A REVIEW OF POVERTY AND ANTIPOVERTY INITIATIVES IN KENYA

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September 2000

Background paper prepared for *Poverty, Education and Health (PEH) Project*, Social Sector Division, Kenya Institute for Public Policy Research and Analysis (KIPPRA). We acknowledge very helpful comments from Alemayehu Geda.

Abstract

The results from studies on poverty in Kenya show that the poverty situation has deteriorated overtime and especially in the 1990s. The deterioration in living standards in the country is reflected in the rising number of people without food, inadequate access to basic necessities such as education, safe water, sanitation, and health facilities. Most of the poor are in the rural areas and include subsistence farmers and pastoralists.

Poverty in Kenya is caused by a number of factors, which include a high degree of inequality of income and production resources, inequality in the access to economic and social goods and services and in the participation in social and political process. Other causal factors include lack of education, lack of job opportunities, unfavourable climatic conditions, large family sizes, poor government planning and interventions, lack of good governance and weak democratic institutions and practices. A much recent factor leading to increased poverty is HIV/AIDS pandemic. In the rural areas other causes of poverty, include failure to formulate comprehensive land reforms, and the absence of effective social security system for most people. An anti-poverty strategy for rural areas should be based substantially on improving productivity of agricultural activities and better distribution of farm inputs and social and physical infrastructures.

The negative impact of structural adjustment programmes on poverty is through reduction of government expenditure on education and health, cost-sharing and price decontrols resulting in increase in price of basic commodities. But effective and sustained implementation of economic reforms can stimulate economic growth, generate employment and reduce concentration of economic activities and as a result alleviate poverty.

Rapid economic growth is regarded as a key solution not only to poverty but also to unemployment, poor health and economic exploitation. However, this strategy has not been successful in reducing poverty in Kenya, partly due to very low growth rates achieved over the years. Nevertheless, some growth strategies are more effective than others in reducing poverty. The government should take steps to foster pro-poor growth. A key sector identified for pro-poor growth is the rural farming sector.

Other strategies include the basic needs approach to development focussing mainly on the provision of basic needs such as food, water, shelter and health care for the poor; settlement schemes and land redistribution. However, a major part of the anti-poverty policy should involve enhancement of productivity of land already owned, rented or worked on by the rural poor. The others initiatives include district focus for rural development, development of the informal sector, geographical and sectoral targeting of the poor, and rural credit especially micro financing.

TABLE OF CONTENTS

LIST OF TABLES

1. INTRODUCTION

At the time of independence the government of Kenya committed itself to the alleviation of poverty (Republic of Kenya, 1965). However, 37 years later, poverty is still rampant and afflicts a large proportion of the population especially those in the rural areas. Currently, it is estimated that more than 14.3 million people (or 52.3 percent of the population) live below the poverty line (Republic of Kenya, 2000). About 52.9 percent of the population in the rural areas and 49.2 percent in the urban areas are poor. It is also estimated that about 34.8 percent of the rural population and 7.6 percent of the urban live in extreme poverty that they cannot meet their food needs even with their entire resources devoted to food.

Despite the rampant poverty, it was not until 1992 that government poverty monitoring activities and analysis were intensified in Kenya through the Welfare Monitoring Surveys. Three Welfare Monitoring Surveys (1992, 1994, 1997) have been carried out and analysis of poverty has been undertaken using the three surveys (Republic of Kenya, 2000). Other initiatives at monitoring poverty have been through getting the views of the poor on how poverty affects them and what can be done to alleviate it through the participatory approach to assessing poverty (AMREF, 1998a; Narayan and Nyamwaya, 1996).

Previous studies on poverty in Kenya (Mwabu et al.2000, Greer and Thorbecke, 1986a, 1986b, Collier and Lal, 1980, Republic of Kenya 1998, 1999) show that the poor are clustered into a number of social categories including the landless, the handicapped, female headed households, households headed by people without formal education, subsistence farmers, pastoralists in drought prone districts, unskilled and semiskilled casual labourers, AIDS orphans, street children and beggars. In 1994, about 60 percent of the poor were concentrated in 17 of the 47 districts. Although poverty is widespread and multi-dimensional, its victims can be identified by region of residence and by certain social characteristics. This implies that properly targeted anti-poverty measures can be effective in substantially reducing the overall poverty. Moreover, as a poverty reduction strategy, targeting faces competition for the limited available resources from other development purposes such as investment in infrastructural facilities and industrialisation by the year 2020 (Republic of Kenya, 1996a).

There are many programmes aimed at alleviating poverty in Kenya. These include micro-financing, development programmes and projects among others. The programmes and projects have important poverty alleviation aims. However, most seem to have problems at the implementation stage leading to failure to alleviate poverty.

The persistence of poverty throughout Kenya's history despite government's efforts to combat it, suggests that the adopted policies have not been effective or adequate in addressing the problem. Poverty reduction is now a big national challenge. Its persistence and spread is now recognised as a major threat to a very significant section of the Kenyan society with worrying consequences for security and economic wellbeing. This challenge demands a comprehensive review of the extent and causes of poverty, the characteristics of the people it afflicts, an evaluation of previous and current attempts aimed at alleviating poverty, and identification of areas that require further research. This constitutes the main aim of this study.

Such a study is necessary especially for understanding trends in poverty and why previous efforts at alleviating poverty have not been successful and what needs to be done to put such efforts back on track. A study of this kind is critical in guiding the implementation of poverty alleviation initiatives of the sort contained in the recently released National Poverty Eradication Plan (Republic of Kenya, 1999). The plan aims at halting the increase in the incidence of poverty by the early part of the 21st century and to eradicate it step by step thereafter.

As a first step in the implementation of the national poverty eradication plan, the government has come up with several medium term macro and sectoral measures aimed at better implementation of antipoverty programmes, projects and policies. These measures are contained in the Interim Poverty Reduction Strategy Paper 2000-2003 (see Republic of Kenya, 2000). The paper uses a medium term expenditure framework (MTEF) in the 2000/2003 budget to guide efficient and effective use of government resources. The government through MTEF aims to improve macroeconomic management by linking policy planning and budgeting process, and to improve the quality of public expenditure through efficient allocation and utilisation of resources. It also aims at setting an MTEF fund which will be used to reward those sectors that meet both poverty and growth targets.

1.1 Objectives of the Study{tc \l1 "OBJECTIVES OF THE STUDY}

The broad objective of the study is to carry out a comprehensive review of the extent and causes of poverty and to evaluate previous and current strategies and initiatives at alleviating poverty and suggestion of areas that require further research. The specific objectives are as follows.

(i) To review the poverty situation in Kenya and the characteristics of those it afflicts;
(ii) Outline the main causes of poverty;
(iii) Assess the impact of SAPs on poverty;
(iv) Assess the performance of poverty monitoring mechanisms;
(v) Evaluate previous and current poverty alleviation efforts; and
(vi) To make policy recommendations and suggest areas for further research.

Among other aims, the study examines the following questions about Kenyan poverty. What is the extent, spread and depth of poverty? What has been its trend since independence? What are the characteristics of the poor and what are the main causes of poverty? Is there a link between macroeconomic adjustment policies e.g., SAPs and poverty? What mechanisms have been put in place to monitor the poverty situation in the country? What are the previous and current strategies and initiatives aimed at alleviation of poverty? Have these strategies and initiatives been successful? What has been the problem with the previous efforts that have not succeeded? What can be done to make these efforts effective? To address these questions, the study relies heavily on previous poverty studies in Kenya and other countries and on secondary data sources. The next sub-section presents definitions of key words commonly used in poverty studies.

1.2 Basic Concepts in Poverty Analysis

This section attempts to discuss and define the terms poverty, poverty lines, poverty measurement and poverty profiles. Poverty is multidimensional and manifests itself in various forms. Therefore, its definition in simple terms is bound to be inadequate. In general terms poverty can be defined as the inability to attain a certain predetermined minimum level of consumption at which basic needs of a society or country are assumed to be satisfied. The minimum level of consumption at which basic needs are assumed to be satisfied is known as the poverty line.

For policy purposes, what matters is not the precise location of the poverty line, but rather the poverty comparisons across dates, subgroups, and policies. The main concern is that comparisons should be consistent so that two individuals who enjoy the same standard of living should not be at different levels of poverty (Lipton and Ravallion, 1995). If they are, then measurement may seriously misinform policy.

Two approaches commonly used to derive poverty lines are the cost of basic needs (CBN) and the food-energy-intake (FEI) methods (see e.g., Ravallion, 1994; Lipton and Ravallion, 1995, for a review and derivation of commonly used poverty lines and Appendix 1). These two methods have previously been used to derive poverty lines for Kenya (see e.g., Greer and Thobecke, 1986a, Republic of Kenya 1994, Mwabu et al. 2000). The food poor are identified using food poverty line and the absolutely poor are identified using an overall poverty line. Absolute poverty measurement is preferred in the context of developing countries where the majority of the people live below the subsistence level because in such circumstances, one should be concerned with looking into the situation of those in absolute deprivation rather than with the relative deprivation.

Absolute poverty attempts to specify the level of absolute deprivation on the basis of norms, which identify the minimum requirements in terms of food and non-food universally considered adequate to satisfy the minimum basic needs. The minimum food requirement is derived on the basis of minimum nutrition requirements (calories) for a healthy growth and maintenance of human body. Most studies (e.g., Republic of Kenya, 1998; Mwabu et al, 2000) use the FAO/WHO minimum recommended daily average allowance of 2250 calories per adult equivalent to derive food poverty line. Food poverty line is the amount of expenditure required to meet the recommended daily average allowance of 2250 calories given the agreed food basket. A household with food expenditure less than the food poverty line is deemed to be food poor. Overall poverty encompasses the food and non-food consumed by households falling in the band of a certain percentage of the food poverty line. The hardcore poor are defined as those who would not meet their minimum calorie requirement even if they concentrated all their resources spending on food.

A poverty line may, also be fixed as a fraction of mean income or as a multiple of the amount spent on food by people in the lowest segment (e.g., quantiles) of the household expenditure distribution. Such a poverty line is termed a relative poverty line because it is used to assess economic status of an individual or a household relative to a reference group in society. The core and key measure of poverty used in this report is the absolute poverty as opposed to relative poverty, both of which are expressible in monetary units. However, abroad based poverty, which includes non-monetary dimensions such as powerlessness, voicelessness, risk and vulnerability cannot be as easily aggregated as is done with income poverty. This multidimensional poverty is also amenable to attack by a greater range of policy instruments (World Bank, 2000a)

1.3 Poverty Measurement and Profiles

The poverty lines discussed above help identify who in the population are poor. In this subsection we discuss the measurements of poverty. A poverty measure is an aggregate indicator of a dimension of poverty. One poverty measure that has been found manageable in presenting information on the poor in an operationally convenient manner is the FGT measure developed by Foster, Greer and Thorbecke (1984) to quantify three well known elements of poverty, namely; incidence, depth and severity of poverty.

The first measure of poverty according to the FGT is the headcount ratio ($P\alpha=0$), which indicates the proportion of individuals (or households) below the poverty line i.e., the poor expressed as a proportion of the population. The incidence of poverty, however, does not indicate how far below the poverty line the poor are. The second measure is the poverty gap or average income shortfall ($P\alpha=1$), which gives the proportional shortfall of the average poor person from the poverty line. It can give an estimate of the resources that would be required to bring the expenditure of every poor person up to the poverty line, thereby eradicating poverty. The poverty gap is, however, insensitive to the effect of income redistribution among the poor on poverty. The third measure that overcomes this problem is known as the severity of poverty ($P\alpha=2$). This measure reflects the degree of inequality among the poor (see e.g., Foster, Greer and Thorbecke, 1984, Mwabu et al, 2000, for further comments on the FGT measure).

A poverty profile is simply a special case of poverty comparison, showing how poverty varies across subgroups of society, such as region of residence or sector of employment (Ravallion, 1994). The presentation of the poverty profiles follows two formats. The first format reports poverty measures (poverty incidence, inequality and intensity) for each sub-group distinguished by some characteristic such as area of residence. The second format gives the incidence of characteristics (e.g., education and family size) amongst sub-groups defined in terms of their poverty status, such as poor and non poor (see Ravallion, 1994).

The remaining part of the report is organised as follows. Section two reviews the poverty situation in Kenya and outlines the characteristics of those affected by poverty. Section three looks at the main causes of poverty and relates these causes to economic policies. In section four, we analyse the impact of economic reforms on poverty in Kenya. Section five reviews previous and current antipoverty initiatives and how effective the initiatives have been in alleviating poverty. The section also reviews the experiences of other countries in alleviating poverty and relates this experience to local situation. Section six summarises, concludes and outlines areas that require further research.

2. THE POVERTY SITUATION IN KENYA

Poverty has been persistent in Kenya despite government's effort to combat it through national development programmes. The formulation of appropriate programmes to effectively combat poverty requires the identification of the poor and a measure of the extent of their poverty. As mentioned earlier, to analyse poverty one needs to specify a poverty line and construct an index measure of the intensity of poverty. Individuals falling below the poverty line are considered to be poor. The poor are, however, not a homogeneous group. Therefore, one blanket cover programme is not adequate to solve the problem of different poverty levels among the poor. This section reviews the extent of poverty in Kenya and the characteristics of people it afflicts.

2.1 Previous Poverty Studies and Data Bases

Early estimates of poverty in Kenya were based mostly on the Integrated Rural Surveys 1974/75. Recent studies have used data from the Welfare Monitoring Surveys. Other data sets include the 1981/82 Rural Household Budget Survey. Longer time series on poverty are not available in Kenya and this makes comparison of the poverty situation over time a difficult exercise. However, a number of household budget surveys and welfare monitoring surveys are now available in Kenya and most have been used in the analysis of poverty. Carrying out these surveys is extremely costly and this probably explains why it may not be possible to undertake such surveys on annual basis. Nevertheless, the available data can be used to evaluate changes in poverty over time in Kenya.

In the mid-1970s, an Integrated Rural Survey (IRS) 1974/75 was carried out in Kenya. Using this data set, several studies on poverty for the mid-1970s were conducted (see Table 3 for a summary of the studies). These studies are restricted to food poverty and the rural population. In the 1980s, a Rural Household Budget Survey (RHBS) and an Urban Household Budget Survey (UHBS) were conducted. The processing of these data sets was delayed by several years and both surveys were never fully exploited for poverty studies. However, rural poverty lines have been calculated based on the RHBS 1981/82 (see Mukui, 1993).

In the 1990s poverty monitoring activities and analysis were intensified in Kenya through the Welfare Monitoring Surveys (WMS) 1992, 1994 and 1997. Analysis has been done using the first two surveys, while results for the 1997 data have just been released and show that national poverty rate in 1997 was 52%. The primary purpose of the Welfare Monitoring Surveys was to gauge the present and future net socio-economic consequences of structural adjustment in Kenya. The specific objectives of the Welfare Monitoring Survey therefore include:

(a) To establish an information system that will provide timely indicators on living standards for different regions and socio-economic groups;

(b) To monitor changes in living standards, particularly of the vulnerable segments of the population; and

(c) To develop government's in-house analytical capability to relate changes in living standards to national policies and programs.

