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Title: "The Failure of Poverty Alleviation Strategies Adopted In Developing Countries A Case Study Of Kenya Between 1995 -2008."

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DECLARATION

I declare that this project is my original work and has not been submitted for examination at any other university.

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Date 20 Nov 09

This project paper has been submitted for external examination with my approval as a University of Nairobi supervisor.

Dr R Mudida

Signature R Mudida

Date 20/11/09

DEDICATION

This project is dedicated to my son Michael and Daughter Edel. My son Knowingly and my daughter because of age unknowingly contributed enormously the success of this work. Thanks for being there for me.

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To my dear wife Caroline, Son Michael and Daughter Edel thanks for your support, love and encouragement.

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ABBREVIATIONS

CBN - Cost of Basic Needs

ERS - Economic Recovery Strategy

FEI - Food Energy Intake

GDP - Gross Domestic Product

HDI - Human Development Index

HIPC - Highly Indebted Poor Countries

HPI - Human Poverty Index

ICT - Information Communication Technology

IMF - International Monetary Fund

IFAD - International Fund for Agricultural Development

IFPRI - International Food Policy Research Institute

KNBS - Kenya National Bureau of Statistics

KIHBS - Kenya Integrated Household Basic Survey

MDG - Millennium Development Goals

MTEF - Medium Term Expenditure Framework

NGO - Non Governmental Organizations

NRM - Natural Resource Management

OECD - Organization for Economic Co-operation and Development

PPP - Purchasing Power Parity

PRSP - Poverty Reduction Strategy Paper

UNDP- United Nations Development Program

USA - United States of America

USAID - United States Aid for International Development

WMS - Welfare Monitoring Survey

ABSTRACT

Poverty eradication has been the main objective of Kenya's development policy since independence in 1963. The first development plan highlighted debilitating ignorance, diseases and misery and called for their eradication. However poverty is still widespread and server. In 1994, 47% of the rural and 30% of the urban population was poor. The overall poverty was estimated at 56% (51.5% urban and 59.6% rural) in 2007.

The main objective of this study therefore is to review the poverty situation in Kenya, the alleviation strategies that have been undertaken between the years 1995 to 2008 and to propose changes if any.

The literature reviews the broad concepts of poverty; it defines poverty and highlights the poverty measurement tools currently in use. It discusses various poverty concepts and causes and highlights the differences between rural and urban poverty. This study adopts the contemporary multi dimensional notions of poverty as its guiding theory. And endeavours to see poverty as being caused by individuals as well as factors beyond their control.

The researcher relied on primary and secondary data. Primary data was gotten through interviews of three respondents: one directly involved in poverty alleviation at the grass roots; the other two are involved in policy formulation and implementation.

The study found out that arid and semi arid regions in Kenya have high rates of poverty, here policy interventions should provide viable development alternatives. And overall rural areas have the highest incidences of poverty than urban areas.

Changes in poverty in Kenya depend not only on sustasining high economic growth but also on changes in income inequality through distributional policies. Poverty alleviation policies should therefore spur economic growth, facilitate physical access to markets – especially in lagging regions and rural areas, remedy failures in markets relating to factors such as credit and also target the youth.

To enable pro-poor growth the governments role should be the provision of public goods and social protection mechanisms, and the creation of institutional conditions for more inclusive and equitable development.

It is also recommended that the intended beneficiaries of any anti poverty policy recognise that it is aimed at them or that it is an adequate response to their needs.

CHAPTER ONE

1.1 Background.

The performance of African countries more than twenty-five years after the attainment of political independence has not been impressive. Hunger, political strife, severe limitation on civil liberties have all grown in intensity, leading many observers to conclude sadly that 'African independence has been an abysmal failure'. Evaluations and appraisals of the economic, social and political performance of African countries have tended to provide evidence of stagnation and even regression in development. Economic stagnation has been recorded despite 'vast amount in aid between 1962 and 1978'. In the area of politics, there has been a proliferation of states under authoritarian rule or army rule, in which there has been lose of civil liberties, often the result of regimes seeking to maintain themselves in power by suppressing political rivals. This suppression, often brutal, has 'curtailed the openness of debate and public wooing for support, on which politics as an activity must inevitably thrive'.[1]

The drive for continental unity by Nkrumah and other Pan-Africanists set off from the premise that in unity is strength, that, individually, African countries were weak and could not achieve economic independence or safeguard their national sovereignty. As producers of raw materials, African countries would not be able to influence international terms of trade in their favour nor would they industrialize. And, without, industrialization, sustained economic development would be impossible to achieve, leading to unemployment, underdevelopment and eventual political unrest.[2]

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[1] W. Maloba, *One Decolonization: A Theoretical Perspective.* In B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93* (London: James Currey, 1995)p.7.
[2] B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93* (London: James Currey, 1995)p.7.

Politically, colonialism was a dictatorship. It was imposed by violence and maintained by violence. There is hardly an African country that does not have its list of martyrs of freedom, those nationals that were killed imprisoned or detained for opposing specific or general colonial policies. It is generally argued that without local collaborators colonial administrators would not have been able to control the territories. This is true. Yet it should be added that these collaborators were not masters but servants of an oppressive system. This system was socially racist. The era of modern imperialism in the nineteenth century, which of course marked European expansion in Africa, was also the era of scientific racism. Western scientist and academies articulated the theory of a 'great chain of being' in which white people were 'at the top and the black people at the bottom of the human part of the chain, close to orang-utans at the top of the non – human part' this racism given 'scientific' respectability was a distinct part of the culture of imperialism as Europeans advanced in Africa and often was used as a justification for this expansion.[3]

The colonial history of the continent has left a cruel legacy of dictatorships and plundered resources. Democracy in Africa has not been historically successful, almost always supplanted by centralized authoritarian rule such as military dictatorships. Although some rulers worked to improve the lot of their nation's citizens, others used power purely for their own benefit. Among the most notorious was Mobuto Sese Seko of Zaire, whose regime has been called a kleptocracy due to its looting of the nation's wealth. Bribery and graft abound, due to poverty and poorly handled decolonization and the superpowers' (USSR & USA) practice during the Cold War. Dependency theory asserts that the wealth and prosperity of the superpowers and their allies in Europe and North America is dependent upon the poverty

[3] Ibid, p.12.

of the rest of the world, including Africa.[4] Social Democratic theories suggest that economic protectionism in developed countries hampers Africa's growth.[5]

The transformation of Kenya from a polyglot of strangers into a coherent state was the work of force. The British employed violence on a locally unprecedented scale, 'and with unprecedented singleness of mind', to usher Kenya into the twentieth century. The imposition of colonial rule in Kenya entailed the process of Westernization and capitalist penetration of African economies. Colonialism then effected the articulation of indigenous modes of production within the capitalist mode of production and the integration of African economies into the western capitalist system of market relations.[6] It can be argued that the reason so many African countries had authoritarian regimes after independence has to do with the post independent leaders adopting the colonial administrative systems.

During colonialism in Kenya the Europeans institutionalized the relationship between Africans and Europeans, between Africans and the capitalist systems that Europeans then developed in their favour. This remained so during the colonial period and completely nullified any benefits that Africans derived from colonial rule. During the same period Europeans undertook selective investment in enterprises that promised immediate profit with little risk. These enterprises had not been conceived as part of a coherent national economic plan for development but rather for their profitability to foreign investors.[7]

Throughout the colonial period the colonial government, European settlers and other immigrant races needed labour and could not do without African workers.[8] To compel the

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[4] A.C. Prabhakar, *South-South Trade & Technological Co-operation: A Case Study of India and East Africa* (New Delhi: Jawaharlal Nehru University, 2003.)
[5] Ibid.
[6] J. Lonsdale, *The Conquest State 1895-1904,* In W.R. Ochieng (ed), *A Modern History of Kenya,* (Nairobi: Evans Brothers, 1989), p.7.
[7] B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93* ,Op cit .p.12.
[8] R. S. Odingo, *The Kenya Highlands: Land Use and Agricultural Development* (Nairobi: East African Publishing Housing, 1971) in B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93* (London: James Currey, 1995),p.xvi.

Africans to turn out to work for the Europeans and Asians, labour and economic legislation was enacted to facilitate labour recruitment and to deny Africans access to profitable cash-crop production and commercial credits. Hut and poll taxes were also imposed and the need to find yet more money forced young men to offer their services to European settlers and Asian traders.

> *Sir Girouard, one of the first Governors of Kenya put this very clearly: 'we consider that taxation is the only possible method of compelling the native to leave his reserve for the purpose of seeking work. Only in this way can the cost of living be increased for the native. And it is on this that the supply of labour and the price of labour depends'.*[9]

The era of 'free' labour had arrived in Kenya, it rose from the manipulative logic of capital and its pattern depended on the nature of penetration of capitalism in the various parts of the country. For example, those areas of Kenya, such as Central province and Nyanza, which were penetrated earlier by capitalism and western influences, produced the earliest migrant labour.[10]

With very few exceptions the Europeans in colonial Kenya occupied the top of the colonial economic, political and social pyramid. Their salary scale was the highest in the colonial state. Although there were only 61,000 Europeans in 1960, compared with 169,000 Asians and 7.8 million Africans about 40% of the total wage bill for that year accrued to them.[11] European domination of the economy and society was effected through legislation and was buttressed by the armed forces, particularly in the period of militant African nationalism between 1950 and 1963.[12]

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[9] B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93,*Op cit.p.xvii.
[10] Ibid.
[11] T. Zeleza, *The Establishment of Colonial Rule: 1905- 1920.* In W.R. Ochieng (Ed), *A Modern History of Kenya* (Nairobi: Evans Brothers, 1989), pp. 35 -36.
[12] B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93,*Op cit.p.xiv.

Below the Europeans were the Asians (Indians, Pakistanis, Goans) and Arabs. They owned a large part of the small-scale agricultural and industrial production; handled the bulk of the retail and wholesale trade throughout the country; manned middle level and clerical posts in the civil service. At the bottom of the colonial social and economic pyramid were the vast numerical majority of the population, the Africans, the vast majority of whom were peasants who lived by subsistence farming in Kenya's rural areas. But there were other social classes, and ethnic divisions, among the Africans. The roots of the division lay in the pre-colonial history, but the colonizing bureaucracy exploited this factor for administrative reasons, which situation they also complicated by creating 'tribal' boundaries and 'reserves'.[13]

The world economic decline of the 1970s, rising oil prices, corruption, and political instability hit Africa hard. In subsequent decades Africa has steadily become poorer compared to the rest of the world. According to the World Economic Forum, ten percent of the world's poor were African in 1970; by 2000, that figure had risen to 50 percent. Africa as a whole has not prospered compared with other colonized regions in Asia and the Americas. At the end of the Second World War the Americas were economically the strongest of the colonized regions; in the span of one generation, former colonies in Asia have become economic powerhouses. Once independent, African states saw an exodus of European administrators and consequently lacked individuals with the training or education to operate the government they had inherited. For instance, the massive area of French Equatorial Africa was divided into four independent nations, but was home to only five locals who were university graduates.[14]

[13] B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93.*Op cit,p.xvi.

[14] A.C.Prabhakar, "Political Economy of Development & Poverty in Africa : An Overview." *Dept of Economics, University of Gondar – Ethiopia :* paper submitted to the Third Social Forum, 2008. p.10.

