

How the New Agricultural Policy & Legislative Framework Would Impact on Value Chain Actors

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By

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Background

Agriculture continues to be the driving & dominating sector of Kenyan economy thus contributing 25% of the Gross Domestic Product, employs 40% of the total population and over 70% of the rural population.

The performance of the sector is directly related to overall economic performance (growth in the sector means growth in the overall economy & vice versa).

Despite the significant role it plays in the economy, the management of the sector has been dogged by incoherent, conflicting and inadequate pieces of policies and legislations. Up to 2012, the sector has been controlled by over 100 pieces of legislations spread over in different government departments/ministries with partial or total autonomy with no hierarchical coordination at the mother ministry/department (Ministry of Special Programs, Ministry of Agriculture, Ministry of Water & Irrigation, Ministry of Regional Authority etc).

Low funding of the Sector, although there have been considerable increase in budgetary allocation to the sector since 2003, has not been significant enough to bring about much needed impact in the sector.

The failure of the previous sectoral policies & legislations to contain the runaway poverty in the rural areas & bulging impoverished urban neighbourhoods amplified the call for review of the policies and legislations to put in place the coherent and coordinated legal framework.

The Sectoral Policy & Legislative Contextual Journey (1980s to 2013)

The desire for policy reforms started in the 1980s as a result of the changing Kenyan Economy due to the growing population, degradation of natural resources and the changing global climate (political, environmental & economic). For example the first National Food Policy in Kenya was developed in 1981 after the drought of 1979/1980.

Introduction of Structural Adjustment Programme through the Sessional Paper of 1986 proposed by Breton Wood Institutions had far reaching ramification on the Agricultural Sector such as:

- Liberalization of the sector to allow private sector to take the lead (privatization of state corporations)
- Allowing for importation of agricultural produce/products to address domestic deficit as well as agricultural inputs (reducing both tariff & non-tariff barriers).
- Deregularization of prices & foreign exchange.

The government was committed to SAPs as several policies and legislations were reviewed to be in line with the Sessional Paper of 1986. (For example: The 1981 National Food Policy was reviewed by Parliament in 1994).

Intended purpose by Breton Wood Institutions that private sector led economy would result in economic growth and poverty reduction failed. By 1997 the poverty level was more than 50% and the most affected were rural population who depended on agriculture & related sectors.

The government and World Bank in 1999 initiated nationwide poverty reduction strategy studies and consultations which led to development of National Poverty Reduction Strategy Paper of 2001. The paper identified key priority sectors among them Agriculture & Food Security that would require more investment to address runaway poverty.

In 2003 under the NARC government through a consultative approach developed the Economic Strategy Paper (ERS) as roadmap for renewed economic growth and wealth creation for the next 10 years. The ERS Framework also prioritized Agriculture as the engine of Economic growth.

ERS recommended sectoral policy & legislation reforms towards harmonization & consolidation while focusing on core functions to spur economic growth in the agricultural sector. As a requirement set out in the ERS; Ministries of Agriculture, Livestock & Fisheries Development and Co-operatives Development & Marketing developed the Strategy to Revitalize Agriculture as a policy strategy to steer development in the agricultural sector in Kenya.

In 2003 the Maputo Declaration on Comprehensive African Agricultural Development Programme (CAADP) to fast track realization of regional food security and economic development led to African governments committing to increase budgetary allocation to the Sector to 10% of the GDP.

Kenya adopted Vision 2030 in 2008 as a new blue print and roadmap for political, social and economic development of the country in the next two decades. The Vision also identifies Agriculture as the engine of growth through transformation of smallholder and subsistence agriculture to innovatively and commercially oriented agriculture.

Kenya promulgated the new constitution in 2010 which proposes two levels of governments (national & county) with defined functions. Agriculture is one of the devolved governance functions. The Constitution proposes the merger of government ministries/departments by putting a ceiling to a maximum of 22.

The Constitution also spells out strongly the participation of the public in policy & legislation development.

Key Sectoral Policies, Strategies and Legislations Developed in the last 10 years

1. Strategy to Revitalize Agriculture (SRA 2004-2014)
2. Agricultural Sector Development Strategies (ADS 2010-2020)
3. Pyrethrum Industry Policy and Amendments of Pyrethrum Act Cap.340
4. National Seed Industry Policy
5. National Agricultural Sector Extension Policy (NASEP)
6. Development of a Sugar Policy and Amendment of Sugar Act No. 10 of 2001
7. Amendment of Coffee Act No. 9 of 2001
8. Cotton Policy and Repeal of Cotton Industry Act Cap. 335
9. National Food & Nutrition Policy (NFNP)
10. National Potato Industry Policy
11. Agriculture, Livestock and Food Act 2013
12. Livestock Act 2013
13. Fisheries Act 2013
14. Crop Act 2013
15. Agricultural & Livestock Research Act 2013

In 2012, the then Minister for Agriculture introduced four bills in Parliament (passed & enacted) aimed at aligning the sector to Vision 2030 and Constitution of Kenya 2010 to establish the Agriculture, Livestock and Food Authority (ALFA) among others. The aim is to review & consolidate more than 130 pieces of Sectoral legislations that are obsolete and causing contradictions into four legislations (ALFA Bill, Livestock & Fisheries Bill, Crop Bill and Agricultural Research Bill).

