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SESSIONAL PAPER
NO. 3 OF 1974

THE KENYA TEA DEVELOPMENT AUTHORITY
(TEA FACTORY PROJECT)

MINISTRY OF AGRICULTURE,
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GOVERNMENT GUARANTEE FOR A LOAN OF US \$10,400,000
(EQUIVALENT TO K£3,714,287) BEING GIVEN TO KENYA
TEA DEVELOPMENT AUTHORITY BY THE INTERNATIONAL
BANK FOR RECONSTRUCTION AND DEVELOPMENT

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 to the International Bank for Reconstruction and Development in respect of a loan of US \$10,400,000 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 Authority has now successfully negotiated with the International Bank for Reconstruction and Development for a loan of U.S. \$10,400,000 (equivalent to K£3,714,287) for the Tea Factory Project. This loan constitutes part of the funds required for the Project. The balance will partly be covered by a loan from the Commonwealth Development Corporation (a guarantee for which a separate Sessional Paper has been prepared) and the rest from the Kenya Government.

The Tea Factory Project for which the U.S. \$10,400,000 loan will be used, cover the construction and equipping of 17 processing factories which will be required to process

green leaf from small-scale growers. Each of these factories will have an annual capacity of about 1,200 tons of made tea. The Project also includes the establishment within the Kenya Tea Development Authority of factory management, training, marketing and other services. It is planned to have the Project completed by the year 1978.

Each tea factory to be constructed under this Project shall be owned by a separate company incorporated with limited liability with appropriate Memorandum and Articles of Association and having 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.

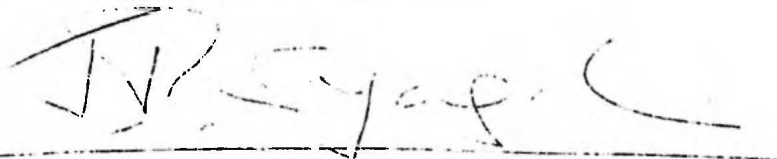
The International Bank for Reconstruction and Development has agreed to extend a loan of U.S. \$10,400,000 to the Kenya Tea Development Authority subject to the Kenya Government guaranteeing the payment of the principal of, and interest and other charges of the loan.

The agreement provides for:-

- (a) an interest rate of seven and one quarter per cent ($7\frac{1}{4}\%$),
- (b) a grace period of seven (7) years for the repayment of the principal,
- (c) repayment of the principal over a period of thirteen (13) years reckoned from the date of expiry of the grace period.

The National Assembly is now requested to give approval for the Kenya Government to extend to the International Bank for Reconstruction and Development the required guarantee regarding payment of the principal sum and interest and other charges thereon in respect of this loan of U.S. \$10,400,000 (equivalent of K£3,714,287) 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£111,771,245.5. With the guarantee of K£3,714,287 equivalent proposed in this Sessional Paper, the aggregate will be increased to K£115,485,532.5 of which K£42,025,560.5 falls within paragraph (a), and K£73,459,972 falls within paragraph (b), of Section 3(3) of the Act.


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

14th March, 1974