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REPUBLIC OF KENYA



MINISTRY OF AGRICULTURE

*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**

MARCH, 1999

MINISTRY OF AGRICULTURE

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SESSIONAL PAPER ON THE LIBERALIZATION AND  
RESTRUCTURING OF THE TEA INDUSTRY

Reforms in the Tea Board of Kenya and  
Privatization of the Kenya Tea Development  
Authority

March, 1999

## 1.0 INTRODUCTION AND HISTORICAL BACKGROUND

Tea was introduced in Kenya in 1903 when a few tea plants were planted at Limuru in Kiambu District by the white settlers for experimental purposes. Pursuant to the annexation of the land policies through the Registration of Documents Ordinance of 1901 and the Crown Lands Ordinance of 1915, the European agricultural settlement schemes in the Kenyan highlands started. The European agricultural settlement schemes were re-affirmed when the European Agricultural Settlement Ordinance was enacted and by 1924 tea cultivation had attained commercial production level.

The first legal instrument to govern the production of tea was enacted as the Tea Ordinance, 1934 (No 46 of 1934). This Ordinance was revised by the Tea Ordinance, 1948 (No. 52 of 1948) which became effective on 25th August, 1948. The objectives of the Tea Ordinance, 1948 were to provide for the control of the production of tea in the Colony. The institution of the Directorate of Agriculture was responsible for controlling the production of tea by issuing licences and permits to farmers until 1950 when the Tea Board of Kenya was established to regulate the industry.

Following the agitation for independence from 1947 onwards, a study of the african agriculture was made and the Swynnerton Plan of 1954 was drawn up to be implemented by the Government to help improve the african agriculture. By 1960, the European Agricultural Settlement Ordinance, 1955 (No. 38 of 1955) was repealed and the Agriculture Ordinance (No.8 of 1955) was amended by the Ordinance No. 47 of 1960 in order to reflect the new changes in the agricultural sector. At that time the European farmers were already experienced in the cultivation of tea but African farmers were only beginning to grow tea. They started planting tea, among other cash crops, between 1956 and 1959.

To promote the cultivation of cash crops the Special Crops Development Authority (SCDA) was formed under the Agriculture Act in 1960. This body was replaced by the KTDA in 1964 when the Kenya Tea Development Order 1964 was promulgated. At the time of independence in December 1963, the tea estates and the few smallscale farms had 21,448 hectares of planted tea. The area planted has increased over the years to stand at 113,892 hectares by 1997.

The Tea Ordinance, 1948 was repealed by the Tea Act of 1960 (No.61 of 1960). Since then, the legal framework has been used without major amendments. While great strides have been made in the development of the tea industry, especially under the small holder sub-sector under the KTDA, the relevant institutions, the policy and legal framework need to be reviewed particularly now under a liberalized economy. The substantial growth and structural changes experienced by the industry over the last 34 years is evidently due to the

- 2.3 Due to the rapid increase in area expansion and the high rate of tea production, the Government has invested heavily on infrastructural development particularly in the rural areas where the industry is based. The industry has 83 tea factories for the manufacture of tea spread out in the growing districts and served by numerous buying centres and tea leaf bases.
- 2.4 The tea industry is also a major employer with current estimates of over 2 million people in direct tea farming, manufacturing, marketing and indirectly in retail outlets and transportation.

### **3.0 MAJOR OBJECTIVES PURSUED IN THE TEA INDUSTRY**

- 3.1 To maintain its forward momentum as the best organized establishment in the world for tea which is the most widely consumed non-alcoholic refreshment.
- 3.2 To attain adequate processing capacity, particularly for smallholder tea farmers estates and to bridge the gap between the takings of smallholder and large estates at farm level.
- 3.3 To generate financing required to expand tea processing capacity and for the maintenance of tea roads, warehousing and farmers logistics to enable efficient leaf transportation.
- 3.4 To generate higher levels of value-added tea through enhanced technological application in order to improve farm level incomes and ultimately foreign exchange earnings from tea.
- 3.5 To expand the international market for Kenya tea through aggressive strategic marketing within the various regional economic blocks (e.g. Common Markets for Eastern and Southern Africa, Economic Commission for West Africa States, South African Development Co-operation among others), South East Asia, the Middle East, Eastern Europe, Americas and Kenya's traditional West European markets.
- 3.6 To improve the management of tea factories by allowing farmers to play their rightful role in decision making.

