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LAND UTILISATION & SETTLEMENT

FINANCIAL POLICY OF THE EUROPEAN AGRICULTURAL
SETTLEMENT BOARD & AMENDMENTS TO THE ACCEPTED
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A European Agricultural Settlement Board was established in 1946 to operate the scheme for the settlement of European ex-servicemen as farmers in Kenya. The objects of the scheme were described in Section V of the Sessional Paper No.8 of 1945: "Land Utilisation and Settlement", presented to Legislative Council in November, 1945, and the provisions set out therein were subsequently incorporated in the European Agricultural Settlement Ordinance (Cap.158) as amended by Ordinance No.49 of 1949.

2. The Board has now been in operation for four years and, in the view of Government, the time has come both to review the work performed by the Board since its inception and to make recommendations for the future.

3. When the Board was established a sum of £1,600,000 was set aside from the funds available from the Development & Reconstruction Authority to be advanced to the Board to finance the "Accepted Schemes". Sums advanced were to be repayable during the life of the scheme, outstanding loans bearing interest at the rate of 3% per annum. The intention at the time was that the administrative expenses of the Board, which are estimated to be £27,840 in 1951, should be borne by the Colony. This arrangement, however, was never implemented. At least 2% on liabilities is the minimum amount required to meet administrative costs and bad debts and as the interest at the rate of 4½% payable by farmers assisted under the scheme left a margin of 1½% only to the Board, the Board has been compelled to meet part of its expenses out of the loan funds, with the result that not only is the Board indebted to Government to the extent of £130,000 but proportionately less money has been available for settlement - a situation which has, in turn, been aggravated by the reduced purchasing power of the pound. Nevertheless £1,375,000 has been drawn by the Board, and 208 tenant farmers and 29 assisted owners have been in receipt of assistance. Of the 208 tenant farmers, 181 are at present in occupation of the Board's farms, two have purchased their farms and the remaining 25 have withdrawn from the scheme for a variety of reasons: in only six cases was withdrawal due to economic pressure. Of the 29 assisted owners, 23 remained in the scheme, six having repaid their loans in full.

4. In the light of the experience gained it is now possible to proceed to formulate a regular finan-

established and expenditure on European Agricultural Settlement has been met up to the present from funds voted by Legislative Council in the D.A.R.A. Estimates.

5. At the time the Ordinance was enacted the Board hoped that additional funds would be available for extension of the European Agricultural Settlement scheme but, having regard to the present capital commitments of the Colony, these additional funds cannot be made available at present, and if the Board is to continue to operate it must do so within the limits of the money already provided.

6. With the object, therefore, of establishing the European Agricultural Settlement Board on a sound financial basis, the Government recommends that there should be certain modifications of the original "Accepted Schemes". These recommendations are:-

- (a) That a European Agricultural Settlement Fund should be created as from the 1st April, 1950, and that such fund should be a revolving fund: that is to say that as and when the Board has liquid capital in hand from the sale of farms, or the half-yearly repayments by farmers of funds advanced to them, such capital will not be repayable to Government, but will be used to establish new settlers. The Board's capital repayments under this scheme will commence on the 1st April, 2002.
- (b) To restore the capital structure of the European Agricultural Settlement Scheme to the original figure of £1,600,000, the Development & Reconstruction Authority proposes to make up the Board's deficit by an additional appropriation of £130,000.
- (c) Subject to the approval of the Legislature, the administrative and general expenses of the Board will be met annually from the general revenue of the Colony on the understanding that adjustments will be made to give effect to the principle that in any one year the Board's workings shall show neither a profit nor a loss. As already stated this requirement is estimated at £27,840 in 1951, and provision has been made for this sum in the Estimates for that year. It is unlikely that as much will be required in future budgets, but the annual commitment will depend upon the scale of operations of the Board in any given year.
- (d) With effect from the 1st April, 1950, the European Agricultural Settlement Board will pay interest to Government at the rate of 3% per annum on moneys paid into the fund by Government. It is also proposed that interest on capital advanced by Government to the Board from the date of its inception, and outstanding as at the 1st April, 1950, should be waived.

- (e) That with effect from the 1st April, 1950, rent will be paid on Crown Land occupied by the Board or by its tenants.

7. The "Accepted Schemes" provide for a Moratorium period not exceeding five years for the payment of Rents and Interest. It is provided in the Board's standard form of Lease Agreement and in the "European Agricultural Settlement Regulations" that the rent and interest charges which accrue during this Moratorium period shall be added to the loan principal repayable by the tenant or assisted owner. Whilst it is a matter of considerable satisfaction that the European Settlement Schemes have so far met with such marked success, it is nevertheless a fact that tenants and assisted owners have been handicapped to a degree unforeseen at the time of the inception of the scheme by the high cost of agricultural machinery and farm necessities, the reduced purchasing power of money in every direction and the increased cost of living. Moreover, in many cases farms were undeveloped on being occupied and have therefore been unproductive for the greater part of the Moratorium period during which interest and rent charges have been accumulating against the occupants. This accrued debt might well make all the difference to many of the Board's tenants between financial stability and failure and Government accordingly proposes to authorise the European Agricultural Settlement Board, at its discretion, to waive rent and interest in individual cases within the Moratorium period of five years.

