

PARLIAMENT
OF KENYA
LIBRARY

REPUBLIC OF KENYA

MINISTRY OF AGRICULTURE

Corrigenda/Addenda To The Sessional Paper No.2 of 1999

ON THE

LIBELARIZATION AND RESTRUCTURING
OF THE TEA INDUSTRY

REFORMS IN THE TEA BOARD OF KENYA

AND

*PRIVATIZATION OF THE KENYA TEA
DEVELOPMENT AUTHORITY*

JULY,1999

The Sessional Paper No.2 of 1999 on the LIBERALIZATION AND RESTRUCTURING OF THE TEA INDUSTRY, REFORMS IN THE TEA BOARD OF KENYA AND PRIVATIZATION OF THE KENYA TEA DEVELOPMENT AUTHORITY was tabled in Parliament on 8th April, 1999. It was debated up to 9th June, 1999. During the debate, the members made valuable comments and raised some issues which were pertinent. The Departmental Committee on Agriculture, Land and Natural Resources also commented on the Paper and made suggestions on the same.

The Sessional Paper No.2 of 1999 and Tea (Amendment) Bill, 1999 have been harmonized and the corrections to both the Sessional Paper and some clauses in the Bill have been made. The following are the corrigenda and addenda to the Sessional Paper No.2 of 1999 with respect to various sections or chapters of the Sessional Paper :-

1. Section 3.0 Major Objectives

Section 3.0 is amended by inserting a new paragraph, 3.7-

"3.7 To re-emphasize that tea farmers/growers are the owners of green tea leaf and also the owners of made tea until it is sold and they are paid for it."

2. Section 4.0 Liberalization/Privatization Measures

Section 4.0 is amended by inserting a new paragraph, 4.5-

"4.5 The Government will encourage private investors to set up new tea factories as joint ventures with tea farmers/growers."

3. Section 5.0 Role and Functions of the Tea Board

Paragraph 5.1 is amended by deleting the first phrase and replacing it with the following-

" 5.1 The current functions of the Board include the following:-"

Paragraph 5.2 is amended by deleting "5.2" and renumbering it to read "j" and amending it further to read as follows-

"j" To finance the activities outlined above, the Board levies cess on area planted with tea and on manufactured tea delivered for sale to the market."

"5.2 In order to strengthen the Board and ensure that it lives up to its expectations, the following measures will be undertaken:-"

Paragraph 5.2.1 is amended by deleting the words "licence tea growers to ensure that tea is grown" and replacing them with the words " register tea growers that plant tea"

Paragraph 5.2.4 is amended by deleting the words "the Mombasa auction will be for export only."

4. Section 6.0 Membership of the Tea Board

Section 6.0 is amended in -

- (i) by deleting the words " increased from 16 to 18" and inserting the words "decreased from 16 to 15"
- (ii) by deleting the words "appointed by the Minister" and inserting the words " elected by the members of the Board"
- (v) by deleting the words "elevated to full membership of the Board" and inserting the words "an ex-officio member of the Board"

Paragraph 6.2 is amended in -

- (d) by deleting the words "appointed by the Minister" and inserting the words "nominated by the tea trade"
- (e) by deleting the words "appointed by the Minister after consultation with the organization representing smallholder tea growers" and inserting the words "elected by the directors of the tea factory companies at a meeting convened by the Minister, to represent;"
- (f) by deleting the words "five members appointed by the Minister after consultations with" and inserting the words " four members nominated by"
- (g) by inserting the words "who will be an ex-officio" immediately after the word "Kenya"
- (h) by deleting paragraph (h) altogether and inserting the new paragraph (h) by renumbering paragraph (i) as (h) and amending -

by deleting the words "appointed by the Minister with the advice of the Board" and inserting the words "nominated by the Board "

Paragraph 6.0 is amended by inserting two new paragraphs after paragraph 6.3-

"6.4 The chairman and the members of the Board shall be gazetted by the Minister immediately after the constitution of the Board."

"6.5 The term of office of the members of the Tea Board of Kenya shall be for two terms of three years."

