Political Economy Analysis of Kenya’s Horticultural sector

Interests and motivations in Kenya’s horticultural sector effecting outcomes and impacts CARE Kenya’s target groups with specific focus on product value chain.
# Table of Contents

List of Acronyms and Abbreviations i

Introduction 1

Kenya’s Horticulture Sector Level Analysis 2
2.1 Structural Context and Issues 2
2.2 Rules of the Game: Institutions and Governance Arrangements 4
2.3 Sector Organization & Resource Allocation 6

Main stakeholders and agents 7
3.1 Stakeholder Analysis in Horticultural Sector 7
3.2 Engagement spaces within the Horticultural Sector 7

Analysis of change Pathways and Processes 9
4.1 Key factors characterizing the Horticultural Sector 9
4.2 Important Programming and Governance Issues to be addressed 10
4.3 Potential Strategies and Opportunities 12

Conclusion 13
## List of Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFFA</td>
<td>Agriculture, Fisheries and Food Authority</td>
</tr>
<tr>
<td>ASCU</td>
<td>Agriculture Sector Coordination Unit</td>
</tr>
<tr>
<td>ASDS</td>
<td>Agricultural Sector Development Strategy</td>
</tr>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>CAADP</td>
<td>Comprehensive Africa Agriculture Development Programme</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>EAC</td>
<td>East Africa Community</td>
</tr>
<tr>
<td>EPA</td>
<td>Economic Partnership Agreement</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FPEAK</td>
<td>Fresh Produce Exporters Association of Kenya</td>
</tr>
<tr>
<td>HCD</td>
<td>Horticultural Crops Directorate</td>
</tr>
<tr>
<td>KARLO</td>
<td>Kenya Agricultural and Livestock Research Organization</td>
</tr>
<tr>
<td>KBP</td>
<td>Kilimo Biashara Project</td>
</tr>
<tr>
<td>KEBS</td>
<td>Kenya Bureau of Standards</td>
</tr>
<tr>
<td>KENAFF</td>
<td>Kenya National Farmers Federation</td>
</tr>
<tr>
<td>KEPHIS</td>
<td>Kenya Plant Health Inspectorate Service</td>
</tr>
<tr>
<td>MAPS</td>
<td>Medicinal and Aesthetic products</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>PCBP</td>
<td>Pest Control Products Board</td>
</tr>
<tr>
<td>SAGAs</td>
<td>Semi-Autonomous Government Agencies</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Programs</td>
</tr>
<tr>
<td>SRA</td>
<td>Strategy for Revitalizing Agriculture</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>YAM</td>
<td>Youth Access to Market</td>
</tr>
</tbody>
</table>
The Political, Economy Analysis of Kenya’s Horticultural sector study was commissioned by CARE Kenya with a focus on the product value chain in the sector. Political economy is primarily concerned with generating knowledge about the politics and economics in a given sector, the interactions and processes that shape their relationship and particularly for this study, how such processes and interactions shape outcomes for vulnerable girls and women.

The study sought to unearth the underlying interests and motivations of main stakeholders and agents in horticultural sector, the types of relationships and balance of power between them, historical legacies, prior reform experiences, performance of the sector and how all these factors effect or impede outcomes and impacts (for vulnerable women and girls) with specific focus on product value chain.

With reference to the horticultural sector, the Agriculture Value Chains Programme of CARE Kenya in the current Strategic Period aims to develop value chains in the sector through empowerment by linking smallholder farmers to new or existing markets, organizing and supporting agricultural producers to meet market requirements and fostering an enabling environment by engaging in the agricultural policy environment.

A range of approaches aimed at increasing the efficiency of agricultural producers' value business will focus on improving productivity, post-harvest handling practices, value addition, product diversification, market access, inputs, credit services and access to information. Some of the horticultural value chain interventions implemented by CARE Kenya include the Kilimo Biashara Project (KBP II) 2012-2014 implemented in three counties (Nyandarua, Nyeri, Kirinyaga), and the Youth Access to Market (YAM) 2015-2017 focusing on agribusiness for youth in rural areas.

The political economy study will therefore contribute to CARE Kenya’s programming in horticultural sector by generating information that will help in understanding the factors and actors that shape and frame product value chain in Kenya’s horticultural sector.

