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Agricultural Policy-Making in Sub Saharan Africa: Kenya's Past Policies

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Tegemeo Institute

Tegemeo Institute of Agricultural Policy and Development is a Policy Research Institute under Egerton University with a mandate to undertake empirical research and analysis on contemporary economic and agricultural policy issues in Kenya. The institute is widely recognized as a centre of excellence in policy analysis on the topical agricultural issues of the day, and in its wide dissemination of findings to government and other key stakeholders with a view to influencing policy direction and the decision making process. Tegemeo's consistently good quality empirically-based analytical work, and its objective stance in reporting and disseminating findings has over the past decade won the acceptance of government, the private sector, civil society, academia and others interested in the performance of Kenya's agricultural sector.

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List of Acronyms

AFC	Agricultural Finance Corporation
AG	Attorney General
ALRMP	Arid lands Resource Management Project
APRM	African Peer Review Mechanism
ARD	Agriculture Rural Development
ASALs	Arid and Semi Arid Lands
ASCU	Agriculture Sector Coordination Unit
ASIP	Agriculture Sector Investment Programme
ASM	Agricultural Sector Ministries
ASPS	Agricultural Sector Programme Support
BRP	Budget Rationalization Programme
CAADP	Comprehensive African Agriculture Development Programme
CADSAL	Community Agriculture Development Project in Semi Arid Lands
CBOs	Community Based Organizations
CBK	Coffee Board of Kenya
CKDAP	Central Kenya Dry Areas Programme
CRF	Coffee Research Foundation
CoDF	Coffee Development Fund
COMESA	Common Market for Eastern and Southern Africa
DANIDA	Danish International Development Agency
DFID	Department for International Development
DFRD	District Focus for Rural Development
DFZ	Disease Free Zone
DPH	Department of Public Health
EAC	East African Community
EPHTFCP	Eastern Province Horticulture and Traditional Food Crops Project
ERS	Economic Recovery Strategy
EU	European Union
FSAP	Financial Sector Assessment Programme
GDP	Gross Domestic Product
GTZ	Germany Agency for Technical Cooperation
HCDA	Horticultural Crops Development Authority
HDP	Horticultural Development Programme
IADP	Integrated Agricultural Development Programme
IEA	Integrated Ecosystem Management
IFPRI	International Food Policy Research Institute
IFAD	International Funds for Agriculture Development
ILRI	International Livestock Research Institute
IMF	International Monetary Fund

KAPP	Kenya Agricultural Productivity Project
KARI	Kenya Agriculture Research Institute
KCDA	Kenya Cotton Development Agency
KEPSA	Kenya Private Sector Alliance
KFA	Kenya Farmers Association
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KEPHIS	Kenya Plant Health Inspectorate Services
KPCU	Kenya Planters Cooperative Union
KRDS	Kenya Rural Development Strategy
KSC	Kenya Seed Company
KTDA	Kenya Tea Development Authority
MDG	Millennium Development Goal
MENR	Ministry of Environment and Natural Resources
MOA	Ministry of Agriculture
MOCDM	Ministry of Cooperative Development and Marketing
MOLH	Ministry of Lands and Housing
MOLD	Ministry of Livestock Development
MOLFD	Ministry of Livestock and Fisheries Development
MRDA	Ministry of Regional Development Authorities
MTEF	Medium Term Expenditure Framework
NAEP	National Agricultural Extension Policy
NALEP	National Agriculture and Livestock Extension Programme
NARC	National Rainbow Coalition
NASEP	National Agricultural Sector Extension Policy
NCPB	National Cereals Produce Board
NFNP	National Food and Nutrition Security Policy
NEP	National Extension Programme
NEPAD	New Partnership for African Development
OCDA	Oil Crops Development Authority
PBK	Pyrethrum Board of Kenya
PCPB	Pest Control Products Board
PRSP	Poverty Reduction Strategy Paper
PSDA	Promotion of Private Sector Development in Agriculture
RDAs	Regional Development Agencies
SACCO	Saving and Credit Cooperative Organizations
SAPs	Structural Adjustment Programmes
SNCDP	South Nyanza Community Development Project
SPSP	Smallholder Production Service Programme
SRA	Strategy for Revitalising Agriculture
USAID	United States Agency for International Development

1.0 Background

1.1 Introduction

For most Sub-Sahara African countries, agricultural development is key as it has particular and direct significance in attaining the first MDG (eradicating extreme poverty and hunger) and the seventh MDG (ensuring environmental sustainability). Agriculture remains the economic base for the majority of the poor in Africa as it constitutes a key economic sector in most African countries and its importance in poverty reduction and sustainable development cannot be overstressed. According to EU (2007), agriculture accounts for about a third of Africa's GDP, while in many countries the sector provides 60-90% of employment. Most agricultural production comes from small-scale farms and low-income farmers account for most of the staple food production on the continent. At the same time, most of Africa's poor live in rural areas, where they depend, directly or indirectly, on agriculture for their livelihood. Accelerating pro-poor growth in agriculture is therefore one of the major avenues for reducing poverty and hunger. There are important linkages with the rest of the economy, implying a potentially high multiplier effect for agricultural growth.

In the past few years, agriculture has regained some prominence on the African policy agenda. A novel aspect in this respect is the increased importance attached to regional and continental levels to foster agricultural development. This is an expression of the growing willingness and capacity for African countries to collaborate at supra-national levels, as well as the realisation that national level processes can be usefully supported by regional and continental institutions, through capacity building, peer review, policy harmonisation and advocacy. At the core of this initiative is the New Economic Partnership for Africa's Development (NEPAD), which is an integrated socio-economic development framework for Africa. NEPAD is designed to address the current challenges facing the African continent such as the escalating poverty levels, underdevelopment and the continued marginalisation of Africa. It is a new vision pursuing Africa's renewal which is spearheaded by African leaders.

The primary objectives of NEPAD are: to eradicate poverty; place African countries, both individually and collectively, on a path of sustainable growth and development; halt the marginalization of Africa in the globalization process and enhance its full and beneficial integration into the global economy; and accelerate the empowerment of women (NEPAD, 2003). The priority sectors for policy reforms and increased investments are: agriculture, human development, information and communications, infrastructure, energy, transport, water and sanitation, and the environment. Two initiatives of NEPAD, the African Peer Review Mechanism (APRM) and the Comprehensive Africa Agriculture Development Programme (CAADP), are the most important pan-African initiatives concerning agricultural policies and institutions in Sub-Sahara Africa, with APRM for the general governance and institutional settings in and around the agricultural sector and its stakeholders, and CAADP for the agricultural sector policies.

The primary purpose of the APRM is: "to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs for capacity building." Countries are assisted to achieve NEPAD's objectives through constructive peer dialogue and persuasion and sharing of information and opening themselves to critical scrutiny by both peers (other African countries) and independent and widely respected, so-called eminent persons assessing itself on a set of objectives, standards, criteria and indicators in various domains of governance and development.

To foster agricultural development, NEPAD launched CAADP. The objective of CAADP is to help African countries reach a higher path of economic growth through agriculturally led development which eliminates hunger, reduces poverty and food insecurity, and enables expansion of exports. It is an approach, rather than actual programmes, to be integrated into national efforts to promote agricultural sector growth and economic development. The common framework is reflected in a set of key principles and targets defined by the Heads of State and Government. The CAADP initiative takes a continent-wide view, but builds on national and regional plans for the development of agriculture. It is a manifestation of African commitment to address issues of growth in the agricultural sector, rural development and food security and has been instrumental in bringing agriculture back to the centre stage of economic development and poverty alleviation.

In Kenya agriculture is an important tool and vehicle for employment creation and reduction in poverty and it is still the backbone of the Kenyan economy. Agriculture directly contributes 26% of the Gross Domestic Product (GDP) and 60 % of the export earnings. The sector also indirectly contributes a further 27% to the GDP through linkages with manufacturing, distribution and service related sectors. It accounts for 60% of total national employment, with women providing 75% of labour force. Majority of the people who are poor in Kenya (80%) live in rural areas and derive their livelihood from agriculture. With 51% of Kenyan population being food insecure, agriculture is critical in the country's economic development and alleviation of poverty (Republic of Kenya, 2004a).

In Kenya, the two Pan-African initiatives did not occur in a vacuum but rather fell into ongoing policy processes. For example, when CAADP was being endorsed by the African Heads of State in November 2002, the Government of Kenya was developing the Kenya Rural Development Strategy (KRDS) (Republic of Kenya, 2002a). The KRDS was a comprehensive policy on agriculture and rural development that was derived from the Poverty Reduction Strategy Paper (PRSP) (Republic of Kenya, 2001). At the time when Kenya volunteered to join the APRM in 2004, the Government adopted the Strategy for Revitalising Agriculture (SRA) that constitutes the reference framework for the development of agricultural sector for the following ten years (2004-2014) (Republic of Kenya, 2004a). The SRA is integrated in the more national Economic Recovery Strategy for Wealth and Employment Creation (ERS) policy document developed by the National Rainbow Coalition (NARC) Government elected in December 2002 (Republic of Kenya, 2003). SRA was the response from the three ministries responsible for agricultural issues; Ministry of Agriculture (MOA), Ministry of Livestock and Fisheries

Development (MOLFD) and Ministry of Cooperatives Development and Marketing (MOCDM) towards the implementation of the ERS.

In order to understand how best to anchor the two Pan-African initiatives (APRM and CAADP) in the national policy making process, it is important to examine the role that agriculture plays in the national plans, which strategies have been employed in the sector and trend of resource allocation to the sector, which are analyzed in this study. In addition to this, this study seeks to understand the policy making process in Kenya using case studies on policies process in three sub-sectors i.e. dairy, coffee and cotton. In-depth research on these processes, such as that undertaken here, will be very valuable in order to better understand them. The generated information will permit to identify the main stakeholders, their characteristics, interests and networks, and the factors influencing the processes. In particular, drivers of positive change (in the sense of rational pro-poor policies) will be better understood, as well as their needs and possibilities of support. A particular role is *a priori* attributed to high quality technical information on policy options and their possible impacts. Important research questions are how to best provide such information and facilitate the productive appropriation of stakeholders. This is done in the understanding that agricultural policies are formulated in highly politicized arenas, and stakes for losers of policy changes (as well as winners, but less articulated) are high.

In many countries, the evolution and the development of policy is not documented. This often poses a challenge of information gap when knowledgeable persons pass-on without passing on this information. Therefore, for one to understand policy process, interviews have to be undertaken on individuals who are knowledgeable about the process. This study uses interviews to understand policy evolution and in the undertaking of Network Analysis. Where available, a review of documents is undertaken.

The overall objective of this study is to understand the agriculture policy making process in Kenya with aim of reviewing the extent to which these initiatives, the internal formulation and implementation of individual country's strategies integrate or augment each other. This will inform and identify how the agricultural sector has been prioritised in terms of policy formulation, implementation, allocation of resources and the extent to which the CAADP and APRM could be integrated to utilize key drivers of positive change. Specific objectives of the study are;

(i) To examine the situation relating to the agricultural policy making in the country and how much emphasis have been placed in agricultural policy formulation and allocation of resources,

(ii) To provide information that will help determine the extent to which the current domestic policies incorporate the key aspects of the mentioned Pan-African initiatives.

1.2 Approach/Methodology

This study uses both primary and secondary sources of information. In order to examine the evolution of key country agriculture and rural development strategies over time, a desk review was undertaken where policy documents, strategic plans documents, project documents, and donor coordination reports were examined. A review of government publications and budgets enabled to identify resource allocation to the sector. Thus, the global Kenyan budget and agricultural budget allocation was analyzed to determine the trend in resource allocation to the sector. In order to capture institutional and policy changes that have taken place over a ten year period since 1997, a review of official policy documents was undertaken. In addition, key informant interviews were undertaken and interviewed in order to capture the evolution of the chosen three policies: the Dairy Development Policy, Coffee Reforms and the Cotton Amendment Act, (2006). These interviews were undertaken on persons who were knowledgeable of the policy process, in order to document the evolution and types of mechanism used to build stakeholders consensus during the development of the three policies. A Network Analysis was undertaken on one stakeholder each from the three policies. This was important in order to understand the interaction amongst different stakeholders, their relative influence on the policy process and the support they had for the process.

Challenges in Undertaking Personal Interviews and the Network Analysis

Due to lack of documentation in policy processes, network analysis is the main method of data collection employed in this study. Despite the fact that this method helped a lot in mapping out the interaction among stakeholders and their influence, it has a major drawback in the time it takes to complete the process. Many of the interviewees are extremely busy people with tight schedules and little patience for long interviews. Most of them agree to be interviewed for only a short time, and in some cases this may not be enough to complete the network analysis. Nevertheless, time can be shortened by gathering as much information as possible before the interview, and making sure the interviewer has a complete list of stakeholders by the time he/she goes for the interview. This was achieved by interviewing other stakeholders on the same issues.

Another challenge is the availability of knowledgeable people to interview especially for policy processes. Since this requires one to capture the chronological events from the time the policy processes started, those likely to know what happened in the early stages are mostly retired people who are very difficult to find as some of them may even have retired and retreated to the rural areas. This means there is loss of institutional memory, as their successors in these institutions are not usually very knowledgeable about the story from the very beginning.

1.3 Organization of the Report

This report is organized into the following sections. Chapter two describes the role of agriculture in the national plans and the distinctive phases in the countries development, strategies and policies that have been employed to develop agriculture, the projects undertaken and resource allocation to the Agriculture Sector Ministries (ASM). Chapter three examines policy processes in the country and captures the reform process evolution and stakeholder analysis for the three policies while chapter 4 concludes.

2.0 Agriculture in Kenya

In this chapter, we explore the role of agriculture in national plans, strategies and policies developed, projects/programmes implemented in the sector and resources allocation and expenditure to the sector. Agriculture has closely mirrored overall economic growth in the country. Analysis in this chapter shows that Kenya has had three distinct development periods (phases): the post independence, liberalization and stakeholder participatory approach periods, with different strategies and policies implemented during these different periods. This chapter also examines the polices, their objectives and coverage with regards to crops, region or farming system in the agriculture sector in the last ten years (1997-2007). The focus is on the policies implemented in the Agricultural Sector Ministries (ASM): Ministry of Agriculture (MOA), Ministry of Livestock and Fisheries Development (MOLFD), Ministry of Cooperative Development and Marketing (MOCDM), Ministry of Lands and Housing (MOLH), Ministry of Regional Development Authority (MRDA) and Ministry of Environment and Natural Resources (MENR). The government has been increasing resource allocation to the agriculture sector to be in tandem with the Maputo declaration. In the 2007/08 financial year, agriculture was allocated 6.8% from the overall government expenditure and this is poised to rise to 7.3% in 2008/09 financial year. Analysis on resource allocation further categorizes expenditure into recurrent and development, and show how allocation by each category has changed overtime.

2.1 Role of Agriculture in National Plans

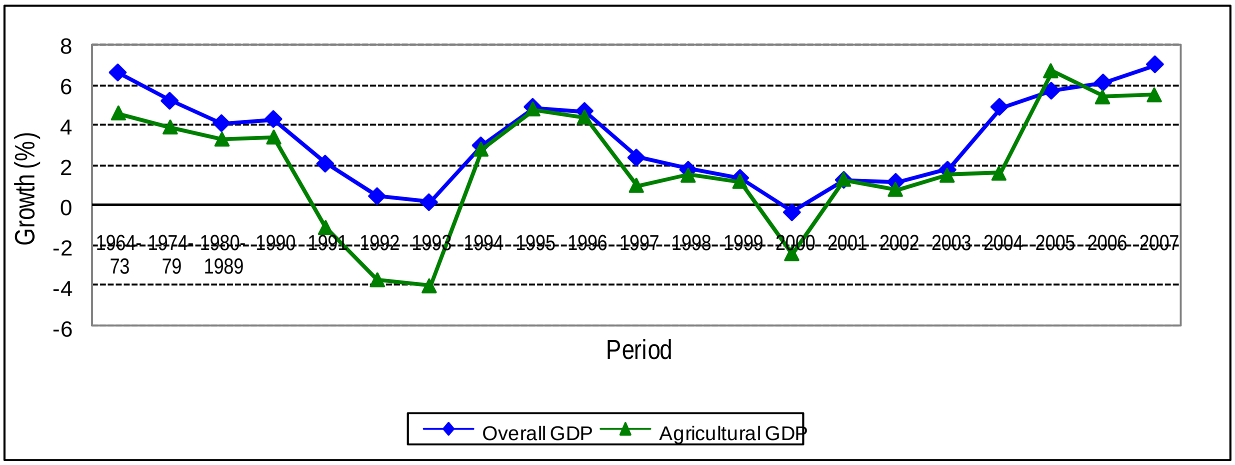
Agriculture is objectively an important tool and vehicle for the realization of employment creation and reduction in poverty. Agriculture is still the backbone of the Kenyan economy as it directly contributes 26% of the GDP and 60 % of the export earnings. Agriculture sector also indirectly contributes a further 27% to the GDP through linkages with manufacturing, distribution and service related sectors. The agricultural sector accounts for 60% of total national employment, with women providing 75% of labour force. In Kenya, 80% of the population, whose majority is poor lives in the rural areas and derives their livelihood from agriculture. It is estimated that 50.6% of Kenyan population is food insecure and the little food they get is of poor nutritional value and quality (Republic of Kenya, 2004b). Thus agriculture is critical in the country's economic development and alleviation of poverty.

Consequently, the performance of the Kenyan economy is closely tied to the performance of the agricultural sector and reflects both the internal and external challenges that faced the country (Figure 2.1). During the early post- independence period (1964 -1973), there was impressive economic growth rate of 6.6% which was largely due to expansion in cultivated area; increase in yields following the adoption of high yielding maize and wheat varieties; and agronomic research in tea and coffee and heavy government investments. This was followed by a low economic growth period (1974-79) of 5.2%. This was matched by a plummeting agricultural growth rate due to various factors including; the oil shocks of 1973 and 1979; fluctuations in international commodity prices of key agricultural exports like coffee and tea; poor implementation of projects by the government; as well as the collapse of the East African Regional Agreement in 1977. The period starting from 1980s was characterized by implementation of Structural Adjustment Programmes (SAPs) resulting in an average economic growth of 4.1%. This phase was marked by the absence of sustained investment, limited scope for expanding into new lands and mismanagement of agricultural institutions. This period marked the beginning of external influence from the International Monetary Fund (IMF) and the World Bank in the form of implementation of the SAPs and the "free market" policy and programmes. These programmes include internal changes (notably privatization and deregulation) as well as external ones, especially the reduction of trade barriers and exchange rate adjustments.

The period 1990-1993 had a growth rate of 2% characterised by liberalization, introduction of multi-party democracy and poor economic management that led to high inflation and interest rates. A broad range of governance issues prompted both bilateral and multilateral donors to freeze aid and in some instances cancel programmes. Investor confidence sank due to a slow pace in implementing reforms by the government. Economic growth improved in the period 1994-1997 as a result of favourable weather, favourable commodity prices and a buoyant world demand for agricultural products.

However, this recovery was not sustainable, and agriculture and the economy in general embarked on a downward growth trend after 1996 reaching a low of negative 2.4% and 0% respectively in year 2000. In the period 2003-07, a new government came in place with a commitment to improved economic and political governance. During this period the economy grew from 1.8% in 2003 to 6.1% in 2006. Similarly, the agricultural sector registered tremendous growth rate of 5.4% in 2006 from 1.5% in 2003[1].

Figure 2.1: Economic and agricultural growth rates, 1964-2006



Source: Republic of Kenya, Economic Surveys (various issues).

Similar to overall economic policy and development, agricultural policy in Kenya has gone through a number of key phases and significant turning points as discussed below:

2.1.1 Post Independence Period (1960s-1980s)

In the immediate post-independence period, overall Economic Policy was influenced by self determination and emphasized rapid economic growth for greater welfare for all citizens (Republic of Kenya, 1964; Republic of Kenya, 1965). To achieve this, the focus of ensuring Kenya's economic growth was placed on agricultural sector. Government policies emphasized increased allocation of the government resources to agriculture with the aim of improving productivity of existing farmland and bringing new land into

[1] However, it is important to note that the 2006 rate is based on a new System of National Accounts (SNA) (1993- SNA). The growth figures before 2004 were based on 1968-SNA. The net effects of the new SNA included increased GDP as a result of taking into account activities in the Export Processing Zones (EPZ), horticulture and the informal sector that were excluded in the earlier system.

production especially through irrigation schemes. Agricultural Policy put a lot of emphasis on the controls on marketing and pricing of agricultural commodities as well as government support for agricultural services like research, extension, and livestock production. The Government also introduced the principal of import substitution in order to protect the local industry from competition and ensured self sufficiency in the country. Focus was given to research and extension to maintain and increase productivity of the land for both crops and livestock on low potential lands in terms of development of ranching; conservation of natural resources and prevention of deterioration due to overgrazing and soil erosion; and development and maintenance of rural access roads.

A range of agricultural parastatals were set up to support production and marketing of major crops such as coffee, tea, sisal, pyrethrum, cotton, sugar, rice, maize, wheat as well as livestock products such as milk and beef. Cooperative societies were formed to market crops produced on small holdings. Inputs were supplied through the Kenya Farmers Association (KFA), and credit through the Agricultural Finance Corporation (AFC). There were strong political and socio-economic reasons for newly independent African governments to establish parastatals. The governments were suspicious of the private sector and markets and thus actively intervene to direct the economy to achieve both productive and welfare objectives.

Research Policy focussed on development of technologies appropriate to Arid and Semi Arid Lands (ASALs) such as low cost approach to irrigation – small-scale and use of gravity in water flow. Smallholder Mechanization projects that involved use of locally manufactured hand and ox-ploughs to ease labour bottlenecks among the smallholder farmers were supported by the Government. These policies were implemented through a number of programmes such as Smallholder Production Service Programme (SPSP) and the Integrated Agricultural Development Programme (IADP).

These policies resulted in the rapid growth in the contribution of agriculture to the GDP which grew at a rate of 6%. There was an increase in the income derived from agriculture with increase in yields and also area under cash crops. The increase in productivity on labour and on land also meant that the sector provided employment to the population.

Despite the otherwise noble intentions, this period was characterized by bad governance in parastatals that resulted in mismanagement, corruption and rent seeking, indebtness and poor service to farmers. Farmer support became poor, and there were increased cases of late payments to farmers' deliveries. Marketing boards monopolized and tightly regulated commodity trade leading to inefficiencies in pricing since there was no competition. Indebtness of government institutions became rampant.

2.1.2 Liberalization Period (1980s-1990s)

To respond to the challenges realised during the state-controlled phase, the government introduced market-led reforms SAPs in 1980s which marked the beginning of external influence. The international financial institutions were deeply committed to encouraging major policy reforms by insisting on the importance of 'getting the policies right' in the poor countries. The liberalisation policies aimed at building a competitive economy by privileging markets and to reduce opportunities for rent extraction through the marketing chain by the elite. The most important reform was market liberalization. This involved the removal of price controls in the product and input markets, dismantling of trade restrictions and transfer of commercial functions from the public to the private sector. Likewise, there was a market reduction in the scope of government in the provision of support services such as credit, extension service, marketing, dipping and artificial insemination. The reforms limited the functions of the state to mainly provision of pure 'public goods' and keeping the macroeconomic environment right.

During this period, emphasis switched to integrated rural development projects that took up poverty-alleviation and food-security objectives through area development activities that involved a complex of infrastructural, social, and productive investments. The District Focus for Rural Development (DFRD) programme introduced in 1983 shifted the responsibility for planning and implementing rural development from ministries' headquarters to the districts. Each district through its District Development Committee (DDC) was responsible for rural development planning, coordination, project implementation, and management of development resources. Development partners also invested substantially in rural infrastructure like rural access roads, storage facilities, production and marketing facilities. The National Extension Programme (NEP) (I and II), approved in 1983 and 1991 were implemented with the aim of revitalizing agricultural extension by introducing a new extension management system (training and visit- T&V) based upon regular visits to contact farmers and the fortnight in-service training for frontline extension workers. During this period the government prepared the *Sessional Paper No. 2 of 1996 on Industrial Transformation to the Year 2020* and the eighth National Development Plan (1997-2001) aimed at laying the foundation for transformation of the country from an economy with agriculture as its backbone to a Newly Industrialized Country (NIC) by 2020. All the sectors of the economy were called upon to play a complementary role towards this key objective.

This era was characterized by the collapse of many Government institutions that had been formed in the post independent era as they were not able to compete in the liberalized market. The decentralization of development resulted in the improvement of services to some extent. One of the big draw backs at this time was that policy making was not consultative, and despite liberalization, the private sector did not have the capacity to take up the roles where the government exited. In addition, there were no enough incentives for the private sector to take up these roles. In some sectors, liberalization was done too hurriedly without establishing enough structures to support the systems after the government withdrew. The farmers were thus suddenly exposed to the market forces and cost-sharing in acquiring services like extension and inputs leading to poor performance in various sectors.

2.1.3 Stakeholder Participatory Approach Period (2001-2007)

In 2001, the government published a nationwide Economic Policy, the Poverty Reduction Strategy Paper (PRSP) (Republic of Kenya, 2001). With the experience from the reforms period, the government saw the need to emphasise the use of participatory methodologies in policy making and implementation. The PRSP was prepared through a consultative process involving public and private sectors and civil society as was required by the International Financial Institutions (IFIs). The PRSP process was another form of external influence on the local policies. The government committed itself to priority actions in two broad areas – creating opportunities for rural communities and the private sector to effectively carry out their activities in an increasingly competitive global environment, and accelerating policy and institutional reforms, particularly the large backlog of legislative and regulatory reforms.

