Food and Agriculture Organization of the United Nations

SEPTEMBER 2015

COUNTRY FACT SHEET ON FOOD AND AGRICULTURE POLICY TRENDS

Kenya

Socio-economic context and role of agriculture

Kenya is a country in East Africa that has recently achieved lower-middle income status, according to revised national statistics released in September 2014.[1] The country's GDP is currently estimated at US$ 55.2 billion (25 percent higher than previously estimated), making Kenya the fourth largest economy in sub-Saharan Africa, after Nigeria, South Africa and Angola.

Agriculture is a key driver of economic growth and remains the main source of livelihood for the majority of the population. Based on the revised estimates, the agricultural sector directly contributes about 30 percent to total GDP and another 25 percent indirectly. The sector also accounts for 65 percent of total exports and provides more than 70 percent of informal employment in rural areas.[2]

Kenya's agriculture is mainly rainfed and small-scale, with farms averaging 0.2 to 3 hectares. Productivity levels for several crops are below their potential. Some of the major constraints affecting agricultural productivity include: high cost of inputs, dependence on rainfed agriculture, inadequate market access, poor infrastructure, limited application

	Selected indicators		2007	2009	2011	2013
SOCIO-ECONOMIC	GDP (current billion US$) *		31.9	37.0	41.9	55.2
	GDP per capita (US$) *		846	930	998	1 245
	Agricultural value added (% of GDP) *		23.3	26.1	29.3	29.5
	Agricultural value added (annual % growth) *	(average 2007-2012)	1.7			
		(2013)	5.1			
	Total population (thousand)		37 752	39 825	42 028	44 354
	Rural population (% of total)		78	77	76	75
	Agricultural labour force (% of total labour force)		72	71	70	69
	Human Development Index **	(2013)	0.535 (ranking 147)			
AGRICULTURAL PRODUCTION & TRADE	Per capita cultivated land (ha)		0.15	NA	NA	0.14 (2012)
	Area equipped for irrigation (1000 ha)		103	NA	103 (2012)	NA
	Value of total agriculture production (current million US$)		8 020	10 323	9 966	11 781 (2012)
	Value of cereals production (current million US$)		981	987	1 312	1 915 (2012)
	Yield for cereals (hg/ha)		17 734	12 427	15 146	17 271
	Cereal import dependency ratio (%)		36.1 (av. 2007-2009)		37.8 (av. 2009-2011)	
	Top 3 commodities	Production quantity (2012)	Sugar cane; Milk (whole fresh cow); Maize			
		Production value (2012)	Mangoes, mangosteens, guavas; Milk (whole fresh cow); Meat indigenous, cattle			
		Import quantity (2011)	Wheat; Maize; Palm oil			
		Import value (2011)	Wheat; Palm oil; Tea			
		Export quantity (2011)	Tea; Beer of Barley; Sorghum			
		Export value (2011)	Tea; Coffee (green); Beans (green)			
	Top 3 trade partners***	Import value (2012)	India, China, United Arab Emirates			
		Export value (2012)	Uganda, Tanzania, United Kingdom			
FOOD SECURITY & NUTRITION	Top 3 commodities available for consumption		Maize and products, Wheat and products, Milk (excluding Butter) (2011)			
	Per capita food supply (kcal/capita/day)		2 111	2 170	2 189	NA
	General (g) and Food (f) CPI (2000=100)		100 (g), 100(f)	127 (g), 139(f)	152 (g), 181 (f)	176 (g), 214 (f)
	People undernourished (million)	(3-year average)	10.3	9.9	10.1	10.8 (2014)
	Proportion of undernourished (%)	(3-year average)	27.9	25.5	24.7	24.3 (2014)
	Prevalence of underweight children under 5 years of age (%)		16 (2008-09)		11 (2014)	
	Prevalence of stunting among children under 5 years of age (%)		35 (2008-09)		26 (2014)	
	Prevalence of wasting among children under 5 years of age (%)		7 (2008-09)		4 (2014)	
	Global Hunger Index ^	(2013)	16.5 (Serious)			
	Access to improved water sources (% of population) *		58	59	61	NA

Sources: FAOSTAT; * WB; ** UNDP; ***KNBS/KRA; ^KDHS; ^^IFPRI. Accessed on: 09 April 2015

