted in 1982 by Dr Faisal Al-Kazemi (a board member representing the Government of Kuwait) and Sheikh Hassan Belail (board member and Governor of the Bank of Sudan). Sheikh Belail agreed to undertake the actual writing and was promised the full support of Mohamed Beshir El Wagie (by then appointed Minister of Industry on the back of four-and-a-half years' distinguished service as Kenana's Managing Director). Sadly, Sheikh Belail died before any meaningful attempt could be made on the task of collecting and collating the myriad material necessary for such an undertaking.

In the mid-1990s the concept was revived. The Kenana story was intended to give an insight into the effort and dedication that went into creating, against all the odds, the world's largest integrated sugar complex in an arduous sub-Saharan environment, an outstanding achievement that might inspire (and perhaps even enlighten) others contemplating the construction of a mega-project in the Developing World. The Kenana story would be a magnum opus involving the location, detailed examination and collation of material from corporate and other documents stretching back over a period of some twenty-five years – a daunting task indeed – and it was therefore decided that the writing of the book should be a joint effort.

The first co-author, Osman El Nazir, has been involved in the project since 1973, initially as a representative of Sudan's Ministry of Finance, then as a board member from mid-1975, and as Deputy Managing Director (1977–79), when he was appointed State Minister of Finance in Sudan Government. From 1981 to date, effectively Kenana's entire commercial production phase, Osman El Nazir has directed Kenana's multifaceted affairs as its Managing Director, and seen Kenana grow from an infant industry, staggering for survival, into a healthy giant with established overseas markets and an established niche in the world's sugar industry.

The second co-author, G. D. Desai, who had been associated with a Lonrho group company in Zambia since 1969, was invited in February 1975 to join Lonrho's team managing the Kenana project. After completing his commitments as Financial Controller of the National Transport Corporation of Zambia, he joined Kenana in August 1975, taking up the position of Chief Accountant and later, in 1981, becoming Financial Controller through to March 1994.

Progress on writing the Kenana story was initially rather slow but was speeded up considerably with the appointment of the present Kenana Chairman, H. E. Badr Ed Din Sulieman (Sudan's Minister of Industry). He was not unacquainted with Kenana, having stood steadfastly behind the project during its formative years in the mid-1970s (during an earlier spell as Minister of Industry) when he lent his active support to resolve a number of teething difficulties. His support and encouragement in the writing of this book are gratefully acknowledged.

Identification of an able editor was a prerequisite for a venture of this nature and, from the many suggestions put forward, the late Richard Hall (author of *Lovers on the Nile* and *My Life with Tiny*) was considered outstanding. Dick Hall's c.v. included the editorship of the *Times of Zambia* and the *African Mail*, in addition to which he had been African Editor for the *Observer* and had written for a number of other renowned international publications. His previous association with economic and political developments in Africa gave him a significant edge, so when his name was put before the Kenana board it was readily approved. Dick happily agreed to be associated with the Kenana story and, in his enthusiasm to absorb as much background material as possible, visited both Khartoum and the Kenana site where he conducted interviews with key personnel, a professional approach that was greatly appreciated. Regrettably, Dick Hall, who died on 14 November 1997 after a very brief illness, did not live to see this volume published.

Thereafter editorial responsibility was assumed by R.E. McIlvride who had worked for Lonhro group companies in Africa from 1968, including secondment to the Sudan from late 1972 throughout the feasibility study phase of the Kenana project, subsequently becoming Kenana's first Company Secretary, a position he filled with distinction until March 1994, gaining in the process a unique insight into the multifaceted problems, and indeed crises, encountered and duly overcome *en route* to fulfilment of the Kenana dream.

With Arab governments constituting Kenana's major shareholders and much of its loan finance emanating from Arab sources, it was clearly desirable that an Arabic language version of the book be produced contemporaneously with the English language edition. The necessary translation work was expertly carried out, within a tight timescale, by Dr. Mohamed Nuri El Amin and Professor Abdalla El Tayeb, respectively of the Political Science Department and the Department of Arabic Language at the University of Khartoum, ably assisted by Fareed O. Medani who took over the position of Company Secretary.

