

Seeds of Discord

THE SECRETS OF KENYA'S LAND SETTLEMENTS

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Treasury pays heavy price for land loan defaults



In the third part of a series on land politics at independence, **JOHN KAMAU** shows how President Jomo Kenyatta's directive that the government guarantee the sale of land to settlers strained public finances. The series has been running since Monday

Lands and Settlement minister Jackson Angaine and his Finance counterpart James Gichuru were the best of friends in the newly independent Kenya.

Angaine fondly referred to Gichuru as "Jimmy" and Gichuru in turn addressed him as "Mzee" even in official government letters.

It did not, however, take long before settlement of the landless stretched the friendship to limits.

As political interests derailed the settlement experiment and government finances thinned out in the midst of frequent lecturing by the World Bank and London, the two men at the centre of the plan found their backs against the wall.

Today, more than 40 years later, these policy failures and lack of foresight have continued to haunt the land question in Kenya. Land is one of the key items in the so called Agenda Four of the National Accord that President Kibaki and Prime Minister Raila Odinga signed following the post-election turmoil early last year.

The question is why those in power got things so wrong and what could have been done differently?

Gichuru, came under increasing pressure from the British government which insisted that a loan — given to the Kenya government to purchase land from white settlers — be paid on time. Not many of the settlers had the capacity to pay the loans.

It was inability to handle this pressure that saw Gichuru replaced at the Treasury by Mwai Kibaki who oversaw the repayments.

Those who understand the politics of the time say Gichuru had earned his place at the Treasury because he was one of the conservative politicians who supported Kenyatta's position that nobody should acquire land for free during the 1962 Lancaster House talks which gave Kenya its independence constitution.

It was a docket he could hardly han-



Clockwise from left: James Gichuru, John Michuki, Isaiah Mathenge and Jackson Angaine. FILE



dle as economic growth slowed down and poverty pushed thousands of landless people into urban areas.

By May 1966, after failing to convince London to give the poor a moratorium on repayment of the resettlement loans, Gichuru wrote a brief letter to Angaine saying the British were unlikely to alter their stand on the matter. Despite a remarkable improvement in the collection of funds from settlers, the money was not enough to offset the overall loan service charge.

Efforts to improve the situation did not succeed and it was decided that the matter be referred to ruling party

Kanu's parliamentary group. It was at the meeting attended by 114 MPs and 13 Cabinet ministers that President Kenyatta agreed to grant a moratorium to African settlers.

But the Kanu parliamentary group Secretary T. Malinda's revelation of the moratorium decision on May 23, 1966 at parliament buildings appeared to have only opened a can of worms instead of resolving the matter.

It was not clear who it covered or

how long it would last.

John Michuki, then Permanent Secretary at Treasury found himself in an awkward position when he suggested that Kenyatta's decision be followed by a clarification because it was open to abuse.

Writing to both Geoffrey Kariithi, the Office of the President PS and Peter Shiyukah, the Lands PS, Mr Michuki complained that "the way the announcement was made, even future buyers of the Z Plots (100 acres with permanent improvements) would benefit from the moratorium."

Wealthy settlers

Mr Michuki insisted that he did not consider that category of people as in "dire need of a moratorium since most of them were, in any case, wealthy people."

Mr Michuki had one other worry. "The effect of a moratorium on revenue is such that the Government would be repaying land settlement loans without receiving payments from the beneficiaries. There might be justification in giving the concession to poor settlers, but I do not think it would be justifiable for the wealthy."

Mr Michuki was supported on

this issue by Mr Shiyukah in a letter dated June 5, 1967. The PS complained that ever since the statement was made, MPs had been asking "those who had been evicted on account of not paying up their instalments" to go back to their farms. Mr Shiyukah also informed Mr Michuki that some of the Z Plot owners stormed the ministry's offices to demand their post-paid cheques.

The confusion was deepened by an East African Standard report that the moratorium only covered those with more than 100 acres of land!

