

Rural Financial Services in Kenya: What is Working and Why?

Betty Kibaara and Samuel Mburu

Abstract

The study examines the evolving structure of the rural financial services and the extent to which the current financial institutions have improved access to rural financial services for producers and traders in the rural areas. The study identifies successful cases of functioning financial services in the rural areas. It also identifies constraints that hinder increased access to rural financial services and proposed policy intervention that could make the rural financial services more accessible to the rural producers and traders. The study uses data obtained from key rural finance stakeholders using a structured checklist. The study is supplemented with data from the Tegemeo Agricultural Monitoring and Policy Analysis (TAMPA) 2004 data consisting of responses from 1540 households.

Key results from the study indicate that a number of rural financial models have evolved to address the demand for rural financial services in Kenya. These include the community-based model, SACCOs, and the donor-funded cost-sharing arrangements model. The Government on its part has restructured the operations of Agricultural Finance Corporation (AFC) in line with the Strategy for Revitalization of Agriculture (SRA). The emerging leading indigenous banks have also set up fixed and mobile branches in the rural areas. On the other hand, the informal systems such as the Rotating and Credit Association (ROSCAs), the merry-go-rounds, shopkeepers and table banking play a major role in rural finance.

Agricultural Extension Systems in Kenya: Practice and Policy Lessons Milu Muyanga, Thom S. Jayne and Francis Karin

Abstract

This study addresses broad issues affecting agricultural extension in Kenya. It seeks to expand knowledge on the nature of the existing agricultural extension providers, their characteristics, approaches employed and the challenges they face. Based on success cases, an attempt is made to delineate the fundamentals of ideal extension service system and the role of the government in such a scenario, with the aim of informing the implementation of the new National Agricultural Sector Extension Policy (NASEP). This study also provides an in-depth analysis on the role of farmer organizations and how they can be instituted to promote small farmers' access to inputs, access to credit, extension support, and other services necessary to improve food crop productivity.

Seed Production and Delivery Systems in Kenya: Enhancing Access and Utilization of Seed for improved Food Security

Miltone Ayieko, David Tschirley and Mary Kwamboka

Abstract

This study assesses the seed production and delivery systems for major groups of agricultural commodities in Kenya; Commercial/industrial crops; high-value horticultural crops; low-value food security crops; and fruit trees. The study identifies success cases in seed production and delivery systems within these broad commodity groups. It highlights lessons that can be learned from these success cases. In addition, the study identifies and assesses how effective the informal seed systems are, particularly the community-based ones, in providing quality seed. It further

identifies and assesses the level of public-private partnerships in seed development and distribution. An analysis of the effect of seed production and delivery systems on food security is presented while the seed industry and regulatory framework are examined with a view to offer insights on how to encourage private sector investment necessary to provide the quantity, quality and variety of seed for an expanding agricultural base. Policy options for establishing a viable and efficient seed industry are also explored. Data for the study is drawn from the Tegemeo Rural Household panel data, stockist survey, in addition to interviews and discussions with key stakeholders within the industry.

**Factors Driving the Growth in Fertilizer Consumption in Kenya:
The Potential for Broader Replicability
In Sub-Saharan Africa**

Joshua Ariga, T.S. Jayne, and J. Nyoro

Abstract

The objective of this study is to identify the factors responsible for the impressive growth in fertilizer use in Kenya since market liberalization in the early 1990s. Over the past 10 years, fertilizer consumption has risen by 35%. So far, it is unknown whether smallholder farmers are responsible for this growth or whether it is being driven mainly by the large-scale and/or estate sectors. Moreover, it is important for policy makers to know whether the increased fertilizer consumption is being devoted to smallholder food crops, or whether industrial crops such as tea and sugarcane are responsible for this growth. This study addresses these questions using nationwide survey data on smallholder fertilizer use patterns between 1997 and 2004. The study also explores whether the growth in fertilizer use in Kenya is attributed to any particular types of fertilizer delivery supply chains. A better understanding of the types of fertilizer distribution channels fueling the growth in consumption and the sustainability of these delivery systems can be of great help in guiding future policy to replicate successful supply chain models more widely in Kenya. Finally, the study is meant to guide discussions on fertilizer marketing policy in Kenya, in line with the new Economic Recovery Strategy (ERS).

**Dairy And Beef Livestock Improvement Services Study:
Paul Gamba**

Supply of Kenya's domestic fluid milk market indicates is likely to outstrip demand in the foreseeable future especially during flush seasons. Some forays into the export market have recently been made but concerns are already being raised as to the ability of the dairy industry to confront the challenges presented by the highly competitive environment. One of the available channels to confront the increased competition is through improved productivity and ultimately lower production costs. In the dairy industry, the most cost effective and assured means of lowering production costs is through the development of a vibrant and efficient dairy livestock improvement service capable of providing and sustaining superior breeding stock.

Similarly, the recent spirited efforts in re-establishing Kenya's position in beef livestock exports has simultaneously rekindled interest in the country's ability and capacity to maintain such export levels and to meet the stringent market requirements besides disease constraints. There is now renewed concern with respect to beef livestock improvement services particularly genetics and breeding.

The study evaluates the state of dairy and beef livestock improvement services including breeding and genetics and examines options for improved productivity, food security and competitiveness within a liberalized market economy. It uses the structure, conduct and performance analytical approach to elicit pertinent policy issues. Data is obtained from a 2004 field survey that covered

Rift valley, Eastern, Central, Western and Nyanza provinces. This is complemented by secondary data and interviews with livestock producers, traders, livestock improvement service providers, related institutions and key informants in selected areas.