1 Kenya has recently rebased its GDP to capture changes in the economy's structure and the emergence of new sectors such as mobile-phone banking. It has shifted the base year from 2001 to 2009 and revised the shares in GDP of a number of sectors, including agriculture which has been revised slightly upwards. For details, see http://www.knbs.or.ke/index.php?option=com_content&view=article&id=272:highlights-of-the-revision-of-national-accounts&catid=82:news&Itemid=593

2 Government of Kenya (2010), Agricultural Sector Development Strategy 2010-2020.

of agricultural technology and exploitation by middlemen that create distortions in the market.[3]

Kenya has one of the world's highest population growth rates. Over the past 30 years, the population has more than tripled, thus increasing pressure on the country's resources. Nearly half of the country's 44 million people live below the poverty line or are unable to meet their daily nutritional requirements.

Food and nutrition security continues to be a major concern with an estimated 10.8 million people undernourished, representing about 25 percent of the total population.[4] Malnutrition rates are particularly high in the Arid and Semi-Arid Lands (ASALs) that are most frequently affected by drought, with devastating consequences on livelihoods, income and food security.

1. Government objectives in agriculture, food and nutrition security

Adopted in 2008, **Kenya Vision 2030** is the country's long-term development blueprint aimed at transforming Kenya into a "newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030". It identifies agriculture as one of the key sectors to achieve an annual economic growth rate of 10 percent. Under Vision 2030, smallholder agriculture will be transformed from subsistence activities, marked by low productivity and value addition, to "an innovative, commercially-oriented, internationally competitive and modern agricultural sector". Vision 2030 is implemented through successive 5-year **Medium-Term Plans (MTPs)** which identify priorities in terms of policies, programmes and interventions. The ongoing MTP II covers the period 2013-2017.

The paradigm shift from subsistence agriculture to market-oriented production is restated in the **Agricultural Sector Development Strategy (ASDS) 2010-2020**, which focuses on five strategic thrusts: reforming agricultural sector institutions; increasing productivity through provision of inputs and services to farmers; promoting sustainable land and natural resources management; promoting private sector participation in agriculture; increasing market access through value addition. A **Medium-Term Investment Plan (MTIP) 2010–2015** has also been developed to operationalize the ASDS in the short term.

In 2012, the **Food and Nutrition Security Policy (FNSP)** was adopted, after a long process which involved consultations with several stakeholders. The FNSP promotes a multi-sectoral approach to nutrition, focusing on the linkages between health and agricultural sectors to improve food and nutrition security in the country. It also provides policy guidance for the implementation of nutrition-sensitive interventions.

2. Trends in key policy decisions (2007 to 2014)

2.1 Producer-oriented policy decisions

In recent years, some of the government's interventions in the agricultural sector have focused on: increasing land under irrigation, subsidizing inputs to increase farm productivity, strengthening the agricultural extension service and reforming agricultural sector institutions through the privatization of a number of parastatals. Despite being the largest contributor to Kenya's GDP, over the past decade agriculture accounted for less than five percent of total budgeted expenditure, falling well below the Maputo target of 10 percent.[5] For the Financial Year (FY) 2013/14, KES 50 billion (about US$ 600 million) have been allocated by the national government to agriculture, which represents only 3.2 percent of total expenditure.[6]

Sustained government intervention in the maize market

Despite the grain market liberalization that began in the early 1990s, the government, through the National Cereal and Produce Board (NCPB), continues to intervene in the market by purchasing maize (mainly from medium and large-scale farms) at prices well above market levels to support producers, and selling it below the cost of procurement to protect consumers during shortages. The NCPB is a parastatal which has been retained as one of the strategic government boards with the mandate to carry out both commercial activities (through marketing of grains and agricultural inputs) and maintain the Strategic Grain Reserve of 4 million bags (90 kg each) to be released into the market or distributed through public relief agencies during food crises. The NCPB's conflicting mandate of undertaking both social and commercial functions is posing several challenges and represents a significant financial burden to the government. A reform is currently being discussed to restructure the NCPB by transferring the mandate over the strategic grain reserve to the Ministry of Agriculture, while the NCPB should be retained as a commercial entity and renamed Grain Corporation of Kenya. The reform also foresees the establishment

3 MAFAP (2013), Review of food and agricultural policies in Kenya. MAFAP Country Report Series, FAO, Rome, Italy.

4 FAO, IFAD and WFP. 2014. *The State of Food Insecurity in the World 2014. Strengthening the enabling environment for food security and nutrition*. Rome, FAO.