8. Once the fund has been established on the lines described it should be possible to continue to assist a small number of farmers annually. The Government considers, however, that the terms to be offered to future tenants should not be as generous as those offered to ex-servicemen under the existing scheme, and recommends that the following terms, which have been drawn up by the Board, should be accepted as a statement of the Board's general policy in the future operation of the Settlement Scheme:-

- (a) As regards the qualifications of applicants under the extended scheme emphasis should be on the selection of men who, by training and/or upbringing, are best equipped to make good farmers. Acceptance should be confined to men of British or Dominion nationality not less than 21 years of age and not more than 35 years of age (preference generally being given to men under 30, the sons of either Kenya residents or of established farmers in the United Kingdom or Dominions) and no applicant should be accepted unless he has had adequate training and practical experience of farming including, if possible, a year at a recognised agricultural training institute.

- (b) That in the extended scheme there should be no loans for the purchase of movables or for working capital. The Board should provide the land and adequate permanent improvements (or the capital necessary for putting adequate permanent improvements onto a farm) and the tenant should provide all the capital needed for movables and working capital.
- (c) On the basis of the figures of the existing scheme the capital required will be on the average as follows in respect of each farm:-

(i)	<u>By the Board:</u>	
	For purchase of land	£4,000
	For purchase and/or erection of Permanent Improvements..	<u>2,250</u>
		<u>£6,250</u>
(ii)	<u>By the Tenant:</u>	
	For machinery	£2,000
	For livestock	1,500
	For living expenses & ... working capital	<u>1,500</u>
		<u>£5,000</u>

giving a total capitalisation of between £11,000 and £12,000. These sums are only an indication of the proportionate division of the total capital, and in cases where the price paid for completely undeveloped land may be less than £4,000 and the amount needed for living expenses and working capital may well exceed £1,500 the accepted practice will be continued of paying the tenant a salary during the time occupied by the erection of permanent improvements, such salary being limited to 20% of £2,250 which will be added to the capital cost of the permanent improvements.

- (d) Although it may be possible for a tenant to start farming with less than £5,000 of his own, as a general rule the sum of £5,000, in cash and/or farming assets, shall be regarded as desirable. An exceptional case might be that of a particularly well experienced Kenya man taking up a farm on which adequate second-hand machinery could be taken over at a low valuation, or on which there is already a profitable dairy herd, and in such cases the Board would reserve the right to accept a tenant with less than £5,000, provided the capital available is considered fully adequate for essential machinery, livestock and sufficient living and working capital, to cover the period until the farm is bringing in an adequate income.

- (e) The figure of £1,500 worth of livestock will be

stock to constitute 25% of the carrying capacity of his land, whichever is the greater, is actually on the farm. The maintenance of this amount of livestock will be a condition of continued occupation. The supply of cattle is now sufficient to ensure that this insistence on their purchase is not unreasonable, and they should be purchased as soon as the Board is satisfied that the farm is in a safe condition to receive cattle, i.e. that it has been cleaned of E.C.F., a dip constructed, and adequate fencing erected and water provided. In the event of the Board acquiring a plantation farm (such as coffee) the amount of cattle to be carried on the farm shall be determined by the Board in each case.

- (f) While it is proposed that there should be a minimum capital for applicants for tenancies, it is not proposed to lay down any maximum requirements. The Board will, however, reserve the right to refuse to accept as tenants intending settlers whose capital, either by itself or with help obtainable from the Land Bank, is sufficient to allow them to buy a farm outright and to stock and equip it adequately.
- (g) In the event of a tenant wishing to purchase his farm, the terms should not exceed 30 years. This period is in line with Land Bank loans and envisages a farm being purchased outright within the lifetime of the original occupant. At the same time it is not proposed that tenants under an extended scheme should have the absolute right to purchase on demand. The Board will have discretion to postpone the sale of a farm until it is satisfied that a reasonable standard of stocking has been attained, and that a satisfactory extent of mixed farming has been established. The normal method of purchase should be on 30-year terms, but in the event of a tenant wishing to purchase his farm more rapidly, or outright, the Board must be satisfied that purchase will not financially cripple subsequent development, and should adjust the terms of purchase so that a satisfactory rate of development can be carried on.

9. It is hoped that by the creation of the fund and the modifications as described above the Board will be able to keep in being a scheme which is considered a valuable contribution towards the development of the Colony, until such time as it may be possible to provide the additional capital assistance which was envisaged in 1948.