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of the United Nations

Analysis of public expenditure in support of food and agriculture in Kenya, 2006–2012

October 2014

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Acronyms

ADB	African Development Bank
AFC	Agricultural Finance Corporation
AFFA	Agriculture, Fisheries and Food Act
AIA	Appropriation in Aid
AMS	Agriculture Mechanization Stations
ARD	Agriculture and Rural Development
ASALs	Arid and Semi-Arid Lands
ASCU	Agriculture Sector Coordination Unit
ASDS	Agriculture Sector Development Strategy
ASPS	Agricultural Sector Programme Support
BOPA	Budget Outlook Paper
CAADP	Comprehensive Africa Agriculture Development Programme
CBK	Coffee Board of Kenya
CODA	Cotton Development Authority
COMESA	Common Market for Eastern and Southern Africa
CRA	Commission on Revenue Allocation
CRF	Coffee Research Foundation
DRSRS	Department of Resource Surveys and Remote Sensing
EAAPP	Eastern Africa Agricultural Productivity Project
EAC	East African Community
EAPP	Enhanced Agricultural Productivity Project
ERS	Economic Recovery Strategy
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
EWS	Early Warning System
FAO	Food and Agriculture Organization of the United Nations
FNSP	Food and Nutrition Security Policy
FNSS	Food and Nutrition Security Strategy

GoK	Government of Kenya
GDP	Gross Domestic Product
HACCP	Hazard Analysis Critical Control Point
HCDA	Horticultural Crops Development Authority
IFMIS	Integrated Financial Management Information Systems
KAPAP	Kenya Agricultural Productivity and Agribusiness Project
KAPSLM	Kenya Agricultural Productivity and Sustainable Land Management
KARI	Kenya Agricultural Research Institute
KARLO	Kenya Agricultural Livestock Research Organisation
KEPCO	Kenya Producers' Coalition
KEPHIS	Kenya Plant Health Inspectorate Service
KER	Kenya Economic Report
KESREF	Kenya Sugar Research Foundation
KNBS	Kenya National Bureau of Statistics
KSB	Kenya Sugar BoardKshs Kenya Shillings
MAFAP	Monitoring African Food and Agricultural Policies
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MOA	Ministry of Agriculture
MPER	Ministerial Public Expenditure Review
MSE	Medium and Small Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NAAIAP	National Accelerated Agriculture Input Access Program
NALEP	National Agriculture and Livestock Extension Project
NCD	Non-Communicable Diseases
NEPAD	New Partnership for Africa's Development

OECD	Economic Co-operation and Development
PC	Performance Contract
PCPB	Pest Control Products Board
PEM	Public Expenditure Management
PAC	Public Accounts Committee
PIC	Public Investment Committee
PSDA	Private Sector Development in Agriculture
SAPs	Structural Adjustment Programmes
SRA	Strategy for Revitalizing Agriculture
THVC	Traditional High Value Crops Project

SUMMARY

Kenya has not met the 10 percent target of the total government spending as agreed upon at the African Union meeting in Maputo in 2003. The level of expenditures falls below the target 10% of total government spending. This means that a low share of the country's budget was devoted to food and agriculture over the 2006-2012 period under review. This corresponds to a decrease of the agriculture value added growth as well as the Gross Domestic Product (GDP), which plunged twice in 2008 and 2011.

The composition of public expenditures in support of food and agriculture has been unequally balanced, with 60 percent allocated to agriculture-specific expenditures as opposed to 40 percent for agriculture-supportive spending (rural education, health and infrastructure). Within agriculture-specific expenditures, general sector support has been predominant over direct payments to agents, at 80 percent. The main categories supported were extension services at 25 percent, research at 16 percent, input subsidies at 14 percent and infrastructure and veterinary services at 10 percent. The level of payment to producers was high in 2009/2010 compared to all the other periods but it dropped to 3.9 percent in 2010/2011 period. On the other hand, payment to consumers is only reflected in the school feeding programmes which accounts for approximately 99 percent of the payments.

The targeted support to individual commodities have mainly flowed to one particular commodity; maize, because of the fertiliser reduction initiative which largely focuses on the crop. This therefore does not reflect an effort to promote development of the agricultural sector as whole. External resources constitute a fairly large proportion of development funds for the Ministry of Agriculture at an average of 65 percent for the whole period of analysis. However, a detailed analysis on the donor versus government allocations to the sector was not carried out.

Scarce resources would contribute more to achieving better sector performance if budget allocations were fully used. The composition of public expenditures in support of food and agriculture sector development could still be improved. The composition of public expenditures is just as, if not more, important than the total level. There may be trade-offs between spending in different categories (for example spending on rural infrastructure versus subsidies for seed and fertiliser) and there may be complementarities (for example between spending on extension services and the development of infrastructure that would enable farmers to get their output to the market). Although the majority of public expenditures aim at provision of public services and investment, there seem to be an imbalance between particular categories of spending. The high investments in research, extension services and training can bring benefits via improved agricultural productivity and in longer-term contribute significantly to poverty reduction. Investments in agricultural infrastructure, both on and off-farm, are a key element in reducing transaction costs and improving farmers' access to markets. Addressing these issues will be crucial in improving performance of expenditures in support of food and agriculture sector development. However, whether addressing these problems will be reflected in improved agricultural growth will also depend on other factors of growth that cannot be fully derived from public spending.

PURPOSE

The purpose of this technical note is to analyse the effectiveness of public expenditures in support of food and agriculture in Kenya. The technical note does not intend to provide an in-depth analysis of the relationship between sector performance and public expenditures, nor does it provide an impact assessment of projects and programmes covered in the analysis. Instead, it focuses on a detailed analysis of the level, composition and coherence of public expenditure in support of food and agriculture in the country. The objective of such an analysis is to identify the patterns of support to food and agriculture sub-sectors (research, input subsidies, infrastructure and extension) and commodities over time, by type and source of funding.

METHODOLOGY

This technical note uses the Monitoring African Food and Agricultural Policies (MAFAP) methodology for analyzing public expenditures in support of food and agriculture. The MAFAP methodology allows identifying, disaggregating and classifying all public expenditures in support of food and agriculture in the country, following a typology derived from the Organization for Economic Co-operation and Development (OECD) classification of public expenditures. The MAFAP methodology entails the classification of all projects and programmes in support of food and agriculture in the country, based on the nature of the support to the sector that is provided under each project/programme activities. The MAFAP methodology provides the disaggregation of public expenditures per funding source (aid and government), per implementing agency, and the distinction between recurrent and capital expenditure, administrative and policy transfers, budgeted and actual expenditure. The methodology is also able to determine the share of public expenditure going to each commodity in the country. More information on the methodology can be found in the methodological guidelines, available on the website².

SCOPE

The technical note covers budgeted and actual expenditures for all projects and programmes in support of food and agriculture for the period 2006 – 2012. Such expenditures include capital and recurrent public expenditure at the aggregated, project and programme level.

Expenditures account for spending in the following ministries; Ministry of Agriculture, Livestock and Fisheries, and Ministry of Industrialization and Enterprise Development. Other related ministries include: Ministry of Environment, Water and Natural Resources, Ministry of East African Affairs, Commerce and Tourism, Ministry of Mining and Ministry of Lands, Housing and Urban Development. Expenditures that are important for the agricultural sector development may occur outside the agricultural ministries and institutions. In case of Kenya, the supportive ministries include: Ministry of Health, Ministry of Education Science and Technology, Ministry of Devolution and Planning and Ministry of Transport and Infrastructure.

² Please see : <http://www.fao.org/mafap/products/mafap-methodology-documents/en/>

ECONOMIC AND POLICY CONTEXT OF FOOD AND AGRICULTURE IN KENYA

Background

From the year 2000, there has been a constant decline of agricultural contribution to Gross Domestic Product (GDP) (Figure 1). In per capita GDP terms, Kenya is still a poor country. Per capita income was approximately US\$594.83 in 2012 (Table 2). Majority of Kenyans derive their livelihood directly or indirectly from the agricultural sector because about 76 percent of Kenyans reside in the rural areas. This indicates that with properly targeted policies on food and agriculture in general; can go a long way in alleviating poverty among the greater majority. An estimated 43 percent live below the poverty line, the highest proportion of which resides in the rural areas. According to the Kenya National Bureau of Statistics (KNBS), about half of Kenya's estimated 45 million (2012) people are poor, and some 7.5 million people live in extreme poverty, while over 10 million people suffer from chronic food insecurity and poor nutrition (KER ,2014).

Table 1: Overview of the Economy in Kenya 2012

Economy	
GDP per capita (Constant KSh)	37302.51
GDP per capita (Constant 2005 USD)	594.83
GDP per capita (PPP Constant 2011 USD)	2151.44
Agriculture	
Agriculture, % GDP	25.9
Employment in Agriculture	61.1
Poverty	
Poverty headcount ratio USD PPP 1.25 a day (% of population) ^b	43.37
Poverty headcount ratio USD PPP 2 day (% of population) ^c	67.21
Demographics	
Rural population (% of total population)	75.63
Population (million)	45.01

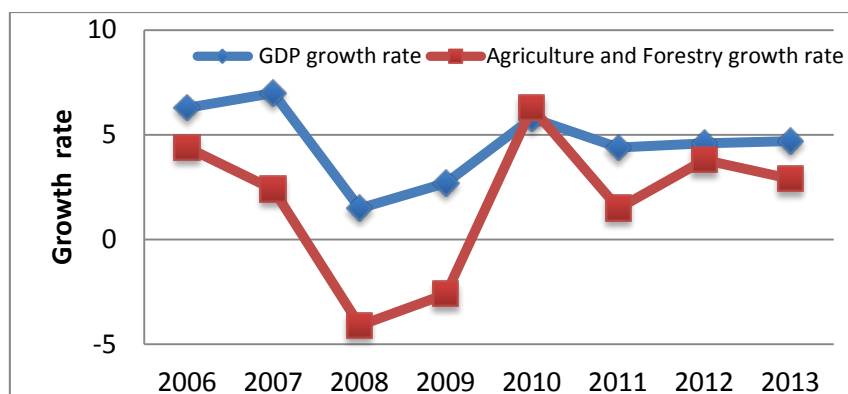
Source: KNBS, 2012; WDI2014 ^{a, b, c} 2005 estimates

Generally, agricultural production declined in 2013 as a consequence of depressed performance of both the long and short rains. Depressed agricultural performance resulted in the sector's output at current prices decelerating by 4.1 per cent from KSh 1,001.3 billion in 2012 to KSh 1,042.3 billion in 2013. The gross value added at constant prices increased by 2.9 per cent to KSh 334.6 billion in 2013. This increased performance was majorly attributed to the sector's output value at constant prices which grew from KSh 424.6 billion in 2012 to KSh 435.5 billion in 2013 (KNBS, 2014).

The Figure 1 shows the GDP growth rate for the last 8 years. The Economic Stimulus Package, an initiative of the government to boost economic growth saw the rise in production from irrigation schemes that contributed to the improved production in 2010. This was coupled by favorable

weather and use of fertilizer and certified seed. However the decline there after is attributed to extreme weather variability

Figure 1: Trends in GDP growth rate in Kenya (2006-2013)



Source: KNBS, 2014

Agriculture plays a very vital role in the Kenyan economy not only due to its contribution to the growth of the economy but also as a source of employment and providing food, raw materials for agro-industries and export earnings. The sector directly contributes to 26 percent of the GDP annually valued at KSh 342 billion and another 27 percent indirectly valued at KSh 385 billion through linkages with manufacturing, distribution and other service related sectors. The sector accounts for 65 percent of Kenya’s total exports, 18 percent and 60 percent of the formal and total employment respectively. The sector supports the livelihoods of about 80 per cent of the population (KER, 2010). Table 2 shows the importance of the sector in comparison to selected sectors in the economy.