### **4.0 LIBERALIZATION/PRIVATIZATION MEASURES IN THE TEA INDUSTRY**

- 4.1 Prior to liberalization initiatives, the Ministry was charged with the role of decision making in agriculture and its functions spanned the entire sector, leaving little, if any, individual entrepreneurial decision making in the hands of farmers, especially for scheduled crops. While this arrangement was useful in those times, with the globalization of the economies, it has become necessary to restructure some of the economic sectors with a view to enhancing the private sector involvement.

- (g) advertising the Kenya tea and increasing its sale by efforts to extend existing markets and exploiting new markets, and matters incidental thereon;
- (h) the promotion of exhibitions for the display of tea and the processes for manufacture thereof and the provision of the facilities thereto;
- (i) the collection and dissemination of statistics and other information relating to tea and its production, distribution and consumption.

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

5.2.1 the Board will licence tea growers to ensure that tea is grown only in suitable areas, and ensure that growers have manufacturing facilities for their tea once it matures.

5.2.2 the Board will licence tea manufacturing factories to ensure that new tea factories have sufficient leaf from their own estates and would not create over-capacity in a given area or interfere with any established system by "poaching" farmers who may already be delivering leaf to an already established factory in the same area;

5.2.3 the Board will regulate and control tea cultivation, processing, pests and diseases and to carry out investigation of and research into all matters relating to the tea industry;

5.2.4 the Mombasa auction will be for export only. The Board will only register tea sales whether for the domestic or export market so as to maintain proper national statistics on tea trade;

5.2.5 the Board will place more emphasis on its role of advertising Kenya tea and increasing its sale by efforts to extend existing markets and exploiting new markets, and matters incidental thereon;

5.2.6 to encourage consumption of tea in the domestic market and to educate the general public, the Board will enhance its effort of promotion of exhibitions for the display of tea and the process for manufacture thereof and the provision of the facilities thereto.

5.2.7 the Board will collect and disseminate statistics and other information relating to tea and its production, distribution consumption and exports.

- (e) six members appointed by the Minister after consultation with the organization representing smallholder tea growers;
- (f) five members appointed by the Minister after consultation with the organization representing plantation tea growers;
- (g) the Chief Executive, Tea board of Kenya;
- (h) one member appointed by the Minister to represent Nyayo Tea Zones Development Corporation.
- (i) not more than two members to be appointed by the Minister with advice from the Board from amongst persons who, possess knowledge and experience likely to be of benefit to the Board;

6.3 The membership in the Tea Board of Kenya will be based on democratic, fair and equitable representation of the stakeholders in the tea industry.

The Board may co-opt to serve on it any person or persons whose assistance or advice it may require, but a person so co-opted shall not be entitled to vote at any meeting of the Board or be counted as a member for the purpose of forming a quorum.

#### **7.0 STAFF OF THE TEA BOARD OF KENYA**

An adequate and effective Secretariat headed by a Chief Executive who will also be the Secretary to the Board at the level of Managing Director, will be constituted to discharge the responsibility bestowed upon the Board. The Board will be called upon to set staffing levels in the light of its duties and work-plan and in line with the restructured industry. In view of this and in order to be able to retain highly qualified personnel and take timely decisions, the Board will be exempted from the provisions of the State Corporations Act with the exemption of provisions relating to the auditing aspects of its accounts.