The rural economy, particularly agricultural production, is of primary importance to the livelihoods of most Kenyans. The population is predominantly rural (80 per cent), and the majority of households (70 per cent) rely directly on the agricultural sector for their livelihoods. Agriculture directly contributes 27 per cent to Kenya's GDP and is estimated to account for 60 per cent of total exports and 45 per cent of Government revenue. The agricultural sector is relatively advanced and diversified. It includes well established export commodities such as tea, horticulture, coffee and pyrethrum, and a highly developed dairy sub sector. In the 1990s the sector performed poorly, with annual average growth rates of 0.4 per cent during 1990-1995 and 1.1 per cent during 1996-2000. In recent years, the sector has seen some improvements. There was an increasing annual growth trend in agricultural GDP during 2001-2005, with an average growth rate of 3.7 per cent. The livestock sub sector in arid and semi arid areas accounts for 90 per cent of employment and 95 per cent of household income among pastoralists and contributes roughly 5 per cent of the GDP.[15]

1.2 Statement of the Research Problem

Several countries in South and South East Asia have been able to reduce poverty over the past four decades. Contributing to this success were a series of policy and institutional reforms, promotion of equal access to social services and production assets, and public investment in rural areas.[16]

The rural population in China with incomes below the poverty line dropped from 250 Million in 1978 to 30 Million in 2002, or from 30 % to 3 % as a proportion of total rural population. In the early 1980s poverty was prevalent in China's rural areas, regardless of a regions family size, educational level of family members and so on. The remaining poverty at

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[15] IFAD, "Republic of Kenya Country Strategic Opportunities Programme" *IFAD Executive Board – Ninety first Session Rome,* 11-12 September 2007,p.2.
[16] F. Shenggen, "Infrastructure and Pro Poor Growth", *Helsinki: OECD, Agriculture and Pro Poor Growth Workshop,* 17-18 June 2004,p.6.

present has the following features: Poverty is regionally concentrated in the western area where the quality of the land is poor, it hardly provides for agricultural production even at subsistence level.[17]

In rural India, poverty has declined substantially in recent decades from about 60% of the population in 1970 to about 25% today. This steady decline in poverty was strongly associated with agricultural growth particularly the Green Revolution, and with expansion of rural nonfarm activities. An IFPRI study by Fan et al. (2005)[18] used state level data from 1970 to 1993. The results show that additional government expenditure on roads is found to have the largest impact on poverty reduction.[19]

Poverty remains a major concern of development policy in Africa and other developing regions. Poverty in Africa is substantially higher, chronic and rising. In the year 2000, leaders from 189 countries Kenya included endorsed a set of Millennium Development Goals (MDGs) to be achieved by the year 2015, one of which is to 'halve' the number of people living in absolute income poverty. To achieve the goal, it is estimated that African countries must attain a GDP growth rate of at least 8 per cent per annum.[20]

Poverty eradication has been the main objective of Kenya's development policy since independence in 1963. The first development plan highlighted debilitating ignorance, diseases and misery and called for their eradication.[21] However poverty is still widespread and server, a fact that suggests that past anti-poverty measures have not worked. In 1994, for example

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[17] S.L. Pingping & W.X. Yue. "The Causes of Chronic and Transient Poverty and their Implications for Poverty Reduction Policy in Rural China" *Pmma Working Paper* 2007-12; March 2007, p.3.
[18] F. Shenggen, P. Hazell, & S. Thorat. "Government Spending, Agricultural Growth and Poverty: An Analysis of Interlink ages in Rural India" *IFPRI Research Report 110, International Food Policy Research Institute*, Washington, D.C.1999.
[19] F. Shenggen, "Infrastructure and Pro Poor Growth" Op cit, p.5.
[20] A. Wambugu, & B. Munga, *Growth, Poverty and Income Inequality in Kenya: Suggested Policy Options*, (Nairobi: KIPPRA, May 2009),p.1.
[21] Republic of Kenya. *First National Development Plan 1964-68*, (Nairobi: Government Printer,1966)

47% of the rural population was poor. In the same year, the overall poverty in urban areas stood at around 30%.[22]

In 2005 it was estimated that 45.9% of Kenyans were poor (KNBS, 2007). Previously the percentage of the poor increased to about 52.9% (rural) and 49.2% (urban) in 1997 up from 46% (rural) and 29.3% (urban) in 1992. The overall poverty was estimated at 56% (51.5% urban and 59.6% rural) in 2007.[23]

The government in Kenya has since independence identified poverty as a major problem and many policies, programmes and projects have been designed and implemented with the aim of poverty alleviation. The development strategies that the country pursued aimed at poverty reduction, placed emphasis on income growth, job creation and provision of basic social services. However poverty continues to afflict a large segment of the Kenyan population.

This paper therefore sets out to investigate why poverty alleviation policies implemented by Kenya between the years 1995 to 2008 failed and recommends the policy changes that need to be undertaken in order to alleviate poverty in Kenya.

1.3 The Objectives of the Study

The main objective of this study is to review the poverty situation in Kenya, the strategies and initiatives aimed at poverty alleviation between the years 1995 to 2008 and to propose changes if any. The sub objectives are:

a. To review the economic growth in Kenya during the study period.

b. To review the income inequality situation in Kenya.

c. To review previous literature on the relationship between economic growth, poverty and income inequality.

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[22] Republic of Kenya. *Economic Survey, 1998* (Nairobi: Government Printer, 1998)

[23] A. Wambugu, & B. Munga, *Growth, Poverty and Income Inequality in Kenya: Suggested Policy Options.* Op cit,p.vi.

d. To review poverty alleviation efforts in Kenya and else where.

e. To review globalization and its impact on poverty.

f. To review literature on access to infrastructure and social services and its link to poverty.

1.4 Literature Review

The literature reviews the broad concepts of poverty; it defines poverty and highlights the poverty measurement tools currently in use. It discusses various poverty concepts like absolute and relative poverty, chronic and transient poverty, income inequality, and social exclusion. It illustrates some causes of poverty, highlights the differences between rural and urban poverty. The literature also looks at the roles of institutions and infrastructure in poverty alleviation.

1.4.1 Poverty Definition and Measurement

Poverty exists in a given society when one or more persons do not attain a level of economic well-being that constitutes a reasonable minimum by the standards of that society.[24] A credible measure of poverty can be a powerful instrument for focusing the attention of policy makers on the living conditions of the poor, and inform the design of policies intended to reduce poverty. For policy purposes comparative analysis of the incidence of poverty are especially important in order to develop programmes and monitor development progress and growth strategies.

The minimum level of economic well-being deemed acceptable by the standard of a given society is a theoretical poverty line, since economic well-being that is rooted in the concept of utility is not measurable. People below this line would be counted as poor. A

[24] M. Ravallion, "Poverty Comparisons" *Fundamentals of Pure and Applied Economics*, Volume 56 (Chur Switzerland: Harwood Academic Publishers, 1994),p.4.

theoretical poverty line however cannot be used to assess poverty because it is not observable. The empirical counterpart of this theoretical line is the cost of goods and services, which, when consumed deliver a minimum level of economic well being that the society can accept. For example, the cost of a basic needs basket that yields 2250 Kilo calories per day per adult equivalent is an empirical poverty line. People below this line are counted as poor. The role of the poverty line is to identify the poor: it tells which individuals and households in the population are poor and how poor they are.[25]

Two approaches are used to derive a poverty line – the Cost of Basic Needs (CBN) method and the Food Energy Intake (FEI) method. In both methods, the expenditure of achieving a given nutritional requirement (for example 2250 kilocalories per adult equivalent) is first computed. This expenditure item is the food cost of basic needs or the food poverty line. The CBN based food poverty line is derived from a basket of food items that is assumed to be consumed by everyone. In contrast the FEI based food poverty line is derived form a basket of food items actually chosen by consumers. The overall or absolute poverty line is obtained by adding to the food poverty line, the cost of non – food items consumed by persons around the food poverty line. Such cost is the non food basic needs expenditure. It may be computed for consumers between 10% above the food poverty line and 20% below it.[26] When the non food basic needs expenditure is added to the CBN food poverty line, the absolute CBN poverty line is obtained. Similarly, the absolute FEI poverty line is obtained by adding the non – food basic needs expenditure to the FEI food poverty line.[27]

The poverty line identifies the poor without measuring the poverty itself – the magnitude of human deprivation in society. To quantify the magnitude of human deprivation

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[25] A. Mullei, *The Link Between Corruption and Poverty: Lessons form Kenya Case Studies,* (Nairobi: The African Centre for Economic Growth, 2000),p.10.
[26] Mwabu, G. et al. *Poverty in Kenya: Identification, Measurement and Profiles,* (Nairobi: University of Nairobi & Ministry of Planning and National Development, 1999),p.3.
[27] A. Mullei, *The Link Between Corruption and Poverty: Lessons form Kenya Case Studies,*Op cit.p10.

in society, poverty measures are used. The simplest and most commonly used measure is the head count index, which is the proportion of the population for whom consumption is below the poverty line. The main shortcoming of the head – count ratio is that it ignores the inequality among the poor. The poverty gap measure (the sum of income shortfalls from the poverty line, normalized by the total population) rectifies this situation as it gives an idea of the depth of poverty. A policy measure that reduces the poverty gap contributes to poverty alleviation even if it leaves the head count index unchanged because it narrows income inequality among the poor. However the poverty gap is too limited since it gives equal weights to all individuals below the poverty line, incorrectly suggesting that the severity of poverty is the same across all categories of the poor. A calculation called the square of poverty gap turns out to be a simple and desirable measure of the severity of poverty. It is greatest among the poorest of the poor. As is evident, the squares are larger the farther one gets below the poverty line.[28] Poverty measures however are restricted to observable aspects of material deprivation. The suffering that people endure due to weather, uncertainties and political hostilities are not captured by economic based measures of poverty.

> The United Nations Development Program (UNDP) defines poverty as meaning:
> *'Opportunities and choices most basic to human development are denied- to lead a long healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others' UNDP 1997*

It thus views poverty as multidimensional involving three perspectives: income perspective; A person is poor, if, and only if, his/her income is below the defined poverty line. Basic needs perspective; Poverty is deprivation of material requirements for minimally

[28] A. Mullei, *The Link Between Corruption and Poverty: Lessons form Kenya Case Studies,* Op cit.p.11.

acceptable fulfilment of human needs including food, health, education, employment participation and essential services. Capability perspective; poverty represents the absence of some basic capabilities to function. The functioning's relevant to this analysis can vary from physical ones that is being well nourished, adequately clothed and sheltered to more complex social achievements such as partaking in the life of the community.[29]

1.4.2 Relative and Absolute Poverty

The UNDP reconciles the notions of absolute and relative poverty, since relative deprivation in incomes and commodities can lead to absolute deprivation of minimum capabilities and identifies another pair of perspectives: the 'derivational' one focusing on the way the poor and the deprived fare, and the 'conglomerative' one viewing the advances made by all groups in each community. Accordingly the UN agency has devised indices for development and poverty: the Human Development Index (HDI). The HDI measures the average achievements in a country in three basic dimensions of human development; longevity, knowledge and a decent standard of living. A composite index, the HDI thus contains three variables: life expectancy, educational attainment (adult literacy and combined primary, secondary and tertiary enrolment) and real GDP per capita expressed in Purchasing Power Parity (PPP$) with the U.S.A currency as the base currency.

Another measure the Human Poverty Index (HPI) measures deprivation in basic human development in the same dimensions as the HDI. The variables used are the percentage of people expected to die before age 40, the percentage of adults who are illiterate and overall economic provisioning in terms of the percentage of people without access to health services and safe water and the percentage of underweight children under five.[30]

[29] UNDP 1997
[30] UNDP 1997

There has been a broadening of the concept of poverty from the static concept of monetary income to include other dimensions of wellbeing such as life expectancy and literacy. The well being of the poor can be assessed also in terms of their exposure to risk, their vulnerability and powerlessness.[31] Human poverty is distinguished from Income poverty, defined as a dollar a day standard for developing countries. Both indices are used to rate and rank countries' poverty status and trends. An application of both shows that the Human Poverty Index (HPI) and the Income Poverty Index can move in opposite directions.[32]

The World Bank has defined poverty in almost identical terms with those of the UNDP. In its 2001, "Attacking Poverty" report suggests some of the basic sources of the poor's deprivations, particularly in the notions of "vulnerability" and institutional "ill treatment" aside from those "deprivations that keep them from leading the kind of life that everyone else values" poor people "also face extreme vulnerability to ill health, economic dislocation, and natural disasters. And they are often exposed to ill treatment by institutions of the state and society and are powerless to influence key decisions affecting their lives. These according to the World Bank are all dimensions of poverty.[33]

1.4.3 Social Exclusion and Poverty

Poverty may be explained in terms of various kinds of factors, including economic, social, political, and natural factors. Poverty also has geographical, technological, and cultural dimensions and variables. As suggested by the multi-dimensionality of poverty, these various factors often work together to "cause" or "determine" poverty or affluence.