Table 2: Percent contribution to Gross Domestic Product for selected sectors

Sector	2006	2008	2009	2010	2011	2012	2013
Agriculture and Forestry	23.4	22.3	23.5	21.5	23.8	24.6	25.3
Manufacturing	10.3	10.8	9.9	10.0	9.6	9.5	8.9
Wholesale and retail trade	9.3	10.1	9.8	10.3	10.5	10.5	10.2
Transport and communication	10.6	10.2	9.8	9.8	9.9	9.6	9.1
Education	6.9	6.3	5.7	5.7	5.8	6.1	6.7
Health and social work	2.5	2.4	2.6	2.6	2.4	2.4	1.9

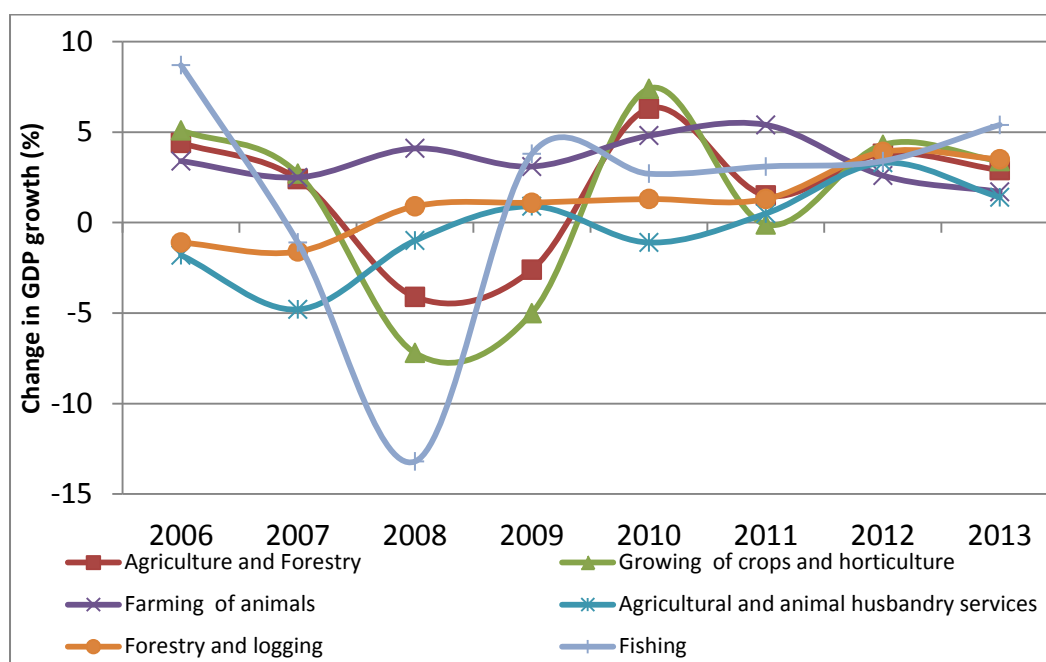
Source: KNBS, 2014

There is correlation between economic growth and agricultural development; high/low economic growth rates have coincided with high/low growth rates in agricultural output. The agricultural sector accounts for 18 percent of total formal employment in Kenya (GoK, 2007). The sector is still the leading source of employment in the rural sector accounting for an estimated 75 percent of the labour force, In addition, to accounting for 66 percent of all manufactured goods.

The agriculture sector real gross value added growth declined in 2013 to 2.9 per cent from a growth of 4.2 per cent recorded in 2012. The sector’s contribution to GDP increased slightly to 25.3 per cent in 2013 compared to 24.6 per cent in 2012. Farming of animals and agricultural and animal

husbandry recorded the slowest growth during the year. However most the activities in the sector recorded a lower growth in 2013 as compared to the previous year.

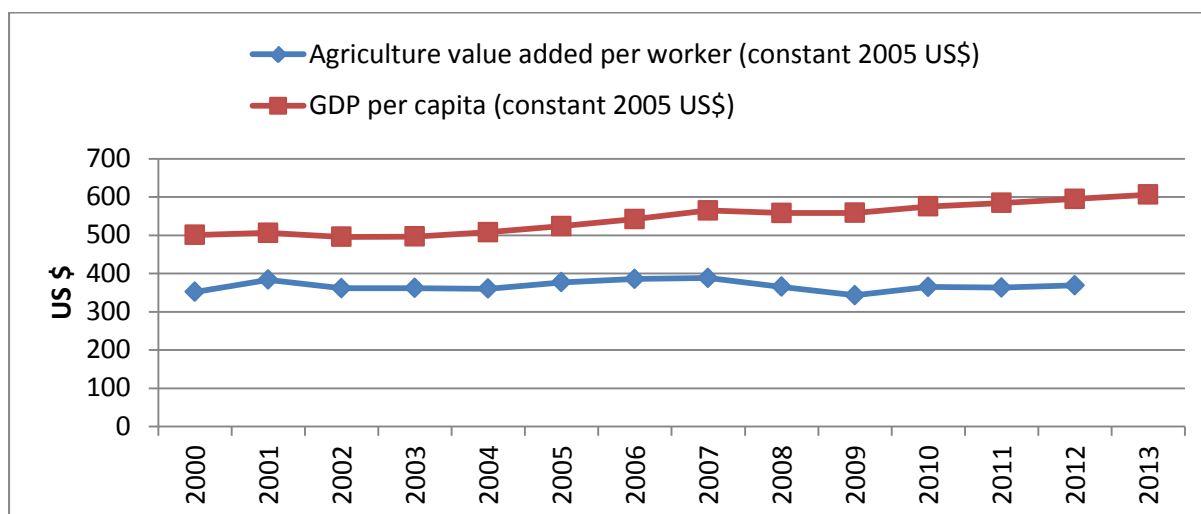
Figure 2: Gross Domestic Product by Activity



Source: KNBS, 2014 Economic Survey

Taking into account the value added per worker of the sector, it is evident that agricultural productivity has more or less remained the same when compared to GDP per capita over the last decade (figure 3). Plausible explanations include, climate variability and natural disasters like droughts and /or floods; low adoption of technology, such as superior varieties, irrigation technology etc. due to information asymmetry, or inadequate access to relevant information and at the same time the lack of resources to implement the technologies (AGRA, 2013).

Figure 3: Agricultural Value Added per worker and GDP per capita (constant 2005 US\$)



Source: WID, 2014

After expiry of the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) that emphasized economic growth and creation of wealth and employment as means of eradicating

poverty and achieving food security; the country adopted the Strategy for Revitalizing Agriculture (SRA), in March 2004. The strategy set out to transform Kenya's agriculture into a profitable, commercially-oriented and internationally and regionally competitive economic activity that provides high-quality, gainful employment to Kenyans. Most of the goals set out in the SRA were achieved and lessons learnt included; the importance of sector coordination and sector-wide approach to planning and implementation, the role of private sector in agricultural production, processing, marketing, value addition and financing, importance of marketing and associated infrastructure including the role of cooperative societies.

The formation of a new government in 2008 and the launch of Kenya Vision 2030, saw the need to position the agricultural sector as the key driver for delivering the 10 per cent annual economic growth rate envisaged under the economic pillar of Vision 2030. Kenya Vision 2030 has identified four major challenges that continue to face the agricultural sector. First, agricultural productivity is glaringly below its realistically achievable potential due to various policy and structural constraints. Indeed yields from various crop and livestock enterprises have stagnated or been on the decline in the last two decades since implementation of structural adjustment programmes (SAPs). Fish production is below potential while forest cover and tree productivity have been on the decline yet population growth has continued to grow. Secondly, land remains largely under-exploited for agricultural and livestock production, and/or human settlement. Thirdly, markets continue to function inefficiently, constrained by limited storage capacity, lack of post-harvest services and poor access to input markets. Lastly, value addition especially for the export commodities is very limited. The country has continued to export semi-processed, low-value produce. The limited ability to add value to agricultural produce coupled with high production costs makes the country's exports less competitive in the global market and limits the possibilities to explore new markets.

The Agriculture Sector Development Strategy (ASDS) was developed to guide the envision 10 percent growth in Vision 2030. In addition to taking into account the ongoing institutional and policy reforms, the country's new political system and structure of government. ASDS has also taken into account regional and international initiatives such as the CAADP.

Box 1. Strategic Thrusts for the Agriculture Sector

The vision of the agricultural sector is: *'A food-secure and prosperous nation, and the overall development and growth of the sector is anchored in two strategic thrusts:*

- i. Increasing productivity, commercialization and competitiveness of agricultural commodities and enterprises
- ii. Developing and managing key factors of production (i.e., land, labour, capital –including technology and credit)

These targets are broad and would require the participation of other sectors of the economy in order to achieve them.

Source: (ASDS, 2010 -2020, ARD Ministry Strategic Plans).

The sector is identified as one of the sectors that will contribute immensely to the realization of the Kenya Vision 2030 thorough the implementation of the sector flag-ship projects and earmarked

programmes. It is recognized that national economic performance has a direct bearing not only on farm incomes but also on food security and nutrition status. The sector has a crucial role in ensuring food security, job creation and income generation, foreign exchange earnings and linkages with other sectors, especially the micro and small enterprises (MSEs), construction industry (via wages for unskilled workers) and informal sector businesses.

Sector organization and management

Devolution and Agriculture

The Constitution of Kenya 2010 has spelt out the roles of both the national and county government in agriculture. Part 1 of section 29 of the Fourth Schedule of the Constitution, outlines the role of the national government as formulation of agricultural policy and assisting the county governments on agricultural matters. Part 2 of the schedule outline the functions and powers of the county to include, crop and animal husbandry, management of livestock sale yards, county abattoirs, plant and animal disease control and fisheries.

Box 2: Constitution of Kenya: Relevant sections to the sector

The other chapters of the Constitution that are relevant to the agricultural sector include chapter four – the bill of rights where access to information, freedom of association, equality and freedom from discrimination, labour relations, economic and social rights environment as well as protection of rights to property have implication of the development of the sector. Chapter five on land and environment, both part one and two in their entirety have significant implications on the sector activities.

The constitution made fundamental changes to the management of the land resource. These changes revolve around the guiding principles for the management of resources in the country. The imperative of this is that, a review of all policy, legal and institutional instruments will be required to ensure compliance and conformity of land management interventions with the constitution in a manner that supports achievement of Vision 2030 objectives.

The devolved system of government in Kenya has been in place for a short time and most of the implementation structures at the county level are now underway. However there are a few changes that have been noticed. The merger of ministries of; agriculture, livestock and fisheries has created a unified extension. Since the departments are interrelated, service delivery has become more effective because of interdepartmental cooperation. On the other hand there is a higher allocation of funds in the sector from the national treasury to the County government. This has given the county governments an opportunity to implement its county specific programs that factors in its unique development needs. With devolution also, most services are now offered closer to the people without reference to the national office. There is also better representation of communities in decision making process as provided for in the constitution.

