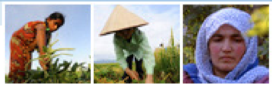

Agricultural Policy Frameworks in Kenya

Agriculture sector in Kenya is the fundamental part of the economy contributing 25 percent of the total Gross Domestic Product (GDP), and another 27 percent indirectly. The sector employs over 40 percent of the total population and over 70 percent of the rural people. This sector in Kenya is large and complex, with a multitude of public, parastatal, non-governmental and private actors, accounts for 65 percent of the export earnings and provides livelihood (employment, income, and food security needs) for more than 80 percent of the Kenyan population. Agriculture in Kenya is facing many challenges and threats such as increase in fuel prices, climate change and regional surrounding instability etc. The good performance of this sector ensures good performance of the entire economy. Therefore the policy and institutional frameworks governing the agricultural sector play a vital role for the development of the whole economy.

Kenya National Strategies and Policies in Support of the Agricultural Sector Development:

In June 2008 Kenya adopted the Kenya Vision 2030 as a new blue print for Kenya's development. The Vision 2030 is the road map for the Kenya's economic and social development in the next two decades. It aims at transforming Kenya into "*a newly industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment*". In the Vision, agriculture is identified as a key sector in achieving the envisaged annual economic growth rate. This shall be achieved through transformation of smallholder agriculture from subsistence to an innovative, commercially-oriented and modern agricultural sector.

Vision 2030 was followed by the revision of the Strategy for Revitalizing Agriculture (SRA, 2004-2014), this revision led to development of the Agriculture Sector Development Strategy (ASDS, 2010-2020) that foresees a food secure and prosperous nation by 2020 and aims to achieve a paradigm shift from subsistence to agriculture as business. Its launch by President Mwai Kibaki, provided the ground for the government to launch the formulation of the ASDS and Medium Term Implementation Plan (MTIP) jointly with the CAADP compact[1]. However, the ASDS has two additional thematic areas (six in total), namely, "*the Legal, Regulatory and Institutional Reforms thematic area (that) endeavours to create an enabling*

[1] The ASDS and MTIP are done in a consultative manner and are aligned with CAADP principles.

environment for a competitive agricultural sector", and "*an Agricultural Sector Reform Bill*" that will consolidate and harmonize existing legislation in the sector.

ASDS thematic areas and CAADP pillars[2]

CAADP Pillars	Corresponding ASDS Thematic Areas
• Pillar 1 **Land & water management**: extending the area under sustainable land management and water control systems.	• Sustainable land and natural resource management;
• Pillar 2 **Market access**: improving rural infrastructure and trade-related capacities for market access.	• Agribusiness, Access to Markets and Value Addition
• Pillar 3 **Food supply and hunger**: increasing food supply and reducing hunger.	• Food and nutrition security
• Pillar 4 **Agricultural research, technology dissemination and adoption**	• Research and extension
	• Inputs and financial services
	• Legal, Regulatory and Institutional Reforms

The main policy goals of the sector include:

- Increasing agricultural productivity and production and promoting commercialization and competitiveness of all crops;
- Review the legal and policy framework for agriculture;
- Improving governance of agricultural institutions;
- Promoting sustainable land and natural resource management;
- Increasing market access and trade;
- Promote private sector participation in all aspects of agricultural development;
- Reforming and improving delivery of agricultural services and research.

While the government is designing the implementation of the new constitution, all policies and programmes are expected to be heavily affected. The new constitution requires the number of ministries to be reduced from the current 44 to a number between 14 and 22. This means that there will be substantial consolidation, reorganisation of ministerial functions. Another feature is necessary revision and consolidation of 131 pieces of legislations that are causing contradictions or are obsolete, into four legislations. These legislations are not yet endorsed, namely "Agriculture, Livestock and Food Authority bill (ALFA), "Livestock and fisheries bill", "Crops bill" and "Agricultural research bill". In addition to this massive

[2] source: ASDS Medium-Term Investment Plan: 2010–2015

change, the new Constitution is also the devolution of Government powers to the 47 newly created Counties, which will have elected Governors and Assemblies as key executive and legislative bodies.