5 According to ReSAKKS, over the 2003–2010 period, the average share of agriculture expenditure in total public expenditure was 4.2 percent. For details, see http://www.resakss.org/region/kenya/caadp-targets.

6 Kenya National Bureau of Statistics (KNB), Economic Survey 2014. Available at the following link: http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=107&Itemid=1181

of a National Food Security Agency to deal with strategic grain and food reserves, as well as the creation of a Commodity Exchange to strengthen grain trade.

Continuous support to input subsidy programmes

Since 2007, Kenya has been implementing the National Accelerated Agricultural Inputs Access Programme (NAAIAP), introduced to improve access to seeds and fertilizer and increase the affordability of these key inputs to smallholder farmers with less than one hectare of land. According to the Ministry of Agriculture, the NAAIAP contributed to increased fertilizer consumption, increased productivity and reduced the distance to inputs sources.[7] However, more recent studies showed that the NAAIAP has proved to be ineffective in reaching the targeted producers.[8] Among the flagship projects of Vision 2030, the Fertilizer Cost Reduction Initiative is also being implemented with the aim of promoting local manufacturing of fertilizer by involving the private sector in establishing a national fertilizer plant. For the FY 2014/15, KES 3 billion (about US$ 33 million) have been allocated by the government to input subsidies programmes, including the Fertilizer Initiative.

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Herds of livestock gathering at a water well in a dry area of Kenya. Pastoralism is the main source of livelihood in the Arid and Semi-Arid Lands (ASALs) which cover about 80 percent of the country's land surface.

Expanding land under irrigation

One of the policy priorities for the agricultural sector is to increase investments in irrigation to reduce the country's dependence on rainfed agriculture. The current target is to irrigate 1 million acres (about 400 000 ha) by 2017, towards an estimated potential of 3 million. Following a series of irrigation project failures, in January 2014, the government launched one of the largest irrigation schemes in Kenya's history. The 400 000-hectare Galana-Kulalu Food Security Project, implemented in the coastal region of Kenya, will focus on the production of maize, sugarcane, horticultural crops, livestock and fish, for both domestic consumption and export. The total cost of the Galana-Kulalu irrigation scheme is US$ 4.5 billion and is being undertaken in phases, with the first stage comprising the development of a 10 000 acre (about 4 000 ha) model farm. The government has already allocated about US$ 42 million to finance the first phase of the project and an Israeli firm will fund the remaining US$ 125 million.

Increased attention to natural resources management, climate change and land issues

In recent years, the increased frequency of drought has led the government to place natural resource management and climate change mitigation at the centre of its development strategies. Several policy reforms have been introduced to coordinate ecosystem management and the sustainable use of natural resources. The most relevant ones include the adoption of a National Climate Change Response Strategy in 2010, the launch of the Climate Change Action Plan in March 2013 and the adoption of the National Forest Policy in February 2014. A major land reform has also been initiated with the adoption of the National Land Policy in December 2009 and the establishment of the National Land Commission in 2012 in charge of the administration and management of public land (on behalf of the national and county governments). The goal is to ensure equitable access to land and improve land tenure security, especially for the rural poor, those living in informal settlements and marginalized communities.

2.2 Consumer-oriented policy decisions

In recent years, increased public spending in health and education allowed Kenya to improve certain social indicators and achieve some of the Millennium Development Goals (MDGs) including reduced child mortality, near universal primary education and reduced HIV/AIDS prevalence rate. On the other hand, maternal mortality remains particularly high and the proportion of stunted

7 For details, see http://www.fao.org/fileadmin/templates/esa/Workshop_reports/Smallholders_2012/FAO_smallholder_workshop_report.pdf

8 Sheahan M., Olwande J., Kirimi L. & Jayne T. S. (2014). *Targeting of subsidized fertilizer under Kenya's National Accelerated Agricultural Input Access Program (NAAIAP).* Nairobi, Kenya: Egerton University/Tegemeo Institute of Agricultural Policy and Development.

children has only slightly decreased in the past decade. Despite the existence of a multiplicity of social protection interventions, they remain primarily donor-driven and poorly coordinated. The adoption of a National Social Protection Policy in 2012 represented a major milestone towards the development of a nationally-owned and integrated social protection system, which however remains constrained by stalled political and institutional reforms.

