Egerton University

Tegemeo Institute of Agricultural Policy and Development

Preparation of an Inventory of Research Work Undertaken in Agricultural / Rural Sector in Kenya

Tegemeo Working paper 14

By Tegemeo Institute of Agricultural Policy and Development

For

The World Bank

July 2004

James Nyoro and Joshua Ariga

1.0 Introduction

Kenya's economy continued to perform below its potential during the 1990s. Since 1997, growth has averaged only 1.3%, consistently below the rate of population increase estimated at 2.4% per annum. Consequently, per capita income in constant 1992 prices has declined from US$271 in 1990 to US$239 in 2002. In addition, agricultural productivity has been on the decline, competitiveness eroded and international financial support diminished. During this period, poverty and food insecurity have increased. This poor performance corresponds with the time when the economy has been undergoing major transformations. Wide-ranging trade and macro-economic policies that impact on production costs, incentive structures, and the competitiveness of different sectors are at various stages of implementation. At the same time, regionalization and globalization have exposed domestic production and trade to fierce regional and international competition. One outcome of these changes has been lower and more volatile prices for key commodities.

Reasons for the weak economic performance and high incidence of poverty include the persistence of pervasive governance failures, the slow pace of economic reforms, low savings and investment, a weak banking system, intermittent shortages and rising energy costs, and poor physical and telecommunication infrastructure, together with an inward looking trade regime that has protected industries from international competition. The continued high fertility rate and the burden of disease — particularly HIV/AIDS, where the infection rate reached 13.5% of the adult population in 2000, and malaria — are also contributing to the slow growth rate by keeping the dependency ratio high.

The performance of Kenya's agricultural sector during this period generally mirrored the poor performance of the economy. Agriculture grew at a rate of 4.7 percent between 1963 and 1975 largely due to area expansion and increases in yields following the adoption of high yielding maize and wheat varieties and agronomic research in tea and coffee. This period was also characterized by the rapid growth of the sector fuelled by heavy government expenditure and donor involvement in provision of subsidized services and inputs. Agricultural growth rate dropped between 1976 and 1980 due to various factors including the oil shocks of 1973 and 1979 and fluctuations in international commodity prices of key agricultural exports like coffee and tea. The growth rate has since then been on a declining trend to the extent that it was about –2.4 percent in 2000, -1.2% in 2001, and 0.7% in 2002. During 2003, agriculture grew by 1.5%,
Average annual agricultural GDP growth therefore fell from 3.5 percent during the 1980s to 1.0 percent during the 1990s and has remained below 2% since 2000.

Consequently, the proportion of the population living in poverty rose from 48.8% in 1990 to 51.4% in 1997, 55.4% in 2001, and is estimated to have increased further to 56% in 2003. Majority of the poor households cannot adequately meet their needs such as health, education, housing, food security or income generating activities. The Millennium

Development Goal objective of cutting the proportion of Kenyans living in poverty in 1990 by half by 2015 therefore appears unlikely to be achieved.

External factors such as declining global agricultural commodity prices and vulnerability to climatic shocks explain part but not the entire decline. Domestic policy shortcomings created distortions in input and output markets and inadequacies in the legal and regulatory framework raised the cost of doing business. The poor state of infrastructure has led to increases in marketing costs. High incidence of HIV/AIDS has contributed to reduce labor productivity and a dysfunctional public support services system slowed the renewal of agricultural technology. The end result has been increased rural poverty and food insecurity, decline in competitiveness, and reduction in both private and public investment in the agricultural sector.

Partly because of the expected improved policy environment under the new government, elected in December 2002, the potential for economic growth is considered greater than the poor performance of the 1990s suggests. Although the new government inherited a weak fiscal position, strong monetary management in the 1990s produced low inflation and a stable exchange rate. The government has launched two policy documents to resuscitate the economy; the *Economic Recovery Strategy for Wealth and Employment Creation* (ERSWEC – June 2003) and the Strategy for the Revitalization of Agriculture (SRA – March 2004); the latter is a policy document aimed at transforming agriculture into a profitable commercial activity capable of attracting private sector investment and providing gainful employment to the population. The strategy identifies key factors that continue to hamper growth of agriculture. The main objective of SRA is "to provide a policy and institutional environment that is conducive to increasing agricultural productivity, promoting investments, encouraging private sector involvement in agricultural enterprises and agribusiness." This process, and the ensuing reforms, will need to be informed and guided by well-grounded analysis of policy options in terms of their economic and social implications.

The poor performance of the economy and the development of the various national policy documents for reviving the economy have taken place against a background of various political and economic transformations. Over time, the country has developed a large volume of analytical and empirical work already done or ongoing on various policy issues of concern in Kenya's rural and agriculture sector. At the local level, organizations such as Tegemeo Institute, Kenya Institute of Public Policy Research Analysis (KIPPRA), Institute of Policy Analysis (IPAR), Egerton University, African Economic Research Consortium (AERC), Institute of Development Studies (IDS), and University of Nairobi's Department of Agricultural Economics have conducted various studies on policies in the country's rural and agricultural sector. At the regional level, ASARECA and ECAPAPA have contributed to the stock of knowledge on policy and strategy formulation on the region including Kenya. The International Livestock Research Institute (ILRI), the International Centre for Research in Agro Forestry (ICRAF) or the World Agro forestry Centre has also made contributions at the international level. Non Governmental Organizations (NGOs) and the donor community, either directly through consultant or indirectly by working with the policy research institutes, have also been involved in policy research and analytical work in rural development in Kenya.

Much of this large volume of analytical and empirical work however, remains scattered and unknown not only to policy makers but also to other would-be users. Consequently, there is need to synthesis these analytical and empirical input to benefit policy and strategy formulation and other users in rural and agricultural sectors of the economy. It is also important to take stock of the knowledge base that already exists so as to avoid duplication and identify areas where more work is needed to fill the gaps. In Kenya, the large volume of analytical and empirical work that has been done is not widely/readily available to existing and potential users. The existing gaps are not well defined to assist in the formulation of further policy research areas to support implementation of various government strategies, programs and projects.