

Tegemeo institute.
Conference on Agricultural Competitiveness for Economic Growth and Poverty
Reduction on March 24,2004 at Safari park hotel.

Speech by Dr. Kiert Toh, USAID/Kenya Mission Director

I am delighted to be here with you today and thank you for the invitation to speak to you, not least because it gives me the opportunity to say a few words about the Tegemeo Institute of Egerton University and its research work over the years. It also gives me the opportunity to share some thoughts with you on the theme of research, policy reform, and economic growth.

The Need for Growth

It is not possible to work in Africa without being keenly aware of the development challenge facing so many countries in the continent. There is too much poverty and not enough growth. This is unacceptable. In Kenya, as one of the papers prepared for this conference has shown, the level of rural poverty has increased and income distribution worsened while growth has stagnated since early 1990s.

If one starts - and I for one fully endorse it -- from the premise that poverty reduction or sustained improvement in living standards requires economic growth, slicing the cake differently will not significantly reduce poverty in the medium term. The cake has to be made bigger. Experience of the second half of the century demonstrates that economic growth is the best way of raising living standards and reducing poverty. In many developing countries, living standards did rise; infant mortality has fallen; literacy rates have risen; life expectancy is higher. I recognize that in some countries in Africa these improvements have been undermined by the spread of AIDS, civil wars, and conflict. AIDS has retarded economic progress and impoverished communities in many countries.

As a prerequisite for growth, there must be macroeconomic stability. A stable macroeconomic framework is important because it not only brings higher growth than would otherwise be possible, but also makes reforms in other areas of the economy a bigger payoff. Stability must come first; but governments must not neglect other policy reforms that contribute to rising living standards and reducing poverty. Among important reforms that are urgently needed in Kenya are those in agriculture.

What is Policy in the Kenya Context?

The recently released ten-year (2004-2014) document entitled **Strategy for Revitalizing Agriculture** outlines strategic and policy directions to enhance agricultural productivity, competitiveness and higher growth in agriculture for promoting growth and poverty reduction. Nonetheless, regardless of how logical and well articulated this document is, it is only a document. Its value and justification for the resources invested in its preparation depends on how the political leadership and policy makers intend to make

use of it. Kenya has a well established international reputation for preparing high quality strategy, policy, and Sessional papers and then letting them gather dust on the shelves.

What then is policy? Is policy what is articulated, whether in writing or by word of mouth? Or is it what is done, whether it has been said before or not? Or is it only such actions that are sustained? In the Kenya context, given its frequent backtracking and policy reversals, a limiting definition seems appropriate. Policy is really what is done on a sustained basis backed by the appropriate resources - money, staff, equipment, facilities or institutions. It may or may not be expressed in any document; but it is cleared by the political leadership and implicitly by the President. Policy is made because of **conviction** - a result largely of emotion or life experience; or from **analysis** - a result largely of reasoning process and relevant empirical evidence; or from **non-market payoffs** largely an outcome of self-interest or benefits; or from **international or domestic pressure**.

The theme of this conference "Agricultural Competitiveness for Economic Growth and Poverty Reduction" is very timely. Following declining productivity in agriculture over more than a decade, the consequent loss of competitiveness, and costly policy distortions that reduce market efficiency and trade, the research findings to be discussed in this Conference ought to provide an analytical, evidence-based basis for policy making. The challenge is how to move from research findings to reforming policy - policy in the above-mentioned sense of what is done on a sustained basis backed by resources.

Aid and Reform

Let me now turn to the question of how donors have used aid to promote policy reform. One approach is to use aid as an incentive for reform - using aid to "buy" reform or the conditionality approach. In the Kenya context, this approach has been problematic for two reasons.

First, aid has two opposing effects. In the economist tradition we call them: a substitution effect and an income effect. The former is the direct carrot effect, but the income effect tells us that aid may get the government off the hook and allow it to delay adjustment or only adjust minimally as required by the conditionality. The income effect tends to reduce the motivation for reform.

The second problem with the aid-for-reform game is that, by making reform the price for receiving aid, it creates an incentive for government to drive up the price. And if the government "sells" reform for aid, it is also clear that the government is not likely to "own" the reform. Conditionalities in this context are not necessarily seen as policy reform but rather as actions, which are taken in return for some price. Consequently, they carry a completely different character of commitment, just as a contract to buy a bag of ugali differs from a marriage contract.