Functions

- Administer Crop & Fisheries Acts
- Promoting of best practice in the entire value chain
- Collection & collation of data (monitoring through registration of players)
- Determination of research priorities
- Advise national & county governments (agri & aqua-levies-harmony & equity)

Part IV: Policy Guideline on Development, Preservation & Utilization of Agricultural Land

- Consultation with National Land Commission (Land Devt Guidelines-applicable to all categories of agricultural land)
- Guidelines implemented by respective county governments
- Adoption of farming practices

The Impact on the Value Chain Opportunities & Challenges for Actors

Value Chain can be defined as the set of actors (private, public and including service providers) and the sequence of value adding activities involved in bringing a product from production to the final consumer.

In agriculture it is referred as “farm to fork” set of processes and flows

‘The value chain concept allows for the integration of various players in agricultural production, processing and marketing. It defines the various roles of players while at the same time, scope and purpose of partnership that can be established’ Equity Bank Kenya (Muiruri,2007)

Importance of Agricultural Value Chain

- Expand opportunities in the sector (production, storage, agro-processing, packaging, marketing etc.)
- Improves efficiency.
- Consolidation of linkages among the participants in the chain.
- Lower risks and costs due to diversity of actors.
- Offers guaranteed transactional security (inputs, finances & guaranteed market).
- Improves general effectiveness of the sector.

The modernization and expansion of agriculture and agribusiness with increased need for integration and interdependent relationships, the need for value chain is becoming increasingly relevant.

Policy Opportunities for Value Chain Actors

- Vision 2030 & SRA proposing modernization of agriculture (upscaling production of high value crops/livestock, use of technology, promotion of value addition & upscaling irrigated agriculture).
- Ongoing Infrastructural development across the country fast tracked by Vision 2030.
- Realignment of financial sector to support agriculture & related sectors (emergence of agri-friendly financial & insurance products), proposed transformation of AFC to Agricultural Bank.
- Deepening of devolution & affirmative action for special & marginalized groups(CoK 2010, Youth Enterprise Development Fund, Women Enterprise Development Fund for Disable, etc) – Advising National & County governments.
- Ongoing Land reforms (Land Development Guidelines) anchored on CoK 2010, Land Policy and ALFA.
- Consolidation of government policies, legislations & functions creating ‘one stop shop’ (Collection, collation of data, monitoring of the sector, registration of players, promotion of best practice-quality standards).

- Devolution of Agriculture as function of County government offers monumental opportunity for actors & enterprises in the sector.
- Regional Economic Integration - growing of the market (East African Community has approximately 100 million people).
- Existing Research & Technology options (Green house, agro-processing, recycling & reuse technologies, conservation agriculture, e-marketing).
- Emphasis on Value Addition (Value Chain)-Promotion of best practices.

Challenges to Value Chain Actors

- Low funding of the Sector to operationalize the consolidation & harmonization of Sectoral policies & legislations. The Sector is yet to realize 10% of the GDP (Maputo Declaration on CAADP). Most of budgetary allocation funds recurrent expenditures at more than 65% while development expenditure at 35% or less.
- High cost of Credit & Insurance products from the Private Sector (Banks & Insurance Companies) as result of high incidences of risks associated with the sector.
- Lack of coherence and priority in infrastructure expansion (while road expansion has been fast tracked, access to electricity and water are still expensive especially in rural areas making agro-processing & irrigated agriculture a preserve of the few).
- Existence of Latent/silent tariff & non-tariff barriers frustrating full economic integration (COMESA, EAC).
- Lack of incentives (punitive taxes, high cost of innovations etc).
- Low technical capacity among the actors.
- Perceived lack of political goodwill to operationalize proposed policy and legislative reforms.
- Climate Change (reduced drought cycle- after every two years).

Recommendations

- Prioritization & development of package infrastructure (roads, electricity, water, financial services & telephone) is a critical need.
- Support harmonization, consolidation & operationalization of Sectoral policies & legislations (One stop shop).
- Development of monitoring mechanisms to address policy & legislation implementation challenges (special lenses to address disconnect between well intentioned policies & legislations and reality on the ground i.e. Environmental & Social Impact Assessment).
- Deepen public, private people partnership (CoK 2010 emphasizes people's participation. Any decision must put people first).
- Develop risks mitigation mechanisms (provision of subsidies, conditional grants & insurance of the last resort).
- Enforcement of policies & legislations in line with the Constitution to protect the interests of the special & marginalized groups who are likely to be victims of inherent inequities in the value chain (youth, women & minorities).