According to R. Teresa social exclusion is another term associated with poverty. This phrase refers to denial of membership and participation in community or social life to certain people because of their individual or group characteristics. It has greater resonance in Europe

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[31] L. Pouliguen and C. Malmberg, *Infrastructure and Poverty*, (World Bank; 2000), p.1.
[32] UNDP 1997
[33] WB 2001:1

and other countries with many foreigners. Refugees, migrants, and guest workers may be denied citizenship and its rights. They may also be denied full participation in social, cultural and economic life. Racial ethnic, linguistic, religious, and other cultural characteristics have been recognized as enduring bases of undue exclusion, discrimination, inequality, and poverty. Current theories, however, warn against mistaking culture for nature and regarding it as immutable. Though it is durable, culture is amenable to variation and change, with changing circumstances and through public action that is both cultures sensitive and socially aware.[34]

1.4.4 Income Inequality

Birdsall conducted a study in the USA and found out that income inequality in the U.S.A in the years 1973-1993 was attributed to looses at the bottom as well as gains at the top. Educational gains reinforcing rather than offsetting income inequality. The forces of change whether the spread of capitalism and global integration or simply the march of technological progress have at best reinforced, or at worst exacerbated, high inequality.[35]

Ravallion and Shaohua found out from research in developing countries that changes in inequality at country level are uncorrelated with rates of economic growth.[36] Among growing economies, inequality sometimes rises, and sometimes falls. This also holds for growing poor countries. The Kuznets Hypothesis holds that with growth in a low income country, inequality first increases then starts to fall after a certain point, has generally not been borne out by experience in growing developing countries.[37]

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[34] R. Teresa, " Social Exclusion and Equal Opportunities" *International Planning Studies 3/1 (Feb. 1998), p.15.*
[35] N. Birdsall " Life is Unfair: Inequality in The World," *Foreign Policy 111 (1998: 2),p.75.*
[36] M. Ravallion and C. Shaohua, "What Can New Survey Data Tell Us about Recent Changes in Distribution and Poverty?" World Bank Economic Review, 1997, 11 (2) : 357-82).
[37] Bruno et al . "Equity and Growth in Developing Countries :Old and New Perspectives on the Policy Issues" in Vito Tanzi and Ke-young Chu (eds), *Income Distribution and High Quality Growth*, (Cambridge, Mass: MIT Press 1998)

The finding that growth tends not to be associated with rising inequality rests on a specific concept of 'inequality' known as relative inequality in the literature on inequality measurement. Relative inequality according to S. Kolm depends on the ratios of individual incomes to the mean. If all incomes rise by the same proportion then relative inequality is unchanged. This contrasts with absolute inequality, which depends on absolute differences in the levels of living, rather than relative differences. A measure of absolute inequality is unchanged if all incomes rise by the same amount. Consider an economy with just two households with incomes: $ 1,000 and $ 10,000. If both incomes double in size then relative inequality will remain the same; the richer household is still 10 times richer. But absolute difference in their income has doubled from $ 9,000 to $ 18,000. Relative inequality is unchanged but absolute inequality has risen sharply.[38] Perceptions that inequality is rising appear often to relate to absolute inequality rather than relative inequality. This is what people mean when they talk about the 'gap between the rich and the poor'. The fact that the proportionate gap may well be unchanged is less evident to the naked eye. It may be stated that may people think of inequality in absolute terms.

According to Micheal Todaro, the "traditional argument is that highly unequal distributions are necessary conditions for generating rapid growth". The rich save and invest significant proportions of their income while the poor spend all their income in consumption. The "counter –argument" Todaro continues, is that widespread inequality and poverty deprive the poor of opportunities to invest and drive them to have many children as security, the rich in poor countries squander their incomes on luxuries or stash them abroad and do not necessarily save and invest more than the poor. Low incomes and low levels of living can lower the poor's economic productivity and slow down growth. Raising the poor's income will raise demand for basic domestic products like food and clothing, stimulating investment

[38] S. Kolm, *Unequal Inequalities*, (Journal of Economic Theory 1979, Vol 12), pp. 416 – 442.

and growth more broadly and reduced mass poverty and income disparities can stimulate expansion through wider public participation in development.[39]

Inequality can be a problem in itself, given its potential to undermine the confidence of the poor and to fuel political discontent. But it may also reduce growth through credit market imperfections that exclude the poor, or from a political economy in which policy distortions arise from the lobbying of the rich. Inequality is usually associated with a low elasticity of growth to poverty reduction. This arises when inequality of opportunity is embedded in society, so that the poor are denied the assets by which they might build their livelihoods, and are disadvantaged – indeed, in some cases face outright discrimination – in markets. Not only do the poor suffer, but so too does the economy as a whole, since the working poor are unable to contribute substantially.[40]

A particular concern is gender inequality: women receive less education than men in much of Africa and Asia, have to provide the majority of childcare, and often confront barriers in labour markets. Similarly, in many developing countries, significant differences in the provision of education and health services to rural areas compared to the cities mean that rural people are at a disadvantage. Inequality can have a regional dimension in a country. With certain regions receiving un equal resources when compared with others.[41]

1.4.5 Free Market Enterprise and Poverty.

While agreeing that prosperity could produce poverty and inequality, Charles Clark blames capitalist society for creating artificial scarcity and under producing for the sake of profit, so that the rich could get richer at the expense of the poor. To this end neoclassical economics switched from a science of abundance to one of scarcity and to a "demand-

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[39] M.Todaro, *Growth Poverty and Income Distribution; Economic Development 7^{th} Edn.* (Addison Wesely Longman. 2001).pp 181-183.

[40] S. Wiggins and K. Higgins, *Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction* (UK Oveseas Development Institute; Briefing Paper no 33, January 2008) p.3.

[41] Ibid.

constrained" business system that must maintain a rate of return on wealth and the social power that attaches to scarce wealth.[42]

According to Stiglitz the "free market" economists are inclined to believe that markets by themselves, without government intervention, are efficient and that the best way to help the poor is simply to let the economy to grow – and somehow, the benefits will trickle down to the poor. (Interestingly such beliefs have persisted even as economic research has undermined their intellectual foundations). On the other hand those who accept that markets fail to produce efficient outcome (producing too much pollution and too little research , for instance) are disturbed by income inequalities and high levels of poverty, also believe that reducing that inequality can cost less than the conservative economists predict. Those who worry about inequality and poverty also see the enormous cost of not dealing with the problem: the social consequences, including alienation, violence, and social conflict.[43] He further asserts that those opposed to social welfare for the poor argue that wealth is a reward for hard work. In their view, redistribution of income not only takes away incentives for work and savings but is also immoral for it deprives individuals of their just rewards.[44]

1.4.6 The Causes of Poverty

The World Bank in its World development report of 2000/2001 identifies several causes of poverty. The report explains that the causes of poverty are implied in the 'dimensions highlighted by poor people' that includes the lack of income and assets to meet basic necessities, the sense of voiceless and powerlessness and vulnerability to adverse shocks, linked to inability to cope with them.[45] Experience in the 1990s, the report notes showed that economic growth improves the poor's income, and that their expanded

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[42] M.A Clark, "Wealth and Poverty: On the social creation of Scarcity" *Journal of Economic, Issue 36:2, (2002,) p.416.*
[43] Joseph E. Stiglitz, *Making Globalization Work*, (New York : Penguin Group, 2006),p.xvi.
[44] Ibid.p.xvii.
[45] World Bank, *World Development Report; Attacking Poverty*, (World Bank, 2000/2001),p.34.

capabilities remain central, instrumentally and intrinsically, in poverty reduction strategies. But new evidence also revealed the importance of institutional constraints on reforms, vulnerability factors, and global forces of integration, as well as the renewed cogency of gender, ethnic, and racial inequalities. As another departure from income, the World Bank report takes the economic concept of "assets" as a starting point in understanding the determinants of poverty. That is people's assets; the returns to these assets, and the volatility of the returns. The assets include human assets that are capacity for basic labour, skills and good health. Natural assets that include land, Physical assets that includes access to infrastructure. Financial assets that includes savings and access to credit and Social assets that includes networks of contacts and reciprocal obligations that can be called in time of need and political influence over resources. The returns to these assets depend not only on access to markets but also on the institutions of the state including those that define and enforce property rights and norms about common resources; on prevailing patterns of gender, ethnic, racial or social discrimination; and public policy and state interventions which are shaped by the political influence of different groups.[46]

Jaffrey asserts that geographic location, climate, and natural resources remain important determinants of agricultural and industrial productivity through their relationship with transport costs, and technology. Landlocked countries or areas far away from major markets are unlikely to prosper due to high costs of transportation, communication, and other means of access to resources outside. Thus human groups in such isolated conditions could be fated to intergenerational poverty.[47]

Cultural theories attribute poverty to features of a community's distinctive values, beliefs, traditions, techniques, and ways of life that prevent it or its members from aspiring for achieving material progress and social mobility. One of the best known was the "culture of

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[46] Ibid.
[47] Sachs, Jaffrey D. "Institutions Matter, but Not for Everything" *Finance & Development 40/2 (Jun.2003,)pp.38-41.*

poverty" concept propounded by Oscar Lewis, who characterised the poor as isolated, inward-looking, and weighed down by strong feelings of marginality, dependency, alienation, inferiority, and powerlessness against existing institutions.[48]

Culture constitutes resources "cultural capital" that can be used by some groups to keep others poor while enriching themselves. A related concept is "social capital" which emphasises the social networks available to people to access and mobilize resources, and contributes to inequality because elites are able to access internal and external social networks that are more powerful and wealthy. By contrast, the poor have less influential networks that, while helping them cope with the vicissitudes of life restrict their chances for mobility.

1.4.7 Rural and Urban Poverty

According to Ravallion most poverty remains rural, but has been urbanizing since the 1950s at rapid rates, mostly in countries whose cities are least prepared to receive fresh waves of migrants.[49] Migration from rural areas has accounted for much of the urbanization process and the poverty associated with it. The poverty consequences of migration may be summed as follows: the migrant encounters greater density, scale, diversity and complexity in the urban environment. Urbanism imposes more intense, competitive pressures for survival with fewer of the comforts of community. The sources of both affluence and poverty become more diverse and complex in the city. Livelihood resources are transformed and seem scarcer. Instead of living "off the land" the migrant must count more on location and access to jobs and markets. The urban economy is more of a money economy with food prices higher than in rural areas.[50]Decent shelter and land tenure are more expensive and harder to come by, with informal settlements often the only option for poor in-migrants. Housing is a more complex

[48] Lewis, Oscar. "The Culture of Poverty" *Society 35/2 (1998), p.7.*
[49] M. Ravallion " On the urbanization of poverty" Journal of Development Economics 68/2 (Aug. 2002)
[50] Streeten, Paul "Human Development: Means and Ends," American Economic Review 84/2 (May 1994),pp.232-237.

commodity subject to more public regulations and anti-poor practices.[51] For some, the city is an opportunity for mobility and integration in the economic and social mainstream. For most poor migrants, it means concentration and isolation in a trap of marginal existence.

Satterthwaite, while acknowledging that there are basic similarities between rural and urban poverty, also points out their differences in the following illustration: the causes of poverty for a rural household that relies on a small landholding and that suffers from a low crop yield is not the same as for an urban household in a squatter shack community whose main income earner has lost a job due to recession or ill health or has suffered a drop in real income. Therefore programs aimed at reducing rural and urban poverty need to recognize these differences. He further adds that there is also a need to recognize the links between rural and urban areas. A rural household's response to poor crop yields may be to send one of its members to an urban area to seek work; an urban household may respond to declining income by sending their young children to rural areas.[52] Browing &Cagey highlight the fate of the migrant as follows 'Driven from stagnate rural areas, they end up in the ghettos and informal settlements of urban areas where most remain bottled up and suffer from "spatial mismatches" between the jobless and opportunities'. While some urban poor manage to move out and up, their very departure becomes another deprivation, that of community leadership and social capital for those left behind.[53]

Baharouglu & Kessides from their study on urban poverty found that urban poverty is often characterized by cumulative deprivations; that is, one dimension of poverty is often the cause of a contributor to another dimension. These cumulative deprivations include lack of access to credit for business or house, lack of employment, inability to have a regular job, lack of regular social security, poor nutrition, poor health, and poor education. Sense of insecurity,

[51] W. Strassmann "Limits to Markets Empowerment for Housing in Developing Countries: The Case of Land" *Journal of Economics Issue* 30/1 (1996),p.232.
[52] D. Sattertwaite "Rural and Urban Poverty: Understanding the Differences" *Economic Perspectives (e-journal of the U.S. State Department, http://usinfo.state.gov/journal/journals/htm) (Sept. 5,2001),pp.1-6.*
[53] Browing &Cagey, "Moving Beyond Poverty: Neighbourhood Structure, Social Processes, and Health," *Journal of Health and Social Beahaviour 44/4 (Dec, 2003),pp.552-571.*

isolation, and disempowerment. Inability to afford adequate housing, tenure insecurity, evictions, loss of small savings invested in housing. Unhygienic living conditions and low quality public services.[54]

