Joint Statement of Development Partners for the Kenya Consultative Group Meeting

Agriculture Donors Group

Opening Remarks

The Development Partners wish to express our sincere appreciation for the openness and willingness of our government partners in the agricultural sector. This has allowed us to participate in many of the government processes of developing strategies, policies and implementation approaches. We are continually invited to meetings, consultative reviews and discussions. Dialogue is open and discussions are frank, leading to a solid partnership as a basis for Kenya’s future agricultural development. In addition, Development Partners note that the three core agriculture ministries have made significant efforts to reach out to other stakeholders in the sector, and we encourage them to continue.

This openness was most recently demonstrated by the agriculture ministries’ initiative to increase visibility and create buy-in for the Strategy for Revitalizing Agriculture (SRA) from a wider range of stakeholders at the national level (GOK ministries, research organizations, private sector, NGOs and farmers). The Ministries of Agriculture, of Livestock and Fisheries Development and of Cooperative Development and Marketing (henceforth referred to as the agricultural ministries) and Development Partners, further demonstrated their cooperation and commitment by jointly funding this National Conference, held in February 2005. The conference was opened by President Kibaki and closed by Vice President Awori. Nine ministers, various Permanent Secretaries and Members of Parliament actively participated. All GOK officials repeatedly emphasized the need for a multi-sectoral approach, collaboration and coordination. Private sector participants and farmers were enthusiastic about the consultative nature of the conference and promises by the agriculture ministries to continue consultations throughout the implementation of the SRA. The Minister of Agriculture announced that another participatory national conference would be held in one year’s time to measure performance against the set targets. This bodes well for the future of Kenya’s agricultural sector. It also presents challenges for the Kenyan government to fulfil its commitments and take concrete actions that will have a positive impact on Kenya’s farmers.

Background and context

In this joint statement, agriculture includes agricultural crops, livestock, fisheries and cooperatives. Agriculture is a key productive sector in Kenya, directly contributing 26% to GDP and indirectly through its links to other sectors, another 27%. The sector also provides 62% of formal employment, 60% of exports and 45% of government revenue. It has a large growth multiplier effect estimated at 1.64, as compared to 1.23 for non-agricultural sectors. In Kenya, it is estimated that up to 80% of the population is directly involved in and dependent on agriculture for their livelihoods.
For Kenya’s economy to grow, to increase employment, and to decrease poverty, agriculture productivity and competitiveness must be increased significantly. The government of Kenya has clearly recognized this in the 2003 Economic Recovery Strategy (ERS) for Wealth and Employment Generation. Growth is the *raison d’etre* for the Strategy for Revitalizing Agriculture (SRA) (2004-2014), launched jointly by the Ministry of Agriculture and the Ministry of Livestock and Fisheries Development in March 2004 and subsequently endorsed by the Ministry of Cooperative Development and Marketing.

**Recent developments**

In launching the SRA, the Ministry of Agriculture, Livestock and Fisheries Development and Cooperative Development and Marketing articulated the need for a paradigm shift for Kenya’s agricultural sector. This is essential if the sector is to achieve its full potential particularly for smallholder farmers. The overall objectives of the SRA are to raise household incomes, create employment and ensure food and nutrition security. The SRA articulates 6 fast track priorities for immediate attention:

- 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 security policy and programs.
- Taking measures to improve access to markets (rural roads, taxes).

The SRA gives high priority to major policy reforms and to restructuring government institutions to accommodate a market-based approach to developing a competitive smallholder agricultural sector. It sets goals of increasing agricultural productivity by 3.1% in 2003-2007 and 5% thereafter. It will also contribute to the ERS and MDG goals of reducing the proportion of population living below the basic poverty line from 56% (2000) to 26% by 2010, and the food/poverty stricken from the current 48% to 23% by 2008 and below 10% by 2015.

The strategy requires the government to shift from inappropriate roles and functions, and define exit strategies for government and allow the private sector to take a greater role. It also calls for strong collaboration and tight coordination among the three core agricultural ministries and recommends structures for enhancing coordination with other ministries key to supporting agriculture (roads, water, environment, land, etc.).