#### **8.0 OVERVIEW OF THE SMALL-SCALE TEA SUB-SECTOR AND KENYA TEA DEVELOPMENT AUTHORITY (KTDA)**

8.1 KTDA was established in January 1964 with the objective of fostering and promoting the country's tea growing by the smallholder tea farmers. In order to realize its goals and objectives, the Authority developed centralized operational and administrative systems extending from the headquarters in Nairobi to the tea growing areas. KTDA has made the small-holder tea sub-sector one of the most successful agricultural ventures in the developing world. Since its formation the Authority has achieved over 73,000 ha. The total number of small tea producers involved under KTDA umbrella is about 300,000 and process

- ii) transfer of chairmanship of factory company boards from the KTDA to elected tea farmers' representatives.
- iii) direct participation by elected directors in management decisions regarding procurement of goods and services by each factory company.
- iv) direct participation by elected directors in recruitment of factory company employees.
- v) direct participation by elected directors in formulation of annual budgets and monitoring of financial expenditures.
- vi) transfer of green tea leaf collection and payment to farmers from the KTDA to the individual factory companies.
- vii) sales of KTDA equity in factory companies to the tea farmers.
- viii) empowerment of the tea farmers through their elected company directors who are now responsible for governance and policy making in their respective factory companies.
- ix) allotment of ownership shares to all small-holder tea growers in their respective tea factory companies.
- x) strict information and data disclosure by the KTDA to factory companies regarding marketing of tea by the Authority.

9.3.3 repeal of all previous Kenya Tea Development Authority (KTDA) Orders and replacement with Legal Notices No.109 to 112 of 1997. The new legal Notice No.109 of 1997 effectively placed control of the KTDA Board under the farmers elected representatives who number 12 out of a total KTDA Board membership of 17 including the Managing Director.

9.3.4 removal of provisions in the Kenya Tea Development Authority Orders which in the past required the Board to seek the Minister's approval before making important investment decisions.

## **10.0 PRIVATIZATION AND TRANSFER OF OWNERSHIP OF KTDA TO SMALL-HOLDER TEA FARMERS**

10.1 Despite the above mentioned measures which have resulted in greater empowerment of farmers, major restructuring of the KTDA will be undertaken to enable the Authority to fully

of the Government loan guarantees. They will be responsible for policy and management but the factory companies will be in control as the shareholders and owners of the company. The KTDA Board will direct the work of the management and other staff of the Company.

The Board of the company will elect its own chairman from amongst the elected directors. Elections of the new directors will be carried out within a period of six months after the repeal of the KTDA order by around January, 2000. The new directors will be elected on the following basis :-

- i) Small-holder tea growing areas will be divided into zones;
- ii) each zone will comprise a minimum of three factory companies but special provision will be given to zone xii until a third factory is built in the area. The zone will therefore comprise two factory companies i.e. Chebut and Mudete.
- iii) each zone comprising between three and five factories will elect one director of the KTDA Limited.
- iv) a zone with more than five but less than ten factories will elect two directors of KTDA Limited.
- v) Maximum number of directors representing a single zone will be two directors.
- vi) KTDA Limited will work detailed modalities of how the directors will be elected.

The envisaged date for the full privatization of KTDA would give sufficient time to enable a smooth transition from KTDA authority to a limited company.

### 10.3.3 Action Plan/Implementation.

The process towards full privatization of KTDA will be implemented as follows:-

- a) the on-going liberalization and restructuring of the small-holder tea sub-sector and the KTDA will be finalized by January, 2000.
- b) repeal of the Kenya Tea Development Authority (KTDA) Orders and any other legislative amendments will be undertaken and effected by January, 2000.