However, under the transitional period, there are many overlaps and mandates that are yet to be fully clarified. In addition, the process has been characterized by delay in funds flows, and job insecurity/uncertainty particularly among the staff at the County level. The delayed funding from the

National Treasury has led to slow implementation of agricultural programmes in the sector. The regime change from a centralized form of government to a devolved system has led to a time lag in terms of policy implementation owing to the change in the country's fiscal structure. There are adjustments that have to be made before the new system is effectively rolled out. This situation has a ripple effect that is felt all the way by the farmers because the ministry's operations have to be streamlined to fit the new system of government.

The ministry realized 6 Policies and 4 Acts of Parliament between late 2011 and early 2013. The overall aim of these legislations is to create a more business-oriented and efficient sector to boost food security interventions.

	Policies	Year
1	National Agriculture Sector Extension Policy	2012
2	National Seed Policy	2011
3	National Horticulture Policy	2012
4	National Food and Nutrition Security Policy	2012
5	National Agribusiness Strategy	2012
6	National Agricultural Research System Policy	2012
Acts of Parliament		
1	Agricultural, Fisheries and Food Authority (AFFA) Act	2013
2	Crops Act	2013
3	Kenya Agricultural and Livestock Research Act	2013
4	KEPHIS Act	2012

Source: MOA- Policy and External Relations Directorate

The Agriculture, Fisheries and Food (AFFA) Act, for instance, brings together all agriculture research institutions, marketing as well as regulatory bodies in the sector. The Act in line with the Constitution provides for the consolidation of the separate laws on the regulation and promotion of agriculture sector leading to the establishment of the Agriculture, Fisheries and Food Authority. The AFFA act also makes provision for the respective roles of the national and county governments in agriculture excluding livestock and related matters in furtherance of the relevant provisions of the Fourth Schedule in the Constitution. Other initiatives in the sector include the enactment of the consolidated agricultural reform bill. In addition to the AFFA Act, the other two acts which were enacted and assented to are: the Crops Act 2012 and National Agriculture Research Act 2012.

NATIONAL BUDGET PROCESS IN KENYA

Overview of the Budget Process

Budgeting in Kenya has undergone various reforms since the first budget was prepared in the 1960's. Institutional weaknesses prompted the establishment of the budgetary procedures group in 1972 that reviewed existing budgeting procedures and made several recommendations among them programme review and forward budgeting that was to relate the annual development and recurrent budgets more closely with the five-year Development Plans.

However, economic prospects and performance remained low throughout the 1980's which prompted the introduction of the Budget Rationalization programme in 1986 mandated in ensuring that the limited funds were spent on the most important and high priority areas which had an immediate impact on promoting growth prospects, increasing productivity, creating employment opportunities and in increasing the revenue base (Kiringai and West, 2002). In 1990, the Public Investment Programme was introduced to strengthen the planning, selection and management of public financed capital investments

A review of public expenditure in 1997 indicated that there were outstanding problems of macroeconomic management, the budget process had little credibility, and that public sector productivity was very low (Kiringai and West, 2002). Resources were poorly utilized and their contribution to achieving national development objectives was limited. As a result of poor budgeting, projects were not being completed on time leading to systemic occurrence of pending. The costing of programmes was poor, hence there was no prioritization taking place. The budget process was also a mystery as Treasury officials kept it a well-guarded process especially during the final stages of preparation. The review recommended the adoption of a comprehensive process of budgeting that allows an establishment of a link between planning and budgeting.

To overcome these obstacles, the Medium Term Expenditure Framework (MTEF) was adopted in 2000. The MTEF provides a framework for evaluating and allocating available resources to agreed policy priorities and national development objectives. The principles of MTEF include;

- Achieving fiscal discipline
- Achieving allocative efficiency which means a process of ensuring that resources are allocated to agreed strategic priorities both between and within sectors
- Achieving predictability through the development of consistent and realistic resources. The current approach in budgeting endeavors to achieve these key principles.

The budgeting process in Kenya undergoes three stages (planning, parliamentary approval and then execution or implementation).

(a) Planning so as to link the budget to national priorities – ministries are required to set needs for medium term perspective, set macro budgets and estimate the overall resources and expenditures, review sectoral priorities and financial programming. Sectoral review commence as soon as the Treasury issues guidelines to ministries in September. Each ministry is required to carry out a ministerial review in order to participate in the sectoral reviews. The MPER's are done between September and December and they are coordinated by the Planning divisions of Ministries. Departments within the Ministries carry out the exercise and where necessary, consultants are hired to assist in the exercise. The aim of the sectoral reviews is: to allow for coordination among actors in the same sector; provide a forum for making tradeoffs; link sectoral goals to the overall budget. Based on the reviews, line Ministries (also known as spending ministries) proceeds to prepare budget proposals through sector consultations with key stakeholders in the sector.

The sector consultations culminate to sector public hearings, a forum which offers opportunity to the government to consult with the wider public. This is the main stage where the budget is actually open to the public. The Budget Outlook Paper (BOPA) is then prepared and published by the Ministry

of Finance and which gives and elaborate medium term fiscal framework that determines the overall resource envelope. It also acts as a signal on the budget policy intent of the government. The Budget Strategy Paper is also prepared using the finalized sector reports as the base.

Financial programming involves the preparation and approval of the itemized budget. Once the Ministries form their expenditure ceiling, they prepare their three-year itemized budget for both recurrent and development expenditure. Their budget is at this stage limited by, on the one hand by the overall ceiling they secure from sectoral resource envelopes and on the other hand the existing commitments which form the first charge of the available resources. The itemized budgets are submitted to Treasury for review and approval.

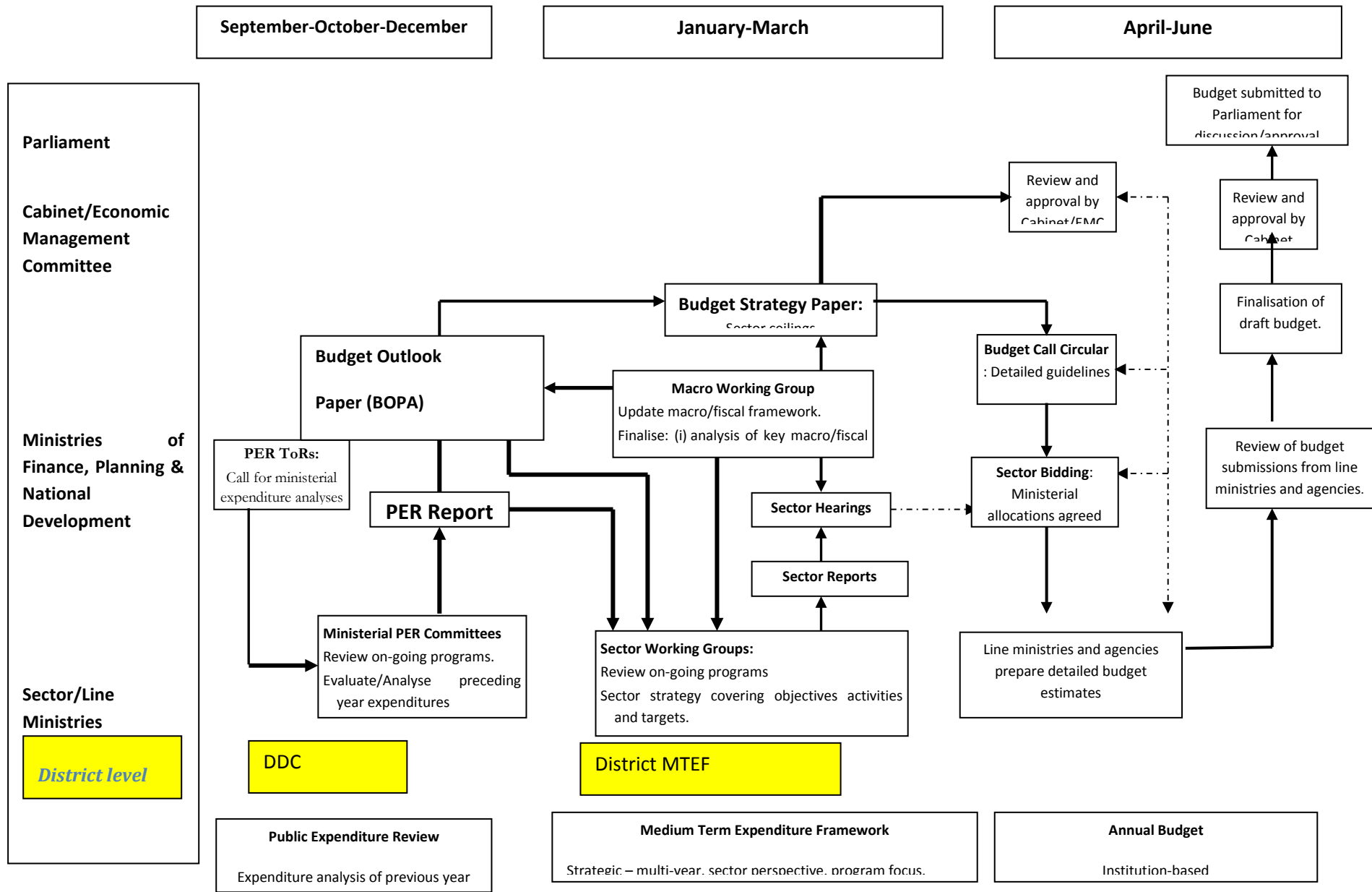
(b) Budget Approval: According to the old constitution of Kenya and was emphasized in the standing orders of the Kenyan Parliament, the budget should be laid in the house on or before 20th of June every year as provided for in Section 100 of the old Constitution of Kenya. The new constitution provides that “at least two months before the end of each financial year, the cabinet secretary responsible for finance shall submit to the National Assembly estimates of the revenue and expenditure of the national government for the next financial year to be tabled in the National Assembly”³

(c) Budget Execution: When the estimates of expenditures are finally approved through the appropriation act, the budget becomes a statutory instrument that has to be adhered to by all institutions involved in the budget execution.

Under the new constitution, a Commission on Revenue Allocation (CRA) is responsible for making “recommendations concerning the basis for the equitable sharing of revenue raised by the national government between the national and county governments and among the county governments” (Constitution of Kenya, 2010). During the fiscal year 2013/2014 the total budget for Kenya was Ksh. 1.6 trillion. This was the first budget to implement the devolution process, from which an amount of Ksh. 210 billion was set for the 47 counties. The amount was distributed to the counties based on a revenue sharing formula which was developed by CRA. However a number of counties have experienced huge budget deficits because the funding requirement of many investment and development plans exceed the transfers from the central government.

³ The Constitution of Kenya, 2010

Figure 4: National Budgeting Process in Kenya



However, changes have been proposed in the budgetary process as provided for in the 2010 constitution of Kenya. These include deepening County government involvement in the budgeting process as well as changing the budgeting timeline to start in October in each fiscal year. Budget proposals will also be expected to be tabled in parliament by March in each fiscal year so as to enhance the involvement of parliament and other stakeholders in the overall budgeting and project prioritization process.

The role of Parliament in budget execution includes reviewing and reporting on the report of the controller and auditor general. It is a requirement that within three months after the end of the financial year each ministry should prepare its final accounts and submit them to the Controller and Auditor General who audits the accounts and raises reference sheets which are the basis of review by Parliament through its specialized committees (the Public Accounts Committee (PAC) which looks into the Audit accounts for Ministries and the Public Investment Committee (PIC) which looks into the audits of the State Corporations). The impact of the scrutiny at this point depends on the information available i.e. the structure and format of the reports by the controller and auditor general. The task of the PAC and PIC is to consider whether spending did comply with the intentions and the expected standards and whether value for money was achieved.