The PEA study utilized both primary and secondary sources of information to understand Kenya’s product value chains in horticultural sector in terms of the structural and institutional features; the relationship between the structures and agency including evolving changes and the implications for highly vulnerable women and girls. Importantly, the study also analyzed the actions of individuals and groups (agents) in the sector, their motivations, interests, and how this shapes their choices and behavior, as well as power relations between agents/actors.

The study focused on Kenya’s product value chains in horticultural sector at the national and (select) county levels. Primary data was collected through highly participatory and appropriate assessment techniques targeting key stakeholders and informants drawn from government, parastatal corporations, experts in horticultural sector, private sector, CARE, as well as smallholder horticulture producers.

---


2Phase two of KBP was approved for the period 2015-2016
2. Kenya’s Horticulture Sector Level Analysis

2.1. Structural Context and Issues

a) Economic base and level of development:
Since independence (and prior), the agricultural sector has remained the main source of livelihood for the majority of Kenyans. The sector plays a vital role in ensuring food security, improved nutrition, foreign exchange earnings, job creation and income generation. Importantly, the sector generates crucial forward and backward linkages with other sectors including manufacturing, micro and small enterprises (MSEs), informal sector business, distribution services and so forth.

In terms of sector performance, the agriculture sector contributed 27.3% of the GDP in 2014\(^3\) and accounts for about 65% of Kenya’s total exports. The agriculture sector is the leading source of employment for an estimated 40% of Kenya’s population whereas in the rural areas, employment in the sector accounts for an estimated 75% of the labour force. Small-scale production accounts for approximately 75% of total agricultural output and 70% of total marketed agricultural produce.

The main agricultural export commodities are coffee, tea and horticulture (cut flowers, fruits and vegetables). The horticultural produce and tea exports constitute the highest share of agricultural gross domestic product, compared to food crops and industrial crops. The horticultural production in Kenya is both for local and international markets with both operating under different institutional arrangements. While Large-scale growers dominate commercial export horticulture, the majority of horticultural growers (about 80%) are small-scale farmers mainly targeting the domestic market.

Export horticulture is regulated by stringent production standards and trade regimes – which coupled with external factors e.g. Climate change and variable weather, sluggish recovery in Europe, internal structural and institutional issues such as inefficiencies in supply chain which may affect the performance of the horticultural sector in terms of productivity and output.

The introduction of tax by the EU in 2014 resulted in decline in quantity and earnings for vegetable exports compared to the 2013. Similarly, performance of the sector was affected by government delay in signing the Economic Partnership Agreement (EPA)\(^4\) owing to disagreements between the government and EU over trade terms.

b) Historical legacies:

The agricultural sector in Kenya traces its evolution back to the colonial years in terms of the horticultural sector’s structure, policies, production and marketing. The table below summarizes some of the key milestones in the economy since independence and how these have shaped the sector.

\(^3\)Economic Survey 2015

\(^4\)Kenya signed Economic Partnership Agreement with the EU in October 2007 – granting duty free and quota free market access to the EU accounting for 24% of Kenya’s total exports. EAC countries signed a joint EPA with the EU in 2014 to guard against market distortions by applying uniform EAC Custom Union common external tariff (CET)
c) Competitiveness of Kenya’s Horticulture Sector:
Kenya ranks as the largest horticulture exporter in Sub-Saharan African with a 16% EU market share. The primary export market for Kenya’s French beans and Snow peas is EU where Kenya ranks second with a market share of 25% for EU French beans imports and 14% for EU Snow peas imports.

