

Towards linking Agriculture, Poverty and Policy in Kenya

1. Introduction

At independence in 1963, the Kenyan government inherited widespread poverty that it viewed as a short-term problem that could be eradicated by rapid and sustained economic growth as a means of creating employment opportunities and thus reducing incidences of poverty. It therefore made economic growth a major development goal.

Initial policies advocated for heavy government involvement in the economy as the private sector had no or limited capacity to stimulate rapid economic growth then. Consequently, a large number of parastatals (41 in agriculture) and/or marketing boards were created and substantial investments committed to them with the state playing a "paternalistic role", while the private sector and local communities had no input in policy formulation. The quasi-public organizations controlled what was to be produced and how it was to be marketed, including producer and consumer prices.

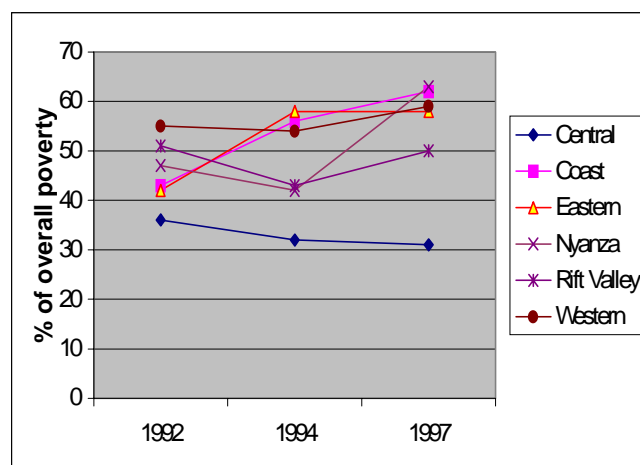
In the early years, the economy achieved an annual growth rate of 6.6 percent until the 1970s. This growth momentum was eventually lost and the economy started declining with average growth rate of 5.2 percent per annum during 1974-79, 4.1 percent during 1980-85, 2.5 percent during 1990-95 and declined to negative 0.3 percent in the year 2000.

In 1999, Kenya was ranked the 17th poorest country in the world with 56 percent of its population living below the poverty line. It is estimated that 87 percent of all poor households live in rural areas, while subsistence farmers account for over 50 percent of the total poor in Kenya. The number of the poor has increased from 3.7 million in 1972, to 12.5 million in 1997 and was estimated to have reached 15 million in 2000. Female-headed households are among the most vulnerable to poverty. Twice as many female-headed households (44 percent) as male-headed households (21 percent) form the category of the very poor.

In an attempt to reverse the trend, the government has continued to formulate five-year national development plans for economic growth. However, these efforts have been inadequate, as poverty levels have continued to

rise. There is large regional variation in poverty levels (Figure 1) especially food poverty. Some households, particularly in the arid and semi-arid lands (ASALs), frequently depend almost permanently on relief food.

Figure 1: Poverty Profiles by Province



Source: PRSP (2001 - 2004)

It is evident that a sustained economic growth rate of about 7 percent would reverse the economic decline and considerably reduce poverty. Fundamentally what ways and means can be used to attain and sustain growth targets, particularly in rural areas where the majority of the people live? Kenya's economic and agricultural growth continues to sink. Is there a linkage between agriculture, poverty and policy?

