Revitalizing Agriculture for Poverty Reduction and Economic Growth

A Presentation to the Consultative Group Meeting for Kenya by

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20% of land is medium to high potential, supporting the bulk of arable agriculture, 80% is arid and semi-arid ASAL and rangelands supporting 20% of human and 60% of livestock population.

Arable agriculture is mainly rain fed

Of the irrigation potential of 530,000ha, only 105,000 currently exploited
Importance of Agriculture to National Economy

- It is the lifeline to 80% of the population
- It provides employment to over 70% of the labour force
- Contributes 53% of GDP
  - 26% direct
  - 27% indirectly
- Generates 60% of foreign exchange earnings and 45% of government revenues
- Contributes 75% of industrial raw material
Importance of Agriculture to economic growth

Fig. 1 - Relationship between Agriculture Sector and Economy growth rates (%)
From the 1960s to mid 1980s, Kenya’s rate of economic growth averaged 5-6% per year largely due to strong agricultural growth rate as a result of:

- Pro-peasant policy formulation and implementation
- Policies based on a practical vision of eradicating poverty, ignorance and disease
- Improved access to productive resources – land and capital
- Functional farmer institutions
Between the mid 1980s to the turn of the millennium, sector growth rate declined reaching a low of negative 4.1% in 1992/93 due to:

- Increased frequency of drought
- Inconsistencies in policy, institutional and legal framework
- Poor access to credit by the majority of small holder farmers.
- Declining public funding to agriculture
Declining Public Expenditure in Agriculture

![Graph showing declining public expenditure in agriculture over years. The graph compares expenditure in constant 1986 GDP prices and as a percentage of GOK expenditure, with linear trends for both metrics. The data shows a significant decline in expenditure from 1986/87 to 2000/01.]
Inappropriate production technologies especially for small holder farming
Inadequate provision of support services
Since the 1980s, incidences of HIV/AIDS, affecting labour supply
Poor governance leading to collapse of farmer institutions
High cost of farm inputs
Depressed commodity prices in the world market
Dilapidated and inadequate rural infrastructure, especially feeder roads
Growth in agriculture is beginning to bounce back
- 2002- 1.2%
- 2003- 1.5%
- 2004- 1.9%
Consequence of poor performance

- As a result of poor performance, many indicators of the rural livelihood, e.g. food security and poverty have worsened.
- Expansion of settlement into fragile semi-arid environment culminating in environmental degradation, declining soil fertility and productivity.
- Poverty and hunger concentration is in medium to high potential areas.
Poverty and hunger hotspots
Government response

Commodity Policy reforms as indicated in the following slides
Coffee Industry Reforms

Cabinet has approved the review of the Coffee Act 2001 to allow direct coffee sales and the establishment of Coffee Development Fund (CDF).
The Cotton Policy approved by the cabinet,

Sessional Paper and Cotton Bill 2005 to be submitted to Parliament during the current session.
The Draft Policy on liberalization of the pyrethrum industry has been developed.

The Cabinet memo has been prepared and will soon be forwarded to the cabinet.

Sessional Paper and Pyrethrum Bill will be tabled during the current session of parliament.
Tea Industry Reforms

Policy and legislation completed in 2000 leading to an orderly liberalization of tea sector and which transformed KTDA to a Private Company owned by small holder tea growers.

Government role reduced to - regulatory, policy formulation and infrastructure development.
Restructuring of sugar factories accomplished in 2003.
- Consequently most of the mills have registered improved performance, posting profits
- Prompt payment for cane deliveries

The Kenya Sugar Industry Strategic Plan, 2004 – 2009 has been approved.

A Sessional Paper on further restructuring of the sugar industry to be tabled in Parliament this session.

The Government will continue to implement measures to realize domestic self sufficiency in sugar and enhance competitiveness before the expiry of the COMESA safeguard in 2008.
Potato Reforms

Draft Policy on production and marketing is ready

Draft Legal Notice to regulate research, production, standards and marketing is also ready
Government response

Sector-wide reforms as indicated in the following slides
Published by Sector Ministries - 2004

Theme: Transform Agriculture into a viable and vibrant sector that is commercially oriented and internationally competitive

Implementation in progress

- Successful hosting of National Conference February 2005
- Inter-ministerial steering committee established
- Agricultural Sector Coordination Unit (ASCU) set up
- Fast track interventions being implemented
- Sessional paper incorporating conference recommendations to be presented to Parliament this session
Strategy for Revitalizing Agriculture

Focus of fast track interventions:

- Review and harmonize the legal, regulatory and institutional framework,
- Improve delivery of research, extension and advisory support services,
- Restructure and privatize non-core functions of parastatals and ministries to bring about efficiency, accountability, and effectiveness,
- Increase access to quality farm inputs and financial services,
- Formulate National Food Security Policy and Programmes
- Improve access to markets, e.g. rural roads and internal taxes.
Formulation of Food and Nutrition Security Policy and Programmes

as indicated in the following slides
Formulated in context of MDG-1 to halve number of hungry by 2015

A 10 year programme to be implemented under SRA framework in three phases.

Provides an overall strategic framework for hunger eradication combining:

- Development programmes targeting poor and hungry
- Productive safety net programmes for immediate hunger reduction
Implementation plan

Fast Track Action Plan

- An immediate practical response to the need for stepped up urgent action
- Based on the serious commitment by all concerned to start off practical interventions
- Build on existing successful initiatives for immediate results.
- Emphasis on social and productive safety nets
- Capacity building
- Community action

Estimated investment: US$10.0 million (KSh 780 million).

Government has made available US$1 million for fast track activities (March - December 2005)
NMK Phase 2 (2005-2010)

To be implemented within broader context of Kenya Food Security Programme

- Medium term programme 5 years (2005-10).
- Target 1,000,000 most food insecure rural families by 2010.
- Builds on existing successful initiatives for rapid impact at community level.

**Estimated investment:** minimum of US$70 million (KSh 5.6 billion).
- Includes development-oriented programmes, as well as productive safety nets for hunger reduction.
- Indicative estimate based on MDG Needs assessment - US$8.5 billion

Policy will address the multi-faceted aspects of food and nutrition hence a multi-sectoral team for policy development formed.

Draft Policy will subjected to wider stakeholder review.

Sessional paper on Food and Nutrition Policy to be tabled before parliament in before August 2005.
**Budgetary Support**

- Maputo declaration 2003 recommends 10% of Government expenditure to agriculture sector
- Projected budgetary support for the sector currently is only 4%
- Clearly, this is not adequate to support the outlined programmes for poverty and hunger reduction
- Concentration of resources is required to bridge the enormous budgetary deficit
- As a Ministry we appeal for further development support to make a lasting impact on extreme poverty and hunger reduction.
- We particularly request for urgent support for the “Njaa Marufuku Kenya”
I acknowledge and appreciate the support we have received from our development partners over the years, and hope that these collaborative efforts will be strengthened to accomplish what is just for durable poverty and hunger reduction.

To paraphrase Nelson Mandela:

“To overcome poverty is not an act of Charity, It is an act of Justice”. 
Thank You