

The Impact of the Kenyan Post-election Violence on the Kenyan Flower Export Industry



A petrol station and a vehicle set alight by protesters against the Kenyan government. Mathare slums, Nairobi. January 2008. © Julius Mwelu/IRIN www.irinnews.org

Summary and policy-relevant findings

An analysis of Kenyan flower exports by the Centre for the Study of African Economies (CSAE) at Oxford University quantifies the impact of the post-election violence in 2007/8 on the Kenyan flower industry. This industry was Kenya's largest foreign exchange earner in 2007 and it is an exclusively export orientated industry.

The key results are that:

- the violence reduced the exports of Kenyan flower exporters by nearly one quarter on average, and by nearly 40% for firms located in conflict areas; and
- diversification of export channels provides some protection against loss of income.

Based on these results, government policies should encourage flower exporters to export their flowers via a variety of export channels. This would provide an effective insurance strategy for firms working in risky environments.

Contact details: e: iig.enquiries@economics.ox.ac.uk t: +44-1865-271084

Policy context

Kenya's post-election violence

There were two outbreaks of violence following Kenya's general elections in December 2007. One started on the 27th of December 2007 following the unexpected declaration of President Mwai Kibaki, a Kikuyu, as the winner ahead of his Luo rival Raila Odinga. Within minutes of Kibaki being sworn in, ethnic violence broke out in various parts of the country, with Odinga's supporters targeting the Kikuyus to show their discontent. A second dramatic outbreak of violence occurred between the 25th and the 30th of January 2008, which was mainly seen as a Kikuyu revenge attack on the ethnic groups perceived as Odinga's supporters.

The flower industry in Kenya

In slightly more than a decade Kenya has become one of the leading exporters of flowers in the world, overtaking Israel, Colombia and Ecuador. Figure 1 displays the dramatic increase in the exports of cut flowers from Kenya. The flower industry is also an important part of GDP, being one of the three largest foreign exchange earners in the last year (with tourism and tea), and taking the top spot in 2007.

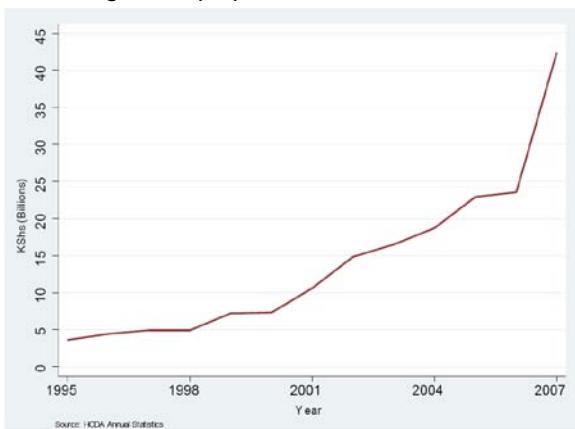


Figure 1

Project findings in more detail

Using export information from the Horticultural Crop Development Authority (HCDA) on all Kenyan flower exporters, this study shows that the conflict reduced Kenyan flower exports by 24% overall. For firms located in conflict areas exports were reduced by 38%. This was mainly because workers were displaced. The effects of the five week violence are shown in figure 2. These effects lasted for three months.

Volume of Flowers Exported (by conflict location)

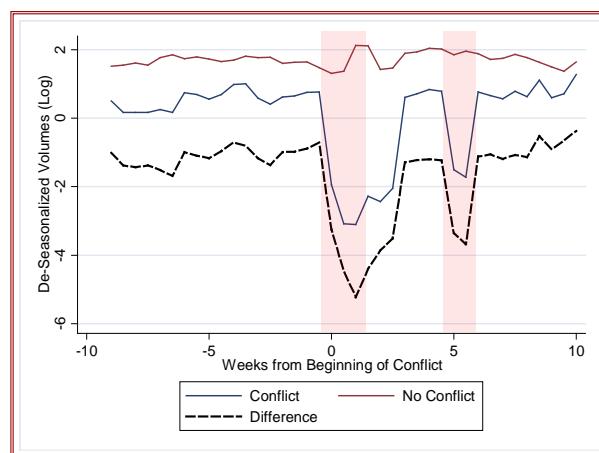


Figure 2

However, not all flower exporting firms were affected in the same way. Those that used only flower auctions to sell their produce were worst affected and saw a drop in exports of 41%. Those that exported only via direct buyers saw a drop in exports of 26%. Flower exporters that used both flower auctions and direct buyers only saw their exports drop by 11%.

In the last four years most firms have concentrated their export efforts via direct buyers. This is because sales through direct relationships offer a stable demand with generally higher returns. However, direct relationships also mean greater dependency on the buyer as flower exporters tailor their products to the client.

Exporting via auctions reduces this dependency but prices vary substantially throughout the season. In addition, as auction houses are intermediaries, the returns to the flower exporters tend to be lower.

Maintaining both types of export channels appears to be an effective insurance strategy when operating in a risky environment. That is why government policies should encourage flower exporters to see these channels as complements rather than substitutes. Flower exporters using both types of export channels will have to decide whether the revenue protection of using both export channels outweighs any indirect costs they may incur.

Future research

Future work will include an evaluation of the Ethiopian government's support to develop an Ethiopian flower industry. Data from other

flower auctions East Africa will add to a broader picture.

For more detailed information

- Christopher Ksoll, Rocco Macchiavello and Ameet Morjaria: "Guns and Roses: The Impact of the Kenyan Post-Election Violence on Flower Exporting Firms". Available at: <http://www.csae.ox.ac.uk/workingpapers/pdfs/2009-06text.pdf>
- Christopher Ksoll, Rocco Macchiavello, Ameet Morjaria: "Kenyan Flower Exports during the Violence: a Quantitative Assessment". Workshop in Nairobi, Kenya. April 2009. Available at: <http://www.iig.ox.ac.uk/output/presentations/pdfs/25-kenya-flowers-presentation-01.pdf>



Flower farm. Kenya. Photo: © Curt Carnemark / World Bank

Information about the researchers

Christopher Ksoll is a Postdoctoral Fellow at the Department of Economics, Oxford and a Research Affiliate of the CSAE. His research interests are in the microeconomics of development, in particular in insurance and information networks, conflict and information technology in Africa.

Rocco Macchiavello is a Postdoctoral Fellow at the Department of Economics, Oxford and a Research Affiliate of the Centre for Economic Policy Research. His work studies the industrial organisation of developing countries, with particular emphasis on the organization of exports and the consequences of credit markets imperfections.

Ameet Morjaria is a PhD student at the London School of Economics and the Suntory and Toyota International Centres for Economics and Related Disciplines. His research focuses on the political economy of development in Africa, in particular issues of conflict and natural resource utilisation.



A view of the Eldorado Internally Displaced Persons Camp, April 2008. The camp hosted over 14,000 people displaced during the post-election violence in Kenya. © Manoocher Deghati/IRIN. www.irinnews.org

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