Satterhwaite has argued that the scale and depth of absolute poverty in developing countries has been underestimated for two reasons. The first is that estimates are based only on income levels and take no account of other deprivations such as very poor housing conditions and lack of basic services. The second is that income based poverty lines used to make these estimates are set too low in relation to the cost of basic needs in most urban centres. He challenges the notion that the urban poor contribute to environmental degradation, and on the contrary, finds strong evidence that urban environmental hazards are major contributors to urban poverty.[55] To some observers the pauperization of earlier centuries is being repeated on a grander scale, with modern technologies helping multiply farm productivity for capitalists at the expense of most peasants, with the productivity ratio between them rising from 10:1 to nearly 2000:1.[56]

1.4.8 Institutions and Poverty

According to Kate Bird, poverty reduction might also be resisted where elites view change as a zero-sum game, particularly where there is competition over resources. Reversing such resistance is difficult and historically has mostly been achieved when a strong state has been able to push through reforms, despite opposition. The wealthy can be persuaded to support pro-poor policies and programmes, particularly if they see such changes as being in their interests, for example, if a link is identified between poverty and crime, social unrest or

[54] D.Baharouglu, & C. Kessides "Urban Poverty" *Washington D.C. World Bank, Vol.2,ch.16.(2002),pp.124-159.*
[55]D. Sattertwaite. "Rural and Urban Poverty: Understanding the Differences" Op cit,,*pp.73-75.*
[56] Amin, Samir "World Poverty, Pauperization, & Capital Accumulation," *Monthly Review 55/5 (Oct 2003),pp1-9.*

poor economic performance; by describing poverty as having implications for the country's reputation; or by demonstrating the political gain to be made from pro-poor measures.[57]

Myles & Quadagno portend that the quality of institutions that is the means and rules pertaining to how society is governed, property rights and the rule of law have direct effects on incomes. Government and its policies could create wealth and poverty, and reduce or perpetuate inequality. Neoclassical economists have criticised state intervention in the market, terming it as distortionary and inefficient. Political theories about the state, including the welfare state, differ on the question as to whether it matters at all or not in the state influencing social well-being or not.[58]

According to Ward problems of governance, especially in developing countries, have been attributed to lack of information, transparency, and accountability in administrative and political institutions. The poor also do not have adequate mechanisms and resources for effective representation, participation and empowerment visa vie government agencies; good governance proposals include giving the poor greater voice. Normative changes in the political culture of both the ruled and the rulers, regarding the rights of the poor to have a bigger say are preconditions for the poor to be able to organize and mobilize.[59]

According to Ahmed Salim there are many definitions of the state as are ideological perspectives. The state can be defined as an organ of society which arises out of development in society of irreconcilable antagonisms, or struggle, among social classes with conflicting economic interests.[60] Mathema on the other hand portends that when a society is divided into separate classes, the ruling class has to create a strong organization which helps it to control the rest of society. As long as the oppressed classes are not yet ripe for their self – liberation,

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[57] K. Bird, "The Plotical Economy of Pro-Poor Growth : The Challenge of Making Growth Pro-Poor", *UK Oversea Developmement Institute:* Briefing Paper no 35, January 2008,P.3.

[58] J. Myles & J. Quadagno "Political Theories of the Welfare State" *The Social Se*vice *Review 76/1 (March 2002),pp.34-57.*

[59] P. M. Ward. "Intodduction from the Marginality of the 1960s to the 'New Poverty' of Today" *Latin American Research R*eview 39/1, (2004),pp.183-187.

[60] A.I. Salim, *State Formation in Eatern Africa* (Nairobi, Heinemann, 1984). in B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93* (London, James Currey, 1995) p xiv

so long will they, in their vast majority, recognize the existing order of society as the only possible one. However as they mature in self awareness, they begin to agitate for their rights.[61]

Critics of neoclassical or neoliberal reforms point out that the economic policies of: trade liberalization, privatization, deregulation, decentralization usually prescribed by international aid agencies like the IMF that usually amount to austerity measures against public spending, especially of funds meant for social services and the poor. Policies and programs that increase foreign and public indebtedness, that remove subsidies for the poor and impose draconian measures on the urban squatters while providing lavish incentives to foreign and domestic investors. Have resulted in increased poverty where they have been implemented.

Elliesen &Tillmann point out that technological policies and programs are also figuring prominently in worsening or alleviating socio economic divides. Much of the communication flows fuelling globalization tend to be a placeless preserve of large corporations and big government. Transportation schemes that favour private cars against mass transit keep the urban poor bound to the ground. Expensive technological solutions, however, become problems themselves. This is a basic dilemma demonstrated by the "digital divide" which is proving less tractable than was hoped for despite measures to address the ICT needs of the poor. [62]

Wolfenshon & Bourguignon assert that poverty is a multidimensional social problem that hinges on but goes well beyond not having enough income and the means to meet basic needs. While poverty may seem simple and obvious in its symptoms, especially to its victims, it has complex and deeper material and cultural causes. Urban poverty suggests that while

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[61] C. Mathema, *Wealth and Power : An Introdution to Political Economy* (Harare, Zimbabwe Publishing House, 1988) in B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93* (London, James Currey, 1995) p xiv

[62] Elliesen &Tillmann, "The Real 'digital divide' is inside the Poor Countries" *D & C Development and Cooperation, 30/7 (Jul. 2003).pp.302-303.*

geography mattered more in much earlier epochs, institutions have a much wider remit and role to play today, to mediate the various actors and forces involved and to cooperate in any serious effort to combat poverty in an urbanizing world. Institutions and governance are key determinants of sustained growth and poverty reduction. Development and poverty reduction policies must be context specific and spatially as well as socially targeted, whether the poor migrate between rural and urban areas or remain trapped in both. Institutions must still grapple with the geography of poverty and development. [63]

1.4.9 The Impact of Infrastructure and Exclusion on Poverty

One of the traditional distinctions between types of poverty is between relative and absolute poverty. There is poverty which allows for a minimum asset build up in the household consumption basket and ultra poverty which allows none. In terms of vulnerability for the relative poor when a problem occurs they became poorer but the very poor have no where to go and became completely destitute. According to Pouliguen & Malmberg the distinction between the impact of infrastructure on the poor and the ultra poor is not limited to the link between infrastructure and vulnerability. The economic impact of investments affects them differently, certain types of infrastructure may be more important to the ultra poor than to the poor. They draw another distinction as that between permanent and transient poverty. Some of the poor never get out of poverty while for others it is a temporary episode in their lives. Infrastructure affects these groups differently and is more important to the permanent poor than the transient poor. The transient poor could manage with whatever infrastructure they had. However the inadequacy of that infrastructure may be one of the factors that push them temporarily into poverty.[64]

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[63] J.D Wolfenshon & F. Bourguignon "Development and Poverty Reduction: Looking Back, Looking Ahead" *World Bank, IMF (October 2004)*
[64] L. Pouliguen & C. Malmberg, *Infrastructure and Poverty*, Op cit. pp.29-30.

The converse of access is exclusion and, in the infrastructure context, exclusion manifests itself essentially in three ways: exclusion through location; exclusion through pricing and exclusion through socio-political factors. Location related exclusion: many of the Poor live in remote areas and inadequate or nonexistent infrastructure is a major factor inhibiting them from improving their lot.

"Each day there is a funeral in a nearby village because of the distance to the hospital"[65]

Pouliguen & Malmberg point out that in the urban context, the problem of exclusion ranges from transport to and from work for those who have a steady source of employment, to actually identifying a source of work, sometimes on a daily basis, for those who are dependent on casual employment. In the context of transport the Poorest of the poor often do not have access to motorized transport or can't afford it. [66]

Affordability is not just a financial problem; for the Poor it is a combination of time and money. Because they can't afford motorized transport they have to walk, and the time it takes them may not only add considerably to the time they spend away from home but may simple exclude them from even looking for work. This often explains why they have no choice but live on the street close to sources of employment potential. The assumption that the value of the time of the poor is low, implicit in many decisions on infrastructure projects, is fundamentally flawed and more work is needed to better understand the value of their time.[67]

1.4.10 Transient and Chronic Poverty

Shi li, Pingping et al illustrate that transient poverty is mainly due to income fluctuations and can be solved by applying measures that help households smoothen income

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[65] D. Narayan et al., 1999. Musanya, Zambia.
[66] L. Pouliguen & C.Malmberg, *Infrastructure and Poverty*, Op cit.p.12.
[67] Ibid,p.3.

variations. These are the most effective in reducing transient poverty. Chronic poverty refers to those who are persistently poor because of long term low incomes; in designing poverty programs it is important to draw a distinction between the transitory poor and persistent poor. This is important not only in the understanding of the nature of poverty, but also in designing an effective poverty reduction policy. Transient and chronic poverty are caused by different factors. The rise in income or consumption does not necessarily lead to a rise in income or consumption for the poor in that country. Poverty alleviation programs can be benefitting the rich more than the poor in a country. Programs should be assessed by linking them to certain poverty measures instead of a country's income and consumption per capita as a whole. The poor is disadvantaged in access to poverty funds.[68] Both transitory and chronic poverty drops as head of households attain higher educational levels. Education has a significant effect on poverty eradication. Educational attainment of heads of households has a much stronger impact on chronic poverty than on transitory poverty. A large family is more prone to poverty.

Related to the concept of permanent versus transient poverty is the concept of poverty trap, the simplest form of which is geographical location. Isolated communities which have to bear very large transportation costs to access markets may be locked into poverty for ever.[69]

1.5 Theoretical Framework

Poverty traps individuals and households even entire countries, stifling human dignity and eroding potential. Poverty reproduces itself generation after generation, challenging policy makers to take imaginative and bold steps to transform their nations.[70] Overtime several theories and concepts have been articulated that help us understand better the causes of poverty and measures required to eradicate it.

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[68] Shi li, Pingping & Wang, Ximing Yue, "The Causes of Chronic and Transient Poverty and their Implications for Poverty Reduction Policy in Rural China" *Pmma Working Paper* 2007-12; March 2007 p.4.
[69] L. Pouliguen & C. Malmberg, *Infrastructure and Poverty,* (World Bank; 2000), p.30.
[70] M. Samson et al *Designing and Implementing Social Transfer Programmes*, (Cape Town: Economic Policy Research Institute; 2006, also available at www.epri.org.za), p.1.

The theories of poverty may be grouped into two kinds of approaches: individual and structural approaches. The first emphasizes the characteristics, attitudes, or behaviour of the poor as the roots of poverty and is exemplified by theories of the culture of poverty and human capital theory. The second approach stresses the amount and distribution of economic and social opportunities that are external to and coercive over individuals and that result partly from political economy. Put another way, some theories attribute poverty exclusively or primarily to certain characteristics of the poor as groups or as individuals, while others blame mainly the system of factors and forces external to the poor or somehow beyond their control. Cotter suggests that these two theoretical approaches may and are often combined as complimentary rather than contradictory approaches, such as those embodied in contemporary multi dimensional notions of poverty.[71]

According to C. Clark, neoclassical economics tries to explain both wealth and poverty with the same theory and individualistic paradigm. Wealth derives from productivity and its rewards for effort, "while poverty is due to the absence of productivity and inability or unwillingness to work and wait". The neo classical economics theory errors in assuming that the key determinants are individuals' characteristics' and not social structures and institutions. This absolves society and the rich of any responsibility for creating poverty and having a small role in its alleviation. Instead, Clark offers an "Institutional theory" positing three central processes: Rather than stemming from the unlimited wants of human nature, scarcity is socially crated through "conspicuous consumption" and "industrial sabotage". As Thorsten Veblen theorized (Theory of the Leisure Class 1899). The leisure class keeps raising consumption standards to maintain the scarcity value of goods consumed, including the basic needs of the poor for land and housing. The productivity of modern technology and industry is kept in check through industrial concentration to limit competition and by keeping interest

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[71] D.A Cotter, "Poor people in poor places: Local opportunity structures and household poverty" *Rural Sociology, 67/4 (Dec.2002),pp.534-555.*

rates "too high". Wealth as well as poverty, is created through social exclusion, starting with the institutions of private property, which assigns ownership rights to a person or entity at the expense of society. Redundant, easy-to-refill jobs generate low pay and low or no benefits due to strong competition. While exclusionary devices like unions, minimum wages, and tenure reduce labour competition, higher-level assets and income require higher barriers to protect their scarcity value. Such barriers keep the poor from participating in the economy and society. Economic costs, which are not allocated through normal market operations, are assigned or shifted to disadvantaged groups. These include externalities like pollution and the full cost of the worker often borne by his family and others outside the workforce. Wealth is created through the utility owner's ability to shift "system losses" for example, to his workers, neighbours, and society as a whole, who are correspondingly impoverished thereby.[72]

This study will adopt the contemporary multi dimensional notions of poverty as its guiding theory. The study will endeavour to see poverty as being caused by individuals as well as factors beyond their control.

