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NATIONAL ASSEMBLY

SESSIONAL PAPER NO. 2 OF 1968

GUARANTEE OF SECOND CDC LOAN TO K.T.D.A.

1. In accordance with the provisions of the Loans (Guarantee) (Amendment) Act 1968 the following information is laid before the National Assembly relating to a guarantee which the Government proposes to give to the Commonwealth Development Corporation in respect of a loan of up to £450,000 sterling to be made to the Kenya Tea Development Authority.
2. When the Special Crops Development Authority, later to become the Kenya Tea Development Authority, was established in 1960 there were only 1,500 acres of smallholder tea in Kenya mainly in Nyeri, Kericho and Kirinyaga Districts. The duties of the SCDA/KTDA were and are to promote and supervise smallholder tea development. In pursuance of this responsibility the Authority adopted a target of planting 25,500 acres of smallholder tea between 1960 and 1970, and together with the Government and experienced tea companies undertook to see that the necessary tea factories to process the crop were set up and managed competently. Finance for this planting programme was negotiated from the World Bank (IDA), Commonwealth Development Corporation and the Federal Republic of Germany to supplement KTDA's and the growers' own resources. The first loan from CDC was signed in 1964. The programme has been so successful that the 25,500 acres target was achieved by June 1968, two years ahead of schedule.
3. K.T.D.A., therefore, with Government support drew up plans for planting an additional 35,000 acres of tea in the five-year period 1968-73. This acreage will be distributed between 11 Districts as follows:-

	<u>1968 Acreage</u>	<u>Planned for 1968-1973</u>	<u>Total for 1973</u>
Kiambu	3427 acres	3700 acres	7127 acres
MURANGA	2758	5000	7758
NYERI	3315	3500	6815
KIRINYAGA	1685	1600	3285
EMBU	948	1500	2448
MERU	2639	4,000	6639
KERICHO	3736	5600	9336
KISII	3736	6300	10036
NANDI	1896	1500	3396
KAKAMEGA	1486	2300	3786
ELGEYO/MARAKWET	100	-	100
growers financed Planting	551	-	551
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Total	26277	35000	61277

On completion of the 1968-73 programme, smallholder tea acreage will represent over 60% of the Total for the whole country. K.T.D.A. will continue to be responsible for supplying smallholders with planting material, and with material for their own vegetative propagation units, for supervising and training smallholders in tea-growing, and for collecting green leaf, inspecting and transporting it to factories.

4. Finance for the 1968-73 expansion was again sought from the World Bank and Commonwealth Development Corporation, who had supported the earlier programme. An agreement under which the Government will borrow \$2.1 million (K2750,000) from I.D.A. for on-lending to K.T.D.A. was signed in June 1968, and has been reported to the House. Shortly afterwards an agreement was signed with C.D.C. by which C.D.C. will make a second loan to K.T.D.A. of £450,000 in sterling (equivalent to K2383,000) i.e. roughly one-half of the I.D.A. credit but this agreement will not .../2.

become effective unless the Government guarantees repayment.

5. The C.D.C. loan agreement provides that drawing on the loan shall be interest-free for two years if the sums drawn do not exceed £120,000 in the year ending 31st March, 1970.

£100,000	"	"	"	1971
£100,000	"	"	"	1972
£ 100,000	"	"	"	1973
£ 30,000	after 1st April, 1973.			

Administration charge of $1\frac{3}{4}\%$ p.a. will be payable during the interest-free period. After two years the rate of interest will be $8\frac{1}{2}\%$ p.a. The loan is repayable in four instalments: 21 per cent falling due on 30th June, 1977, 21 per cent on 30th June, 1978, 36 per cent on 30th June, 1979 and 22 per cent on 30th June, 1980.

6. In view of the national importance of the programme and successful record of K.T.D.A. the Government proposes to guarantee, in accordance with the Loans (Guarantee) (Amendment) Act 1968, the repayment in sterling of the second CDC loan to K.T.D.A. of an amount not exceeding £450,000 together with interest and other charges thereon. The principal sum is equivalent to approximately K£383,000 at the current rate of exchange and if this guarantee is given the Government's contingent liabilities under Section (3)(a) of the Act will amount to K£12,070,255 compared with a ceiling of K£30,000,000 under this section of the Act.

3rd October, 1968