Mr Shiyukah knew that the British government and World Bank would not approve Kenyatta's directive and called for a meeting with other permanent secretaries.

The meeting agreed that a confidential circular dated June 6, 1967 — would be issued indicating that Kenyatta's order only covered "future new settlers" meaning that those who had already taken loans would not benefit.

But even before it was issued Local Government minister Lawrence Sagini, stormed the Lands office and withdrew some post-dated cheques he had deposited for land he had acquired.

Treasury and Settlements ministries found themselves in a new crisis. It was suggested that they approach

Mr Malinda to correct the moratorium reports. Mr Kariithi intervened to save the day with a clarification that the directive covered "all new settlers allocated new plots" from the time the announcement was made.

At Treasury however, the problem was much bigger. Mr M. A. Collins, the financial adviser for settlements, expressed concern that financial position of the programme would be adversely affected by the moratorium "since money had to be found to settle debts to lenders." That money, he said, would have been available from the settlers had the moratorium not been granted. The financial implications of the Kenyatta directive were huge. Loans from the British Exchequer attracted a 7 per cent annual interest and the onus was on Treasury to meet the repayment obligations.

Back at the Office of the President, Mr Kariithi did not want those who owned more than 100 acres excluded from the moratorium. Writing to Mr Michuki on July 18, 1967, the PS said he was "unable to agree with your suggestion that holders of farms larger than 100 acres should not benefit from the moratorium because they are rich."

Near chaotic

"Should a settler wish to repay his loan earlier because he is rich, then he should be allowed to do so," he said.

As civil servants in Nairobi tried to study the implications of the directive, Rift Valley Provincial Commissioner Isaiah Mathenge described the situation in the field as "near chaotic as we do not know where we stand."

A meeting held on August 4, 1967 at the office of the PS (Settlements) John arap Koitie, heard that loan repayments had come to a near halt after Kariithi ordered that no clarification of Kenyatta's order should be made.

The meeting agreed that Mr Kariithi issues a clarification to save the situation and Mr J.G. Kibe, the under-secretary of Treasury, informed the meeting that the Government was not in a position to subsidise the settlers and that an increase in taxation to meet such expenditure was unjustifiable.

Mr Kariithi was coaxed into making a clarification through a press statement from the Lands and Settlement PS that he issued on August 18.

And this was part of the confusion that trailed the settlements.

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Cabinet turf war that stalled the settlement plan

The poor working relationship between Lands and Settlement minister Jackson Angaine and his Agriculture colleague Bruce McKenzie partly led to the failure of settlement schemes as viable entities, we can now report.

And it was the failure of the settlement programme that left thousands of would be beneficiaries landless – planting the seeds of the squatter problem that Kenya faces to date.

Having started off as senior members of Kenyatta's first Cabinet, the fallout between McKenzie and Angaine was so tumultuous that they took to trading nasty letters in private while maintaining a brave face in public.

Records of the correspondence between McKenzie and Angaine show that as the Lands minister came under World Bank pressure over the failing schemes he passed the buck to his Agriculture counterpart.

In a letter dated October 26, 1967, Angaine indicated that it was McKenzie's ministry that had failed to offer the lands and settlement docket the support it needed to succeed.

"At the present," wrote Angaine, "I am under considerable pressure from the (World Bank) and the Commonwealth Development Corporation

over inadequate staffing of settlements schemes and the shortage of livestock in the schemes."

McKenzie sat on his reply for 55 days and when he finally unleashed it on December 20, it was a slow-punch attack on Angaine and his officers.

"Your letter did not come as a surprise [and] it is disturbing that you have left the staff situation unattended to until this critical stage," he said in the opening salvo.

Breach of agreement

Kenya had promised the World Bank a certain level of staffing in the schemes and that grade cattle would be provided for the settlers to develop a viable dairy industry.

"Failure to honour such undertakings constitutes a breach of the loan agreement with resultant adverse effect on the good name of our country," said the letter.