However, the national government may spend money not appropriated if “the amount appropriated for any purpose under the Appropriation Act is insufficient or a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act or money has been withdrawn from the contingency fund” (Constitution of Kenya, 2010).

ANALYSIS OF PUBLIC EXPENDITURES IN SUPPORT OF FOOD AND AGRICULTURE IN KENYA

General trends in the global budget

The agriculture and rural development sector in Kenya for the period 2006 -2012 was defined by the following ministries: Agriculture, Livestock and Fisheries Development and Cooperatives and Marketing Development. Other sector-related ministries include: Water and Irrigation, Natural Resources and Environment, Forestry and Wildlife, Ministry of Regional Development Authorities, and Ministry of Lands. Expenditures by these ministries are considered when measuring support to agriculture and rural development in Kenya.

In addition, expenditure that supports development of the agricultural sector that occurred outside these key agricultural sector ministries and institutions were also captured namely; agriculture sector related expenditures in the ministries of State for Development of Northern Kenya and Other Arid Lands, Ministry of Health (rural health), Ministry of Education (rural education), Ministry of Special Programmes, and Ministry of Roads (rural roads).

The approved budget for all expenditures in support of food and agriculture sector development covered in this analysis grew by 111 percent in nominal terms from 2006/07 to 2011/2012, reaching KSh 1.15 billion. In relative terms, however, the share of identified agricultural expenditures in total government budgeted expenditures declined from 6 percent in 2006/07 to 5 percent in 2011/2012.

Table 3: Budgeted allocations and actual spending in millions of Kenya shillings 2006 – 2011/2012

	2006/07	2007/08	2008/09	20090	2010/11	2011/2012	Growth %
BUDGETED	545,530.18	693,570.46	724,137.17	822,575.63	958,187.04	1,152,933.39	111
ACTUAL	476,868.38	713,998.43	649,647.44	728,474.14	999,277.66	1,459,855.90	142

Source: Budget Estimate Books, GoK, 2013

General trends in public expenditures in support of food and agriculture

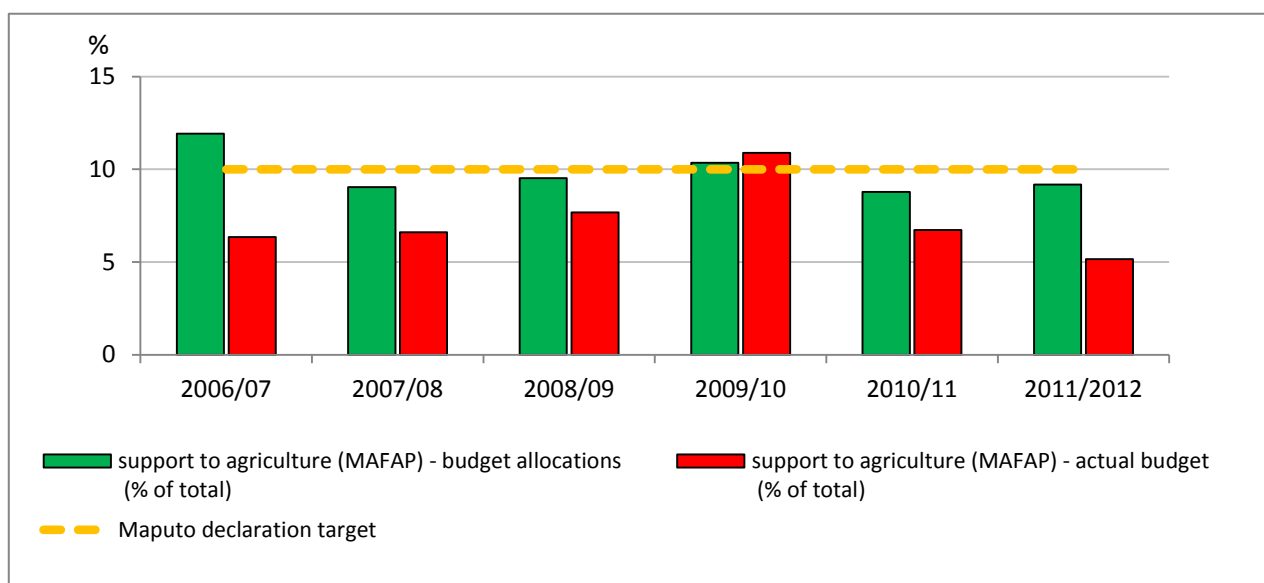
Figure 5 shows that, over the period under review the budget allocation and expenditure to the sector have not reached the Maputo Declaration of 10 percent, except in the year 2009. This can be attributed in part to the 2008/07 election related disruption in food production areas of the country which necessitated the increased allocations and expenditures to the sector in a bid to ensure that food availability was not disrupted. Again in 2011/12, more actual expenditure was realized due to the implementation of a better reporting system by government institutions.

Table4. Total agricultural expenditures in Kenya: budget allocations and actual spending

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/2012	Growth
BUDGETED	65.06	62.62	68.89	85.1	84.1	105.82	63%
ACTUAL	30.25	36.77	49.8	79.3	67.22	75.32	149%

Source: MAFAP 2014

Figure 5. Agriculture and rural development in total government expenditures in KENYA, budgeted and actual budget



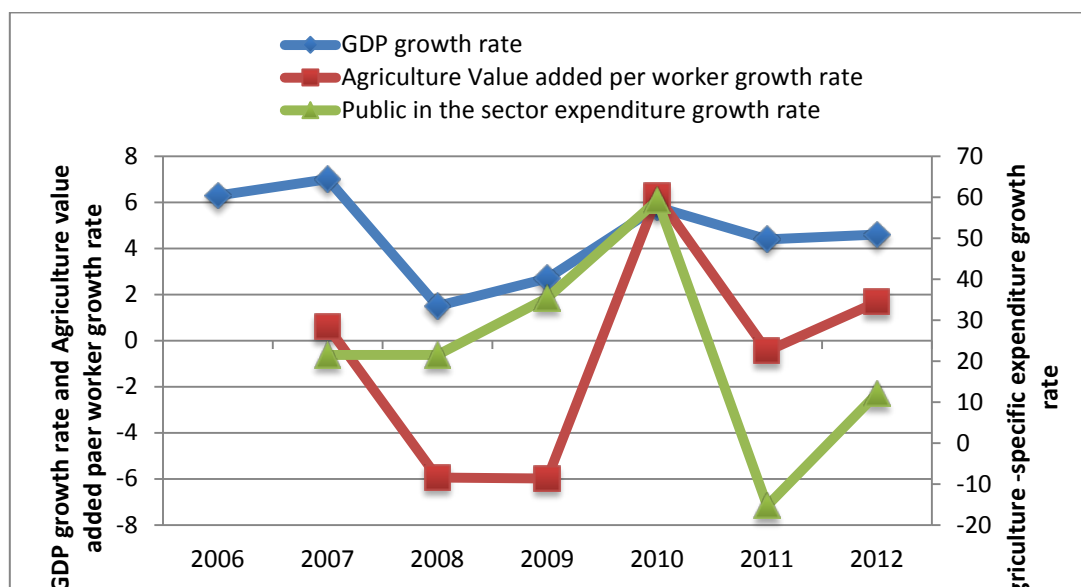
Source: MAFAP 2014

Categories of spending

The MAFAP data allows for disaggregation of expenditures. All national expenditures in support of food and agriculture sector development were covered, while only a few donor-funded projects were included. Overall, 200 projects and programmes were identified (see separate document on for full list of projects and programmes covered in the analysis) and classified into the MAFAP classification as outlined in the project methodology (MAFAP, 2010).

Figure 6 shows that, generally growth in GDP and value added per worker follow a trend similar to that of public expenditure, however this result is not conclusive and would need a more robust methodology to establish the causal relationship.

Figure 6: Growth of public expenditure in the sector in relation to GDP growth and value added per worker growth



Data Source: MAFAP 2014 and WID, 2014

Table 5 provides a detailed breakdown of the actual capital spending for the period 2006/07 to 2011/12 according to MAFAP classification.

Table 5: Public expenditures on agriculture and rural development in KENYA (actual spending), in billions of KSh

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
I. Agriculture-specific policies	15.2	28.3	24.0	32.8	32.4	30.5
I.1. Payments to the agents in the agricultural sector	3.4	3.8	3.7	6.0	4.9	5.6
I.1.1. Payments to producers	3.2	3.6	2.9	5.4	3.9	4.2
A. Production subsidies based on outputs	0.0	0.0	0.0	0.0	0.0	0.0
B. Input subsidies	3.2	3.6	2.9	5.4	3.9	4.2
<i>B1. variable inputs (seeds, fertilizer, energy, credit, other)</i>	0.2	0.0	0.1	1.2	0.1	0.2
<i>B2. capital (machinery and equipment, on-farm irrigation, other basic on-farm infrastructure)</i>	2.1	2.4	1.9	2.7	2.0	1.6
<i>B3. on-farm services (pest and disease control, veterinary services, on-farm training, technical assistance, extension etc., other)</i>	1.0	1.2	0.9	1.5	1.8	2.5
C. Income support	0.0	0.0	0.0	0.0	0.0	0.0
D. Other	0.0	0.0	0.0	0.0	0.0	0.0
I.1.2. Payments to consumers	0.1	0.2	0.7	0.6	1.0	1.3
E. food aid	0.0	0.0	0.0	0.0	0.0	0.0
F. cash transfers	0.0	0.0	0.0	0.0	0.0	0.0
G. school feeding programmes	0.1	0.1	0.7	0.6	1.0	1.3
H. Non classified	0.0	0.0	0.0	0.0	0.0	0.0
I.1.3. Payments to input suppliers	0.0	0.0	0.0	0.0	0.0	0.0