The National Welfare Monitoring Survey is a national sample survey and collected data during November and December 1992 in 44 districts excluding Turkana, Marsabit and

Samburu. The surveys obtained the following information from respondents; household composition; household expenditure, household incomes, assets, amenities owned and availed to the household and land utilisation.

Thus, since the mid-1970s household surveys in Kenya have been the single most important source of data for analysing poverty and for making poverty comparisons because they give data on the distribution of living standards of the people. A number of poverty studies (e.g., Mwabu *et al* 2000, Republic of Kenya 1998) are now available based on the survey data sets. Nevertheless, estimates from the poverty surveys are not fully comparable. Therefore, a lot of care should be exercised in setting up and interpreting such data and in making comparisons over time.

It is instructive at this stage to discuss some of the strengths and limitations of the data set and how they may affect the poverty estimates. The data sets differ in coverage and the information collected. The 1974/75 IRS and 1981/82 RHBS are year-long observations within an integrated rural budget surveys, while the Welfare Monitoring Surveys are once-in-time surveys. The seasonality of income and expenditure, especially in the rural areas is likely to affect the quality of the welfare monitoring surveys more than the earlier surveys. Consumption of food from own-production is affected by seasons and food purchases tend to be low during and immediately after harvest when own consumption is higher and vice versa.

The 1992 WMS was conducted only a few weeks prior to the Christmas festivities and the first multiparty elections since Independence in 1963. Christmas festival is normally associated with above-average expenditure on some items e.g. luxurious foods and items of clothing and footwear. The euphoria of the elections and the apathy or excitement associated with it would also affect the household expenditure. The 1992 WMS survey period was also characterised by unstable and rising commodity prices. In addition the price variations by regions during the survey period were high due to shortages of key commodities like sugar and maize. These differences complicate the comparison of poverty figures by region and the interpretation of shares in consumption of items collected under different recall periods.

In addition, the welfare monitoring surveys do not capture enough information to derive a reliable income figure. For instance, since the incomes of the poor in the rural areas tend to be derived from agriculture, such incomes do fluctuate seasonally and are uncertain and can produce inaccurate estimates. Since WMS does not take into account these fluctuations, data on income is unreliable. Therefore, most studies (e.g., Mwabu et al, 2000) define the poor using consumption expenditure data because households tend to maintain a fairly stable living standard, which is considered as a function of permanent or long-run income. This minimises the problem caused by unreliable income information.

The WMS surveys do not cover the entire range of fundamental poverty correlates. For instance, despite WMS coverage of all districts and collection of pertinent information on employment, education, health, fertility, crops, livestock, incomes, expenditure patterns, child nutrition and social amenities, considerable work remains to be done to improve on the conceptual framework and methodologies for obtaining supplementary data (Kenya, 1994b). There is particularly limited information on non-income measures of poverty.

Under the current situation monitoring and assessment of the relative pace, impact and direction of socio-economic and poverty changes for timely formulation of appropriate policies and programs is difficult due to delays in data processing. The existing data is also inadequate in measuring some dimensions of poverty. These dimensions include the micro-enterprise and jua-Kali/informal sector, smallholder agriculture and livestock activities, credit systems and opportunities in the rural sector, off-farm manufacturing activities including trade, demographic dynamics of women and youth, socio-cultural factors, environmental and natural resources, forms of participation, social integration and human security. Much more needs to be done in monitoring poverty, including obtaining a better understanding of its dynamics – how poverty evolves for individuals and groups and how it is influenced by changes in economic policies. It is also important to strengthen capacity in Africa to analyse the survey data.

It is also important to point out that the surveys only cover people living in households. This means that some groups in the urban or rural areas living in the most desperate conditions, e.g., beggars, street children and women in destitute conditions are not included in the sample frame because they are either not living in identifiable households or are difficult to reach for the enumerators. As the “non-households” are expected to be more frequent in an urban environment, computed urban poverty estimates will, other things being equal, be somewhat understated compared to rural figures. The next section presents poverty lines and poverty estimates used in previous studies in Kenya.

2.3 Poverty Lines

This section briefly discusses poverty lines used in the previous studies. To limit the scope of the analysis, poverty lines computed using a recently developed food share method (see, Ravallion 1994 and Appleton, 1995) are not reported.

Table 1 & 2 below present summaries of the previous poverty lines for Kenya using CBN and FEI approaches. Column 2 of Table 1 shows provincial food poverty lines in 1974-75 based on minimum cost of diet of maize and beans that yields 2250 calories per adult equivalent per day and food poverty lines derived by a calorie cost function for each region using regression methods. Maize and beans are a common diet for most people in Kenya. As can be seen from the table previous studies apart from Mwabu et al. (2000) did not establish a national poverty line. Mwabu et al (2000) have made further attempts to compare the food poverty line constructed for the 1970s using IRS 1974-75 with the food poverty line they constructed using the 1994 Welfare Monitoring Survey. They find that the FEI food poverty line of Kshs.30 per month per adult equivalent in 1975, amounts to Kshs. 562 at 1994 prices, which was very close to the rural food poverty line of Kshs.579 per month per adult equivalent they computed using 1994 Welfare Monitoring Survey II data.

Table 1: Previous FEI and CBN Food Poverty Lines in Kenya

Region/Province	Food poverty lines in the Kshs per year per adult equivalent (1974-75) and Kshs per month per adult equivalent for the remaining period. (CBN based poverty lines are in the parenthesis)			
	1974-75	1981-82	1992	1994
Central	404.3 (350.7)	105.36 (96.36)	Na (455.49)	740 (676)
Coast	330.9 (395.0)	70.77 (90.96)	Na (409.35)	717 (774)
Eastern	357.7 (306.5)	80.02 (86.67)	Na (387.35)	623 (594)
Nyanza	327.3 (257.6)	74.56 (83.74)	Na (388.39)	599 (593)
Rift Valley	347.3 (256.9)	73.27 (83.74)	Na (401.99)	614 (606)
Western	339.8 (283.3)	74.09 (84.96)	Na (382.19)	571 (591)
North-Eastern	Na	Na	Na	655 (723)
Nairobi	Na	Na	Na (514.25)	835 (809)
Urban	Na	Na	Na (514.25	843 (830)
Rural	353.0 (315.8)	78.18 (87.90)	Na (404.66)	603
National	Na	Na	Na	609 (625)

Source: The 1974-75 estimates are extracted from Greer and Thorbecke (1986a) Table 2 page 71; The 1982 and 1992 from Republic of Kenya 1994, text Table 4, text Tables 9 and 10, pages 39, 40, and 109; and the 1994 estimates (column 5) are from Mwabu et al. 2000 text Table 3, page 7. Na = not available.

As shown in Table 1, Central province has the highest FEI food poverty lines. This implies that a standardised food basket, which yields calories 2250 per day per adult equivalent in all provinces is more expensive to purchase in Central province than in other provinces. Similarly in 1982 and 1992 the overall poverty lines (see Table 2) were higher in central province indicating that food and non-food basic needs were more expensive in central province. Proximity of central province to Nairobi is perhaps the reason for this. However, this pattern changes for the 1994 overall poverty line as shown in the last column of Table 2.

Table 2: Previous FEI and CBN Overall Poverty Lines in Kenya

Region Province	Overall poverty lines in Kshs per month per adult equivalent at current prices. (CBN based poverty lines in parenthesis)		
	1981-82	1992	1994
Central	169.62 (140.68)	902.12 (790.35)	877 (941)
Coast	113.34 (140.23)	699.29 (624.69)	886 (1025)
Eastern	123.41 (124.65)	634.84 (560.90)	893 (819)
Nyanza	112.89 (128.67)	668.57 (566.91)	670 (800)
Rift Valley	166.06 (83.74)	876.25 (769.87)	825 (866)
Western	74.09 (84.96)	676.45 (606.38)	683 (751)
North Eastern	Na	Na	1100 (1009)
Nairobi	Na	1335.81 (1218.08)	1013 (1348)
Urban	Na	1269.25 (1153.47)	1067 (1292)
Rural	78.18 (87.90)	746.45 (646.81)	793 (817)
National	Na	Na	780 (870)

Source: The 1982 and 1992 estimates are from Republic of Kenya (1994), text Table 4, text Tables 9 and 10, pages 39, 40, and 109; and the 1994 estimate (column 4) are from Mwabu et al. (2000) text Table 3, page 7. Na = not available.

As expected, rural poverty lines are lower than urban poverty lines as shown in the two tables. The last column in each table gives food and overall poverty line for all provinces and for the whole country presented in Mwabu et al. (2000). The national food poverty lines of Kshs 625 (CBN) and Kshs. 609 (FEI) per month per adult equivalent are only about Kshs. 16 a part even though computed using different approaches. Also, at the national level FEI lines are lower than CBN lines, which is generally the case for the overall lines in virtually all regions.

The differences between poverty lines across regions causes problems when comparing poverty rates across provinces because a mere change in area of residence influences poverty status. The regional poverty lines are adjusted for differences using regional food price indices for the period when the survey was undertaken. After price adjustments, differences in poverty lines may arise from two sources i.e., regional differences in preferences and inter-regional variations in consumption levels. These differences cause problems in comparing poverty rates across regions because preferences rather than command over goods affect a household poverty status. However, these differences can be eliminated by fixing a poverty line over space by assuming that all regions consume each item in a food basket in the same quantities and that the regions have a common preference. Under these assumptions, a national or rural poverty line can be assumed to apply in all provinces. The problem is that the basic needs basket identified under the assumptions of common preferences and uniform consumption may be fictitious (Mwabu et al, 2000). There is thus an element of subjectivity in the choice of a poverty line. The next section presents the measures of poverty derived based on these poverty lines.

2.4 Poverty Estimates

Poverty in Kenya has attracted considerable research attention in the last three decades from individual academic researchers, donors and the government. Estimates generated from these research efforts provide a fairly good account of poverty trends in the country over this period. Table 3 shows a summary of poverty estimates from previous.

As shown in the table, available poverty estimates since the 1970s clearly point to a rapidly deteriorating poverty situation in the country, especially in the last two decades. For instance, Collier and Lal (1980) show that in 1974 about 29 percent (4.2 million) of total Kenyan population were poor (they used a poverty lines of Kshs. 2000 per year for rural households and Kshs. 2150 per annum for urban households). The majority of the poor (about, 60%) were smallholder population followed by pastoralists, the landless, squatters in large farms and migrant workers.

Table 3: Summary of Previous Poverty Estimates for Kenya

Author	Reference Year	Data Source	Poverty Incidence
FAO (1977)	n.s.	Food balance sheet, 1972-74	30% of population
Crawford and Thorbecke (1978)	1974/75	IRS I (1974/75)	38.5% of households
	1976	1976 Employment Earnings in the Modern Sector; IRS II	44% of population
Collier and Lal (1980)	1974/75	IRS I Smallholder	34.2% of smallholder population 29 % for all population
Vandermoortele	1976	IRS I 1974/75; Nairobi Household Budget Survey (1974); Social Accounting Matrix	33.1% of smallholder household 15.3% of urban households
Crawford and Thorbecke (1980)	1974/75	IRS (1977)	25% households
Greer and Thorbecke (1980)	1974/75	IRS (1977)	38.6% of smallholders
Jamal (1981)	1976		32% of population
Bigsten (1987)	1976	National accounts	40%
World Bank (1991)	1981/82	1981/82 penal survey and complementary statistics	22% of rural population
World Bank (1995) & Mukui (1993)	1981/82 1992	1981/82 rural survey and 1992 WMSI	Rural: 48% for 1981/82 &46 for 1992 Urban: 29.3 % for 1992
Narayan and Nyamwaya (1996)	1994	Participatory Poverty Assessment	Widespread poverty in rural areas results similar to 1992 WMS above
Republic of Kenya (1998)	1994	1994 WMS I	46.8% rural population 29% urban population 40% national estimates
Mwabu et al. (2000)	1994	1994 WMS II	39.7% rural population 28.9% urban population 38.8% national population
Republic of Kenya (2000) results for WMS III	1997	1997 WMS III	52.9% rural population 49.2% urban population 52.3% national population

Source: Adopted from Republic of Kenya (1997) and Updated. Note: Some of the sources quoted above may note be in our reference list, unless quoted in the text of our study. n.s :not shown.

A Republic of Kenya (2000) study done about twenty years after the Collier and Lal (1980) study shows that the number of people below the poverty line had sharply increased to about 52.9 percent of the rural population and 49.2 percent of the urban population. A report by the UNDP (1994) also shows that about 52 percent of the country's population of 25 million people lived in absolute poverty.

Mukui (1993) found that the incidence and depth of poverty had sharply deteriorated between 1982 and 1992, with the incidence of poverty among various socio-economic groups in the country becoming alarmingly high. Recent studies (Republic of Kenya 1998, Mwabu et al, 2000) show that the total number of the poor in 1994 ranged between 39 to 46 percent of the total population. The total number of poor Kenyans has also been increasing over time e.g., from 11.5 million in 1994 and to 12.6 million in 1997. The estimated figure for the 1980s and 1990s exceed those estimated in the 1970, an indication that the problem of poverty has worsened over time. Preliminary results of the 1997 WMS III show that the poor constitute 52.3 percent of the Kenyan population and that the urban poverty situation has deteriorated further, with 49.2 percent of the urban population being poor.

The increase in poverty in the country is easily observed from the rising number of people without adequate food and nutrition, and with inadequate access to basic necessities such as education, safe water and sanitation, employment, health facilities and decent housing. By the early 1990s, 13 million Kenyans (about 50 percent) had no access to safe water while 6 million had no access to sanitation (UNDP, 1994).

Tables 4 and 5 show national and regional absolute and food poverty measures in Kenya. Substantial regional differences in the incidence of poverty exist in Kenya. First, poverty is largely a rural phenomenon. About half the rural population were poor in the 1990s and between 30 to 49 percent of the urban population were poor (see Table 4 and 5). Rural poverty is marked by its common connection to agriculture and land, whereas urban poverty is more heterogeneous in how incomes are generated. The rural poor depend very much on agriculture than the non-poor (see, e.g., Quibria and Srinivasan, 1991; Readon *et al.* 1992). Also, the few non-farm activities in the rural areas derive their prosperity on forward and backward production linkages with agriculture. Thus, poverty in the rural areas tends to be explained more by low access to physical assets (particularly land), low agricultural productivity, non-farm employment opportunities and health care and schooling, than the labour market distortions as in the urban sector.