Many dignitaries, colleagues, friends and acquaintances have either contributed material or given freely of their time to discuss their individual roles and recall contemporary incidents during Kenana's formative years. Much of the data garnered have of necessity (and with due apologies to the contributors) been heavily pruned or discarded in the writing of this volume, since enough raw material was collected to produce a small library of books. It is impossible to mention individually all who have contributed, since the list would be much too long, but it would be remiss of us not to place on record our sincere thanks to the Kenana board who sanctioned this venture and our appreciation of those directors who have shown an ongoing interest in the story as it evolved, especially Badr El Din Sulieman, Chairman, Mousa Abou Taleb, Deputy Chairman, Abdulla Ibrahim Al-Ayadhi, Director offering constructive criticism, suggestions and, above all, encouragement. Particular mention should also be made of the contributions of: Mohamed Beshir El Wagie and Dr Beshir Abbadi (respectively Managing Director and Chairman of Kenana during the bulk of its construction phase); R. E. McIlvride (long-serving Company Secretary and our colleague for the past twenty-two years); Ron Colley; Andrew Macaulay; Andrew Armfelt; Tigani El Karib and Francis Schaffer (each of whom not only played pivotal roles in Kenana's success, but also found time subsequently in their busy schedules to participate in bringing this book to fruition, providing many 'missing links' in the process). We are grateful to them and also to Kalpana Desai for providing anecdotal information about life on the Kenana Estate, without which the story would have been incomplete.

Our thanks also to AfriCosmos, London, and the staff of Kenana's London Office for repeatedly retyping the text, time-consuming work invariably carried out with enthusiasm and a ready smile.

Finally we would like to acknowledge the humour and artistic talents of Kenana's first Central Workshops Manager, W. H. (Bill) Sharpe, who somehow found time despite the pressures of the project's construction phase to double as its resident cartoonist, whose cartoons appear in this book.

At the suggestion of Dick Hall we approached the prestigious publisher, Kegan Paul International of London, with the Kenana story and would like to place on record our gratitude to Peter Hopkins, its Chairman and Managing Director, who accepted the story for publishing.

Osman El Nazir
Govind D. Desai
September 1998

Note on Osman Abdalla El Nazir

I would be failing in my duty if I did not record here the valuable contribution made by Osman El Nazir to the success of Kenana project right from the outset. He has degrees from the prestigious Delhi School of Economics and from Glasgow University. When Kenana was in its formative stage, Osman El Nazir was Director of Economics in Sudan's Ministry of Finance, and was very close to the Minister. He actively supported the project from the beginning, knowing Kenana's potential importance to the national economy, both directly and as a catalyst for attracting international investment to Sudan. As a representative of the Sudan Government he attended almost all the meetings with Lonrho and assisted in resolving some of the problems that arose amongst Kenana's founder members during early negotiations. In 1975 he put together in record time the initial $50 million loan from the Sudan Government upon which Kenana's initial funding depended, thereby triggering financing from the other shareholders. Osman El Nazir subsequently took every available opportunity to make personal contact with the relevant authorities in the governments of Kuwait and Saudi Arabia, and played a significant part in persuading them to join Kenana as shareholders. Recognising Osman El Nazir's contribution towards Kenana's formation, Mamoun Beheiry, Minister of Finance, appointed him to Kenana's board in 1975.

After termination of the existing management contract by Kenana's board and the subsequent departure of Lonrho's management team in May 1977, Osman El Nazir was appointed as Deputy Managing Director. From 1979 to 1981 he was recalled by the President of Sudan to take up the portfolio of State Minister of Finance. In this capacity, Osman El Nazir helped Kenana immensely at a time when it needed bridging finance for its operation, and subsequently in getting Kenana's foreign currency loans rescheduled in Paris Club meetings.

Osman El Nazir was back with Kenana in 1981 as Managing Director, just when both financial and management expertise, not to mention political finesse, were most needed. He is still doing a unique job as Kenana's Managing Director, and a lion's share of credit also goes to him for Kenana's achievements during its production era.

I am fortunate to have been associated with Osman El Nazir in career terms as well as in writing this book and remain thankful to him for his support and guidance.

Govind D. Desai
September 1998

PROLOGUE

No matter where it was built, the intended scale of Kenana –production of 300,000 tonnes of refined sugar a year from the harvest of more than 34,000 hectares (80,000 feddans) of irrigated land – would have constituted a landmark in the history of agro-industrial projects. However, the world's largest integrated sugar project, a stunning agricultural success of special significance, was constructed in less than four years, despite searing heat, in an undeveloped area some 1,200 km from the nearest seaport. To make it work close to (and on occasions beyond) its designed capacity has been a triumph of dedication and effort.

Kenana imposes an iron discipline on all involved in its operational processes, as clearly demonstrated by one simple statistic: during the long harvesting season of 150 or 160 days, 20-tonne trucks carrying freshly-cut cane have to arrive at the factory at the rate of one every 90 seconds, day and night, around the clock, seven days a week. This calls for military-style precision achieved by computers and human skills at many levels, which combine to make Kenana one of the lowest-cost sugar producing companies in the world.