5. Section 9.0 Privatization/Liberalization of KTDA

Section 9.0 is amended by inserting a new paragraph 9.3.5-

" 9.3.5 KTDA Limited will compete with other management agents and will not control the tea factory companies."

6. Section 10.0 Privatization and Transfer of Ownership of KTDA

Section 10.0 is amended -

in paragraph 10.3.1 by inserting a new paragraph (v) -

"(v) The KTDA Limited will pay dividends to the tea factory companies on the basis of their shares."

in paragraph 10.3.3 (d) by inserting immediately after the word "months" the phrase "in accordance with the memorandum and articles of association of the company"

in paragraph 10.3.4, 5th paragraph, after the 2nd sentence by deleting the 3rd sentence " It (company) will however provide financial, secretarial, personnel and administrative services to the tea factory companies in accordance with specific agreement and above mentioned management agreements" and inserting the words " KTDA Limited will however provide professional services to the tea factory companies in accordance with specific management agreements."

7. Section 11.0 Employment of Tea Extension Staff

Section 11.0 is amended in paragraph 11.2, immediately after the word " June 2000" by inserting a new sentence-

"However, the Government will continue to implement the extension policy by providing overall extension service to the industry"

8. Section 13.0 Financing new Tea Factories

Section 13 is amended by inserting a new paragraph at the end of the section-

"However, considering the importance of tea in the economy, the Government will continue to guarantee loans for the construction of the tea factories where it is in the public interest."

9. Section 16.0 Growing of Tea

Section 16.0 is amended by deleting the 1st, 2nd and 3rd paragraphs and inserting the following three paragraphs-

"The Tea Board of Kenya will now register tea growers directly or indirectly. The licensed tea manufacturing factories managed by the respective tea factory companies will be required to maintain registers of growers falling under them on behalf of the Board. The individual tea growers served by tea factories owned by the tea estates and the large tea plantations will be registered directly by the Tea Board of Kenya. Whereas the Board's Inspectorate Department will be monitoring to ensure that the licensed tea factories under the tea factory companies comply with the set rules by its registered grower members, they will also be acting as the Board's agents in this regard.

In future therefore, the smallholder tea growers supplying green tea leaf to smallholder tea factory companies and the large scale tea growers will not be required to obtain licences to grow tea. In addition the tea growers will no longer be required to pay cess on area planted with tea.

The licensed tea factory companies will make annual returns to the Board indicating the total area planted with tea and the number of tea farmers registered with them."

10. Section 18.0 Agricultural Produce Cess

Section 18.0 is amended by inserting the following new paragraph at the end of the section-

"In view of the importance of tea in the economy, the Government will supplement the produce cess funds to maintain the tea roads."

11. Section 19.0 Marketing of Tea

Section 19.0 is amended in section 19 (ii) by deleting the words "making Mombasa auction an export market only" and inserting the words "removal of the requirement for tea export licence"

12. Section 20.2 Nyayo Tea Zones Development Corporation (NTZDC)

Section 20.2 is amended by deleting the last sentence and inserting a new sentence-

" It is recommended that these estates be leased out to smallholder tea companies or to individual private tea companies or local authorities."

13. Section 20.4 Kenya Small Scale Tea Growers Association (KSSTGA)

Section 20.4 is amended by deleting the last paragraph of the section (in page 22)

14. Section 20.6.1 Tea Brokers

Section 20.6.1 is amended by deleting the words in the 3rd paragraph and inserting the following a new paragraph -

"The tea factory companies will appoint their own tea brokers in consultation with their management agents"

15. Section 20.6.2 Payment for Tea

Section 20.6.2 is amended by deleting the last sentence at the end of paragraph 20.6.2 and inserting the following new sentences-

"This should reflect a positive gain to the farmers in the industry."

"After the sale of tea at the auction, the broker should remit the proceeds to the tea factory bank account within ten (10) days prompt while the proceeds from private treaty sales should be remitted by the marketing agent within ten (10) days. In both cases, the proceeds will be for onward payment to the tea growers by the company directors in accordance with the respective company regulations.

**