Kenya needs to make a serious commitment and take concrete actions towards the Millennium Development Goals. If current trends remain unchecked, it is unlikely that Kenya will make any progress towards decreasing hunger and poverty by 2015. The GOK’s *Njaa Marufuku Kenya* (NMK) provides a strategic framework for a 10-year action programme drawing from the SRA and the Hunger Task Force. The GOK is to be congratulated for its renewed commitment through the NMK to take action towards realizing the MDG 1’s ambitious goals and for its recent budget allocation of Ksh 80 million for the NMK. We welcome the MDG Technical Support Group that has been set up and staffed to assist the GOK to develop interventions that have an immediate impact on reducing hunger. However, we are concerned that to date,
financial commitments from donors have not been forthcoming at levels that the MDG TSG has envisioned to significantly reduce hunger and poverty by 2015. We also believe that more attention is needed to find long term, sustainable and developmentally sound approaches to achieve the MDG 1.

The Development Partners endorse GOK efforts to date related to the ERS and SRA strategies. Development of these documents was based on and has harmonized previous attempts to implement a strategy for the agricultural and rural development sectors such as the Agriculture Sector Investment Program (ASIP) and the Kenya Rural Development Strategy (KRDS). Partners support both the development of the SRA and initial implementation strategies and actions under the SRA. We will continue supporting the implementation process. We are working closely with the agricultural ministries to ensure that our current programs are in line with, and that new programs complement the SRA. Development Partners have established a basket funding mechanism to support mutually agreed SRA activities. We believe that the SRA now provides donors and government with a mutually agreed upon framework that will allow a much more coordinated sector wide approach to investment in Kenya’s agricultural sector. We encourage the agricultural ministries to take the lead in such coordination of donor activities. The agricultural ministries are also to be commended on the recent increased efforts to develop programs, within the framework of the SRA and the 6 fast track priority areas to progress towards the targets of the MDG 1.

Progress to date towards GOK goals, objectives and targets

The GOK has set very ambitious targets for agricultural sector growth, value added growth in agriculture, poverty reduction and food security. Despite the drought in 2004, the agriculture sector grew by around 1.8% in 2004 against the ERS target of 3.1%. The growth of agriculture value added of only 1.5% in 2003 also failed to meet the set target. Nevertheless, there was marked increase in the value of agriculture exports, which grew by 5.6%. The major challenge however lies in meeting the MDG goals of reducing by half the proportion of population living below absolute poverty by 2015. Equally important is the need to bridge the equity gap between the rich and the poor and among different regions of the country.

Much of what the crop sub-sectors achieved between 2003-2004 related to institutional changes and reviews of various parastatal roles. The GOK has developed a Food Security Program funded by GOK and is working on a Food Security and Nutrition Policy. Good progress has been made on streamlining legislative reform, working closely with Parliament. The coffee, pyrethrum and cotton sectors and boards are under pressure to reform and shed their private sector functions and then restructure to provide improved services to farmers. The GOK is also formulating a strategic framework and implementation plan for mainstreaming and accelerating actions to meet MDG 1 targets, within the SRA framework.

The Agricultural Sector Coordination Unit (ASCU) has been formed with members from each of the 3 agricultural ministries. This major accomplishment will enhance inter-ministerial coordination and provide a central point for SRA implementation.
The Ministry of Agriculture is preparing to reorganize and modernize to meet the paradigm shift of its roles and functions required under the SRA. The MOA has received approval from the Public Service Commission to recruit new staff, also necessary given the new roles the Ministry will undertake under the SRA.

At farmer level there have been joint efforts between Development Partners and the GOK to address problems in extension service delivery and farmer empowerment (NALEP and KAPP). The Kenyan smallholder horticulture sector, a major foreign exchange earner, has been challenged by recent food quality and safety regulations introduced by the EU. With the support of donor partners and the private sector, it has risen to the challenge with intensive training of horticulture farmers who make major contributions with fresh produce for export. Market information is being revitalized in the ministry and MIS is being experimented with at the farmer level.

Good progress has also been in the livestock sector in the reform of parastatal institutions. KEVEVAPI and KETRI were merged under KARI to streamline research in Kenya. There is a concerted effort to revitalize Disease Free Zones to improve Kenya’s access to international livestock markets and 47 abattoirs have been rehabilitated. Standardized curricula for training private and public sector artificial insemination practitioners have been launched. The Kenya Dairy Board is undertaking changes to improve its management and re-define its role. At the farmer level, milk production increased substantially in 2004 after the KCC was revitalized, and the first shipment of exported animals to the Middle East was realized.

The cooperative sector has concentrated on the passage and implementation of an amendment to the Cooperative Act, to address some of the governance issues in cooperatives arising from the previous Act. There is also a draft bill on SACCOs and a draft policy document on cooperatives. The Cooperative Tribunal has been decentralized, improving cooperatives’ ability to access dispute resolution assistance.