By 1967, the government had expected to distribute 97,000 dairy cows to the settlers but there was a shortfall of 33,000 cows. Angaine acknowledged the shortfall but insisted that it was a national problem. The situation, he said, had been complicated by the fact that farmers could not get loans from



Mr Bruce McKenzie. FILE

Agricultural Finance Corporation to purchase dairy cows because they were not available.

Besides, the Agriculture Development Corporation had started buying large farms and livestock, turning them into its own property and making it difficult to distribute the same to farmers in settlement schemes.

One of the problems Angaine noted was the paradox of turning people from non-farmers into farmers in an exceedingly short period of time. "We are also duty bound to help the farmers achieve their budgeted incomes. Failure to accomplish these things will result not only in breaking the faith of individual farmers but also making it impossible for them to repay their loans.

That should in turn make it impossible for the Settlement Fund Trustees to make loan repayments to the Treasury as they fall due and presumably for the Treasury to meet overseas repayments when due," he said.

"It is all too well and good for you to list down subordinate figures in hundreds as it were to make your point but not only have you failed to admit to being ready to find a solution to the

problem but you are knowingly using some professional degree and diploma graduates as settlement officers, which amounts to a serious mis-allocation of manpower."

McKenzie was abrasive in his reply. "Some months ago your ministry advised that we get rid of 30 AAIs then working in the settlements on grounds that you did not require their services. Was this a miscalculation on your part or what has brought about the sudden change?"

As World Bank and CDC pressure mounted on Angaine, McKenzie informed him that the institutions "are fully aware of our shortcomings in the livestock industry and both organizations are convinced that there is no short term solution to it."

Emptying ground

Angaine passed the letter to his deputy director of settlements to check the facts. The minister complained that McKenzie and his officials "considered (Ministry of) Settlements as an emptying ground for indifferent staff not endeared to them."

"The morale of our settlement staff depends on their knowing specifically who their boss is. Seconded staff are known to be nobody's baby. The situation is aggravated when the director of settlements and director of agriculture are hardly ever on the best of terms," wrote PM Vuyiyya, in a confidential letter.

When Angaine decided to hit back it was in a three-page letter dated February 13, 1968 copied to Finance minister James Gichuru and Tom Mboya of Economic Planning.

"As for your rumour on the morale of settlements staff, I take it that it is

just a rumour because contrary to your assertion, the morale of the staff in the department if anything, is higher than ever before," wrote Angaine.

The war did not end there. When Angaine's officers went for a World Bank appraisal meeting they decided to create parallel extension services.

McKenzie decided to now write to Gichuru complaining about his Cabinet colleague. In the letter dated July 29, 1968, the minister said he was "getting a little concerned" over the developments. "I want to make it absolutely clear that I am not attempting to pick up a quarrel with Settlements, but would merely like to bring to your attention the tremendous waste we shall cause if Settlement Extension Services continue building up and operating parallel to existing services..."

When a copy reached Mr Angaine's office he scribbled to his PS and Director of Settlements: "please read this letter very carefully and then let us discuss." When that was done, the minister wrote a six page reply to his Agriculture counterpart. "I am unable to see any good intentions in this letter," wrote Angaine. "I may mention here that the need for intensive extension coverage is not of my own making".

Initially it had been expected that after five years, the Settlement areas would come under the jurisdiction of the Ministry of Agriculture, a concept that Angaine described as "too optimistic."

The more this quarrel deepened, the more the settlement programme lost course leaving in its wake millions of squatters who dot nearly all corners of the country to date.

JOHN KAMAU

World Bank tries to save land project from further plunder

Concerned that a good chunk of money it had loaned the Government for resettlement of squatters had been diverted to the political elite's exclusive 100-acre farms – then code-named Z plots – and that land meant for the poor had ended up in the hands of the powerful, the World Bank on June 19, 1968 wrote to Lands minister Jackson Angaine demanding an end to plan.