Table 1: Key historical economic stages and effects

<table>
<thead>
<tr>
<th>Key economic stage</th>
<th>Features</th>
<th>Rationale</th>
<th>Effects</th>
</tr>
</thead>
</table>
| Pre-liberalization era (before 1980), shaped by former colonial government legacies | • Import substitution economic policy characterized by high tariffs on competing imports; price and wage controls and taxation of exports  
• Single party system that influenced government economic policies | • Pursuit of self-reliance in food and basic products such as sugar, maize, cotton etc. | • Rapid economic growth (average growth rate of 11.3%)  
• Resource allocation in high potential areas and marginalization of low potential areas  
• Emergence of smallholder farmers and heavy government involvement (e.g. marketing boards) |
| Liberalization era (1980-2002), shaped by external pressure from IMF/World Bank | Structural Adjustment Programs (SAPs) characterized by liberalization of prices and marketing systems, financial liberalization, parastatals reforms civil service reforms, divestiture and privatization  
• Open outward oriented economic policy  
• Limited democratic space, single party state until early 1990s  
• Multiparty democracy from 1993, reduced external aid due to concerns about poor governance | Reduction of government involvement in markets which had created market distortions, inefficient economic rents, patronage tendencies | • Mixed growth affected by ‘boom’ and ‘busts’ (e.g. oil shocks in 1983, drought in 1984, coffee boom 1986)  
• Government withdrawal from service provision, deregulation of markets, increased private sector involvement  
• Agricultural contribution to GDP declined from 34.18% in 1980, 28.38% in 1992 to 26.4% in 2003 |
| Post-liberalization era (2003) focused on increased support by development partners e.g. multi-donor funding in SRA implementation | • Economic Recovery Strategy for Wealth and Employment Creation  
• The CAADP & Maputo Declaration 2003  
• Strategy for Revitalizing Agriculture (SRA) 2004-2014  
• Agriculture Sector Coordination Unit (ASCU) , 2005 | To accelerate economic recovery through inclusive and pro-poor growth | • Broad based economic reforms to spur growth  
• Global boom in commodities  
• Higher economic growth (2003-2007) averaging 5% |

Adapted from BTI (2014); Gamba P. and Kibaara B. (2010)

Over the last five years, Kenya’s global market share fell from 1.28% in 2008 to 1.23% in 2014 according to a global competitiveness study commissioned by USAID⁶. Among other issues, over-reliance on tea and flower exports in addition to relying heavily on two to three export markets (main market is EU especially UK and Netherlands), contributes to the horticultural sector performing below its potential and hence the need for more diversification.

d) Constraints faced by women in agricultural value chain:
According to a report published by AfDB in 2015⁷, primary constraints that affect women more than men across agriculture value chains include:

- Limited access to land/assets ownership which limits access to financing where collateral is required;
- Limited access to improved inputs including mechanized farming and processing equipment;
- Time constraints due to household care obligations limit women ability to participate in training and acquire knowledge⁸ on agronomic practices, processing and business skills as well as market information.
- Structural constraints which affect men and women similarly include insufficient infrastructure (unreliable electricity supply, poor roads, limited irrigation), and poor coordination across market actors.
- Government policies and regulations in agricultural sector tends to be gender neutral meaning that these do not actively address the constraints faced by women in participating equitably in national, regional and global agricultural value chains.

2.2 Rules of the Game: Institutions and Governance Arrangements

Policy, Legal and Regulatory Framework

Constitution: The new Kenya’s Constitution [2010] creates two levels of governance structure, the National government and 47 County governments. The National government role is development of enabling environment through policy formulations including agricultural and veterinary policy, capacity building, finance and technical assistance to the counties. These are discharged through the Ministry of Agriculture, Livestock and Fisheries. Agricultural functions and services rendered by the County governments include crop and animal husbandry, livestock sale yards, abattoirs, plant and animal disease control, fisheries and cooperative societies.

The policy and strategic framework in the horticultural sector and broadly agriculture has been shaped by key deliberate and strategic actions taken by the government in recognition of the sector potential to contribute immensely to growth of the economy. Key among these strategies and policies relevant to the horticultural sector include:

- **Vision 2030⁹**: The Kenyan government developed the Vision 2030 as the country’s development blue print covering the period 2008-2030 with the aim of transforming the country into an industrialized middle income country with a rapid GDP growth rate of 10% per annum. The Vision identifies challenges facing agriculture sector and proposes key strategies to address those challenges.

- The challenges identified include productivity, land use, markets and value addition, whereas the proposed solutions include increasing market access through value addition by processing, packaging and branding; reforming institutions in the sector (e.g. cooperatives, regulatory bodies, research institutions) to facilitate growth; provision of widely accessible inputs and services to farmers and pastoralists (fertilizer cost reduction, irrigation, seed improvement). An important reform proposed in the Vision was to harmonize / review the multiple laws and policies that overlapped or created ambiguities in the agriculture sector.