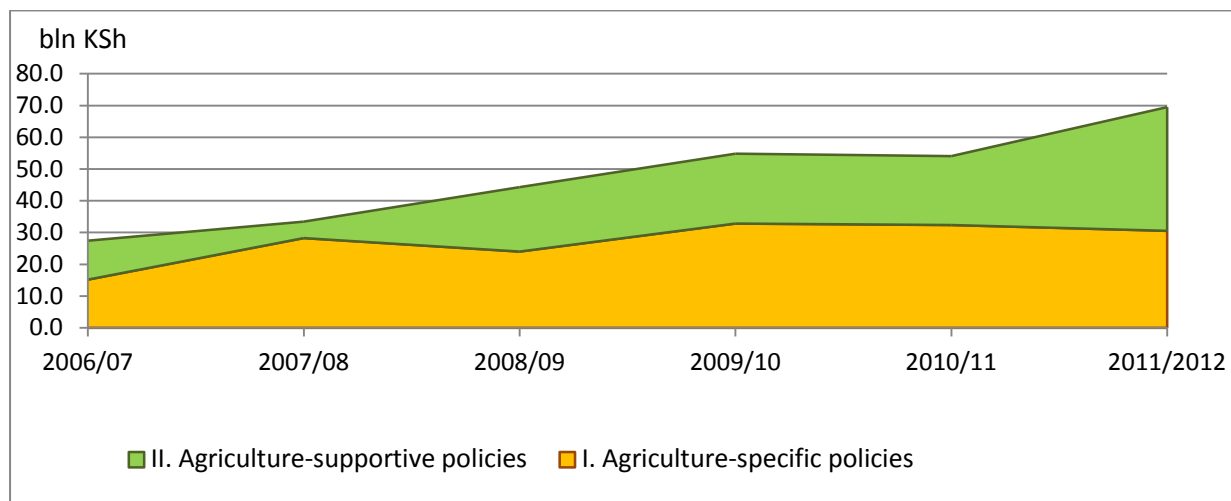
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
I.1.4. Payments to processors	0.0	0.0	0.0	0.0	0.0	0.0
I.1.5. Payments to traders	0.0	0.0	0.0	0.0	0.0	0.0
I.1.6. Payments to transporters	0.0	0.0	0.0	0.0	0.0	0.0
I.2. General sector support	11.8	24.5	20.3	26.8	27.4	25.0
I. Agricultural research	4.1	4.2	3.4	4.1	4.8	4.6
J. Technical assistance	0.2	0.2	0.2	1.2	0.9	0.4
K. Training	1.3	2.2	3.9	2.1	3.1	2.3
L. Extension/technology transfer	4.0	4.0	4.9	11.9	7.3	8.0
M. Inspection (veterinary/plant)	0.5	11.5	1.1	1.0	1.4	1.5
N. Infrastructure (roads, non-farm irrigation infrastructure, other)	0.9	1.2	3.3	3.7	4.9	4.1
<i>N1. Feeder roads</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>N2. Off-farm irrigation</i>	0.7	0.7	1.7	2.3	3.7	3.6
<i>N3. Other</i>	0.2	0.5	1.5	1.5	1.2	0.6
O. Storage/public stockholding	0.0	0.0	0.0	0.0	0.0	0.0
P. Marketing	0.5	0.6	2.9	2.2	4.7	4.0
R. Non-classified	0.3	0.5	0.6	0.6	0.3	0.0
II. Agriculture-supportive policies	12.3	0.0	20.3	22.0	21.7	38.9
S. Rural education	0.0	0.0	0.0	0.0	0.0	0.0
T. Rural health	3.5	6.7	1.1	5.4	6.4	8.6
U. Rural infrastructure (rural roads, rural water, rural energy and other)	2.1	2.3	3.5	2.9	3.6	18.2
<i>U.1 Rural roads</i>	0.0	0.0	0.0	0.4	0.4	14.9
<i>U.2 Rural water</i>	2.0	2.3	3.5	2.6	3.2	3.3
<i>U.3 Rural energy</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>U.4 Other</i>	0.000	0.000	0.000	0.000	0.000	0.000
V. Non classified	6.7	0.0	15.6	13.7	11.7	12.2
III. Total expenditures in support of food and agriculture sector (policy transfers)	27.4	33.480	44.3	54.8	54.1	69.5

Data Source: MAFAP 2014

Composition of public expenditures in support of food and agriculture

Agriculture-specific expenditures accounted for approximately 60 percent of total expenditure in support of food and agriculture sector development for the 2006/2007-2012/2013 period. The importance of agricultural supportive expenditure in overall agricultural support grew from an average of 55 percent in 2006/07 to 60 percent in 2010/11 after which it dipped slightly to 44 percent in 2011/12. In terms of the level of spending, agriculture-specific expenditures more than doubled over the period of analysis, while agriculture supportive expenditures increased by about a half only.

Figure 7: Composition of public expenditures in Kenya, 2006/07-2011/12

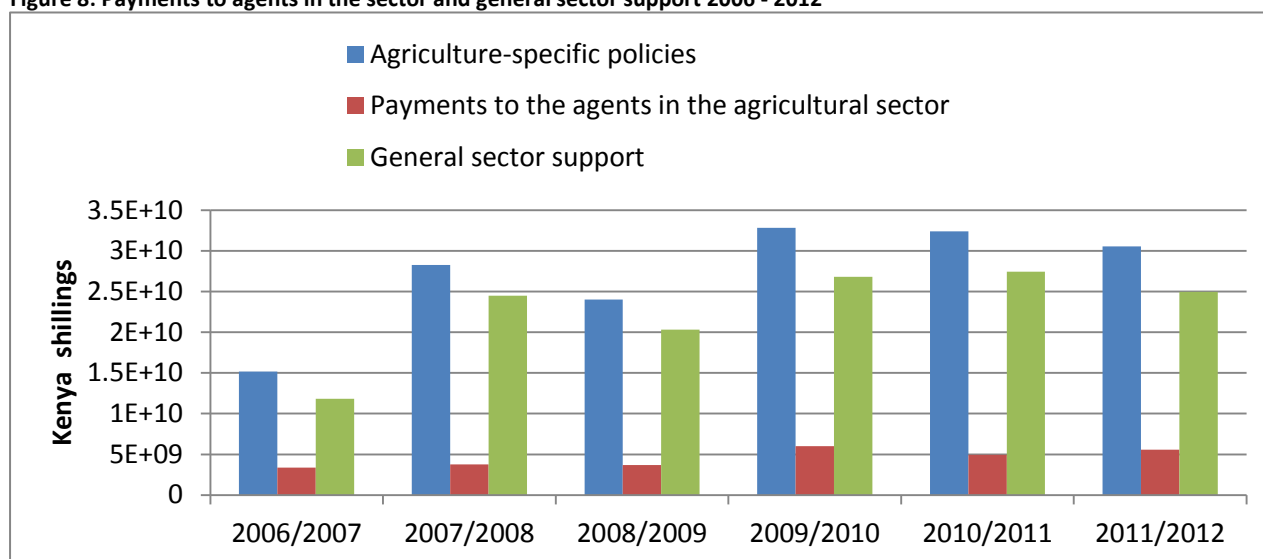


Source: MAFAP 2014

Agriculture-specific public expenditures

Over the period of analysis, 80 percent (on average) of agriculture-specific expenditures aimed at providing general sector support, Figure 8. This can be attributed in part to the structural adjustment programme of the 1990s and the market liberation policy regime adopted in 1993, as well as the Sessional Paper No.1 of 1986 on “Economic Management for Renewed Growth” which articulated the need for a market-driven economy.

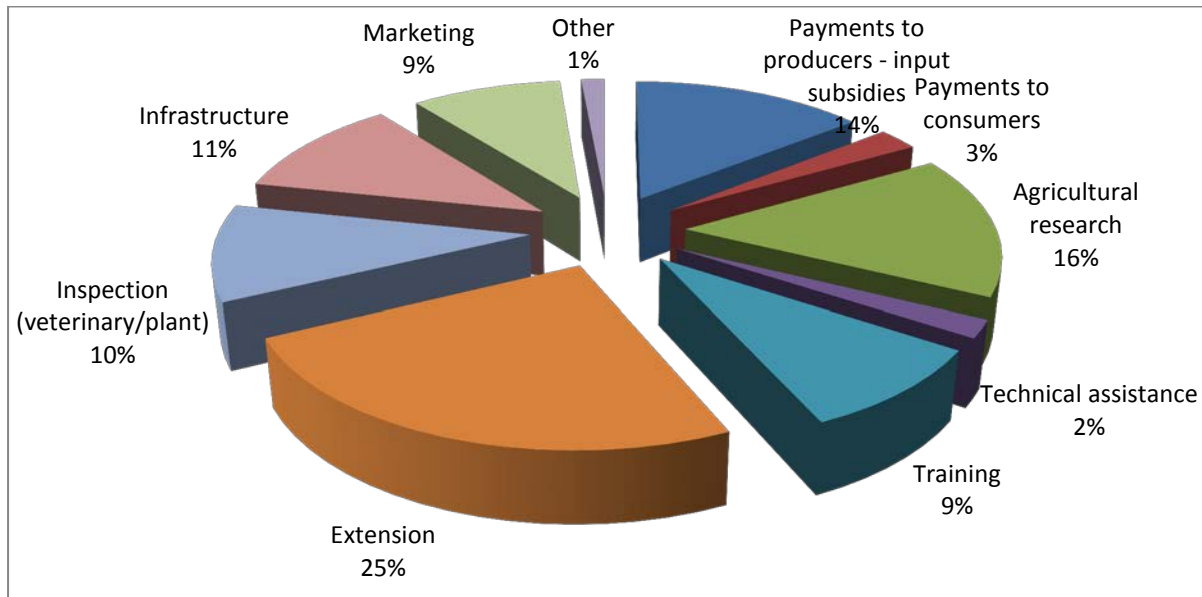
Figure 8: Payments to agents in the sector and general sector support 2006 - 2012



Source: MAFAP, 2014

During the period under review, the largest share of agricultural specific expenditure supported extension at 25 percent followed by Agricultural research at 16 percent, input subsidies at 14 percent, infrastructure and veterinary services at 10 percent. This expenditure is a reflection of the two of the six interventions identified in the Agriculture Sector Development Strategy (ASDS, 2010 - 2020) to fast track growth in the sector. The two interventions are to improve the delivery of research, extension and advisory services and improve access to quality inputs and financial services, Figure 9.

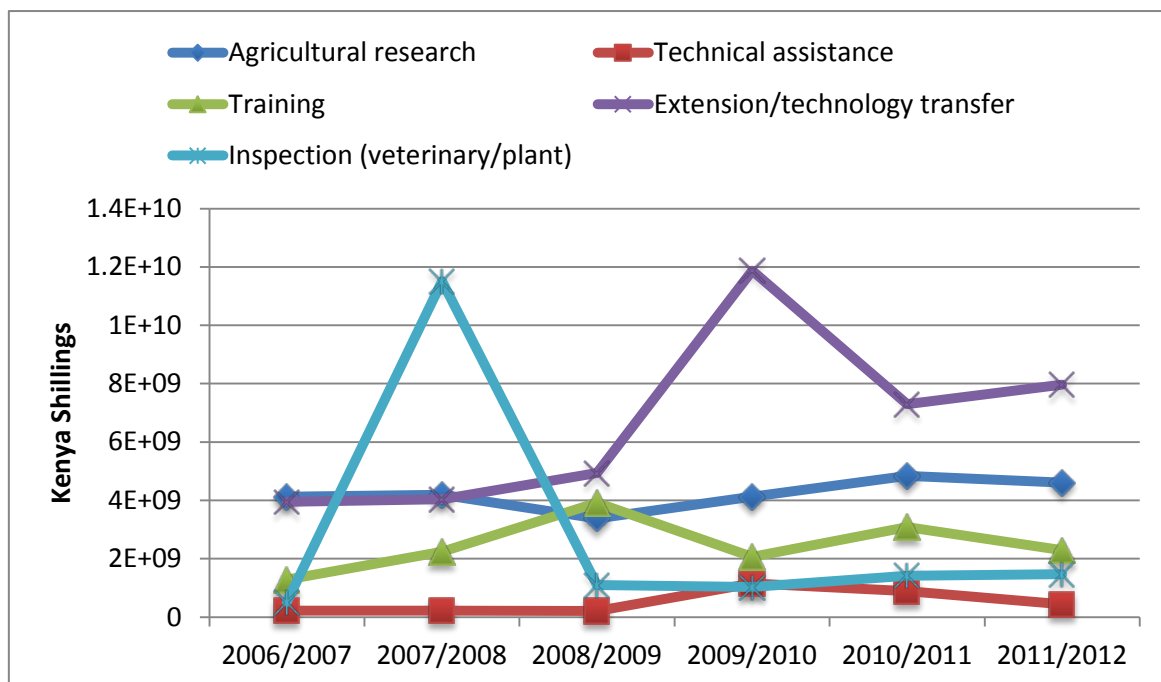
Figure 9: Composition of agriculture-specific expenditure in KENYA Average 2006/7 -2011/12