At the Agriculture Rural Development (ARD) sector level, the government developed a Kenya Rural Development Strategy (KRDS) whose theme was to improve agricultural sector productivity and competitiveness through enhanced adoption of appropriate technologies and practices (Republic of Kenya, 2002a). The government saw the need for a multi-sectoral approach to rural development as many of the interventions needed to revive agriculture needed to be undertaken outside of the agricultural sector e.g. private sector development, rural water, feeder roads and financial services. Thus, KRDS was intended to serve as a roadmap (process and product) to assist government, private sector, religious groups, Non-Governmental Organizations (NGOs), local communities, Community-Based Organizations (CBOs), and the development partners in defining interventions to improve the well being of the rural people (Republic of Kenya, 2002b).

Beginning 2003, a new government, National Rainbow Coalition (NARC), assumed power. The new government embarked on economic recovery process by preparing a broad nationwide development framework, the ERS (Republic of Kenya, 2003). The ERS proposed key policy actions to spur economy recovery including maintaining an environment of macroeconomic stability, strengthening of institutions of governance, rehabilitation and expansion of physical infrastructure and investment in human capital of the poor. The productive sectors of agriculture, trade & industry, and tourism were to be the prime movers of economic growth in the recovery programme. As a spin-off to the ERS, the government prepared and launched the SRA (Republic of Kenya, 2004a). The SRA, which is currently under implementation, was the response from the three ministries responsible for agricultural issues; MOA, MOLFD, MOCDM, towards the implementation of the ERS. It constitutes the reference framework for the development of agricultural sector for ten years (2004-2014). The development of the SRA coincided with the time when Kenya volunteered to join the APRM. Table 2.1 summarizes the characterization of the role of agriculture and the rationale during the different phases.

Table 2.1: Distinct phases in country development plan

Phase	Characterization of role of agriculture	Rationale
Post Independence (1960s-1980s)	Focus was on agriculture as the main driver of the country's economic growth	To achieve the post independence goal of greater welfare to the citizens
	Agriculture parastatals s formed to support credit and inputs supplies, production and marketing of major crops and livestock products	Government was suspicious of private sector and markets and thus had to actively intervene to direct the economy to achieve both productive and welfare objectives
	Large allocation of government resources and transfer of land from white settlers to indigenous, focus on development technologies appropriate for ASAL	Improve productivity and bring new land under production
	Introduction of price controls on agriculture products, market incentives and annual price reviews	Steady increase in incomes of the farmers vis-à-vis those in non-agriculture sector
	Control over imports	Achieve self sufficiency in the products the country could produce
Liberalization (1980s -1990s)	Removal of price controls, in products and input markets, dismantling trade restriction and transfer of commercial functions from public to private sector; reduction in government scope in provision of inputs and credit facilities to mainly public goods	Market reforms through the SAPs led by the Bretton Wood Institutions (IMF, World Bank); external influence
	Emphasis switched to integrated rural development project taking up poverty alleviation and food security investment in rural infrastructure in the rural area	Decentralize development planning, coordination, project implementation, management away from the headquarter to the district and bring development closer to the people
	Emphasis on Industrial transformation	Shift from reliance on agriculture as the backbone sector to industrialization in order to become a new industrialized country by 2020
Stakeholder Participatory Approaches to Policy Making (2001-2007)	Accelerating Policy and Institutional reforms	Create opportunities for rural communities and private sector to effectively carry out their activities
	Introduction of appropriate technology and practices	Improve agriculture sector productivity and competitiveness
	Crop development sector prioritized as to address the poor extension service, financial services, infrastructure, marketing and distribution through the SRA	Agriculture as a priority sector of alleviating poverty in the country

2.2 Challenges Facing Agriculture in Kenya

Despite the important role agriculture plays in economic development in Kenya and past efforts to steer it, it has continued to perform poorly due to various constraints. The poor performance has been widespread, sparing only a few sub-sectors like horticulture. According to the SRA (Republic of Kenya, 2004a), factors that continue to constrain the growth of agriculture include:

Unfavourable macro-economic environment: Although in past efforts the government made considerable progress in stabilizing the macro-economic environment, persistent large public sector borrowing requirements, high lending interest rates, and overvalued and volatile shilling exchange rates have discouraged investment in the agricultural sector. Many farmers have been impoverished by the high debt service and non-performing loans.

Unfavourable external environment: Deterioration in terms of trade due to a decline in world commodity prices has particularly impacted negatively on incomes from coffee, tea, sisal and pyrethrum farming. Tariffs and non-tariff barriers imposed by developed countries have made it difficult for developing countries to access their markets.

Inappropriate legal and regulatory framework: An outdated legal and regulatory framework serves only to constrain agricultural development, trade and effective competition. In many cases, liberalization was not accompanied by appropriate legal and regulatory framework.

Lack of capital and access to affordable credit: The main cause of low productivity in agriculture is inadequate credit to finance inputs and capital investment. In the past, the government, through the AFC, the Cooperative Bank of Kenya and the co-operative movement, provided affordable credit to farmers. Due to mismanagement and political interference, most of these institutions have collapsed or failed to provide the service, thus leaving farmers without a source of affordable credit. Though micro-finance institutions have come-up, they reach only a small proportion of smallholder farmers, provide very short-term credit and their effective lending rates are very high.

Frequent droughts and floods: Most crop and livestock farming in Kenya is rain-fed, and, therefore, is susceptible to weather fluctuations. Over the last three decades the frequency of droughts and floods has increased, resulting in crop failures and loss of livestock. Furthermore, with increasing land degradation, land resilience has been reduced and the effects of drought and floods exacerbated.

Reduced effectiveness of extension services: The effectiveness of extension services declined throughout the 1990s due both to inappropriateness of the training and visit extension model pursued and to delayed adoption of alternative models and sharp reduction in the operational budgets of the sector ministries.

Low absorption of modern technology: Use of modern science and technology in production is still limited, although Kenya has a well-developed agricultural research infrastructure. While lack of affordable credit has partly contributed to this situation, equally important is the inadequate research-extension-farmer linkages and lack of demand-driven research.

Poor governance and corruption in key institutions supporting agriculture: Cooperatives and farmers' organizations are vital for good performance of the agricultural sector by giving farmers advantages of economies of scale in dealing with credit and marketing of inputs and outputs. Corruption has led most such institutions to collapse or has weakened them in terms of finances and manpower. An absence of private sector capacity to take over services following the government's withdrawal has lead to great losses by farmers.

Inadequate markets and marketing infrastructure: Agricultural marketing information and infrastructure are poorly organized and institutionalised. The domestic market is small and fragmented and lacks an effective marketing information system and infrastructure. The dependence on a few external market outlets makes agricultural exports very vulnerable to changes in the demand of agricultural products and unexpected imposition of non-trade barriers by foreign markets.

Multiple taxes: As they transport or market their farm produce, farmers have been subjected to a multiple number of taxes from local authorities and government departments. This has contributed to a reduction of the net farm incomes and created distortions in marketing structures without necessarily improving the revenue for local authorities.

High cost and increased adulteration of key inputs: The cost of key inputs such as seed and especially fertilizers has tended to be too high and cases of adulteration have increased. For this reason, farmers have substantially reduced use of quality inputs such as seed, fertilizer, and pesticides. The high cost of these inputs, coupled with the adulteration problem and rising poverty levels, largely explain the deterioration in farming practices. In addition to escalating international prices, the high cost of agricultural inputs is also due to the high transportation cost in Kenya and an inefficient marketing and distribution system.

Poor infrastructure: Underdeveloped rural roads and other key physical infrastructure have led to high transport costs for agricultural products to the markets as well as farm inputs. This has continued to reduce competitiveness of the Kenyan farmer. In addition, electricity in rural areas is expensive and often not available; this has reduced investment especially in cold storage facilities, irrigation, and processing of products.

Lack of coherent land policy: There is no comprehensive land policy covering use and administration, tenure and security, and delivery systems of land. This has resulted in low investment in land development, leading to environmental degradation.

Incomplete liberalization: The government has undertaken significant reforms since the early 1990s. The liberalisation process for some crops like coffee, pyrethrum and sugar is, however, yet to be completed, leading to weak performance of those crops.

Pests and diseases: There have been high levels of waste due to pre-harvest and post-harvest losses occasioned by pests and diseases and lack of proper handling and storage facilities. Smallholder farmers and pastoralists are unable to cope with pests and diseases mainly due to lack of finances, but, also because they are not informed, reflecting weaknesses in the extension services system. Crop damage by wildlife has been common also.

Lack of storage and processing: Inadequate storage facilities constrain marketability of perishable goods such as fish, dairy products, and vegetables. Lack of fish processing facilities close to the lake region and the Mombasa coastal area has limited the extent of exploiting this industry.

Insecurity in various parts of the country: Insecurity, particularly in the North Eastern Province and parts of the Rift Valley Province, has resulted in cattle rustling and displacement of people, thus contributing to non-sustainable agricultural development.

Increasing incidence of HIV/AIDS, malaria and waterborne diseases: The rapid spread of these diseases and the corresponding deaths have resulted in the loss of productive agricultural personnel and base for sustained farming knowledge and diversion of investible resources to the treatment of the diseases.

2.3 Strategies Employed to Develop Agriculture

Various strategies have been employed to address various constraints facing the sector and develop agriculture during the distinct three phases. The objectives have been different depending on the phase of agricultural development.

2.3.1 Post-Independence Period

During this phase, the strategies in agriculture were mainly outlined in the various five year national development plans. The main areas of focus included:

a) Resettlement and Land distribution

During the post-independence era, the government allocated a large share of its resources to agriculture. The aim was to improve agricultural productivity and also bring new land into production. In 1962, agriculture and livestock production accounted for 39% of GDP and 89% of exports. At the same time, at least one million of Kenya's estimated 1.5 million families derived their living solely from land (Republic of Kenya, 1964). To increase incomes in agriculture it was necessary to increase acreage under farming, diversification in agricultural production and increase productivity of both land and farm labor. The Government sought for funds to purchase European-owned mixed farms from willing sellers. These were resettled with the locals and operated by government, co-operatives, companies or individuals depending on the circumstances. Hence the land transfer and resettlement programme played an important role after independence. In 1963/64, three quarters of all agricultural development expenditure went to land transfer. By 1968/69, this proportion had fallen to less than 50% and plans were to reduce it to 22% by mid 1970s (Republic of Kenya, 1970). At that particular time, land was categorized into four broad categories that included high, medium, low potential and nomadic pastoral land. The high potential areas (80% of which was in areas of African Small holding) promised the greatest return on investment hence received first priority in the allocation of funds and staff for development (Republic of Kenya, 1964).

The Government also encouraged movement of people from overcrowded areas to other districts where land was in plenty and encouraged land adjudication and registration to ensure agricultural development. The Government also gave the pastoral areas greater attention than the Colonial Government. Emphasis in these areas was in the form of development of ranching and in some areas emphasis was given to conservation of natural resources and preventing deterioration as a result of over grazing and erosion.

b) Irrigation Schemes and Land Reclamation

The Government embarked on large scale irrigation schemes in order to bring more land under production and also reduce population pressure on existing land. The National Irrigation Board was established under the MOA to control all major irrigation schemes in the country. Seven irrigation schemes were established in the country. The government also focused on land reclamation especially in the low potential and nomadic lands through irrigation and better management practices in order to slow land degradation in these areas.

c) Commodity Marketing and Import Controls

Marketing of the major export crops has for long remained in the hands of statutory boards. Co-operatives societies were encouraged as a means of marketing especially for the crops produced on small holdings thus the need to strengthen these societies. During this era, the Government established a range of agricultural parastatals to support production and marketing of major crops such as Kenya Planters Cooperative Union (KPCU) and Coffee Board of Kenya (CBK) to deal in coffee, Kenya Tea Development authority (KTDA) and Kenya Tea Board (KTB) to deal in tea, Pyrethrum Board of Kenya (PBK) to deal in pyrethrum, Cotton Lint & Seed Marketing Board (CLSMB) to deal in cotton, Kenya Sugar Board (KSB) to deal in sugar, National Irrigation Board (NIB) to deal in rice, National Cereals and Produce Board (NCPB) to deal in maize and other cereals, Kenya Meat Commission (KMC) to deal in beef, Kenya Dairy Board (KDB) and Kenya Cooperative Creameries (KCC) to deal with milk. Control of importation of agricultural products was enforced to ensure self reliance and the growth of the local industry. The government also worked towards the identification of possible market outlets both in Kenya and abroad to ensure maximum exploitation. This was achieved through the Economic and Marketing Research Division formed within the MOA.

d) Research and Extension

On research, the emphasis has been on maintaining and increasing land productivity with regards to crops and livestock. To increase productivity in food crops, there was increased focus on high yielding varieties during the post-independence era. Research also focused on the improvement of grasslands, livestock breeds and control of animal diseases through improvement of diagnostic facilities. Research to identify optimal cultivation practices and develop crop varieties suited to the country condition was emphasized. The Government also emphasized on farm mechanization research where more efficient ways of using the range of farm equipments that was available in the country was explored. At the same time, equipments that were not available in the country but were successful used in other countries could be introduced into the country. Market research was also introduced during this period to overcome market constraint that agriculture production faced. Thus adoption of marketing policies and efficiency in organization of the marketing institutions was adopted. To strengthen extension services the Government invested in agricultural education programme and the employment of adequate staff to ensure raise in agricultural production. Agriculture Information Centers were established with the aim of narrowing the gap between research and farmers.

Farmers were also getting credit facilities from AFC and accessed subsidized farm inputs towards increasing their production.

e) Infrastructure

The Government also invested in infrastructure where roads were improved to benefit the agriculture sector. For instance, between 1970 and 1974 the Government spent Ksh 32 million on construction of roads to the settlement schemes that had been established. A total of Ksh 34 million and 72 million was spent on improving roads in the tea and sugar growing areas respectively over the same period (Republic of Kenya, 1970). Bulk handling facilities for cereals were constructed in the country to ensure cheap transportation between producing areas and the market.

2.3.2 Liberalization Period

During the Liberalization era, there were several challenges that faced agriculture. Drought-related reduction in food production and unprecedented large food importation for the period 1979-1981 brought about the awareness of imbalance between food supply and demand which was caused by the rapid increase in population on limited high potential arable land (Republic of Kenya, 1984).

a) Efforts to increase food security and self-sufficiency

The Government employed various strategies in agriculture that included increase in food production through maintenance of a broad self-sufficiency in basic foodstuffs. There was increased emphasis on the development of drought resistance crops for ASALs including sorghum, millet, potatoes, beans, legumes and oil seeds. Improvement and strengthening of the monitoring and Early warning system weather condition in all agricultural zones and wide dissemination of information on expected weather trends and their effects on food production and livestock management were enhanced. Rationalisation of food import Policy with the aim of reaching correct balance in strategic reserve that does not lead to costly storage during normal years.

The Government also expanded agricultural exports through increase in yields of the traditional exports coffee, tea and livestock products and creating new markets through the promotion of exports of fruits, horticultural products and new livestock products. Greater public and private investment was encouraged to diversify the agriculture export base through the increase in volume and improve quality of horticulture exports and the expansion of production of cashew nuts and sisal. Value addition through processing and packaging was encouraged. The Government also embarked on research of alternative use of crops and by products.

Resource conservation was encouraged through self-help efforts, better management of rangeland and promotion of production, and export objective rather than concentrating on direct Government action. Attention was also given to small farm focus, more intensive use of resources through improved crop and livestock husbandry practises, technology improvement, market incentives that ensure fair prices and prompt payments.

Another challenge that faced agriculture during this period was the introduction of SAPs. Due to increase scarcity in donor funds Government put high priority on delivery of public goods while progressively encouraging private sector and beneficiaries to pay for services and private goods in a cost sharing concept. The parastatals that had been formed to deal in production and marketing of crops were restructured and their monopoly lifted. There was pursuant of coordination Policies in agriculture to be in tandem with the country's national development Policy through regular brief to cabinet on the state of agriculture. The Land use Policy was oriented towards the efficient utilization and development to ensure greater equality of access of this basic resource. The Co-operative movement was strengthened through appropriate framework and Policy to ensure they achieved efficiency in marketing. The Government encouraged the development of private storage facilities by grain millers, co-operatives and traders to ease off pressure from the national storage.

b) Research and Extension

In research, the government adopted a holistic approach to agricultural research and technology through a coordinated strategy among research component, institutions and individuals. The Government expanded and consolidated research activities where all agricultural research activities were placed under Kenya Agricultural Research Institution (KARI). Linkages between public research institutions, universities and local based international research institution were strengthened. There was development of more specific advice for a given agro-ecological zone unlike in the previous era where research was general. There was expansion in farm management research that was suited for specific social-economic conditions. The Government also introduced application of biotechnology in agriculture and livestock production. Research also focused on the development of appropriate technologies for ASAL such as developing of low cost approach to irrigation like the small scale use of gravity in water flow. In order to ease labor bottlenecks among the smallholder farmers in high potential areas, the Government developed hand and ox-ploughs through Smallholder Mechanization Project and improved husbandry practises for small farms. The strategy on national extension was revitalized through introduction of new extension management systems based upon regular visits to contact farmers and fortnightly in-service training of frontline staff.

c) Commodity and Input Marketing

During this period, restriction in inter-district movement of maize and other grains were lifted. The economy was liberalized and market forces determined prices. NCPB was strengthened to maintain the country strategic reserves for maize and other staples and as a buyer and seller of last resort. There was an improvement in accessibility of agricultural inputs by farmers where fertilizer import allocation was placed under Schedule I, which meant that automatic import licenses were granted to import fertilizer under surveillance of MOA. The distribution of fertilizer was also done in small packages to allow accessibility by farmers. The government also increased the area under seed production to ensure accessibility by the farmers.

d) Development of ASALs and Irrigation

There was continued emphasis on the development of ASALs. These accounted for 80% of the country total land surface area, more than 25% of the country's population and slightly more than half the livestock population (Republic of Kenya, 1994). The strategies adopted included looking for viable means of exploitation of the potential of ASAL through self sustaining innovation and production activities in small-scale dry-land farming, irrigated agriculture and pastoral activities. Reclaiming damaged land and protecting valuable and fragile environment through practising conservation agriculture were also pursued. The Government also changed its strategy on irrigation from large-scale irrigation in favour of small-holder irrigation schemes based on self managing groups of farmers with technical advisory support from the Government. The small-holder irrigation schemes were more successful, generated more employment, local food, increased incomes and their operational cost were low. Of all the large-scale irrigation schemes initiated by the Government, it was only Mwea that was self sustaining hence the need to focus on small holder irrigation (Republic of Kenya, 1989).

e) Funding and Donor Support

Emphasis on projects undertaken by the Government during this era was on integrated rural development that incorporated poverty alleviation. The DFRD ensured there were investments in infrastructure, construction & maintenance of feeder roads networks and improvements of market sites distributed across the country. The government realized that absorption of the funds given to agriculture was limited by management problems. About 45 % of the budget allocation to the sector went to parastatals that had proved to be unprofitable and were a serious drain on the government revenue thus Budget Rationalization Programme (BRP) was put in place to address these problems. The Agriculture Sector Investment Programme (ASIP) was introduced. This was a holistic financial and operational sector support policy with the objective of improving the effectiveness of donor assistance by progressing from project-based approaches to broader forms of public expenditure support. The programme aimed at enhancing sustainable development in the sector through a more integrated and holistic approach. However, the unfavourable economic and political environment in which the ASIP was initiated resulted in failure and poor outcomes.

2.3.3 Stakeholder Participatory Approach Period

During this era, the Government had learnt from the challenges experienced during the liberalization phase. Drawing from these lessons, the Government committed itself to two priority actions that included creating opportunities for rural communities and the private sector to effectively carry out their activities in an increasingly competitive global environment, and accelerating policy and institutional reforms, particularly the large backlog of legislative and regulatory reforms.

a) PRSP and Policy Harmonization

The government developed PRSP that identified agriculture as a priority sector in poverty alleviation. Crop development was identified as a priority area with poor extension services, inefficient rural financial systems, the poor state of rural infrastructure and poor marketing and distribution systems identified as the main constraints. In the livestock sub-sector, the PRSP identified marketing systems and infrastructure, disease control and extension services as priority interventions areas. On the Policy environment the legislative and institution reform was under taken including public sector and parastatal reforms. A plan of consolidating of 131 statutes governing agriculture under a single legislation was pursued.

b) Research and Extension

On research and extension the Government adopted a new strategy that advocated for greater community and private sector participation in provision of extension services and collaboration among all providers under the National Agricultural Sector Extension Policy (NASEP). The establishment of a data base for extension and planning to provide a demand driven extension was introduced.

c) Irrigation

During this period the Government undertook Policies that would create an enabling environment to accelerate development of irrigation. The country potential for irrigated land is estimated at 540,000 to 600,000 hectares and only 109,350 hectares are under irrigation (Republic of Kenya, 2002b). The formulation of a National Irrigation and Drainage Policy with stakeholders, continued support of small holder irrigation schemes through construction of dams and reservoirs, support of self sustaining community-based irrigation schemes and the support of the use of appropriate irrigation technology was pursued. On the existing irrigation schemes consolidation and rehabilitation was carried out. The emphasis was on provision of infrastructure installation, operation and management to increase rice and cotton production.

d) Development of ASALs

On the development of ASALs during this period, strategies employed included; the development of water harvesting techniques and exploiting surface water, improved and appropriate livestock disease control measures, establishing medium size abattoirs close to producers, enhancing community-based irrigation and concentrating on high yielding drought resistant crops such as cotton, oil seeds, horticulture and root crops, improvement of infrastructure in the region and institutionalizing of effective drought management measures such as early warning systems, contingency planning & mitigation and response & recovery in order to minimize livestock loses and increase food security.

e) Credit

To improve on credit access to the farmers the government through the Financial Sector Assessment Programme (FSAP) reviewed institutional framework to give agriculture credit through Micro Finance Institutions (MFI) whose development was encouraged. The restructuring and streamlining of AFC to improve access to credit by farmers was pursued. The Government streamlined the management of Co-operatives Societies that were facing governance problems since they were crucial in marketing of most agricultural commodities. The Government launched the KRDS whose aim was to provide a common basis for all actors in the agricultural sector to steer it development. The agricultural sector was seen as an entry point for the country’s industrialization through provision of food, social security, raw material and a large market for processed products.

f) Strategy for Revitalizing Agriculture (SRA)

In order to address these constraints highlighted in section 2.2 and align the sector to the objectives of ERS, the government developed the SRA in 2004 that proposed modernization and mechanization of the farm structures, improvement of the infrastructure, increase in agricultural services and the improvement of access to domestic and foreign markets as strategies to revitalize the sector. These policies cover the whole range of the economic activities in rural areas, including the transformation of primary production, trade and services. The strategy identifies six fast tracks requiring immediate action namely:

1. Reviewing and harmonizing the legal, regulatory and institutional framework,
2. Improving delivery of research, extension and advisory support services,
3. Restructuring and privatizing non-core functions of parastatals and ministries to bring about efficiency, accountability and effectiveness,
4. Increasing access to quality farm inputs and financial services,
5. Formulating food security policy and programmes, and
6. Taking measures to improve access to markets, for example rural roads and internal taxes.

SRA has some outstanding features compared to earlier sector strategies. First, the strategy embraces a sector-wide approach. Secondly, an inter-ministerial Agricultural Sector Coordination Unit (ASCU) tasked with overseeing its implementation with the support of a multi-donor funding was established in early 2005. The strategy was launched in February 2005 in a national conference with the theme ‘Revitalizing the agricultural sector for economic growth’. The objectives for the conference were to: create a participatory forum to chart a way forward for the development of agriculture as a major player in economic growth and wealth creation; enhance the achievement of the millennium development goals of reducing hunger and extreme poverty; create awareness on the need for increased productivity; value addition and agro-processing; enhance public-private sector partnerships and hence attract more investment in the agricultural sector; harness global and regional experiences to enrich agricultural production; financing, Policy reforms and implementation; increase the understanding of major issues that impact on agriculture and provide a platform for appreciation of the sector’s budgetary requirements; and to inform the process of reviewing the food and nutrition security Policy.

The SRA is implemented by the Agricultural Sector Coordinating Unit (ASCU). ASCU is an inter-ministerial coordination committee that facilitates the implementation of the SRA in Kenya. It was established in 2005 in order to address the fragmentation of responsibilities between the several agriculture and rural development-related ministries tasked with implementing the SRA.

ASCU’s mandate is to facilitate and add value to the reform process and coordinate the sector ministries’ and other stakeholders’ efforts towards the implementation of the SRA vision, but not to implement activities on behalf of the sector ministries.

ASCU's role is

- to drive the reform processes in the sector and fast track SRA implementation through better coordinated action across sector ministries and other partners
- to be the principal change agent, spearheading the agricultural reform agenda;
- to be a referral centre for reforms: collect, analyses and disseminate information on agricultural reform;
- to influence resource allocation to areas of highest impact;
- to initiate major studies and policy developments within the agricultural sector;
- to be a centre for capacity building for all stakeholders involved or affected by the agricultural reform process; and
- to monitor implementation of SRA activities.

For the wide range of actors involved in implementing the SRA, an effective and efficient management of activities and resources requires a coordinated framework.

ASCU's Implementation Framework

At the national level, a *National Forum of Stakeholders* in the sector is organized regularly by the ministries and stakeholders. It is the highest decision making organ and it provides a platform for reviewing progress in the implementation of the strategy and the extent to which its objectives are being achieved.

