Financing Agriculture as a Poverty Eradication Strategy - The Case of Uasin Gishu County, Kenya

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Abstract

This is a concept paper that aims to demonstrate that one of the surest ways of pulling Kenya out of the recurrent cycle of poverty is by adequately financing agriculture since majority of the population rely wholly on this sector. Poverty is a condition that is dehumanizing and which erodes human rights of the affected individual. Poverty subjects the person to a state of powerlessness, hopelessness, and lack of self-esteem, confidence, and integrity, and thus, leading to a situation of multi-dimensional vulnerability (Kimani and Kombo, 2009).

Poverty seems a paradox in Kenya, a country with one of the better developed economies in eastern Africa region and which earns substantial foreign exchange from agricultural exports. Yet, it is a low-income country and is ranked 128th among 169 countries in the United Nations Development Programme's (UNDP) Human Development Index (IFAD, 2011).

The Kenya government (GoK), supported by a number of development partners and non-governmental organizations (NGOs) has over the last 10 years undertaken various projects and initiatives aimed at eradicating, or at a minimum, alleviating poverty among the population. These initiatives include the Women Development Fund, Youth Enterprise Fund, "Kazi kwa Vijana" programme, and most recently, the Economic Stimulus Programme (ESP). Despite all these efforts, poverty eradication is far from being realized.

The paper conceptualizes that adequate funding of the agricultural sector seems the best option of achieving poverty eradication. Agriculture is the lifeline of 80% of Kenya's poor who live in rural areas, including farmers, workers and the unemployed. Over 70% of Kenya's employment is in agriculture, consequently creating jobs and increasing income in that sector is vitally important and, if achieved, will have an important direct effect on poverty (One in a Million/Kenya Foundation, 2013).

Keywords: Agriculture; Eradication; Finance/financing; MDGs; Poverty; Uasin Gishu; Kenya.

Introduction/Background

Goal-One of the Millennium Development Goals (MDGs) is eradication of extreme poverty and hunger. The goal has got two main targets, which are:

- Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
- Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

The Millennium Development Goals and targets come from the Millennium Declaration signed in September 2000 by 189 countries, Kenya included.

Poverty may be defined as a condition in which a person or community is deprived of, or lacks the essentials for a minimum standard of well-being and life. Poverty may be reflected in a person or community lacking essentials which includes material resources such as food, safe drinking water, and shelter, or social resources such as access to information, education, health care, social status, political power, or the opportunity to develop meaningful connections with other people in society.

Poverty can be linked to questions of scarcity and distribution of resources. The World Bank report of 2007 warns that come 2030, Africa will be home to a larger proportion of the world's poorest people than it is today. To keep pace with the developed world, Kenya and other African countries will need to develop models and implement programmes that address the root causes of poverty with the view of eliminating this menace (One in a Million/Kenya Foundation, 2013).

Poverty is a dehumanizing condition that erodes human rights of the affected individual or community. Poverty subjects the person to a state of powerlessness, hopelessness, and lack of self-esteem, confidence, and integrity, leading to a situation of multi-dimensional vulnerability (Kimani and Kombo, 2009). The World Conference on Human Rights that took place in Vienna in 1993 resulted in a declaration condemning poverty as a denial of human rights and a violation of human dignity.

Poverty is a paradox in Kenya, a country that has one of the better developed economies in the eastern Africa region. It has relatively advanced industrial and agricultural sectors and substantial foreign exchange earnings from agricultural exports. In spite of this, it is a low-income country and is ranked 128th among 169 countries in the United Nations Development Programme's (UNDP) Human Development Index (IFAD, 2011).

The Kenya government (GoK), supported by a number of development partners and non-governmental organizations (NGOs) has over the last ten years undertaken various projects and initiatives aimed at eradicating, or at a minimum, alleviating and reducing poverty among the population. These initiatives include the Women Development Fund, Youth Enterprise Fund, "Kazi kwa Vijana" programme and most recently, the Economic Stimulus Programme (ESP). Despite all these efforts, poverty eradication is far from being realized.

National poverty levels are high, with the national incidence of food poverty standing at 45.6% in 2005/06. While the urban and rural communities in Kenya demonstrate different socio-economic characteristics, data available indicate that the rural poverty incidence declined from 50.7% to 42.2% between 1997 and 2006/07, while the urban incidence increased from 38.3% to 40.5% over the same period. Poverty incidence is expected to have increased from 2008 following the post-election violence of 2007/08, global economic crises as well as global increase in fuel prices (KNBS, 2010).