Each annual harvest is tightly interlocked with the next. If cane planting does not start exactly on time, it has a knock-on effect on subsequent ratooning and replanting activities and if that happens, the tonnage of the next crop will be seriously reduced. In the face of countless difficulties, mostly out side their control, Kenana's key executives have faced up to the task in commendable fashion, season after season.

The concept of Kenana first saw light in the early 1970s and was translated into reality in the face of great difficulties, notably double-digit inflation in the industrialised world following OPEC's dramatic increase in oil prices post 1973.

Kenana was a grandiose idea, and needed big money for its realisation. The concept originated in the minds of Gaafar Mohamed Nimeiri, then President of Sudan; the entrepreneur Roland 'Tiny' Rowland, Chief Executive of the Lonrho conglomerate; and Dr Khalil Osman, a Sudanese entrepreneur representing Kuwait's Gulf International group of companies in Sudan. In the 1960s, European colonial empires in Africa were disintegrating and there was a flight of capital to places with a more predictable future. If Rowland was not the first to say it, he would have been the first to endorse the saying that 'you must speculate to accumulate' and the network of Lonrho's investments in Africa spread quickly, as he bought up what others were glad to sell at bargain prices. Not least amongst Lonrho's fields of investment and expertise was sugar production. President Nimeiri and Rowland became partners in a joint venture, which broke new ground in socialist Sudan.

Sudan stands at the meeting point of Africa and Arabia. Two great rivers run through its central area, the White Nile and the Blue Nile, with their associated rich clay soils. The sweet-toothed millions of Sudan itself and the nearby Arab states provided ready markets for vast amounts of sugar. Rowland could see the prospect of an unbeatable combination: Western technology, Arab finance and Sudan's climate, soil and water, plus willing support from its head of state.

Despite Lonrho's well-reasoned, detailed and optimistic feasibility study, Kenana struggled for acceptance as a practical (albeit difficult) proposition. The export credit agencies of Western European governments found it difficult to accept the viability of so vast a project in so uncertain an environment. The assassination in 1973 of the US Ambassador in Khartoum by Palestinian gunmen, and their subsequent release from prison, led to the withdrawal by US Exim Bank of any possibility of financial support for the huge amounts of equipment needed for Kenana. Britain, the former colonial power, through its Export Credits Guarantee Department, warily sought to impose unacceptably onerous terms.

In the end, France and Japan put up the money for the factory equipment, demonstrating a welcome confidence, although in consequence Kenana lost the valuable advantage of competitive worldwide tenders.

On 1 January 1976, the ship Alpha Conveyor docked at Port Sudan and from her holds emerged the huge earth-moving machines which would construct the vast network of irrigation canals and prepare the ground for Kenana's green revolution. Apart from the powerful irrigation pumps, provided by Austria on export credit terms, estate development was to be paid for from Kenana's own resources. Equity contributions, already raised from [2]£(S)10 million to £(S)20 million, were doubled in April 1976 to £(S)40 million. Costs continued to rise alarmingly in the wake of severe inflation caused by escalating fuel prices, and a new source of finance had to be found if Kenana was not to become a mirage shimmering in the bright sunlight of its founders' hopes. In a radical change of policy, the Government of Kuwait was asked to take part in the equity and loan financing of the scheme. This solution fulfilled one aspect of the triple strategy – Arab finance.

Development of the estate and factory continued relentlessly despite difficulties of many kinds. General Managers were hired and fired before their names had been memorised, and the style of project management was autocratic, the site being run like a stalag prison. The consultants were American, the engineers were French, the contractors were British and Kenana's Factory Manager was German. None believed in the others' technological skill and efficiency, and few believed that the plant would ever produce large quantities of refined sugar. Eventually, by Herculean efforts, Kenana produced its first bag of sugar at about midnight on 1 March 1980, and the total processed in the last few weeks of the 1979/80 crop season was 19,000 tonnes. A year later, when the second phase of the factory was in operation, production went up to 107,000 tonnes. In 1984/85, Kenana produced 306,000 tonnes – 6,000 tonnes above design capacity – despite operational difficulties caused by a severe shortage of foreign exchange, with production peaking two years later at 310,000 tonnes before falling back to an average of around 250,000 tonnes over the next few years as constraints in the economic environment took their inevitable toll.

The Sugar Sales Agreement signed with Sudan Government in 1975 contained two crucial safeguards for Kenana, without which the founder shareholders were not prepared to put up the risk capital for such a mammoth and uncertain undertaking:

- Sudan Government undertook to purchase 150,000 tonnes of sugar annually for local currency at a 'formula price'. This price was designed to cover the bulk of the costs of the year's

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2 £(S) = Sudanese pound

total production, excluding interest charges, depreciation and extraordinary costs.