Source: MAFAP, 2014

When the agriculture general sector support expenditure is broken down into various categories; it is evident that funding to agricultural research has more or less remained the same for the period under review, figure 10

Figure 10: Detailed Agriculture General Sector Support



Source: MAFAP, 2014

Table 6: Total Public Agricultural Research Spending 2000 - 2011

	2000	2008	2011
Kenyan shillings (million constant 2005 prices)	4,479.30	5,011.90	5,553.30
PPP dollars (million constant 2005 prices)	151.70	169.80	188.10
Total Number of Public Agricultural Researchers-Full-time equivalents (FTEs)	880.80	1,014.10	1,150.90
Agricultural Research Intensity			
Spending as a share of agricultural GDP (%)	1.32%	1.35%	1.21%
FTE researchers per 100,000 farmers	8.19	7.96	8.53

Source: Beintemaet. al, 2014 ASTI-IFPRI

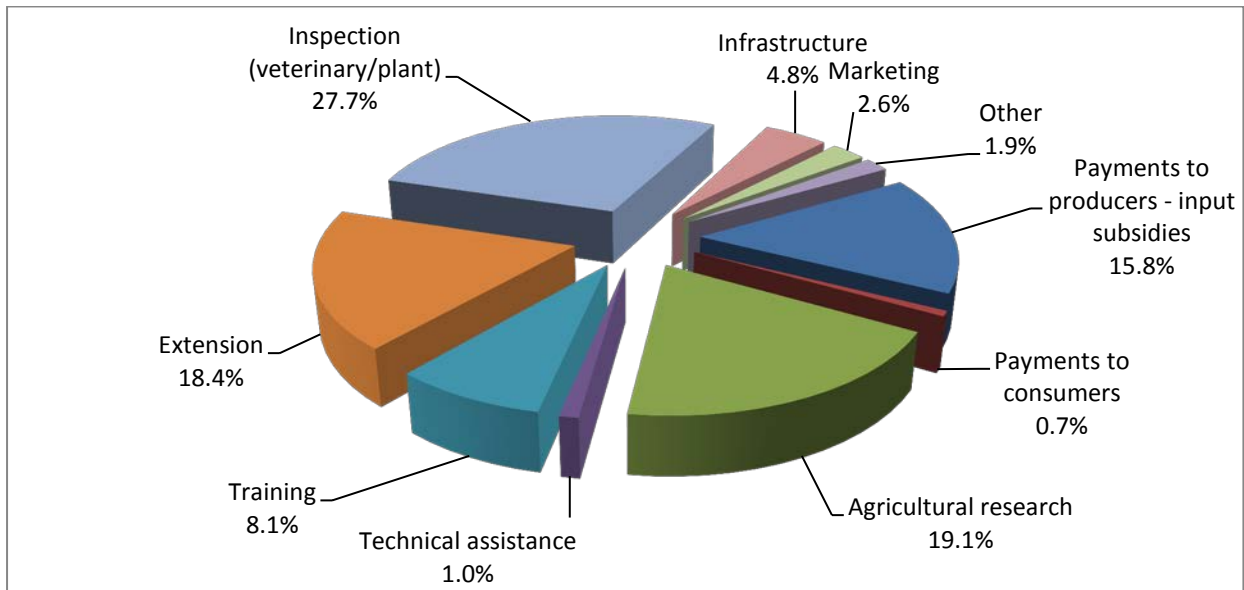
Public agricultural R&D spending increased by 11 percent during 2008–2011, the resultant indicators have more or less remained the same. This implies that, the numbers of researchers on full time equivalents (defined as the proportion of time staff actually spend on research compared with other activities) are only varied due to new employments, retirement and other natural causes. As indicated earlier, a National Agricultural Research System Policy was developed in 2012 and the Kenya Agricultural and Livestock Research Act enacted in 2013, this led to the formation of Kenya Agricultural Livestock Research Organisation(KALRO) as an umbrella research organization, which is expected to be operational in 2014. The new structure and coordination mechanisms will eventually lead to greater integration between the government and other actors in conducting agricultural research (Beintemaet. al, 2014).

Extension/ technology transfer plays an important role in sharing knowledge, technologies and agricultural information, and in linking the farmer to other actors in the economy. For a long time, the public sector in Kenya dominated the extension service and had good impact as a result of new technologies, however in the last two decades, the extension system has metamorphosed into a mixture of three different models (National Agriculture Sector Extension Policy 2012): (i) Model 1: offers free public extension services mostly to smallholder farmers engaged in growing staple foods and minor cash crops across all the agro-ecological zones. (ii) Model 2: partial cost-shared provision of extension services, mostly within the public sector where limited commercialization has taken place. (iii) Model 3: fully commercialized and mostly involving the private (e.g. private companies and cooperatives) and quasi-public organizations mainly for specific commodities such as tea, coffee, sugar, pyrethrum, barley, tobacco, horticulture and dairy. Under this system, extension services are usually embedded in agricultural services.

The Government is still the main player in extension service provision though most of its funding goes towards personnel emoluments with inadequate provisions for operations and maintenance. Commercial enterprises such as tea, coffee, sugar, pyrethrum, barley, tobacco, horticulture and dairy extension clients fully pay for the cost of extension services given by both the private (e.g. private companies and cooperatives) and service providers from quasi-public organizations.

In the first part of the analysed period, 2006/07-2007/08, the biggest share of these expenditures fell into the Inspection of plant and veterinary category (Figure 11). Other important categories included research, extension, infrastructure and training, however, the latter two categories accounted already for a much smaller share of agriculture-specific spending.

Figure 11: Composition of agriculture-specific expenditure in KENYA, average 2006/07-2007/08

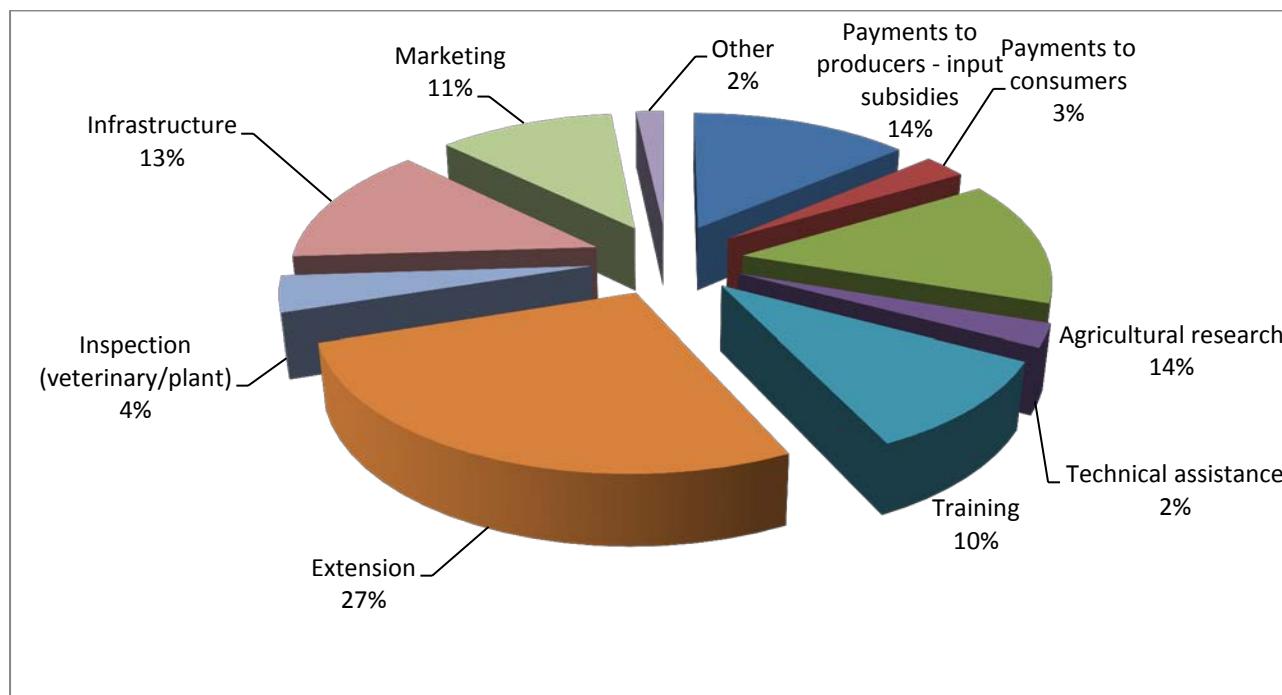


Source: MAFAP, 2014

In the second part of the analysed period, 2008/09-2010/11, the composition of general sector support was slightly different (Figure 12). Although extension services, research and input subsidies were top categories of spending, there seems to be a balance improvement in actual expenditure for all other categories. The importance of marketing, inspection and technical assistance in the agriculture-specific spending increased, while share of training recorded a slight increase.

Payments to agents in the agro-food sector accounted for 17 percent (Figure 11 and 12) of agriculture-specific spending, within this category, most of expenditures were payments to producers in form of input subsidies. They mostly took the form of subsidies to capital, in particular investments in on-farm irrigation and livestock breeding programmes, but also to on-farm services, in particular veterinary services, and to variable inputs. Their importance in the agriculture-specific expenditures increased over time. There was also some expenditure on payments to consumers, particularly on school feeding programmes. The share of these expenditures also increased in the analysed period. There were no payments to processors, traders, transporters and inputs suppliers.

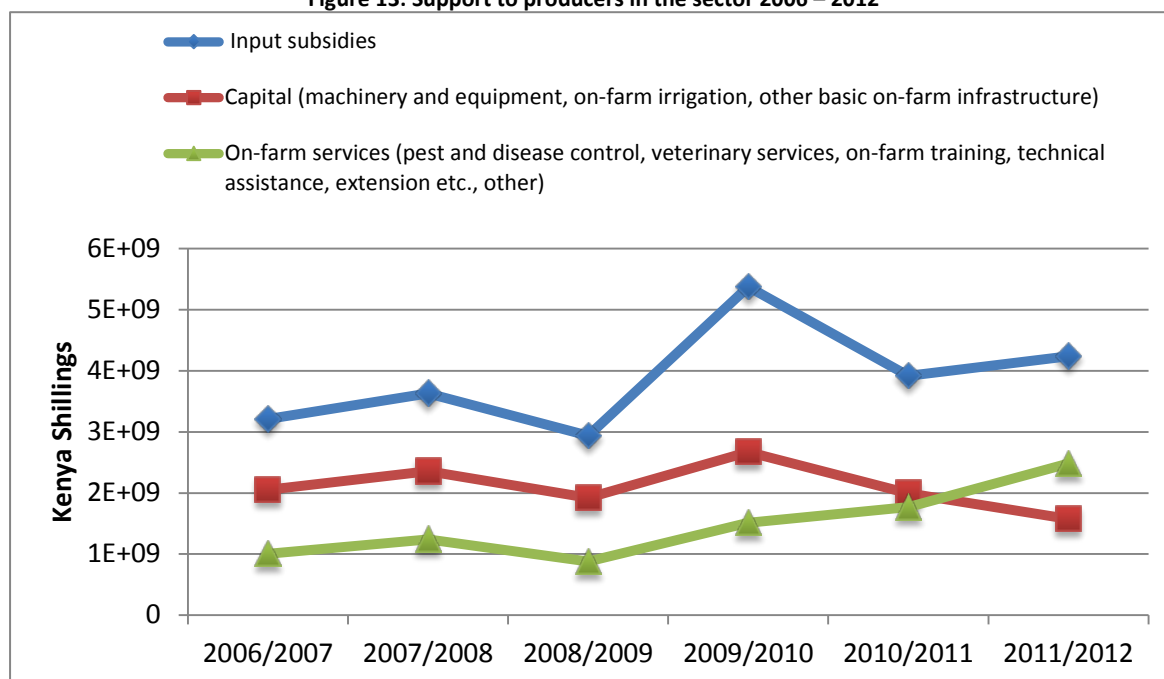
Figure12. Composition of agriculture-specific expenditure in KENYA, average 2008/09-2010/11



Source: MAFAP, 2014

Taking into account the payments to agents, it is evident that the drive was to increase productivity through increased use of fertiliser, this was implemented through a flagship project highlighted in Medium Term Plans I and II namely fertilizer cost reduction initiative where a total of 274,000MT of fertilizer was procured as a price stabilization mechanism. From 2010 onwards there is a reduction on capital investments at farm level, however an increase on on-farm training is shown over the same period and this was mainly accounted for by the Food security Management Programme 'Njaa Marufuku Kenya' Figure 13.