---

⁶USAID (2015), Global Competitiveness Study: Benchmarking Kenya’s Horticulture Sector for Enhanced Export Competitiveness
⁸The 2014 KDHS indicates that 43% of women (age 15-49) had attained secondary education and above compared to 49% of men in the same age group.
• **Agriculture Sector Development Strategy (ASDS) 2009-2020**

  The strategy was launched by the government following the Vision 2030 and the rationale was to position the agriculture sector as one of the key sectors to deliver the 10% per annum growth rate as envisaged in the Vision 2030. The strategy foresees a food secure and prosperous nation by 2020 and aims to transform agriculture sector into ‘an innovative, commercially oriented and modern agriculture’.

  Important strategic interventions proposed to address challenges/issues along the value chains and hence increase productivity and competitiveness of the crops sub-sector (including horticulture) are: legal, regulatory and institutional reforms; improvement of agribusiness and market access; strengthening of research and extension; sustainable land use and crop development; access to affordable inputs and credit to farmers; institutional efficiency and effectiveness in service delivery.

  The development of the ASDS is also strongly linked and aligned to the Comprehensive Africa Agriculture Development Programme (CAADP) an agricultural policy framework initiated by AU NEPAD in 2002 which was consolidated in the Maputo Declaration on Agriculture and Food Security in Africa and endorsed by AU Heads of State in 2003.

  In line with the Vision 2030 and the ASDS (2009-2020) objective to harmonize or consolidate multiple legislations in the agriculture sector, several legislations were enacted into law including; The Agriculture, Fisheries and Food Authority (AFFA) Act [2013], the Crops Act [2013] and the Kenya Agricultural and Livestock Research Act [2013].

  • **Crops Act 2013**: The act consolidates and repeals the various statutes relating to crops with the aim of accelerating growth and development of agriculture as a key driver of Kenya’s economy. The act seeks to improve the competitiveness of crop sub-sector by increasing efficiency in value chains, streamlining regulation and rationalizing the taxation system.

  • **The Agriculture, Fisheries and Food Authority (AFFA) Act 2013**: Established the Agriculture, Fisheries & Food Authority (AFFA) as a successor of former regulatory institutions which were merged into Directorates under the Authority effective August 2014. The former Horticultural Crops Development Authority is now Horticultural Crops Directorate (HCD) mandated to facilitate the development, promotion, coordination and regulation of horticultural sub-sector in Kenya.

  • **Kenya Agricultural and Livestock Research Act 2013**: Established the Kenya Agricultural and Livestock Research Organization aimed at coordinating and regulating agricultural research in Kenya especially in crops, livestock, genetic resources and biotechnology. Former agricultural institutions were streamlined and transformed into new thematic research institutes (18) all under the control of the Kenya Agricultural and Livestock Research Organization (KARLO). Under KARLO, the Horticultural Research Institute was established in 2014 and mandated to conduct research in horticultural crops (vegetables, flowers, fruits, and MAPS-garlic, mushrooms and chilli.

**Regional and international trading arrangements:**

Kenya is a member of Common Market for Eastern and Southern Africa (COMESA) and East Africa Community (EAC). The primary objective of the two treaties and related protocols is to deepen integration within respective regional economic blocs and establish internationally competitive regions where goods and services, capital, labor and persons move freely. Kenya’s export to the EAC accounted for 54% of the country’s total value of exports to Africa while exports to COMESA accounted for 34% of total exports in 2012.


11CAADP 2002: [http://www.fao.org/docrep/005/y6831e/y6831e00.htm#TopOfPage](http://www.fao.org/docrep/005/y6831e/y6831e00.htm#TopOfPage)


13Second MTP 2013-2017
Compliance to market and quality standards:
International trade in horticulture fueled by a combination of factors including globalization, changing consumer preferences and global supply chains have led to increased consumer concerns about food safety and quality, sustainable production methods as well as health, safety and welfare of workers and animals. Various compliance standards have been developed both at the international and domestic levels to enhance product quality and safety.