Scaling up nutrition-specific interventions

In November 2012, the launch of the Scaling Up Nutrition (SUN) Movement in Kenya and the adoption of the National Nutrition Action Plan (NNAP) gave momentum to nutrition, now high on the government's political agenda. The NNAP, managed by the Ministry of Health, is currently being implemented nationwide and mainly focuses on nutrition-specific interventions (such as vitamin A and zinc supplementation and food fortification), targeting women of reproductive age and children under five. Despite an increasing consensus on the need to adopt a holistic approach to nutrition, formal multi-sectoral and inter-ministerial collaboration is still lacking and nutrition-sensitive interventions are not adequately promoted. In addition, government spending on nutrition interventions remains limited, resulting in increased reliance on donor funding.[9]

Increasing coverage of the existing cash transfer programmes

Five Cash Transfer (CT) programmes are currently in place in Kenya, providing support to approximately 2 million people or an equivalent of 11 percent of absolute poor.[10] CT Programme funding increased in the past decade from KES 48 million in 2005 to 14 billion (about US$ 150 million) for the FY 2014/15.[11] Despite rising investments, CT programmes have remained fragmented and largely uncoordinated. Therefore, in September 2013, the government signed an agreement with the World Bank to establish the National Safety Net Programme (NSNP) that will provide a common operating framework for the five existing CT programmes. The NSNP aims to gradually expand the coverage while achieving greater efficiency and coordination. In October 2014, the government adopted a 3-year expansion plan for the NSNP to guide the increase in the size of the five programmes (both in terms of geography and number of beneficiaries), starting from the FY 2014/15.

2.3 Trade-oriented policy decisions

Kenya has a structural deficit in the production of maize, wheat and rice, which makes it a food-deficit country even in years of bumper harvest. Since national food security is largely dependent on maize availability and affordability, Kenya continues to rely heavily on imports, mainly from Uganda and Tanzania, in order to bridge this supply deficit. Export diversification and value addition remain a challenge as the country's main exports still consist of few agricultural commodities (mainly tea, coffee and horticultural products) which are generally semi-processed. The limited ability to add value combined with high production costs make it very difficult for Kenya to compete in the global market.

Applying non-tariff barriers to regional trade

As a member of the East African Community (EAC)[12], Kenya signed the Customs Union Protocol in 2004, together with Uganda and Tanzania, through which they agreed to eliminate internal tariffs by 2010 and set a three-band Common External Tariff (CET). In 2010, the EAC Common Market was also established which allows for the free movement of goods, capital and labour within the region. Despite the reduction and harmonization of formal import tariffs, Kenya continues to impose several rules and regulations across a variety of sectors, particularly on food products. In several cases these regulations are poorly designed or imposed in an arbitrary and erratic way, therefore acting as non-tariff barriers (NTBs).[13] According to a recent report of the World Bank, Kenya imposes more rules and regulations on imports from its regional partners than on imports from the rest of the world.[14] Despite the intention to foster regional integration, Kenya's NTBs contribute to increased domestic prices and hamper regional trade in food staples.

Renewed trade agreement with the European Union

On 16 October 2014, after a decade of sensitive negotiations, Kenya signed a comprehensive Economic Partnership Agreement (EPA) with the European Union (EU). The EPA provides duty-free-quota-free access into the EU for all Kenyan products (with transition periods for rice and sugar), while Kenya commits to gradually open 80 percent of its market to EU imports (except for agricultural products which have been excluded from liberalisation). Kenya has been able to expand its exports to the EU over the last 30 years because of the duty free preferential market

9 According to a recent report of the SUN Movement, government spending on nutrition-specific interventions through the health sector was estimated at 0.5 percent of the annual health budget. For details, see http://scalingupnutrition.org/wp-content/uploads/2014/05/Final-Synthesis-Report.pdf

10 These programmes are: the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), the Older Persons Cash Transfer (OPCT), the Urban Food Subsidy Cash Transfer (UFS-CT), the Persons with Severe Disability Cash Transfer (PWSD-CT) and the Hunger Safety Net Program (HSNP). Most of them are managed by the Ministry of Labour, Social Security and Services (MLSSS), with the exception of the HSNP which is managed by the National Drought Management Authority (NDMA), with implementation support from several NGOs.

11 Government of Kenya (2014), Expansion Plan for the National Safety Net Program.

12 The EAC Treaty establishing the community was originally signed by Kenya, Tanzania and Uganda and entered into force on 7 July 2000. Burundi and Rwanda joined the EAC in 2007.