Figure 13: Support to producers in the sector 2006 – 2012



Source: MAFAP, 2014

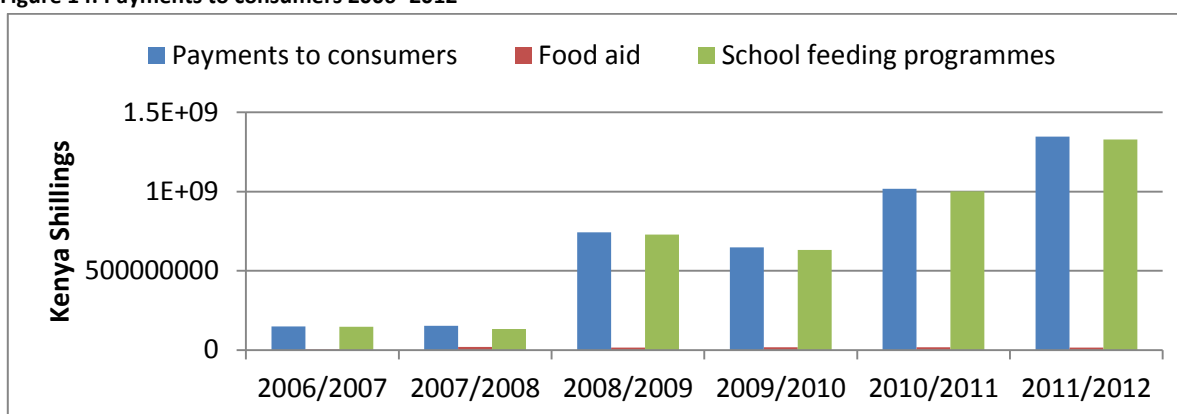
Box 3: Safety net programmes in Kenya

The Constitution especially under Chapter 4 on the Bill of Rights; Article 43 sub article 3 states that *'The State shall provide appropriate Social Security to persons who are unable to support themselves and their dependants'*. Various Interventions programmes have been initiated to support these deserving vulnerable members of society. These include the establishment of Consolidated Social Protection Fund and National Fund for Persons with Disabilities.

Three cash transfer interventions (Cash Transfer to the Older Persons (CT-OP), Cash Transfer to the severely Disabled Persons and the Urban Food Subsidy). This was in addition to the Cash Transfer programme to Orphans and Vulnerable Children (CT-OVC) established in 2004.

According to the database the main safety net programme is the school feeding programme that accounts for almost 99 percent of expenditures. This contradiction with Box 3 highlights the challenge of data collection due to the way the expenditures are administratively disbursed.

Figure 14: Payments to consumers 2006 -2012

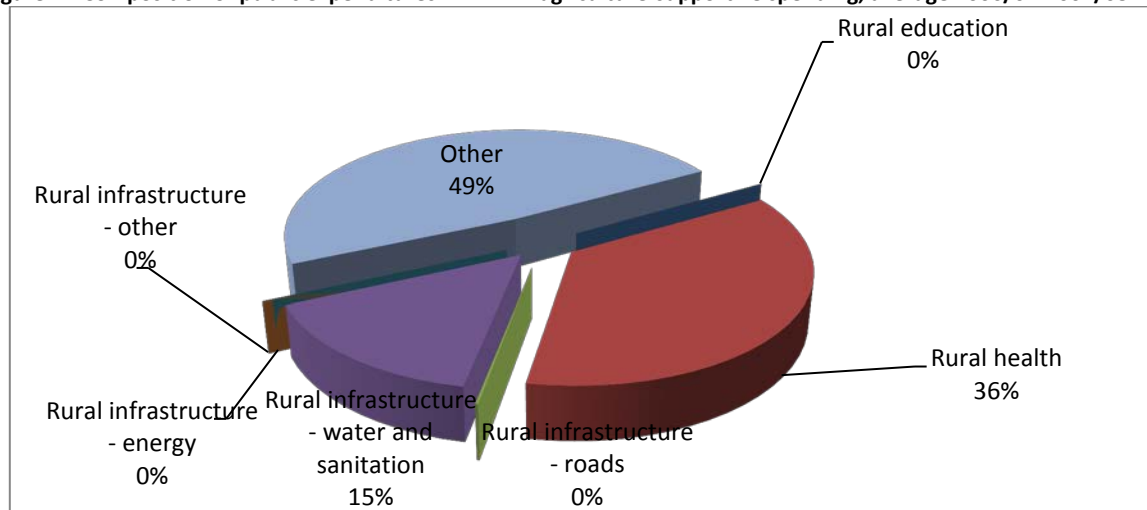


Source: MAFAP, 2014

Agriculture-supportive public expenditures

The agriculture-specific expenditures are complemented by agriculture-supportive expenditures. They account, on average, for 40 percent of the identified expenditures in support of food and agriculture sector in Kenya. Among these, the largest expenditures are in the category "other", which regroups those agriculture supportive expenditures for which information was insufficient to classify them into an appropriate category. In the 2006/07-2007/08, this category accounted for almost half of the agriculture supportive expenditures (Figure 17). The rest of the agriculture supportive expenditures measures were almost equally distributed between rural education, rural health and rural infrastructure. In the latter category, the most important were investments in rural water and sanitation, with much less expenditure on investments in rural energy or rural roads. In 2008/09-2010/11, the category "other" still dominated, but accounted for about a third of agriculture supportive expenditures. The importance of expenditures on rural education decreased by a half, while of rural health remained almost unchanged. Investments in rural infrastructure accounted for a bigger share, with a significant increase in importance of investments in rural water and sanitation, and energy.

Figure 17. Composition of public expenditures in KENYA agriculture-supportive spending, average 2006/07-2007/08



Source: MAFAP 2014

Public expenditures on key commodities

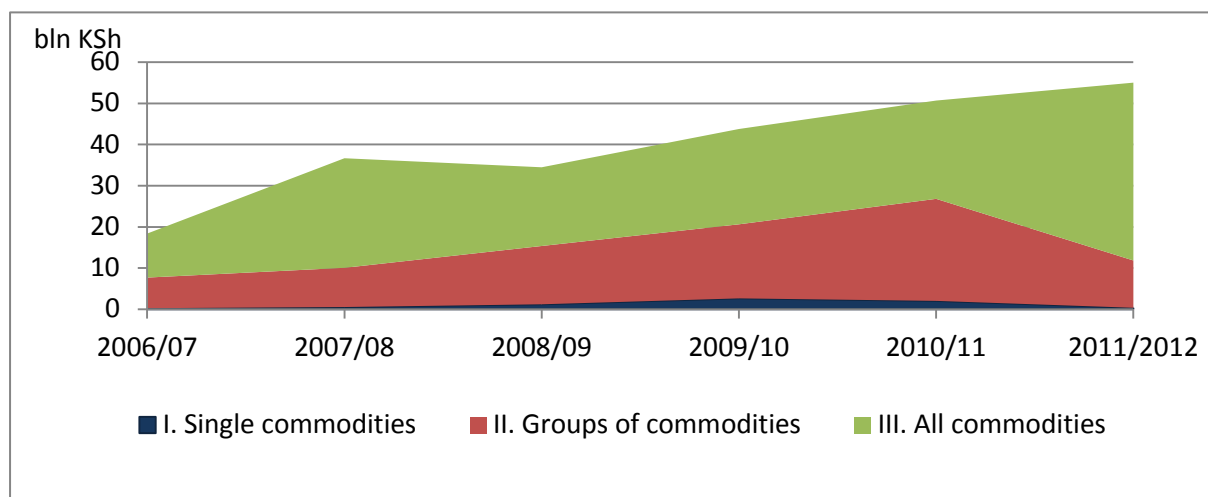
Spending by commodity

Agriculture-specific expenditures can be also decomposed by commodities which they intend to support. Each expenditure measure within this category has been attributed an appropriate commodity depending on whether it supports an individual commodity (e.g. dairy for Smallholder Dairy Commercialisation Programme), a group of commodities (e.g. livestock for Livestock Breeding and Laboratory Services) or all commodities (e.g. National Agriculture and Livestock Extension Programme, NALEP).

Expenditures in support of all commodities are the most important throughout the period under review and represent more than 50 percent of agriculture-specific spending (Figure 15). Expenditures in support of groups of commodities constitute about a third of agriculture-specific spending, while support to individual commodities account for only a small proportion of spending in this category.

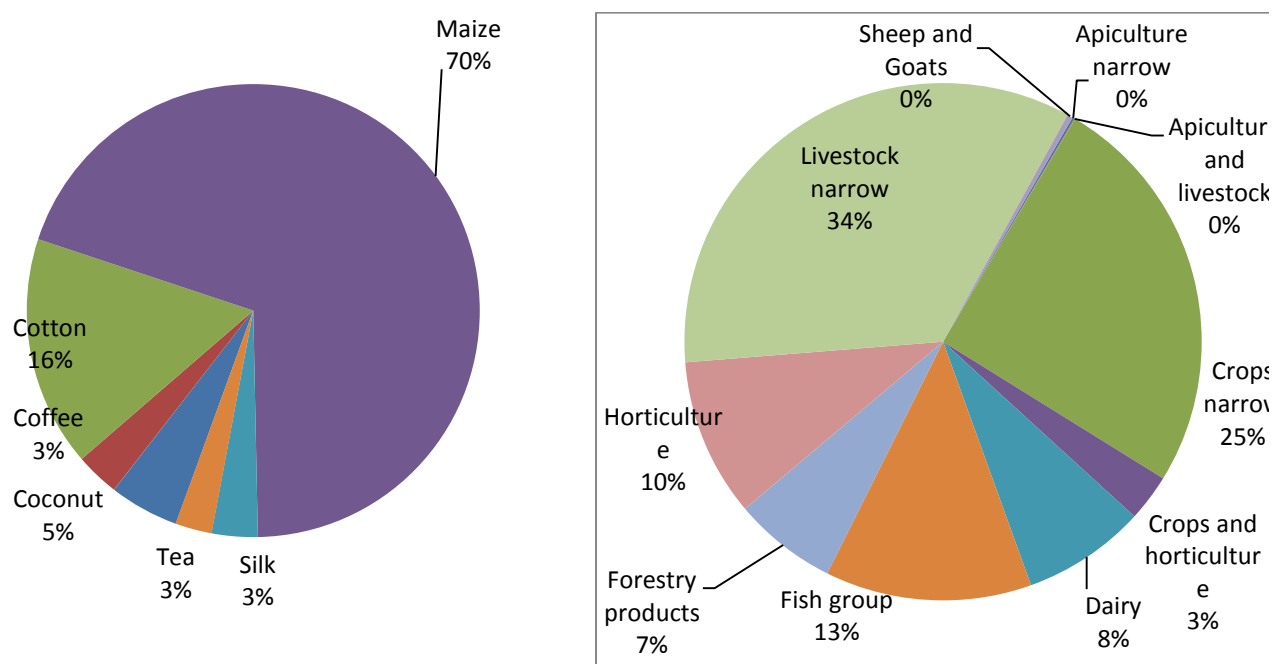
Among expenditures in support of individual commodities, the largest share goes to maize, followed by cotton, silk, coconut, coffee and tea (Figure 16, left panel). Among expenditures in support of groups of commodities, the biggest share goes to livestock, followed closely by crops, then horticulture, fish, forestry, crops and horticulture, sheep and goats, apiculture and apiculture and livestock (Figure 16, right panel). This is corroborated by the fact the fertiliser reduction initiative largely focuses on maize, in addition to the project NAAIAP - National Accelerated Agriculture Input Access Program