Aid-for-reform in Kenya has not worked. It can be characterized as patchy, stop-and go, with intermittent commitment. For example, during a fifteen-year period the Kenya

Government sold the same agricultural reform, especially in respect of the National Cereal and Produce Board, to USAID three times. The Kenya government did even better with the World Bank; it sold the reform to the World Bank five times, reversing it each time.

Tegemeo Institute of Egerton University and Policy Research

The failure of conditionality led USAID to pursue a different approach in the early 1990s. USAID concluded that in a Kenya context a better approach to facilitate policy reform characterized by stronger commitment and ownership is to strengthen or create the institutional capacity for the Kenyan Government and society to reform itself. With financing from USAID, the Tegemeo Institute of Agricultural Policy and Development was created as an alternative to the conditionality approach.

Tegemeo has developed into a respectable homegrown policy research institution. Over the years, in collaboration with U.S.-based institutions, such as Michigan State University, it has collected and analyzed data on agriculture and rural household income through scientific household survey. The strong database allows Tegemeo to carry out evidenced-based policy research. The research from Tegemeo in collaboration with Michigan State University has provided important input in the preparation of key government documents, such as the Kenya Rural Development Strategy, the Economic Recovery Strategy for Wealth and Employment Creation, and most recently the Strategy for Revitalizing Agriculture. Tegemeo has also played a catalytic role in public policy dialogue, debates, and meetings with senior government officials and Parliamentarians through seminars and publications. Tegemeo in collaboration with Michigan State University (MSU) has established a methodology for welfare monitoring of rural households. To develop its capacity further, Tegemeo with USAID's assistance is supporting four Ph.D and four Masters degree students.

The Challenge Ahead

Kenya is perhaps among the most researched economies, and as mentioned above, it produces high quality strategic and policy documents. Tegemeo has played an important role, especially in the agricultural sector, as a research institution in providing evidence-based descriptions of certain situations, problems, and issues, and in advocating specific reforms and indicating their costs and benefits, or some combination of both. Yet, from a policy standpoint - in the sense of what is done on a sustained basis backed by resources, not what is said or written - the track record on agricultural policy in Kenya is largely a dismal one.

Let me conclude by suggesting some of the challenges for you to consider relating to research and policy for institutions such as Tegemeo. The fundamental challenge, it seems to me, for Tegemeo and other research institutions, is how to get the political leadership and relevant policy makers to pay attention to and make use of respectable research findings when making policy and making it work. There are several points that are worth considering.

First, since research presupposes that there is a problem to be researched, it is critical to understand who it is that perceives the problem. For example, cheap sugar may appeal to the urban consumers while the survival of the sugar estates is seen as critical to the sugar growers who cannot compete with cheap imports. Or, the existence of the Agricultural Finance Corporation is perceived by the government to be important for delivering credit to smallholder farmers who do not have access to commercial banks for credit.

Second, effective research should provide appropriate easily usable information. Often, research findings are used as ammunition in debate or as timely advice to be used for policy reform. It therefore must be packaged in a way that is understandable and useful to key policy makers. The credibility unfortunately does not rely so much on the statistical qualities of sample surveys, but rather on the way in which the results are marketed. If research results are embodied in some long document, they often die there. A three-volume study with a fifty-page executive summary is not likely to be effective as policy makers seldom have the time to read argued reports carefully. It cost a lot of donor's money and went nowhere. A well-researched and effective presentation of these problems will be critical. One of the ways to make research more relevant is to provide a variety of scenarios showing the possible outcomes of different policies.

Third, policy reform is almost always the result of some critical player championing the change and continuously advocating it. Research in this context can contribute significantly by identifying and explaining the true nature of the problem. It does not necessarily have to have a solution. This is an important consideration. If a proposed solution is politically not acceptable, the correctly identified but not yet politically accepted problem might get lost.

Finally, for research that advocates some solution it is important to identify the winners and losers with an eye on reasons why policy is made, particularly if policy is made from non-market payoffs - self interest or rent seeking. In this regard, local institutions may be in a better position to carry out the research and may get a better hearing than research from outside.

From the agenda it looks like you have an interesting conference with important issues and topics to discuss. I look forward to participating in some of your conference discussions.

Thank you.