1.6 Research Hypotheses

To be able to understand better why poverty in Kenya did not decline during the study period, this study has adopted the following hypotheses to guide its inquiry;

The failure of Poverty alleviation Policies between the years 1995 to 2008 was as a result of Poor Policy Formulation.

The Failure of Poverty alleviation Policies between the years 1995 to 2008 was as a result of Poor Policy Implementation.

The failure of Poverty alleviation Policies between the years 1995 to 2008 was as a result of exogenous factors.

[72] M.A Clark, "Wealth and Poverty: On the social creation of Scarcity" *Journal of Economic, Issue 36:2, (2002.) pp.417-419.*

1.7 Research Methodology

The researcher relied on primary and secondary data. Primary data was gotten through interviews of three respondents: one directly involved in poverty alleviation at the grass roots; the other two are involved in policy formulation and implementation, they have both conducted previous research on poverty in the past. They lecture at the University of Nairobi and Catholic University of Eastern Africa respectively. The interview questionnaire used is attached as an annex to this paper.

Secondary data was acquired from books, journals, newsletters, pamphlets, published and un published papers, internet sources, and journals among others. Official reports of the UN, World Bank, IFAD and other international organizations on poverty and related topics were widely used. The National Economic Surveys conducted between the years 1995 to 2008 provided very valuable secondary data on the poverty situation in Kenya. The National Economic Surveys contain information drawn from household surveys, poverty assessment surveys and establishment surveys. Household surveys being the single most important source of data for making poverty comparisons. The data gives the distribution of living standards in Kenya. The internet was also used as a source of information because many scholars and researchers post their works on the web for easy public access. As the bibliography section will attest the author discovered numerous publications especially from the World Bank and other international organization on poverty in developing countries, its causes and proposed alleviation strategies.

All effort has been made to ensure that the research is as thorough as possible. The primary and secondary data has been compared to draw out the relevance of the latter to the Kenyan situation. The research has endeavoured to ensure that the information used in writing this paper is relevant to the stated objectives. Much effort has been put on finding the possible causes of poverty in Kenya and required alleviation strategies.

CHAPTER TWO - POVERTY CONCEPTS AND ALLEVIATION STRATEGIES

2.0 Introduction

This chapter reviews the literature on various poverty concepts and alleviation strategies. It in addition reviews some case studies on poverty alleviation measures that were implemented and worked in various countries. The objective of this chapter is to first understand the multiple causes of poverty and to then draw insights on how poverty can be alleviated by learning both from the experience of others and the published literature on poverty alleviation.

2.1 Poverty and Underdevelopment

According to Walter Rodney the question as to whom and what is responsible for African underdevelopment can be answered at two levels. Firstly the answer is that the operation of the imperialist system bears major responsibility for African economic retardation by draining African wealth and by making it impossible to develop more rapidly the economic resources of the continent. Secondly one has to deal with those who manipulate the system and those who are either agents or unwitting accomplices of the said system. The capitalists of Western Europe were the ones who actively extended their exploitation from inside Europe to cover the whole of Africa. Imperialism was in effect the extended capitalist system, which for many years embraced the whole world. One part being the exploiters and the other the exploited, one part being dominated and the other acting as overlords, one part making policy and the other dependent.[73]

All of the countries named as 'under – developed' in the world are exploited by others; and the underdevelopment with which the world is pre-occupied is a product of

[73] W. Rodney, *How Europe Underdeveloped Africa,* (Dar es Salaam : Tanzania Publishing House, 1976), pp.19-37.

capitalist, imperialist and colonialist exploitation. African and Asian societies were developing independently until they were taken over directly or indirectly by the capitalist powers. When that happened exploitation increased and the export of surplus ensued, depriving the societies of the benefit of their natural resources and labour. That is an integral part of underdevelopment in the contemporary sense.[74]

Throughout the period that Africa has participated in the capitalist economy, two factors have brought about underdevelopment. In the first place the wealth created by African labour and from African resources was grabbed by the capitalist countries of Europe; and in the second restrictions were placed against African capacity to make the maximum use of its economic potential- which is what development is all about. African economies are integrated into the very structure of the developed capitalist economies; and they are integrated in a manner that is unfavourable to Africa and ensures that Africa is dependent on the big capitalist countries. Indeed structural dependencies are one of the characteristics of underdevelopment.[75]

Stiglitz points out; in an aspiration to make trade fair. The developed countries forced developing countries to abandon subsidies designed to help their nascent industries, advanced industrial countries were even then allowed to continue their own enormous agricultural subsidies, forcing down agricultural prices and undermining living standards in developing countries.[76]

2.2 Financial Market Failures and Poverty

Nature abhors a vacuum, quickly filling it by distributing the pressure over space, economics work similarly. According to Barrett, where a vacuum exists in rural financial markets in low income communities, the pressure that results from household's limited ability

[74] Ibid,p.22.
[75] Ibid,p.34.
[76] J. E. Stiglitz, *Making Globalization Work*, (New York : Penguin Group, 2006), p.15.

to smooth consumption across time through insurance or credit or to finance investment by borrowing against expected future earnings inevitably spreads throughout the rural economy. People lacking access to (formal or informal) credit or insurance markets rationally exploit other markets and non-market resource allocation mechanisms to resolve at least partly, their financing problems.[77] De Janvery et al add that imperfect or missing markets for financial services lead to substantial and sometimes persistent inefficiencies that lower the welfare and impede improvement in the well-being of subpopulations rationed out of formal or informal markets for financial services.[78]

Barrett adds that informal lending and insurance plug part of the gap left by missing formal markets for financial services in low-income rural economies. The routine absence or limited availability of credit and insurance in low-income communities does not change the underlying fact that individuals often need to borrow or to insure against shocks in the face of uncertain incomes. Without access to formal financial markets, people inevitably find other ways to obtain 'quasi-credit' or 'de facto insurance'. Such behaviours are often mistakenly perceived by outsiders as inefficient or short-sighted. They instead more often reflect the cleverness and industriousness of the poor smallholders and the crushing lack of options they too often face.[79]

Liquidity constrained individuals do not only use factor markets to resolve their financing problems, they use product markets as well. One example is the 'sell low, buy high' phenomenon in smallholder grain marketing. The market price for storable staple grains typically exhibits a seasonal cycle, reaching a low during and immediately following crop harvest and peaking during the growing season, as the preceding season's accumulated stocks

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[77] C.B. Barrett, *Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities*.(NY; Cornell University, Dept of Applied Economics and Management, July 2007),p.1.
[78] De Janvery et al 1991, Barret 1997 quoted in Christopher B. Barrett, Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities.(NY; Cornell University, Dept of Applied Economics and Management, July 2007),p.2.
[79] C.B. Barrett, *Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities.* Op cit,p.3.

run low. In Madagascar a study conducted by Moser et al in 2005 found that the mean *quarterly* change in rice prices across the island was 29 per cent, at a time when the mean *annual* interest rates on lending were only 27 per cent.[80]

Financial market failures manifest themselves as displaced distortions of investment and technology adoption behaviours as well. In a study conducted in western Kenya, Marenya and Barrett in 2007 found that there is a strong positive relationship between farmers' wealth and their likelihood of adopting improved Natural Resource Management (NRM) practices. Practices such as tilling crop residues into the soil, applying manure to cultivated fields, and terracing require labour but not cash. Yet few of the poorer farmers in Vihiga District adopt such practices. The primary reason is, once again, that they cannot afford to invest the time today in increasing the future productivity of their own farms because they need to find of farm employment even at meagre prevailing wages (less than US $ 1/day per adult worker) to meet immediate subsistence needs.[81]

Barrett re asserts that not only do financial market failures cause households to forgo investments of known high return, they can often force asset depletion, one of the most common and costly methods of dealing with financial market failures, but quite common one in the wake of an adverse, uninsured shock. In the absence of (formal or informal) insurance, they then commonly have to sell off productive assets in order to meet these immediate needs. But that comes at a high price in terms of forgone future productivity.[82]

[80] Moser et al 2005 quoted in Christopher B. Barrett, *Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities.*(NY; Cornell University, Dept of Applied Economics and Management, July 2007),p.4.

[81] E.C. Stephen. and C.B. Barrett, 2007.quoted in C.B. Barrett, *Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities.*(NY; Cornell University, Dept of Applied Economics and Management, July 2007),p.8.

[82] Ibid.

2.3 Poverty and Vulnerability

In a study on *infrastructure and poverty*, Pouliguen & Malmberg found out that the poor are more vulnerable because they often live in the least desirable parts of towns and villages and are the first to be hit by natural disasters. In the rural arrears their farms are at the periphery of irrigated areas and are the first to be hit by drought. Their villages are isolated and access to medical support is difficult. The link between infrastructure and vulnerability centres on the mitigation of the impact of natural disasters or economic shocks. Developing countries have a much harder time protecting themselves.[83] In Kenya the displacement that takes place in areas like Budalangi every year due to flooding could be attributed to the vulnerability of the local population.

The link between vulnerability and infrastructure manifests itself essentially in three areas: coping with natural disasters, coping with economic shocks and inequality of access to infrastructure. Since the poor operate at very low to nonexistent safety margins, economic shocks do not need to be of significant levels to affect them. Minor and local variations in market prices or factor costs are enough to push them over the poverty line or worse drag them from poverty to destitution. As convincingly pointed out by Caroline Moser, there is a strong link between assets, and among them access to infrastructure and vulnerability[84]. The fact that access to infrastructure is uneven, however, is masked behind high averages. This is frequently the case in urban areas where access to infrastructure varies greatly with neighbourhood.[85] This is very visible in Kenya when one compares the level of infrastructure available in the slums with that in the affluent neighbourhoods.

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[83] L. Pouliguen & C. Malmberg, *Infrastructure and Poverty*, (World Bank; 2000), p.4.

[84] C. Moser, "Confronting Crisis". *Environmentally Sustainable Development Studies and monographs Series* No. 7. The World Bank. 1996.

[85] L. Pouliguen & C. Malmberg, *Infrastructure and Poverty*, Op cit.p.21.

2.4 Neo Colonialism and Postmodern Colonialism

Walter Rodney argues that more far-reaching than just trade is the actual ownership of the means of production in one country by citizens of another. When citizens of Europe own the land and the mines of Africa, this is the most direct way of sucking the African continent. Under colonisation the ownership was complete and backed by military domination. Today in many African countries the foreign ownership is still present, although the armies and flags of foreign powers have been removed. In other words, in the absence of direct political control, foreign investment ensures that the natural resources and the labour of Africa produce economic value which is lost to the continent.[86]

One of the common means by which one nation exploits another and one that is relevant to Africa's external relations is exploitation through trade. When the terms of trade are set by one country in a manner entirely advantageous to itself, then trade is usually detrimental to the other trading partner. The whole import/export relationship between Africa and its trading partners is one of unequal exchange and of exploitation argues Walter Rodney.[87]

Macharia Munene points out that in the late 1980's, *postmodern colonialism* made states and their rulers irrelevant to continued exploitation and encouraged people to be irresponsible and to destroy their own states in the interests of the *master states.* Manipulators in the master states believe that they have a right to do the thinking for, and to give orders to, other states. After declaring that some states are on the verge of "collapse or failure", they then give strange advice on the need to downsize states, institution and services. They also demand the opening up of the country to international operators, in the name of liberalization and privatisation, but they are very careful not to assume responsibility for the exploitative

[86] W. Rodeny, *How Europe Underdeveloped Africa,* (Dar es Salaam : Tanzania Publishing House, 1976)p 31
[87] Ibid.

behaviour. Instead they orchestra a "blame-the-victim campaign" that shifts all blame to the victim while exonerating the manipulator.[88]

The strategy of blaming the victim asserts Munene undermines the victim's ability to demand redress and is initially orchestrated at the international level. It lays the ground work for two kinds of actions. First is the intellectual rationalization of denying assistance to the victims and second to provide the appropriate leverage to dictate laws to the victim countries. This way, control is tightened as the victim is made to take responsibility for whatever may go wrong. On the ground blaming the victim is done by various functionaries and instruments of control that include Western diplomats, IMF, World Bank officials, local NGOs and civil society operatives.[89] In Kenya during the early and mid 1990s the NGO's played this role very well.