The *Inter-Ministerial Coordination Committee (ICC)* is mandated to give policy direction, approves relevant government policies, preparation of cabinet papers, mobilizes funds for various activities and approves budgetary provision for implementation of agricultural sector activities. The ICC is made up of Permanent Secretaries and Directors of the sector ministries, its chair person (currently PS Agriculture) is rotating regularly. The *Technical Committee (TC)* comprises sector ministries' directors, and representatives of the private sector and development partners. Its principal functions are to decide upon the priority areas of work for ASCU, approve its annual programmes of work and provide guidance on the use of the Innovation Fund.

Technical Working Groups (TWG) have been established to analyze constraints and opportunities in the SRA "fast-track" thematic areas. Membership of the TWGs includes ASCU staff, representatives of the private sector (who chair the TWGs) and non-governmental organizations, directors from the sector ministries and development partners. The current TWGs are: parastatal and legal reform; Research and Extension; Marketing and Value-Addition; Financial Services and Inputs; and Food Policy & Nutrition.

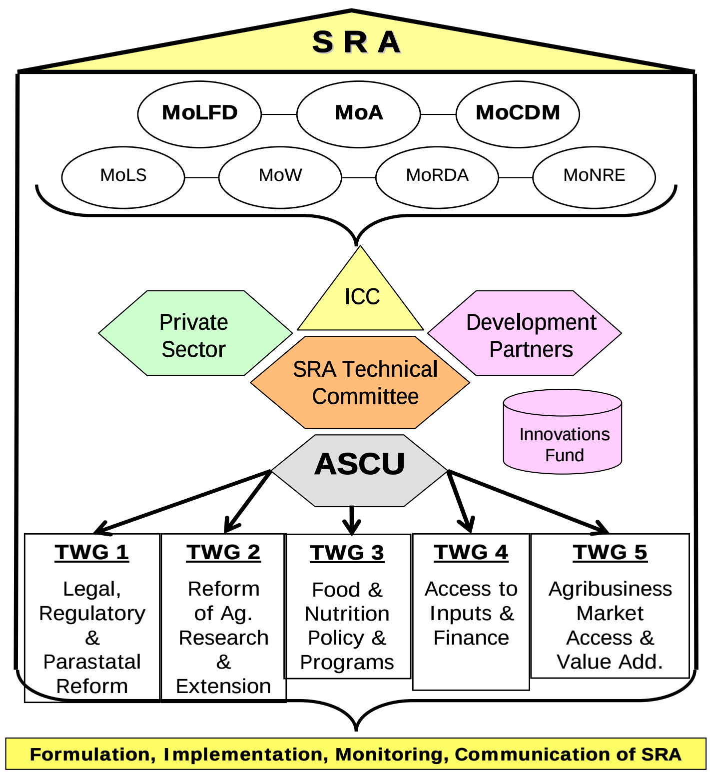
SRA Review

At the moment, the review of the SRA is being done, which has great support from the development partners[2]. This review is aimed at making SRA compliant with the current

[2] The Agricultural Donor Group has aligned their programmes in the country with the SRA

country strategy, Vision 2030. Another objective of this review is to capture emerging challenges facing agriculture and other issues that were not covered before. These include Natural Resource Management (NRM), with the proposal of forming another TWG to handle it. A conference to endorse the revised SRA is scheduled for November 2008.

Figure 2.2: ASCU implementation structure



Source: ASCU

g) Vision 2030

The government developed Vision 2030 in 2007 as the successor of the ERS. Within this vision, agriculture and livestock are identified among the six priority sectors that promise to raise the country's GDP. Under the Vision, four challenges facing agriculture have been identified: productivity, land use, markets and value addition. The four challenges are exacerbated by the unfavourable institutional framework currently governing the agricultural sector. The laws and regulations under which the agricultural sector operates are administered by different departments and ministries of the Government, including those dealing with water, lands, the environment and local authorities, besides the MOA. To face these challenges 5 key strategies are proposed;

1. Reforming institutions by transforming key organisations, such as cooperatives, regulatory bodies and research institutions, into complementary and high-performing entities that facilitate growth in the sector. This will be done through strengthening research & development, improved delivery of extension services, strengthening of producer organizations and integration of agricultural investment and export promotion into the activities of investment and export promotion authorities;

2. Increasing productivity through provision of widely-accessible inputs and services to farmers and pastoralists. This will be achieved through fertilizer cost reduction, irrigation intensification & expansion, seed improvement and livestock development;

3. Transforming land use to ensure better utilisation of high and medium potential lands;

4. Developing ASALs for both crops and livestock;

5. Increasing market access through value addition by processing, packaging and branding the bulk of agricultural produce. This will in part entail proactively exporting value-added goods to regional and global markets.

In order to realise the five-year goals for agriculture, six flagship projects and nine key initiatives will be implemented across four of the five key strategic thrusts of the sector (productivity, land use, ASALs and institutional reform).The six flagship projects to be implemented in the agricultural sector are:

1. Enactment of the Consolidated Agricultural Reform Bill: The first step in the reform process will involve the passage of a bill that will consolidate the various

laws governing the sector. This bill will provide the necessary legal framework to enable the other transformations in agriculture to take place.

2. Fertilizer cost-reduction investment: This project will be implemented through a three-tiered fertilizer cost-reduction programme involving purchasing and supply chain improvements in the market and the blending and local manufacturing of fertilizer. To reduce fertilizer costs, measures will be implemented to strengthen the negotiating and purchasing capacity of farmers and to improve the fertilizer supply chain throughout the country. Producer organizations will be encouraged to pool their resources and purchase fertilizer in bulk in order to benefit from economies of scale. In the longer term, the aim is to increase the mix of fertilizer blended locally as a means of not only providing employment, but also of reducing costs further.

3. Disease-Free Zones (DFZ): The Government will establish at least four DFZ including in the ASAL regions. The performance of the livestock sector has been below potential because of limited investments in past decades. To revive the sector and turn Kenya into an exporter of high-quality beef and other livestock products, targeted livestock development programmes will be implemented revolving around a series of strategically-placed DFZ. A nationwide livestock census will be undertaken to facilitate the selection and location of the DFZ. Within the zones, abattoirs and storage facilities will be established. The facilities will include a tannery to begin the process of formalisation and of the leather sector, and to stimulate its growth.

4. Land registry: A land registry, which is easily accessible to the general public, will be established. This flagship project will make land registration easier and will involve updating the existing registration database.

5. Land use master plan: The land registry will be used to develop an agricultural land use master plan.

6. ASAL development project: This flagship project will initially be implemented in the Tana River Basin scheme.

2.4 Recent Policies in the Agricultural Sector Ministries (1997-2007)

In the framework of this study, policy is defined as any state-initiated change/action that influences profitability of agricultural enterprises (producers, traders, processors and final exporters), including any change that makes current set of activities more profitable and enhances profitability of enterprises by making new activities feasible. These can be placed in two broad categories;

i. Changes in rules/institutions (strictly rules and regulations, with and without implications for state revenues); examples would include introduction of or changes in: taxes on outputs and inputs, tariffs on imports, duties on exports; marketing rules, such as in liberalization of marketing operations, export and import quotas; minimum prices for outputs and price controls/subsidies on inputs—establishing floor prices would fall in this category

ii. Changes in delivery of public services (pure public goods supplied free; individual services with and without cost recovery; state operations to support prices or subsidize inputs); provision of new services—establishment of mechanization centers, collection and supply of price information, establishment of market centers, cooling facilities at airports, veterinary clinics; Subsidization of input costs, price supports, credit subsidies and guarantees, improved extension services, state support to initiate input industries, and cost recovery for various services; and Significant shifts in the above reflected by changes in budgets.

The following are the most important policies that have been implemented in the ASM in the last ten years (1997-2007) including their coverage.

2.4.1 Ministry of Agriculture

National Food and Nutrition Security Policy (NFNP)

The Policy addresses food security issues and outlines the Kenya government's intervention measures that ensure that the country is food secure. This involved the review of the Sessional Paper No. 2 of 1994 on National Food Policy and setting up National Food Safety Agency incorporating the food traceability elements and international Sanitary or Phytosanitary (SPS) standards. This also involved drafting of the Food Security and Safety Bill, which is now complete and has been forwarded to Agriculture Sector Coordinating Unit (ASCU). The draft NFNP is ready.

Liberalization and Restructuring of the Tea Industry, Sessional Paper No. 2 of 1999

The main purpose of the strategy was to restructure and eventually privatize the entire tea industry. This was to replace the Tea Act of 1960 in order to govern the tea sector under the liberalized economy and ensure efficient and effective operations of the institutions in the industry. The changes saw privatization of the Kenya Tea Development Authority (KTDA) by incorporating it under the Companies Act (Cap 486) as an independent and private tea enterprise, owned by smallholder tea farmers through their respective factory companies, offering management/professional services to the individual factory companies. KTDA would also provide necessary guarantee for loans to finance construction of new tea manufacturing companies and expansion. The changes would also see the strengthening of the Tea Board of Kenya to enable it undertake its mandated role as the main regulatory body in the tea industry. Detailed restructuring strategies also define the roles of the various other actors in the industry including the Tea Board of Kenya and the Nyayo Tea Zones Development Authority. Tea Board of Kenya was to provide necessary leadership in the industry by laying more emphasis on production and quality. This would be achieved partly by allowing manufactures to sell part of their tea oversees directly and removal of the requirement for tea export licenses'. Tea Research Foundation would be entitled to undertake relevant research in the industry.

Pyrethrum Industry Sessional Paper and Amendment of the Pyrethrum Act Cap 340

The objective was to liberalize the pyrethrum sector by transferring the commercial functions of the Pyrethrum Board of Kenya (PBK) to a new company, the Pyrethrum Processing Company of Kenya. PBK was to retain only regulatory functions and promote competitiveness and productivity of the industry. In 1999 the Ministry of Agriculture officials teamed up with those of the Board and formed a Task Force which put together important data regarding the industry. The task force produced a draft position paper, suggested draft bill for actual liberalization, and a rough draft cabinet paper. Another report equal in importance to the above was prepared by the Commonwealth Secretariat in London. Its cardinal recommendation was the urgent need to liberalize the Pyrethrum Industry. Since it had been commissioned by the Ministry of Trade and Industry, the report formed part of the Government effort. All the above documents were presented to the Minister for Agriculture who then prepared a Sessional Paper for Cabinet and Parliament for eventual repeal of the Pyrethrum Act. In 2002 PBK's Chief Executive Officer was summoned to appear before Parliamentary Committee on Agriculture where salient issues on the liberalization process were ironed out. Currently a joint Cabinet Memo has been signed by Minister for Agriculture and Finance and forwarded to the Cabinet. The final bill has already been drafted by the Attorney General awaiting publication once Cabinet approves. The MOA requested for publication and tabling of the Bill but the Cabinet discussed the Memo and requested farmers' arrears to be cleared before the memo could be approved. Currently, a total of Ksh 853 million has been paid to the farmers for previous deliveries.

Oil Seed Crops Development Policy

This policy sought to provide a legal and regulatory framework for the development of the oil crops industry in a liberalized regime, and to incorporate the Oil Crops Development Authority (OCDA) as a parastatal. The parastatal was established through a legal notice of May 2001 and is being operationalized. A draft policy and bill on oil crops development has been finalized and included in the performance contract for 2007/8.

Amendment to the Coffee Act No. 9 of 2001

Through the Finance Act 2005, the Coffee Development Fund (CoDF) was established to finance the industry and a second sale and marketing window established to revamp the coffee sub-sector. CoDF has been operationalized and a trustee set up with a number of coffee loan products ready for coffee farmers. Liberalization through the second window has seen involvement of at least 43 registered companies. The Amendment is also aimed at restructuring the key industry institution for efficient and effective service delivery for accelerated growth of coffee sub-sector. The concept paper on coffee industry improvement was adopted and approved by the Cabinet in 2004. Some section of the Bill were fast tracked through the Finance Act 2005 remaining section in the Bill are with the AG for legal drafting and publishing Coffee rule for direct sale were gazetted.

National Agriculture Sector Extension Policy, 2005

This Policy gives guidelines on the coordination and regulation of extension service in Kenya, by revising the National Agricultural Extension Policy (NAEP) in order to give it a sector-wide dimension and representation. The Policy is ready and action remaining is cabinet memo need to be submitted to sector Ministries for joint signature. The Policy covers all extension service with regards to crops and livestock.

Pest Control Products Board (PCPB) Amendment Bill, 2005

This was to amend the Pest Control Products Act Cap 346 and Rules in order to establish a PCPB as a body corporate and give it more powers to effectively regulate the pesticide industry in view of changes that have occurred and to also establish a pension fund. Stakeholders agreed on the rules and Bills. The bill and cabinet memo were forwarded to the minister for approval.6 legal notices containing amended regulation were gazetted in September 2006.

National Potato Industry Policy

The objectives were to raise productivity in the industry through the provision of appropriate technology and services; develop and implement processes that will lead to increased empowerment of growers and other stakeholders; and develop and promote the use of standard packaging and weight measures. Potato Policy and strategy updated by the stakeholders on 12th October 2006 and is being finalized. Legal Notice No 44 of 27th May 2005 on potato standard being implemented.

Sessional Paper on Soil Fertility and a Bill on Fertilizers and Soil Conditioners, 2006

This was to regulate of the importation, exportation, manufacture and sale of fertilizers and soil conditioners. The Policy on soil fertility and bill, 2006 were subjected to stakeholders' analysis and are ready.

The National Biotechnology and Development policy, 2006

The policy addresses various issues with regards to capacity building and resource mobilization, financial and business support, public protection and support, public education awareness and access to information with regards to biotechnology, regional and international collaboration and ethical issues. The policy also recommends institutional and legal frameworks that are to be undertaken and the formation of a National Biosafety Competent Authority. This Authority will be the central coordinating and implementation body and will work together with the relevant government regulatory institutions to ensure adherence to laws & regulations.

Development of the Sessional Paper on Cotton and a Bill to Repeal Cotton Industry Act Cap 335

This saw the enactment of the Cotton (Amendment) Act, 2006 and the Cotton development rules. The aim is to revive the cotton industry through Policy interventions that addresses production, processing and marketing. The establishment of a leaner Cotton Board to regulate industry provides for greater involvement of private sector in industry developing the industry through creation of Kenya Cotton Development Agency (KCDA) and provide for establishment of the Cotton Development Fund, Cotton Development Levy and a Cotton Arbitration Tribunal. The status of the Bill is that it has already been assented and is now an Act of parliament (2006). The Cotton Secretariat prepared the regulation for implementation of the Act and already Cotton elections were held in August 2007.

Dairy Development Policy

The objective was to correct previous government policies which were unsupportive of small-scale farmers, traders and consumers who constituted a large proportion of the market. The new dairy policy now openly acknowledges the role of informal milk markets in the development of the sector and will help to legitimize small-scale milk traders, subject to them being trained and certified in milk hygiene. In April 2006, the new Dairy Development Policy was presented to stakeholders by the Minister for Livestock Development. The new policy and accompanying Dairy Development Bill was presented to Parliament and passed.

Cassava Policy

The policy is aimed at promotion and development of traditional food crops. This process is being led by ASARECA and the policy is in the process of being developed.

Sessional Paper and Bill to Amend the National Cereals and Produce Board (NCPB) Act, Cap 338

Sessional paper and Bill to amend the National Cereals and Produce Board was developed in 2007. The paper and Bill develops a comprehensive policy and legal framework that clearly outline the role of government in ensuring food security. Partial privatization and commercialization of NCPB, provision of legal framework to handle both commercial activities and regulatory functions with regards to industry sustainability, health, safety, quality control and standards in the industry. Repealing of Cap 338 and replace it with suitable legal framework for commercial Grain corporation of Kenya which will be the principle government agent for managing the Strategic Grain Reserve.

National Horticultural Development Policy

The purpose for developing this policy was to provide a legal and regulatory framework for the horticultural industry in a liberalized regime with Horticultural Crops Development Authority (HCDA) becoming only a regulator and form a company "Horticultural Development Company of Kenya" to undertake commercial functions of HCDA. As at June 2007, a draft policy was ready and had been forwarded to the Director, Horticultural Division.

Nut Crops Development Policy and Bill

The purpose is to provide a legal and regulatory framework for the nut industry in a liberalized regime. A draft policy and bill were finalized and included in the performance contract for 2007/8.

Kenya Plant and Health Inspectorate Services (KEPHIS) Bill

This bill aimed at incorporating KEPHIS under an Act of parliament. Draft bill included in the 2007/8 performance contract.

The Agricultural Produce (Export) Rules, 2007 (Cap 319)

Provides for the grading and inspection of agricultural produce meant for exports and promote standardization of specification of commodities from Kenya and ensure the implementation of codes of practice. The rules were finalized and sent to the minister in 2007 for signature and publication.

National Seed Industry Policy, Sessional Paper on Seed industry/Seed and Plant Varieties Amendment Bill 2008

The aim of the policy and sessional paper was to give a clear direction for the sustainable development of seed industry in order to avail adequate high quality seed and planting materials. The National Seed Policy and sessional paper have been forwarded to the Cabinet. The Seeds and Plant Varieties amendment Bill 2008 aims at harmonizing all the seed related activities, legislation and actors and provide for greater involvement of the private sector in the development of the seed industry. The Bill has been forwarded to the Ministry of agriculture, Seed and Plant Breeder Right regulations have been forwarded to the Attorney General (AG) office for legal drafting and publication. Previously seed regulations were too restrictive of normal seed trade business, and in some cases the regulations were not supported by law. The sector was dominated by one public company, the Kenya Seed Company (KSC). With liberalization of the sector, 57 private companies have been registered and are operating in the seed sector. At the same time, the Seed Industry Arbitration Tribunal has been gazetted by the Minister and launched to arbitrate the seed industry in a liberalized market.

Sessional Paper on the Revitalization of the Sugar Industry and the Sugar Amendment Bill 2008

A Sugar Sessional Paper was developed in 2001 and it became effective in 2002. Their aim of the paper was to restructure the sugar industry in order to make it more efficient and competitive in the liberalized regional and global trade. The current status of the Sessional paper is that it was referred back to the Ministry by treasury over issue to be addressed on restructuring and cogeneration. The Sugar amendment bill 2008 seeks to amend the Sugar Act No. 10 of 2001 to provide a restructured sugar industry. The bill has already been cleared by the AG awaiting Cabinet approval before publication.

Developing a Concept Paper on Modalities for Harmonization of the Kenya Agricultural Sector Legislation

The purpose was to create a legislation that consolidates many of the over 130 individual Act/pieces of legislation governing the agricultural sector into one or a few umbrella legislations. A draft concept paper and memo ready, and a harmonization Bill reducing 130 acts into 7 has been drafted and submitted to the minister. The concept also envisages the creation of an Agriculture Development Board to undertake promotional and development role and functions of the existing Boards. Creation of an Agricultural Regulatory Board to undertake regulatory functions of exiting Boards and the creation of a Kenya Plant and Animal Health Inspectorate Services Body to certify the wholesomeness and the quality of imports and export of agriculture produce and act as food safety agency. Draft concept paper and Cabinet memo undertaking a comprehensive analysis and consolidation are ready. The Technical Working Group on legal and regulatory framework is still pursuing the issue especially on Stakeholders consultations.

Agriculture Act (Cap 318)

The Agriculture Act contains provisions for promoting agricultural development and it is implemented by the Ministry of Agriculture, Livestock Development and Marketing. The long-term objective of the Act is to ensure the development of arable land in accordance with the sound practice of good land use. It therefore stresses the need for conservation of soil and its fertility and has provisions for soil erosion.

2.4.2 Ministry of Livestock and Fisheries Development

Dairy Development Policy

The objective was to correct previous government policies which were unsupportive of small-scale farmers, traders and consumers who constituted a large proportion of the market. The new dairy policy now openly acknowledges the role of informal milk markets in the development of the sector and will help to legitimize small-scale milk traders, subject to them being trained and certified in milk hygiene. In April 2006, the new Dairy Development Policy was presented to stakeholders by the Minister for Livestock Development. The new policy and accompanying Dairy Development Bill was presented to Parliament and passed.

2.4.3 Ministry of Environment and Natural Resources

National Forest Policy, Sessional Paper No. 9 of 2005

The goal of this policy was to enhance the contribution of the forest sector in the provision of economic, social and environmental goods and services. Specific objectives included: contribute to sustainable land use through soil, water and biodiversity conservation, and tree planting through the sustainable management of forests and trees; and promote the participation of the private sector, communities and other stakeholders in forest management to conserve water catchment areas, create employment, reduce poverty and ensure the sustainability of the forest sector. The Kenya Forest Service was to replace the Forest Department in the management of forests. This institution was to be charged with forest administration, policy development, forest regulation, training, extension and protection of natural forests. The Service would work closely with the sectors of agriculture, water, land, energy and tourism. Within the new policy, funds to support forestry activities will be obtained through revenue generated from improved management of plantation forests. Apart from the government supporting forestry research, the policy envisioned the encouragement of the private sector to participate in forestry research. In keeping with international conventions and obligations, the government would endeavor to domesticate as appropriate international forestry related instruments and agreements. The Government would support non-state actors and local communities to undertake forest-related development activities.

2.4.4 Ministry of Lands

<u>*National Land Policy, 2007*</u>

The overall objective of the National Land Policy is to secure rights over land and provide for sustainable growth, investment and the reduction of poverty in line with the Government's overall development objectives. Specifically the policy shall offer a framework of policies and laws designed to ensure the maintenance of a system of land administration and management that will provide:

(a) All citizens with the opportunity to access and beneficially occupy and use land;

(b) An economically, socially equitable and environmentally sustainable allocation and use of land;

(c) The efficient, effective and economical operation of the land market;

(d) An efficient and effective utilization of land and land-based resources; and

(e) Efficient and transparent land dispute resolution mechanisms.

The Draft National Land Policy is ready awaiting Cabinet approval.

National Land Use Act, 2007

The Act aims at harmonizing initiative in the use of land resource and establishes guideline to control and direct various uses. The Development of a concept paper to guide the formulation of a national land use policy is underway.

2.4.5 Ministry of Regional Development

Regional Development Policy

The overall aim of the policy is to achieve equitable and balanced National Economic Development through promotion of sustainable utilization of resource and resource based investments in the region for benefit of communities. The policy was passed in 2007 by the government and Sessional paper preparation is underway waiting tabling in parliament

Regional Development Act, 2008

The aim of the Act is to revise the 6 Regional Development Agencies Act and formalize it into one regional Development Act with aim of harmonizing operations of the Regional Development Agencies (RDAs). Status of this Act is that a draft Regional Development Act has been prepared waiting to be subjected to stakeholder before forwarding it to the AG and Parliament.

2.4.6 Ministry of Cooperative Development and Marketing

Cooperative Development National Policy

The aim of the policy is to revitalise, realign and liberalize the co-operative movement. The finalization and validation of draft to align it with vision 2030.

Investment Policy

The aim of the policy is to encourage prudent investments in co-operatives and the draft has been submitted to the Ministry for validation.

Ethics and Governance Bill

This aims at strengthening the leadership management and governance structures in Co-operatives. The final draft is ready for validation.

Saving and Credit Cooperative (SACCO) Bill

The aim of the Bill is to strengthen SACCO operations and lead to new policy to streamline SACCO operations and safeguard member's deposits/savings. The draft has already been submitted awaiting validation.

2.4.7 Ministry of Water and Irrigation

National Water Storage Policy

This Policy comes upon the realization that Kenya has one of the lowest per capita water storage in the world, as its actual storage without new water sources is only enough for three months. Therefore, if the country does not receive rains within three months, it experiences famine, low irrigation levels and even power rationing. Irrigation, the largest consumer of water, has very little storage and relies on springs and stream. The national water storage policy therefore aims at increasing the country's water storage from the current 5.3m^3 per capita to 1000m^3 per capita by 2030.

The National Irrigation and Drainage Policy

The land surface potential for irrigation in Kenya is estimated at 539,000 hectares. However, only about 114,000 hectares of the total irrigation potential has been exploited. The country also has approximately 600,000 hectares suitable for land drainage including flood protection of which only 30,000 hectares has been developed. This policy's overall goal is to accelerate sustainable development of irrigation and drainage to contribute to the national goals of wealth and employment creation, food security, and poverty reduction. This policy direction is in line with the Country’s aspirations for transformation of agriculture as envisaged by Vision 2030. The objectives Include: to accelerate development of the irrigation and drainage potential in the country for food security, employment creation, supply of raw materials and poverty reduction; mobilize and increase financial resources and create an appropriate financing system that will attract investment in the sector; and to increase financial allocation to the sector to at least 2% of GDP annually inconformity with the Maputo declaration; and establish and promote a multi-sectoral approach to sustainable irrigation and drainage development.

A look at the agriculture in the national plans and the various policies that are being initiated in the agricultural sector show that a lot of reforms are being implemented. Of great importance is that currently, the main strategy for the sector is being reviewed, so as to reflect the new thinking as captured under vision 2030. In addition, most policies and regulations are being revised for the same purpose. This is a great opportunity for CAADP and APRM to be integrated into the national policy, as the government (through ASCU) and other stakeholders are in a mood of change. The NFPP can hence advance the agenda of CAADP strongly at the review of SRA, so as to show that CAADP comes as a framework that brings continental value but not as a competition to SRA that is strongly supported by donors. This analysis also reveals that the policies and strategies in the agricultural sector are wide and diverse and thus pose a challenge to integrating them to the CAADP pillar framework.

A summary of the various policies that were implemented between 1997 and 2007 is presented in Table 2.2.