### 10.3.5 Associated Companies

Companies closely associated with the KTDA Limited will include:-

- i) all the current 45 smallholder factory companies and any future ones managed by the KTDA Limited;
- ii) the Majani Insurance Brokers Limited which is a private company wholly owned by the KTDA;
- iii) the KTDA Farmer's Company Limited whose shares are held directly by smallholder tea farmers. The company owns the "KTDA Farmers Building" while the KTDA owns the "KTDA Plaza" formerly known as Rahmutulla Trust Building and Diamond Trust Building. The two buildings house the KTDA Headquarters ;
- iv) the (Chai) Warehousing Limited (in formation) to be located in Mombasa;
- v) the Kenya Tea Packers (KETEPA) Limited.

These KTDA associated companies will therefore constitute a large tea development, management and marketing conglomerate. In due course, the proposed value adding tea factory company will join the KTDA group of companies. This will indeed be a useful addition to what will have already become a formidable economic and commercial entity both locally and internationally.

### 11.0 EMPLOYMENT OF TEA EXTENSION STAFF

With the privatization of KTDA, the Government will not employ the extension staff as was the case in the past in the small scale tea growing areas. The KTDA and the smallholder tea factory companies will recruit staff to undertake the extension service. The field extension service will be an integral part of the KTDA and the smallholder tea factory companies. In future the tea extension personnel would be located only in the KTDA Limited headquarters and at the factory companies.

- 11.1 KTDA will absorb 47 tea officers and 188 technical assistants. Tea officers and technical assistants should have a degree and an agricultural certificate respectively. In view of this a committee composed of officers from the personnel departments of KTDA and the Ministry of agriculture will be constituted to work out the necessary personnel service transition modalities.
- 11.2 Tea officers will serve under the respective factory companies on secondment from the

The requirement for small-holder farmers to provide equity as part of the financing arrangement for new factory companies is another constraint. Even with the proposed sale of shares by farmers transferring to a new factory company, the amount raised will not be sufficient. The KTDA Limited will temporarily acquire the shares and pay for them in an effort to provide part of the equity requirement. Currently, there are nine proposed tea factories in the small scale subsector.

In future the following measures will be taken:-

- KTDA will provide necessary guarantees for loans;
- Government and KTDA Limited will look for alternative lenders.
- the minimum 30 percent equity required from the smallholder tea farmers in advance will be provided by KTDA Limited through temporary acquisition of the shares.
- assets of the new factory companies will be mortgaged to cover the factory construction finance loans.

In view of the agreement to incorporate a private KTDA, KTDA Limited will re-open negotiations with the prospective lenders with regard to the issue of equity requirement.

#### **14.0 EXISTING LOANS AND GUARANTEES**

With a privatized KTDA, additional changes especially in the area of loan financing will arise as explained here below:-

The Kenya Government currently provides guarantees on external loans borrowed by KTDA for its development programmes. As at 31st December, 1997 the balance of the external loans where the Government had given guarantees was about Kshs.1 billion. This facility is now not easily available to parastatals. Consequently some other form of security will be put in place to replace the Government guarantees for future factory development projects. The existing Government guarantees will however not be affected by the privatization of KTDA. These (guarantees) will remain in force until the subject loans are repaid in full.

Likewise KTDA limited will continue to service existing loans on the old terms until the same are fully repaid. As per the financial agreements, KTDA will be managing agents for those factories that have outstanding loans. Because of this arrangement it is expected that no lender will deem it necessary to exercise their right to demand repayment of the loan in full before the due date.

estates will be issued with individual licences directly by the Tea Board of Kenya. Whereas the Board's Inspectorate Department will be monitoring to ensure the holders of the group licences do comply with the set rules by its members, they will also be acting as the Board's agents in this regard. In order to encourage new tea factory companies coming up and establishing their own catchment areas the licence issued will not specify the area to be planted with tea.

In future therefore, the smallholder tea growers supplying green tea leaf to smallholder tea factory companies will not be required to obtain licences as individuals.

The planting licence will be assessed on the following criteria:-

- (a) the area being suitable for tea growing;
- (b) adequate processing arrangement being ascertained by the Tea Board of Kenya.