2.5 Globalization

Stiglitz looks at globalization as encompassing many things: the international flow of ideas and knowledge, the sharing of cultures, global civil society, and the global environmental movement. Economic globalization entails the closer economic integration of the countries of the world through the increased flow of goods and services, capital and even labour. The great hope of globalization is that it will improve living standards throughout the world: give poor countries access to overseas markets so that they can sell their goods, allow in foreign investment that will make new products at cheaper prices, and open borders so that people can travel abroad to be educated, work and send home earnings to help their families and fund new businesses.[90]

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[88] M. Munene, "Some thoughts on Afro-Asianism" *Africa Review of Foreign Policy*, Vol .4 ,No 1 May 2006. p. 61.
[89] Ibid.p.62.
[90] J.E.Stiglitz, *Making Globalization Work*, (New York : Penguin Group, 2006),p.4.

According to Milonovic, critics of globalization have pointed out that the disparity in average incomes between rich and poor countries have been raising over time, poor countries have experienced lower subsequent growth rates and other than poor countries catching up with the developed countries the opposite seems to be happening. An often quoted statistic is that the average income of the richest country in the world was 10 times that of the poorest at the end of the nineteenth century but is closer to 60 times higher today. Farther more on top of this long run trend, income inequality between countries appears to have risen sharply since about 1980.[91] .

Stieglitz further asserts that though globalization has the potential to bring enormous benefits to those both in the developing and developed world. The available evidence indicates that it has failed to live up to this potential. Economics has been driving globalization, especially through the lowering of Communication and transportation costs. But politics has shaped it. The rules of the game have been set by the advanced industrial countries and particularly by special interests within those countries. They have shaped globalization to further their own interests.[92] The following quote from the '*World Commission on the Social Dimensions of Globalization' illustrates* this dangerous trend.

> *The current process of globalization is generating unbalanced outcomes, both between and within countries. Wealth is being created, but too many countries and people are not sharing in its benefits. They also have little or no voice in shaping the process. Seen through the eyes of the vast majority of women and men, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children. Many of them live in the limbo of the informal economy without formal rights and in a swathe of poor countries that subsist precariously on the margins of the*

[91] B. Milanovic, 2004, "Worlds Apart: Global and International Inequality 1950-2000", Princeton University Press, forthcoming 2004.
[92] J. E. Stiglitz, *Making Globalization Work,* Op cit,p.5.

global economy. Even in the economically successful countries some workers and communities have been adversely affected by globalization. Meanwhile the revolution in global communications heightens awareness of these disparities.... These global imbalances are morally unacceptable and politically unsustainable.[93]

Stiglitz further stresses that if globalization leads to lower standards of living for many or most of the citizens of a country and if it compromises fundamental cultural values, then there will be political demands to slow or stop it.[94]

Globalization has exposed developing countries to more risks, but these countries can not insure against them. In more advanced countries, governments fill in the gap by providing pensions for senior citizens, disability payments, health insurance, welfare and unemployment insurance. But in developing countries, governments are typically too poor to implement social insurance programs.[95]

China according to Stiglitz managed globalization carefully: it was slow to open up its own markets for imports, and even today, it does not allow the entry of hot speculative money. Money that seeks high returns in the short run and rushes into a country in a wave of optimism only to rush out again at the first hint of trouble. China's government realized that while the rush in might bring a short lived boom, the recessions and depressions that could be expected would bring long – lasting damage, more than offsetting the short – run gain.[96]

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[93] World Commission on the Social Dimensions of Globalization, *A Fair Globalization: Creating Opportunities for All*, (Geneva: International Labour Office, 2004). P. x; available at www.ilo.org/public/english/fairglobalization/report/index.htm.
[94] J.E. Stiglitz, *Making Globalization Work*, (New York : Penguin Group, 2006) p xviii
[95] Ibid.p.11.
[96] Ibid.p.10.

2.6 Infrastructure and Poverty

In a review of urban development issues Johannes Linn. Reports that the Poor spend 20 to 50 times less on transport than the average population.[97] This rules out most forms of motorized transport and has important policy implications for the very poor. Subsidies on public transport are likely to affect them to a much lesser extent than any policy aimed at improving non-motorized transport or acquiring bicycles. For most of them, a bicycle is the next step up in easing the transport barrier they have to face in gaining access to employment.[98]

The socio-economic link between infrastructure and poverty concentrates on the physical availability of infrastructure. But the physical availability does not guarantee that the Poor will benefit from it. As Amartya Sen has pointed out, poverty is essentially a matter of entitlement and capabilities:

> *"......the most important deficiency of traditional development economics is its concentration on national product, aggregate income and total supply of particular goods rather than on 'entitlements' of the people and the 'capabilities' these entitlements generate".*[99]

In the same way as the most famous famines were more a matter of food policy than of food availability. And that the income of a villager can be increased but that.

> *"......if there are no schools in the village and no hospital nearby... this rise in income may not be able to deal adequately with his entitlement to education or medical treatment...."*[100]

Pouliguen and Malmberg stress that availability of infrastructure per se may not have much impact on the entitlements of the poor, entitlement means access. The type of

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[97] J. Linn. "Cities in the Developing World – Policies for their Equitable and Efficient Growth". Oxford Univerisity Press, New York, 1983,p.91.
[98] L. Pouliguen and C. Malmberg, *Infrastructure and Poverty*, (World Bank; 2000), p.14.
[99] A. Sen, "Development: Which Way Now". *The Economic Journal*, 93: December 1983,p.754.
[100] Ibid,p.756.

infrastructure that the poor need the most is often simple and small scale. On the other hand, making sure that the poor have access to it is more difficult. If the water stand-pipe is far away from their house they may prefer using the nearby traditional well even if its water quality is poor. There may be a good urban transport system but, if they can't afford to pay the fare they will keep walking. There may be reasonable health facilities but without adequate transport access it will be of little use.[101]

Avery large portion of the population of developing countries purchases infrastructure services from the private sector. For the less poor the choice is related to the quality or reliability of service. Public provision of infrastructure is often poor and those who can afford it secure their own supply: they drill a private well rather than rely on local water supply, they buy a generator to back up the national power supply, or the buy a cellular telephone rather than depend on the state telephone company. At the other end of the spectrum the poor and the very poor in particular, are equally reliant on the private sector, not by choice but by necessity because there is simply no public infrastructure. In some cases, as for electricity they do without the service but in other cases doing without is not an option: they have to travel to get work, seek work, or sell their produce in the market. If they do not have access to water they have no choice but buy it from a street vendor. For those who have no choice but buy these services from the private sector the costs can represent a very substantial percentage of their budget. This is not only because their budget is small and, percentage wise the share is larger, but because of the high cost of retailing these services in the absence of a minimum amount of infrastructure.[102]

Ariel Fiszbein points out that the Poor do not have the political weight and are in most cases excluded from decisions on where to place infrastructure projects. They are also denied access to infrastructure because they belong to one ethnic group or cast rather than another.

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[101] L. Pouliguen and C. Malmberg, *Infrastructure and Poverty,*Op cit, p.12.
[102] Ibid, p.27.

One solution is systematic inclusion of the poor in the decision making process. In some Latin American countries participation has been made into law.[103]

Infrastructure may be available to all, but the better off may have far easier access to it than the poor. Because the poor consume small quantities of infrastructure services, the ratio of fixed to variable costs makes provision of infrastructure to the poor more expensive than to the rest of the population. This basic problem is often combined with the fact that small quantities are often associated with poorly functioning markets, thus compounding the problem.[104]

In infrastructure terms, entitlement translates into access. For the poor according to Pouliguen and Malmberg the most dramatic impact of inadequate infrastructure may be less the result of lack of infrastructure per se but more the lack of access to that infrastructure. Given the inter linkage between social and economic impact, lack of access results in overall exclusion from opportunity and development. Developing a clear picture of the mechanisms through which the poor are excluded from access to infrastructure is useful to understand better the link between poverty and infrastructure and to develop more pro-poor infrastructure policies.[105]

Another facet of exclusion is affordability. Infrastructure can be available but access may be beyond the means of the poor. The solution to this aspect of the problem is often thought of in terms of subsides. But subsidies require a country to have the institutional capacity to administer them. Most poor countries lack this capacity. Subsidies can also lead to deterioration and sometimes a total collapse of the subsidized infrastructure. The most effective way of reducing cost is to make sure that, where competition is possible, either for

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[103] A. Fiszbein, 1999. "Working Together for a Change- Government, Civic, and Business Partnerships for Poverty Reduction in Latin America and the Caribbean". Quoted in L. Pouliguen and C. Malmberg, *Infrastructure and Poverty,* Op cit,p.3.
[104] L. Pouliguen & C. Malmberg, *Infrastructure and Poverty,* Op cit p.30.
[105] Ibid, p.2.

or in the supply of infrastructure services, it is fully taken advantage of and that markets are working properly.[106]

According to Pouliguen and Malmberg as far as the indirect effects are concerned, good infrastructure is likely to attract better teachers, better agriculture extension agents, and open the door to industrial or agro-industrial development.[107] Conventional thinking has been that creating or improving infrastructure will create growth and poverty alleviation will be a by product of growth. However creating infrastructure on the blind hope that it will automatically and directly alleviate poverty is both naïve and simplistic. Infrastructure may or may not have an economic impact. Equally its impact may go well beyond simple economic considerations.[108]

2.7 Infrastructure and Agriculture the Case of Morocco

While not automatic, the link between infrastructure and poverty reduction is not simple either. The complexity is illustrated well in an impact evaluation of a feeder road improvement project in Morocco. The impact evaluation was carried out in the second half of 1995 and focused on four rural roads completed in the 1980s. It was found that the impact on agricultural production went well beyond an increase in yield on the production of existing crops. As one would expect from more extensive use of fertilizer made relatively less expensive because of lower transport costs. And an extension of the area under cultivation because reduced transport costs would make it worthwhile to cultivate lands previously economically to far from markets.[109] However in Morocco the whole agricultural mix was transformed. Farmers shifted land from low value cereals to high value fruit orchards that

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[106] Ibid, p.3.
[107] Ibid, p.19.
[108] Ibid, p.6.
[109] H.Levy "Morocco, Impact Evaluation Report, Socioeconomic influence of rural roads, A study of rural roads financed under the World Bank's fourth highway project (Loan 2254-MOR)". World Bank, OED 1996. Quoted in L. Pouliguen and C. Malmberg, *Infrastructure and Poverty*, Op cit,p.8.

yield higher profits. Because of the reduced risk of crops perishing on the farms brought about by the better quality and year round operation of the improved roads. In two of the study regions, land used for vegetables and fruits increased by over 40 per cent over the study period. Livestock production shifted towards pure breed cows, also a high yield activity. The use of modern agricultural inputs especially fertilizers, increased as improved transport made distribution channels better. Use of agricultural extension services by small farms increased more than fourfold over the study period. Improvements in the agricultural economy led to economic changes in workloads, employment on farms and establishment of new shops. The study found that agricultural practices in the control zones, which did not benefit from improved roads, remained essentially the same as it had been a decade earlier.[110]

The impact of the Morocco project went well beyond agricultural production. Primary education increased throughout all areas covered by the study, enrolment more than doubled. And more important the quality of education in areas with new roads improved as it was much easier to recruit teachers to staff schools in these areas, and absenteeism of both teachers and pupils dropped. The rural population also nearly doubled its use of hospital and primary health care facilities and just like in education the quality of health services was enhanced as the supply of medicines improved, and it was possible to staff rural health facilities with competent staff. On gender aspects the project resulted in increased girl enrolment in schools, these trebled over the study period. Butane gas became affordable because of the reduced transport costs. This in turn reduced the women's chores of daily collection of fuel wood for cooking and heating.[111]

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[110] Ibid.
[111] Ibid.p.9.

2.8 Infrastructure and Schooling the Case of Madagascar

The link between infrastructure and time available for school was established in a study conducted in Madagascar. The lack of infrastructure means that the same task takes a lot more time. This is typically the case with water. Where water availability is poor it has to be fetched far away and this is typically the duty of women and young girls. The link between fetching water and school attendance in Madagascar is illustrated in the table 2.9 below.