– Kenana was to be permitted to export all annual sugar production in excess of the 150,000 tonne domestic quota and indeed Sudan Government was obliged to facilitate such export.

The first of these provisions was intended to ensure that Kenana's domestic receipts were adequate to cover its local currency operating costs at all times, while the second would provide the foreign currency element of its operating costs, service foreign currency loans, fund capital replacement programmes as necessary, and hopefully permit payment of dividends to shareholders. In the event, financial and other considerations prevented Sudan Government from meeting its obligations fully in terms of these provisions.

Meanwhile sugar production levels at the four government-owned sugar factories in Sudan had gone into serious decline and, despite the annual 150,000 tonnes from Kenana, the country's production of sugar remained insufficient to meet the demands of its sweet-toothed populace. It would have been politically unacceptable, particularly at a time when the country's transport resources were under great strain, to transport thousands of tonnes of Kenana sugar to Port Sudan for physical export while simultaneously importing, and trucking from Port Sudan to the hinterland, enormous tonnages of that selfsame commodity. Accordingly, an accommodation was reached whereby Sudan Government uplifted Kenana's entire production and agreed to pay in US dollars for all production in excess of its annual 150,000 tonne domestic quota at a price based on the London market price with an 'add on' for notional shipping and transport costs, an arrangement that should have operated to Kenana's material advantage, but regrettably these pseudo-export proceeds did not materialise in full.

In the event, Kenana did not enjoy its 'absolute and unrestricted right' to export its surplus production until 1991, and was in consequence unable to maintain the high standards of maintenance and replacement of equipment vital to keep output consistently at or near design capacity. Under the circumstances, the level of output maintained by Kenana well into the 1990s is regarded by international sugar experts as a near-miraculous feat.

Such imposed financial handicaps have been painful in the extreme for Kenana's management since the early production years. Kenana made its first small profit in 1984/85 and its chairman, Abdel Aziz Osman Musa, said in his annual statement: 'By any standard, the Kenana project has proved to be an outstanding technical success and one of which the Sudanese people may justifiably feel proud. The immediate priority must now be to consolidate on the attainment this year of operational profitability as a first step towards long-term commercial viability, which will be no easy task against a background of prevailing fuel shortages, significant domestic inflation, successive devaluations of the Sudanese pound and a world sugar price which, despite a recent upturn, continues in the doldrums.'

In March 1989, the new Chairman, Dr Abdel Wahab Osman, commented to shareholders that if production of 265,000 tonnes was 'mildly disappointing', it was only so in the light of the previous three years in which an average production of 303,000 tonnes had been achieved, (exceeding the design capacity of the plant). The former had been produced in the face of ever more stringent foreign currency constraints, adverse climatic conditions which lowered cane quality, and industrial unrest as the real value of wages was eroded by inflation.

Throughout the 1980s and early 1990s, Kenana continued to struggle against difficulties arising from shortages of the foreign currency vital for plant and machinery maintenance and replacement, as well as for production 'inputs', in addition to which non-receipt of full contractual price for domestic sugar quota was also taking its toll. The year 1991 saw a historic breakthrough, when after continuous representations by the Kenana board, the Minister of Finance agreed to award Kenana the full formula price for the sale of the annual domestic sugar quota of 150,000 metric tons. Though the local currency problem was resolved *pro tem.*, still the foreign currency shortage continued. In 1993, after vigorous persuasion by the Kenana board, Sudan Government finally agreed to allow Kenana to exercise its unrestricted right to export, or make its own arrangements for disposal of, annual production of sugar in excess of 150,000 metric tons. For the first time the bulk of export quota production could be physically exported, thus securing a foreign currency lifeline, and the outstanding quality of Kenana sugar won high praise from international buyers.

Kenana's dynamic management has, with the wholehearted approval of the board, now embarked upon an expansion programme to boost annual sugar production to more than 300,000 tonnes on a regular basis, while simultaneously diversifying the product range. A measure of its success in pursuit of this objective is to be found in the 1996/97 and 1997/98 production figures of 333,000 and 357,000 tonnes respectively, and while nothing is certain in agriculture, the indications are that Kenana is embarked upon on an exciting new phase in its development that will bring enhanced returns into the next millennium.

In the closing remarks of the twenty-first Annual General Meeting of Kenana's shareholders held in April 1998:

– Badr Al-Garalla representing Government of State of Kuwait said that the Company's achievements in recent years restored hopes in Arab countries for joint ventures which they had lost in most of Arab joint ventures elsewhere but for the spectacular achievements of Kenana.