Licence holder will make an annual return to the Board indicating the total area planted and the number of tea farmers and also pay an annual fee which will be based on the current Regulations on planting tea. The fee to be charged will be determined by the Board.

The Board will liaise with tea manufacturing companies in verifying the area planted by individual growers delivering tea to the factory for the purpose of maintaining correct statistics on area planted nationally.

## **17.0 MANUFACTURE OF TEA**

Manufacturing of high quality Kenya tea whether by sun-drying or otherwise will be Tea Board's primary objective. While licensing a new tea manufacturing factory, Tea Board will ensure that adequate tea leaf is available corresponding to the proposed tea factory processing capacity.

To ensure that no person manufactures tea for sale, whether by sun-drying or otherwise, other than according to the rules and regulations set, the tea manufacturing company will be issued with an annual licence by Tea Board of Kenya. The licence will attract a manufacturing cess which would be set by the Board in consultation with the Minister. The foregoing will be achieved through the following stringent measures :-

- i) when licensing a new manufacturing factory due consideration will be taken to ensure that processing over-capacity is not created in a given local area or zone. In case of a private investor, Tea Board would arbitrate to decide how the farmers are distributed between the existing and the new factory before issuing a licence. A licence for a new factory will only

There is a need to amend the relevant legal provisions in the Local Government Act and the Agriculture Act together with the relevant legislation to place the collection and utilization of the agricultural produce cess entirely under the auspices of the Agriculture Act Cap.318;

Policies and guidelines pertaining to the collection and utilization of cess funds should be harmonized for their effectiveness.

District Tea Cess committees and the National Tea Roads Monitoring Committee should be abolished since the cess funds are now channelled to the respective farmers' organizations.

## 19.0 **MARKETING OF TEA**

As Kenya continues to increase its share of the world tea market which is currently about 22% compared to Sri Lanka's 21.0% and India's 14.0% the key role and function of the Board will be in tea market promotion. Tea Board will provide the necessary leadership in the industry by laying more emphasis on marketing and promotion of tea without compromising on production and quality. This will be achieved through :-

- i) allowing tea manufacturers to sell part of their tea directly to overseas markets.
- ii making Mombasa auction an export market only.
- iii. ensuring all tea exporters, whether manufacturers, buyers, brokers or packers make a return on their exports on a newly designed registration form to the Tea Board to enable the Government collect statistics on tea exports,.
- iv) ensuring that transparency plays its rightful role in the industry by harmonizing all the rules and regulations of the various sub-sectors for the greater interest of the stakeholders.
- v) monitoring of tea sales through registration of buyers, brokers and packers.
- vi) adopting a more aggressive promotion strategy with more emphasis being focused on uni-national tea promotion and value added teas from Kenya;
- vii) encouraging all stakeholders in the industry to undertake promotion activities independently to supplement Government's effort.
- viii) laying more emphasis on promotion strategy focused to developing countries of Asia, Middle East, Africa and in Eastern Europe where projections show consumption is on the increase and is expected to rise in future while maintaining our share in our traditional

the Foundation accordingly for the benefit of the tea farmers who are the financiers of the Foundation through the Tea Board of Kenya.

Efforts will be made to assist Tea Research Foundation of Kenya (TRFK) in establishing its own tea research factory together with the required research equipment and facilities to facilitate the carrying out of more research in tea manufacturing and related aspects by the foundation. In addition the foundation will be encouraged to formulate their own proposals and plans for attracting money from both external and internal sources for training fellowships, research activities and other development activities.

There is need to exempt Tea Research Foundation of Kenya (TRFK) from the provisions of the State Corporations Act to enable it set salary scales and other benefits to its staff provided the TRFK is not exempted from the provisions related to auditing of accounts.