13 These rules and regulations can take different forms, such as: sanitary and phytosanitary measures (SPS), technical barriers to trade (including rules for product weight, size and packaging, as well as mandatory labelling and import testing), pre-shipment, price controls and quantity controls.

14 World Bank (2012), Walking on a Tightrope, Kenya Economic Update, Edition No. 6, June 2012.

access under the EU-ACP trade arrangement. The EU is Kenya's major source of imports as well as a key destination market for Kenyan exports (mainly cut flowers and horticultural products, which account for over 90 percent of the total export value). In 2011, the EU accounted for 24 percent of Kenya's total exports, making this economic block the second destination market for Kenyan products after the EAC.

3. Emerging issues

Agricultural development in the context of a devolved government

Following the adoption of the new Constitution in 2010, Kenya has undergone a major political transition towards the implementation of a devolved governance system, whereby the national government remains responsible for overall coordination and policy formulation but increased responsibilities have been handed over to the 47 county governments that were elected in March 2013.[15] This transition occurred less than 6 months after the county governments' election despite the 3-year transition period foreseen by the Constitution and without adequate preparation. This abrupt change has compromised the capacities of county governments to effectively deliver their services since they are now faced by inadequate human and technical capacities, conflicting mandates between the two levels of government and the lack of an effective inter-governmental coordination mechanism. However, considering their increased responsibilities in the agricultural sector, county governments have now a significant role to play in prioritizing agriculture and ensuring that a considerable proportion of their expenditure is well allocated to the sector's development.

Advancing the agenda on food security and nutrition

Despite the adoption in 2012 of a comprehensive Food Security and Nutrition Policy (FNSP), owing to the recent institutional and political changes, its implementation still lags behind and remains one of the most critical challenges to the advancement of the government's food security and nutrition agenda. Currently, responsibilities for agriculture, nutrition and food security lie in different ministries and there is no formal coordination among them. However, discussions are ongoing regarding the proposal to develop a road map for the establishment of a coordination structure and implementation framework for the FNSP. Such a structure would ensure coordination across sectors with the aim of overcoming the existing inter-ministerial divide and promoting an agreed agenda and work plan for the implementation of food security and nutrition policies and interventions.

Ending drought emergencies: building resilience

Drought is one of the major threats to food security and socio-economic development in Kenya, particularly in the ASALs that cover about 80 percent of the country's total land surface. In the wake of the 2010/11 drought that caused an unprecedented humanitarian crisis in the entire Horn of Africa, the Government of Kenya made a clear commitment towards ending drought emergencies by 2022. In November 2011, the National Drought Management Authority (NDMA) was established to coordinate efforts in the management of drought and adaptation to climate change, and the concept of resilience is currently high on the agenda of both the government and its development partners. The Ending Drought Emergencies Common Programme Framework (EDE/CPF), adopted in August 2014, represents the first phase of a 10-year programme to be implemented in the 23 ASAL counties most affected by drought in order to create "a more conducive environment for building drought resilience".[16] It provides an institutional framework for government, development partners and private sector to coordinate and align their activities and resources. The EDE Framework is built on six pillars, each of them having its own programme framework document.[17] FAO is mainly supporting the the Sustainable Livelihoods Pillar, which include the following interventions: adoption of Conservation Agriculture and Good Agricultural Practices; promotion of drought tolerant crops; management of livestock diseases; crop and forage production; institutionalisation of early warning systems and early response mechanisms.

15 According to the Fourth Schedule of the Constitution, within the agricultural sector, counties are responsible for: crop and animal husbandry, livestock sale yards, county abattoirs, plant and animal disease control, fisheries.

16 The EDE/CPF also represents Kenya's contribution to the wider Horn of Africa initiative on drought resilience promoted by the Intergovernmental Authority on Development (IGAD Drought Disaster Resilience and Sustainability Initiative - IDDRSI).

17 The six pillars of the EDE/CPF are: Peace and Security, Climate-Proofed Infrastructure, Human Capital, Sustainable Livelihoods, Drought Risk Management, Institutional Development and Knowledge Management.

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This fact sheet is the result of a collaboration between the FAO Kenya Office and the Food and Agriculture Policy Decisions Analysis (FAPDA) team, with contributions from the Monitoring and Analysing Food and Agricultural Policies (MAFAP) programme. Information reported in this brief comes from the review of primary and secondary sources. This activity has received funding by the European Union under the *Improved Global Governance for Hunger Reduction Programme.*

I4911E/1/09.15