Export marketing channels for horticultural produce include direct exporting to foreign countries or indirect exporting where producers sell to exporting companies or agents who ensure quality and safety standards before exporting. Individual certification is costly to small-scale producers who as a result are contracted as groups by exporters/agents and comply with market standards through multiple production sites under Quality Management System

Key quality standards in Kenya’s horticultural sector are:
- Phytosanitary (plant health) certification by KEPHIS for plants and plants products exports giving assurance to compliance with importing country requirements.
- Kenya Bureau of Standards (KEBS) developed the Horticulture Industry Code of Practice (KS 1758) as a national guideline to all producers on Good Agricultural Practice – faced by weak enforcement
- Global GAP (former Eurep GAP) market driven standard developed by European retailers to ensure product safety, environmental protection, health and safety of workers and animals
- Kenya GAP International legally owned by FPEAK and which is benchmarked to Global GAP
- Kenya GAP Domestic legally owned by FPEAK and approved by KEBS – targets producers for the local market
- Producer driven standards such as Code of Practice developed by Kenya Flower Council for self-regulation in fresh flowers production and marketing

2.3 Sector Organization & Resource Allocation
Vertical and horizontal coordination mechanisms exist in the sector. Vertical coordination within each ministry includes a number of directorates and semi-autonomous government agencies (SAGAs). At the national level, horizontal coordination is done through the Medium Term Expenditure Framework (MTEF), sector planning and budgetary stage. This provides a link between Ministry of Planning and Devolution, National Treasury and sector ministries. The Agriculture Sector Coordination Unit (ASCU) enhances coordination of the sector with other ministries and other agencies for instance Vision 2030 Secretariat and ministries in charge of transport, water, education.

Resource allocation in agriculture sector and broadly in all government sectors has historically been influenced by development policies that the government is pursuing. In pre-liberalization era (before 1980), the government pursued import-substitution economic policies which were aimed at protecting domestic industries against external competition. In addition, resource allocation during this period was also informed by Sessional Paper No. 10 of 1965 that biased development funds allocation towards agro-ecological zones deemed to have high economic potential.

During the post-liberalization period (from 2003), the government allocation of resources was aligned towards pro-poor and growth policies aimed at eradicating poverty and stimulating economic growth which had declined significantly during the previous adjustment period. This was influenced by the Economic Recovery Strategy for Wealth and Employment Creation (2003) and Strategy for Revitalizing Agriculture (2004) towards sectors that were deemed to have great potential in lifting millions of poor people out of poverty e.g. education, health, agriculture.

However, the location of resources to the Agricultural sector has not been consistent with the Maputo and Malabo Declarations (Kenya is a signatory to the CAADP) which requires a country to allocate at least 10% of its national budget to agriculture. In the 2014/2015 fiscal year, Kenya’s allocation to the sector was 5.8% of the National budget.

14Small scale farmers form out-grower groups and comply with export company’s quality and safety standards
3. Main Stakeholders and Agents

3.1 Stakeholder Analysis in Horticultural Sector

Kenya’s horticultural sector is characterized by many stakeholders along the value chain. Since the liberalization period in the 1990s, the sector has largely been driven by the market with the private sector playing key roles ranging from inputs provision, credit, extension services, post-handling, value addition/ agro-processing and market access.

The stakeholders range from the public institutions, private sector, donors and non-governmental organizations, farmers associations, farmer groups.

**Examples of key stakeholders, their roles and levels interest include:-**

- **Ministry of Agriculture, Livestock and Fisheries** - has a mandate of developing national agricultural legislations, regulations and policies with an interest in increased commercialization and competitiveness of the agricultural sector;

- **Regulatory institutions such as Kenya Plant Health Inspectorate Service (KEPHIS)** - mandated to provide science based regulatory service by assuring the quality of agricultural inputs and produce with an interest in contributing to agricultural productivity through control of pests, weeds and invasive species;

- **Horticultural Crops Directorate (HCD)** - mandated to facilitate development, promotion, coordination and regulation of the horticultural sub-sector with an interest in facilitating growth of a commercially oriented horticulture sub-sector.

- **KALRO Horticultural Research Institute** - mandated to conduct research in horticultural crops mainly vegetables, fruits, flowers and Medicinal and Aesthetic products (MAPS) with an interest in generating information, innovative technologies for enhanced horticultural value chains, market development and facilitate conducive horticultural policy environment.

- **Other stakeholders include the Export Promotion Council, Fresh Produce Exporters Association of Kenya (FPEAK), Kenya Flower Council charged with the responsibility of enhancing competitiveness and market access of Kenya’s horticultural produce; Pest Control Products Board (PCBP) and Farmer producer organizations representing both small and large scale farmers.**

3.2 Engagement spaces within the Horticultural Sector

The composition of horticultural producers is largely skewed towards small-scale producers; on the contrary, it is the large-scale producers who command a higher share in fresh produce export markets and earnings. The government’s role in the sector has mainly been regulatory and ensuring an enabling environment through formulation and implementation of conducive policies and legal frameworks.

