

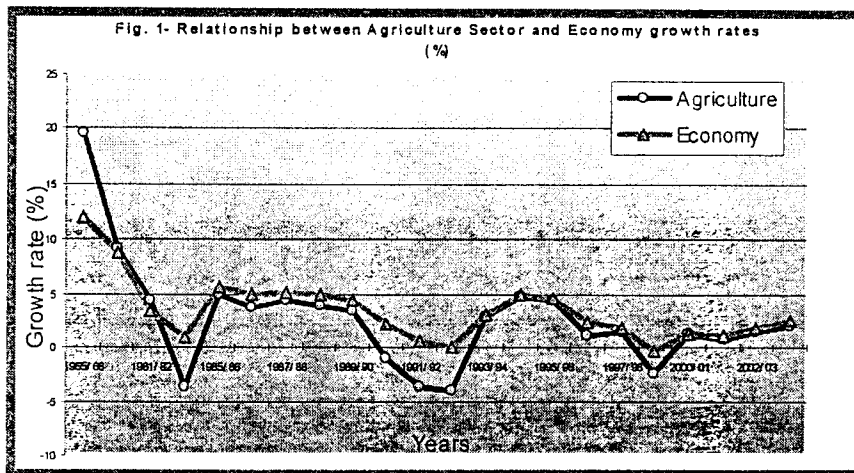
STATEMENT BY THE MINISTRY OF AGRICULTURE DURING THE KENYA/DONOR CONSULTATIVE GROUP MEETING ON 11TH – 12TH APRIL 2005.

The Kenya/Donor Consultative Group Meeting forms an important forum for us to critically review the progress we are making in development and to chart a way forward. As agriculture makes an important contribution towards the economy of this country, there is great need to outline some of the challenges the sector faces in its endeavor to meaningfully contribute to poverty and hunger reduction and economic growth and further to outline some of the initiatives the sector is putting in place to overcome these challenges.

Agriculture remains the mainstay of our economy and livelihood. Eighty per cent of our people derive their livelihood directly from this sector. Statistics show that half of our rural communities live in poverty and are food insecure. In terms of absolute numbers, hunger is concentrated in the medium to high potential areas. Agriculture is therefore the growth sector that is most likely to play a central role in increasing food and nutrition security, reducing poverty and stimulating broad based economic recovery. The Ministry's mission is to lead the transformation of agriculture in Kenya with a resolve to promoting sustainable and competitive agriculture for economic growth.

The importance of agriculture to our economy can not be understated. It is the main foreign exchange earner through exports of coffee, tea, horticulture and pyrethrum among others. It makes a direct contribution of at least 26% of the GDP with a further 27% indirect contribution

through upward and downward linkages with services and other sectors. For the emerging industrial transformation, agriculture provides the bulk of necessary raw materials for agro-industry. In terms of food security, agriculture has been able to ensure a substantial source of food for the over 30 million Kenyans. Over the years, when agriculture has performed well the economy has also invariably recorded impressive growth and vice versa as shown below.



After recording an impressive growth rate during the immediate post independence years the performance of the sector started to decline from the mid 1980s. This decline has been attributed to: inconsistencies in policy, institutional and legal framework; poor access to credit by the majority of small holder farmers; declining public funding to agriculture; inappropriate production technologies especially for small holder farming; inadequate provision of support services; increased frequency of drought; poor governance leading to collapse of farmer institutions; high cost of farm inputs; a dilapidated and inadequate rural infrastructure, especially feeder roads, which has made the transaction costs in the sector very expensive; depressed commodity prices in the world market; and, alarming incidences of HIV/AIDS, which has had a

devastating impact on labour supply in addition to diverting resources from productive investment to caring for the sick.

As a result of poor performance, many indicators of the rural livelihood have worsened. The proportion of food insecure has escalated; poverty has increased coupled with poor access to clean water and sanitation. This has been accompanied by expansion of human settlement into fragile semi-arid environment culminating in environmental degradation, declining soil fertility and productivity. Concomitantly, poverty and hunger concentration in medium to high potential areas has worsened.

The Government through the sector ministries has and continues to put in place measures to ameliorate this poor state of affairs. These measures have been in the areas of institutional and legal framework reforms and programmes. An outline of some of the reform measures that have been put in place and are beginning to bear fruit, even if just marginally, is as shown below.