Table 4: Overall Poverty Estimates in Kenya 1981-1994

Region	Percent of the Poor				
	1981/82	1992	1994a	1994b	1997
Central	25.7	35.9	31.9	31.79	31.4
Coast	54.6	43.5	55.6	41.36	62.1
Eastern	47.7	42.2	57.8	44.96	58.6
Rift Valley	51.1	51.5	42.9	38.31	50.1
North Eastern	Na	Na	58.0	51.33	-
Nyanza	57.9	47.4	42.2	38.31	63.1
Western	53.8	54.2	53.8	40.58	58.8
Nairobi	Na	26.5	25.9	22.30	50.2
Rural	48.8	46.3	46.8	39.70	52.9
Urban	Na	29.3	28.9	28.63	49.2
National	46.8	46.3	46.8	38.80	52.3

Source: Economic Survey 1994, 1997 and Mwabu et al 2000. Na = not available.

Table 5: Food Poverty estimates in Kenya 1981-1994

Region	Percent of the Poor				
	1981/82	1992	1994a	1994b	1997
Central	37.89	67.83	32.95	28.30	29.7
Coast	76.25	63.00	50.95	38.70	59.5
Eastern	64.58	62.31	59.50	39.60	56.8
Rift Valley	69.63	81.02	45.75	36.93	48.0
North Eastern	Na	Na	56.55	51.34	-
Nyanza	77.08	70.72	41.31	34.43	58.2
Western	73.25	78.41	52.25	40.85	58.6
Nairobi	Na	41.92	27.26	22.30	38.4
Rural	65.53	71.78	46.75	37.75	50.7
Urban	Na	42.58	29.23	24.86	38.3
National	Na	Na	Na	-	-

Source: Economic Survey 1994, 1997, Republic of Kenya, 2000 and Mwabu *et al*. 2000.

In view of agriculture's high labour intensity and relevance to local food availability, an antipoverty strategy in the rural areas should be based substantially on productivity in agriculture. It is possible to focus rural antipoverty policy on improving the agricultural output and productivity, stability and distribution of farm inputs, employment, and social and physical infrastructures.

The rural-urban dichotomy, however, tends to divert attention from even much sharper regional disparities in poverty levels. For instance, in some countries, poverty incidence has been found to be lower in large cities than other urban areas (Bidani and Ravallion, 1993, for Indonesia, Ravallion and van de Walle, 1994, for Tunisia). A comprehensive study of this kind is yet to be carried out in Kenya and research in such areas would go along way in providing crucial information for policy purposes.

Large disparities in rural poverty incidence have also been documented for a number of countries including Kenya. The regional disparities in the incidence of rural poverty are strongly associated with rainfall and dependence on rainfed agriculture (Webb et al. 1991). In Kenya, for example, poverty incidence is high in arid and semi-arid areas of the country like Marsabit, Turkana, Isiolo, Samburu and Tana River districts (Republic of Kenya, 1998).

It is clear that there are areas of high concentration of poverty in Kenya. Previous studies (Ravallion, 1996; van de Walle 1995; Wodon 1995; Jalan and Ravallion 1995) identify two sets of determinants of why poverty tends to be concentrated in certain areas. The first set is based on individualistic model in which poverty arises from low household-level endowment of privately held productive resources including human capital. According to this model poor areas exist because people with poor endowments tend to live together. Anti poverty policies influenced by this model emphasise raising the endowments of poor people such as by enhanced access to schooling.

The second set of determinants is based on a geographical model in which individual poverty depends heavily on geographic capacity and mobility is limited. In this case the marginal returns to a given level of schooling, of a loan, depend substantially on where one lives and limited factor mobility entails that these differences persist. The relevant geographic factors include local agro-climatic conditions, local physical infrastructure, access to social services and the stock of shared local knowledge about agro-climatic conditions and about the technologies appropriate to those conditions. If the model is right, then the policies called for entail either public investment in geographical capital or (under certain conditions) pro-active efforts to encourage migration. However, the individualist model begs the questions of why individual endowments differ persistently and why residential differentiation occurs and the geographic model begs the questions of why common endowments differ, and why mobility is restricted. Nevertheless, knowing which model dominates is very important for anti poverty policy formulation.

In tackling poverty, it is important to get ideas from the poor themselves. In 1996, the Central Bureau of Statistics undertook a poverty assessment study that adopted a community participatory approach to incorporate the views of the poor in assessing poverty in Kenya (see e.g., Narayan and Nyamwaya 1996; AMREF 1998a). The participatory assessment studies have increased our understanding of the poverty situation in Kenya in the recent years as seen by the poor. According to these studies, the five leading manifestations includes, begging and dependence on external assistance especially for food, poor shelter and clothing, poor health, engagement in odd jobs, negative effects on children such as dropping from school, child labour and idleness. About 77% of those interviewed felt that poverty had worsened over time. Poverty has many facets. In addition to low income and assets, participatory assessment draw attention to exclusion and isolation as well as lack of trust in public agencies. This is not unique to Kenya, since the poor in other countries like Ethiopia, point out that new ways have to be found that allow them to participate in development programs and ensure that such programs reach their intended beneficiaries (World Bank, 2000b).

2.5 Proximate Indicators of the Poverty: Characteristics of the Poor

Much of our empirical knowledge about the characteristics of the poor is in the form of bivariate correlation. We consider some of these characteristics in this section. Tables 6 and 7 show the poverty profile by level of education and sex of the household head. There is a negative correlation between level of education and poverty. Poverty generally declines as the level of schooling of the household head increases. Poverty is highest among people without any schooling and there is virtually no poverty among households headed by university graduates (See Mukui 1993, Republic of Kenya 1998). Poverty is substantially lower among the literate heads of households regardless of the sex of the head (see Table 6 below). About 50 percent of the illiterate heads of household are poor compared to about 30 percent for the literate heads of households. The main reasons why some individuals do not attend schools are high school fees, children helping at home and socio-cultural factors such as girls forced to get married regardless of their level and performance in school.

Table 6: Household Poverty Rates by Level of Education of Household Head in 1994

Region of residence	No education	Primary Education	Secondary Education
Central	52.5	37.0	26.8
Coast	56.5	38.4	19.4
Eastern	62.5	40.5	18.0
Nyanza	44.0	41.8	26.4
Rift Valley	55.0	34.4	0.0
Western	53.5	41.4	21.4
North-Eastern	52.4	20.0	12.1
Nairobi	46.7	29.8	28.9
Urban	45.5	35.2	22.0
Rural	50.1	37.7	23.6

Source: Mwabu et al. (2000), Table 10

Table 7: Household Poverty Rates by Literacy and Sex in 1994

Region	Literate (can read and write)		Illiterate (cannot read and write)	
	Male	Female	Male	Female
Rural	33.3	30.7	52.2	46.2
Urban	26.8	23.9	49.0	54.8
National	31.4	28.8	51.7	50.8

Source: Mwabu et al. (2000), Table 11

Poverty in households headed by women differs from male headed households, but the difference between the two subgroups is not substantial (see, Appleton, 1995 for similar results for Uganda). It is important to note that female-headed households are few and, therefore, account for a relatively small proportion of the overall poverty.

Gender related poverty vary by marital status (see Appleton 1995, Mwabu et al, 2000). Poverty rate is highest among households headed by widows and by women from polygamous households. National poverty rate for women heads from polygamous households is about 51 percent, which is higher than the rate for widows (45.3 percent).

This profile persists in the urban and rural areas where women heads of polygamous families are poorer than widows. Widowhood is the primary reason for female headship of families. Polygamous households are most common in Nyanza, Western and the Rift Valley provinces.

Poverty rates among polygamous households headed by men are as high as in polygamous households headed by women (50 percent). Polygamous families are generally larger than other family structures. Poverty rises as the household size increase in both rural and urban areas (see del Ninno, 1994). Since poverty is much higher in large households, this explains why poverty is exceptionally high among polygamous households for they tend to be large.

People in certain occupations such as subsistence farmers, pastoralists, unskilled workers, unpaid family workers and among people without well defined occupations are faced with a high incidence of poverty (Republic of Kenya, 1998). Evidence from the 1994 Welfare Monitoring Survey shows that about 46 percent of subsistence farmers and 60 percent of pastoralists are poor. The subsistence farmers, however, account for about a half the poor in the country. Poverty rates are also high among the unskilled workers in both the private and public sector.

Some studies (see e.g., Oyugi, 2000) also show that landholding size is not highly correlated with poverty. This is probably due to the fact that the data used does not provide information on the agricultural potential of land i.e., whether those with large land are in the marginal or medium potential areas. Thus, the ranking of poverty measure using size of land holding may not portray any clear trend due to different agricultural potential of landholding.

Lager household size is associated with greater incidence of poverty (Mukui 1993, Mwabu et al. 2000, Oyugi, 2000). Most of the members in such households are young and are faced with low consumption or income due to high dependence ratio and this explains why most of these households are poor.

Being poor means devoting insufficient resources to consumption. The results of the 1994 Welfare Monitoring Survey (Republic of Kenya, 1998) show that the poor spend a larger proportion of their expenditure on food (71%) compared to 59% for the non-poor. This is in line with the Engel's law, which states that relative to the non-poor, the poor spend a higher proportion of their income on food. Makueni District, with 70% of the food poor households was the poorest district in 1997 followed by Machakos, Kitui, Taita Taveta, Kilifi, Bomet, Nyamira, Homa Bay, Busia, and West Pokot. Central Province had the lowest percentage of food poor people (33%) while Eastern province had the highest prevalence of food poverty (60%) followed by North Eastern with a prevalence of 57%.

Access to health care has long been considered as pivotal in helping people acquire core capabilities that in turn, permit them to escape from poverty. Poor health is seen as a quick way to fall into poverty. The poor are less likely to report health problems compared to the non-poor and are less likely to seek treatment in the event of illness.

Public health institutions in Kenya are characterised by long patient queues. There is anecdotal evidence that in most cases, patients in government health facilities, provide exercise books for prescriptions, and have to purchase drugs and syringes and make some "unofficial" payments to medical personnel. The time taken to reach a health facility is considered an important indicator of accessibility to health services. The Welfare Monitoring Survey III found that most of poor households in rural areas took over 60 minutes to reach the nearest health facility. In urban areas, this time was between 10 and 30 minutes. The first destination for the sick poor in rural areas was a public dispensary (26.7%) followed by a drug store or pharmacy (23.2%) and a private doctor (20.8%). The majority of the non-poor use private sources of medical care (51.4%).

Access to health services by the poor – interpreted to mean availability, affordability and physical accessibility of drugs and consultations -- has been limited due to factors ranging from cost sharing and long distances to health facilities. Cost sharing in health services has increased the cost of health care, making them unaffordable by poor. In Makueni District for example, essential medicines and drugs are generally not available in the local clinics. The poor view seeking health care in private clinics and hospitals as too expensive (AMREF, 1998b). The 1997 Welfare Monitoring Survey found that only 35.6% of children from poor households were delivered at health facilities compared with 52.3% of children from non-poor households. Malnutrition is higher in the poor households than in non-poor households. Rates of stunting, wasting and underweight are also higher among children from poor households.

Environmental issues are also considered to be important correlates of poverty. In 1997 Welfare Monitoring Survey, river, lake and ponds were reported as the major sources of drinking water in most of districts for the poor. Access to safe water and safe sanitation varies by poverty status and locality. During dry seasons, 43% of the poor households and 53% of non-poor households respectively were reported to have used water from protected sources. Two thirds of the rural poor had no access to safe drinking water. Sanitation and water disposal services are scarce in most cases for the poor both in rural and urban areas. The 1997 Welfare Monitoring Survey puts households without access to sanitary facilities at 58.3% for the non-poor and 72.2% for the poor.

On average, the non-poor cultivate more land (4.1 acres) than the poor (3.8 acres). Moreover, the yield per acre for the non-poor is considerably higher than that of the poor due to differential access to fertilizers, quality land, credit, irrigation, and other agricultural inputs. In 1997, the poor on average spent a third (KSh 1,611.3, approx US $20) of what the non-poor spent (KSh 4,794.6, approx US $60) on agricultural inputs. The non-poor households on average own more cattle, sheep and goats (Republic of Kenya, 2000d). The 1994 Welfare Survey found that compared to the poor, the non-poor earn more than two and half times the money the poor earn from cash crops, and nearly one and half times more from livestock products.

The type of cooking fuel is an important indicator of the standard of living in a given household. The use of electricity, compared to firewood for instance, saves time that can be spent on other productive activities. The rural poor depend overwhelmingly on collected firewood, whereas the urban poor have access to both charcoal and paraffin.

The 1994 Welfare Survey found that in rural areas, 97.5% of the poor and 85.4% of the non-poor use firewood for cooking. A majority of the rural poor (92.4%) use paraffin for lighting compared to 83.7% among the non-poor. The poor have fewer consumer durables such as radios and bicycles, cemented walls and iron sheet roofs.

The most pressing environmental health problem today, in terms of death and illness world wide, are those associated with poor households and communities. In rural areas and in the peri-urban slums of the developing world, inadequate shelter, overcrowding, lack of adequate safe water and sanitation, contaminated food, and indoor pollution are by far the greatest environmental threats to human health (Dasgupta, et al, 1994).

According to WHO and the World Bank, environmental improvements at the household and community level would make the greatest difference for global health. Specifically the World Bank has calculated that improvements in local environment conditions facing the poor could lower the incidence of major killer diseases by up to 40 percent (Eckholm, 1976).

By targeting policies that help to reduce environmental threats that contribute both to ill health and poverty, it is possible to produce good health long before income growth could do so on its own. Improving the conditions of daily life may by itself help to reduce poverty. This means that removing the environmental hazards that make people sick could keep people productive and therefore raise their incomes. Continued environmental deterioration is a source of continued impoverishment. Poor people depend on natural resources for their livelihoods especially on common property resources, and they are more likely than the better off to live in vulnerable areas. Poor people suffer most from deterioration in the environment, because of the threat to their livelihoods and aggravated health risks from pollution.

Poverty means more than inadequate consumption, education and health. As the voices of the poor cry out, it also means dreading the future- knowing that a crisis may descend any time, not knowing whether one will cope (World Bank, 2000a). Living with such risk and insecurity is part of life for poor people, and today's poverty especially in the developing world may well be increasing insecurity of everyday life. Poor people are often the most vulnerable in society because they are the most exposed to a wide array of risks, that make them vulnerable to income shocks and losses of well being. Insecurity among the poor manifests itself in forms such as illness and injury, crime and domestic violence, old age, harvest failure, fluctuations in food prices and demand for labour. (World Bank, 2000a)

3. POVERTY DETERMINANTS

A poverty indicator becomes a poverty determinant when it is viewed, *not* as an index of the level of poverty, but as the cause in the variation of poverty. For example, when educational attainment is viewed as the reason why people are poor or non-poor, education *is* in this sense a determinant of poverty. In contrast to a poverty indicator, which is defined up to some cut-off point, a poverty determinant is defined over the entire range of its values. For example, in analyzing the effect of education on poverty, all levels of educational attainment are relevant. In this section we look at a few of the key determinants of poverty in Kenyan context.

Different studies tend to emphasise different determinants of poverty in Kenya. Some of the determinants include first economic growth. Other determinants include inequality in income distribution and access to productive resources such as land; natural shocks such as drought, floods and fire; poor implementation of development programmes and lack of focus and commitment to poverty eradication programmes; lack of effective social security policies and mechanisms; and illness including diseases such as TB and HIV/AIDS (ILO, 1972; Gsanger 1994; Ikiara and Tostensen 1995; World Bank, 1994; Mwabu et al 2000).

