



Viffa Consult



Driving SME growth and competitiveness in Kenya through Agribusiness

SME Policy support for agribusiness value chains



Abstract

The paper attempts to evaluate the effectiveness of policy intervention to agribusiness in Kenya through analysis of government of Kenya long term strategy as espoused under Vision 2030 and the subsequent medium term plans against actual performance of agribusiness value chain sectors as enumerated under annual economic performance review

The paper commences by reviewing vision 2030, Kenya's the long-term development blueprint that aims to create "a globally competitive and prosperous country with a high quality of life by 2030". It aims to transform Kenya into "a newly-industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment".

The paper highlights the sector pillars related to agribusiness namely; agriculture, agriculture and rural development, manufacturing and financial services enumerating the strategies under each and tracking their implementation under the medium term plans and finally looks at the performance of respective sector in order to objectively evaluate if the interventions are working or not and finally offer recommendations

Recommendations are underpinned on an assumed cause effect of proposed strategy under Vision 2030 and their implementation espoused under MTP 1 to 3 against impact as measured by agribusiness sub sector performance as enumerated in annual economic review for years 2012 upto 2020.

Further recommendations focus on the unit agribusiness sub sectors cognizant of their correlation within the value chain.

Recommendation

This section offers recommendations underpinned on an assumed cause effect of proposed strategy under Vision 2030 and their implementation espoused under MTP 1 to 3 against impact as measured by agribusiness sub sector performance as enumerated in annual economic review for years 2012 upto 2020.

Further recommendations focus on the unit agribusiness sub sectors cognizant of their correlation within the value chain.

Agriculture

The agriculture sector contributes about 24 per cent of the GDP, about 75 per cent of industrial raw materials and 60 per cent of export earnings. The sector accounts for 65 per cent of Kenya's total exports, 18 per cent and 60 per cent of the formal and total employment respectively.

The agricultural sector comprises five subsectors

1. Industrial crops
2. Food crops
3. Horticulture
4. Livestock and fisheries

Proposed Interventions Under Agriculture

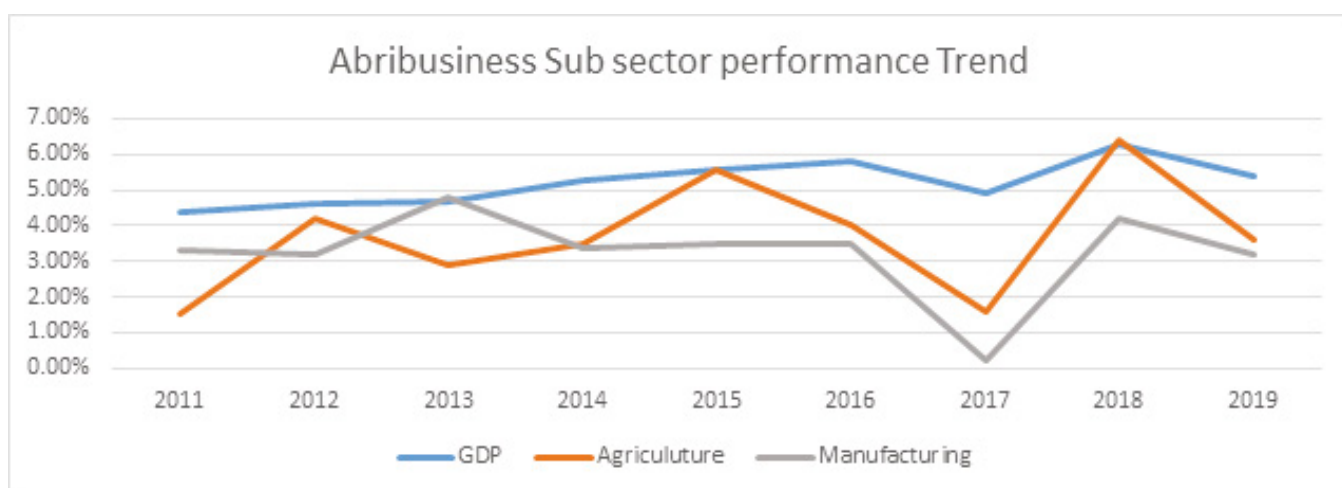
1. There is need for audit of the completion level of proposed strategies under Vision 2030 in relation to the sector and an evaluation of effectiveness of the proposed strategy ensuring the country pivots if necessary to align with current realities
2. There is need for diversification of agricultural exports away from traditional horticulture as well as new product through value addition (increasing product value) and market development. Market development can focus in growing regional market share which is less than 20 percent as well as Africa leveraging on both COMESA and AFCFTA
3. There is need for a relook at current approach of managing weather related risk to the sector cognizant that throughout MTP 1 to 3 risk posed by weather was sighted as a contributor to under performance of the sector and a knock on effect to manufacturing as well as financial sector among other sectors.
4. There is need for review of input reduction strategy cognizant that high input cost has persisted despite reports under the MPTs that the challenges is being addressed.
5. There is an acute need for derisking of the sector in order to improve financial inclusion with the sector currently averaging 3 percent of national credit despite its significant contribution to the economy hence direct correlation between the sector performance with manufacturing as well as GDP performance (see tables 19 and 20)

Table 19: Agribusiness sub sector Performance

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP	4.4%	4.6%	4.7%	5.3%	5.6%	5.8%	4.9%	6.3%	5.4%
Agriculture									
Share of Total Credit	4.5%	3.3%	3%	3.7%	3.1%	3%	2.5%	2.5%	2.3%
Growth Rate	1.5%	4.2%	2.9%	3.5%	5.6%	4%	1.6%	6.4%	3.6%
Manufacturing									
Share of Total Credit	12.2%	9.6%	8.9%	13%	10.4%	9.2%	9.4%	9.4%	11.1%
Growth Rate	3.3%	3.2%	4.8%	3.4%	3.5%	3.5%	0.2%	4.2%	3.2%

Source: Central Bank Analysis: Author

Table 20: Agribusiness Sub Sector Performance Trend



Source: KNBS Economic Review 2012-2020

Analysis: Author

■ Manufacturing

Manufacturing in Kenya is structured as follows

1. Micro
2. Small
3. Medium
4. Large

Medium to large manufactures constitute 5 percent of total population but contribute 60 percent of the sectors GDP contribution with micro and small constituting 95 percent of population while contributing 40 percent of the sectors GDP contribution.

On average top manufacturing sectors over the last decade are;

1. Textile and Clothing
2. Petroleum
3. Nonmetallic minerals
4. Beverage and Tobacco

Further as of 2013 locally manufactured goods comprised 25 percent of Kenya's export with Kenya's products commanding a paltry 7 percent of the regional market

■ Proposed Interventions under Manufacturing

1. There is need to address wholesale challenges of the micro and small manufactures who are the majority (constituting 95 percent of aggregate manufactures) in order to unlock their value to GDP contribution from the current sector GDP contribution of 40 percent. Some of the challenges contributing to their underperformance to be addressed include; Inadequate and costly infrastructure, capacity building, cost of doing business, adoption of new technology, access to market (they lack route to market evaluation and exploitation due to their small size and lack of resources)
2. There is a need for comprehensive collaboration framework between micro and small with medium to large manufactures at a sub national level and forward linkage to global value chains
3. There is need for prioritization and further exploitation of proven performing sub sectors such as textile and clothing targeting EAC, COMESA and AFCFTA

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