Today, these Z Plots form the bedrock of inequity in the land tenure system since elites managed to use power to acquire more land via a presidential directive. It was a classic case of misuse of power and will inform debates around the question of historic injustices and landlessness



Abdel G. El Emary, WB Director for Africa. WORLD BANK.ORG

in Kenya as the Truth and Reconciliation Commission starts its sittings.

By the time the World Bank reacted, President Kenyatta had led a pack of ministers, MPs and senior civil servants in acquiring prime plots in the settlement schemes using the World Bank's development loan meant for the landless.

"I hope that we may have your assurance that so far as the IBRCDC/CDC Schemes are concerned, all future settlers will be required to reside on the holding and that there will be no more so-called

"Z" Schemes within the project area," wrote A.G. El Emary, the World Bank director for Africa in a letter dated June 19, 1968.

Records seen by *Business Daily* show that by the time the World Bank intervened, Kenyatta had acquired 216.5 acres in South Kinangop in a farm previously owned by a Mr Grimwood.

Lands minister Jackson Angaine, was the other major beneficiary, having secured 252 acres in Timau after paying a paltry Sh11,929 deposit – equivalent to 10 per cent of the sale price.

A World Bank mission report that was attached to Angaine's letter raised "serious concern" over the 'unsatisfactory past performance' of Kenya Loan 303 KE on settlements. The schemes had been left without water, and very few extension officers. Besides, the World Bank said, corrupt officials were embezzling money meant for poor settlers in a free-for-all frenzy.

Behind the scenes, however, the World Bank struggled to amend things from Washington. It sent missions and protest letters to Finance minister James Gichuru and his Lands counterpart Jackson Angaine.

The bitter, behind the scenes feud between the bank and top government officials over rampant corruption in the settlements forced the World Bank to signal that all the proposed projects under its funding would soon come to a halt.

Besides, the Bretton Woods institution felt that Jomo Kenyatta had gone against the spirit

of a clause in the Supplemental Loan agreement that required Kenya to inform the World Bank of key appointments at the Ministry of Lands and Settlements.

It was not the first time that the World Bank had officially complained about use of settlement funds. In the Supervision Report dated April 11, 1968 the bank announced cancellation of the financing agreement unless the Government took a series of steps to remedy the situation.

White elephant

By then 30,000 squatters had been settled in the One Million Acre Scheme but the entire project had become a white elephant. "Maize yields are still very low and do not show any upward trend. Livestock production appears to be particularly serious," said the report.

The World Bank was particularly scathing in its attack on how the cooperative societies were being run. "Unfortunately they have not been able to discharge the heavy and multifarious responsibilities allocated to them and have proved to be very inefficient and corrupt," said the report.

In a reply dated February 26, 1968, Angaine admitted that the hasty formation of co-operatives was also to blame for the problems that settlement schemes faced. Records show that Kenya would have received more funds to rehabilitate the settlements but Treasury officials failed to submit proposals for future funding.

That 1965 failure saw the Commonwealth Development Corporation – also part of the World Bank project – reduce the size of its loan from £1.5 million to £825,000. The World Bank also failed to receive a proposal for \$3.8 million from the total of \$8.4 million it had committed and as a result it reduced the amount to \$4.6 million.

"I am sure you will agree that in view of the circumstances, this course of action is appropriate: it does not of course, in any way affect the volume of potential lending by the World Bank group to Kenya," said the letter dated February 27, 1967 and sent to Finance minister, James Gichuru by A.G. El Emary, the World Bank Africa Department Director. T

Three days later, El Emary sent Gichuru another letter, this time complaining about appointments to the Ministry of Lands and Settlements without approval of the World Bank.

"The manner in which Wanjigi Maina was replaced as Director of Settlement by Mr J.S. Mburu is a clear violation of this agreement between us. I am sorry to have to remind you that this is not the first occasion of this nature. A similar violation occurred in the past in connection with the replacement of (Peter) Gachathi by Mr Peter Shiyukah in December 1964," said the letter.

Gachathi was the first PS Ministry of Lands and Settlement.

JOHN KAMAU