Economic growth is said to have a positive effect on poverty reduction. Kenya's gross domestic product (GDP) increased by 0.3% in the year 2000 down from 1.4% in 1999. This implies that per capita growth continued to fall and hence poverty can also be expected to have arisen over the same period. The slowdown in activities was reflected in most of the key sectors of the economy and was attributed to drought, poor infrastructure, inefficient telecommunications services, mismanagement of farmers' institutions and a general feeling of insecurity in the country. Agricultural growth fell to 0.3% down from 1.2% in 1999 with a significant fall in the production of tea, wheat, sugar cane and maize. Tea production declined by 5.4%, but its export price increased by 15%. Export earnings from the horticultural sub-sector also declined by 7.5%. The slowdown in agriculture was due to the prolonged drought. The poor infrastructure, power rationing and high cost of farm inputs also adversely affected production in the sector. The decline in growth and agriculture most likely had a negative impact on food production and thereby poverty.

A high degree of unequal income distribution can have negative effect on growth and thereby poverty. For instance, a study by Person and Tabellini (1989) find strong negative relationship between initial income inequality and future growth and poverty for both developing and developed countries. Kenya has the highest degree of unequal income distribution of any low-income country in the world and the fourth highest in the world (World Bank, 1997). The estimated Gini coefficient for Kenya is 0.57, which is the highest among the 22 poorest countries in the world and only lower than those of Guatemala, South Africa and Brazil. The richest 20 percent of the population receive 62 percent of the total income, while the poorest 20 percent receive only 3 percent of the total income. Between the early 1980s and the 1990s income inequality increased in all rural districts in Kenya (Mukui, 1993). As of now there are no specific policies to tackle the problem of unequal income. This means that the high unequal income distribution in Kenya might be an obstacle to its achievement of high rates of growth in future and reduction in poverty. Reducing income inequality is important because it can benefit the poor both immediately and in the long-term through higher growth.

Inequality could also be in the form of ownership of means of production (land and capital), in the distribution of wealth, in access to economic and social goods and services as well as remunerative jobs, in the participation in the social and political process and in other life choices. Virtually all this inequalities are present in the country in different combinations across regions and over time and to have an effect on poverty. In addition, Kenya's poor especially women have less access to education and health than men. This gender dimension to inequality hinders growth and contributes to poverty and inequality.

One of the early efforts to evaluate poverty in Kenya was undertaken by the International Labour Office (ILO). The ILO report (1972) attributed rising poverty levels to low incomes of the majority of the people due to low wages and low return to self employment and family employment, unemployment and low productivity of the labour force. Other causes of poverty highlighted in the report are rural-urban imbalance and international factors such as bias in technology transfer, export markets restrictions, deteriorating terms of trade.

According to Gsanger (1994), the main indicators of rural poverty in Kenya, are the failure to formulate comprehensive land policies and reforms, dualism between large scale and small scale agriculture, poor management of financial and delivery services, low technological capability, failure to exploit rural-urban linkages and the absence of an effective social security system for most of the people. The analysis by Mwabu et al (2000) and Oyugi (2000) using the 1994 WMS II identify the following determinants of poverty: education level, time spend collecting water and firewood, land and livestock holding, family size, sector of employment, and unobserved region specific factors. Education reduces incidence of poverty as well as the poverty depth and severity. Costs of obtaining water and firewood are positively correlated with poverty but the size of assets (e.g., land and livestock) owned are negatively associated with poverty incidence and severity. Employment in the formal sector is strongly correlated with poverty reduction.

Findings of the participatory poverty assessment studies show that the main indicators of poverty include strong urban bias in design of development programs, geographic isolation of some social groups, drought, floods in low lying areas, wildlife menace, water hyacinth in fresh water lakes, reluctance to use family planning, ethnic clashes, insecurity in urban and rural areas, eviction of squatters, lack of education, lack of job opportunities, lack of land, laziness, poor government planning and intervention, corruption and large families. These factors although not quantifiable need to be taken into account in the design of poverty alleviation policies. According to this approach, the most affected groups are abandoned women and children, and single mothers, and fathers. The studies also show the various mechanisms by which the poor cope with poverty including working as casual labourers, carrying out odd jobs, taking one meal per day, setting up petty trades, praying, child labour, among other things.

Other indicators of poverty discussed in previous studies include lack of good governance and weak democratic institutions are increasingly seen as factors that perpetuate poverty in Kenya (Ikiara and Tostensen, 1995). They argue that the single-party political system which was in place until the early 1990s was rather authoritarian, intimidating and did not allow free discussion of issues or formulation of truly representative organs in the society. This made it difficult for the poor to effectively raise issues of concern to them with relevant authorities. However, with the opening up of the political system and increasing competition in the political arena, the trend seems to be changing, creating hope that voices of the poor people will be louder, and their concerns will be taken seriously in the design and implementation of antipoverty programmes in the country.

Another problem that has contributed to rising poverty in the country is corruption. Corruption reached alarming levels by the mid-1990's involving huge amounts of public money. The resources lost through corrupt deals could have had immense impact on poverty reduction if they were properly utilised. Corruption may also discourage foreign direct investments and thereby the capacity to create job opportunities. Ikiara (1998) argues that corruption arises when there is inadequate accountability in the public sector as has been the case in Kenya. Due to lack of accountability, it is easy to divert public funds for either personal use or to public projects of low priority, which often hurt the interest of the poor. The fact that highly placed individuals in the political and administrative hierarchies are often involved in some of the major corruption scandals has given considerable weight to the argument that the government has not shown serious commitment to poverty reduction efforts beyond rhetorical statements. Government services also rarely reach the poor due to corruption. The poor view government servants as corrupt, rude and exclusive and encounter corruption on daily basis (World Bank, 2000b)

A related problem that has contributed to increasing poverty is the mismanagement of the anti-poverty programmes. In many cases, the projects have failed completely or partially. This problem thrived especially under the condition which existed of the one-party regime characterised by lack of accountability and transparency in the management of public affairs (Ikiara, 1998).

A much recent important cause of poverty in Kenya is the HIV/AIDS. The overriding poverty-related HIV/AIDS concerns are aids orphans, population size and growth, costs of the health care, child mortality. In Kenya, the number of AIDS orphans was estimated at 600,000 by the year two 2000. This is likely to create a huge strain on the coping ability of the social system for the poor, in addition to the burden at the extended family level (Republic of Kenya, 1994). The extreme cases would be the increased incidence of the phenomenon of child-headed families and urban street families. The impact of AIDS on child survival could reverse Kenya's gains in the past on this front. With the spread of AIDS, the cost of hospital care for AIDS patients would increase dramatically in addition to the burden on the already inadequate public health care system in meeting the rest of health services to the population. The high cost of hospital care is due to the relatively longer stay in hospital bed by the AIDS patients than patients with other diseases and the high hospital bed occupation by AIDS patients. For instance, as much as 15 percent of all hospital beds in Kenya were occupied by AIDS patients in 1992 and with time half of all hospital beds could be occupied by AIDS patients (Forsythe et al. 1993 and Okeyo et al 1996)

The government of Kenya declared HIV/AIDS a top priority disaster that must be given attention. Current estimates reveal that about one million Kenyans are infected by HIV/AIDS. If the current trend continues, HIV/AIDS will have a devastating effect on the structural and long-term performance of the economy. This challenge requires an effective partnership involving the government, private sector, communities, NGOS, donors and the international community. There is need for HIV/AIDS policy and program priorities to intensify educational campaigns to increase awareness of the disease and the importance of preventive measures.

Since the introduction of economic reforms in the 1980s in Kenya, there has been a raging debate on the impact of these reforms on poverty. Some people argue that economic reforms tend to aggravate the poverty situation. This view is based on the argument that economic reforms tend to lead to less government participation in the economy, less general public expenditure and less subsidies on the essential services like education and health. It is argued that these reductions have adverse effects on the poor who depend on the services provided by the government. A related argument is that economic reforms reduce or remove wage and other price controls and regulation in the economy in favour of market forces, thereby reducing the protection of the poor and other vulnerable groups from the negative effects of a laissez-faire economic system. Since regulation and controls keep prices below their market clearing levels, reforms that remove price controls result in higher prices. On the other hand removal of wage controls translates in lower real wages.

The alternative view is that the implementation of economic reforms helps to reduce poverty and the related problems of unemployment and inequality in long-term. The argument is that the poor economic performance that has characterised most developing countries has been due to inappropriate economic structures including excessive government participation, controls and interference, which have had adverse effects on economic incentives, efficiency and growth. Thus, economic reforms if effectively implemented, would help create a more enabling environment, which would stimulate economic growth, generate employment and reduce concentration of economic activities as a result of greater competition in the system. This would help fight poverty and also reduce existing levels of inequality.

These arguments for and against economic reforms as away of reducing poverty need careful empirical analysis. This is important because for a country to formulate an effective policy on poverty reduction, it is necessary to have some general consensus not only on the nature, extent and dynamics of poverty, but also on all the factors that aggravate the problem or those that tend to reduce the impact of anti-poverty measures and strategies. The next section is devoted to an examination of economic reforms and their impact on poverty in Kenya.

4. ECONOMIC REFORMS AND POVERTY REDUCTION

After independence, the Kenyan government targeted the eradication of poverty, ignorance and diseases (Republic of Kenya, 1965). The government pursued a high growth rate strategy that was intend reduce poverty through sharing the benefits accruing from it. The other measures especially in the 1960s and 1970s included strengthening the role and participation of the state in the economy e.g., setting of minimum wages, price and interest rate controls, subsidising education and agricultural inputs, guaranteeing public sector employment and population control measures. Subsidies in agriculture and education were meant to increase agricultural productivity and enrolment, respectively. Price controls were meant to protect the consumers from exploitation through high prices.

Many of these measures, however, have had considerable negative effects on the overall economic dynamism and expansion. They largely failed to create the necessary conditions for the economy to absorb the increasing numbers of unemployment labour force or to raise the purchasing power of those employed in the formal and informal sector. Wage and price controls and excessive participation of the government in the economy, not only increased inefficiency, but also acted as a disincentive to both domestic and foreign investors.

These policies failed to make the economy increase its capacity to improve the general welfare of the people. With encouragement and pressure from the donor community, the World Bank and the International Monetary Fund (IMF), structural adjustment programmes were adopted from the early 1980s as a strategy that was expected to create a new pace in economic growth. The period since 1980 to the 1990s can be regarded as the economic reform period albeit delays and backtracking in the implementation of some of the reforms.

During this period, measures were taken to enhance economic efficiency by strengthening the role of the private sector, dismantling price controls, reducing or removing import controls, implementing financial reforms and privatising parastatal enterprises. One of the objectives of economic reforms was to contain growth in government expenditure and to reduce the budget deficit.

As already noted, the introduction of the economic reforms in many developing countries in the 1980s, generated a heated debate as to their impact on poverty. It is difficult to isolate the role played by economic reform or lack of it on poverty. Poverty may have risen during the adjustment period, but it possible that it may have risen even further without adjustment. Given that a large impact of the structural adjustment tend to be mediated through its impact on economic growth, a key question is whether adjustment has raised or lowered the rate of growth. The answer depends on the speed of supply side response which in turn depends on initial conditions in the economy notably the flexibility of price and wage adjustment and state of physical and social infrastructure.

The usual expectation is that adjustment will be associated with initially slower growth and more poverty in the short term than non-adjustment, but that the poor will gain in the long-term once growth is restored. Studies of countries which avoided or abandoned adjustment found a rapid worsening standard of living of the poor (Glewwe and Hall (1994) for Peru; Grootaert ,(1994) for Cote d'Ivoire).

The distributional impacts of adjustment depend heavily on the economy's initial conditions, particularly its openness and the extent of flexibility in its output and factor markets. For instance, Costa Rica's large open and labour intensive traded goods sector allowed the poor to benefit from real devaluation and opposite conditions in Argentina and Venezuela induced distributional shifts, associated with adjustment, far less advantageous to the poor (Morley and Alvarez, 1992).

The policy response especially in the composition of public expenditure cuts can greatly affect poverty outcomes of adjustment. Several countries have combined aggregate budget contraction with rising shares of public spending in the social sector, including targeted transfers to reduce the effect of SAPs on poverty (Ribe et al. 1990). For instance, a careful mix of the public spending cuts during adjustment in Indonesia, and the rapid currency devaluation, helped mitigate the short-term consequences for the poor from declining (Thorbecke, 1991).

The role of policy goes well beyond compensating the poor for the direct losses from adjustment. Complementarities often exist between the composition of public spending and the benefits to the poor of structural adjustment. The supply response of farmers to higher prices of traded goods will typically depend on the quality of supportive infrastructure (both physical infrastructures such as roads, and information).

4.1 The Impact of Structural Adjustment on Poverty

The impact of economic reforms on the poor and various social indicators are varied and uncertain. Adjustment policies have both direct and indirect effects on social welfare.

The direct effects work through changes in the level of income and its distribution, while the indirect effects work through the provision of public service. A priori, it is uncertain in which direction the effects would go. While SAPs have obviously sorted out some areas of inefficiency in Kenya, it is now generally accepted that the programmes have serious drawbacks, most important is their uncertain impact on growth, income distribution, employment and alleviation of poverty.

For more than a decade, considerable debate had been going on about the impact of structural adjustment programmes (SAPs) on Kenya's poverty situation. On one side there has been a group including both government and non-government officials who have tended to regard SAPs as an important cause of the deterioration in the country's poverty situation. First, SAPs are not by design instruments of for addressing poverty issues and destitution. Second, SAPs are based on the assumptions of the efficacy of the market economies and the "trickle down" hypothesis, which would enable benefits of economic growth to reach the poor and vulnerable groups in the economy. However, both market mechanism and socio-economic institutions in developing countries are so underdeveloped and fragile that they are unlikely to operate as expected under the above hypothesis (Odada and Ayako, 1989). Also there is no sufficient evidence that the "trickle down" process works in economies of developing countries, Kenya included. For instance in Kenya, income inequality has been worsening over time.

In Kenya, the implementation of SAPs since 1980s, has entailed restructuring of numerous public services and social support systems with the aim of reducing government budget deficit and correcting macroeconomic imbalances for medium-term and long-term economic recovery and growth. These has been through cost-sharing for basic public social services such as health and education; retrenchment in the public sector; privatisation and sale of non-strategic public enterprises; removal of price controls; removal of government subsidies in the range of basic production inputs especially in the agricultural sector; and trade liberalisation. Consequently, the negative short-term impact has been the worsening poverty conditions for the majority of the population.

Experience from implementation of the reforms advocated by in SAPs shows that there is social will to accept reforms, which favour profitable private initiatives in the agricultural sector and the whole economy. An example is the large number of private investors in the dairy processing soon after liberalisation of the sector and consumers benefits through availability of commodities at lower prices due to cheap imports (Nyangito, 1996). However there unwillingness to accept reforms which hurt the welfare of the majority such as reduction in government spending in some agricultural service and unchecked liberalisation of international trade in food commodities (Nyangito, 1996).