Table 2.2: Summary of ASM policies in Kenya, 1997-2007

Policy	Year introduced/ passed	Coverage (crops, region, farming system	Remarks
National Food and Nutrition Security Policy	1994	Food security	Draft NFNP is ready and adopted
Pyrethrum Industry Sessional Paper	1999	Pyrethrum , liberalization of the industry	Final bill already drafted by AG awaiting publication and tabling Cabinet recommended payment of farmers before approval of the memo Ksh 853 million paid out
Liberalization and restructuring of the Tea Industry, Sessional Paper No. 2 of 1999	1999	Tea	The changes saw privatization of the KTDA by incorporating it under the Companies Act (Cap 486), strengthening of the Tea Board of Kenya to carry out regulatory duties
Oil Seed Crops Development Policy	2001	Oil crops	Parastatal established and being Operationalized, Draft policy and bill finalized
National Seed Industry Policy	2004	Availing high quality seeds and planting material	The Policy finalized in 2007 and forwarded to the Minster Seed Arbitration Tribunal already gazzetted
Amendment to the Coffee Act No. 9 of 2001	2005	Coffee	Made operational through Finance Act , 2005 establishment of CoDF and a 'second window' alternative coffee market established and 43 marketing agents were registered
National Agriculture Sector Extension Policy	2005	Extension services on crops and livestock	Implementation ongoing ,Cabinet Memo need to be resubmitted to the sector Ministries for joint signature
Pest Control Products Board (PCPB) Amendment Bill, 2005	2005	Pesticides, herbicides	The Bill and Cabinet Memo were forwarded to the minister for approval.6 legal notices containing amended regulation were gazetted in September 2006.
National Horticultural Development Policy	2005	Horticulture	Draft Policy forwarded to Director, Hort. Div.
National Forest Policy, Sessional Paper no. 9 of 2005	2005	sustainable land use through soil, water and biodiversity conservation, and tree planting	The Kenya Forest Service formed and mandated to manage the forests.
Cotton (Amendment) Act, 2006	2006	Reviving the Cotton sector	Bill already ascended to law and is an act of parliament in 2006,election carried out in August 2007 to select the Cotton Board, Cotton Secretariat has prepared the regulation for implementation of the Act
Sessional Paper on	2006	Soil Fertility, Fertilizers	It has been subjected to stakeholders'

Policy	**Year introduced/ passed**	**Coverage (crops, region, farming system**	**Remarks**
Soil Fertility and a Bill on Fertilizers and Soil Conditioners, 2006			analysis and is ready.
National Potato Industry Policy	2006	Potato	Policy and Cabinet memo forwarded to the PS in 2007,Legal Notice No 44 on potato standard being implemented
Cassava Policy	2006	Traditional food crops	Process being led by ASARECA and is to establish a regional Policy on traditional food crops
Dairy Development Policy	2006	Dairy production, marketing, business environment ,value addition , consumption	Successfully undergone stakeholders analysis and awaiting to taken to the Cabinet for approval
National Biotechnology and Development Policy	2006	Biotechnology (seed, crops, animal)	Policy adopted in 2006 by the Cabinet and it is operational
Amendments to the NCPB Act, Cap 338	2007	Strategic reserve of cereal for food security	The Bill is waiting to passed by the parliament
Developing a Concept Paper on Modalities for Harmonization of the Kenya Agricultural Sector Legislation	2007	130 legislation relating to agriculture to be consolidated into 7 legislation covering all aspect in crops and livestock	Draft concept paper done, Harmonization Bill submitted to minister TWG on legal and regulatory framework is still pursuing Stakeholders consultations
Nut Crops Development Policy and Bill	2007	Macadamia	Draft policy and Bill finalized
KEPHIS Bill	2007	Inspectorate services on all matters related to plant health and quality control of agricultural inputs and produce.	Draft Bill included in the 2007/8 performance contract.
The Agricultural Produce (Export) Rules, 2007 (Cap 319)	2007	Crops grown for export, horticulture and industrial crops	Rules finalized and awaiting publication
National Land Policy	2007	secure rights over land and provide for sustainable growth and investment	The Draft National Land Policy is ready awaiting Cabinet approval
National Land Use Act	2007	Establishment of guideline and control on use of land resources	The Development of a concept paper to guide the formulation of a national land use policy is underway
Regional Development Policy	2007	Achieve equitable and balanced National Economic Development	The policy has been passed and Sessional paper preparation is underway awaiting tabling in parliament

Policy	Year introduced/ passed	Coverage (crops, region, farming system	Remarks
Cooperative Development National Policy	2007	Revitalize, realign and liberalize the co-operative movement	Draft already finalized and aligned with Vision 2030 awaiting Cabinet approval
Investment Policy	2007	Encourage prudent investments in co-operatives	Draft has been submitted to the Ministry for validation.
Ethics and Governance Bill	2007	Strengthening the leadership management and governance in co-cooperatives	final draft is ready waiting for validation by stakeholders
SACCO Bill	2007	Strengthen SACCO operations	The draft has already been submitted awaiting validation
Sessional paper Seed Industry/ Draft Seeds and Plant Varieties Bill,2008	2008	Seeds and planting material harmonize seed related legislations	Sessional Paper has been forwarded to the Cabinet and the Bill is at the AGs office for legal drafting
Sessional paper and Amendment of Sugar Act No 10 of 2001	2008	Sugar sub-sector restructuring the sector to make it more efficient and competitive	Bill already cleared by AG awaiting Cabinet approval for publication
Regional Development Act	2008	Harmonizing operations of the 6 Regional Development Authorities	Draft Regional Development Act prepared awaiting to be subjected to stakeholder before forwarding it to the AG and Parliament
National Water Storage Policy	2008	Aims at increasing water storage from current 5.3m3 to 1000m3 per capita by 2030	Draft is being prepared by the Ministry of Water and Irrigation
National Irrigation and Drainage Policy	2008	To accelerate sustainable development of irrigation and drainage	Draft is being prepared by the Ministry of Water and Irrigation

Various projects and programmes have been initiated in the last ten years (1997-2007) to aid in achieving the goals of the various policies (see annex 2 for details). These include: Community Agriculture Development Project in Semi Arid Lands (CADSAL); Kenya Agricultural Productivity Project (KAPP); Njaa Marufuku Kenya (NMK); South Nyanza Community Development Project (SNCDP); Central Kenya Dry Areas Programme (CKDAP); Agricultural Sector Programme Support (ASPS); Promotion of Private Sector Development in Agriculture (PSDA); National Agriculture and Livestock Extension Project (NALEP); The Roads 2000 Strategy; ASAL Based Livestock and Rural

Livelihoods Support Project; Smallholder Dairy Commercialization Programme; and Arid lands Resource Management Project (ALRMP). Table 2.3 shows strategies, programmes and projects implemented in the three distinctive development phase.

Table 2.3: Summary of the strategies and projects implemented

Strategies	Projects Implemented/Activities	Remarks
	Post Independence 1960s-1980s	
Increase incomes in agriculture diversifying in agricultural production	11 settlement schemes were established, Government purchased European owned farms and resettled the locals, development of underutilized or unutilized land	Increase acreage under farming
Large-scale irrigation schemes	Mwea Tabere, Galole, Bunyala, Kano, Taveta and Perkerra irrigation schemes were established	Bring more land under production and reduce population pressure of existing land
Production and marketing of major crops carried out by Statutory Boards	Establishments of parastatals: KPCU, CBK,KTB,KTDA, KCC, KMC, CLSMB, KDP,KSB,NCPB,	These had monopoly in production and marketing; private sector had no role
Credit facilities and Input subsidies	Land and Agricultural Bank of Kenya, AFC, KFA and ADC farms	Provision of credit to farmers, provision of subsidized inputs such as seeds, fertilizer and ploughing
Emphasis on the ASAL	Low cost approach to irrigation through the use of gravity to irrigate. Government supported small holder irrigation schemes in ASAL areas	Enable farmers in the ASAL area to engage in agriculture
Agriculture infrastructure development	Construction of roads into the settlement schemes, improving of existing roads in tea, sugar and coffee regions, construction of bulk handling facilities for cereals	Easy access of the market by farmers, lowering transportation costs between producing area and the market
Agriculture research and extension	Farm mechanization, small holder mechanization projects, agriculture information centers established countrywide famer training schools , NAEP Phase I project	Easing labor bottlenecks in the rural area , revitalizing agriculture through new extension services (Training and Visits (T&V)
	Liberalization 1980s-1990s	
Increase food production	Construction of more silos and expansion of others by NCPB, development of drought resistance crops for ASAL, early warning systems and dissemination of information on weather trends ,	Countering drought and rapid increase in population and ensuring self-sufficiency in food production
Expansion of agricultural exports	Construction of more factories and storage facilities for coffee tea, new varieties of coffee developed, construction of tannery, milk cooling plant constructed, construction of cattle dips countrywide ,construction of marketing centers in Nairobi, Mombasa and Kisumu for horticulture	Promoting of horticultural (flowers) and livestock for export and increase yields of traditional exports such as tea and coffee

Strategies	Projects Implemented/Activities	Remarks
Emphasis on ASAL	Marginal land pre-investment project, dry-land farming systems, pastoral system development ,bee keeping projects, small-scale irrigation development projects, ground water exploration	Exploiting the production potential of ASAL
Market-led reforms	Restructuring of existing parastatals	Building a competitive economy driven by market forces and reduce opportunity for rent extraction through elite marketing chains
DFRD (Rural-Urban Balance)	Construction and improvement of market infrastructure and facilities, maintenance of feeder and access road networks, construction of local storage facilities at the districts' level countrywide	Each district through DDC was responsible for development, planning, coordination, project implementation, and management of development resources
Agriculture research and extension	All agricultural research activities placed under KARI; NAEP Phase II project	Revitalizing agriculture through new extension services (Training and Visits (T&V))
Agriculture infrastructure development	HCDA ,SPSP, IADP, Kenya Rural Roads,	Constructions of feeder roads , irrigation rehabilitation and cold chain facilities Storage facilities
	Stakeholders Participatory 2001-2007	
Agriculture research and extension	Strengthening KARI adaptive research NASEP, NALEP, KAPP	Collaboration between public and private extension services
Agriculture infrastructure development	Kenya Road 2000, KRDS , HDP, ASPS, EPHTFCP	Constructions of feeder roads , dams, reservoirs, cold chain facilities and storage facilities
Food security and poverty alleviation	KSPS, NMK, SNCDP, CKDAP, HDP, Small Dairy Commercialization ,	Aimed at improving the welfare of the rural communities
Emphasis on ASAL	CADSAL, EPHTFCP,LRLSP	The increase in productivity also in ASAL area thus reduce pressure from high potential zones
Environmental conservation and sustainable agriculture	MKEPP, KAPSLM, WKIEMP, EPHTFCP,LVEMP, ALRMP	Promote sustainable agriculture to address decline in natural environment

2.5 Resource Allocation to the Agricultural Sector

This subsection highlights the reforms in the budgetary system in Kenya, resource allocation to agriculture and absorption by various ministries that constitute the ASM.

2.5.1 Reforms in the Budgetary Process

The Kenyan budget system has undergone several changes since independence, mainly in response to the thinking of the day. The government has attempted to make the budgetary process more coherent, efficient, participatory and pro-poor and in tandem with challenges emerging in the country. The reform in budgetary process that has taken place includes:

Programme Review and Forward Budget

These reforms were initiated in the 1970s with the objective of designing and developing a comprehensive list of public sector projects and programmes on a multi-year basis. The reforms sought to provide guidelines for an integrated system for appraising and evaluating projects and programmes before being included in the budget. Specific objectives of the reforms included;

i. Generate data that would facilitate the monitoring of project and programme by ministries

ii. Facilitate identification of the funding agency for funds

iii. Contribute to more prudent decision making

iv. Create a data base for design of a system data base

Budget Rationalization Programme (BRP)

These reforms were initiated during the implementation of the fifth National Development Plan of 1984. The Plan reiterated the need for longer-term guiding principles of economic development. This was in response to economic shocks which occurred in the 1970s and 80s (both externally and internally, for instance the oil shock). To operationalize the National Plan, a Sessional Paper 1, of 1986 was developed which envisaged the overall BRP. The specific objective of BRP included;

i. Improving productivity of public expenditure by channeling available resource to priority areas,

ii. Strengthening planning and budgeting in Ministry of Finance,

iii. Increased contribution to budgetary resources from user fees and other non-tax revenues (basically cost-sharing), and

iv. Structure external assistance more rationally.

Public Investment Programme (PIP)

These reforms were initiated in the early 1990s to address problems which existed in connection with implementation of public projects. The specific objectives of PIP included;

i. Examining project portfolio and ranking them, then providing clear statements of project and programme priorities,

ii. Linking those priorities to both available domestic and external finances, and macroeconomic strategies and circumstances, and

iii. Concentrating scarce budgetary resources on selected core (or the most central or critical) investments.

Medium Term Expenditure Framework (MTEF)

These reforms replaced the PIP and were initiated out of recommendation of the 1997 Public Expenditure Review which concluded that there was no link between budgeting and planning. MTEF is a three year rolling budget framework that was introduced in 2000. The primary objective was to create the link between budgeting and planning. The first year represents current year financial plan while the remaining two years represent tentative fiscal plans. The MTEF seeks to

i. Link policy making with planning, budgeting and implementation of programmes and projects;

ii. Maintain fiscal discipline by establishing hard budget targets;

iii. Facilitate expenditure prioritization.

MTEF planning and budgeting cycle allowed for wider consultations to ensure that budget formulation, implementation and oversight benefits from the input of the diverse economic actors and interest groups in the economy and output of both the national and district planning processes. Since its introduction in 2000, the MTEF has changed a few times, necessitated by among other things, an early start of the budget process and a need to make it more inclusive. The current budgetary process starts early and benefits from more stakeholder input and participation such as budget hearings and wider circulation of budget documents such as Budget Outlook Paper (BOPA) and the Budget Strategy Paper (BSP). The BOPA indicates tentative sector ceiling expenditures as well as ceiling for individual line ministries, projection of exchange rates, projected economic growth, revenues, and inflation among others. The BSP indicates available resources and fiscal framework of government budget.

Major Players in the Budget Process

In Kenya, the budget process is a collective function that benefits from the contribution and input of a wide variety of economic players and actors. These include government ministries and departments, the Ministry of Finance, Kenya Revenue Authority (KRA), Central Bank of Kenya (CBK), Parliament, Development Partners, interest groups and the citizens in general. Of special interest is the participation of apex trade and professional associations like the manufacturing fraternity (Kenya Association of Manufacturers), and other bodies like the Kenya Private Sector Association (KEPSA) and Institute of Certified Public Accountants of Kenya (ICPAK).

Stages in the Budget Process

The Kenya budget cycle pass through the following four major phases;

i. Budget planning and preparation

ii. Budget proposal, debate and approval

iii. Budget execution (implementation, supervision and audit)

iv. Budget monitoring and evaluation

2.5.2 Overall Budget Allocated to the Agriculture Sector

The ASM comprise of Ministry of Agriculture (MOA), Ministry of Livestock and Fisheries Development (MOLFD), Ministry of Cooperative Development and Marketing (MOCDM); Ministry of Lands; Ministry of Regional Development Authorities (MRDA); and Ministry of Environment and Natural Resources (MENR). Resource allocation to agriculture has been on the increase during the period 1990/91 to 2007/8. The overall budget allocation to the ASM, in nominal terms, increased from Ksh. 11.05 billion in 1999/2000 to Ksh. 30.33 billion in 2007/08. Over the same period the proportion of the development expenditure to total in the agricultural sector increased from 21% in 2001/02 to 45% in 2007/08 while recurrent expenditure reduced from 79% to 55% in the same period (Table 3.1).

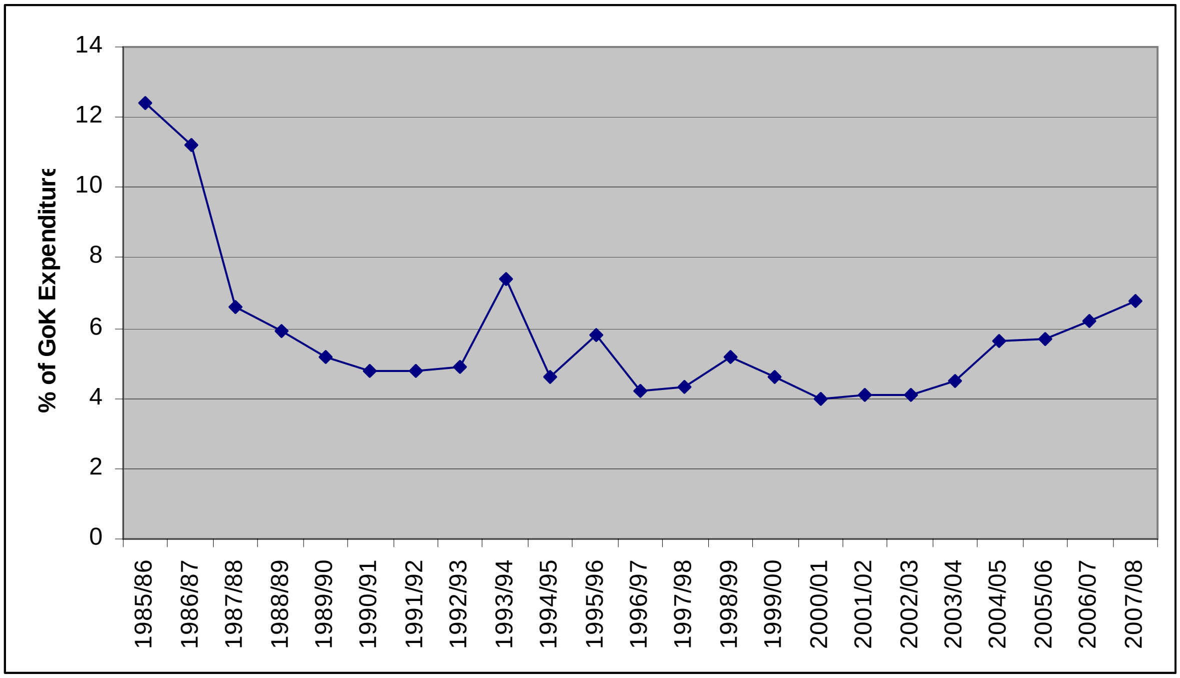
Table 2.4: Overall budget (in Ksh Million) allocation to ASM 1999-2007

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Recurrent	8,204	8,613	10,146	10,764	11,261	11,343	14,291	15,180	16,643
Development	2,842	2,982	2,690	4,378	5,100	6,457	5,722	9,108	13,693
Total	11,046	11,595	12,836	15,142	16,360	17,800	20,013	24,288	30,336
Recurrent as % of total	74	74	79	71	69	64	71	63	55
Dev as % of total	26	26	21	29	31	36	29	38	45
Total	100	100	100	100	100	100	100	100	100

Source: PER, 2003, 2004, 2006; MOF, 2007; Various Budget Estimate Books 1999/2000 – 2007/08

Table 2.4 shows that budget allocation to the ASM has been on the increase. However, the percentage of budget allocated to agriculture from total government expenditure has been on the decline since 1980s as shown in Figure 2.3. During the 1985/86 financial year, the sector was allocated 12.5% of the total government budget. This dropped to 4% in 2000/01 financial year. This situation reversed and the proportion has been on the increase to be in line with the Maputo declaration to increase budget allocation to at least 10% of government budget. The proportion was 5.7% in 2005/06; rose to 6.8% in 2007/08 and it is poised to rise to 7.3% in the 2008/09 financial year.

Figure 2.3: Percentage budget allocated to agriculture sector from government expenditure, 1985-2007



Source: MOA 2006a; MOF, 2007; various Development and Recurrent Budget Estimates

Recurrent Expenditure

In nominal terms, the recurrent expenditure incurred by the ASM increased by 50% from Ksh 11.1 billion in 2003/04 to Ksh 16.6 billion in 2007/08 (Table 2,5). Over the same period the MOA received the largest proportion of annual total recurrent expenditure of the ASM. The Ministry received Ksh 3.4 billion (31%) in 2003/04 which increased to Ksh 6.9 billion (42%) in 2007/08 while MRDA received the least; Ksh 0.06 billion (4%)

Table 2.5: Recurrent expenditure (in Ksh. Million) for ASM 2003/04-2007/08

Ministry	2003/04	% (2003/04)	2004/05	2005/06	2006/ 07	2007/08	% (2007/08)
MOA	3,453.50	31	3,923.20	5,060.30	6,413.40	6,976.21	42
MOLFD	2,616.80	24	2,096.80	2,476.20	3,240.40	3,448.76	21
MENR	2,197.60	20	2,233	2,987	2,749.70	3,234.43	19
MRDA	647	6	630.5	647	591.8	659.16	4
MOLH	1,498.80	14	1,773.60	1,358.30	1,703	1,473.36	9
MOCDM	684.4	6	571.7	677.3	773.6	851.00	5
Total	**11,098.10**	**100**	**11,228.80**	**13,206.10**	**15,471.90**	**16,643.67**	**100**

Source: MOA 2006a; MOF, 2007; various Development and Recurrent Budget Estimates

In terms of percentage, the proportion of recurrent expenditure going to MOA while for the other ministries it has gone down.

Development Expenditure

The ASM development expenditure in nominal terms increased by 185% from Ksh 4.7 billion in 2003/04 to Ksh 13.6 billion in 2007/08 (Table 2.6). The MOA received the highest amount of development expenditure which increased from Ksh 3.1 billion (2003/04) to Ksh 5.2 billion (2007/08). However, the share of MOA to the total ASM development expenditure allocation reduced from 65% in 2003/04 to 38% in 2007/08. While the allocation for MOA reduced, the proportion allocated to the other ministries has gone up, apart from MOCDM where it has remained at 2%. There was a significant increase in the development expenditure to the various ASM over this period. With a new government in place in 2003, there were renewed efforts to revamp and revive projects that had collapsed or been run-down within the ASM. The MOLH recorded the highest increase in development expenditure (1076%) followed by the MRDA (810%), MENR (294%), MOLFD (226%) and MOCMD (171%). The MOA recorded modest increase in the development expenditure 67 % compared to the other ministries although the ministry share of the total development expenditure was the highest.

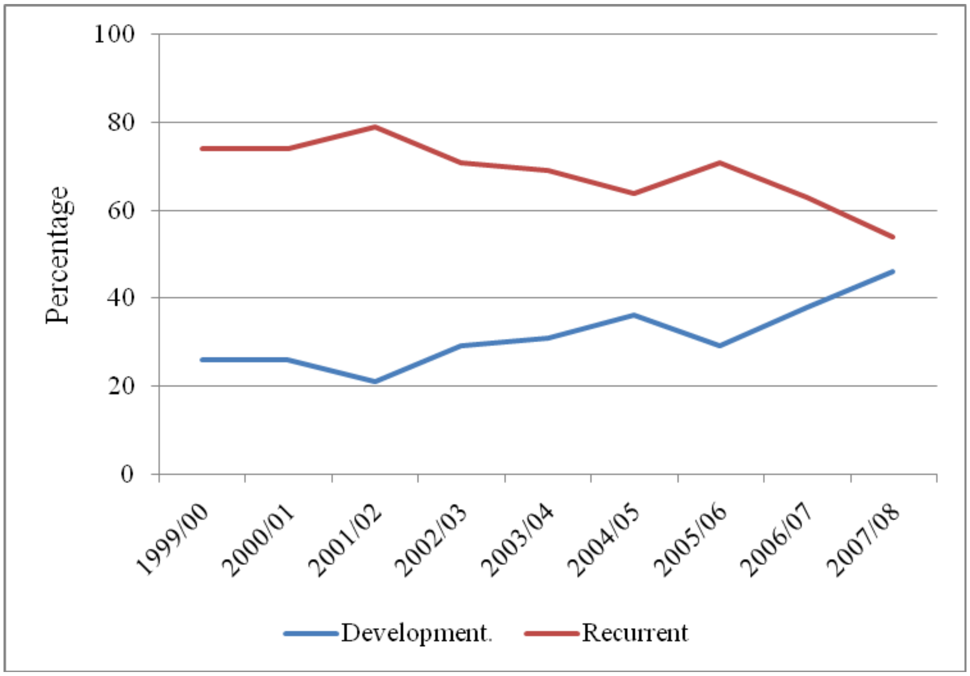
Table 2.6: Development expenditure for ASM 2003/04-2007/08 in Ksh millions

Ministry	2003/04	% (2003/04)	2004/05	2005/06	2006/ 07	2007/08	% (2007/08)
MOA	3,121.50	65	2,786.10	3,161	5,036.80	5,225.74	38
MOLFD	608	13	1,428	1,373	2,013	1,984.99	14
MENR	612.5	13	431	937	1,246.80	2413	18
MRDA	215.6	4	202	556.6	367.2	1,961	14
MOLH	161.4	3	268.7	194.2	361.7	1898.5	14
MOCDM	77.8	2	1,467.30	58.9	188.6	210.00	2
Total	**4,796.80**	100	**6,583.10**	**6,280.70**	**9,214.10**	**13,693.23**	**100**

Source: MOA 2006a; MOF, 2007; various Development and Recurrent Budget Estimates

Considering the overall budget allocated to the ASM during the period 1999/00 to 2007/08, the proportion of recurrent expenditure to total expenditure has been on the decline from 74% in 1999/00 to 54% in 2007/08 as shown in Figure 2.4. Development expenditure as a proportion of the total expenditure has been on the rise, increasing from 26% in 1999/00 to 46% in 2007/08.

Figure 2.4: Development and recurrent expenditure as a % of total budget to ASM



Source: PER, 2003, 2004, 2006; MOF, 2007; Various Budget Estimate Books 1999/2000 – 2007/08

2.5.3 Resource Absorption by the Agricultural Sector

Absorption refers to the proportion of the amount of money spent as a fraction of the amount allocated. A higher absorption rate indicates greater efficiency in using the amount of the money allocated. The average absorption rate for the ASM has declined from 95% in 2003/04 to 90% in 2006/07 (Table 2,7). Across the Ministries the absorption rate, is varied as shown. MRDA absorption rate of total expenditure is higher than the other ministries' (above 100 %).