This aspect will enable the government to have considerable authority over the policy issues, capacity building, finance and technical assistance while county governments will be responsible for priority setting, financial management, agricultural production and related extension services in their respective counties, which would allow a better alignment of the government actions and projects to the objectives and priorities.

Recent Policy Decisions

With regard to policy decisions and actions taken by the government during the past couple of years in particular since the food security crisis of 2007-2008, the government of Kenya took many policy decisions to **support the consumers**, hence the social protection gained high importance on the country's policy agenda. Some of these measures have already existed but have been further scaled up, intensified and covered broader range of beneficiaries as a result of emergency situation of 2008, 2009 and famine of 2011. Food Assistance is implemented through different channels such as Food for Asset, Relief Food Distribution as well as School Feeding programmes. Although the coverage and range of social policies are diverse from one county/district to another, these interventions were almost implemented all over the country and targeted the most vulnerable part of the population. Another policy measure which was highly emphasized since 2009 to mitigate the effects of food shortage is price control to fix maximum retail, wholesale price for essential goods[3], although the bill was passed in 2009 and repeatedly reinforced in 2010 and 2011 it has never been fully implemented.

Agricultural price policies in **favour of the producers** in recent years are characterized by a strong presence and control of the Government, which sets, among other things the producers' and inputs prices. A prominent example of mentioned policies is price stabilization and producers support prices for maize, through four main actions: (i) imports by the National Cereals and Produce Board (NCPB) for strategic grain reserve (in 2008 the Board was authorized to import three million 90kg-bags of maize); (ii) supply of maize to millers at prices fixed (in 2008, the price was fixed at Kshs 1,700 per bag, equivalent to a 50 percent subsidy); (iii) fixing the purchasing price of maize, which in 2011 reached Ksh 3,000/90kg bag, equivalent to double the market price; and (iv) input subsidies on a continuous basis, mainly for fertilizer, in the form of direct payment to farmers or free distribution. The government also distributed seed and fertilizer through cash vouchers. However, the implementation of these measures proved to be inefficient in many respects, notably in reaching and benefiting the targeted producers and particularly the poorest.

As regards the **Grain Reserve**, in 2011 Kenya planned to double the reserve as a buffer against any shortages for the year after, following forecasts that the country would receive less rainfall. The government tried to buy and increase the grain reserve requirement from 4 million (90 kg) bags to 8 million bags to prepare itself in case there is a shortage.

[3] maize, maize flour, cooking fat or oil, sugar, paraffin, diesel and petrol.

After the social protection, government policy attention was given to **trade measures**. The positive shift of East African countries towards more regional cooperation that has led to the East Africa Common Market Protocol for free movement of goods has been seriously affected by the recent food crises. Over the food shortage, volatile prices, drought and natural disasters there have been several attempts to protect national food security through notably export bans and reduction of import tariff, mainly on maize, rice and sugar, that usually trigger similar and opposite measures by neighboring countries and lead to an overall decline of trade flows.

Due to above mentioned series of natural disasters and food crisis, the government interventions have been characterized in recent years by a strong emphasis on short-term emergency measures, such as safety net policies (food distribution, school feeding, food for work, etc), short term export ban or import tariff reduction as well as input subsidy, also supported by international development partners with cash transfer programmes.

Concerning the **investment policies**, Kenya's budget allocation to the agriculture sector ministries has been rising in response to the Maputo Declaration to increase the allocation to agriculture to 10 percent of total Government budgets. The total allocation to Agriculture in 2005/06 was 5.7 percent, 6.5 percent in 2006/07 had risen in 2007/08 to 7.8 percent of the total expenditure. It reached a high record of over 10 percent in 2011/2012 budget year. According to some estimates, this share could increase in the coming years to meet the aspirations in the Kenya Vision 2030.

The 2011/2012 budget indicates that 35 percent (circa Kshs.321.1 billion) of the total budget has been allocated to development expenditure while 65 percent (circa Kshs. 675.6 billion) has been for recurrent expenditure (IEA 2011).

It is important to note also that the role of development partners and the amount of development expenditure in the sector is considerable and has increased over time. However, external support remains unstable due to donors' changes of policies and priorities as well as to the economic performances in the donor countries. This instability affects the design and implementation of long-term strategy for agricultural development.