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Improving public policy making for economic growth and poverty reduction

Rebasing of Kenya's Economy: Factors Contributing to Agricultural Growth

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Agriculture provides most of the food for the majority of Kenyans and employs most people in the rural areas. In the 1980s to 1990s, agriculture declined substantially because of lack of good economic management. This continued into the 2000s. In 2013, the year for calculating GDP to update production structure, changes in the relative prices of various products, and changes in developments in technology was moved from 2005 to 2009.

The share of agriculture in GDP during 2013 has been recalculated to 29.5%, up from 24.0% in 2012. The share of the agricultural sector to the economy is made up of contributions of the value of goods and services from agricultural production, livestock production, forestry, fisheries production and value addition and services in the various areas.

Because of the decline of agriculture in the two decades before the 2000s, the Government of Kenya initiated a policy strategy "Economic Strategy for Wealth and Employment Creation 2003-2007". The main focus of the Strategy was job creation through sound economic management, good governance, efficient public service delivery, an enabling environment for the private sector to do business, and public investments and policies that reduce the cost of doing business. Particular attention was also given to actions that led to sustainable management of natural resources such as land, water, and forests, to which the very poor depend on. The policy led to reforms that positively influenced self-governance in cooperatives, business efficiency and competitiveness, provision of farmers with demand-driven extension services, development of institutions facilitating access to credit, rehabilitation of irrigation schemes, and review of the Irrigation Act to encourage farmer participation in irrigation management and value addition, among others. The strategy enhanced increase in investments in the agricultural sector. This strategy contributed to growth in agriculture's share of GDP of between 25.0% and 26.8% in the years following its implementation from 2003 to 2007. Further, the Strategy for Revitalizing Agriculture (SRA) initiated by the Ministry of Agriculture in 2004 contributed to the growth of the sector from 3.1% in 2004 to 6.1% in 2007. Because the agricultural sector always stimulates economic growth in the whole economy, it can be argued that the increase in the agricultural share to GDP after revision of the GDP at prices for the year 2009 is as a result of implementation of the favourable policy strategies.

The First Medium Term Plan (2008-2012) of Kenya's Vision 2030 aimed to transform agriculture from subsistence, low productivity and low value addition to a commercial, competitive, profitable and modern agriculture

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sector. Moreover, the Agricultural Sector Development Strategy (ASDS) 2010-12 also aimed to improve agricultural productivity, increase crop land, facilitate market access to farmers, and ensure increased value addition. These strategies and implementation of their programmes have continued the momentum in the development of agriculture. Further contribution to the share of agricultural GDP to the overall GDP can be explained by investments in value addition in milk processing, fish processing and horticultural crops processing.

Moreover, institutional reforms in agriculture have facilitated, among other things, market and credit access to farmers, self-governance of agricultural businesses, changes in legal frameworks for the sector, and increased value addition in agro-based industries.

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KIPPRA Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

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