Past Initiatives on Poverty Reduction in Kenya

Achieving economic growth and poverty reduction has been central to the development process in Kenya since independence in 1963 (Kimani and Kombo, 2009). One of the government's development objectives independence was to achieve a high and growing per capita income as stipulated in its Sessional Paper No. 10 of 1965. Subsequent national development plans from 1965 focussed on rapid growth aimed at alleviating poverty, ignorance and diseases. It appears that over the past more than 50 years, policies, strategies and programmes implemented, aimed at reducing poverty yielded limited significant positive impact as many Kenyans continue to live in abject poverty.

In response to civil society demands to reduce the unsustainable debt that poor developing countries owed the World Bank and the International Monetary Fund (IMF), these multilateral financial institutions launched Poverty Reduction Strategy Papers (PRSPs) in 1999.

Poverty Reduction Strategy Papers are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF and have become de facto World Bank and IMF mandated national economic plans directed at reducing poverty. They are supposed to be country-owned, expressing not only government but also broad civil society interests solicited through a participatory process (Zuckerman, 2002). In Kenya, however, these strategies have not yielded any discernable positive effect on the economic front in as far as poverty eradication is concerned.

According to the UNDP Human Development report in 2006, Kenya's poverty rate was at 52%. According to the National Poverty Eradication Plan, 1999 - 2015, the government has learnt some lessons from previous poverty reduction initiatives. These include, recurring inability to implement remedies prescribed for diagnosed problems and their causes and a weak understanding of the real nature of poverty. There are policy gaps between broad national plans, frameworks, routine sector actions and projects which further contribute to low levels of policy implementation; misappropriation of funds and the diversion of benefits away from the poor.

Agriculture remains the main stay of Kenya's economy. Any policies that seek to give the agriculture sector a big push would result in rapid economic growth thereby helping in poverty alleviation.

The agriculture sector needs to grow at about 5-8% per annum if it is to contribute to national growth and increase rural wealth. For this to happen in a way that will effectively support poverty reduction, a number of important elements need to be put in place and actions to facilitate them need to be taken. These include establishing an efficient rural finance and credit supply, and ensuring policies, institutional and legal frameworks are investor friendly, amongst others.

Adequate funding of the agricultural sector seems the best option of achieving poverty eradication. Agriculture is the lifeline of 80% of Kenya's poor who live in rural areas, including farmers, workers and unemployed. Seventy percent of Kenya's employment is in agriculture, consequently creating jobs and increasing income in that sector is vitally important and, if achieved, will have an important direct effect on poverty (One in a Million/Kenya Foundation, 2013).

Agricultural growth has been below potential in recent years due to various constraints. These include:

a) non availability of quality seeds and inappropriate production technologies especially for small holder farming;
b) lack of access to credit, by the majority of small holder farmers;
c) high cost of farm inputs;
d) poor and inadequate rural infrastructure, especially feeder roads, power supply and market facilities;

e) inconsistencies in policy/poor institutional and legal framework;
f) inadequate research, inefficient extension delivery systems as well as inadequate extension services and support;
g) poor sequencing of the liberalisation process;
h) lack of effective co-ordination of investment activities among the key stakeholders in agriculture.

There are also exogenous constraints, such as:

(i) insecurity in high potential areas and cattle rustling in some regions;
(ii) unfavourable weather conditions and high dependence on rain-fed production, and;
(iii) population pressure on the natural resource base.

As a result, many indicators of rural livelihood have been worsening, indicating an increase in rural poverty (One in a Million/Kenya Foundation, 2013).

Evidence shows that agriculture-led growth in Kenya is more than twice as effective in reducing poverty as growth led by industry (IFAD, 2011). The key to better performance in agriculture lies in boosting smallholder productivity and developing non-farm activities. Financial services should be widely and readily available to rural communities to enable the growth of smallholder enterprises and stimulate rural economies.