Table 2.9: Effect of Water Availability on School Attendance in Madagascar.

	Children of School - going age who			
	Do not go to School		Go to School	
	Boys	Girls	Boys	Girls
Spent time collecting water	37	83	41	58
Did not spent time collecting water	63	17	59	42
Total	100	100	100	100

Source: Bredie and Beehary 1998.

The percentage of boys spending time collecting water is similar whether they go to school or not. In contrast, girls going to school were two and a half times less likely to spend time collecting water than those who didn't.[112]

2.9 Social Exclusion, Social capital, Infrastructure and Poverty

Socio-political exclusion can have an important impact on access to infrastructure services and the least wealthy can easily end up having to do more work and reaping fewer benefits. Socio-political exclusion is pervasive and in its worst manifestations is related to ethnic or cast considerations. Members of certain casts or ethnic groups are often charged

[112] J. Bredie, & G. Beehary, " School Enrolment Decline in Sub-Saharan Africa", *World Bank Discussion Paper* NO. 395, 1998. Quoted in L.Pouliguen and C. Malmberg, *Infrastructure and Poverty*,Op cit,p.9.

higher rates than others or denied service and can for example, be prevented from accessing existing infrastructure such as water supply. It is therefore essential not to take for granted that infrastructure intended for the poor will actually reach the least privileged groups. At the design stage detailed knowledge of social traditions and the way they affect the poor is essential. At the implementation stage it is equally essential that the poor be given voice in the decision making process.[113]

The link between social capital (social interactions) and economic development centres around the complementarities between functioning markets and social capital. As pointed out by Partha Dasgupta:

> "*...to the extent social capital is exclusive, it inhibits the flow of resources, in this case a movement of physical capital from one place to the other....social networks within each community block the growth of markets, so their presence inhibits economic development.*"[114]

Where "good" social capital is high the market can be expected to work well and investments in infrastructure will have a major impact. Where it is low, and markets are not functioning well, communities are inward looking and infrastructure investments can be expected to have much less impact. This link goes a long way towards explaining the less tangible dimensions of infrastructure investments whereby a road or a rural electrification scheme may have a major impact on one village while, everything else being equal the same investment will have very little impact on another.[115]

Pouliguen and Malmberg state that the link between social capital and infrastructure is a two-way link. While the level of social capital in a community is likely to impact the outcome of an investment in infrastructure, an investment in infrastructure is also likely to

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[113] L.Pouliguen and C. Malmberg, *Infrastructure and Poverty,*Op cit, p.16.

[114] P. Dasgupta, "Poverty Reduction and Non-Market Institutions." *Paper presented at World Bank Conference on: Evaluation and Poverty Reduction* June 14-15, 1999. p.28.

[115] L. Pouliguen and C. Malmberg, *Infrastructure and Poverty,*Op cit,p.21.

increase the level of social capital. Because of the link between social capital and poverty, this reverse effect has a secondary impact on poverty beyond that resulting from the direct economic impact of the investment. This reveres linkage is related to the crucial importance of the "communication" in social capital.[116]

2.10 Foreign Aid and Poverty

Hancock points out that in the Third World if a project is funded by foreigners it will typically also be designed by foreigners and be implemented by foreigners using foreign equipment procured in foreign markets.[117]

Studies undertaken by the USAID during the period 1960 -70 showed that 99 per cent of all funds provided by the U.S.A as AID for development in Latin America were in fact spent in the U.S.A and on products that were 35 per cent above their world market value. Even today 70 cents of every dollar of American 'assistance to the Third World' never actually leaves the United States. The situation is the same in virtually every aid giving country[118]. The UK in the 1980 allocated about £ 850 million a year to its bilateral aid programme. Out of these substantial sums about 80 per cent was spent on purchase of British goods and services. AID creates thousands of jobs in the home countries.[119]

The World Bank admits that multilateral agencies provide huge volumes of lucrative work for contractors in the industrialised countries. With an eye to continued support from its wealthy member states the World Bank in the 1980s admitted that out of every $ 10 it

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[116] L.Pouliguen and C. Malmberg, *Infrastructure and Poverty*, Op cit,, p.22.
[117] G. Hancock, *Lords of Poverty*, (New York : The Atlantic Monthly Press, 1989), p.155.
[118] United States Agency for International Development, "AID highlights" Washington, DC, winter 1987. Quoted in G . Hancock, *Lords of Poverty*, Op cit,p.156.
[119] British Overseas Aid *1986 (p.47)* Quoted in G. Hancock, *Lords of Poverty*, Op cit, p.156.

receives around $ 7 are in fact spend on goods and services form the rich industrialised countries.[120]

The British Overseas Aid agency points out that most British bilateral Aid has to be spent on British goods and services. The following quote from one of its publications illustrates this:

> *"...but this does not mean that we cannot provide worthwhile help to the poorest groups in developing countries. By choosing projects carefully we can ensure that benefits go to them at the same time as offering valuable opportunities to British firms".*[121]

According to Bauer there is something undeniably seductive about this kind of argument, but also something seriously wrong. In logic, saying that aid benefits the giver because some of it is spent on his own goods and services is like saying that a shopkeeper benefits from having his cash register burgled so long as the burglar spends part of the proceeds in his store.[122]

Hancock stresses that western Aid has been used to create profits for Western companies. It is a flawed and misguided policy. It is a policy that impairs the ability of development assistance to do its other job – namely to provide 'worthwhile help' to the poor of the Third World.[123]

2.11 Environmental Costs of Poverty

Marenya and Barrett note that households faced with poverty and financial constraints predictably deplete natural capital, the store of wealth held in forests, soils, water and wildlife.

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[120] World Bank *World Bank Annual Report* (Washington, DC 1987).p 32. Quoted in G . Hancock, *Lords of Poverty* ,Op cit,p.159.

[121] British Overseas Aid, "Some Basic Facts Aid and Development Issues". November 1986. Quoted in G . Hancock, *Lords of Poverty*,Op cit,p.161.

[122] P.T. Bauer, *Equality, the Third World and Economic Delusion*, (London: Weidenfield & Nicolson, 1981) 1981. Quoted in G . Hancock, *Lords of Poverty*,Op cit.p.161.

[123] G . Hancock, *Lords of Poverty*,Op cit,p.161.

When faced with binding credit constraints that impede their ability to conserve scarce natural capital and thereby invest in their future productivity. This is manifest in deforestation in Madagascar wildlife harvests in Tanzania and soil nutrient depletion in Kenya. As a result there is a strong positive relationship between soil quality and household wealth and income measures in Kenya's western highlands.[124]

2.12 Poverty Alleviation Strategies

This section reviews several poverty alleviation strategies and poverty alleviation case studies that have worked in other countries.

2.12.1 Poverty and Location the Case of China.

According to Pingping and Wang the rural population in China with incomes below the poverty line dropped from 250 Million in 1978 to 30 Million in 2002, or from 30 % to 3 % as a proportion of total rural population. In the early 1980s poverty was prevalent in China's rural areas, regardless of a regions family size, educational level of family members and so on. The remaining poverty at present has the following features: Poverty is regionally concentrated in the western area where the quality of the land is poor, it hardly provides for agricultural production even at subsistence level.[125] This compares very well with Kenya's arid and semi arid districts.

They add that the minority people disproportionately represent the remaining poor. Concentrated in the barren mountainous counties in the western provinces. In addition their disadvantage with the Chinese language prevents them from sharing in the benefits of China's rapid economic growth. Demographic features compound the remaining poverty. Poor

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[124] C.B. Barrett, *Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities,*Op cit.p.9.
[125] Shi li, Pingping Wang, Ximing Yue, "The Causes of Chronic and Transient Poverty and their Implications for Poverty Reduction Policy in Rural China",Op cit.p.3.

households are those households headed by persons with low educational level and those with a large number of family members. Some households fail to escape from poverty because of disability or serious disease of main household members; this limits the household's labour resources.[126]

A study conducted in China by Shi li et al shows that there is a trade off between growth and poverty reduction when investing in different parts of China. Road investments often yield their highest economic returns in the eastern and central parts of China, while they have their greatest poverty impact in western China which is the poorest regions in China.[127] This is a scenario that can be reproduced in Kenya especially when returns on investments in different parts of the country and their impact on poverty alleviation are compared.

China has been very successful in reducing its rural poverty during the past two decades; Contributing to this success were a series of policy and institutional reforms, promotion of equal access to social services and production assets, and public investment in rural areas.[128]

2.12.2 Infrastructure and Poverty Alleviation.

Infrastructure is a key element of poverty alleviation. It often acts as a catalyst to development and enhances the impact of interventions to improve the Poor's access to other assets, human, social, financial and natural assets. The impact of infrastructure is felt both on the economic and social sectors. Without roads the poor are not able to sell their output on the market. In India it has been shown that roads alone account for seven percent of the growth in aggregate output of the rural areas.[129] Without electricity, the industrialization process,

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[126] Ibid.

[127] F. Shenggen,"Infrastructure and Pro Poor Growth." *Helsinki; OECD. Agriculture and Pro Poor Growth Workshop*, 17-18 June 2004,p.7.

[128] F. Shenggen Fan, *Infrastructure and Pro Poor Growth*,Op cit,p.6.

[129] H. Binswanger, S. Khander, and M. Rozenzweig, "How infrastructure and Financial Institutions Affect Agricultural Output and Investment in India". *World bank*: Working Paper Series 163. 1989.

which provides the poor an important source of employment, is unlikely to take off. According to Gerard Foley, in Costa Rica, a retrospective review of the rural electrification experience through electrification cooperatives indicates that for one of these cooperatives the number of major businesses jumbled from 15 to 86 after electrification.[130] Without portable water and sanitation health is at risk. The social and economic impact often goes hand in hand. The retrospective evaluation of a feeder road project in Morocco shows that beyond its impact on agricultural production, it was associated with trebling the enrolment of girls in primary schools. And the use of health care facilities nearly doubled.[131] In Bangladesh, electrification has shown to have substantial impact on the reduction in women's fertility.[132]

Shenggen shows in a study in China that investment in roads, electricity, telecommunications and other infrastructure services are crucial for stimulating growth in agriculture and rural areas, and for food security and poverty reduction[133]. Nonfarm employment provides a large share of the income of the rural poor. But development of Nonfarm employment is often linked with infrastructure development. Rural enterprises are often located in the areas where there is good access to roads, electricity, and telecommunication facilities[134].

Among all types of rural infrastructure, rural transport is probably the most crucial for the livelihoods of the rural poor. It encompasses transport activities at all levels, whether local, regional or national. It is composed of two elements: rural transport services for passengers and freight by non motorized and motorized means of transport and rural transport

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[130] G. Foley."Rural Electrification in Costa Rica A Case Study". Joint UNDP/ World Bank Energy Sector Management Assistance Programme, 1997.

[131] H. Levy, " Morocco, Impact Evaluation Report, Socioeconomic influence of rural roads, A study of rural roads financed under the World Bank's fourth highway project (Loan 2254-MOR)." World Bank, OED.1996

[132] N. Hoque, "Rural Electrification and its impact on fertility: Evidence from Bangladesh. PhD. Dissertation", The Pennsylvania State University, 1988.

[133] F. Shenggen , *Infrastructure and Pro Poor Growth,* Op cit,p.1.

[134] F. Shenggen and C. Kang-Chan." Road Development, Economic Growth and Poverty Reduction in China," IFPRI Mimeo. Quoted in Shenggen Fan, *Infrastructure and Pro Poor Growth,*Op cit,p.4.

infrastructure, mainly rural roads, tracks, trails, paths and footbridges and in some cases rural waterways. In Africa, increases in agricultural output in some areas were accomplished by increasing the supply of intermediate means of transportation, which increased access and reduced costs of key inputs.[135]

Shenggen shows that public investment affects rural poverty through many channels. It increases farmers' income directly by increasing agricultural productivity, which in turn reduces rural poverty. Indirect impacts come from higher agricultural wages and improved nonfarm employment opportunities induced by growth in agricultural productivity. Increased agricultural output due to public investment often yields lower food prices, again helping the poor indirectly because they are often net buyers of food grains. In addition to its productivity impact, public investment directly promotes rural wages, nonfarm employment, migration, and for urban industrial and services development, thereby reducing rural poverty. For example, improved road access helps farmers set up small rural nonfarm businesses such as food processing and marketing enterprises, electronic repair shops, transportation and trade and restaurant services.[136]

Improved infrastructure and rural services not only expand opportunities for growth, but also help ensure that such growth is more diffused and equitable. Many developing countries, especially in Africa, still have woefully inadequate levels of rural infrastructure and human capital, and this is a major constraint to their development. Investments in rural roads, together with agricultural research and rural education are some of the best win-win investments, contributing the most to both agricultural growth and rural poverty alleviation. Investments in least developed areas have the highest return on poverty alleviation.[137]

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[135] T. Airey, "Transport as a Factor and Constraint in Agricultural Production and Marketing". *World Bank 1992 Sub-Saharan Africa Transport Program. Rural Travel and Transport Project.* Quoted in Shenggen Fan, *Infrastructure and Pro Poor Growth.* (Helsinki; OECD, Agriculture and Pro Poor Growth Workshop, 17-18 June 2004),p.3.