Table 2.7: Absorption rate (%) of total expenditure to the ASM 1999-2007

Ministries	2003/04	2004/05	2005/06	2006/07
MOA	92	80	82	87
MOLFD	77	85	69	73
MENR	105	98	100	85
MRDA	123	134	111	106
MOL	88	92	100	92
MOCDM	86	57	81	97
Average	**95**	**91**	**90**	**90**

Source: MOA 2006a; MOF, 2007; various Development and Recurrent Budget Estimates

The absorption rate of recurrent expenditure is high across the ASM compared to development as shown on Table 2.8 below. On average the absorption rate of recurrent expenditure between 2003/04 to 2006/07 was 98% while that of development expenditure was 72%. In the financial year 2006/07 the absorption rate of recurrent expenditure in the ASM was high with the average being 101% and all ministries achieving an absorption rate of 94%. Absorption rate for development expenditure by the ASM is relatively low under the four year under review. MRDA had the highest absorption rate with an average of 105% while the MOLFD had the lowest absorption rate at 37%. There are several reasons that have contributed to a low absorption rate of recurrent and development expenditures over this period. These include: cumbersome procurement process that affect utilization of available resources; lack of adequate information on expenditures under direct payments by development partners; cash float problems at the district treasuries; and inadequate human capacity to support project implementation.

Table 2.8: Absorption rate (%) of recurrent and development expenditure of ASM 1999-2007

Ministry	Recurrent					Development				
	2003/04	2004/05	2005/06	2006/07	Avg	2003/04	2004/05	2005/06	2006/07	Avg
MOA	99	96	89	97	95	85	58	70	74	72
MOLFD	84	119	92	95	98	48	35	28	38	37
MENR	111	98	120	108	109	86	93	92	75	87
MRDA	95	98	80	100	93	97	144	80	100	105
MOLH	91	95	98	106	98	63	72	111	29	69
MOCDM	88	95	83	100	92	73	42	59	84	65
Average	**95**	**100**	**94**	**101**	**98**	**75**	**74**	**73**	**67**	72

Source: MOA 2006a; MOF, 2007; various Development and Recurrent Budget Estimates

Projected Budget Allocation to the Agriculture Sector from 2007/08 to 2010/11

The government has proposed to increase budget allocation to the ASM by 96% from 2007/08 to 2010/11(from Ksh 30.3 to 59.5 billion) as shown in Table 4.6. The recurrent expenditure is projected to increase from Ksh 16.6 to 29.7 billion (79% increase) while the development expenditure is projected to increase from Ksh 13.6 to 29.7 billion (117% increase) under the same period with the proportion of both recurrent and development expenditure over total expenditure being almost equal (Table 2,9). The increase in projection of budget allocated to the ASM is attributed to the anticipated increase in resource requirements for parastatals such as Kenya Forestry Services, National Environmental Management Authority (NEMA) and Kenya Forestry Research Institute (KEFRI) among others.

Table 2.9: Projected budget allocation to the ASM 2007/08-2010

Expenditure of ASM	2007/08	2008/09	2010/11
Recurrent (Ksh mil)	16,643	17,564	29,783
Development (Ksh mil)	13,693	20,145	29,730
Total (Ksh mil)	30,336	37,709	59,513
Recurrent % of Total	55	47	50
Development % of Total	45	53	50
Total	**100**	**100**	**100**

Republic of Kenya Medium Term Expenditure Framework 2008/09-2010/11

Across the ASM the entire ministries projected budget shows an increase from the financial year 2007/08 to 2010/11 as shown in Table 2,10. MOA has the largest share of the total expenditure (42%) to be allocated especially during the first two financial years (2007/08-2008/09). In the subsequent years the share reduces to an average 30% of total expenditure while the MENR share is 39 %. MOCDM has the least allocation of total expenditure (3%).

Table 2.10: Proposed budget to be allocated to the ASM between 2007/08 and 2010/11

Ministry	2007/08 (Ksh. Mil) Printed Estimates		2008/09 (Ksh. Mil) Proposed		2009/10 (Ksh. Mil) Proposed		2010/11 (Ksh. Mill) Proposed	
	Recurrent	Devp't	Recurrent	Devp't	Recurrent	Devp't	Recurrent	Devp't
MOA	6,976.21	5,225.74	7,856.88	8,347.42	8,249.73	8,764.78	8,662.21	9,203.02
MOLFD	3,448.76	1,984.99	3,277.41	2,213.65	4,948.86	2,128.61	5,273.99	1,857.82
MOCDM	850.75	210	895.46	447	1,272.80	512.68	1,246.20	529.28
MOL	1,473.36	1,898.50	1,518.00	721	1,913.77	4,075.24	1,971.04	4,251.54
MRDA	659.16	1,961.00	755.3	2,003	786.5	2,037.90	811.5	2069.9
MENR	3,234.43	2,413.00	3,260.91	6,413.00	10,581.00	10,581.00	11,818.00	11,818.00
Totals	**16,642.67**	**13,693.23**	**17,563.96**	**20,145.07**	**27,752.66**	**28,100.21**	**29,782.94**	**29,729.56**

Source: Republic of Kenya Medium Term Expenditure Framework 2008/09-2010/11

The analysis on the projects shows that most of them have been implemented in collaboration with development partners whose contribution is larger than the government's. This shows that there are significant resources amounts channeled to the agricultural sector outside the formal government budget system, making development partners an important stakeholder in the sector. Further analysis reveals that there is duplication of effort, with development partners investing in different projects with different objectives. This may be an indication of strong attachment to their own initiatives, thus they may be reluctant to embrace new initiatives. This may pose a challenge for CAADP.

Budget allocation to agriculture sector show a promising trend towards the achievement of Maputo declaration. The amount spent on agriculture has increased tremendously, with greater allocations expected in the coming years. This should be encouraging for CAADP as it shows that the government is also moving on the same direction. Of importance also is the increase proportion of the allocation towards development expenditure as opposed to recurrent expenditure. This signifies a reduction in costs and actual spending on the projects and programmes that are likely to have actual impact on poverty reduction and food security. However, the share of development expenditure for the MOA has significantly reduced over the period, signifying that the other ministries, some of them relatively new have now come of age and they are having programmes of their own as well as setting up institutions. However, a point of concern is the low level of absorption of development expenditure especially in the MOLFD (which has always been below 50%).

The low absorption rate in the sector can hinder advocacy for more funding. Currently, resources allocated to the sector are not fully utilized thus defeating the logic for more funding. One of the reasons for poor funds absorption is the rigorous procurement conditions that have been implemented to prevent corruption in tendering within government institutions. This is a governance issue that APRM can help address. Balance should be maintained between rigorous procurement procedures and efficiency.

3.0 Policy Process in Kenya

This chapter looks at the policy process in Kenya, with the aim of understanding policy making process in the country using three case studies: dairy, coffee and cotton sub-sectors. In each of the three sectors, background information of the sector, evolution of the policy, impact of the policy on the sector and stakeholder network analysis are undertaken. The three sub-sectors are important in poverty reduction and food security in the country. Reforms in two of these sectors; dairy and coffee, were public-sector led, while those in the cotton sector were privately-led. In general, policy making process is a lengthy process as shown by the three case studies. Analysis in this chapter reveals important information that can be useful in determining how the pan-African initiatives should be integrated into the national policies. The policies analyzed are:

i. Dairy Development Policy

ii. Restructuring of the Coffee Industry and

iii. Cotton (Amendment) Act, 2006.

3.1 Dairy Development Policy

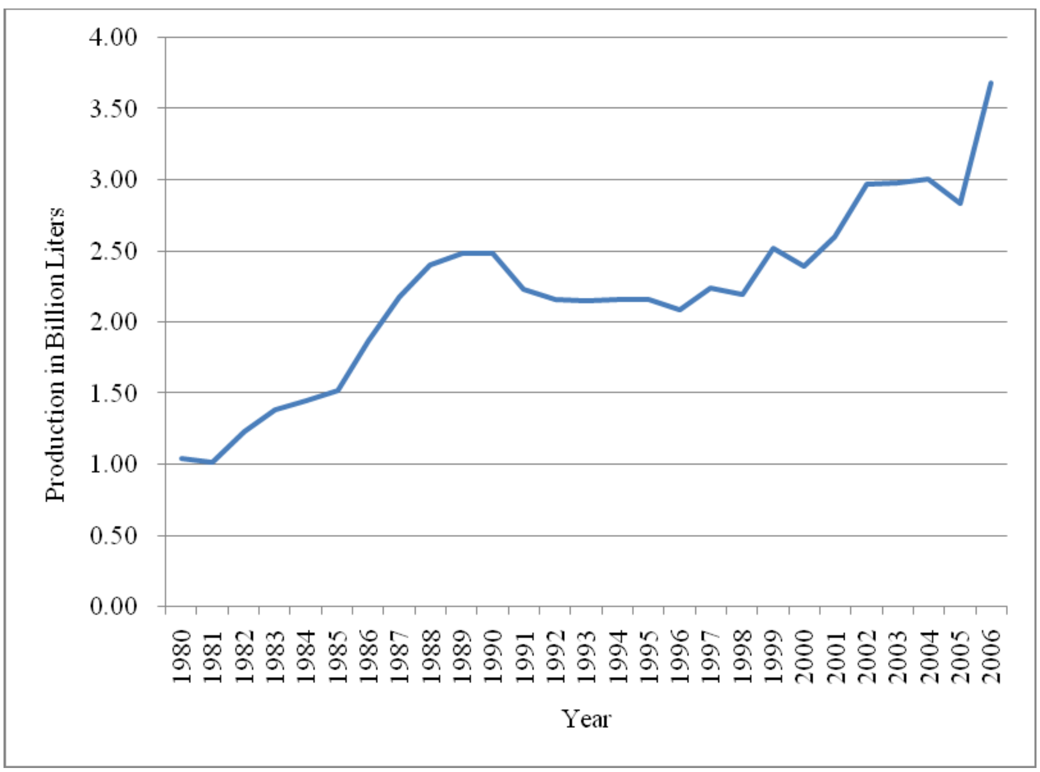
Introduction

The Dairy Sector is important for Kenya as it has 70% of the dairy cattle in Eastern and Southern Africa and among highest milk consumption in developing countries. In 1990, per capita milk consumption for milk producing households in the rural areas was 45 litres and 19 litres for milk purchasing households. In the urban areas, per capita consumption was 125 litres. Currently, on average the per capita consumption of milk in the country stands at 72 litres while per capita production is 82 litres. The demand of milk has been growing at 3.6% per annum from the year 2000 (Dairy Policy, 2005; Argwings-Kodhek et al, 2005). The importance of milk production, marketing, and processing to the wealth, and health, of the Kenyan people cannot be overstated. Rift Valley Province leads with the highest number of dairy cattle (52%) followed by Central

Province (31%). There exists a potential for export in the dairy sector as Kenya and Sudan are the largest Sub-Saharan dairy producers accounting for 47% of total cow milk produced with the Kenyan market share being 24%. Within Kenya, dairy cattle contribute 60% to national production while indigenous breeds account for 40%.

The Kenyan dairy industry contributes about 3% of Kenya's GDP, supports over 1 million smallholder dairy households, and provides employment to 365,000 directly and over 500,000 people indirectly. The country currently produces 3.56 billion a litre of which 1.99 billion litres (56%) is marketed. Small holders in Kenya contribute 56% of the total milk produced and 80% of the marketed milk (Cherono, 2005). The production of milk grew from 1.03 billion litres in 1980 to 3.56 billion in 2006 (Figure 3.1). The country installed capacity of processed milk is 680 million litres per year (2.2 million litres per day) but by 2001, only 152 million litres were being processed, a 58% decline especially after KCC, which used to handle the largest market share, was put under receivership in 1999.

Figure 3.1: Milk production in billion litres from 1980-2006



Sources: Ministry of Livestock and Fisheries, Kenya Dairy Board and FAO

Currently there are 22 processors that operate in the country processing about 152 million litres per year. Before liberalization and the collapse of KCC which had the monopoly in urban markets the company was processing 1.5 million litres per day while its installed capacity was 2.5 million per day (67 % capacity utilization). The company controlled 98% of the market share while two other processors, controlled a merely 2% of the market share. After the sector was liberalized 45 processors were licensed later in 1999 KCC was put under receivership and the 45 processors that were licensed could not manage mop up all the milk that was produced in the industry some processors have closed operation over the years. From Table 3,1 the milk processed in the country has increased from 137 million litres in 2000 to 423 million litres in 2007 (increase by 200%). There is an increase in the processing capacity in the country a fact that can be attributed to revival of New KCC that has rehabilitated most it factories that were closed by 2001 New KCC share of the market was 6%.

Table 3.1: Processed milk in million litres by private processors 2000 – 2006

Year	2000	2001	2002	2003	2004	2005	2006	2007
Million Litres	137	152.4	143.5	197.3	274	339.5	360.1	423.1

Source Kenya Dairy Board

Breeding is important in the dairy sectors as adoption of high yielding breeds' increases productivity and income earned by the farmers. Before liberation of the sector the Government supported the veterinary and Artificial Insemination (AI) after liberalization these services were privatized. There has been a decline of insemination by the Kenya National Artificial Insemination Services (KNAIS) a Government ran institution. In 1979 542,000 inseminations were done by KNAIS but figure dropped drastically to 195,000 in 1992. In 2000 only 7,000 inseminations were done by KNAIS. The Dairy Cooperatives and Private Institutions provision for AI services were on the rise. The Private institution and Dairy Cooperatives carried out 97,000 inseminations in 1995 this rose to 113, 000 in 1997 and declined to 74,000 in 2000. Between 1996 and 2006 there was a decline in AI services provided by both public and private institution from 155,000 to 80,000 this was due to lack of genetic material.

Evolution of the Dairy Development Policy

The dairy industry experienced rapid growth through Government heavy investment in the sector. Through the provision of heavily subsidised AI and veterinary services in 1970s and 1980s, dairy herds were improved through infusion of high-yielding breeds. Towards the end of 1980s the improved herds numbered about 3 million as compare to 9 million unimproved. The national extension services developed and disseminated intensive zero-grazing model to many small scale farmers that led to an increase in milk production in the 1980 as shown in Figure 3.1. In the mid-80s, the private company status of KCC was suspended and it came under Government control. The Government gave KCC the monopoly of milk marketing in the urban areas thus controlling 98% of the market and was purchasing milk from mainly the 800,000 small-scale farmers. It was illegal to sell raw milk in the urban areas and Kenya Dairy Board (KDB), Local Authorities and Department of Public Health (DPH) officials ensured this was observed by arresting traders who defied the orders.

The direct entry of government turned out to be the beginning of chronic problems at the KCC. Due to political patronage, the management committees and board of directors kept being reshuffled with no improvement in performance. Corruption, mismanagement, high cost of operations meant farmers were paid low prices. The payment schedules continued to grow longer with farmers being paid even six months after delivery. The greatly expanded dairy herd, as well as the improved performance of dairy animals meant that farmers had a lot of milk but delivering to KCC was not an option due to the low price and delayed payments. By late 1980s, KCC was in debt due to mismanagement and high cost of operations and rapidly losing on milk deliveries. In the late 80s, farmers started agitating for the liberalization of the market. Farmers were agitating to have the market opened up to more players. Dairy sector was crucial to over 800,000 households who depended on the sector in the Rift Valley and Central Provinces. In 1990, the political situation in the country was also shaping up with protest for liberation of political space from one party to multi-party. The protest by farmers for ‘economic freedom’ from KCC began to acquire a political perspective as pressure mounted on the Government to liberalize the sector. The Members of Parliament (MPs) especially in the Central Province and North Rift Valley appealed to the Government to liberalize the industry as their constituents depended on dairy. The MPs argument in parliament was that their constituents were suffering and most households could not meet their basic need due to low prices and delayed payments by KCC. The MPs especially in Central Province saw the problems facing KCC as politically orchestrated to frustrate farmers in the Province as they were perceived to have benefitted[3] during the previous Government regime. There were demonstration by farmers and they boycotted delivering their milk to KCC. In 1990 through funds from DANIDA, the Ministry of Agriculture and Livestock Development prepared a Dairy Master Plan for the sector that included the liberalization of the sector. The industry was finally liberalized in 1992 and the monopoly of KCC was lifted, while provision of veterinary and AI services were privatized.

Liberalization of the industry created incentives in form of unsatisfied demands and new market opportunities. After the veterinary and AI services were privatized, dairy cooperatives took over the role of providing these services. Dairy cooperatives and farmers opted to sell raw milk directly in urban centres and to the new processors where they received higher prices and prompt payment. Other than selling their milk to new processors and in urban centres, these cooperatives and individual farmers delivered a small proportion of their milk to KCC .The new processors brands became well known to the consumers who were previously used to KCC products. Due to the low milk delivery by the farmers to KCC, loss of its market share, high costs of operations and debts owed, KCC was finally put under receivership in 1999 after it became insolvent. The Government revived it in 2003 as New KCC. The informal market (sale of raw milk) rapidly grew in the country. In Nairobi alone the market had grown to cover 70% or more of the consumers, and nearly 100% of the low-income markets (Argwings-Kodhek and Karin, 1999). The informal systems consisted of; assemblers, distributors and hawkers who were sourcing milk from the region surrounding Nairobi. In 1993, the Government published the Dairy Development Policy that was to guide the sector in a liberalized

[3]In Kenyan politics, there is a perception that if the President comes from a certain region, then during his tenure his region is usually favoured with regards to development and important Government jobs. Thus if there is regime change the new Government would tilt development and Government jobs to the new President’s region.

economy. However, the sector faced a number of constraints which hampered its development thus limiting the ability of many agents to operate to their full potential. These challenges were not envisioned in the Policy as it was published immediately after liberalization. Although the number of small scale vendors selling milk had grown, the KDB was still playing it roles of policing the industry and the environment was still very hostile to milk hawking despite the industry being liberalized. In 1995 the Diary Act was reviewed and the KDB was restructured which entailed recruitment of qualified staff (previously KDB relied on staff from the police department to police the industry) and capacity building.

In 2000, Small Dairy Research & Development Project (SDP) a collaborative project between MOA, International Livestock Research Institute (ILRI) and KARI started pro-poor advocacy campaign based on empirical evidence on the importance of the informal milk sellers in the country's economy and poor population. As the share of raw market continued to grow, the processors (formal) started a campaign in late 2004 and committed Ksh 10 million on media campaign to promote consumption of pasteurized milk as a safe and healthy alternative compared to raw milk. The processors were advocating for the ban of hawking of raw milk in urban areas. This came to be known as the 'milk war'. The SDP project had empirical findings that were disseminated in stakeholders meetings in the early years of 2000 on health concerns of hawking raw milk. Research findings from the project showed that the informal milk market was a pro-poor industry and provided employment opportunities and nutrition to poor households. Thus there was a need to incorporate hawking into mainstream so that the health challenges posed by hawking of raw milk would be addressed through training on proper handling of milk and other measures. The Policy was revised in 1997 and in 2000. From 2000, KDB transformed from being hostile to broadly pro-actively engaging stakeholders. There was need to revisit the Policy and incorporate changes and address challenges that the industry had undergone since 1992 for example incorporating the informal milk market. In 2004 a task force that had been formed in 2001 was revived to review the draft policy paper and this was finalized in 2006. The policy has not been presented for discussion by parliament though.

Impact of the Dairy Development Policy

The Dairy Development Policy that was published in 1993 has undergone several revision in 1997, 2000 and in 2004. Currently, the Policy is undergoing review. The review of the Policy has been to incorporate challenges and changes that the industry has undergone since liberalization. After liberalization the numbers of small-scale vendors increased dramatically in 2003. There were 1043 small scale traders, 42 private processors, 393 milk bars, 23 mini dairies and 51 cottages (Karanja, 2003).This positive engagement had the overall effect of decreasing transaction costs for traders, and expansion of business through higher volumes of milk sold, with knock-on effects for producers able to supply milk to a more efficient market, and for consumers purchasing milk. Based on the initial assessment by Salasya et al (2006), the policy implementation resulted in a reduction in small-scale milk vendors' transaction costs by 38%. The overall impact of the reduced transactions costs is an estimated 13% reduction in the consumer price of milk, likely to lead to a 15% increase in milk consumption by rural and urban poor (with consequent impact on improved nutrition and on real incomes) as well as creating more employment opportunities along the milk market chain. Out of the total milk produced 1.99 billion litres (56%) was marketed. Out of the total marketed, 80% was sold in raw form (not processed). This consists of 42% direct sales from farmers to consumers, 15% marketed in milk bars and 23 % from small traders. The remaining 20 % of milk marketed was processed and included 14% and 6% from processors and cooperatives respectively (Kenya Dairy Board, 2005).

There has been a change in attitude towards the informal milk sector with KDB and other regulators (DPH and local authorities) shifting their role from heavy handed enforcements to one that places more emphasis on education and guidance of informal milk trader. Prior to 2000 all actors along the value chain (producers, transporters, retailers) lacked training on proper handling of the milk. This changed from 2004 as there has been capacity building along the value chain that has been carried out all along from farm level up to the consumers. There are manuals for training producers, transporters, small scale vendor and also a regulation manual. There has been greater awareness on quality and safety requirements along the value chain.

There has been an increase in collaboration between regulators, enforcement agents and milk dealers. There has also been an increase in demand for dairy consultancy/extension services through the promotion/accreditation of business development services, development of harmonized curriculum/modules for training at farm level, workers, collection operators, small milk vendors and processors. All this has led to the improvement of the quality of milk handled by small scale dealers. For instance, in the financial year 2006/07, quality of milk tested in the three quarters showed a marked improvement. In the first quarter 15,983 were tested and 16.6% failed quality test. In the second quarter, 33,710 tests were done and 13.3% failed while in the third quarter, 15,797 were tested and 10.2% failed. For quality and increased confidence of consumption of raw milk there has been a development of criteria of a ‘mark of quality’ by KBD for small scale traders and premises/vehicle branding. One has to satisfy all criteria to receive the mark of quality.

There has been increased vertical integration between formal and informal milk dealers with the formal sector supplying processed milk in bulk to small scale outlets for sale in the milk bars. There has also been improvement of relations and confidence between milk traders and the regulators. The level of compliance by the small scale dealers to the regulations has also been on the increase. Within the formal industry (processors), there has been an investment in modern milk processing plants to ensure quality and efficiency. Two of the major milk processing companies have achieved ISO 9000 and HACCP certifications which relate to food safety and quality while others are undergoing certification. The industry has diversified and developed a wide range of long life dairy products. Table 3,2 gives the evolution of the Dairy Development Policy, the time line and stakeholders involved in the policy making process.