The government recognizes that economic development mainly depend on agriculture sector and has introduced legislative and policy reforms to coordinate ecosystem management and the sustainable use of natural resources so as to boost agriculture. These include:

• Agricultural Sector Development Strategy, which gives agriculture priority importance within Kenya's economy, as a means of livelihood for most of the rural population, and as the key to food security and poverty reduction;

• Legal Notice No. 166, which offers guidelines for agricultural farm forestry and requires that 10 per cent of all agricultural land be planted with trees; and

• Water Act, which aims to enhance water resource management through community participation.

Purpose of the Study

The agricultural sector needs to grow at about 5-8% per annum if it is to contribute to national growth and increase rural wealth. For this to happen in a way that effectively supports poverty reduction and eradication, some important elements, all of which require finance, need to be in place, and actions to facilitate them need to be taken. These include establishing efficient rural finance and credit supply system for smallholders and rural primary agro-processors; ensuring policies, institutional and legal frameworks are investor friendly; and facilitating long term investments in farm improvement.

The purpose of the study is to evaluate the effects of increased agricultural financing by both the government and other players on poverty levels and the effectiveness of increasing funding of agriculture as a strategy to eradicate poverty.

Research Questions

The study aims at answering the following research questions:

1. How much funding from the government and other agencies go into agriculture in Uasin Gishu County?
2. What are the poverty levels among the rural population in Uasin Gishu County?
3. Is there a relationship between agricultural financing and poverty levels in Uasin Gishu County?

Hypothesis

The study will test the following hypothesis:

H_0: There is no significant relationship between agricultural financing and poverty levels in Uasin Gishu County.

H_1: There is a significant relationship between agricultural financing and poverty levels in Uasin Gishu County.

Research Design and Methodology

The study will be conducted through an exploratory survey design. It will specifically investigate the relationship between agricultural financing and poverty levels in Uasin Gishu County. The design will enable the researcher to indicate whether and to what extent, a relationship exists between the two quantifiable variables. It will look at the effects of increased agricultural financing on poverty levels in Uasin Gishu. The study will be conducted among the 134,491 farm holders (KFSSG, MOA, RoK, 2008) in Uasin Gishu County.

The study will employ stratified random sampling technique to select the sample, strata being the divisions and farmers being selected proportionately to the number of farm holding in each of the six divisions of Uasin Gishu

County.
The area of study was chosen using a combination of multi-stage and convenience sampling technique as the county is an important part of the country's grain basket region. Uasin Gishu County is an appropriate case study since it is a reflection of the diverse agricultural potential of the country. It produces ample quantities of maize, wheat, horticultural produce, and dairy products. Some parts of the county are also known to be engaged in floriculture activities.
Uasin Gishu County is also a cosmopolitan region that reflects the face of Kenya. While there are affluent areas within the county, abject poverty is very much present in the numerous slums found in some parts of the county

Way Forward

As already noted about 80% of Kenya's population lives in rural areas and relies on agriculture for most of its income. Nearly half the country's 41 million people live in abject poverty. The rural economy depends mainly on smallholder subsistence agriculture, which produces 75% of total agricultural output.
Many proposals have been advanced on how poverty can be eradicated in Kenya, with most of them advocating industrial development as the ultimate cure for poverty.
Although Kenya's long-term development blueprint, Vision 2030 launched in 2008 aims to create a "globally competitive and prosperous country with a high quality of life by 2030", evidence shows that agriculture-led growth in Kenya is more than twice as effective in reducing poverty as growth led by industry (IFAD, 2011). The key to better performance in agriculture lies in boosting smallholder productivity and developing non-farm activities. The key is to make financial services widely available and accessible to rural communities to enable the growth of smallholder enterprises. This will stimulate rural economies and have a big impact on poverty eradication.
Lack of adequate finance translates into inadequate working capital, and therefore, farmers are unable to purchase productivity-enhancing inputs such as hybrid seeds, fertilizers, pesticides, and land preparation. Farmers need adequate funding for them to afford these inputs, increase production and ultimately increase their wealth, and that of their communities.
This paper conceptualizes that adequate funding of the agricultural sector is the surest way of improving the livelihoods of majority of Kenyans and thereby eradicating poverty.

Outcomes

The research is expected to indicate a negative correlation between agricultural financing and poverty levels. It is expected to show that adequate funding of the agricultural sector is the best and surest way of eradicating poverty by improving the livelihoods of majority of Kenyans. It is hoped that it will then influence policy makers to put in place measures that will increase agricultural financing as a means of eradicating poverty among the population.

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