– Mansour Al Miman representative of Government of Kingdom of Saudi Arabia applauded Kenana's successful efforts in year to year increase in production strengthening its financial position.

– Dr Salih Al Humaidan, Managing Director of the Arab Investment Co. S.A.A. expressed his appreciation of Government of Sudan's wholehearted support to Kenana Project throughout its life and of efforts of Kenana's Board Members and its Managing Director for the successive achievements of record production of sugar having regard to difficult situation in the region.

At long last, Kenana has achieved its goal of becoming a major producer and exporter of sugar, fully able to compete in world markets. This book celebrates that achievement. It describes in detail the many stages of the struggle, briefly touched upon in this prologue, to make Kenana the 'green gold' of which all who have been involved over the years can feel justifiably proud.

PART I

THE KENANA STORY

CHAPTER ONE

THE EARLY YEARS

By the start of the 1970s, the Lonrho entrepreneur Roland Walter ('Tiny') Rowland was looking for ways of expanding his Lonhro conglomerate beyond its unspectacular beginnings in Central Africa and its first successful foray into Europe under his leadership. The inspiration came from a personal friend, and director of Gulf International WLL, Kuwait (which subsequently became a shareholder in Lonrho) Dr Khalil Osman Mahmoud. He was a Sudanese who had made his fortune in Kuwait and become close to the Kuwaiti royal family. He had established with Sheikh Nasser Al Sabah and his brother Sheikh Hamed, two nephews of the ruler, a powerful investment company, Gulf International, of which he was Managing Director. Gulf, which has no connection with the US oil giant, had interests worldwide in Nigeria, Liberia, Lebanon, Somalia, Malagasy, Australia and the United States of America.

Dr Khalil returned to Khartoum at the age of thirty-nine to build a business empire and establish himself as a foreign investment adviser to the President General Gaafar Mohamed Nimeiri, who had led a broadly-based left-wing coup in 1969. The Nimeiri administration gradually dissociated itself from its left-wing allies, and discreet initiatives were taken towards a restoration of good relations with the West – and particularly with Britain, the former colonial power, British aid having been halted after British banks and other interests in Sudan were nationalised in 1971.

In those early days, when Sudan was trying to rebuild bridges with Western business interests, Rowland flew to Khartoum at the behest of

Dr Khalil who arranged a meeting with the President. The subject of a sugar factory was never broached. Rowland's aim was simply to do some flag-waving in Sudan, which he saw as a stepping stone to the lucrative markets of the Gulf states.

Sudan itself had more possibilities than Rowland had at first assumed. A long list of investment projects was put forward by Nimeiri's advisers, but Rowland's eyes first fell on the textile industry, as he had noticed how successful Dr Khalil's Gulf International was in this field. 'God, this is vast,' Rowland is said to have exclaimed when he realised the potential for textiles. The cotton produced in the fertile Gezira was among the world's finest and Rowland was astounded that the country was then spending £(S)26.5 million a year – 21 per cent of its import bill – on buying textiles and cotton articles.

Nimeiri had more immediate plans. His grandiose idea was to make Sudan into the 'Arab's Breadbasket'. Given Sudan's agricultural potential on account of the immense irrigation resources of the Nile, it had long been argued that the country could not only feed itself but also much of the Arab world. One area in which this could be achieved, it was reasoned, was through creating a vast sugar industry.

In Sudan's earlier five-year plan, the Soviet experts argued that Sudan should extend its long staple cotton production and refrain from making any new sugar projects, or even from trying to develop the existing two sugar factories. It was clear, of course, that the extension of the long staple cotton scheme suited Russian interests, in addition to which Moscow purchased sugar from Cuba on a barter basis and sold it on to developing countries like Sudan for hard currency, creating a guaranteed market they did not want to lose. Consequently, sugar was placing a heavy demand on the economy, with Sudan spending some £(S)10 million a year – around 8 per cent of the entire import bill – on satisfying the sweet tooth of its populace.

When Rowland had another audience with Nimeiri, the Sudanese leader told him: 'I would like the country to start producing one million tonnes of sugar a year.' It was a breathtaking figure to snatch out of the air, but the argument had a persuasive logic. Through bold action, the vast fertile plains between the two Niles could wipe out the balance of payments deficit on sugar and turn Sudan into a net exporter of the commodity. The importance of this was hard to overestimate. As Dr Khalil outlined the potential of the climate, Blue Nile soils and White Nile water, combined with the addiction to sweet tea in Sudan, the Near and Middle East, Rowland could easily envisage the greening of the dry brown plain. Cane is a perennial grass, a simple crop using well-known