

Fertiliser Market Liberalisation In Kenya:

The Political Economy of Process

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Based on paper
by Rosemary Otieno and Karuti Kanyinga

Summary

- ❑ The return of government and government institutions
 - ❑ Talk of subsidy
 - ❑ Closed and politically designed/dominated process

 - ❑ **Lessons of history**
 - ❑ => Politicians and politicised bureaucracy
 - 1. Unlikely to do planned interventions well and for benefit of the majority

 - 2. Will succumb to self interest, rent seeking and delivering benefits to the well connected and influential at the expense of(who)?
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A Brief History

- ❑ **THE CROP PRODUCTION AND LIVESTOCK ACT: CAP 321**
 - ❑ Commencement: 29th March **1926**. The act makes provision for the Minister to make rules for the control and improvement of crop and livestock production, marketing and processing. : **AFRICAN**

 - ❑ **THE AGRICULTURAL PRODUCE AND MARKETING ACT: CAP 320**
 - ❑ Commencement: 1st January **1936**.
 - ❑ Establish marketing boards to control and regulate marketing of agricultural produce

 - ❑ **THE AGRICULTURAL ACT: CAP 318**
 - ❑ Commencement Date 1st July **1955**
 - ❑ Declaration of essential produce

 - ❑ **Still in effect to this day**
 - ❑ **KFA, KPCU, NCPB, PBK, Cotton Board, KMC, Tea Board, Coconut...**
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1955-1975: Government Defines its Evolving Role

- **1955:** Swynnerton Plan
 - **1963:** Kenya Fertilizer Working Party
 - Fertiliser committee, subsidies
 - **1970:** Working Party on Agricultural Inputs
 - Constraints to accessibility
 - **1974** Oil Crisis, balance of payments
 - => KFA sole agency agreement
 - => Donor fertiliser
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1974-84: Heavy Hand of Govt

- Import controls, allocation of quotas
 - Maximum Retail Prices:
 - 12 types of fertiliser in 42 markets/towns
 - Oligopoly :
 - KFA 70%, Mackenzie 24%
 - Coordination and timing problems
 - Corruption and rent seeking
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1985-95 Opening to the Private Sector

- USAID, World Bank, Netherlands, Japan, ++
 - Initially free for all
 - Then move toward better coordination of timing, types, foreign exchange allocation
 - Opening up distribution to private sector
 - enhancing margins to allow better distribution,
 - Benchmark International Prices plus margins



1985-95 Opening to the Private Sector

- Sessional Paper No 1 of 1986
 - Encourage distribution to remote parts
 - Controls/licenses to remain
 - KGGCU, Cooperatives with capacity, private sector with demonstrable competence
 - 1989-93 Development Plan
 - Constraints: forex and transport costs
 - Solutions: automatic import licenses under MOA monitoring
 - Through Cooperatives and indigenous entrepreneurs
 - Examine local production of fertiliser
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1985-95 Opening to the Private Sector

- **1985-88:** Issues within ruling elite and beginning of the end of KFA
 - **1988-89:** KFA/KGGCU mismanagement, unable to procure supplies
 - **December 1989:** legal notice removing price controls, Presidential announcement of decontrol of fertilizer market
 - **1991-1993:**
 - liberalization of forex market/import licensing
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2005-2015 ? Which Way Forward

- Kenya high user of fertiliser
 - Private sector dominates

 - 2008: New Global Crisis
 - **old policy question returns**
 - *How will fertiliser reach smallholders at affordable prices?*
 - Government plans intervention
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Governance Failures/Risks

Built in mechanisms for corruption

■ THEN:

- Import quota, Foreign exchange licence, availability

■ NOW

- Who imports, how chosen, what prices, who accesses

Influence Peddling

■ THEN:

- Dec 20th 1989 KGGCU AGM Nakuru
- Dec 21st Legal notice 421 decontrolling

NOW:

- Nakuru meetings
 - Notes to NCPB managers
 - Calls from 'above'
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Governance Failures/Risks

- ❑ **Settling Political Scores** (elite: not poor, Rift valley)
 - ❑ Reuben Chesire, William Saina, Mark Too, Raymond Bomett, Willy Maina, Alfrick Birgen, Daniel Arap Moi
 - ❑ **History repeats itself**
 - ❑ **2004:** Govt/minister under pressure to deliver lower fertiliser prices
 - Instruments: KGGCU/KFA or NCPB. **Delivered little, and late**
 - ‘it is an open secret that people are out to make a quick buck any way they can...’ MP’s quoted in DN April 25, 2004
 - ❑ **2005** Sessional paper on loan guarantee to KFA
 - Legal case of former directors,
 - arguments about govt guarantee to private organisation
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The Politics of Agricultural Policy Processes in Kenya 1900-2015

Winners

- Well connected
- Powerful
- Bureaucracy
- Already or planning to be wealthy
- Regularly in the press

■ **WHO CAN BELL THIS CATS TAIL!!**

Losers

- Not well connected
- Powerless
- Unorganised informal
- Poor and likely to remain so
- No voice

■ **WHO CAN HELP DELIVER BETTER OUTCOMES FOR THESE GROUPS**

■ **WHAT ROLE FOR THE ACADEMIC / POLICY ANALYSIS COMMUNITY**

Summary: HISTORY WILL REPEAT ITSELF

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Conclusion

- ❑ It was broken and we made moves to fix it.
 - ❑ Now it is not broken so we do not need to fix it
 - ❑ And if we must do something let us
 - ❑ **Take the time to design and do it well**
 - ❑ **Be cognisant of the lessons of history**
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