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KENYA NATIONAL ASSEMBLY

NINTH PARLIAMENT-FOURTH SESSION

**DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND
NATURAL RESOURCES**

**REPORT ON THE TOUR OF THE SITE OF THE PROPOSED TANA RIVER
DELTA SUGAR PROJECT IN GARSEN, COAST PROVINCE**

(23RD AUGUST, 2005)

Clerk's chambers,
National Assembly,
NAIROBI

August, 2005

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**REPORT ON THE COMMITTEE'S TOUR OF THE SITE OF THE
PROPOSED TANA RIVER DELTA SUGAR PROJECT IN GARSEN,
COAST PROVINCE**

PREFACE

Hon. Speaker Sir,

1. The Departmental Committee "A" on Agriculture, Lands and Natural Resources was constituted at the commencement of the Ninth Parliament pursuant to provisions of Standing Order 151; whose paragraph (4) mandates the Committee to carry out these functions:-
 - i. to investigate, inquire into and report on all matters relating to its mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
 - ii. to study the programme and policy objectives of ministries and departments and the effectiveness for the implementation;
 - iii. to study and review all legislation after the First Reading subject to the exemptions under Standing Order 101A(4);
 - iv. to study, assess and analyze the relative success of the Ministries and Departments as measured by the results obtained as compared with its stated objectives;
 - v. to investigate and inquire into all matters relating to the assigned Ministries and departments as it deems necessary and as may be referred to it by the House or a Minister; and

- vi. to make reports and recommendations to the House as often as possible including recommendation of proposed legislation.
2. The subjects falling within the purview of the Committee are:-
 - i. Crop and livestock production;
 - ii. Marketing;
 - iii. Lands and settlement;
 - iv. Natural Resources;
 - v. Water resources;
 - vi. Land reclamation and irrigation; and
 - vii. Co-operative development.
3. The membership of the Committee comprises:-
 - i. The Hon. Franklin Bett, M.P. - Chairperson
 - ii. The Hon. Mwanicha S.N. Okioma, M.P.
 - iii. The Hon. (Prof) Patrick A. Olweny, M.P.
 - iv. The Hon. Mwangi Waithaka, M.P.
 - v. The Hon. Julius Arunga, M.P.
 - vi. The Hon. Patrick Muiruri, M.P.
 - vii. The Hon. John Serut, M.P.
 - viii. The Hon. Philip Rotino, M.P.
 - ix. The Hon. P.G. Muriithi, M.P.
 - x. The Hon. J.N. Gachagua, M.P; and
 - xi. The Hon. Isaack Shaaban, M.P.
4. On 23rd August 2005, the Committee made a fact-finding tour of the site of the proposed Tana River Delta Sugar Projects in Garsen, Coast Province. The Committee also planted trees at Tana River Development Authority (TARDA) headquarters.

5. The delegation comprised:-
- i. The Hon. Franklin Bett, M.P. - Chairperson
 - ii. The Hon. Prof. Patrick A. Olweny, M.P.
 - iii. The Hon. Mwangi Waithaka, M.P.
 - iv. The Hon. Philip Rotino, M.P; and
 - v. The Hon. Mwancha S.N. Okioma, M.P.
 - vi. The Hon. James N. Gachagua, M.P.
 - vii. The Hon. Julius Arunga, M.P.
 - viii. The Hon. Patrick Muiruri, M.P.
 - ix. The Hon. John Serut, M.P.


Mr. George Gazemba was the Secretary to the delegation. The area Member of Parliament, the Hon. Danson Mungatana accompanied the Committee through out the tour.

6. The Committee expresses gratitude to the Speaker and the Liaison Committee for sanctioning the visit and the Clerk for providing technical support. The Committee also expresses gratitude to the Ministry of Regional Development Authorities for putting in place appropriate arrangements without which the tour would not have been possible and the area Members Member of Parliament for the company and contribution.

Hon. Speaker Sir,

7. On behalf of the Committee, I now wish to lay on the Table of the House the report of the Committee in respect of the visit, pursuant to provisions of Standing Order 162.

**THE HON. FRANKLIN BETT, M.P.
CHAIRMAN, DEPARTMENTAL COMMITTEE ON AGRICULTURE,
LANDS AND NATURAL RESOURCES**

Sign  _____

Date 21/11/05 _____

TOUR OF THE SITE OF THE PROPOSED TANA RIVER DELTA SUGAR PROJECT IN GARSEN, COAST PROVINCE

Background information

8. The Tana River Delta is a vast low lying terrain of approximately 200,000 hectares located at Garsen about 150 kilometers North of Mombasa in Coast Province. Projects in the Tana River Delta are implemented and managed by the Tana and Athi Rivers Development Authority (TARDA)
9. The proposal to start a commercial farming project was conceived in the late 1970's. This was mainly with the aim of exploiting the enriched land and water resources of the delta by means of large scale irrigation.
10. The idea of sugar production in the Tana River delta was conceived in 1969 following studies commissioned by the then Minister for Agriculture, Hon. Bruce Mackenzie. The idea was revisited in the year 2004 by a team of experts from the Kenya Sugar Board (KSB) and TARDA which made findings that the delta was suitable for sugar cane production.

