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SESSIONAL PAPER
NO. 4 OF 1974

THE KENYA TEA DEVELOPMENT AUTHORITY
(TEA FACTORY AND FOURTH
TEA PLAN PROJECTS)

MINISTRY OF AGRICULTURE;
NAIROBI.

14TH MARCH, 1974.

SESSIONAL PAPER NO. 4 OF 1974

GOVERNMENT GUARANTEE FOR TWO LOANS OF STERLING
EQUIVALENT K£5,525,000 BEING GIVEN TO KENYA TEA
DEVELOPMENT AUTHORITY BY THE COMMONWEALTH
DEVELOPMENT CORPORATION

In accordance with the provisions of the Guarantee (Loans) Act (Cap.461), the following information is laid before the National Assembly relating to a guarantee which the Government proposes to give in respect of two loans being given by the Commonwealth Development Corporation to the Kenya Tea Development Authority.

The Kenya Tea Development Authority is a statutory body established by the Agriculture (Kenya Tea Development Authority) Order, 1964. The Order provides that Kenya Tea Development Authority will acquire, operate or establish or enter into agreement for the establishment of tea processing factories; it will promote, finance and control the development of tea grown by smallholders and subscribe for shares in any company incorporated in Kenya for the purpose of processing and marketing tea. In pursuance of this objective, Kenya Tea Development Authority with the aid of loans from the World Bank, Commonwealth Development Corporation and other lenders, has developed smallholder tea industry in the Republic's districts of Kiambu, Murang'a, Nyeri, Kirinyaga, Embu, Meru, Kisii, Kericho, Nandi, Kakamega and Kitale; and has established processing factories in nine of these districts.

The two loans both amounting to K£5,525,000 for which Government guarantee is required will be spent on: (a) the Tea Factory Project (K£2,245,000) and (b) the Fourth Tea Plan (K£3,280,000).

The Tea Factory Project is partly being financed by a loan from the World Bank of U.S. \$10,400,000 for which a separate Sessional Paper for a guarantee has been prepared. The Project involves the construction and equipping of 17 tea factories, each having an annual capacity of about 1,200 tons of made tea; as well as the establishment within the Kenya Tea Development Authority of factory management, training, tea marketing and other services. This Project is planned to be completed in 1978.

The loan for the Fourth Tea Plan will be spent on: (i) the Field Sector (K£1,515,000) and (ii) the Factory Sector (K£1,765,000). The Factory Sector will cover the construction and equipping of five tea factories similar to those described above under the Tea Factory Project.

Each of the factories to be built under both the Tea Factory Project and the Fourth Tea Plan will be owned by a separate company incorporated with limited liability with appropriate Memorandum and Articles of Association. Each factory will have a share capital wholly subscribed by the Kenya Tea Development Authority, with suitable provision for acquisition of shares by tea growers at a later stage.

The loan funds for the Field Sector will go towards field development services required to implement the Fourth Plan. The Fourth Plan, which will cover the period 1973/74 to 1977/78, will involve the supply and distribution to smallholders of planting materials, fertilizers and also the supervision and training of growers, the collection, inspection and transportation to factories of green leaf. With the expansion of tea planting under the Fourth Tea Plan period, smallholder tea acreage will total over 100,000.

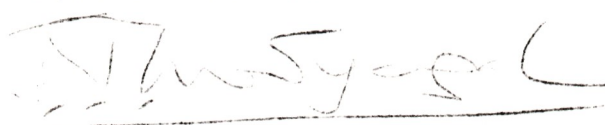
The Commonwealth Development Corporation has agreed to extend to Kenya Tea Development Authority the two loans totalling K£5,525,000 equivalent subject to the Government guaranteeing the payment of all principal moneys, interest and other moneys due or to become due to Commonwealth Development Corporation in respect of these loans.

The loan agreements provide for:-

- (a) an interest rate of five per cent (5%) per annum,
- (a) a grace period of seven years,
- (c) repayment of the principal over a period of thirteen years (13) reckoned from the date of expiry of the grace period.

The National Assembly is requested to give approval for the Kenya Government to extend to the Commonwealth Development Corporation the required guarantee regarding the payment of principal sum and interest and other charges thereon in respect of the two loans being given to the Kenya Tea Development Authority.

The current total Government liability of the Kenya Government in respect of all guarantees given to date under section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£115,485,532.5. With the guarantee of K£5,525,000 equivalent proposed in this Sessional Paper the aggregate will be increased to K£121,010,532.5 of which K£47,550,560.5 falls within paragraph (a), and K£73,459,972 within paragraph (b), of section 3(3) of the Act.



(J.J.M. NYAGAH)
MINISTER FOR AGRICULTURE

14th March, 1974

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Administrative Information