2. Findings

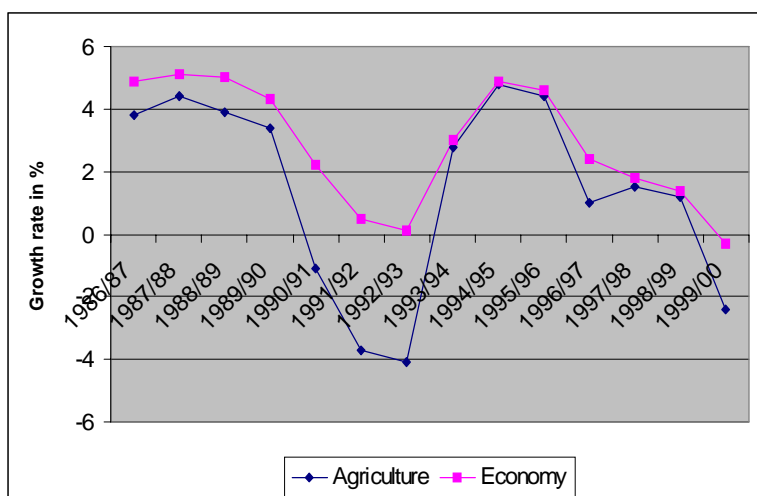
2.1 Link between agriculture and economic growth

There is a direct and positive relationship between growth in the agricultural sector and that of the entire economy. Whenever the agricultural sector has performed well, the economy has also performed well (Figure 2). Agriculture explains 45 percent of changes in the Kenyan economic

growth pattern, while manufacturing explains 35 percent. Tourism and service sectors account for the rest. This relationship implies that poor agricultural performance has contributed directly to the high poverty levels.

Prosperity in agriculture spurs forward and backward linkages from agricultural activities. Agriculture has relatively higher growth multipliers than other sectors in agricultural economies. It is estimated that any additional injection of US \$1 of new farm investments results in an increase of household income ranging from US \$ 1.64 in Kenya, US \$ 1.98 in Niger to US \$2.88 in Burkina Faso.

Figure 2: Comparison of agricultural and overall economic growth rates



Source: Economic Surveys (various)

2.2 Link between policy and agriculture

Poor or ineffective policy implementation has affected agricultural growth. Policy failure has exacerbated poverty levels by reducing farmers' gross margins or completely throwing some farmers out of business for a variety of reasons including:

Lack of stakeholder involvement - There was limited involvement of stakeholders in various levels of decision making like planning, budgeting, implementation and monitoring, resulting in policies that never addressed the problems at hand appropriately.

No link between planning and budgetary processes - Lack of linkage between planning and budgeting processes has resulted to declining proportion of the budget going into productive sectors. Public resources allocated to agriculture, for example, have progressively fallen from the highest ever-received level of 11.2 percent of total public expenditure in 1986/87 to about 4.0 percent in 2001/02. 19 of the 41 parastatals under the Agriculture Ministry received 74 percent of this alloca-

tion, leaving the Ministry with the remaining 26 percent or 1.2 percent of the development estimates. Thus, absence of close linkages between the planning and the budgeting processes resulted in formulation of policies that were not implemented partly due to their large budgetary implications.

Ad hoc liberalization procedures - Poor sequencing of some of the liberalization processes with no well-laid down exit, entry and maintenance plans put in place before implementation; and poor planning resulting in hurried implementation of liberalization policies. Notable areas that were seriously affected by poor sequencing include the cotton industry; co-operatives; Artificial Insemination; vet clinical services; dipping services; and the coffee industry.

Poor planning - Poor planning coupled with weak governance has resulted in large non-performing loans as some projects were started but never completed.

Lack of harmony between policy and legal framework - Many of the 125 chapters of the Kenya Laws that relate to the agricultural sector are not in tandem with existing policy and they require quick review.

Other important factors that slowed the agricultural sector have been identified as:

Low budgetary support - Poor extension service delivery; poor research priority due to minimal involvement of stakeholders/beneficiaries; low funding for research; heavy dependence on external funding and weak research-extension-farmer linkages.

High production costs - High cost of production arising from high cost of farm inputs, poor quality inputs, high interest rates, multiple taxes and poor infrastructure. Poor quality and high cost external inputs have made agriculture increasingly less competitive for many commodities.

Lack of innovations - Lack of affordable innovations denies farmers opportunities to increase income. Kenya continues to export mainly raw products even though there is scope for value-adding processes. For instance, improved packaging of tea alone may earn Kenya up to six times more and the same could be true if advantages in agro-industrial development and packaging could be taken in meat products, fish, pyrethrum, sorghum, millet, cassava, bananas, mangoes, hides and skins, etc.