Conceptual approach to the project

11. The Tana River Delta covers 200,000 hectares. TARDA was allocated by the government 28,680 hectares on 17th January, 1995 vide letter of allocation Reference No. 106796. 2000 hectares are earmarked for rice out of which 600 hectares are already under rice. 16,000 hectares are earmarked for sugar cane growing under irrigation out of which 12,000 will be estate and 4,000 small holder.



The Hon. Nderitu Gachagua plants a tree at TARDA headquarters. Watching ; from left are:- Hon. Franklin Bett, M.P. (second), the M.D. TARDA Mr. Changwony (third), the Hon. John Serut, M.P. (fifth) and the Hon Mwanicha S.N. Okioma (sixth).

12. During an International Investment Conference in March, 2004 at the Kenyatta International Conference Centre, TARDA opened discussions for joint investment and technology transfer in the Tana delta. The discussions dwelt on the sugar project in the Tana Delta and the Thanantu Valley Irrigation Project in the Upper Tana catchment. TARDA and RAESA subsequently entered into a Memorandum of Understanding on development of:-
- i. sugar growing under overhead irrigation;
 - ii. sugar processing mill;
 - iii. cogeneration;
 - iv. power alcohol production; and
 - v. Industrial sugar production.

13. A pre-investment study for the project was subsequently carried out jointly by TARDA and RAESA and Cabinet approval granted. Pursuant to the study, the project would be implemented in three phases to wit:-

Phase I

Under the phase, studies would be carried out on:-

- i. varietal replication;
- ii. seed bulking;
- iii. socio economic activities;
- iv. designs; and
- v. environmental impact assessment.

Phase II

Under the phase, the following facilities would be developed:-

- i. a nucleus estate of 12,000 hectares;
- ii. a milling plant with capacity to crush 10,000 tonnes of cane per day;
- iii. eco-villages;
- iv. water;
- v. electricity;
- vi. schools; and
- vii. hospital.

Phase III

Under the phase, a pilot community block farming estate of 4,000 hectares would be developed to cater for both the pastoral and agricultural communities.

Financing the project

14. The total cost of the project is estimated at \$300 million. Pursuant to the Memorandum of Understanding between TARDA and RAESA, RAESA would provide the \$300 million in respect of which TARDA would provide bank guarantees in form of irrevocable letters of credit.
15. In pursuance of the obligation, TARDA entered into an understanding with the Co-operative Bank of Kenya to provide bank guarantees as required by RAESA but the understanding failed after Co-operative Bank changed requirements that the Government be TARDA's guarantor, a requirement the government could not fulfill.
16. In response to the new challenge, TARDA board approved the invitation of strategic private sector partner through competitive expression of interest. A local company MAT International Ltd was selected amongst four other contenders who responded. Under the proposed partnership, MAT International Ltd would provide all financial requirements for the studies and implementation of the project in exchange of 70% stake Under the partnership, Mat would also:-
 - i. provide funds for the rehabilitation of the rice scheme and mango and dairy processing plants;
 - ii. provide marketing infrastructure and support; and
 - iii. commit 10% of its profits towards social projects.

TARDA on its part would provide land and existing infrastructure in exchange of 30% stake.

Progress made

17. Since conception, progress had made towards the establishment of the project. It includes:
 - i. cabinet approval had been sought and granted. An Inter Ministerial Committee comprising the Ministers for Regional Development Authorities, Water and Irrigation, Agriculture, Finance had been set up to oversee the start of the project.
 - ii. stakeholders' consultation had been ongoing and results were positive.
 - iii. Trials on suitable varieties had been successful.

Project justification

18. Trials had been carried out and proved that cane would mature between 8 to 10 months at an average yield of 60 tonnes per hectare. This was because of ample water, high temperatures, humidity and sunshine in the delta unlike in Western Kenya where cane matures between 18 to 24 months with an average yield of 35 tonnes per hectare.

The project would therefore:

- i. bridge the sugar import deficit currently standing at 200,000 tonnes per annum;
- ii. provide a new source of revenue to the Authority and communities in the delta;
- iii. provide employment;

- iv. save the country on foreign exchange expenditure through import substitution on industrial sugar and manufacture of bio fuel;
- v. earn the country foreign exchange through export of sugar;
- vi. increase electrical energy output to the national grid by supplying 35 megawatts through co-generation; and
- vii. provide livestock feed.



The Hon. Prof. Patrick A. Olweny, M.P. (center) with farmers hold eight month old cane harvested from the trial fields.

RECOMMENDATIONS

19. The Committee supports the establishment of the project but recommends as follows:-
- i. The project is going to benefit the people of Tana River and the country as a whole and the committee appeals to politicians in the Tana River area to stop opposing the establishment of the project on political grounds. Common sense and economic reasoning must prevail upon the project.
 - ii. The government should ensure that the interests of both pastoral and agricultural communities who occupy the area are integrated during the establishment of the project to avoid hostilities between the communities.
 - iii. Mat International Ltd has been controversial in the importation of sugar and the committee would like the government to properly vet the company before entering into further deals. Agreements already entered into between the government and the company should consequently be reviewed.
 - iv. Players in the project should facilitate continuous stakeholders' sensitization and consultation.
 - v. The government should facilitate a continuous research programme for the development of the sugar industry.
 - vi. The speed at which players are moving in the establishment of the project is slow and should be increased. The Committee wants the project established yesterday.