While the sector faces a challenge of poor coordination among the various stakeholders, the private sector and exporting companies seems to be better coordinated through alliances and associations such as FPEAK, whereas the small-scale producers are largely uncoordinated and/or characterized by fragmented organization.

The existing engagement spaces in the sector are either state-led or private led with few claimed CSOs and small-scale farmers’ spaces for engagement.

- **The state led actors under the Agricultural Sector Development Strategy (ASDS) include inter-Ministerial Coordination Committee under ASDS, Technical and thematic working groups;**

- **National Task force on Horticulture- composed of Horticulture Crops Directorate, Kenya Flower Council, Export Promotion Council, FPEAK, KEPHIS**

- **Sector Panels convened by the Export Promotion Council**

- **County Budget & Economic Forum chaired by the County Governor at the County level**

- **Kenya National Economic Partnership Agreement forum coordinated by Ministries in charge of Trade & Tourism, Agriculture, Planning, Finance, relevant SAGAs, private sector and CSOs**

- **Parliamentary Committee on Agriculture, Livestock and Fisheries**
• On the other hand, the non-state space for engagement include Civil Society forums e.g. CAADP, Climate Change
• Private sector forums through KEPSA’s Public private dialogues
• Kenya National Chamber of Commerce and Industry through relevant Standing Committees such as Economic & development, Export and Tourism promotion, Women in Business, Agriculture committee.
• National farmers assembly (KENAFF) that brings together cooperative societies, self-help farmers groups, county farmers associations to address issues in the agricultural sector.
4. Analysis of change Pathways and Processes

The horticultural sub-sector (flowers, fruits and vegetables) contributes the second highest share of agricultural gross domestic product – after tea and coffee - and is a key foreign exchange earner, generating important forward and backward linkages with sectors such as manufacturing and agro-processing, inputs markets, and transportation services\textsuperscript{15,16}. Horticultural production in Kenya is both for export as well as domestic markets with available estimates indicating that about 95% of horticultural produce is marketed locally while 5% is exported.

4.1. Key factors characterizing the Horticultural Sector

The horticultural sector in Kenya is characterized by the following key factors:

a. Government has provided a regulatory framework, enabling the private sector to thrive with market forces of demand and supply determining the produce prices.

b. The sector is dominated by largely small-scale farmers (about 200,000) who account for about 80% of the horticultural production, while commercial export is dominated by large-scale growers.

c. Smallholder growers’ average land parcels range from 1 acre - 2.5 acres [1 hectare] in size whereas medium to large commercial farms range from 1 hectare to more than 50 hectares.

d. Prevalence of multiple private safety and quality standards (e.g. Kenya GAP International) is attributed to low government involvement in horticulture sector that is mostly private driven.

e. Donors have facilitated development of private standards as Kenya is an important source of horticultural exports to EU and the sector has a potential to lift thousands of poorly resourced small-scale households out of poverty.

f. Compliance with safety and quality standards is skewed in favor of export markets whereas compliance at domestic markets level is characterized by weak enforcement (e.g. KEBS KS 1758)

g. There is high government involvement in other commodities (sugar, tea, and coffee, maize) through provision of subsidies (fertilizers, inputs, credit, extension services, bail-outs) and regulation. On the contrary, in the horticultural sector, such services are mainly provided by the private sector at prevailing market rates

h. Budget allocation towards agricultural sector is below 10% of National budget as per the Maputo and Malabo declarations (CAADP), with an average allocation estimates at County level estimated to be 4% [2014].

i. Large-scale producers are perceived to have comparative advantage over small-scale producers as the latter have limited access to credit, extension services, input markets, market information and are geographically scattered – an added implication on production costs.

j. Global supply chains demand for efficiency and consistency in volume and year-round availability favors large commercial growers due to their capacity to meet high capital requirements.

k. Small-scale growers’ most appropriate channel for horticulture export markets is indirect through contracting by exporter companies/agents due to the high cost for individual certification. Contracting exporters provide inputs (mostly seeds on cost recovery), set the produce price, collect, inspect and grade produce and ensure compliance with safety and quality standards.

l. Exporting companies and large scale farms (direct export) have better coordination, organization and representation through trade associations such as Fresh Produce and Exporters Association of Kenya (FPEAK), Kenya Flower Council. Their influence in the industry at policy advocacy and lobbying, trade negotiations is higher than compared to small-growers

m. Many of existing spaces for engagement in the horticultural sector are state-led (invited spaces) and private-sector led which seems to be institutionalized, whereas there are few spaces claimed by civil-society as well as small-scale growers to address issues in horticultural sector.