## **20.2 Nyayo Tea Zones Development Corporations (NTZDC)**

The major objective of NTZDC was to protect and conserve gazetted high altitude forests against human encroachment. The Nyayo Tea Zones belts provides physical a buffer to forest reserves. Other than meeting the intended purpose the Zones also generate revenue and create employment to Kenyans in addition to providing infrastructure to rural areas.

Due to their geographical spread and absence of a processing facility, the Corporation will sign agreements with smallholder tea companies or KTGA member companies to process its green tea leaf. Management of some estates will be leased out to smallholder tea companies or to individual private tea companies until such a time that the Corporation will be able to take over these functions effectively.

## **20.3 Kenya Tea Growers Association (KTGA)**

Kenya Tea Growers Association (KTGA) is a private, voluntary association whose role is to promote the interests of large and medium private tea growers in Kenya. Some of the leading members of KTGA have been active in the development of the Kenya tea industry for over 50 years. Members of KTGA are also very active not only in tea production but in tea trade through the East African Tea Trade Association (EATTA) and the Mombasa Auctions. The Association accounts for over 40% of tea production with the other balance of 60% coming from smallholder farmers.

The government will encourage Kenya Tea Development Authority (KTDA) and Kenya Tea Growers Association (KTGA) to work closely to assist smallholder farmers willing to transfer to KTGA managed tea factories or in cases where the KTDA managed tea factory companies does not have adequate processing capacity. This will be done through agreements between individual smallholder tea factory companies and KTGA member

- i) run the Mombasa Auctions which is the third largest in the world after Calcutta in India and Colombo in Sri Lanka;
- ii) ensure that representation at the association Management Committee is equitable and special consideration is accorded to large single producers like KTDA who represent all the smallholder in Kenya;
- iii) ensure that the sale of tea at the auctions and other operations of the trade is fair, efficient and transparent;
- iv) ensure that tea producers determines the currency of sale depending on whether the tea is for local or export sale.
- v) ensure that Payment of the tea sold at the auction is made within ten days.

The membership of the East African Tea Trade Association consists of tea producers, buyers, brokers; packers and warehousemen in Eastern Africa. There are about 300 corporate members of EATTA who come from Kenya, Uganda, Tanzania, Rwanda, Burundi and Malawi The entrance fees and annual subscriptions are as follows:

- ◆ brokers produce banker's guarantees that they are good for Kshs. ten (10) million, pay entrance fee of Kshs. 365,000/= and Kshs 35,000/= annual subscription each;
- ◆ producer member's entrance fee is Kshs. 20,000/= and annual subscription is graduated as Kshs. 25,000/-, Kshs 55,000/=, Kshs.82,000/=, Kshs.93,000/= Kshs. 165,000/= and Kshs. 440,000/= depending on the amount of tea produced
- ◆ buyer's entrance fee is Kshs. 65,000 and annual subscription of Kshs. 25,000/- to Kshs 50,000/= based on the amount of tea bought annually;
- ◆ packer's entrance fee is Kshs. 10,000/- and annual the subscription of Kshs. 25,000/=
- ◆ warehousemen pay Kshs.10,000/= entrance fee and Kshs. 50,000/= annual subscription

before registering them. The tea brokers are members of the East African Tea Trade Association and they operate under the EATTA regulations. In future all tea brokers operating at the Mombasa auction shall be required to register with the Tea Board of Kenya.

The KTDA as a managing and marketing agent will continue to appoint brokers in consultation with individual Tea Factory Companies on competitive basis at 3-4 tea factories per broker.

In future the Tea Board will be involved in the registration of tea brokers. Currently, EATTA demands letters of appointment from the producers before licencing a tea broker in addition to checking the applicant's financial and management capability positions including physical facilities. Under the revised Tea Act, the Tea Board will have powers to register or deregister tea brokers who do not abide with the set rules and regulations. The Tea Board will also ensure that rules and regulations of any organisation dealing in or involved in tea trade, including EATTA and their activities are in harmony with the provisions of the Tea Act and the interests of the tea industry.