Figure 15: Agriculture-specific expenditures in Kenya: support to commodities, 2006/07-2011/12



Source: MAFAP 2014

Figure 16: Support to individual and groups of commodities in Kenya, average 2006/07-2011/12



Source: Own calculations based on Budget Estimate books, GoK, 2013

Among expenditures in support of individual commodities, by far the biggest share goes to maize, followed by cotton, silk, coconut, coffee and tea (Figure 13, left panel). Among expenditures in support of groups of commodities, the biggest share goes to livestock, followed closely by crops, then horticulture, fish, forestry, crops and horticulture, sheep and goats, apiculture and livestock (Figure 13, right panel). This is corroborated by the fact the fertiliser reduction initiative largely focuses on maize, in addition to the National Accelerated Agriculture Input Access Program (NAAIAP) project.

Nature of public expenditures in support of food and agriculture

The MAFAP methodology distinguishes policy transfers from administrative costs. Policy transfers are counted as all budgetary transfers that are associated to a good or a service supporting the agricultural sector – including for instance salaries of extension workers. On the other hand, the methodology counts as administrative costs the expenditures that corresponds to the recurrent costs of the Ministries such as offices infrastructure, wages of Ministry staff I or policy design costs

In Kenya, the share of policy transfers is larger than administration in proportion to total expenditures. However, most of these administration costs are dedicated to wages, while a much smaller proportion to operational costs. This may constraint significantly the effectiveness of certain expenditures.

Table 7: Share of policy transfers and policy administration costs in total expenditures of key agricultural ministries in Kenya (%).

	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11
Administration costs	9	5	11	31	20	8
Policy transfers	91	95	89	69	80	92
Total agricultural budget	100	100	100	100	100	100

Source: Own calculations based on Budget Estimate books, GoK, 2013

Role of development aid in public expenditures in support of food and agriculture

The collected data do not allow for a complete analysis of donors' contribution to supporting the food and agriculture sector development. The project has instead collected secondary data for a number of projects supported by donors in Kenya. This section summarised the main findings.

There are a large number of projects supported by donors in Kenya. These projects encompass a wide range of issues, starting from technological innovation through expanding natural resource use, improved marketing infrastructure, institutional capacity development, policy and institutional reforms and multifunctional investments. The main areas of intervention include:

1. Food security and nutrition programmes
2. Safety nets
3. Improving access to farm inputs
4. Agricultural advisory services
5. Agri-business development
6. Improving natural resources management
7. Institutional support (capacity building)

Overall, the categories of spending supported by donors are in line with those funded from national resources. Unfortunately, due to lack of sufficient data, the project was unable to establish the importance of donor support in each of these categories. This necessitated the use of reports from the medium term expenditure framework.

External resources constitute a fairly large proportion of development funds for some ministries. The Ministry of Agriculture, for instance, has an average of about 65 per cent of its development funds from foreign assistance between 2009/10 and 2011/2012 financial years. Table 6 shows the share of

donor funds in percentage of total expenditure. About 56 percent of the external funds were disbursed as Appropriation in Aid (AIA) during the period. As such, problems with flow of funds under AIA would hinder absorption of significant proportion of development funds.

Table 8: Share of donor funds in percent of total expenditure 2009/10 -2011/12

Ministry	2009/10		2010/11		2011/12		External average funding for the three years
	AIA	External revenue	AIA	External revenue	AIA	External revenue	
Regional Development	29.1	9.7	28.2	6.4	48.3	9.3	43.6
Agriculture	28.6	38.7	22.2	45.5	19.5	40.1	64.9
Livestock Development	17.7	54	7	19.3	6.3	10.8	38.5
Water and Irrigation	44.4	20.2	38.2	24.9	46.5	18.6	64.2
Environment and Mineral Resources	30.9	27.9	5.2	21.1	3.7	18.4	35.8
Cooperative Development and Marketing	0	0	0	0	0	0	0
Ministry of Lands	47.6	0	12	7.7	10.1	13.1	30.2
Forest and Wildlife	15.3	43.1	31	31.6	13.9	28.6	54.5
Fisheries Development	2.3	6.5	0	1.3	11.2	14.4	11.9
Dev. Of Northern Kenya and other arid areas	2.9	65	5.3	49.4	1	28.7	50.8

Source: MTEF 2013/14-2015/16

Studies on performance of public expenditures in the agriculture sector in Kenya (KEPCO, 2010 and Ongaro, 2011) have established that many of the agriculture-sector ministries are unable to expend the entire budget allocations, particularly the development ones, for a number of reasons:

1. Delays in the disbursements of allocated funds

2. Scattered allocations of funds across agriculture-sector ministries;
3. Slow procurement processes
4. Lack of effective monitoring and evaluation system
5. Insufficient human capacity to implement projects and programmes,
6. Low morale of staff due to poor terms of service, poor flow of information and inadequate office and laboratory accommodation.

Table 9 below presents the budget absorption rates. They demonstrate the proportion of the amount of money spend as a percentage of the amount allocated in the budget. The absorption rates have varied over time, but generally they are higher for the recurrent budget than for the development budget indicating greater efficiency in disbursing the funds allocated to the recurrent budget. Further, the absorption rates of the development budget are quite low, particularly for the beginning of the analysed period. Although there has been some improvement over time, there is still a large portion of funds that are being unspent every fiscal year.

On average, absorption capacity for recurrent expenditure was 88 percent higher than development expenditure which stood at 74 percent. In 2011/2012, absorption capacity for recurrent expenditure declined to 64 percent. Absorption capacity was highest in the Ministry of Agriculture and lowest in the Ministry of Livestock.

Table 9: Absorption capacity 2009-2012: Recurrent and development budget (MTEF classification) in Kenya (%)

Percent Absorption capacity						
Agriculture and Rural Development	Recurrent budget			Development budget		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Agriculture	98	97	102	67	62	74
Cooperatives	92	95	89	82	102	91
Fisheries	92	97	77	91	76	73
Lands	93	97	97	94	87	97
Livestock	88	98	86	59	70	94
Forestry	100	100	99	79	70	67
Research Institutes	100	98	101	73	68	73
Total	96	98	64	74	69	79

Source: MTEF 2013/14-2015/16

CONCLUSIONS AND RECOMMENDATIONS

A number of lessons can be derived from the present analysis of public expenditure in support of food and agriculture in Kenya.

First, it is evident that public expenditures in support of food and agriculture sector in Kenya has not been able to meet the 10 percent target of the total government spending as agreed upon at the African Union meeting in Maputo in 2003. This means that a low share of the country's budget was devoted to food and agriculture over the 2006-2012 period. However, the approved budget for all expenditure in support of food and agriculture sector development grew by 111 percent in nominal terms from 2006 /2007 to 2011/2012 but a decline was registered in relative terms within the same period; from an average of 6 percent to 5 percent. This can be attributed to the high decline of agricultural added growth in 2008 and 2011 which also corresponds to a decrease in the country's GDP. However, more in-depth analysis would be required to further investigate the causality relationship between public expenditures in the agriculture sector and GDP growth. These findings therefore emphasize the need for an in-depth review of the budgetary allocations to the sector.

The development policies for the agriculture sector in Kenya are giving a strong emphasize to public private partnership. Notwithstanding these, the importance of public spending in the food and agriculture sector is still very crucial. Indeed, agriculture still represents the livelihood of 76 percent of the population : therefore a key challenge for the government and donors in the future will not only be to provide adequate support to boost domestic production but also to enable the overall development of densely populated rural areas with adequate infrastructure, health and education.

In this sense, the share of total public expenditure allocated to rural development (agriculture-supportive expenditure), at 22 percent in 2012, may be a strong effort but the lack of specific allocation to education and energy signals an imbalance between particular categories of spending .

This study also reveals that there is targeted support to individual commodities in Kenya. Most of this public expenditure have flowed to one particular commodity; maize. This is corroborated by the fact the fertiliser reduction initiative largely focuses on maize. This however does not reflect an effort to promote development of the agricultural sector as whole.

External resources constitute a fairly large proportion of development funds for the Ministry of Agriculture at an average of 65 percent for the whole period of analysis. This analysis however, does not provide a detailed analysis on the donor versus government budgetary allocations to the sector.

The results further indicate that there is a high investment in research, extension services and training. This can bring benefits via improved agricultural productivity and in longer-term contribute significantly to poverty reduction. Investments in agricultural infrastructure, both on and off-farm, are a key element in reducing transaction costs and improving farmers' access to markets. However, there is no support to storage development and very little support to marketing. Although the expenditures on the latter seem to be growing over time, there are no investments in construction of markets. There is very little support to credit for poor farmers that would facilitate lending to poor farmers more attractive. Similarly, low support to rural development may impede development of the off-farm employment opportunities.

Scarce resources would contribute more to achieving better sector performance if budget allocations were fully used. The composition of public expenditures in support of food and agriculture sector development could still be improved. The composition of public expenditures is just as, if not more, important than the total level. There may be trade-offs between spending in different categories (for example spending on rural infrastructure versus subsidies for seed and fertiliser) and there may be complementarities (for example between spending on extension services and the development of infrastructure that would enable farmers to get their output to the market). Although the majority of public expenditures aim at provision of public services and investment, there seem to be an imbalance between particular categories of spending. The high investments in research, extension services and training can bring benefits via improved agricultural productivity and in longer-term contribute significantly to poverty reduction. Investments in agricultural infrastructure, both on and off-farm, are a key element in reducing transaction costs and improving farmers' access to markets. Addressing these issues will be crucial in improving performance of expenditures in support of food and agriculture sector development.

It is extremely important to addressing these issues in order to improve the performance of expenditures in support of food and agriculture sector development. However, whether addressing these problems will be reflected in improved agricultural growth will also depend on other factors of growth that cannot be fully derived from public spending.

Suggestions for further Research

There is need to Include information on type of budget, loan or grant and source of financing and a comparison between economic indicators in selected value chains and public expenditure for corresponding commodities; for instance the productivity increase and public expenditures for inspection and extension services.

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