\textsuperscript{15}Economic Survey 2015
\textsuperscript{16}See also HCDA Revised Strategic Plan 2009-2013
4.2. Important Programming and Governance Issues to be addressed

Based on the study findings, CARE’s future programming in horticultural sector should consider the following issues:

a. **Challenges related to access and control in horticultural value chains**

The primary focus of the Agriculture Value Chains Programme is small-scale growers with the purpose of improving productivity and livelihoods of resource poor growers in the horticulture sector. From the analysis, small-scale producers face a plethora of constraints ranging from:

- Limited access to credit at favorable terms since agriculture is viewed as a high risk venture
- Limited capital to invest in safety and quality standards individually
- Limited access to capital has an implication on access to quality farm inputs
- Limited access to markets and timely information
- Vulnerability to contracting exporters /middlemen
- Unequal power relationships in the sector that is unfavorable to small-scale producers who have low influence for example over contracting export companies
- Limited /or no access to government subsidy and extension programs (compared to other commodities such as sugar, maize, coffee, tea) (private sector driven sector)

To guard against unfavorable trade practices and risk of possible human rights violations by private corporations including multinationals, the UN developed guiding principles on business and human rights in 2011\(^\text{17}\) that provide for business enterprises to respect human rights and address adverse Human rights impacts through prevention, mitigation and remediation. The guiding principles also provide that States must protect against human rights abuse by third parties including business enterprises through effective policies, legislations, regulations and adjudication.

Noting the significant role of private sector in Kenya’s horticultural sector, CARE Kenya and partners could engage with private sector, government and other stakeholders to ensure that rights of small-scale producers are protected.

b. **Budgetary allocation**

The budgetary allocation to the agricultural sector has not been consistent with the Maputo and Malabo Declarations which requires countries to allocate at least 10% of the National budgets to agricultural sector. Kenya’s allocation to the sector in 2014/15 fiscal year was 5.8% of national budget which is comparatively lower in the East Africa region. County allocations to the agriculture sector averaged an estimated 4% in 2014 meaning that actual allocations towards small-scale horticultural development could be much lower /or nil\(^\text{18}\). The current national budget proposal (2015/2016) allocates Ksh.399 million towards Crop Development and Management (MTEF programme classification) which among other things is to provide funding for smallholder empowerment project and purchase of specialized materials and supplies for high value crops.

Enhanced public education, participation and monitoring of agricultural sector budgeting and execution both at the national and county levels (especially by smallholder farmers) is vital to ensure realization of sector objectives.


\(^{18}\)IEA 2015: Budget Guide 2015-2016 pg. 14
c. **Policy and regulatory environment**

Recent policies, legislative and regulatory reforms by the government are aligned with the National objective of transforming Agriculture into an innovative, commercially oriented and modern agriculture. This objective is well captured in Vision 2030, ASDS 2009-2020, including the current ruling party manifesto.

- HCDA is now Horticultural Crops Directorate (HCD) under the Agriculture, Fisheries and Food Authority (AFFA)
- HCD is mandated to facilitate development, promotion, coordination and regulation of horticultural sector in all aspects ranging from provision of horticulture extension services, affordable credit (commodities fund), farm inputs, promotion of safety and quality standards, and facilitating access to local and international markets.
- HCD also imposes levies, fees or charges on producers and dealers of all scheduled crops.

Small-scale horticultural growers interviewed in this study perceive HCD as a ‘standards’ agency mostly concerned with ensuring compliance to standards for packaging, transporting, storing of horticultural produce - and not provision of extension services, credit, inputs or facilitating market access.