Table 3.2: Evolution of the dairy development policy

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
1	Late 80s	Protest and agitation by farmers for liberalization as a result of poor prices and delayed payments from KCC. Farmers wanted alternative market where they could sell their milk. Boycotted delivering milk to KCC.	Farmers and MPs
2	1990-91	Development of a Kenya Diary Master Plan sought to liberalize the industry and privatize veterinary and AI services	Ministry of Agriculture and Livestock Development and Marketing (MOALDM) and Funded by DANIDA
3	May 1992	Liberalization of the Dairy Sector Government committed itself restructuring the Kenya Dairy Board and KCC	MOALD
4	1993	Dairy Development Policy was published	MOALD
5	1995	Revising of the Dairy Act –Agriculture Sector Review carried out emphasized on the review of CAP 336 and Restructuring and Reform of KDB	MOALD, KDB, Planning Division and Farmers and was Funded by DANIDA
6	May 1995	Stakeholder Workshop in Naivasha to review the Act this resulted in a drafting of a Bill	MOALD, KDB, processor and farmers and funded by DANIDA
7	February 1996	National Stakeholder Workshop convened in Embu as a follow-up Workshop to revise Cap 336	MOALD,KDB, processors, farmers Funded by DANIDA
8	June 1996	Stakeholders Workshop in Naivasha to Discuss the Dairy Industrial Bill (1996) that was prepared by the Task Force on Dairy Industry Act Review . A sub-committee of the Dairy Industry Bill Task Force was formed to review dairy policy Some amendment to the Bill (1996) were made during this meeting and the Bill forwarded to the Ministry which referred the Bill to the Attorney Generals (AG) office Due to critical changes in the Ministry the dairy reform process slowed and almost halted.	MOALD, KDB,KCC and Commercial Farmers

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
9	1997	The sub-committee formed to review the policy was reconstituted- embarked on review and undertook the work of the Task Force to review the Act and draft of the Policy circulated to all conceivable stakeholders for comments	Ministry of Livestock (MOLD)[4], KDB, private processors, Planning Division and farmers Funding by DANIDA
		Looking into the Cooperative Development Act which has not allowed farmers in the past sufficient control of Dairy Cooperatives thus contributing to high mismanagement	Ministry of Cooperative
10	May 1997	A study into the Dairy Sub-sector- to establish the effects of policy change created through privatizing veterinary and AI services and liberalization of market.	KARI and ILRI joint collaborative research
11	December 1997	After incorporating comments given by the Stakeholders a workshop was organized at Karen Kenya Commercial Bank (KCB) Institute and the new 3rd draft presented	MOLD, processors, farmers , local universities , breeders , veterinary department , Policy and Research Institution Development partners, NGOs
12	February 1998	The sub-committee incorporated the workshop inputs and revised the third draft and circulated for comments were received and incorporated into the draft and document finalized	MOLD, KDB, processors, Planning Division and farmers
13	March 1998	Final Policy was presented to the Permanent Secretary (PS) in the Ministry of Livestock and thereafter to the Ministry's Policy Committee	MOLD, KDB, processors ,Planning Division and farmers
14	January 1999	Rapid Appraisal of the Kenya Dairy Sector after liberalization	A collaboration project between MOA KARI and ILRI and funded by DFID
15	March 1999	Policy draft accepted by the Ministry and copies widely circulated to stakeholders	MOLD
16	August 1999	Launch of the Small Dairy R&D Project (SDP) Integrated Research and Development to contribute to Sustainable development of Smallholder Dairy Sub-Sector	Collaborative research between MOA, KARI and ILRI funded by DFID it was an 8 year project
17	March 2000	Work on Policy started the sub-committee also harmonized the Bill and the Policy (delay in the process was due to changes in the MOALD thus could not be done in 1999) [5]	MOLD, KDB, processors, Planning Division and farmers
18	March 2000	Presentation of the Phase1 Achievement of SDP – Formal Industry was advocating for banning of all unlicensed hawking	Local universities, processors, breeders, farmers, Policy and Research institutions, Cooperatives, NGOs

[4] MOLD was split from MOALD to be in charge of livestock while agriculture was left with MOA
[5] The Ministry was split into two with one being in charge of livestock and the other agriculture

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
		and vending of raw milk- effects would result both producers and consumers losing also employment opportunities will be lost. Evidence showed informal market were important to many farmers and to rural and urban consumers infrastructure would spur growth quality of road (all weather) affected price received by farmers. Worst road resulted in an extra cost of 30 cents per litre per kilometre	Development partners
19	May 2000	Finalized harmonized document incorporating the Bill and Policy and presented to the Ministry	MOLD, KDB, processors, Planning Division and farmers
20	August/September 2000	The harmonized document presented to the Parliamentary Department Committee on Agriculture Land and Natural Resource and the Board of Directors of KDB The Parliamentary Committee recommended for another stakeholder review of the document in view of the delay in harmonization carried out to the documents	MOLD, KDB, processors, Planning Division and farmers
21	March 2001	A Stakeholder Consultative workshop to discuss the harmonization of the Bill and Policy as suggested by the Parliamentary Committee was held at KCB Karen Institute and comments from the Stakeholders were incorporated into the document that was later re-submitted to the Parliamentary Committee	MOLD, processors, farmers , local universities , breeders , veterinary department , Policy and Research Institution Development partners, NGOSs
22	October 2001	Dairy Industry Task Force released their recommendation. The task force was to look into Productions, Processing and Marketing issues affecting the Industry since 1992, Recommendations included support to domestic breeders and breeding societies, and the standardization of national syllabus, guidelines and standard. Farmers to take Dairy as a business encourage. Encouraging farmers, Co-ops, groups and individuals to set up cooling plants and the removal of all duties and VAT complete milk collection centre. Producers and marketers to be trained on hygienic milk handling practises. Among other recommendations	MOLFD-Director of Veterinary Services & Director of Livestock Production, KDB, Breeders, Processor, Tegemeo Institute, Land O' Lake ,Equipment and Packaging Material Suppliers, USAID, MOCDM, DFID, Technoserve, Funded by USAID
23	March 2002	Study carried out by SDP during 1999-2000 on the Public Health Concerns of raw milk and finding by Omore from ILRI in a	MOLD, MOA processors, farmers , local universities , breeders , veterinary department , Policy and Research

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
		stakeholder workshop. Since liberalization the growth of the sale of raw milk (informal Sector) had grown tremendously Embracing of the informal sector and incorporation into the Policy	Institution Development partners, NGOSs, Super markets
24	2002	Review of the Cooperative Development Act of 1997 to allow farmers have control in running of their Dairy Cooperatives.	Ministry of Cooperative Development
25	2002	Follow Up with the Parliamentary Committee for comment not forth coming (it was an election year)	MOLD, KDB , Planning Division and farmers and processors
26	August 2002	Dairy Stakeholder Forum held in Nairobi to discuss the Policy measures productivity and competitiveness of dairy , genetic inputs quality animal feeds adoption of better management , institutional frame work to improve hygienic standards or raw milk measure to reduce costs of processed milk reforming KDB	MOLD, MOA processors, farmers , local universities , breeders , veterinary department , Policy and Research Institution Development partners, NGOSs, Super markets
27	2003	Launch of SRA and the ERS by the new government implied that the Dairy Policy had to be structured in line with the overall Government Policies	MOLD, KDB , Planning Division and farmers and processors
28	2003	KDB in conjunction with the private processors embark on a Ksh 10 million campaign on promoting pasteurized milk as the best and safest for consumers to drink ('Milk War')	KDB , Private processors ('formal sector')
29	April 2003	Strategic reserve study conducted as this was not addressed in the Dairy Sector Development Policy by consultant from KCC, Spinit, ILRI, KDB, Tegemeo, DTI which put the country strategic reserve of 6000MT and operational capacity of KCC was at 4700 MT while installed 6200 MT per year respectively	KDB, Ministry of Agriculture and Livestock ,FAO
30	September 2004	A Task Force earlier appointed the PS MOLFD in October 2001 was revived to review the drafted policy paper and they met in Machakos Garden Hotel to review the Draft Policy and incorporate changes in line with SRA and ERS hence the first Draft Policy Paper 2004 was developed	MOLFD-Director of Veterinary Services & Director of Livestock Production, KDB, Breeders, Processor, Tegemeo Institute, Land O' Lake ,Equipment and Packaging Material Suppliers, USAID, MOCDM, DFID, Technoserve, Funded by GTZ
31	October 2004	The Draft Policy 2004 was review at Ngong Hills Hotel where a Second Draft was prepared	MOLFD, Directorate of veterinary Services and KDB
32	October 2004	SDP, Rapid Appraisal Report presented to stakeholders showed changes in the marketing of milk after decontrolling of price 55% of the milk is marketed only 14 % of these flow through private	MOLD, MOA processors, farmers , local universities , breeders , veterinary department , Policy and Research Institution Development partners, NGOSs, Super

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
		processors while 57 % is sold directly ,17% to traders and 24 % to cooperative societies thus need to incorporate the informal sector into policy	markets
33	November 2004	Draft Policy was handed to Tegemeo Institute for review. Tegemeo Institute was to review the Draft and ensure that the draft review was turned into a Policy document. The Institute also had to ensure that the Dairy Policy was consistent with Livestock Policy and it was aligned to the ERS and SRA.	Tegemeo Institute
34	December 2004	Dairy Technical Committee met to review concern raised by Tegemeo Institute, inclusion of extension policy governing livestock , ASAL Policy	MOLFD, Directorate of veterinary Services and KDB
	2004	Reform on regulation ban on the use of public transport as a mean of transporting milk	KDB and Department of Public Health (DPH)
35	March 2005	The Technical Committee met and incorporated review changes into draft document in view of extensive policy framework governing livestock Sector , other teams were constitute to incorporate ASAL Policy to make it exhaustive	MOLFD, Directorate of veterinary Services and KDB ASAL Division
36	May 2005	Final draft was handed over to the Tegemeo Institute for final review	Tegemeo Institute
37	July 2005	Draft review presented to the PS MOLFD	Tegemeo Institute
38	January 2006	Tegemeo Institute gave the reviewed Draft Policy to the Ministry for circulation to the relevant Institution for comments	MOLFD
39	March 2006	Tegemeo Institute called for a National Stakeholder Forum to discuss Policy. The Task Force on Dairy Policy finalized Policy as per comments received from various stakeholders. As the Livestock Policy was also being developed the Livestock Policy was fast tracked so that it could precede the Dairy Development Policy. The Livestock Policy has already been passed by the Cabinet.	MOLFD, Directorate of veterinary Services and KDB the NSF consisted of MOLFD, MOA processors, farmers , local universities , breeders , veterinary department , Policy and Research Institution Development partners, NGOSs, Super markets

Stakeholders Network Analysis

A stakeholder network analysis on the dairy development policy was undertaken with Dr. Cherono, the Technical Services Manager, and Mr. Mwangi, the Chief Inspector, both of KDB. This focused on the work of the taskforce that was revived in 2004 to review the draft Dairy Policy so as to align it to the ERS and the SRA. This taskforce had been formed earlier in 2001. This process culminated in the Draft Policy being handed over to the Minister, MOLFD in 2005 and subsequently discussed by stakeholders. The following stakeholders were involved in this process:

Dairy Taskforce

This consisted of MOLFD-Director of Veterinary Services & Director of Livestock Production; KDB, Breeders-World Wide Sires & African Breeders Services;, Processors-Brookside, SpinKnit, Meru Central and other Cooperative based processors; Tegemeo Institute, Land O' Lake, Equipment and Packaging Material Suppliers, USAID, MOCDM, DFID, GTZ, Technoserve, Strategic Business Options (SBO) research and funded by GTZ. This taskforce led the review and consulted various stakeholders. The taskforce had a high level of influence on the outcome of the process, and it was highly supportive.

KDB

Kenya Dairy Board, the regulator of the dairy industry, provided the secretariat to the taskforce. In addition, it used its own resources to facilitate the workings of the taskforce. It was highly supportive of the process and it had a high level of influence.

Milk Processors

Despite the fact that these were members of the taskforce, they were consulted by the taskforce. Support for the process was neutral, with the private processors not being very supportive (especially on the recognition of the informal milk traders), and the cooperative processors (public) being supportive.

MOLFD

This mainly consisted of the Minister and the Permanent Secretary, who appointed the taskforce. The two had a high level of influence, since they had to make the decision on what to do after the draft was submitted to them by the taskforce. Despite initial high support for the process by the two, this seems to have changed somehow since the two have not pushed the policy for passing by the cabinet (to date, the policy is yet to be passed).

Private Consultants

The taskforce engaged the services of three consultants; two lawyers, one from the office of the Attorney General and the other being a private advocate. These helped in translating the thoughts of the committees into legal language for an acceptable bill. Another consultant from Regional Land Management Unit (RELMA) advised the taskforce on the private sector perspective.

Policy Research Institutions

The taskforce interacted to a large extent with policy research institutions i.e. Tegemeo, KIPPRA and Institute for Policy Analysis and Research. These were very instrumental in advising the taskforce, especially on harmonisation of the draft policy with other government policies. In particular, Tegemeo institute played a key role in transforming the draft into a policy document, and aligning to ERS, SRA, Livestock Policy and Extension Policy.

Dairy Farmers and Cooperatives

Both the dairy farmers and cooperatives played a key role in shaping the process through agitation for the liberalization of the sector and the recognition of the informal milk sector. They had a high level of support for the process as this was to benefit them directly.

GTZ

GTZ funded the work of the taskforce. It also paid for the hiring of the three consultants that engaged by the committee. GTZ was highly supportive of the process and had a high level of influence since without funds the process would have been difficult to steer.

Other stakeholders

These included development partners, KEPSA, parliamentarians, ILRI and the National Chamber of Commerce.

Role of Research

The SDP which was a collaborative project between MOA, ILRI and KARI carried out research in production, consumption, marketing policy environment, and analysis of factors constraining competitiveness of smallholder dairy farmers. The project also highlighted the social benefits of smallholder dairy production and milk marketing. Other institution such as Tegemeo Institute also carried out studies and using the evidence based research to also advocate for policy change through dissemination of it findings in National Stakeholder Workshops. Some of the key findings were the importance of the informal market for the livelihoods of producers, traders and consumers.

Policy research institutions including Tegemeo, KIPPRA and IPAR played a key role in advising various taskforces that worked towards having a draft policy. Tegemeo Institute harmonised the draft policy with other government strategies such as ERS, SRA, Livestock Policy and the Extension Policy. The Institute also organised stakeholder workshops and incorporated their views into the draft document. Knowledge also played a big role, with taskforces engaging the services of consultants on technical and legal matters.

3.2 Restructuring of the Coffee Industry

Introduction

In Kenya, coffee ranked fourth after tourism, tea and horticulture, accounting for 10% of the total export earnings in 2000 and 6% in 2001. Coffee earnings have declined from Ksh 18.35 billion in 1996/97 to Ksh 5 billion in 2002. Over 600,000 smallholders are engaged in coffee production and currently command a 48% share of the market. Coffee production has been on a declining trend since 1987/88 when a record 130,000 MT of clean coffee was produced (Karanja and Nyoro, 2002). During the last decade, the country's production averaged 77,514 MT of clean coffee. This is 40% less than what was being produced in 1987/88. This means that the country was utilizing only 60% of the 1987/88-production capacity, which translates to a loss of 51,412 MT of coffee per year. The decline in production is more pronounced in smallholder farms where it declined by 47% during the same period. The smallholder average yields during the last one decade were only half those realized in 1987/88. The low productivity in smallholder farms therefore remains one of the major challenges to be overcome if coffee is to remain a viable farm enterprise. Coffee production increased by 10.6% from 48.3 thousand tons in 2005/06 to 53.4 thousand tons in 2006/07 (Table 3.3).

Table 3.3: Coffee production and productivity by cooperatives and estates from 1997/98-2006/07

		1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Area (Ha)	Cooperatives	122,700	128000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000
	Estates	39,700	42000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
	Total	**162,400**	**170000**	**170,000**	**170,000**	**170,000**	**170,000**	**170,000**	**170,000**	**170,000**	**170,000**
Production	Cooperatives	32,100	39400	62,200	25,000	28,800	34,000	30,000	25,500	27,000	28,400
	Estates	21,300	28700	38,500	26,900	23,100	21,400	18,500	19,700	21,300	25,000
	Total	**53,400**	**68100**	**100,700**	**51,900**	**51,900**	**55,400**	**48,500**	**45,200**	**48,300**	**53,400**
Average yield (kg/ha)	Cooperatives	262	308	486	194	199	266	234	199	211	235
	Estates	537	638	917	640	537	510	440	469	506	595

Source: Economic Review, Various

Evolution of the Restructuring of the Coffee Industry

The reforms in the coffee industry can be traced as far back as 1989 when the International Coffee Agreement (ICA) came to an end and the quotas were eliminated. At that particular time, CBK was the regulating body and it also doubled as the sole marketing agent of coffee. Kenya Planters Cooperative Union (KPCU) was the institution that had monopoly in milling coffee. Thus CBK would market coffee then pay proceeds to KPCU who paid the farmers after charging a commission. At around 1992, various reforms were taking place and the industry was opening up hence farmers were exposed to the market forces like high interest rates and a weakening Kenya Shilling. There was outcry by farmers in the coffee industry and politicians that farmers were losing especially due to the weakening of the Kenya Shilling to the dollar. The year 1992 being an election year meant that the government had to address these issues. Through a delegate conference in October 1992, CBK passed the sale of coffee in dollars. The existing structure in the industry had KPCU as the sole milling company and hence the only commission agent. Being a public institution meant there were opportunities for rent seeking and corruption (especially putting the money to be paid to farmers in fixed accounts to earn interest then later paying farmers). The commission paid to KPCU also meant that farmers received lower prices for their coffee. Grower's cooperatives, the business community, and farmers led by Thika Coffee Millers (TCM) spearheaded a campaign to advocate for the lifting of the monopoly of KPCU as the only miller. This would allow for more commission agents to be appointed to pay farmers. The ideology of the group that was advocating for the lifting of the monopoly of KPCU was to reduce bureaucratic procedures, eliminate rent seeking opportunities and give farmers the opportunity to pick their preferred commission agent. But the interest of some of those advocating for change were the commission and also the opportunity of getting a share in the milling.

During 1993 the group (grower's cooperatives, business community, and farmers) advocating for lifting of the monopoly organized various forums and sought politicians' assistance in their campaign. KPCU also lobbied to try and block the lifting of the ban so as to have more millers licensed since it would lose the commission from CBK. In 1993, the Government lifted the monopoly and TCM and Scofina were licensed as millers. The Board appointed KPCU, TCM and grower cooperatives as commission agents and farmers would choose their agent from the three. During the period of 1995-96, the farmers were paid through the commissioned agents they had approved. At the same time, CBK offered to pay farmers directly without charging a commission. Even with the monopoly of milling coffee lifted, the marketing of coffee was solely carried out by CBK. Kenya Coffee Auction was the private company that was responsible for auctioning coffee. The government owned majority shareholding through the CBK (60%) while 40% was in private hands. The monopoly in the marketing of the coffee by CBK was not benefiting farmers and there was pressure to open up marketing. This pressure came from politicians, farmers and the licensed millers. The industry was facing challenges at this particular time hence the Government formed a Task Force in December 1995 to look into production, research, policy, finance and marketing.

In 1997, TCM took CBK to court to compel them to stop marketing coffee and concentrate on the regulatory roles. TCM lost the case because the law recognized CBK as the sole marketing agent. KPCU and TCM formed Millers Forum to advocate for the opening up of the marketing of coffee together with farmers and Cooperatives in Kirinyaga, Muranga and Kiambu districts to pressurize the government to institute the changes. From 1997-98 pressure was mounted by the group advocating for the opening up of marketing. The forum incorporated MPs, from coffee growing areas in their campaign to raise issues in parliament. In 1999, the Government through the Ministry of Agriculture formed a Task Force that went around the country gathering information from stakeholders. The task force mandate was to look at the whole industry and determine the constraints that were facing production, processing and marketing and give recommendation this resulted in a Sessional Paper No 2 on Liberalization and Restructuring of the Coffee Industry. This meant reforms in CBK, Coffee Research Foundation (CRF) and privatizing of coffee marketing. This led to the Coffee Act, 2001, that liberalized the industry and the CBK was restructured with its function being to regulate the industry and promote sustainable, cost effective production, processing and marketing of high quality coffee. The Bill became operational in 2002 and CBK ceased marketing of coffee on 25th March 2002.

In 2002, the Minister of Agriculture appointed 3 marketing agents on interim basis to carry out the marketing of coffee. The marketing agents appointed were TCM, KPCU and Scofina for smooth transition. With enactment of Coffee Act, 2001, the marketing of coffee was opened up. There was hue and cry especially from farmers and Grower cooperatives that the there was collusion in the market to depress prices. A farmer went to the auction to try and sell coffee and was ejected despite rules allowing them to trade at the auction. There was pressure and farmers and also Cooperative were threatening on opening up parallel coffee auction. In 2005 through the Finance Act, a 'second window'[6] sale of coffee was established. Through the Act, 43 marketing agents were licensed out of which 31 were growers and 12 were commercial. The Minister also revoked the license that was given to the 3 interim marketing agents as they had been appointed under Cap 333 which was repealed when Coffee Act, 2001 became operational. The 'second window' offered alternative market to the farmers and the price offered by the marketing agent should be at least higher than the auction price. The marketing agents operated from 2006-2007 but it was realized that institutions had license as coffee dealers and also marketing agents thus creating conflict of interest as a dealers ensured that the price paid for coffee was the lowest while the marketing agent was to ensure their client received the highest price. The Government through a circular implied upon the affected institution to choose one license thus the number reduced to 23 marketing agents with 16 being growers and 7 commercials. Some Growers cooperatives that were licensed to carry out marketing coffee did not have the capacity thus closed shop. In 2007 the Ministry of trade through Trade Licensing Act harmonized all licenses thus legalizing the harmonization of licenses of dealers and marketing agents.

Impact of Restructuring the Coffee Industry

For many years, the coffee sector has been experiencing a downward trend both in production and payments to members. The trend was partly attributed to high levels of indebtedness within the coffee sector. This scenario prompted the Government to intervene to save the industry from an apparent collapse when debt relief totaling to Ksh. 5.8 billion was extended to the coffee farmers as an incentive to produce more high quality coffee. As a result, the coffee sector has recorded significant improvement both in production and payment to members. Coffee prices have since risen from less than Ksh. 1 in 2002 to Ksh 35 per kilogram of green coffee in 2007. Other reforms include; reduced the government involvement in coffee marketing and milling while encouraging farmers and private sector participation. This has led to gains in lower

[6] Coffee marketing was previously carried out through the Central Coffee Auction as the law stipulated. The 'second window' created an alternative to marketing coffee. The registered marketing agent would source for market in the world and then negotiate with the farmers over the price and farmer would sell their coffee to the marketing agents without going through the Coffee Auction

processing costs and statutory deductions as a result of enhanced competition. The split in cooperatives has resulted in the marketing being brought closer to the smallholder farmers. The introduction of direct payment system operating alongside the Central Auction system of coffee marketing meant farmers are paid much more quickly and good quality coffee that fetches high premiums also receives the weekly auction price rather than the yearly average price. To some extent this has avoided the adverse selection problem inherent in the former pool payment system.

The New Coffee Act that became operational in 2001 changed the structures and role of CBK from sole marketer to a regulator of coffee industry and also promotion of the industry through establishment of the CoDF. A Coffee Reform Secretariat was formed in 2005 and one of the mandates was operationalizing the CoDF. A total of Ksh 100 million was provided to CoDF by the government as seed capital for farm inputs. The Fund started a roll out by giving loans to farmers in January 2007. Some of the intermediaries identified to roll out the first Kshs.100 million to the coffee farmers, on behalf of the Fund include Taifa Sacco Society Ltd. (formerly Nyeri Farmers Sacco), Embu Farmers Sacco Society Ltd., Gusii Farmers Rural Sacco Society Ltd. and Meru Central Sacco Society ltd. There have been some negative impacts with regards to restructuring in the coffee industry. For instance, poor governance and mismanagement in producer cooperatives has negatively impacted on the price received by the farmers. Table 3.4 gives the evolution of the restructuring of the coffee industry and the stakeholders involved in the policy making process.

Table 3.4: Evolution of the restructuring of the coffee industry

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
1	1989	Collapse of the ICA and removal of the quota system thus farmers were exposed to market forces ,increase in interest rates thus agitation for changes by the farmers	Farmers , Grower cooperatives, business people and politicians
2	October 1992	During a coffee delegate in October it was passed that the Nairobi Coffee Auction was to be conducted in US dollars.	CBK
3	1993	Three commercial millers were licensed, thereby breaking the monopoly held by KPCU Ltd.	MOA
4	1995	Coffee delegates held two conferences to discuss liberalization of the industry	CBK, Farmer representatives, MOA,MOF,MOCD, CRF, KPCU
5	23rd November 1995	MOALD advised CBK to form a Task Force to seek views from millers, CRF, dealers and foreign investors and in December of the same year the Task Force was Formed to look into Production and Research ,Policy and Finance Marketing and Promotion, Institutional and Personnel Legal Secretariat	Farmers representative, CBK, MOA Ministry of Cooperative, Development (MOCD), Ministry of Finance (MOF), Coffee Research Foundation (CRF), Kenya Planters Cooperative Union (KPCU), Coffee Millers Socfina Co ltd, Gatatha Farmers Coop Mild Coffee ,
6	1996	A Task Force on the Liberalization of Coffee Industry which comprised of Board members and coffee delegates was prepared	CBK, Farmer representatives, MOA, MOF, MOCD, CRF, KPCU
7	May 1996	The Task Force Submitted the report to the Minister and a Technical Committee was appointed by Minister to look at it , Task Force report on liberalization did not address marketing which the technical committee addressed and also recommended formulation of Coffee Authorized Marketing Agents Rules this were not implemented by the Board	CBK, Farmer representatives, MOA,MOF,MOCD, CRF, KPCU
8	1996	The minimum acreage required for a farmer to be licensed as a coffee planter was reduced from 10 to 5 acres.	MOA
9	1997	Government allowed coffee farmers to retain 80% of County council cess to develop their local infrastructure	Ministry of Local Government, MOA
10	1998	Nairobi Coffee Auction transform into an Exchange	CBK
		Electrification of coffee factories through STABEX funds reduces cost of processing (over reliance on diesel)	CBK, Ministry of Finance and Ministry of Agriculture

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
11	1999	A strategic Study to enhance coffee production was commissioned and carried out by Price Waterhouse this study confined itself to technical issues of improving production and did not address marketing the recommendations made in the study have already been incorporated into the study	CRF, CBK and MOA
12	2001	New Coffee Act Approved – Goal fully liberalize and privatize coffee industry. Changed the structures of Coffee Board of Kenya change in the role of CBK from sole Marketer to a regulator of Coffee industry and also promotion of the industry through Establishment of the Coffee Development Fund	MOA
13	March 2002	Operationalization of the Coffee Act 2001 and CBK stopped marketing of coffee and three marketing agents TCM,KPCU and SCofina were appointed to market coffee	MOA
14	June 2003	Task force formed to review position of the industry development policies, proposed measures of expanding and improving production, value adding, funding and marketing, review functions of CBK, audit Coffee Act 2001 to identify legal constraints and propose necessary amendments and operationalizing of the Coffee Development Funds (CDF). Recommendations included Establishment of CDF and contract farming, ridding the industry of crippling debt, progressively invest in research, extension services to be provided, industry borrow a leaf from the tea sector, Development of infrastructure rural electrification and cess	MOA , MOCD, CBK ,CRF
15	January 2004	The recommendation by the Task Force were discussed and implementation modalities were agreed upon	MOA , MOCD, CBK ,CRF
16	September 2004	Appointment of Inter-ministerial coffee technical working committee to facilitate implementation of the recommendation by the Task Force and develop a concept on revitalization of the coffee industry –this included restricting of CBK,CRF, marketing reform and ways of improving production	MOA,MOCD and MOF
17	December 2004	Recommendation that were included in the concept papers were approved by the Cabinet	MOA,MOCD and MOF

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
18	2005`	Appointment of a Coffee Reform Secretariat (CRS) to implement the Cabinet decision Operationalization of CoDF and harmonization of the reforms	The Coffee Secretariat has 6 members representing MOA, Attorney General Office, Treasury, Coffee Board, CRF and CDF
19	2005	Implementation of the Finance Act 2005 Through this Act the Coffee Development Fund was established to finance the industry also a second sale and marketing window was established to revamp the coffee sub-sector. This lead to the registration of 43 companies to deal in Coffee Auction. Amendment to the Coffee Act were also aimed at restructuring the key industry institution for efficient and effective service delivery for accelerated growth of coffee sub-sector	Pressure from World Bank to fast tract the Coffee reforms thus done through the Finance Act 2005, CBK, MOA, MOF ,
20	2006	Amendment and gazettment of the Coffee Marketing Rules for Direct Sale to operate alongside the Central Auction system of coffee marketing	MOA, Coffee Reform Secretariat
21	January 2007	Ksh 100 million provided to CoDF by the government as seed capital for farm inputs. The first beneficiaries to benefit from the roll out included Taifa Sacco Society Ltd. (formerly Nyeri Farmers Sacco), Embu Farmers Sacco Society Ltd., Gusii Farmers Rural Sacco Society Ltd. And Meru Central Sacco Society Ltd	MOA
22	2008	CRS has prepared a Draft Coffee (Amendment) Bill 2008 this seeks to incorporate emerging legislation issues which include Changes introduced by the Finance Act 2005 (direct sales and appointment of CBK directors), Changes introduced by the Trade Licensing Act 2007 and emerging Issues of Coffee Certification	MOA, Attorney General Office, Treasury, Coffee Board, CRF and CDF

Stakeholder Network Analysis in Coffee Industry Restructuring

A stakeholder network analysis on the restructuring of the coffee industry was undertaken by interviewing Mr. Bernard Gichovi, the Technical Services Manager at CBK. Since the reforms have been on-going since 1989, the network analysis focused mostly on the market reforms that finally culminated in the opening up of the second sale window, the formation of CRS, and the operationalization of the CoDF. Hence the focus was on the work of the coffee taskforce formed in June 2003. The following are the stakeholders whose roles have been captured in the restructuring upon undertaking the network analysis;

Farmers/Grower cooperatives

They have been influential in collectively advocating for the changes in the industry from the early stages, from agitating for payments in dollars, to the pushing of the enactment of the Coffee Act, 2001 and opening up of the marketing through the ‘second sale window’ opportunity.