#### 20.6.2 Tea Brokerage Commissions or Fees.

The brokerage charges have been 1% commission on gross sales value of tea paid by producers and a further 0.5% commission on gross sales value of the same paid by the buyers. In addition, the broker receives a further Kshs.30 per Alot@ in form of catalogue printing expenses. One Alot@ is a garden (factory) invoice of 20, 40, 60, 80 or 100 packages (57 kg to 78 kg each depending on grade) which is counted as a single line in the catalogue. Some catalogues, may have 30, or 40 lots or as many as 1000 lots depending on the amount of tea offered. The payment may add up to about Kshs. 1000/- or 1500/- or even 30,000/- per catalogue each week depending on the amount of tea offered. In total, the broker gets more than 1.5% of the gross sales value of tea he sells at the auction.

All tea blended and packed in Kenya will contain 70 percent of the Kenya's produced tea.

All tea packers based in Kenya will be required to register with the Tea Board of Kenya.

## 21.0 TRAINING AND HUMAN RESOURCE DEVELOPMENT IN TEA INDUSTRY

Training and human resource development is the key to scientific, technical know-how and break-through in all sectors of the economy. To cater for the agricultural sector, there are public universities and agricultural training institutions offering general courses in agriculture among others. The tea sub-sector draws its manpower from these institutions.

It is proposed that Tea Board of Kenya will liaise with institutions of higher learning and other training institutions in order to develop a training manual and curriculum on various aspects of tea. The objective will be to train the under graduate and post-graduate students and officers and, eventually the training of farmers and other stakeholders. The Board in this way, will develop the technical knowledge and expertise required to steer forward the tea industry.

The Tea Board will also undertake a study on the human resource needs in the tea industry with a view to developing the training plans and projections. A training Committee consisting of all stakeholders to examine all training issues and facilities in the various institutions will be constituted under the auspices of the Tea Board of Kenya.

The current training activities being undertaken in the tea industry will also be intensified especially through tea field days at the factory level and the extension services.

The estates have been conducting in-house training for their workers and officers whereas the smallholder sub sector has been undertaking its training activities at the existing Farmers Training Centres spread across the country and at the Kagochi Farm and Training School which was established in 1950. Kagochi school is situated near Ragati Tea Factory at a place 11 km from Karatina Town in Mathira Division, Nyeri District, Central Province. There is a tea demonstration farm on tea husbandry and a training school. The main objectives were to train farmers on management and maintenance of tea farms, introduce better cultural and



function, TRFK will also be providing specialized training courses for senior managers and high level personnel as a secondary function under the auspices of the Tea Board of Kenya.

Currently, there is a small training unit at TRFK. The unit supports the training of smallholder tea growers and the estates sub sectors. The unit consists of a twelve hostel capacity, a guest wing and a training hall. There is a need to improve these facilities so that the unit can carry out the specialised training activities more effectively. However, to ensure effective use of the available training facilities and also avoid wastage of resources, the Board will liaise with the respective training institutions to ensure that the training being undertaken at Kagochi is not duplicated at TRFK.

TRFK will carry out more research in tea manufacturing and other related aspects. In this regard the Government will assist TRFK to establish its own tea research factory and a major workshop. The workshop will be fabricating the machinery needed in the tea factory companies which are currently imported. The construction of the tea factory and the workshop was estimated at Kshs.300 million and Kshs.50 million respectively. The Government will finance the construction of these facilities either from its own resources or through soliciting donor support or co-financing it with the tea industry.

## **22.0 CONCLUSION**

The various programmes and plan of action in this Sessional Paper, after their implementation, will result in efficient and effective operations of the institutions in the industry. The existing constraints, problems and challenges will be addressed through the new policies. The new decision-making framework will empower the stakeholders to be involved in the industry. The Government will continue to support the industry through the existing institutions to enable the various actors and stakeholders to fully play their rightful roles under an enabling environment in the liberalized tea industry.