Challenges

Budget Allocations: The IP-ERS Annual Progress Report 2003-2004 rightly points out the multitude of challenges that the GOK faces in the agricultural sectors. Development Partners are prepared to assist the GOK in addressing many of these. We believe that higher-level GOK commitment (in terms of budgetary allocations, positive movement on legal and policy reform, and implementation actions on programs) is critical. Agriculture is key if Kenya is to achieve economic growth, generate employment and reduce poverty. Evidence shows that investments in roads and agricultural research have the highest returns for agricultural productivity increases and poverty reduction, even in the poorest areas. These investments yield higher results than investments in health and education. Yet GOK budget allocations fail to meet ERS, the SRA, NEPAD or the MDG priorities. The 2005/2006 Budget Outlook Paper proposes a marginal increase of the total resource envelop available to the sector from 4.7% to 4.9% of total expenditure – still far below the NEPAD target level of 10% of the budget to go to agriculture. In addition, the Public Expenditure Reviews for the past two years show that the creation of three ministries from the
former Ministry of Agriculture and Rural Development have required substantial increases in budget to maintain the three separate ministries.

Coordination with and commitment from other Ministries: A major challenge will be to ensure that ministries supporting the agricultural sector ensure that their services are appropriately directed to address major constraints to improving agricultural productivity and competitiveness. Roads, communications, transport and water are all key. Agriculture will remain constrained and Kenya will remain poor if there is no coordinated and strategic framework for allocating resources to achieve Kenya’s ambitious goals of cutting poverty and hunger in half by 2015.

Legal and Policy Reforms: There are actions that do not require substantial budgetary allocations. Legal and policy framework reforms are actions at the Ministerial level that would improve farmers’ access to improved technologies, inputs and markets. The SRA commits the government, as one of the fast track actions, to legal and institutional reform in order to clarify the roles of government and the private sector. The Development Partners stand ready to assist the GOK in thinking through the tough challenges of designing and implementing exit strategies for government and entry strategies for the private sector. Key parastatals requiring action are well known.

Private Sector role: At the same time there must be clear actions that strengthen the private sector to take on a more active role in support of smallholder farming. These must take place soon if we expect to see positive changes at the farm level. The level/frequency of dialogue between the GOK and private sector has started but must increase. This will improve understanding, increase commitment and develop solutions that are mutually agreeable and transparent.

Implementation: It is critical that the agriculture ministries and Development Partners demonstrate action towards implementing the SRA and achieving results. The GOK should consider ways of publicising progress and actions. The agricultural ministries must be seen to be making progress in implementation if they are to maintain credibility with farmers, the agri-business sector, parliamentarians and Development Partners. This may require increasing numbers of well qualified staff (as the MOA is doing) as capacity in the agricultural ministries will be challenged by the new approaches foreseen in the SRA. Monitoring and Evaluation is critical to the GOK’s ability to “tell its stories” with credibility.

Governance and Ethics: The Cooperative sector has recognized governance and ethics as a key challenge, but it is not only cooperatives that have this problem. There needs to be clear, clean leadership at all levels of the GOK to demonstrate to farmers and Development Partners that concrete measures are being taken. Issues of governance and ethics must be monitored and appropriate, transparent actions taken.

Capacity: With the paradigm shift called for in the SRA the agricultural ministries face a major challenge to articulate those changes, and assist ministerial staff, farmers and private sector to understand and change. As mentioned, GOK staff may need training and new staff may need to be recruited. However, farmers will also need
training to understand when and under what circumstances the GOK provides services, and what the private sector can do. There needs to be constructive/facilitative regulatory services. Farmers will also need improved understanding of markets, marketing and partnerships/contracts with private sector. The extension service’s role will need to change but will remain extremely important as it moves to work with and harmonize messages to farmers from the GOK, private sector and NGOs.

It will be critical for the GOK to move forward quickly and steadily on a range of activities under the SRA and as a sub-set of the SRA, on the fast track items identified pertaining to the MDG 1. Credibility among Kenyan citizens as well as the Development Partners is critical at this point in the NARC government’s administration. The GOK must now show top-level commitment and willingness to undertake sometimes difficult reforms, and defend them in the context of poverty alleviation and improving Kenya’s economy for the benefit of the poor. Such actions deserve the full support of the Development Partners.