One argument against SAPs views reduction of government expenditures and the introduction of user charges as obstacles in the government's efforts to improve the standard of living of the people. The main argument is that poverty reduction can only be achieved through the provision of subsidies or free public services especially education, health and housing for the vulnerable groups. The reduction of government expenditure on the health sector, for instance, pose a major threat to the country's health care, with serious implications on the access of the poor and other vulnerable groups to adequate and good quality health care (Ochoro and Omoro, 1989).

Consequently, one of the measures that has come under heavy criticism for adverse effects on the poor in countries implementing SAPs has been the reduction of government expenditure. The argument is that a significant proportion of government expenditure goes to finance goods and services which benefit the poor and that reduction in government expenditure has adverse effects on the vulnerable sections of the society.

Another common criticism of SAPs and their impact on the poor is with regard to loss of employment. This problem is usually prevalent in the short-term due to massive retrenchment by both the public sector as well as reduction of employment in the private sector as uncompetitive firms lose their market shares. This has led to a large number of previously well paid workers to join the ranks of the unemployed or go for the low productivity jobs in the informal sector.

Analysing the link between structural adjustment and poverty in an economy, Addison and Demery (1987) identify two main ways in which structural adjustment measures create adverse effects on the poor. One of these is the tendency of structural adjustment measures to reduce the purchasing power and therefore the consumption of the poor, especially in the short-term. This arises from increased prices for various consumer items following the decontrol of prices in a previously price controlled economic regimes such as Kenya and the removal of government subsidies on goods and services. However, while prices tend to experience a sudden increase soon after liberalisation, in the medium and long-term, the price level tends to stabilise and even fall if various productive sectors sufficiently respond to market signals. The second way in which SAPs have been criticised in relation to the poor is that even in the long-run the chronically poor are unlikely to enjoy the expected benefits from the adjustment process because they operate outside the formal organised economic sectors which are the target of SAPs measures.

In an extensive review of adjustment experiences in Africa 1986-93, Hadjimichael et al. (1995) find that although the general picture was rather bleak, there were extensive differences in the performance among Sub-Saharan economies. They find sustained adjusters and countries with low macroeconomic imbalances were doing better than the others. The sustained adjusters managed to achieve positive per capita income growth during the period and a reduction in inflation, while the reverse was true for countries applying inappropriate policies.

In this regard Kenya has not been seriously committed to adjustment policies since the 1980s. While the government made some attempts since the mid-1980s to introduce reforms, progress has been too slow and the results have fallen short of expectations. A more likely explanation for the deterioration in poverty situation is a result of an overall lack of interest from the government in dealing with issues related with poverty.

Other studies have applied an OECD model presented by Bourgugnon, Branson and de

Melo (1992) to simulate the effect of adjustment policies on income distribution and poverty. The general conclusion from such studies is that in the short run structural adjustment without some targeted intervention (public works, food subsidies) in favour of the poor may permanently reduce their welfare. However, such measures have a long-term cost in terms of lower growth which means that long-run poverty alleviation may suffer.

An alternative argument to the above is that SAPs can help reduce poverty. The rising poverty is seen as not due to the implementation of SAPs, but rather due to government failure to implement the necessary economic and political reforms on time. According to this argument, economic reforms are necessary if a country is to improve economic management and increase its ability to tackle poverty, it ttributes the rising poverty to mismanagement of the economy by a group of authoritarian and uncommitted leaders lacking vision, commitment, transparency and accountability in running public resources (see e.g., Ikiara 1998, and Ndung'u and Khasiani 1996).

In Kenya, the poor have been adversely affected during the reforms period not entirely because of reform measures per se, but as a result of distortion of the market by a politically powerful group. For instance, following trade liberalisation the local markets for maize and sugar were flooded by heavy importation of the items by a group of politically influential people who often did not pay duty. This aggravated the disadvantaged position of the poor farmers who could not sell their maize or sugar in the market (Khasiani and Ndungu, 1996). Also, there was heavy importation of second hand clothes leading to the collapse of local textile industry and thereby unemployment. Such adverse effects are often blamed on liberalisation measures instead of political structures, which enable a small politically connected group to distort the market.

There are also a number of ways in which the poor have benefited from the on-going economic liberalisation process. For instance, import liberalisation has improved the access of the poor to cheaper imported products, such as clothing, domestic utensils and food. After liberalisation of the marketing of cereals in the country especially around

1993-95, the price of maize fell by about 65 percent, making this staple food item more affordable for the poor.

Great care must be taken not to generalise the impacts of structural adjustment on the poor. For instance, many poor groups benefited from economic reforms in Uganda and Ghana, but many other poor households notably those living in remote locations, those relying on subsistence food crop production and those unemployed did not benefit (World Bank, 2000b)

4.2 The Impact of Reforms on Education

Education is a basic human development indicator that is very crucial in determining the quality of life. It is the key to empowering individuals and communities with the awareness and knowledge to make informed decisions about themselves and the world around them. Thus, education improves the quality of human life by imparting knowledge, which will enable individuals to be self-reliant. This makes education one of the most important investments of any government.

Kenya has made remarkable progress in education sector since Independence and is well-off in this respect compared to many low-income countries. Kenya has presently a primary school enrolment of about 97 percent. It has almost attained parity in boys and girls enrolment in primary schools. Since the 1970s, secondary education expanded rapidly although only a small fraction of primary school leavers manage to enrol in secondary schools. Rapid expansion in University education took place in the late 1980s and early 1990s due to the establishment of four more Universities and double intake of undergraduates. However, there have been restrictions in university intake following recommendation by the World Bank that universities reduce their enrolment to reduce strain on its facilities and congestion.

Despite the tremendous progress in education substantial problems exist. First the dropout rates are higher and access to education is still regionally skewed. Enrolment rates in higher education levels are low especially for girls. Also, the 8-4-4 education system overburdens students in terms of the high number of subjects they have to sit for in examination. It is also costly for parents, since they have to purchase books and other materials required. Although the main aim of the 8-4-4 system was to teach practical skills to students, in practise, this has been difficult to achieve due to lack of trained staff to handle the subject. Another major concern is that education expenditure still constitutes a large proportion of the government expenditure. The cost-sharing system in the education sector, which intended to help raise finance for the sector has not been well exploited. The main problem area is to identify the poor from the rich.

Due to inadequate government revenue, necessary measures including cost-sharing were instituted to reduce recurrent expenditure and to enable the government to expand and improve existing educational institutions. Cost-sharing schemes were instituted in 1988 to deal with the problem of large share of the recurrent budget, increased enrolment and reduced quality of education, insufficient funds for books and equipment.

The direct impact of structural adjustment on the sector is felt at all levels. At the primary level, there has been an increase in drop-out rates due to cost-sharing. At the secondary level, qualifying candidates fail to enrol due to lack of fees. School fees problems constitutes the most important reason for both poor and non-poor accounting for 40 percent of all the reasons for dropping out of school. The outcome is often that the children from well-off families take such opportunities at the expense of the poor.

The impact of SAPs, however, is more severe at the university level due to the restructuring of the university education, calling for cost-sharing and limiting the expansion of enrolment. University intake was fixed at about 10,000 students in 1991/92 and was expected to grow at a rate of 3 percent per annum thereafter. An annual fee of Kshs 6,000 per student as well as pay as you eat (PAYE) cafeteria system were also introduced. In addition student allowances were scraped. Overall cost-sharing schemes have had a negative impact on poor students at the public universities. Some students attend public universities under conditions of abject poverty. Furthermore, individual cost benefit analysis often discourage some students from taking up places at the university where despite the high fees they have no guarantee they will be employed on completion of their course.

4.3 The Impact of Reforms on Health Sector

One of Kenya's goals since independence has been access to adequate and quality health care service for all. Over the years the country has made impressive progress towards improving health services for its population. Compared with other low income countries, health indicators in Kenya are considerably better. As shown in Table 8, Kenya has since 1948 seen some progress in the reduction of infant mortality and increasing life expectancy. Also, immunisation coverage has risen from 40 percent at independence to 70 percent in 1995.

Table 8: Some Indicators of the Health Situation.

Year	Infant mortality rate per 1000	Live expectancy at birth	Immunization coverage (%)
1948	159	35	-
1960	126	40	40
1995	60	58	70

Source: World Development Report 1997. National Development Plan 1997-.2001

Since the early 1980s, Kenya has pursued the goal of health for all by the year 2000. The government has attempted to provide better health care through increasing the number of health institution as well as training more medical personnel through increasing the number of institutions as well as training more medical personnel. Although the number of trained medical personnel, hospital beds and cots seem to have increased over time, the number per 100,000 population has been fluctuating over time.

Major problems are, however, evident in the health sector in Kenya despite the progress made. First, the gap between demand and supply of health services continues to widen. The rapidly growing population demands new investments in the sector, while the need for fiscal restraint imposes constraints on the government to finance the expansion of the health service. Thus, the sector has not been able to expand as rapidly as the population to ensure adequate coverage and accessibility to acceptable quality health services. There is also inefficiency in the delivery of health services. Inefficiency is mainly due to lack of the necessary medical equipment and lack of drugs, low medical staff morale because of low payment. For instance, the strike by nurses towards the end of 1997 to demand high pay and better working conditions illustrate how serious the situation is.

The second problem is the large differences in regional access to health care in the country. Regional access to medical care in Kenya is unevenly distributed. For example, Eastern province situation with 129 beds and cots per 100,000 population in 1996 is poor while Nairobi with 330 beds and cots per 100,000 population is well provided for. Major differences also exist between urban and rural areas in terms of distribution of medical staff. There is over concentration of key personnel in urban areas with more than 80 percent of the doctors based in the urban areas which accounts for less than 20 percent of the total population. This means that most rural population does not have access to the services of qualified doctors. Also, since nearly half the population in the rural areas is poor, they cannot afford the good quality, but expensive medical care in the urban areas. Government expenditure on health services also favours the urban areas. For example, rural health centre which are the first point of contact of rural population to health services accounts for 21 per cent of total recurrent expenditures on health service. Thus, this expenditure mix discriminates against rural areas where the majority of the poor population live. This conclusion is supported by the recent study by Nganda and Mwabu (1998) which has shown that in general, regions with higher poverty incidence are worse off in terms of health inputs.

Another problem is that the low pay for public sector health workers has lead to many experienced personnel especially the professional staff to leave the public service for the private sector. There is also overstaffing at the lower cadre and deficits in the professional staff. In terms of resource allocation the distribution of resources between curative and preventive health care is skewed. Curative care accounts for about 67 per cent of the total recurrent expenditure, while preventive care accounts for 23 per cent. There is need for the government to balance expenditure on curative health and preventive health care. Such an undertaking is much more beneficial to the poor who cannot afford the more expensive curative health care.

In 1989, the government introduced user fees in hospitals and health centres leaving services in dispensaries free. The objective of user fee was to increase the government financial capacity to provide good quality health care in the face of increased cost of health care. Patients between the age of 0-15 years were also exempted from paying health care services. The overall impact of these measures has been to shift the financing burden to the consumer and thus leading to severe adverse effects on the poor, who cannot afford to pay for health services (Gesami, 2000).

A final problem in the Kenyan health sector is that life expectancy at birth has fallen substantially over the last ten years (from 58 years in 1990) to 50 years or less currently. This deterioration in life expectancy has been attributed to AIDS epidemic and to distressing poverty situation in the country

5. POVERTY ALLEVIATION INITIATIVES

As was shown in a previous section, poverty has remained a major problem in Kenya for virtually the whole of the post-independent period. While the problem was inherited at independence, it has intensified over time during the Independence era. By the second part of the 1960s, there was already growing concern that the Kenyan government was pursuing policies which were not effectively focussed on the promotion of the welfare of the population (Oser, 1967). The failure to address poverty adequately at the time was partly attributed to the preconditions for Independence imposed after the Lancaster constitutional conference, the western-oriented training and outlook of many of the new leaders, rigidities of institutions inherited from the colonial period and the desire by the government to attract foreign investors by creating a low-wage economy (Oser, 1967). This growing concern with poverty and the related problems of unemployment and inequality was soon increasingly echoed by other independent, government and donor supported studies (see e.g., ILO, 1972; Collier, and Lal, 1980).

The increase in the country's level of poverty, has occurred in spite of the initiatives taken by the government to alleviate it since 1963 (Republic of Kenya, 1965). In virtually all the Development Plans, Sessional Papers and other government economic policy documents issued in the post-independence period, poverty alleviation has featured prominently as an area of concern. Also, many of these official documents contained well thought out and economically sound policies and strategies to alleviate poverty. Some of these policies and strategies are discussed in this section.

5.1 Growth Promotion

One of the poverty alleviating strategies that has been given prominence by the Kenyan government has been the promotion of rapid economic growth as a means of alleviating poverty and creation of employment opportunities. The rapid growth of the economy has been regarded as a key solution not only to poverty, but also unemployment, poor health, economic exploitation and inequality. It is for this reason that the government's stated economic policy reflected in various Sessional Papers and the five-year Development Plans tend to place emphasis on the promotion of rapid growth of the economy, equality in the sharing of the economic growth benefits and the reduction of extreme imbalances and inequalities in the economy as the main goals of economic development.

This policy stance has been maintained more or less throughout the last three and a half decades. The first two development plans focussed emphasis on rapid growth to alleviate poverty and reduce unemployment. However, in the earlier years of Independence, the two problems of poverty and unemployment persisted and income inequality widened despite the economy achieving high rates of economic growth. The persistence of these problems led to greater focus on equity and employment generation in the National Development Plan 1974-78. The Sessional Paper No.1 of 1986, put considerable attention to the problem of poverty and unemployment and recommended measures which included rapid economic growth, led by the private sector with support from a more efficient public sector. This strategy was also supported by both the Ndegwa Report and World Bank, (World Bank, 1993a).

The same policy has been maintained with slight deviations. Republic of Kenya (1994), for instance, states that it is only through sustainable economic growth that the national wealth can be created to support measures to alleviate poverty, protect vulnerable groups and rise standards of living of the people. The current National Development plan 1997-2001 deviates from previous ones by shifting emphasis to private sector investment in industrial production with an aim of transforming Kenya from a largely agricultural sector to a newly industrialised country by the year 2020. It is argued that industrialisation has the potential to create more jobs rapidly (Republic of Kenya, 1999).

The government's strategy of promoting growth as a means of poverty alleviation is based on an implicit assumption that the 'trickle down' process would take place to spread the benefits of growth from some of the more dynamic modern sectors to the rest of the economy and sections of the population. This was the basis of the "redistribution with growth" which become a popular slogan with the authorities.