Millers

Before milling was liberalized, KPCU was the sole miller and it strongly opposed to have the monopoly lifted. TCM was among the group advocating for lifting of the monopoly which led to the licensing of 3 millers: KPCU, TCM and SCofina which formed the Millers Forums to advocate for the liberalization in the marketing of coffee. After CBK ceased to be a marketing agent, the three were appointed as the interim marketing agents in 2003, until 2006 when CBK appointed substantive marketing agents.

MOA

The parent Ministry that was tasked with the appointment of various Task Forces involved in the restructuring of the industry and appointment of a Coffee Reform Secretariat to implement and operationalize reforms in the industry. It was also represented in these taskforces and was very supportive of the whole process.

MOCDM

This was a member of the taskforce that was formed in 2003. It was an important player since it regulated cooperative societies, to which most coffee farmers were members. However, it did not support the process and it advocated the milling of coffee being left under KPCU.

CBK

This institution was is mandated with regulating the sector by promoting sustainable, cost effective production, processing and marketing of high quality coffee. Before the implementation of the Coffee Act, 2001, CBK was the sole marketing agent. This changed with the Act and three interim marketing agents were appointed. From then henceforth, CBK has been very supportive of the reform process, and it is the one that funded the June 2003 taskforce with the approval of MOA[7]. Despite being a member of the various taskforces, it shared its expertise on coffee matters to them.

CRF

This institution is charged with undertaking research to improve the sector. It was a member of the June 2003 taskforce, and it played a crucial role in advising this committee on technical matters on coffee.

Other stakeholders

Other stakeholders included parliamentarians-MOF and MPs- and the coffee dealers. The dealers did not take an extreme position in the reform process and they were more or less neutral. Apart from the MOCDM, parliament was generally supportive of the reforms. However, it is important to note that members of parliament usually tend to play a low profile as far as coffee issues are concerned in order to avoid antagonizing some groups. This is because farmers even in one constituency have varied and differing positions on how reforms should proceed.

[7] CBK funding comes from a 1% tax on coffee revenue. Other taxes are 2% that goes to CRF and another 1% as ce1 ss.

Role of Research

Research played an important role in restructuring of the coffee industry. A strategic Study to enhance coffee production was commissioned and carried out by Price Waterhouse Coopers on improving production. Though this report was widely referred to by taskforce formed in June 2003, it was mostly on the technical production matter and it did not address much on marketing. CRF also carried out studies on the constraints that were facing production, marketing and research in the industry and made recommendation on how to overcome them, and shared this with the taskforce. The World Bank and EU commissioned studies of the sectors especially with regards to marketing and processing of coffee. The recommendation from the various researches undertaken in the sector has informed the restructuring of the coffee industry.

3.3 Revival of the Cotton Industry and Cotton (Amendment) Act 2006

Introduction

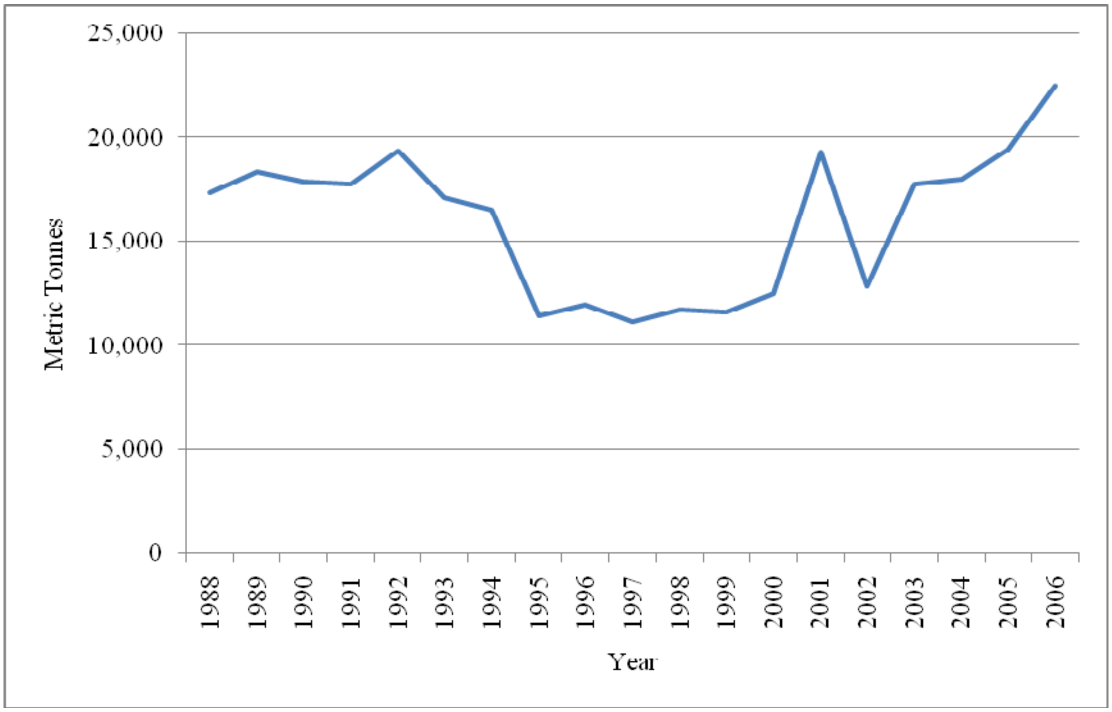
Cotton is one of the most important smallholder cash crops in Sub-Saharan Africa with over two million poor rural households depending on it for their main source of cash income. Cotton production grew three times more rapidly in SSA over the past 20 years than it did in the rest of the world with its share of world cotton trade rising by 30%. (Boughton et al., 2002).

In Kenya, cotton has been identified as a key sub-sector that is vital to the revival of the economy as stipulated in the ERS. Its revival will benefit the economy through poverty reduction and wealth creation due to its forward and backward linkages. The industry also provides employment as it is currently supporting over 200,000 farmers. Cotton is suitable for growing in marginal areas that covers over 80% of the country landmass where 27% of population live (MOA, 2006). The sector is important in the promotion of industrialization and value addition in the country through garment manufacturing, oil milling and animal feed among others manufacturing related activities.

Kenya has a potential of over 350,000 hectare for rain-fed cotton production with a potential of producing over 700,000 bales of lint annually at a production level of 1000 kg of cotton seed per hectare. Potential for irrigated production is about 35,000 hectare this will produce over 200,000 bales of lint at a production level of 3000 kilograms of seed per hectare (MOA, 2006). The available generic material in the country can produce 2500 and 4000 kilograms of cotton seed for rain-fed and irrigated crops respectively. Currently total area under rain-fed cotton is 30,000 hectare and a production level of 20,000 bales of lint grown by about 140,000 small scale producers with less than 1 hectare. The rain-fed cotton production of cotton seed is between 400 to 600 kilograms per hectare. In the 1980's when the industry was at its peak, over 200,000 small scale farmers were engaged in cotton production. This drastically reduced after liberalization of the industry (Ikiara et al 2002). From the 1960s to 1970s cotton seed production increased from 13,600 to 35,000 metric tons but reduced in the 1980s especially as a result of payment problems (23,500 metric tons in 1982/83) and severe drought (16,300 metric tons in 1983/84). The production reached its peak in 1984/85 with a production of 39,300 metric tons. There was a decline in cotton seed production after cotton industry was liberalized. Production declined to 11,000 metric tons between 1995 and 2000 and production increased after 2000 as shown in Figure 3.1. The decline in cotton seed production from 1990 as shown in the figure was a result of; lack of finance and credit facilities for the small-scale farmers for land preparation and procurement of farm inputs; lack of organized supply of seed for planting; poor quality planting seed and poor agronomic practices leading to poor yields and low ginning outturns; lack of reliable market for farmers' produce and delayed payments for the produce bought and the collapse of the irrigation schemes for Bura and Hola that initially accounted for 20% to 38% of total production.

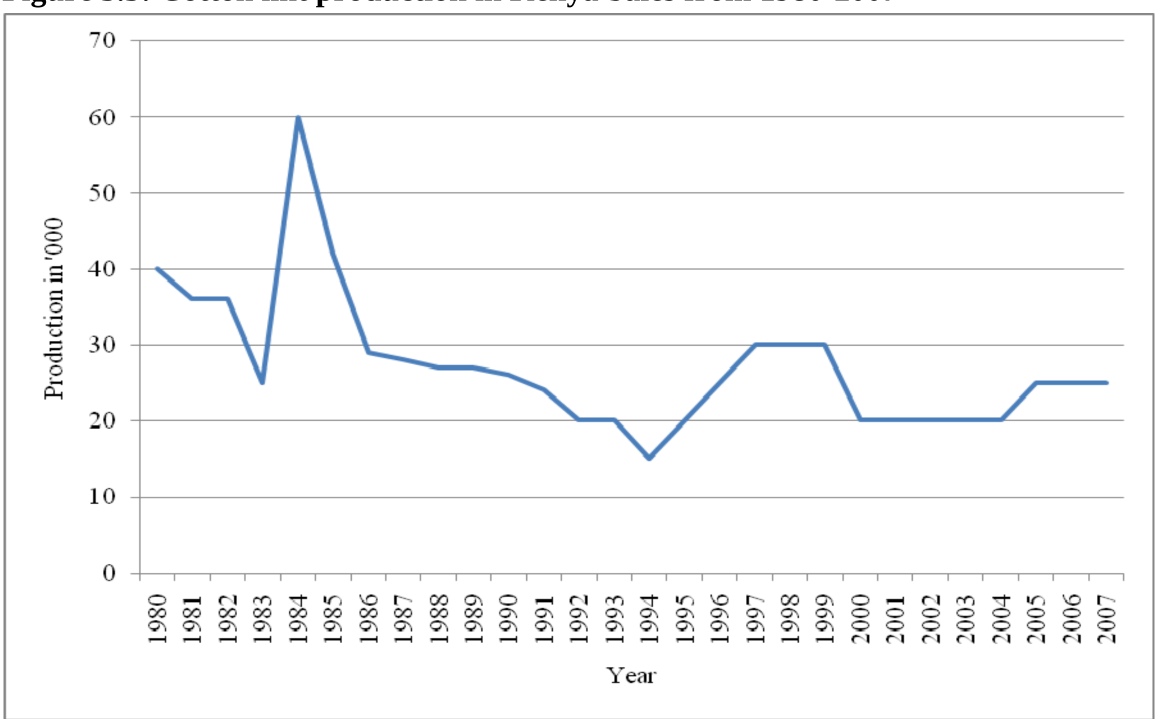
Currently, there are 24 ginneries with installed capacity of 140,000 bales annually but the utilized capacity is only 20,000 bales, which is about 14%. Only 10 ginneries are working. In early 1980s cotton lint production was at 40,000 bales per annum but this reduced to 25,000 bales in 1983 as a result of drought. In 1984, the production of cotton lint was the highest in the country at 60,000 bales per annum. After liberalization in 1990 production of cotton lint dropped from 27,000 bales in 1990 to 15,000 bales in 1994 as a result of collapse of most ginneries in the country (Figure 3.2). Annual lint production remains at the pre-liberalization level of 20,000 bales while annual demand from the domestic textile industry is 120,000-140,000 bales. This shortfall is met from the import market in the form of lint, seed cotton, yarn, fabric, old and new clothes.

Figure 3.2: The cotton seed production in Kenya from 1988-2006



Source: MOA District Reports

Figure 3.3: Cotton lint production in Kenya bales from 1980-2007



Source: MOA District Reports

Before liberalization, the government through the Cotton Lint & Seed Marketing Board (CL&SMB) controlled all aspects in the cotton industry. The Board was mandated with; planning, monitoring and regulating cotton growing and ginning, licensing and controlling ginners, regulation and quality control of raw cotton and ginning, regulation of the export or import of cotton lint or cotton seed and carrying out promoting research on cottonseed, development in cotton production and processing technology and the marketing of the cotton. CL&SMB also provided farmers with inputs and owned all the ginneries in the country where it operated. However, some were operated by individual/institutions on its behalf. The local industry was protected through imposing of a 100% duty on imported goods. CL&SMB managed to produce over 70,000 bales of cotton lint in 1980s, at which time 52 textiles mills were operating in the country. In 1988, two Cotton Acts of parliament of 1955 Cap 335 Cap 334 were repealed by a Cotton Act No.3 of 1988 Cap 335 that transformed Cotton Lint and Seed Marketing Board into Cotton Board of Kenya and cotton cooperative societies and unions were created to handle primary activities relating to cotton (input supply, farmer payment and processing).

The industry was liberalized in 1990; the Cotton Board of Kenya was no longer controlling the sector. As a result the farmers and ginners were free to sell and buy cotton from whoever was willing to do business with them and at whatever price that they agreed upon. This period was also characterized by the influx of imported textile goods into Kenya, which resulted into reduced average capacity utilization in the textile mills from around 80% in 1992 to 50% in 1999. Cotton industry, which was the fifth foreign exchange earner, dropped drastically to a very minimal contribution towards GDP. A total of 92 garment making factories were closed down in the early 1990 after liberalization which resulted in the loss of 60,000 jobs. In addition to low cotton production, many ginneries and textile and apparel manufacturers collapsed. The lack of legislation and the review of existing legislation to be in tandem with liberalization led to disharmony and disarrayed activities in the industry thus resulting in the loss of investor confidence in the industry.

During this period, cooperative societies and other credit providers collapsed thus farmers could not procure inputs and credit to prepare their land as it was the case previously. The disharmony in the industry meant that there was lack of organized system of production, multiplication and distribution of certified seed on timely basis to the farmers, poor agronomical practices leading to low yields. Payments to farmers were unstable and never guaranteed and coupled with delays that demoralized farmers. Due to poor research-extension linkages there was a low rate of technology adoption. The collapse of the Bura and Hola irrigation schemes drastically reduced cotton seed production by 30%. The production level was 20,000 bales.

Evolution of the Cotton (Amendment) Act, 2006

After a period of nine years of disharmony and disarray in the industry, the Government called for a National Cotton Consultative Forum (NCCF) in Machakos whose aim was to get input from the stakeholder on what was happening in the industry and ways in which sanity would be restored considering the potential importance of the cotton industry in the country's economy; investor confidence in the industry had been lost; and farmers morale in the production of cotton was eroded. A follow up meeting was held in 2000 in Nakuru where discussion focused on the revival of the industry and the role that the private sector was to play with the Government providing a conducive environment and regulations to attract investments and morale of farmers. From the meeting in Nakuru, a Policy Paper was to be developed and then taken by the Government to the Cabinet for discussion.

During the same meeting cotton farmers decided to form an organization that was to represents them and champions their rights thus giving them one voice. Thus Kenya Cotton Growers Association of Kenya (KCGA) was formed during the meeting in Nakuru. Between 2001 and 2003, KCGA tried to follow-up the Governments progress with the Policy Paper and the Cabinet Memo an exercise that KCGA says was not forthcoming. During the same period, Action Aid, an NGO started strengthening farmers' institutions and promoting cotton in the country as the sector was neglected despite the sector potential in reducing poverty in the country. Action Aid promoted cotton in

Western Province through Western Kenya Women Cotton Growers Association, in Eastern Province through Mbeere Cotton Growers and in Tana River through Boji Cotton Growers. Most farmers had abandoned the growing of cotton after the sector almost collapsed when it was liberalized. Action Aid provided seeds to the farmers (which accounted for 40% of cost of production) and extension services. On the local and national scene, Action Aid assisted in the strengthening of the farmers Institution through capacity building.

In 2003 through initiatives of Action Aid, a National Cotton Stakeholders Forum (NCSF) was formed and it members constituted of textile and pesticide manufacturers, KCGA, KIPPRA, KARI, MOA, ginners, spinners, Ministry of Trade (MOT), Ministry of Labor (MOLA), Oxfam and Centre for African Bio-entrepreneurship (CABE), Care International and Christian Agricultural and Related Professional Associations (CARPA). Despite its importance and several invitations, the MOCDM did not send a representative in the process. These were stakeholders along the value chain in the cotton sector. The main objective of NCSF was to steer the revival of the cotton industry as the Government process was slow. The Government was represented in the NCSF and thus all the deliberations were communicated back to the Government. The NCSF organized several meetings in 2003 which Action Aid funded. During these meetings the challenges in the industry were discussed and also the legislation that necessary to bring about the changes desired. The NCSF suggested the formation of a Cotton Development Authority (CDA) that was to regulate and bring harmony into the industry. The Government representatives in NCSF were perceived as not being open to the fast tracking of reviving the sector since they had to consult with their respective ministries and this was slowing down the process. The NCSF realized that they could push for changes through Parliament since the Government process was very slow. The NCSF decided to take up the initiative and sensitize the Members of Parliament (MPs). In March 2003, the NCSF invited 110 MPs from cotton growing areas with the aim of sensitizing them on introducing legislation in Parliament to change existing legislation in order to revive the sector. A total of 20 MPs attended the meeting. The NCSF presented their case to the MPs of the challenges in the industry and amendment that were necessary to bring about changes. One MP, Dr Julia Ojiambo took up the issue and inquired what was required to proceed with the bill. Thus NCSF with assistant from Action Aid who had provided a legal officer in December of 2003 organized for a meeting where the Amendments to be introduced were discussed and the legal officer was to assist in drafting them.

In 2004, a draft motion was introduced in Parliament by the MP requesting Parliament to introduce the Amendments. In 2005, the motion was discussed in parliament and the same year a Bill was tabled. In early 2006 the MOA organized various stakeholders meetings which the NCSF attended, and the aim was to try and harmonize the changes to be introduced and for the process to be spearheaded by the government. This would ensure taking care of the finance aspects as a bill driven through a private motion in parliament can not have financial proposals like provisions for taxes. Since the amendment introduced the creation of an authority which had to be run as per regulations governing its creation, NCSF had suggested the formation of the CDA whose membership was to have farmers being the majority. The idea for the Amendment Bill to be withdrawn and the Government to introduce a harmonized bill that included the proposal was overtaken by events as in June 2006 the Cotton (Amendment) Act, 2006 was passed and became effective in 2006 December. This was because by the time the MOA was making these proposals, the bill was already in parliament. The election of the CDA was held in August 2007 with a 15 Board membership that comprised of nine farmers, two ginners and four government representatives.

Impact of Cotton (Amendment) Act, 2006

Despite the gloomy picture of the sector after liberalization, the sector got a boost after the US government opened up its textile sector market. The African Growth and Opportunity Act 2000 (AGOA) granted about 2000 products from Africa, duty –free and quota-free access into the US market under the Generalized System of Preferences (GSP). Kenya became the first African accredited as AGOA beneficiary in the Sub-Sahara African Region. As a result, Kenya textile exports to the US increased from US $39.5 million in 1999 to 277 million in 2004. Total investment rose from Ksh.1.2 billion in 1999 to 9.7 billion in 2004. Jobs create increased from 26,000 in 2002 to 32,000 in 2004. Other markets which Kenya textile industry benefitted from preferential treatment include the East African Community (EAC) where in 2003, Kenya exported textile goods worth Ksh. 904.85 million. In COMESA region, Kenya has one of the best-developed textile industry and exported textile goods worth Ksh. 550.4 million in 2003.

The cotton industry after liberalization was left without operating chain whereby different actors are operating independently without co-ordination. The Cotton Board was left without any role to play and no alternative institution was established to carry out regulatory and coordination roles. The industry also lacks a dynamic development policy and a regulatory and legal framework consistent with the current liberalized environment. Currently there is a Board that regulates the industry. There was an attempt to organize farmers to market their produce and bargain for better prices from the ginners. In general, there is now harmony in the Industry. Table 3,5 gives the evolution of Cotton (Amendment) Act, 2006 and the stakeholders involved in the policy making process.

Table 3.5: Evolution of cotton (Amendment) Act, 2006

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
1	1990	Liberalization of the Cotton Industry	Government of Kenya
2	1999	Stakeholder Conference on Cotton held in Machakos the aim was discussing and coming up with the way forward to sought out the disharmony in the industry	MOA) Farmers, Ginners, Pesticide Manufactures, NGO's, Research Institutions. This was funded largely by OXfam
3	2000	Follow up Stakeholder Conference in Nakuru the aim was to produce a report from the Stakeholders that was to be developed into a Policy which was to be taken to the Cabinet for discussions, It is during this meeting that cotton growers formed the Kenya Cotton Growers Association (KCGA) to champion farmers rights as government was seen as being biased towards processors	Ministry of Agriculture (MOA), Farmers ,Ginners, Pesticide Manufactures, NGO's ,Research Institution
4	2003	The NCSF formed to revive the cotton sector and to effect changes in the industry as from since 2000 the Government had not taken up the development of Policy paper Action. Several meeting were held by NCSF with funding from Action Aid Kenya. Legal expert was assigned to take NSF through the legislation and explore changes that could be introduced to changes in the sector and they realise they could introduce amendment through Parliament NSF organized in March a meeting with MPs from cotton growing areas t sensitize them on the changes that was require	KCGA, pesticide and textile manufacturers, KIPPRA, Oxfam, MOA, MOT, Research Institutions (KARI, KIPPRA and CABE (Center for African Bio-Entrepreneurship), CARE International, Action Aid Kenya, CARPA, spinners and ginners. James Nyoro Inputs by during the stakeholder meeting to discuss the Bill raised the issue of how Cotton Development Authority was to raise funds for operations
5	2004	Draft Motion Introduced in Parliament on the Amendment of the Cotton Act	Parliament
6	2005	The motion was discussed the mover of the motion was requested through the with the help of the Attorney General's office to draft the motion into a Bill this was done and later presented into the house	Parliament
7	2006	The Government called for a National Stakeholder	Ministry of Agriculture (MOA), KCGA, Ginners,

Steps	Time (date and year)	Description	Stakeholders Involved in the Process
		Conference the Aim was to try and harmonize the Amendment Bill that was being discussed in the house. Since it was a private motion Bill there was no provision of taxes. The KGCA through the NCSF did not yield to Government persuasion to have the Government take over the Bill. In June of the Bill was passed and became effective in December	Pesticide Manufactures, NGO's ,Research Institution Parliament
	August 2007	The election were held nationwide and the Cotton Development Authority 15 Board Members were elected	Cotton Farmers, MOA

Stakeholders Network Analysis for Cotton (Amendment) Act, 2006

A stakeholder network analysis on the evolution of the Cotton (Amendment) Act, 2006 was performed by interviewing Mr. Dennis Ochwada, chairman of the KCGA, and currently also the chairman of CDA. This outlined the chronological events, the different stakeholders involved and how they have interacted with each other in the process. The network analysis focused on the NCSF and those it interacted with as it performed it work until the enactment of the Cotton (Amendment) Act, 2006. The following are the stakeholders that played a role in the restructuring:

NCSF

The NCSF consisted of the KCGA, pesticide and textile manufacturers, KIPPRA, Oxfam, MOA, MOT, Research Institutions (KARI, KIPPRA and CABE (Center for African Bio-Entrepreneurship)), CARE International, Action Aid Kenya, CARPA, spinners and ginners. The forum was very instrumental in laying the foundation and enabling the fruitful discussions by stakeholders that culminated in the passing the Cotton (Amendment) Act 2006 and the establishment of the CDA. The NCSF formed a smaller steering committee, consisting of 12 members, who worked on the policy reform and reported to the wider forum (the wider forum was too large for fruitful and timely deliberations).

KCGA

This was cotton farmers' organization formed in 2000 during the second NCCF after farmers had been adversely affected by the liberalization in the cotton industry that resulted in the collapse of several factories and ginneries, and cooperatives that were providing farmers with inputs.

Action Aid Kenya

Action Aid Kenya financially supported the formation and deliberations of the NCSF. It also supported KCGA financially. Action Aid also supported the formation of NSF. The Institution also provided expertise with regards to legal office that explained to the NCSF forums that they could manage to bring about change and assisted in incorporating the changes that NCSF wanted in legal language.