Poor infrastructure - Lack of or poor state of socio-economic infrastructure such as rural roads, telecommunication, energy, water supply and marketing infrastructure, has hindered agricultural production.

Lack of resources - Inadequate access to productive resources such as land and credit facilities, especially for rural women, has negatively affected agriculture.

HIV/AIDS toll - The HIV/AIDS pandemic is impacting heavily on agricultural activities due to sickness, deaths and resulting consequences. HIV/AIDS also erodes household income and assets, thus impoverishing the rural communities by depleting savings and drastically changing capital formation mechanisms. The fight against HIV/AIDS should take a centre stage, as its prevalence works against poverty reduction efforts.

2.3 Link between agriculture, poverty and policy

There is an intricate linkage between agriculture, poverty and policy. Various policies influence how resources are used including those affecting land use, land tenure, irrigation, water management and environmental management. Successful formulation and implementation of these policies, in turn, will be determined by political and legal framework. Rarely will these policies succeed without consistent political will and commitment.

Policy feeds into a set of underlying inputs that include effective and sustainable resource use, availability of essential services and access to basic needs such as food, clothing, health and education. These will be achieved through formulation and implementation of various policies that include those aimed at encouraging food production; income earning opportunities; micro-credit schemes; marketing and distribution of inputs and products; agro-industrialisation; maintenance of security, law and order; improved governance; effective resource use; devolution of power to the lower levels; environmental conservation; and provision of basic services such as infrastructure, health, education, water and sanitation. All these inputs will go towards achieving improved living standards of all households. Reduced poverty levels will trigger capital formation that will feed back into exploitation of the natural and human resources.

3. Conclusions

Non-participatory and poorly formulated policies have direct impact on agricultural development and poverty levels. Since independence, whenever the agricultural sector has performed well, the economy has also performed well. The dismal performance of the agricultural sector continues to exacerbate poverty levels. The rising incidence of poverty suppresses any meaningful opportunities for investments in agriculture thereby creating a vicious and perhaps downward spiral (dynamic poverty traps) cycle.

Implementation of policies that were not derived in a consultative manner obviously does not address the real problems of the rural population. Coupled with poor sequencing of the reform processes, this has led to poor agricultural growth and rising poverty levels. The three pillars of the agriculture-poverty-policy nexus are therefore intertwined forming a spiral that becomes very difficult to break. The solution is to adequately address is-

sues relating to policy failures and institutional framework.

4. Recommendations

To operationalise these linkages, there is need for devolution of power, budget rationalisation and redefining roles of various stakeholders.

4.1 Devolution of power

It is notable that considerable economic growth was registered immediately after independence when the government was still decentralized with the local authorities effectively implementing projects in their areas of jurisdiction. Thus, there is need to devolve all levels of decision making, including planning, budgeting, implementation and monitoring, to the lower levels, possibly to the divisions and community levels. This should be preferably through:

Revitalized local authorities - Following weakness of the centralized system of government, it could appear that reverting to the decentralized system with local authorities as centers of development could help fight to rural poverty. This poses major policy challenges on how to decentralize modes of accountability and constitutional issues arising from this institutional approach. It will also be crucial to streamline the operations of various laws and statutes especially the local authorities with the aim of making them more efficient, accountable and transparent. This will require a substantial review of the Local Government Act (CAP 265, Laws of Kenya) to enhance participation of the local communities and improve efficiency, accountability and transparency.

Reorganized District Focus for Rural Development (DFRD) - The DFRD has poor representation of the local communities in the District Development Committees (DDCs). DDCs are dominated by government officials. These committees have scanty representation from other key stakeholders, indicating that decentralization to the district level is not low enough. Decentralization should, therefore, go lower to the divisional or locational levels so as to get appropriate representation and beneficiary participation in decision-making. This has profound political and monetary implications.