By the mid-1970s it was realised that the strategy was not having the desired effect although the economy had been able to achieve a high growth rate of almost 7 percent per annum in the 1960s. Despite the rapid growth of the economy in the first ten years of Independence, the problems associated with a rapid growing population, unemployment and income disparities were more apparent than they were in 1963. The failure of economic growth to solve the problems continued to be observable in the 1980s and 1990s. For instance, during 1986-1990, when the economy registered an annual rate of 5 percent, unemployment remained high with only about 48,000 jobs created annually compared with more than 400,000 people joining the labour force every year (World Bank, 1993a).

Are there any prospects that this strategy will have a real positive impact on poverty reduction? First it is worth noting that even during the relatively better periods of high economic growth rates, the growth rates achieved were not high enough to create the required economic momentum to fight these problems. For most of the last two decades, the highest growth rates achieved were only about 5 per cent per annum. It was estimated that the economy required to grow by more than 7 percent per annum between 1993 and the year 2000 to create the required number of jobs to reduce the urban unemployment rate to about 5 percent. The 2 percent annual GDP growth rate achieved in the period 1990-99, is a reflection of how difficult it is to achieve the rates of economic growth required to have a significant impact on the unemployment and poverty.

Probably the trickle down concept does not work for Kenya just like in many other developing countries. This means that the little gains from economic growth is reaped by only a few individuals while the majority languish in poverty. This realisation necessitated some refocus of the policy, with attention shifting to equity and the overall pattern of resource distribution, while rapid economic growth continued to be accorded importance in the overall strategy. Unfortunately, inequality seems to be on the increase in Kenya with no concrete measures taken to curb it.

Economic growth is a necessary condition for meeting of basic human wants, but it is not in itself sufficient. Past growth often helps reduce poverty, but some growth processes may do so more effectively than others. Also, growth that translates into rising consumption is essential for poverty reduction. Nevertheless, growth is necessary but not sufficient for alleviating poverty given Kenya's low incomes, high inequality and exclusion. One role of the government may be therefore to foster a pattern of growth conducive to poverty alleviation. The sectoral and regional pattern of investment and hence of the resulting income gains has often been identified as an important policy instruments. The LDCs could grow faster, as well as more equitably, by shifting investments towards rural and labour intensive production activities.

How much impact on aggregate poverty is possible by altering the sectoral pattern of economic growth? This depends in part on the performance of existing allocations of investments. If past policies have been biased against poor regions or sectors with high rates of return the suitable policies reforms may allow both higher impacts on poverty alleviation. There is strong evidence that this has worked in some developing countries especially those, which followed capital intensive, external trade, and public expenditure policies (World Bank 1993b).

A key sector identified for pro-poor growth in LDCs is the rural farming sector. Agricultural growth, especially growth and stabilisation of food staples production, is likely to benefit the poor people. First, many of the poor including the rural poor are net food buyers. Thus there is high potential for pro-poor growth through well designed pro agricultural interventions (Timmer 1992 and World Bank 1993a). There is evidence that rural growth has helped reduce both rural and urban poverty in India (Ravallion and Datt, 1994) and that agricultural growth can generate sizeable positive spill-over effects on productivity in other sectors (Timmer, 1992). However, counter examples to the proposition that agricultural growth is pro-poor do exist. There are important contingent factors that mediate between some forms of growth and poverty reduction e.g., appropriate rural institutions.

High yielding cereal varieties have benefited the poor by restraining food prices, providing rural work and raising incomes of small farms, but doubts remain about impacts on regions and countries unable to adopt high yielding varieties and on the stability of the incomes and output.

Economic growth is an essential ingredient for poverty reduction. It is, therefore, important to address the following question in this respect. Are there possibilities that the Kenyan economy can attain sufficiently high growth? What are the factors limiting the attainment of high growth rates in Kenya?

A number of important features enhance Kenya's opportunities for growth and development. It has a well functioning and developed financial institutions, a good level of human capacity and an important advantage of a coastline.[1] The economy is also relatively open and the on-going regional integration with other countries in East and Southern Africa is important since manufacturers and service companies are seeking opportunities within the East Africa Co-operation and the Common Market for Eastern and Southern Africa (COMESA). Another important feature is that the monetary authorities have been successful in maintaining a relatively stable macroeconomic environment by bringing down inflation to the single digit level since 1995. With its increased autonomy and control of domestic credit to the government, the Central Bank of Kenya (CBK) is in a position to strengthen the credibility of achieving and maintaining macroeconomic stability. These conditions enhance chances for high economic prospects in Kenya.

There exists, however, a number of growth limiting factors that are within immediate reach of policy (Collier and Gunning, 1999). These include first, deteriorating infrastructure, especially roads and power supply. In 1997, for instance, acute shortage of power inhibited industry from performing efficiently. The roads are in very poor conditions. Lack of funds is a major impediment for infrastructure repair and maintenance. Despite promised government action to improve infrastructure little has been done and such action will most likely not come in the near future given the current state of the economy.

Secondly, resource misallocation and corruption are endemic. The latter is one of the main causes of poor relations between the donor community and Kenya since mid-1997. The amount of revenue the government loses through corruption forms an important restraint on growth and hence poverty alleviation. The recent formation of Anti-Corruption Commission was a step in the right direction towards eliminating corruption, but as of today, the authority does not posses adequate infrastructure to monitor corruption. There is need to strengthen and give full legal and political support to the authority if it has to take off in its effort to eradicate corruption.

[1] See Sachs and Warner (1997), for the Land-locked argument.

Third, low investor confidence, which to a large extent is due to political violence, corruption, deteriorating security and infrastructure. Investor confidence has been low since 1997 despite government efforts to convince investors that the investment climate was good. Safeguards for persons and property, political stability and well functioning infrastructure had been rare and this eroded investor confidence. Investment in the education and health sectors has also dropped sharply between 1995 and 1998, and investment in infrastructure is minimal. This is not good news for long-term growth and productivity.

Gross investments increased from 17 percent of GDP in 1994 to 22 percent in 1995 and then declined to 19 percent in 1998 (see, Isakson and Manda 1998, Table 3). Most of the financing comes from domestic resources, but for most years there is a substantial gap between domestic savings and investment. Domestic savings must increase for the economy to grow at a high and sustainable level. Target completion rate for ongoing investment portfolio, which consists about 1200 development projects is 25 percent, but the actual completion rate is as low as 3 percent. This means it would take more than 30 years to complete the ongoing portfolio. There is need to stop investment in new projects and concentrate on full implementation of the already existing ones. However, investment rate in Kenya is far less than the 30 percent in some of the fast growing countries of Asia such as Korea, Malaysia, Singapore and Thailand, (Isaksson and Manda, 1998). For a country like Kenya aspiring to grow rapidly, the investment rate need to reach at least the 30 percent mark achieved by the New Industrialised Countries (NIC). Thus, high savings and investment rates are needed for a long time to enable the economy to grow rapidly for an extensive period of time.

An alternative is to attract foreign direct investment (FDI). However, in 1997, Africa received only 1 percent of FDI, of which Kenya received only 1.3 percent. There is need to attract FDI through rapid economic growth, macroeconomic stability, high level of labour productivity, efficient infrastructure and predictable social tranquillity. In Kenya the main hindrance is security and corruption and poor infrastructure, weak and unclear jurisdiction and political violence. Otherwise Kenya today subscribes to macroeconomic stability, but could potentially fulfil the other requirements as well.

5.2 Basic Needs and Rural Development

The basic needs approach to development focussed on the provision of basic services such as food, water, shelter, and health care for the poor. Since the provision of such basic needs depends on public budgetary outlays which in turn are based on national economic growth, the "basic needs" approach did not overcome the biases that pervaded all earlier efforts at poverty alleviation. Consequently, the basic needs approach to poverty alleviation attained the connotation of rural development, where the majority of the population and the poor live. This is clearly stated in the 1979/83 National Development Plan, which states that, given that 85 percent of the population live in the rural areas and that it is in the rural areas that the majority of the poor are located, Kenya will opt for a style of development that concentrates on rapid transformation of the rural masses, giving priority to satisfying the needs of the large number of poor people. Rural development as a strategy was designed to improve the economic and social life of the rural poor. However, the rural dimension of poverty alleviation was not combined with explicit reference to social, political, cultural, and environmental concerns all of which were either mentioned in passing as by-products of mainstream development programmes or completely ignored (Behemuka et al. 1998).

5.3 Land Resettlement Schemes

Agriculture is regarded as the backbone of Kenya's economy. Land, especially agriculturally productive land is not only scarce; it is also valued for many non-economic reasons. Individuals who have no land have ambitions to have some in the long-run. Land has more than just an economic value since it is a social and almost spiritual entity. Land ownership may be through purchase or inheritance. This means that the landless who in most cases are poor are unlikely to own land through this two means. Yet productive land is a resource that guarantees participation in economic development.

More productive land is what often the poor people say they need most. Spontaneous land expansion has been used in the past as an important response to alleviation of poverty. The direct action of land expansion for the poor in Kenya has been through settlement schemes and land redistribution. In the 1960s and 1970s, the country was able to design and implement some poverty-oriented programmes which included the settlement schemes in which thousands of landless people and squatters displaced by the colonial settlers were provided with small scale landholdings, especially in the Rift Valley Province. The "million-acre scheme", made it possible for many poor Kenyans in the former African `reserves' to engage in productive agricultural activities, enabling them to produce for their own needs and a surplus for the market. In total, over a million acres of mixed farm land previously owned by 2000 Europeans was transferred to 47,000 African smallholders by means of land purchase and development loans (Republic of Kenya, 1999). The scheme was later extended to state and trust lands and forest land suitable for farming.

How much can settlement schemes and land redistribution be used to reduce rural poverty? In better farming areas lack of land is a clear correlate of poverty although an imperfect one. This constrains the prospect of reducing poverty by land based redistribution (Ravallion, 1996). Households that operate a few acres of unproductive land can be very poor.

Another limitation on land redistribution or settlement as a means of alleviating poverty is that among households deriving their livelihood entirely from farmland,- inequality is less than it seems. Tenancy usually enables some non-landowners to farm. Operated land is almost distributed less unequally than owned land (Singh, 1985). Also, smaller holdings tend to be on higher quality land and to embody more land improvements per hectare than do larger holdings on unproductive land.

For settlement to be effective against poverty there are several prerequisites. There must be differences between agricultural regions in (potential) marginal productivity of labour.

Redistributive land reforms remain an important route to more land for the poor. It aims at advancing the rural poor by increasing their land rights.

More land for the poor, whether through settlement or distribution has limits as an anti-poverty policy. First, it is only second rate land in LDC that reaches the poor in such reforms. Second, poor population in rural areas is increasing. A major part of rural poverty policy, therefore, depends on productivity of land already owned, rented or worked by the rural poor.

Other projects in Kenya which were poverty oriented were land adjudication and consolidating programmes, the Special Rural Development Programmes (SRDP) formulated in the late 1960s, the Livestock Development Programmes, the Rural Development Fund, Fisheries Development Project, Youth Polytechnic and Rural Access Roads. Nonetheless, the full potential of these projects in terms of reducing poverty and raising incomes of the people in most cases was not achieved due to the mismanagement of resources meant for these projects/programmes, poor project implementation, inadequate recurrent budget provisions and lack of commitment and prioritisation by the government. Furthermore, corruption and administrative mistakes reduced the overall effectiveness of the scheme. For instance, in the recent years land meant for the poor landless and squatters has been grabbed by politically powerful people through corrupt means making it difficult to reduce poverty through land redistribution.

5.4 District Focus for Rural Development

The district focus for rural development strategy was launched in 1983 with the main objective of allocating resources in a more geographically equitably basis. A more equitable geographical distribution of resources was expected to offer the possibility of social and economic equity and poverty alleviation. More funds were to be allocated to the less developed regions to be spent on projects given priority by the local communities. This was expected to elicit the participation of the local people in the projects funded and help alleviate poverty. However, due to poor preparation, unfamiliarity of district staff with methods of participatory planning, the absence of monitoring and evaluation combined with the weak commitment of sector staff to inter-sectoral initiatives, a number of decentralised projects were poorly conceived and designed (Republic of Kenya, 1999). Poor performance of the projects was also due to corruption which led to procurement of unsuitable materials, equipment and machinery.

In addition to the problems mentioned above, the strategy did little to alleviate poverty. First the target beneficiaries, the poor and vulnerable groups, were largely excluded from direct involvement in the process of project design and implementation. As such the poor saw the projects as imposed on them by the government and thereby did not support the projects. Thus, the priorities for district projects were explicitly set by politicians and district level staff with weak local support, ownership or commitment to the projects.

5.5 The Shift to Informal Sector

From the mid-1980s, the growth of the informal sector started to receive greater attention. The sector was seen as one with high potential to alleviate poverty, through creation of employment opportunities in form of off-farm activities in both the rural and urban areas (Republic of Kenya, 1986 Kimalu, 2000). Unfortunately, the government never really created a truly enabling and supportive environment for the informal sector (Ikiara, 1998). The informal sector, which was by the early 1990s creating 60-70 per cent of the new job opportunities annually, continued to suffer from official harassment and to be constrained by lack of credit, appropriate premises and lack of proper marketing strategies. With this constrains in place the impact on poverty alleviation of the sector has been limited.

Also, workers in large firms receive higher wages than those in small ones (Manda, 1997). Since most of the firms in the informal sector are small and have little scope for growth, it is most likely that earnings in the informal sector will be much lower than in the formal sector. In this case the high growth rate in the informal sector employment could lead to increased cases of the working poor if there is no deliberate effort on the part of the government to rectify the obstacles to growth of small firms.

The urban informal sectors has traditionally been perceived as a residual category made up of those who have not obtained employment in the formal urban sector and their fortunes are linked to those of both rural and urban sector through migration and remittances. Informal sector is characterised by easy entry, little unionisation, no legal minimum wages, weak safety standards at work, low physical capital inputs, low returns to labour and small enterprise units producing mainly non traded goods, disproportionately consumed by the poor. However, recent data has changed the views on informal sector. There is greater recognition of its diversity, associated with the heterogeneity of products, and the wide rage of skills. In explaining poverty in the informal sector, current thinking puts emphasis on individual characteristics such as human capital endowment than the structural features of the sector.

5.6 Specially Targeted Projects

The desire to reduce poverty has been used to justify various direct policy interventions by several developing countries governments. Targeting constitutes one of the direct policy interventions. How well does this intervention work?

Many of the problems in evaluating targeted schemes are common to other policies. For instance, it is often difficult to quantify the counterfactual of what would have happened without intervention. Most recent policy discussions agree that anti-poverty schemes should aim for cost effectiveness either by maximising the gains to the poor for a given cost or by minimising the cost of a given impact on poverty.

A popular recommendation for more cost-effective interventions has been better targeting, meaning that more of the poor and/or fewer of the non-poor gain. Household survey data have shown that benefits of undifferentiated transfers (e.g., food subsidies) often go disproportionately to the non-poor. This alone does not mean that targeting will not have greater impact on poverty.