MOA

MOA organized for NCCF in 1999 and 2000 to try and come up with a policy paper on the way forward after liberalization lead to disarray in the sector. However, other cotton stakeholders viewed the process championed by NCCF as slow as there was no communication from 2000 to 2003. The other stakeholders (without MOA and MOT) took-up the process. The MOA, which was a member of the NCSF but pulled out later, sought to take over the bill when it was presented as a private motion so that they could bring it as government bill. In several meetings with the stakeholders, MOA tried to convince NCSF and the parliamentarians to drop their private motion so that it could push for the reforms. This was too late however and the process was already in parliament.

CARPA

This is a group of associations specialized in agriculture. This organisation brought the stakeholders together after the collapse of the NCCF, leading to the formation of NCSF. They also financed meetings, provided a secretariat to the NSCF and gave guidance and leadership to the forum.

Parliament

Within parliament were the parliamentarians that supported the activities of the NCSF with one of them, Dr. Julia Ojiambo, agreeing to bring forward a private members bill. There was also the agricultural committee that supported the reform, and they took over the bill once it had been brought to parliament by Dr. Ojiambo. The whole parliament in general was important as it discussed and passed the motion.

Role of Research

After the liberalization of the sector and the collapse of textile and apparel industry, KIPPRA carried out a study in 2002 on developing a revival strategy for the cotton and textile industry in the country. The report highlighted constrains that were facing the cotton, lint production and textile industry and suggested a revival and development strategies. The report also gave recommendation on addressing the constraint facing production of cotton seed and lint. The overall message of this report was that cotton can be a competitive enterprise in Kenya, and it was possible to revive the sector. The NCSF used this study and its recommendations to advocate for the amendment in the Cotton Act in order to revive the industry. The European Union (EU) did a study on the constraints facing cotton production in the country with the recommendation that Kenya was not competitive in cotton production and hence it should abandon it and concentrate on other higher in the chain like ginning and textile manufacturing. The World Bank also commissioned a study on Micro, Medium and Small enterprise competitiveness of cotton across the value chain and access of information. It proposed a project to support cotton growers to attain knowledge and skills, and offered USD 1 million, which the stakeholders viewed as little to have a significant impact along the value chain. The reports by EU and WB were however not presented directly to the NCSF, but to selected stakeholders in the sector. The NCSF therefore came to know of their details informally

Lesson Learnt from the Policy Process in Kenya

From the three case studies, it is clear that the policy making is a very long and tedious process. This is mainly due to the wide consultation as taskforces are usually composed of many stakeholders making consultation lengthy. At the same time, although wide consultation in policy making ensures wider stakeholders views are incorporated, lack of information symmetry amongst the various stakeholders may be counterproductive as stakeholders with more knowledge of the sector may influence the policy to their advantage. The advancing of vested interests among different stakeholders may lead to a stalemate or the process taking longer. The reform process was faster in the cotton sector, where it was private sector driven, and where a smaller committee was formed to steer the process.

This analysis also reveals that the impact of reforms is also dependent on how much the government is involved in the particular sub-sector. Despite the numerous reforms in the coffee sub-sector (Table 3.5), the sector has continued to have a myriad of problems characterized by poor governance in institutions and declining production as a result of heavy government involvement. On the other hand, the dairy sector has recorded improvement in production and the revival of farmer organizations, mostly as a result of the role played by private sector (processors) with minimal government involvement. This presents an opportunity for APRM to address governance problems both in sectors where the government is highly involved and in those where it is less involved. Evidence from other research shows that the dairy sector has recorded increased productivity from 1164 litres/cow/year in 1997 to 1371 litres/cow/year in 2007. On the other hand, coffee has recorded reduced productivity from 1459kg/acre in 1997 to 1285kg/acre and mean acreage declined from 0.56 to 0.48 within the same period (Kibaara et al, 2008).

4.0 Conclusions

Overall economic growth in Kenya has mirrored growth in the agricultural sector. In the first phase of the country growth, emphasis was on bringing in new land into cultivation, and having agriculture moving. A range of agricultural parastatals were set up to support production and marketing of major crops. However, the period was characterized by bad governance in parastatals that resulted in mismanagement, corruption and rent seeking among other challenges. The second phase was characterized by liberalization; with the government letting the private sector take up some core activities. The decentralization of development resulted in the improvement of services to some extent. One of the big draw backs at this time was that policy making was not consultative, and despite liberalization, the private sector did not have the capacity to take up the roles where the government exited. The stakeholder participatory approach period saw policy making become more consultative. It was during the last phase that SRA, a sector wide approach, and the Vision 2030 were formulated.

A look at the agriculture in the national plans and the various policies that have been initiated in the agricultural sector show that a lot of reforms are being implemented in the country. Of great importance is that currently, the main strategy for the sector is being reviewed, so as to reflect the new thinking as captured under Vision 2030. In addition, most policies and regulations are being revised for the same purpose. This review presents an opportunity for CAADP and APRM to be more integrated into the national policy making process.

Development partners are an important stakeholder in the sector since most projects in the sector have been implemented in collaboration with them. A challenge for CAADP is that is the fact that development partners are investing in different projects with almost the same objectives. This may be an indication of strong attachment to their own initiatives, thus they may be reluctant to embrace new initiatives.

Budget allocation to agriculture sector show a promising trend towards the achievement of Maputo declaration. The amount spent on agriculture has increased tremendously, with greater allocations expected in the coming years. This should be encouraging for CAADP as it shows that the government is also moving on the same direction. Of importance also is the increased proportion of the allocation towards development expenditure as opposed to recurrent expenditure. This signifies a reduction in costs and actual spending on the projects and programmes that are likely to have actual impact on poverty reduction and food security. Of concern however are the low absorption rates in the sector which can hinder advocacy for more funding. One of the reasons for poor funds absorption is the rigorous procurement conditions that have been implemented to prevent corruption in tendering within government institutions. This is a governance issue that APRM can help address. Thus, balance should be maintained between rigorous procurement procedures and efficiency.

From the three case studies on the policy processes, it is clear that the policy making process is a very long and tedious process. This is mainly due to the wide consultation as taskforces are usually composed of many stakeholders making consultation lengthy. At the same time, although wide consultation in policy making ensures wider stakeholders views are incorporated, lack of information symmetry amongst the various stakeholders may be counterproductive as stakeholders with more knowledge of the sector may influence the policy to their advantage. The reform process was faster in the cotton sector, where it was private sector driven and where a smaller committee of twelve people was chosen to steer the process. Analysis on the policy process also reveals that the impact of reforms is also dependent on how much the government is involved in the particular sub-sector, with low success where the government has strongly been involved. This presents an opportunity for APRM to address governance problems both in sectors where the government is highly involved and in those where it is less involved.

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Annex 1: List of Key Informants Interviewed

Purpose of interview	**Name**	**Title/Designation/Department**	**Organization**
Dairy Policy Process	Dr. Philip Cherono	Technical Services Manager	KDB
	Mr. J Kiptarus	Director Livestock production	MOLD
	Mr. Geoffrey K. Bartenge	Production Manager	New KCC
	Mr. Paul Gamba	Lecturer/Researcher	Egerton University (Formerly with Tegemeo Institute)
Cotton Policy Process	Ms. Margret Githaiga	Land and Crops	Cotton Development Authority
	Ms. Angela Wauye	Food Security Officer	Action Aid
	Mr. Joshua Oluyali	Land and Crops	MOA
	Major (Rtd) Denis N. Ochwanda	National Chairman	Kenya Cotton Growers Association
	Zenu Zaveri	Managing Director	Kitui Ginneries
Coffee Policy Process	Mr. Nyaga Kainga	Member	Coffee Reform Secretariat
	Mr. Modest Muthebwa	Coffee Desk	MOA
	Mr. Bernard Gichovi	Technical Manager	CBK
	Mrs. Njeru	Managing Director	CBK
	Mr. James Gitau		Coffee farmer

Annex 2: Programmes and Projects Employed to Achieve Various Strategies or Policies.

Community Agriculture Development Project in Semi Arid Lands (CADSAL)

The project was implemented in October 2005 and will end in October 2010 and was as a result of desire by the government to increase agricultural productivity in semi-arid land as identified in the ERS (2003-2007) as being crucial in accelerating development by offsetting pressure in high potential areas. The project aims at increasing agricultural production in sustainable manner within the semi-arid areas. This will be done through participatory planning, pluralistic extension services, appropriate and farmer friendly agricultural production technologies and community agricultural development. The project covers Keiyo and Marakwet districts and targets small holder farmers, farmers' organizations, pastoralist women and youths. The project was funded by Japan International Corporation Agency (JICA) and Government of Kenya (GoK) to a tune of Ksh 18 million during the 2006/2007 financial Year.

K*enya Agricultural Productivity Project (KAPP)*

The Kenya Agricultural Productivity Project (KAPP) aims at contributing to sustainable increase of agricultural productivity and improvement of the citizens' livelihood through improved performance of the agricultural technology supply and demand system. The programme design hinges on the premise that separate and poorly linked systems of research and extension generate low returns and therefore the design envisages an integrated approach in order to synchronize research, extension and farmer empowerment initiatives. The project objective is to improve the overall agricultural research system by supporting generation, dissemination, and adoption of agricultural technology. This objective will be achieved through a twelve-year programme to be implemented in 3 phases. The project covers 20 pilot districts in seven provinces in the country.

The first phase (2004-2007) supported continuation of ongoing reforms in agricultural research, initiation of a participatory process of change in extension services, farmer/client empowerment and pilot testing of extension methods and delivery systems. The World Bank funded the first phase of the project at the cost of Ksh 3.1 billion. Subsequent phases of the programme will focus on consolidating reforms in research, implementing reforms in extension, and building the basis for sustainable financing of the entire system.

Mount Kenya East Pilot Project for Natural Resources Management (MKEPP)

The project aims at enhancing equitable use of natural resources with a particular focus on environment conservation and thus improves food security and improves income levels of farmers and rural women by promoting effective use of natural resource, improve access to water and introduce better farming management practices with an overall goal of reducing poverty. The project has four components:

i. Water resources use and management; support of community based water resource management and strengthening regulatory capacity of the sector

ii. Environmental conservation; supports the preparation of local community natural resource management plan putting measures to reduce soil erosion, reforestation of degraded forest

iii. Rural livelihood; support agriculture and livestock activities, support income generating activities, support smallholder market linkages in the project

iv. Community empowerment; strengthening the local community organization operating in the sub-basin.

Project began in 2004 and is a seven year project that will end in 2011. It is funded by the International Funds for Agriculture Development (IFAD)/Global Environmental Facility (GEF) and GoK at a cost of Ksh 2.11 billion. It covers five sub-catchment areas on the eastern slopes of Mt Kenya which falls within five administrative districts of Embu, Meru Central, Meru South, Mbeere and Tharaka.

Kenya Special Programme on Food Security (KSPFS)

Implementation of the KSPFS was started in 2003 with total project cost of Ksh 77.6 million to be met by both the GoK and Food and Agriculture Organization (FAO). The project covered 22 districts. The objective of the project was to identify and provide necessary support to any community or group based projects that can lead to immediate impact on food security and poverty reduction. Initiatives targeting the poor and vulnerable people are geared towards increased productivity, generation of rural incomes, health and nutrition improvement and conservation of the natural resource base. The project aimed at empowering the poor and vulnerable through capacity building and provision of sustainable resource support that enables them to fully participate in economic activities. The projected ended in 2006 to give way to the Njaa Marufuku Kenya (NMK) programme. KSPFS had the following achievements:

- Release of small grants to community groups
- Capacity building of stakeholders at national level, provincial and district levels
- Operationalization of Ahero Irrigation Scheme, which had collapsed. This brought back a source of livelihood to 5,000 households in the Scheme
- Development of NMK as the long-term programme for addressing national food security as well as the fulfillment of MDG-1
- Development and circulation of Food Security brochures

Njaa Marufuku Kenya (NMK)

The term Njaa Marufuku Kenya literally means, “Kick hunger out of Kenya”. This programme was initiated in 2005 by the ASM, with support from FAO and the MDG Centre, as a strategic approach that calls for action and a “Green Revolution” towards hunger and poverty reduction in Kenya to fulfill MDG-1. The programme, developed from the KSPFS supports community-driven agricultural development. The overall goal of the programme is to contribute to reduction of poverty, hunger and food insecurity among poor communities in Kenya. The strategic objectives of the programme include:

i. Increase food security initiatives through support to resource poor communities

ii. Support health and nutrition interventions that target the poor and vulnerable

iii. Strengthen and support private sector participation in food security and livelihood initiatives

iv. Establish and strengthen linkages and collaboration with stakeholders in food security and livelihood initiatives

The total cost of NMK programme is estimated at Ksh 800 million and is to cover all districts in Kenya. However, its implementation commenced with initial allocation of Ksh 40 million in 2005 that was used for implementation of the Fast Tracked components in 57 districts. Target beneficiaries are rural and urban resource poor people, who should be actively involved in agricultural production, organized in groups and registered by relevant authorities. Some of the constraints facing the programme include inadequate funding to support the large number of groups requesting seed money to help them set-off. In addition, there is a conceptual conflict with other projects in the sector that advocate against financial support to farmer groups.

South Nyanza Community Development Project (SNCDP)

The objective of the project is poverty reduction and improved livelihoods of the communities in the project area. The project, which covers Rachuonyo, Migori, Kuria, Homa Bay and Suba districts has 4 components implemented under various Ministries namely:

i. Agriculture and livestock – Ministry of Agriculture and Ministry of Livestock and Fisheries Development

ii. Community empowerment – Ministry of Gender and Social Services

iii. Primary health care – Ministry of Health

iv. Domestic water supply - Ministry of Water and Irrigation

The main activities under the livestock component include:

- Improvement of productivity of local zebu through cross-breeding and general animal husbandry management
- Improved management of local birds
- Upgrading of indigenous cattle breeds
- Training on homemade feed rations
- Training of private animal health service providers at community level
- Introduction of dual purpose goats
- Promotion of poultry production
- Facilitate the organization of livestock, Community Interest Groups (CIGs) for easy access to livestock markets
- Training of farmers on livestock management (feeding and disease control)

The Project is an IFAD, GoK and community funded project with a total cost of Ksh 1.4 billion with the contribution being 87%, 10.5% and 2.5 % respectively. The project was implemented in 2004 and is a seven year cycle project which is expected to end in 2011.

Kenya Agricultural Productivity & Sustainable Land Management (KAPSLM)

The aim of the project was to promote sustainable land management through

i. Carrying out of synthesis of existing information regarding inter alia, soil fertility management, water harvesting, stocking ratios and agro-forestry

ii. Characterization of current land uses and analysis of how to improve economic viability and long term sustainable of land uses

iii. Assessment of land degradation in selected districts

iv. Stakeholder analysis to define roles and develop a particular action plan to mobilize stakeholder

v. Capacity building for agencies involved in natural resources management in selected watersheds

vi. Analysis of alternative livelihood options and enhancement of private sector involvement for marketing

The project was funded by World Bank and implemented in August 2004 for a cost of 24.5 million and it covered Kikuyu/Kinale forest, Taita hills, Tugen hills, Cheregany hills and Yala river watershed.

Western Kenya Integrated Ecosystem Management Project (WKIEMP)

The project objective was to improve productivity and sustainability of land use systems in Western Kenya with the aim of addressing rapid decline in the natural environment and stagnation in agricultural production. The project covered Nzoia, Yala and Nyando river basins. It started in 2002 and was implemented from July 2005. The funding of the project was by the GEF and International Development Agency (IDA) at a cost of Ksh 287 million the project had 3 components;

i. Capacity Building for Community Driven Integrated Ecosystem Management where capacity was enhanced for communities to formulate Participatory Action Plan and provision of technical assistance to promote adoption of integrated ecosystem management

ii. Scaling up and financing Integrated Ecosystem Management (IEM) interventions

iii. Establishment of an evaluation and monitoring system where targeted research activities required for monitoring Green House Gases (GHG) was funded

Central Kenya Dry Areas Programme (CKDAP)

The project started in the year 2001 and ran for seven years. The project is funded by IFAD and GoK at a cost of Ksh. 195 million. The goal of the project is to reduce the mortality and morbidity in the project area and improve the well being of the target households. The main objective of the agriculture and livestock sector is to improve household food security and nutrition through increased sustainable agricultural production. The project covers 36,000 households in the dry parts of five districts in Central Province, namely: Nyeri, Nyandarua, Kirinyaga, Maragua and Thika. The project has 4 components implemented under different Ministries namely:

i. Agriculture and livestock - Ministry of Agriculture and Ministry of Livestock and Fisheries Development.

ii. Community empowerment - Ministry of Gender and Social Services

iii. Primary health care - Ministry of Health

iv. Domestic water supply - Ministry of Water and Irrigation

Agricultural Sector Programme Support (ASPS)

The programme, whose implementation stated in July 2005 is funded by Danish International Development Agency (DANIDA) and GoK at a cost of Ksh. 2.24 billion and will be completed in June 2010. The programme has a number of components that include: agriculture and water development; support to national agricultural policy framework; support to Micro and Small Enterprises (MSE) and rural infrastructure to support agricultural production i.e. rural access roads, cattle markets, etc. The programme is taking over from the Agricultural Sector Project

(ASP) that started in 1999 and was completed in June 2004 this programme started in Makueni District in Eastern province and later in Taita Taveta and Kwale Districts in Coast province with total project cost of Ksh. 1.01 billion from both DANIDA and GoK.

Promotion of Private Sector Development in Agriculture (PSDA)

The programme started in July 2003 and is expected to run up to December 2015. The total cost of the project is estimated at Ksh. 300 million to be provided by Germany Agency for Technical Cooperation (GTZ) and GoK. The programme geographical coverage is nine districts in high and medium potential areas with high population density and high levels of poverty. The project aims at promoting the empowerment or rural actors in decentralization of decision making and enhances their managerial capabilities at district and local authorities' levels so small and medium sized agricultural processing and marketing enterprises will be promoted. The project largely supports activities related to:

i. Identification of constraints that cause the under-utilization of the agro-industrial potential and limited access to markets;

ii. Participatory elaboration of intervention strategies aimed at facing these constraints and seizing opportunities;

iii. Capacity development of farmers, agro-industrial entrepreneurs and service providers in supporting value chain development, as well as the sensitization on and improvement of political, legal, administrative and infrastructure framework conditions that are conducive for value chain development.

Piloting Conservation Agriculture to Improve Livelihood and Food Security for Small Holders

The project was implemented in 2003 for one year and the aim was to introduce technique in conservation agriculture and participatory technology development with the aim of bringing together the government and private sector players to work in collaborations. The project covered six districts namely Machakos, Mbeere, Nakuru, Rachuonyo, Siaya and Bungoma. The project was funded by FAO to a total cost of 7.5 million.

Horticultural Development Programme (HDP)

The project was implemented in October 2003. The aim was to increase incomes through improvements of the horticultural sub-sectors by addressing several challenges and constraint that threatened horticulture subsectors namely:

i. Limited agricultural high potential land hence the requirement to look into capital intensive irrigation to ensure sustainability

ii. Poor infrastructure especially access roads, electricity and water telephone and marketing infrastructure

iii. High cost of harvest loses

iv. High market requirements in terms of product quality and safety (maximum residual levels)

The project was funded by United State Agency for International Development (USAID) at a cost of Ksh 400 million and it was to be implemented over a period of five years.

Eastern Province Horticulture and Traditional Food Crops Project (EPHTFCP)

The project covers eight districts of Eastern Province namely: Embu, Machakos, Makueni, Mbeere, Meru Central, Meru North, Meru South, and Tharaka. The project was funded by IFAD and GoK at a total cost of Ksh. 961 million. Its implementation started in 1996 and is to be completed in 2005. The specific objectives of the project are:

i. Promotion of rational use of natural resources especially water for irrigation.

ii. Strengthening and re-orientation of support services.

iii. Development and dissemination of appropriate and sustainable technical packages.

iv. Supporting beneficiary participation in planning and development.

The Ministry of Agriculture is the lead implementing agency of the project. However, collaborating institutions include KARI, Kenya Industrial Research and Development Institute (KIRDI), Horticultural Crops Development Authority (HCDA), Cooperative Bank of Kenya (Coop Bank) and other relevant stakeholders.

National Agriculture and Livestock Extension Project (NALEP)

The first Phase of the project was funded by Swedish International Development Agency (SIDA) at a cost of Ksh 1.1 billion started in 2000 and ended in June 2005. It covered 43 selected districts in five provinces. The major objective of the project was to strengthen agricultural sector extension service through provision of necessary facilities and promotion of demand driven extension services. Phase II of the programme covering 55 districts has an estimated total cost of Ksh. 2.15 billion to be met by SIDA. Implementation of this new phase started in July 2005 and will end in 2010.

The Roads 2000 Strategy

The Roads 2000 strategy was incorporated into the PRSP (2001- 2004) with the aim of employment creation. The key objective of the Roads 2000 strategy is cost effective maintenance of the classified road network of the country to an economic level of serviceability using local resources and labor-based methods wherever these are cost effective. The main features of the concept include:

- Focus on routine maintenance and spot improvement works;
- Use of local resources as much as possible;
- Use of employment-intensive methods of work where applicable;
- Partnership with private sector.

The Ministry of Roads and Public Works and the Kenya Roads Board are implementing this programme with support from development partners such as the Governments of Denmark, France, Germany, Sweden, the European Union (EU), and the Africa Development Bank (ADB). The coverage of these partners has been as follows:

- DANIDA provided support in four districts in Coast Province (Kwale, Kilifi, Malindi, and Taita Taveta). The project that was implemented from 1999 to 2003 had a total expenditure of 27.5 million Danish Kronars provided by DANIDA.

- SIDA provided support to the Roads 2000 Programme in Nyeri and Kirinyaga districts from July 1997. About 60 million Swedish Kronars were used.

- EU provided Ksh 700 million for implementation of the programme in eight districts in Eastern Province from March 1998 to December 2004. The districts supported included Meru North, Meru South, Meru Central, Tharaka, Embu, Mbeere, Machakos, and Makueni. Most of the projects were completed by the end of December 2004.

Implementation of the Roads 2000 Programme is expected to continue into the future. Between 2004 and 2007, a number of development partners had provided new commitments to financing of the programme in at least 37 districts in Kenya. These partners include KfW Bankengruppe, ADB, Agence Française de Développement (AFD), SIDA and EU (Phase 2). They have pledged a total of Ksh 6.241 billion in the next 5 years. GOK will contribute Ksh 1.468 billion as counterpart funds in the same period.

Lake Victoria Environmental Management Project (LVEMP)

The project is a regional development programme that covers the whole of Lake Victoria and its Catchment areas. The governments of Kenya, Tanzania and Uganda are jointly implementing the project. The cost of Phase I of the project whose implementation started in 1997 and ended December 2002 was Ksh 65 million, with funding coming from IDA and World Bank. The project had an extension recommended by World Bank consultant and a total of Ksh 22 million was drawn from GEF. The project was extended till 2005 and transferred to KARI. The overall project vision is: "A stable lake Victoria ecosystem capable of meeting demand for food, income, safe water, employment, disease-free environment and a conserved biodiversity". The project objectives are to: (i) maximize the sustainable benefits to riparian communities of the lake basin from using resources within the catchment to generate food, employment, income, supply safe water and sustain a disease free environment; (ii) conserve biodiversity and genetic resources for the benefits of both the riparian and global communities; and (iii) harmonize national and regional management programmes in order to achieve to the maximum extent possible the reversal of environmental degradation.

ASAL Based Livestock and Rural Livelihoods Support Project

The project area consists of 22 districts covering the ASALs that are predominantly pastoralist and agro-pastoralist. Selection of these districts has been based on the level of poverty and potential for success and impact. The districts covered include the pastoral districts of Garissa, Isiolo, Mandera, Marsabit, Moyale, Samburu, Tana River, Turkana, Wajir and West Pokot, where livestock production is the predominant activity, and the agro-pastoral districts of Baringo, Ijara, Kajiado, Laikipia, Mbeere, Machakos, Makueni, Kitui, Malindi, Mwingi, Narok and Taita Taveta, where a mixed crop-livestock production system is practiced. The overall objective of the project is to contribute to poverty reduction at the national and household levels, consistent with the government's policies of mainstreaming ASAL areas in the economic framework of the country. The specific objective of the project is to improve sustainable rural livelihoods and food security through improved livestock productivity, marketing and support for drought management and food security initiatives in the dry marginal areas.

In order to realize its objective, the project focuses on the following components:

1. Sustainable livestock improvement,
2. Animal health delivery improvement,
3. Livestock marketing improvement, and
4. Drought management and food security initiatives.

Smallholder Dairy Commercialization Programme

The programme started in 1999/2000 and was funded by the French Government at a cost of Ksh. 13.05 million. The overall goal of the programme is to increase the incomes of poor rural households who depend substantially on production and trade of dairy products for their livelihood. The project has five components namely:

i. Organizational and enterprise skills development
ii. Technical support to smallholder dairy producers
iii. Development of the milk marketing chain

iv. Support to policy dialogue and institutions

v. Programme management and coordination

Arid lands Resource Management Project (ALRMP)

Phase I of the project began in 1996 and ended in 2003. The aim of the project was establishment of a viable system of drought management through early warning system, contingency plans, mitigation and quick response. Phase II of the projected started in September 2003 and will end in 2009 and the aim of this phase was enhancing food security and reduce livelihood vulnerability in drought prone and marginalized communities. The World Bank funded this project at a cost of Ksh 5.6 billion. The project covers 20 districts in the country.