TEA COMPRISSES KENYA’S LARGEST EXPORT CROP AND CONTRIBUTES TO $1 BILLION IN YEARLY EXPORT VOLUMES. THE COUNTRY IS THE THIRD LARGEST TEA PRODUCER IN THE WORLD AND THE TEA INDUSTRY SUPPORTS THE LIVELIHOODS OF MILLIONS OF ITS CITIZENS, ESPECIALLY SMALLHOLDER FARMERS.

Kenya Tea Development Agency Holdings Limited (KTDA), a long-standing and strategic IFC Agribusiness client in Sub-Saharan Africa, is the largest tea business in East Africa. It services 562,000 smallholder tea farmers, who are suppliers as well as shareholders of 54 separate tea companies owning a total of 66 tea factories. It also accounts for approximately 60 percent of the country’s tea production.

This combined IFC and GAFSP investment will assist in the design, construction, operation and maintenance of seven run-of-the-river small hydropower plants with a total installed capacity of 16MW in various locations across Kenya. These hydropower plants will provide captive power generation for KTDA’s tea factories and will sell any excess to the state-owned utility company.

KENYA: A climate smart solution to supporting the tea industry in East Africa

$27.5 million investment to meet the energy needs of Kenya’s tea industry

EXPECTED RESULTS:

The seven power plants are expected to be fully operational by 2020 and will result in significant cost savings, benefitting over 350,000 smallholder tea farmers who have endured two years of low income due to the drop in tea prices during the 2013 to 2014 season. The project is also expected to significantly improve the competitiveness of the Kenyan tea sector.

The 350,000 smallholder tea farmers are expected to receive higher incomes from (i) better price sales of green leaf (raw material for processed tea) due to lower energy costs and reliable power supply; and (ii) dividends from the power plants based on power sales to tea factories and the national grid as shareholders of the power projects.

Once successfully implemented, this project is also expected to demonstrate that such ventures among indigenous power project companies are feasible, catalyzing an increase in the flow of domestic capital into this subsector and deepening the renewable energy market in Kenya.

The project is also expected to create more than 2,000 jobs during the power plant construction in addition to approximately 60 permanent jobs after commissioning.