There are different methods of targeting the poor. These include first, geographical targeting of the poor with important attractions. Substantial regional disparities in the living standards are common in developing countries, Kenya included and affected areas can easily be identified. Place of residence may, thus be a good indicator of poverty. Local government can provide an administrative apparatus for geographical targeting. The question is, how much impact on poverty can be expected from geographical targeting of the poor?

While regional poverty profiles for Kenya show large geographic disparities, regional targeting still entails a leakage of benefits to the non-poor in poor regions and so a cost to the poor in rich regions. Even with marked regional disparities, these effects can wipe out a large share of the aggregate gains to the poor. The benefits to the poor will be greater if administrative capabilities allow finer geographical targeting. The prospects of reaching the poor depends on the institutional environment, including local administration capabilities, the incentive facing the local administrators, their social relations with the poor and the extent of empowerment of the poor, through both governmental and non-governmental representation.

There are many lessons for achieving better targeting of other public services, for instance, through self-targeting. For instance, public health service can be better targeted to the poor if waiting rooms provide only minimal comforts. Fair prices, free clinics can also be located in the poorest areas. Under certain conditions, the rationing food or health subsidies by queuing can also be self-targeting. Self-targeting schemes screen participants by imposing a cost on them. Good scheme should ensure that the cost for non-poor is higher than for the poor so that it is the poor who tend to participate. Targeting may also screen out the non-poor and some poor who are physically unable to do work. However there should be mechanism in place, which can easily identify such poor people. Self-targeting arises due to disappointment with the prospects for poverty reduction using administratively and politically feasible forms of indicator targeting. It works by creating incentives, which encourage participation only for the poor.

A number of specially targeted projects have been used in an attempt to achieve poverty alleviation. These include, for instance, the Urban Slums Development Project of the Nairobi city, the Street Children's Funds, the Education Bursary Programme to assist bright children from poor families, the Micro and Small Enterprises Programme among others. All the programmes have specific poverty alleviation aims. They are relatively recent interventions and therefore the extent to which they contribute to poverty alleviation is yet to be established.

5.7 Consumption and Production Credit

Rural credit is widely regarded as key to poverty reduction. In agriculture, especially field crop production, input requirements are concentrated into a few critical, climatic-related periods especially breaking the soil and harvesting the crop. Output flows are also concentrated and input costs are incurred months before output arrives. Poor rural people need credit to smooth consumption and poor farmers need credit to obtain current and capital inputs well before farm incomes become available. Consumption smoothing, input finance and investment demand generate demands for rural credit.

Is credit normally supplied to the poor? There exists informal cash credit mechanism in the rural areas such "rotating credit and savings associations" (Besley et al. 1993). Informal sector interest rate usually reflects costs of administering small loans together with the risk of default rather than substantial monopoly profit. However, there is much concern that the informal credit fails to reach the poor and is inadequate for expanded farm output.

Formal credit on the other hand does not address the needs of the poor. It s usually restricted to lending for productive inputs, to creditworthy persons, the rural poor are increasingly becoming landless, lacking in non-land assets and hence collateral and in the need for loans mainly for consumption smoothing. Also small borrowers offer formal lenders two serious disadvantages, high fixed costs per unit of lending and problems of adverse selection, moral hazard and enforcement of repayment that are much more readily met face to face by local informal lenders than impersonally by banks or other remote organisations.

Micro financing is increasingly considered as a mode of finance that can help meet the credit needs of the poor. Micro finance include the semi formal micro finance such as NGO's like the NCCK, K-REP, Kenya Women Trust Fund and Faulu Kenya and the informal micro finances such as ROSCAS and SACCO's. These constitute some of the sources where a majority of the poor can get their finance. Credit, however, is not a panacea to poverty. For instance, micro finance does not address the credit needs of the very poor. Also most of the credit programs are concentrated in the urban areas and tend to focus on business as compared to agriculture where most of the poor are concentrated.

In order to reach the poor, K-REP recently started a bank that will address the financial needs of the poor. The bank intents to reach the poor through group-based lending schemes such as those used by Grameen Bank in Bangladesh where until recently the scheme had achieved excellent repayment rates. Village banks and financial associations have been created, which build on the resources of the poor. Under these scheme the poor buy shares to start a village bank. Several districts (Taita Taveta, Kilifi, Suba, Migori, Teso, Makueni, Kitui, Isiolo, Kwale, Marrsabit, Turkana, Buret, and Bomet) are now benefiting from this initiative. Thus, an initiative such as the K-REP bank for the poor could go along way in meeting the credit needs of the poor. However, there are some shortcomings to this initiative in that the very poor who cannot afford to buy shares may not benefit.

6. EFFECTIVENESS OF ANTI-POVERTY INITIATIVES

As pointed out earlier, the proportion of the population below the poverty line rose especially in the 1980s and 1990s. In absolute terms, the number of people below the poverty line increased from 4.2 million to more than 13 million during the period.

Poor growth is one reason for rising poverty. Throughout the 1980s and the early 1990s, there was more or less stagnant growth in the country's per capita income, which registered a mere 0.3 per cent real growth rate. During the same period, the purchasing power of the population sharply fell as real wages went down by about a third. There was also no improvement in the country's absorptive capacity, with the urban level of unemployment doubling between 1977 and 1997 from 11 percent to 25 per cent respectively. Although, the policy of `growth with redistribution' was adopted in the mid 1970s, the income distribution pattern continued to deteriorate into the 1990s (World Bank, 1994).

Is Kenya's experience of deteriorating poverty situation a reflection of the inappropriateness of strategies and policies that the government adopted. Have similar strategies worked in other countries? From a theoretical and empirical perspective, the policies and strategies that were adopted in Kenya in the last three decades revolving around economic growth, were essentially correct. If similar policies have had highly positive and sometimes dramatic impact on poverty in other countries, why is it that they did not work in the case of Kenya? In the next sub-section we demonstrate that the strategies have worked for other countries and give reasons why they may not have worked for Kenya. We demonstrate this using the experience of South-East Asian countries.

6.1 The East Asian Experience

The South-East Asia experience demonstrates that high economic growth strategy can be used effectively to radically reduce poverty in a country. During the post-war period, the "High Performing Asia Economies" (HPAEs) - Japan, Hong Kong, South Korea, Singapore, Taiwan, China, Indonesia, Malaysia and Thailand achieved extraordinary high growth rates. The growth rates were much higher than for any other region in the world leading to what has come to be known as the “Asian Miracle” (World Bank,1993b). Accompanying the dramatic economic growth in these countries, was a dramatic reduction in the levels of inequality and poverty.

The countries also achieved dramatic declines in the proportion and number of the poor than countries from other regions in the period 1960s to 1980s (Table 9). For instance, between 1972 and 1982, Indonesia was able to reduce the proportion of its poor population from 58 percent (67.9 million people) to 17 percent (30 million people) respectively. Also, in a period of about 14 years, 1973-1987, Malaysia was able to reduce the proportion of its poor population from 37 percent to 14 percent, reducing the number of the poor from 4.1 to 2.2 million.

According to the World Bank (1993b), the main factors behind HPAE’s ability to combine high economic growth rates with dramatic reductions in inequality and poverty was their pursuit of the shared growth principle. This was a deliberate policy taken by the governments, with the leaders struggling to win support for the strategy from the elite and other strata of the society and was achieved by demonstrating that all groups in the society would benefit from the policies and strategies being pursued.

Table 9: Trends in Poverty in Selected HPAEs and Other Countries

		Percentage of Population below the Poverty Line			Number of Poor (Millions)		
Economy	Year	First Year	Last Year	Change	First Year	Last Year	Percent change
HPAEs							
Indonesia	1972-82	58	17	-41	67.9	30.0	-56
Malaysia	1973-87	37	14	-23	4.1		-46
Singapore	1972-82	31	10	-21	0.7		-71
Thailand	1962-86	59	26	-30	16.7		-18
Others							
Brazil	1960-80	50	21	-29	36.1	25.4	29.6
Colombia	1971-88	41	25	-16	8.9	7.5	-15.7

Costa Rica	1971-86	45	24	-19	0.8	0.6	-25
Cote d'Ivoire	1985-86	30	31	1	3.1	3.3	6.4
India	1972-83	54	43	-9	311.4	315.0	1
Morocco	1970-84	43	34	-9	6.6	7.4	12
Pakistan	1962-84	54	23	-31	26.5	21.3	-19
Sri Lanka	1963-82	37	27	-10	3.9	4.1	5

Source: World Bank(1993b), East Asia Miracle: Economic Growth and Public Policy

The measures taken to achieve the objectives of shared growth vary from country to country. For instance, countries like South Korea, China and Taiwan stressed comprehensive land reforms while Indonesia used rice and fertilizer prices to increase rural incomes. On the other hand, Hong Kong and Singapore carried out major public housing programmes in pursuit of their shared growth strategy, while Malaysia implemented wealth - sharing programmes, targeting the ethnic Malaysian who were poor compared to the Malaysians of Chinese-origin, (World Bank, 1993b).

Other factors and economic characteristics and policies that help to explain the economic miracle of East Asia included well thought out and focussed government intervention in the economy when necessary, maintenance of macro-economic stability, export-orientation policies and high levels of investment in human capital development. In addition to the above, there are other factors such as the existence of strong competition within the domestic economies, well established institutions which focussed on economic management and growth, the existence of an enabling business environment, high savings and investments performance, flexible labour markets that facilitated the efficient use of labour and encouraged labour productivity increases and intelligent use of foreign technology.

6.2 What Lessons can be Drawn from the Asian Experience

The interesting question is why the strategy worked in South-East Asia and failed in

Kenya? The Asian experience demonstrates that the strategy of rapid economic growth works well only if the growth policies are properly focussed and managed and are also accompanied by the implementation of policies which give adequate attention to equitable distribution of benefits from economic growth.

One of the failure of the Kenyan economy to reduce poverty via economic growth strategy since Independence can, to a large degree, be attributed to the fact that the expected growth did not take place for most of the period especially in the late 1970s, early 1980s and the 1990s. This was mainly due to inappropriate policies, lack of commitment to the economic reform implementation and the widespread mismanagement of public resources and failure to seriously pursue policies that gave emphasis to the redistribution of benefits from economic growth (Ikiara & Tostensten, 1995, Ikiara 1998). The next section looks at the commitment of the Kenyan government to alleviate poverty.

6.3 Government Commitment to Poverty Reduction

As mentioned earlier, the failure of Kenya's strategies to alleviate poverty has been partly blamed on lack of official commitment and determination to implement anti-poverty policies and programmes because of either politically vested interests or due to the prevalence of corruption and mismanagement (Ikiara and Tostensen, 1995, Khasiani and Ndung'u, 1996). For instance, since the mid 1970s, after the publication of the ILO Report (1972), both local and central government authorities have continued to treat informal sector operators with hostility, as demonstrated by demolitions of thousands of informal sector enterprises virtually every year.

In addition, there has been limited real support to the micro enterprises especially in the crucial areas of providing appropriate space to locate informal enterprises in a way that would guarantee security of tenure and property (Ikiara, 1998). The credit and training programmes and establishment of jua kali sheds which were spearheaded by President Moi in the 1980s benefited only a tiny proportion of the jua kali entrepreneurs. This lack of significant support to the sector and the perennial harassment by government officials of a sector, which provides the only livelihood to many poor people, is increasingly viewed as a demonstration of the government's lack of commitment to the alleviation of this problem.

Another indicator of lack of official commitment to poverty alleviation has been that many of the poverty-oriented programmes have been mismanaged. In many cases, the projects have failed completely or partially, with no action taken against the culprits. This has often been interpreted to mean that the government does not accord the required priority to these projects. The problem of mismanagement of public resources which could have been utilised to reduce poverty, thrived especially under the conditions which existed in the single-party regimes characterised by lack of accountability and transparency in the management of public affairs.

A related problem which has also been a contributing factor to the rising poverty in the country is corruption, which reached alarming levels by the mid 1990s, involving enormous amounts of public money. The public resources lost through corrupt deals could have had great impact on poverty reduction if they were properly utilised. When there is inadequate accountability, it becomes easy to divert public resources for either personal benefits of some of the decision-makers or to public projects of low priority, which often hurts the interests of the poor. The fact that highly placed individuals in the political and administrative hierarchies are often involved in some of the major corruption scandals, has given considerable weight to the argument that the government has not shown serious commitment to poverty reduction efforts beyond rhetorical statements.

In 1999, however, the government showed its renewed commitment to poverty alleviation as stated in the national poverty eradication plan (NPEP) 1999-2015. The principal objectives of NPEP include: a reduction of the incidence of poverty in both rural and urban areas by the year 2015, strengthening capabilities of the poor and vulnerable groups to earn income, reduce gender and geographical disparities among others. The NPEP is a comprehensive policy and planning framework for poverty alleviation with a wide range of targets (see Republic of Kenya, 1999). It seeks to deal with problems of corruption, insecurity, inequality, unemployment, low economic growth, poor infrastructure among others.

In preparing NPEP, the following lessons from previous poverty eradication initiatives were borne in mind: inability to implement the prescribed remedies; insufficient understanding of causes of poverty; a policy gap between broad national plans and routine antipoverty projects; centralised poverty-oriented programs; limited resources and weak commitment of sector staff to poverty reduction; and misappropriation of funds and diversion of benefits away from the poor. The NPEP is aimed at bridging the gap between national level development plans and specific programs for addressing the needs of the poor. The NPEP implementation process will adopt a participatory approach and consultative process to ensure that there is consensus on policies and that local values and needs are internalised effectively in policy initiatives. The main aim of consultative process is to seek implementation of policies and initiatives, which enjoy national support.

The main goals to be achieved by the NPEP include the following: universal primary education; Universal primary health care; Land reform and resettlement of the landless; Consolidation of harambee initiative and institutionalisation of specially targeted projects (e.g., urban slums development project of Nairobi City commission; the street children's fund; the education bursary program; the school feeding program; the micro and small scale enterprises program and the essential drugs supply program of the Ministry of Health). Other goals include operationalisation of district focus for rural development; Institutionalisation of social dimensions of development program; Operationalisation of other development initiatives (e,g the rural development fund; the community development trust fund; national youth development fund; disabled fund; and the national women development fund) and sustained economic growth equitably distributed.

These initiatives are yet to be prioritised according to their potential contribution to poverty reduction. There is need, therefore, to prioritise the potential contribution of these initiatives to achieve better implementation of the projects and reduction in poverty. Also, less emphasis seem to be given to agriculture yet a majority of the poor are found in the subsistence agricultural sector.

The NPEP will be implemented in three phases. The *initial* phase of the plan implementation (1999-2004) is expected to reduce the number of people living in poverty by 20%. The first priority was to establish the Poverty Eradication Committee by a Presidential decree, which has already been done. The Commission's mandate is to advocate and lobby for poverty eradication; monitor, co-ordinate and oversee the poverty eradication efforts by various stakeholders; and inform and advise the government and other stakeholders on poverty alleviation progress. A poverty eradication unit has also been established in the Office of the President to assist the Commission in its work.