The county governments as per the Constitution [2010] are charged with agricultural service delivery functions such as crop and animal husbandry, plant and animal disease control, cooperative societies – however this maybe limited considering the estimated resource allocation towards agriculture at the county levels.

d. **Spaces for engagement**

Existing spaces for engagement in the horticultural sector are mainly State-led (invited spaces) and Private-sector led which seems to be well coordinated and institutionalized, whereas there are few spaces claimed by civil-society as well as small-scale growers to address issues in horticultural sector. Limited spaces by CSOs could be attributed to availability of donor funding and priorities which seem to shape CSOs programs.

Competing needs of available resources and time for poor resourced small-scale growers is a hindrance to their effective participation in forums. Small-scale farmers who attended a Community Score Card training organized by CARE Kenya in Naivasha claimed that without logistical and financial support from the NGO, they would not have been able to organize forums to engage with HCD official and a representative from SUNRIPE (an exporter company) attending the training.

e. **Gender perspectives in value chains**

Structural constraints in agricultural value chains have different effects for women and men. Primary constraints affecting women more than men across the value chains include:

- Patriarchal system in Kenya’s society and cultural practices or norms especially in rural areas seem to hinder women’s access to productive assets such as land and participation in public policy making spheres.
- Limited access to land or assets ownerships also hinders access to financing where collateral is required – thus limited access to improved inputs.
- Time constraints due to household care obligations tend to limit women ability to participate in trainings or acquire knowledge and skills in agri-business, market information and access.
- Education attainment is also skewed in favor of men especially secondary education where 49% of men (age 15-49) have attained secondary education and above compared to 43% of women in same age group in 2014.
- Government policies, legislations and regulation in horticultural sector tend to be gender neutral and do not actively or deliberately address constraints faced by women in participating equitably in national, regional and global value chains.

---

19 Kenya Demographic and Health Survey 2014
4.3. Potential Strategies and Opportunities
CARE Kenya’s theory of change is based on the assumption that women and girls in Kenya will be self-reliant, have sustainable, high quality of life and fully realize their rights by 2030 when;

- Women and girls have equitable access to and control over productive assets, services, opportunities and benefits
- Institutions at local and national level, have policies and practices in place that enhance equitable development and resilience of women and girls, and
- Socio cultural practices and processes promote women and girls’ well-being and equality.

Potential strategies that can be adopted to improve outcomes in horticultural sector and aligned to CARE’s theory of change include:

**Empowerment** - build understanding and knowledge base of small scale producers including women and girls on their rights, roles and responsibilities; policy, legal and regulatory frameworks; strategies for engaging duty bearers and service providers; constructive participation in national and county processes and debates; organization strategies for small-scale farmers in collaboration with the Ministry of agriculture, KALRO, KEPHIS and HCD.

- **Accountability** - engage and negotiate with structures for improved livelihood service provision such as social accountability using the Community Score card and citizen report cards; direct meetings with policy makers and service providers, constructive participation in public debates and dialogues in collaboration with Ministry of Agriculture, HCD and the County Executive for Agriculture among other stakeholders.

- **Spaces for negotiating development** - this stage is aimed at establishing or nurturing negotiated space between agency (smallholder groups) and structures /service providers and setting up national multi-stakeholder forum for engagement on sector.
Conclusion

Kenya’s horticultural sector is dynamic and contributes a higher share of agricultural domestic product compared to other sub-sectors in the agriculture sector. The government’s objective to transform the agricultural (and horticulture) sector into a profitable, commercially-oriented and competitive economic activity is well articulated in various policies, legal and strategic frameworks key among them Agriculture Sector Development Strategy (ASDS) 2010-2020, Vision 2030 and recent legislations such as Crops Act 2013, Agriculture, Fisheries and Food Authority Act 2013.

The horticulture sector as discussed in this analysis is largely characterized by smallholding farming, is export oriented with related trade and quality standards and importantly, is private sector driven with the government playing a regulatory role.

CARE’s future programming in the sector will need to be alive to the factors, actors and challenges discussed at in-depth levels ranging from structural, institutional and agential in order to increase women’s and girls’ influence, access to and control over horticultural service provision in Kenya.
CARE International in Kenya
Mucai Drive off Ngong Road
P. O. Box 43864-00100
Nairobi, Kenya

Mobile Phone (Safaricom) +254 72315081/722509870/
Mobile Phone (Airtel): 733300756/733300764
Wireless (Telkom ) +254 20 2585381/28/3
Email: info@care.or.ke
Website: www.care.or.ke