4.2 Budget rationalisation

Before worrying about increasing funding to various government departments, budget rationalization is the first step towards efficient use of resources. This should be accompanied with rationalization of the roles of public service providers beginning with the Ministry of Agriculture and Rural Development and its parastatals. It is necessary to review the role of these parastatals and other government departments with the aim of removing any duplication and ensuring efficient use of the scarce resources. Closure of some parastatals and government departments; and privatization of some ser-

vices will be necessary. Carefully formulated exit, entry and maintenance plans will be crucial in this exercise.

4.3 Redefining stakeholder roles

Due to the failure of past institutions as centers of development, there is need for new institutional arrangements and initiatives as the central government continues to withdraw from provision of various services that will ultimately be taken over by the private sector, local communities and other players. The ability of the various stakeholders and the local communities to form and maintain workable institutional arrangements that will effectively transform their challenges into opportunities is key to poverty reduction and economic prosperity.

The role of various stakeholders must be re-defined with the aim of reducing duplication of effort and enhancing collaborative effort. For instance, more impact can be achieved if the NGOs in the agriculture sector can make use of public sector personnel in some of their work.

Private sector and the local communities should be encouraged to take up some of the responsibilities that government is shedding off. As a start, successful farmers should be encouraged and facilitated to offer extension services. To avoid duplication of effort while encouraging complementarity, all service providers should closely collaborate and broadly share their strategies.

Other recommendations that will boost agriculture and hence the economy are:

4.4 Improve socio-economic infrastructure

Management of water resources - Efficient water usage and management of the occasional floods in the marginal and arid areas should be encouraged in order to increase agricultural production. This requires appropriate and cost-effective technology for constructing and maintaining water pans, water holes, dams, boreholes, tapping surface runoff; and irrigation.

Roads - Improve rural feeder roads and bridges to enhance transportation of farm produce.

Marketing infrastructure - Private sector should take over marketing of farm produce not only in urban centres, but also in rural areas following the collapse of public marketing boards.

Energy resources - Diversification of energy sources in rural areas will facilitate cold storage of perishable goods at farm-level as well as marketing centres.

4.5 Improve access to credit in rural areas

Stakeholders should develop innovative modalities for accessing financial resources. The formal banking sector is historically reluctant to provide credit facilities to the agricultural sector for a variety of reasons. Thus, rural

entrepreneurs, in collaboration with the NGOs, have already developed some innovative and effective micro-credit schemes based on group lending system. The Rural SACCOs are also registering increasing levels of success in credit delivery. Farmers should therefore be encouraged to develop workable micro-credit and group lending schemes.

4.6 Improve agriculture-based function

- Fund research to ensure affordable innovations and technology;
- Rationalise extension services delivery;
- Strengthen research-extension-farmer linkages;
- Provide information on environment-friendly practices;
- Private sector should come in to offer effective control of diseases and pests; and
- Address root causes of high production costs.

4.7 Policy review, policy and legal framework

- Review the national land use policy to address any gender disparities and ensure efficient/sustainable land use.
- Review the national food policy to widen commodity base for food security.
- Review laws on agriculture. The review process needs to be hastened, and it must involve key stakeholders.

4.8 Fight HIV/AIDS

Emphasis should be laid on multi-sectoral awareness, prevention and management of HIV/AIDS. The pandemic affects the most active and economically able sections of the population. The response from development partners and the NGOs has been encouraging, but there is need to strengthen coordination of the activities of all players so as to reduce duplication of effort and pilferage/wastage of funds.

4.9 Security, law and order

Issues of insecurity must be effectively addressed if agricultural sector is to contribute to poverty reduction. Efforts must also be made by the government in collaboration with neighbouring countries to strive for regional peace and unity of purpose.

For detailed discussion of the issues contained in this Brief, refer to IPAR Discussion Paper No. 032/2002: ***Towards Linking Agriculture Poverty and Policy in Kenya*** by John Omiti and Paul Obunde. ISBN 9966-948-26-0

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