By the end of the *second* phase (2005-2010) a combination of the enforcement of basic rights, broad based economic growth and an increase in the poor's effective access to necessary services will be consolidated and lessons learned will be incorporated in social service delivery systems. In the *third* phase (2010-2015), the NPEP principles and operations are expected to be mainstreamed nation-wide by means of extensive promotion and replication of results from the pilot districts. The aim of the final phase is to completely institutionalise poverty eradication programs. By the end of the plan period it is expected that rural poverty will be reduced to 30 percent and urban poverty will have been reduced proportionally.

Some key initial actions towards implementation of the plan include the formation of the Commission for Poverty Eradication and the establishment of Poverty Eradication Unit in the Office of the President, have already been carried out. Another initial step in the implementation of the national poverty eradication plan as mentioned earlier is the implementation of a wide range of anti-poverty measures contained in the interim poverty reduction strategy paper 2000-2003 (see Republic of Kenya, 2000). The paper adopts a medium term expenditure framework (MTEF) to guide efficient and effective use of government resources by improving macroeconomic management by linking policy planning and budgeting process, improving the quality of public expenditure through efficient allocation and utilisation of resources and setting up an MTEF-fund to be used to reward the sectors that meet both the poverty and growth targets.

The focus during the MTEF period is to reduce the constraints to growth and drive the economy towards the targeted long-run growth rate of 7 percent. It is estimated that a growth rate of at least 7 percent sustained for over a decade is essential to make substantial progress in poverty reduction.

However, attaining and sustaining a growth rate of 7 percent for a long period will not be easy to come by given that attaining such a high rate for even three years has been difficult in the past. In addition focussing on attaining high growth rate may not attain much reduction in poverty as before if emphasis is not put on growth in sectors that have a high potential in reducing poverty. Also given the wide range of activities to be implemented and scarce resources, there is need to prioritise the activities to allow for effective implementation. As of now priorities have not been set, and there is an urgent need for research on this issue to facilitate the implementation of the plan. Nevertheless, there is an urgent need to begin with reducing the constraints to growth such as corruption, poor infrastructure as stated in plan.

7. CONCLUSION AND RESEARCH AGENDA

In this section we give a summary of the work reviewed in the previous sections and make policy conclusions, and outline areas that require further research.

7.1 Conclusion

The results from studies on poverty in Kenya show that the poverty situation has deteriorated overtime and especially in the 1990s. The deterioration in living standards in the country is reflected in the rising number of people without food, inadequate access to basic necessities such as education, safe water, sanitation, and health facilities. Substantial disparities in the incidence of poverty exist between rural and urban areas and between rural areas with above average poverty levels found in arid and semi-arid areas.

Most of the poor are in the rural areas and include subsistence farmers and pastoralists. Rural poverty is highly connected to agriculture and land, and is explained by low access to physical assets mainly land, non-farm employment opportunities, health care and schooling while urban poverty tend to be explained by labour market distortions. An anti-poverty strategy for rural areas should be based substantially on improving productivity of agricultural activities and better distribution of farm inputs and social and physical infrastructures. Poverty estimates are low for urban areas, but very little has been done to estimate poverty for different urban centres. This is very important because studies elsewhere show that poverty tends to be lower in large cities than in small towns.

The incidence of poverty is high and persistent in certain rural areas such as the arid and semi-arid areas. Whereas the incidence of rural poverty may be strongly associated with rain patterns and dependence on rainfed agriculture, there have been few studies carried out in order to identify whether there are any other factors leading to the high poverty in these areas.

Most of the Kenyan studies on poverty base their analysis on single household surveys of consumption or income, which have a minimal set of other relevant variables. The problem with household budget surveys is that they tend to concentrate on the income dimension of welfare and less on non-income data and this greatly limits the usefulness of such data both for research and policy. There is now a wide range of application of policy measures in all sectors of the economy, including macro policies, pricing policies and public spending re-allocations, which demand for different types of data. Conventional cross-section data sets are less ideal for analysing the dynamics of poverty and for dealing with certain problems of endogeneity. There is urgent need to develop longitudinal data sets particularly for analysing poverty dynamics, which can go a step further to explain why some people do much better than others in escaping poverty. There is need for a broader approach to the types of questions asked in surveys to include income and non-income information, which can enrich poverty analysis results. Thus more can be learned by having both qualitative and quantitative data for the same household.

Closer scrutiny of sampling and survey methods and their effect on poverty is needed. We still don't know how questionnaire design influences the poverty results and more experiments are badly needed, using both survey methods on the same sample or representing the same population. Pilot tests are highly desirable before changing survey and questionnaire design. Measurement errors can also have profound implications for empirical poverty analysis. Errors in the welfare indicators can entail that absolute poverty comparisons must be made over the entire range of the distribution. Research is needed to better understand welfare measurement errors and their implications.

Poverty in Kenya is caused by a number of factors, which include a high degree of inequality of income and production resources, inequality in the access to economic and social goods and services and in the participation in social and political process. Others causal factors include lack of education, lack of job opportunities, unfavourable climatic conditions, large family sizes, poor government planning and interventions, lack of good governance and weak democratic institutions and practices. Mismanagement of the anti-poverty programmes and projects and corruption are also cited in previous literature as important determinants of poverty. A much recent factor leading to increased poverty is HIV/AIDS pandemic. In the rural areas causes of poverty, include failure to formulate comprehensive land reforms, and the absence of effective social security system for most people.

There is an going debate concerning the impact of structural adjustment programmes on poverty. The reduction in government expenditure on education and health, cost-sharing and price decontrols due to economic reforms are seen as anti-poor. An alternative view is that effective and sustained implementation of economic reforms can stimulate economic growth, generate employment and reduce concentration of economic activities and as a result alleviate poverty. It is difficult to isolate the role played by structural adjustments or lack of it on poverty without adequate data. It is, therefore, not easy to tell whether poverty could have risen much more without adjustment than with structural adjustment. However, it appears that structural adjustment programmes have had a negative impact on poverty through reduction in government expenditure, cost-sharing and retrenchment in the civil service. Cost-sharing in schools has been blamed for the increase in dropouts rates in primary schools, while at the secondary level, poor students are unable to continue due to higher school fees.

One of the poverty alleviating strategies that has been used by the Kenyan government to combat poverty has been the promotion of economic growth. Rapid economic growth is regarded as a key solution not only to poverty but also to unemployment, poor health and economic exploitation. The strategy has not been successful in reducing poverty partly due very low growth rates achieved over the years. However, some growth processes are more effective than others in reducing poverty. The government should take steps to foster a pattern of growth such as agricultural growth which has been identified by previous studies as conducive for poverty alleviation by shifting resource towards production activities in that sector. A key sector identified for pro-poor growth is the rural farming sector. Rural agricultural growth can help reduce both rural and urban poverty in Kenya and generate sizeable positive spill-over effects on productivity in other sectors.

Other strategies include the basic needs approach to development focussing mainly on the provision of basic services such as food, water, shelter and health care for the poor; settlement schemes and land redistribution. However, land for settlement or redistribution has limits as an anti-poverty policy due to scarcity of agriculturally productive land. A major part of the anti-poverty policy should involve enhancement of productivity of land already owned, rented or worked by the rural poor. The district focus for rural development is another strategy, which was launched with the main objective of allocating resources in a more geographically equitably basis to help alleviate poverty. However, due to poor preparation, unfamiliarity of district staff with methods of participatory planning, the absence of monitoring and evaluation combined with the weak commitment of sector staff to inter-sectoral initiatives, a number projects were poorly conceived, designed and implemented.. In addition, the strategy did little to alleviate poverty since the poor and vulnerable groups, were excluded from involvement in the process of project design and implementation. Thus, the priorities for district projects were explicitly set by politicians and district level staff with weak local support, ownership or commitment to the projects.

The informal sector is considered as one with high potential for poverty alleviation, through creation of employment opportunities in form of off-farm activities in both the rural and urban areas. Unfortunately, the government never really created a truly enabling and supportive environment for the informal sector as evidenced by the continued official harassment and lack of credit and marketing strategies for the sector. With these constraints in place, the impact on poverty alleviation of the sector has been limited. Another strategy involves geographical and sectoral targeting of the poor. Many of the problems in evaluating targeted schemes are common to other policies. For instance, it is often difficult to quantify the counterfactual of what would have happened without intervention. Substantial regional disparities in the living standards are common in Kenya and affected areas can easily be identified. Place of residence may, thus be a good indicator of poverty and geographical targeting an appropriate intervention. While regional poverty profiles for LDCs typically show large geographic disparities, regional targeting still entails a leakage of benefits to the non-poor in poor regions and so a cost to the poor in rich regions. The benefits to the poor will be greater if administrative capabilities allow for finer geographical and social targeting. The prospects of reaching the poor depends on the institutional environment, including local administration capabilities, the incentive facing the local administrators, their social relations with the poor and the extent of empowerment of the poor, through both governmental and non-governmental representation. There are many lessons for achieving better targeting of public services, for instance, through self-targeting. Under certain conditions, rationing of food or health subsidies by queuing can also be self-targeting. Self-targeting schemes screen participants by imposing a cost on them. Self-targeting arises due to disappointment with the prospects for poverty reduction using administratively and politically feasible forms of indicator targeting. It works by creating incentives which encourage participation only for the poor.

Rural credit is widely regarded as key to poverty reduction. In agriculture, input requirements are concentrated into a few critical, climatic-related periods. Output flows are also concentrated and input costs are incurred months before output arrives. Thus, credit can help increase production and smooth consumption among the poor. However, formal does not address the needs of the poor and is usually restricted to lending for productive inputs to creditworthy persons. Also, formal lenders face two serious problems when lending to small holders, i.e., high fixed costs per unit of lending and problems of adverse selection and enforcement of repayment that are much more readily met face to face by informal lenders. The rural poor are increasingly becoming landless, lacking in non-land assets and collateral and in need for loans mainly for consumption smoothing. Micro financing is, therefore, increasingly being considered as a suitable way to meet the credit needs of the poor.

7.2 Research Agenda

The phenomenal increase in the number of people below the poverty line in Kenya is an indication of the failure of the country's economic and management process in realising the primary goal of poverty alleviation. The success of any strategy or initiative to address poverty in Kenya will depend to a large extent on how well the needs of the poor are understood, including, their likely responses to various interventions. Comprehensive research must, therefore, be a key component of the poverty reduction strategy. The analyses carried out in the preceding sections identify a number of key issues, which are lacking in research. There is an urgent need for comprehensive policy research to better our understanding on some of these issues. This is particularly useful given that theoretically and empirically previously adopted policies and strategies should have had some positive impact on the alleviation of poverty and related problems of inequality and unemployment. Based on our analysis and conclusions, the related research agenda are as follows.

a. The increase in poverty over time, despite the government effort to combat it, could be due to the fact that the programmes and projects designed to tackle poverty were not in line with the needs and priorities of the poor. There is need for research to identify and prioritise the needs of the poor at national and regional level, and to assess the likely responses of the poor to policy interventions.

b. Research is required to analyse why some of the anti-poverty programmes and projects failed at the implementation stage. Here, the research would include an inquiry into the feasibility of the anti-poverty programmes and projects, the capacity of government officials and local residents to carry the implementation of the programmes and the availability of resources to sustain the programmes.

c. Research is needed on the kind of growth that reduces poverty. The dramatic success of the East Asia economies in reducing poverty and inequality while experiencing unprecedented high levels of economic growth in a relatively short period of fifteen to twenty years a phenomenon that can offer valuable experience in the design of antipoverty programmes.

d. Careful empirical studies on the impact of economic reforms on poverty are needed to help researchers and policy makers move away from the current debate based either on purely speculative approach or highly inadequate short-term information.

e. Single household surveys of consumption or income with a minimal set of variables have been common in the analysis of poverty in Kenya. These surveys tend to concentrate on the income dimension of welfare and less on non-income data, thereby limiting its usefulness for policy. Conventional cross-section data sets are less ideal for analysing the dynamics of poverty. There is need to analyse poverty dynamics using longitudinal data sets for to explain why some people fall into poverty and what others do to exit poverty. Since it takes time to develop a longitudinal data set, this should be a long-run research agenda. In the short run, survey questions should gather non-income information, which can lead to a better understanding of the poverty situation in Kenya. Effects of questionnaire and survey designs on poverty also need investigation.

f. Much of the research on HIV/AIDS pandemic has concentrated on measures aimed at controlling the HIV/AIDS pandemic; how it is transmitted, and in developing a cure for the disease. Little if any work has been done on the social-economic impact of the disease, including its impact on productivity. Comprehensive research should be carried out to analyse the socio-economic impact of HIV/AIDS on firms, individuals, households, communities.

g. Lack of education is identified as one of the main causes of poverty. In this respect the declining enrolment rates, increasing school drop-out rates and lack of access to education by the poor are worrying trends. Research is thus, required to identify the main causes of this trend and to suggest possible ways of reversing the trend. This should include an analysis of the effect of cost-sharing on access to education.

h. There are large regional disparities in poverty in Kenya. Various poor area programmes are found which try to deal with this problem. However, the type of policies called for may depend critically on why we see poor areas. The reasons why we have poor areas are not as yet very well understood. According to previous studies poor areas may exist because individuals with poor endowment end up living together through a process of residential differentiation or because of the area characteristics such as poor local infrastructure. Answers as to why poor areas exist can have great bearing on anti-poverty policy formulation. If the process of escaping poverty involves strong spatial effects then there may be substantially higher benefits from policies and projects which are targeted to poor areas even if they are not targeted to households with poor endowment. Further research is needed to understand why poor areas exist.

i. Several studies show that landholding size is not highly correlated with poverty. This is mainly due to the fact that data used does not provide information on the agricultural potential of land, i.e., whether those with large land are in the marginal or medium potential areas. Thus, the ranking of poverty measure using land holding may not portray a clear trend due to different agricultural potential of land holding. More research is needed to investigate the impact of land on poverty by using better data that distinguishes land by its agricultural potential.

j. Rural institutions are important factors mediating between some forms of growth and rural poverty reduction. However very little in known about these institutions in Kenya. Research is required to identify the appropriate rural institutions, investigate how the institutions facilitate or hinder poverty reduction and what can be done to strengthen and streamline the institutions.

k. Previous studies suggest that credit to the poor can help alleviate poverty; however, there are few comprehensive studies if any that analyse the impact of various types of credit (formal and informal credit) on poverty in Kenya. There is need for research on this issue.

l. In some countries like Lesotho, remittance has been found to play a major role in reduction of poverty. In Kenya there are substantial remittances from urban areas to the rural areas and the vice-versa. Research is needed to investigate poverty reduction effects of remittances.

m. Research is required to analyse the impact of informal sector and micro and small enterprises on poverty reduction in Kenya.

n. Labour market outcomes are critically important in determining the spread, depth and severity of poverty. The nexus between poverty, wage structure, labour force participation, unemployment rates and duration is recommended for investigation. More generally, there is need to conduct research that would provide information to policy makers on how intervention in the labour markets would affect the poverty situation in the country. An understanding of how other factor markets operate, notably the small credit markets, is also very valuable in the battle against poverty.

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