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## INTERNATIONAL DEVELOPMENT ASSOCIATION

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Subject: IDA and Sweden lend  
\$7.2 million to Kenya

Kenya will initiate a long-term range livestock development program with the assistance of credits totaling \$7.2 million from Sweden and the International Development Association (IDA). Its principal objective is to increase beef production for home consumption and export mainly by subsistence pastoral groups. This will be the World Bank Group's first venture into this field in Africa. The initial stage will in effect be a pilot project because of the complexities of this novel and comprehensive approach to livestock development in Kenya. If successful, it will provide the basis for further development of Kenya's livestock industry and could be adapted for similar undertakings throughout the African continent.

The IDA credit amounts to the equivalent of \$3.6 million and the credit from Sweden, 19 million kronor (\$3.6 million). The IDA credit is for a term of 50 years; it is free of interest, but a service charge of 3/4 of 1% will be made to meet IDA's administrative costs. The Swedish credit is on the same terms. Total expenditures on this phase of the program are estimated at the equivalent of \$11.4 million. The remaining financing, equivalent to \$4.2 million, will be met by the Government of Kenya and participating ranches.

Funds will be provided for the development of four different types of ranching enterprises, three of which are new and involve the subsistence pastoral groups; for the improvement of livestock movement and marketing facilities; for range water survey and development; and for technical services related to range development. About 60 ranching enterprises operating on two million acres will invest in ranch development which will include facilities for stock watering, dipping, spraying

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and stock handling, firebreaks, improved bulls, fencing, machinery and equipment. The enterprises will receive long-term development loans as well as short-term credits to meet working capital requirements. These loans and credits will be channeled through the Agricultural Finance Corporation (AFC) which was established in 1963 to provide credit for the development of agriculture with resources provided by the Government.

The Government will relend \$4.2 million of the IDA and Swedish funds to AFC for a term of 18 years, including a five-year grace period and interest of 3%. AFC will in turn relend these funds for ranch development at a minimum rate of interest of 7-1/2% for both long (12 year) and short-term credit. Ranch development goods will be purchased by participating ranching enterprises through normal commercial channels.

The Ministry of Agriculture and Animal Husbandry will be responsible for the development of stock routes and holding grounds, marketing facilities, range water survey and development, and various technical services. Because of the many government agencies involved, a new Range Livestock Authority will be created to provide over-all coordination and guidance.

The team charged with appraising this project included a consultant anthropologist; this was the first time an expert in this discipline has taken part in a Bank or IDA project appraisal. An expert from the Food and Agriculture Organization (FAO), under the World Bank/FAO Cooperative Program, also assisted in appraising the project.

Agriculture, including livestock, forestry and fishing, has always been the most important sector of the Kenyan economy, both in terms of its contribution to gross domestic product and as a means of livelihood. In the last decade agriculture has been growing at the rate of about 4% a year despite falling prices for some of the major export crops, two droughts and large-scale land transfers. However, the growth rate for livestock has been considerably less than that for crops.

There are about seven million head of cattle in Kenya, of which about half are widely scattered over the sparsely-populated range lands. Large-scale commercial ranches with about 500,000 head of cattle are the main source of quality beef production. It is estimated that only about 270,000 of the 900,000 head of cattle slaughtered in 1966 were marketed through commercial channels; about 45% came from commercial ranches and 55% from traditional pastoral areas. The major benefit expected from the project now being undertaken is increased sales of slaughtered cattle. Also, about 10,000 breeding heifers will be added to the national herd annually from project ranges. Additional benefits will result from the transition of traditional pastoralists from a subsistence to a market-oriented economy, the development of national marketing services, and the training of Kenyan personnel in livestock development lending.