In the coffee sub-sector Cabinet has approved the review of the Coffee Act 2001 to allow direct coffee sales and the establishment of Coffee Development Fund (CDF). This will allow for a more vibrant coffee industry which affords the farmer better returns. Similarly, in the cotton industry, the Cotton Policy has been approved by the cabinet, and the Sessional Paper and Cotton Bill 2005 submitted to Parliament for debate during the current session.

In the pyrethrum industry a draft policy on liberalization has been developed. A Cabinet memo has been prepared and will soon be forwarded to the cabinet. Subsequently a Sessional Paper and Pyrethrum Bill will be tabled during the current session of parliament.

The tea industry policy and legislation was completed in 2000 leading to an orderly liberalization of tea sector and transforming the Kenya Tea Development Authority into a successful private company owned by small holder tea growers. The Government's role has effectively been reduced to regulatory, policy formulation and infrastructure development functions.

The restructuring of sugar factories accomplished in 2003 has begun to bear positive results. Most of the sugar mills have for the first time posted improved performance, and profits. Consequently, payments to farmers for cane deliveries have been executed promptly. The Kenya Sugar Industry Strategic Plan, 2004 – 2009 has been approved and a Sessional Paper on further restructuring of the sugar industry will soon be tabled in Parliament. The Government will however continue to implement measures to realize domestic self sufficiency in sugar and enhance competitiveness both internationally and within the region before the expiry of the COMESA safeguard measures in 2008.

Last but by no means least, the draft policy on potato production and marketing has been finalized. A sessional paper will subsequently be submitted to parliament. Similarly a draft Legal Notice to regulate research, production, standards and marketing has also been finalized.

These policy measures are intended to rejuvenate the specific sub-sectors for durable poverty reduction.

In addition to these commodity specific reforms, Government has taken sector wide strategic reforms aimed at revitalizing agriculture for sustainable economic growth. The Strategy for Revitalizing Agriculture was launched in 2004. This strategy has the vision of transforming

agriculture into a viable and vibrant sector that is commercially oriented and internationally competitive, and able to contribute to food and nutrition security and poverty reduction. The strategy is the sectors' contribution towards attaining the objectives of the Economic Recovery Strategy for Wealth and Employment Creation. It has articulated 6 fast track priorities for immediate attention namely:

- Reviewing and harmonizing the legal, regulatory and institutional framework.
- Improving delivery of research, extension, and advisory support services.
- Restructuring and privatizing non-core functions of parastatals and ministries.
- Increasing access to quality farm inputs and financial services.
- Formulating food and nutrition security policy and programs.
- Taking measures to improve access to markets especially rural infrastructure and taxes.

The Agricultural Sector Coordination Unit (ASCU), which provides a central point for SRA implementation has been formed with members from each of the sector ministries of Agriculture, Livestock and Fisheries Development and Cooperatives Development and Marketing. This is intended to enhance inter-ministerial coordination. This collaborative effort was recently manifested in the successful hosting of the National Conference for Revitalizing Agricultural Sector on February 2005.

Subsequent to the conference, a sessional paper on the Revitalization of the Agricultural Sector will soon be presented to parliament. The ASCU is

also spearheading the review of the National Food and Nutrition Policy whose sessional paper is expected to be finalized by September 2005.

The sector recognizes that hunger reduction is a first step towards poverty reduction and economic recovery. In this respect, and arising out of the SRA fast track activities, the sector has formulated the "**Njaa Marufuku Kenya**" – A Call for Action to Eradicate Hunger in Kenya. This programme will be implemented within the context of MDG-1 and will translate the Government's commitment to hunger eradication into action.

The **NMK** provides an overall strategic framework for a 10-year action plan for hunger eradication in Kenya, and will combine development oriented programmes targeting the poor and hungry with productive safety net programmes for immediate hunger reduction. The programme will be implemented in three overlapping phases, the first being a **Fast Track Action Plan** with an **estimated investment of US\$10.0 million (KSh 780 million)** to be implemented between March – December 2005. This phase represents an immediate practical response to the need for urgent action to make positive impact on hunger and poverty in this country. The programme will focus on areas of community empowerment for decentralized management of poverty and hunger eradication initiatives, emergency prevention, strengthening of early warning information systems and strengthening of partnerships. H.E the President, while opening of the National Conference on Revitalizing of Agricultural Sector, pledged an additional allocation of KShs 80million in the current financial year towards the implementation of start-up activities of the fast track action plan. We in the sector are immensely grateful for this generous gesture.