

# Businesshub

Kenya's electrification plans, like most, have encouraged supply while overlooking the need to stimulate demand



## Munya raises concern over low tea prices at Mombasa tea auction

**INCOME:** The government has raised concern over the sharp decline in tea prices at the Mombasa Tea Auction which could discourage small-scale farmers from growing the cash crop and shift to other economic activities.

Agriculture Cabinet Secretary Peter Munya warned the situation is worrying and must be urgently addressed to avoid an economic slump in the multi-billion shilling industry.

"The low tea prices is a threat to the livelihoods of over 620,000 smallholder farmers and the country's socio-economic growth," he said. Speaking during a media brief on current tea prices at a Nairobi hotel on Saturday, Munya said measures must be put in place to help tame the dipping tea prices and guarantee stability in the market.

### Value chain

"Should the situation deteriorate, over 6.5 million Kenyans who depend on the tea value chain directly and indirectly will be critically affected," Munya cautioned.

The low prices are likely to interrupt the government reform agenda that seeks to guarantee efficiency, transparency and sound governance in order to improve farmers' earnings. In the last few weeks, the CS said a sharp decline in tea prices has been witnessed

at the Mombasa Tea Auction. "The average prices recorded in the auction has dropped to an all-time low of \$1.80 (Sh194.22). This is much lower compared to an average price of \$2.09 (Sh225.511) recorded during the same period last year and \$2.23 (Sh 240.617) for the same period in the year 2019," said Munya.

He observed that the current price is not only lower compared to the previous years, but is also almost at par with the cost of production, which currently stands at approximately Sh183.43 (\$1.70) and therefore not sustainable as farmers are now operating at a loss. "It is important to note that the smallholder sub-sector, which accounts for 56 per cent of the national production, is the most affected," he added.

To arrest the situation, starting this week Munya directed that farmers should set a reserve minimum average price at the auction, based on the cost of production, the grade of the tea and a reasonable return to the tea farmer.

"The smallholder producers are expected to manage their supplies of black CTC to the Auction. This will include diversification into Orthodox tea production which should be enhanced especially during the flash periods," he added.

—Nicholas Waitathu

New report, however, shows connectivity efforts of Last-Mile have not resulted in consumption increase, leaving Kenya Power with idle electricity

by John Otini  
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Kenya's ambitious Last Mile connectivity has seen it ranked among the top countries globally in terms of reduced number of homes without electricity. However, a new study says this has come with heavy consequences for the utility firm, Kenya Power, as most customers cannot pay.

The report by the International Energy Agency dubbed *The Energy Progress Report for 2021* confirms that Kenya's speed of rural electrification is far ahead of its population growth. It says the country's annualised increase in electricity access between 2010 and 2019 was at 5.6 per cent – the largest among the top 20 nations in the world with huge electricity access gap.

"The global access rate over the entire period was driven chiefly by a group of countries that made startling progress. Kenya and Mali, for instance, each scored annual growth of more than 6 percentage points, with electrification outpacing population growth from 2017 to 2019," the report notes.

### National disasters

Kenya boasts more than 70 per cent access to electricity to provide cushion to the economy, especially during national disasters like pandemic which need running electricity for treatment. The report, however, says the country is yet to start drawing maximum socio-economic benefits from the increased electrification.

Kenya Power's rural customers, it adds, are spending a paltry Sh3.34 daily on electricity hurting the utility due to expensive transmission losses that are not compensated by paying users.

Kenya borrowed heavily from the World Bank to extend the reach of the national grid as the Jubilee administration sought

to build infrastructure for the economy to grow but that investment is yet to translate into higher economic activities.

According to the report, the improving electricity access should be complemented by promoting productive uses of the power. "To date, Kenya's electrification programmes, like most, have encouraged supply while overlooking the need to stimulate demand, especially demand for productive uses of electricity," it adds.

The average monthly electricity power bills for these poor rural households is just a paltry Sh100 a month, or Sh3.34 a day according to Kenya Power.

Homes that use six-kilowatt hours (kWh) of electricity or less every month indicate that a majority of them use electricity for charging phones and controlled lighting. They are likely not to plugged gadgets like fridges, TV, cookers, microwaves and electric heaters, key drivers of power use in homes.

The rural population would have benefited better with the deployment of solar panels but instead the government gave them an overkill showing insufficient planning on the side of the government.

Kenya Power said rural consumers were unable to support its revenues forcing the utility to rely on urban sales and industrial bills. Kenya has expanded electricity penetration across the country, particularly in rural areas, over the past decade under the Last Mile Connectivity Project.

This scheme connected homes living close to Kenya Power transformers at a subsidised cost of Sh15,000.

### Economic value

The project, which is funded by donors such as the African Development Bank, also brought transformers and power lines to zones that had little economic value for Kenya Power to commit billions of shillings for grid development.



## Revenue strategy

David Kinuu (left), KRA Commissioner Corporate Support Services cuts the tape during the commissioning of a Sh2.6 billion Mombasa Port metropolitan fibre optic network. The system will connect 23 clearing points to a centralised location in KRA's Nairobi headquarters in a move expected to reduce goods' clearance time and enhance transparency. PD/BONFACE MSANGI



## EAC States, industrialists work to eliminate non-tariff barriers

Kenya and Tanzania have called for a quick resolution of non-tariff barriers and the review of the East African Community Common External Tariff (EAC CET). Business and government leaders from the two countries said the barriers have hampered trade in the region as exports decline.

Confederation of Tanzania Industries (CTI) chairman, Paul Makanza, said the two countries enjoy CBD good relationships but trade between them had slowed down due to barriers. "We hope to leverage

this renewed collaboration between the two countries to grow our economies. Both Kenya and Tanzania must eliminate non-trade barriers, and conclude the review of the EAC common external tariff," he said in a statement after a meeting organised by Kenya Association of Manufacturers (KAM) and CTI in Nairobi.

Muca Kuniya, KAM chairman asked the EAC partner states to create an enabling environment to drive industrialisation in the region by doing away with regulatory over-

reach that hinders the region's competitiveness.

### Industrial growth

He added that Kenya should adopt the 35 per cent rate of EAC CET and resolve outstanding non-

## 35pc

Rate of CET business leaders want Kenya to adopt and resolve outstanding non-tariff barriers with Tanzania.

tariff barriers with Tanzania to drive industrial growth. Kenya's High Commissioner to Tanzania, Dan Kazungu, said a recent visit by the President of Tanzania, Samia Suluhu, to Kenya heralded new dawn between the two nations. He said this will help resolve outstanding non-trade barriers that hinder trade between the two countries. Kenya's principal secretary, Ministry of EAC, Kevit Desai, asked regional states to embrace the "Buy East Africa, Build East Africa initiative". —Xinhua