[136] Shenggen Fan, *Infrastructure and Pro Poor Growth.* Op cit,p.5..

[137] Ibid,p.10.

2.12.3 Rural Poverty Alleviation the Case of India

Hazell et al observe that poverty in rural India has declined substantially in recent decades from about 60% of the population in 1970 to about 25% today. This steady decline in poverty was strongly associated with agricultural growth particularly the Green Revolution, and with expansion of rural nonfarm activities. An IFPRI study by Fan et al. (2005)[138] that used state level data from 1970 to 1993 shows that additional government expenditure on roads is found to have the largest impact on poverty reduction.[139]

2.12.4 Poverty Alleviation the Case of Uganda

In Uganda in the 1990s annual GDP growth averaged 6.9 percent per year, up from only 3 percent per annum during the 1980s. As a result the share of the population below poverty line fell from 56 percent in 1992 to 35 percent in 1999. However the incidence of poverty in rural areas was 39 percent in 1999/2000, while it was only 10 percent in urban areas. Public investments have played a key role in these changes, and their impact was quantified in an IFPRII study by Fan, Zhang and Rao (2003).[140] The results reveal that government spending on agriculture research and extension improved agricultural production substantially. Agricultural research and extension spending also has the largest assessed impact on poverty reduction. Government spending on rural roads also had substantial marginal impact on rural poverty reduction. The impact of low-grade roads such as feeder roads is larger than that of high-grade roads such as murram and tarmac roads. Education's effects rank after agricultural research and extension, and roads. Government spending on health did not show a large impact on growth in agricultural productivity or on poverty reduction, in part because of difficulties in

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[138] P. Hazell, F. Shenggen, and S. Thorat.. "Government Spending, Agricultural Growth and Poverty: An Analysis of Interlink ages in Rural India". IFPRI Research Report 110,(1999) International Food Policy Research Institute. Washington, D.C.

[139] F. Shenggen,"Infrastructure and Pro Poor Growth", Op cit,p.5.

[140] S. Rao and F. Shenggen.. "Public Spending in Developing Countries: Trend, Determination and Impact." *Washington, D.C.: International Food Policy Research Institute.* EPTD Discussion Paper No. 99 (2003)

measuring some of the impacts of this type of investment. Additional investments in the northern region (a poor region) contribute the most to reducing poverty. The poverty reduction effect of spending on infrastructure and education is particularly high in this region. However it is the western region (a relatively well developed region) where most types of investment have highest returns in terms of increased agricultural productivity. The results show that the highest returns are still to be had from investing in high potential areas. Nevertheless, investing in more marginal areas gives very favourable benefit/cost ratios, and they have the largest impact on poverty reduction.[141]

Laura and Ellison state that, poverty reduction is fundamentally a political objective: relations of power, access to state resources, government policy priorities, legislative frameworks, and even constitutional guarantees may need to be transformed if there are to be enhanced opportunities for the poor to secure livelihoods, enjoy access to state services and become less vulnerable. Even if poverty reduction is not necessarily a zero sum game, there will inevitably be winners and losers in the process of change, as vested interests are no longer protected, discriminatory practices come to an end, and policies become more broad based and benefit wider social groups.[142]

2.12.5 Poverty Alleviation the Case for Institutional Reform

According to Kelsall, examples of working 'against the grain' include attempts by the international governance agenda to introduce western forms of governance to developing countries where they may sit uncomfortably. English common law courts, for example, have never been popular in Anglophone Africa. The 'winner takes all' nature of judgements is alien to traditions that favour more inquisitive, mediatory and restorative approaches to problems. One starting point is to look closely at institutions that have been successful in providing

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[141] F. Shenggen "Infrastructure and Pro Poor Growth"Op cit,p.8.
[142] P. Laure-Helene & E. Alison, "Politics and the PRSP Approach: Synthesis Paper" *Overseas Development Institute* (March 2004),p.10.

public goods and solving collective problems. It may be wise to examine so-called 'hybrid' institutional forms that have roots in western tradition but are also sensitive to other culture. The economic successes seen in East and Southeast Asia show how it is possible to work 'with the grain' of national and local politics to achieve lasting results that benefit nations, corporations and individuals. International aid should support southern owned policies and should go 'with the grain' of national politics.[143]

Kate bird contends that the organizational structure of the state and the quality of a country's institutions matters. Globally, it tends to be institutions rather than governance that underpin patterns of prosperity. Dominant economic institutions affect the distribution of resources and determine the incentives and constraints faced by economic actors. As a result, they shape economic outcomes. It is no coincidence that in rich countries, economic actors have secure property rights and can feel confident about law and order, that governance and monetary and fiscal policies are generally good, or that various forms of insurance are available to mitigate risk. Nor is it a coincidence that in many poor countries, these arrangements are less strongly present.[144]

She adds that specific 'growth-enhancing' institutions are required to overcome structural constraints that developing countries face in attempting to achieve pro-poor growth. These might include institutions to stabilise property rights, acquire technology and generate political stability. However, such institutions only emerge when: 1) political institutions allocate power to groups with interests in broad-based property rights enforcement; 2) political institutions create effective constraints on power holders; and 3) there are relatively few rents to be captured by power holders. When thinking through how to support pro-poor growth, it is important to remember that policy innovations and attempts to improve

[143] T. Kelsall, "Going with the grain in African development? Politics and Power in Africa Programme", Discussion Paper 1 of 2008 at . (http://www.institutions-africa.org/).
[144] K. Bird,"The Plotical Economy of Pro-Poor Growth : The Challenge of Making Growth Pro-Poor", *UK Oversea Developmement Institute*: Op cit,p.2.

institutional functioning must be appropriate to a particular context and fit the prevailing characteristics of the local economy and society. As a result, transplanting institutional forms from one country to another is often ineffective.[145]

Alence contends that governments in Africa have been found to be more likely to be developmental if they have to compete politically to stay in power and where their discretionary authority is restrained by effective institutional mechanisms.[146] Kaufmann and Kraay show with evidence from 170 countries that good governance supports wealth creation, but economic growth does not always result in improved governance.[147] While Resnick, and Birner after analysing a number of quantitative cross-country studies shows that political stability and the rule of law are associated with growth but not necessarily with poverty reduction. Also, enhancing civil liberties and political freedom are linked with poverty reduction but not necessarily with growth.[148]

2.12.6 The Role of Social Transfers in Poverty Alleviation

The World Bank's World Development Report for 2006 recognized the potential impact of social transfers on poverty and inequality as well as their contribution to promoting and distributing growth.[149] A transformative approach defines social protection broadly, as "the set of all initiatives, both formal and informal, that provide: Social assistance to extremely poor individuals and households; social services to groups who need special care or would otherwise be denied access to basic services; social insurance to protect people against the risks and consequences of livelihood shocks; and social equity to protect people against social risks such as discrimination or abuse".(Devereux and Sabates –Wheeler 2004). The

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145 Ibid.
146 R. Alence, "Political institutions and developmental governance in sub-Saharan Africa", *Journal of Modern African Studies* (2004) vol 42(2): pp163-87.
147 D. Kaufmann and A. Kraay, "Governance and growth: Causality which way? Evidence for the world, in brief", *Washington, DC: World Bank Institute* : WBI Governance Working Papers and Articles No. 57, (2003).
148 D. Resnick, and R. Birner, "Does good governance contribute to pro-poor growth? A review of the evidence from cross-country studies", DSGD Discussion Paper 30, IFPRI.(2006).
149 World Bank, *World Poverty Report*, (*Washington*: World Bank 2006).

Bank defines social protection as "a collection of measures to improve or protect human capital, ranging from labour market interventions, publicly mandated unemployment or old age insurance targeted income support"[150]. Social protection interventions assist individuals, households, and communities to better manage their income risks that leave people vulnerable.

Michael Samson defines cash – based social transfers as "regular non – contributory payments of money provided by government or non governmental organizations to individuals or households, with the objective of decreasing chronic or shock induced poverty, addressing social risk and reducing economic vulnerability". The transfers can be unconditional or conditional on households actively fulfilling human development responsibilities (education, health, nutrition,).[151]

Samson further stresses that national governments and the international community are increasingly recognizing the value of social transfers (including pensions, grants for families, public works schemes and other programmes) in achieving the Millennium Development Goals. Social transfers not only tackle income poverty, they also provide effective support for broader development objectives. Households in developing countries spend social transfer income primarily on improving nutrition. In many countries, social grants are distributed largely to women, promoting empowerment and more balanced gender relations. Better household living standards facilitate education and improve health outcomes, primarily for women and children. Social transfers also provide a role in the protection strategy of those afflicted by HIV/AIDS, malaria and other debilitating diseases. Long a vital tool for industrialised countries, social transfers are increasingly recognized as an essential policy instrument for poverty reduction in low and middle income nations. In addition to their vital social contribution, social transfers can support critical economic objectives. Many of the

[150] World Bank 2004
[151] M. Samson et al *Designing and Implementing Social Transfer Programmes*, Op cit,p.2.

world's fastest growing economies over the past several decades have built social protection into their policies at early stages because of its potential to increase productivity and contribute to stabilising domestic demand. The failure to provide appropriate social protection limits prospects for growth and development at the very foundation of society because household poverty undermines children's nutrition and educational attainment, limiting their future prospects.[152] Social transfers are increasingly acknowledged as an effective tool to reduce this inter-generational poverty.

2.12.7 Social Grants in South Africa.

South Africa's system of unconditional social grants constitutes the government's most effective poverty reduction intervention, directly benefiting over 10 million people while supporting household development and socio economic progress. Poverty in South Africa continues to bear the imprint of apartheid's legacy – rapidly and spatially biased, and deeply embedded in a skewed allocation of social and human capital. Social security in South Africa consists of targeted social grants that provide support for older people, individuals with disabilities and children under the age of 14. The grants are fairly large by developing country standards. The social pension and the disability grant are approximately equal to the household poverty line, while child support grant is approximately US$ 1 per day. The Department of Social Development has implemented an income based means test which varies according to the type of grant, the marital status of the beneficiary and other characteristics.[153]An understanding of how the South African social grant system works can inform proposals on whether the same can be implemented in Kenya as a poverty alleviation strategy.

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[152] Ibid, p.1.
[153] Ibid, p.8.

2.12.8 The Case for Rights Based Development

Chapman et al define Rights Based Development as "an approach to development that builds on people's desire for dignity and the satisfaction of their basic needs". Over time people and organizations have broadened the traditional needs-based vision of development by expanding and reframing needs such as food, jobs, health and respect for human rights. They work to incorporate rights into laws and policies and to build alternatives and change ideas and attitudes that affect their fulfilment. Thus a rights based development approach integrates the political side of development and change efforts making legal frameworks more just and supportive of the rights of the poor and the excluded. With capacity building and strengthening of their skills awareness and possibilities for designing alternatives.[154]

Chapman adds that rights are not a cold legalistic formula to be arbitrated by well meaning, well educated and sophisticated experts on behalf of the majority. Rather they are a manifestation of what the human spirit aspires to and can achieve through collective and positive struggle. As such they can only be made real by the involvement and empowerment of the community at large, particularly by those people whose rights are most violated. With people's involvement, the exploitative power relationships that deny rights can be challenged and eventually overturned.[155] Rights based development incorporates a vision of ethics and inclusiveness. It is grounded in the belief that poor and marginalised people everywhere have certain rights and responsibilities purely by being members of the human race. Many of these economic, social, cultural and political rights have been enshrined in law but are moral entitlements based on values of human dignity and equity. Some of the principles that

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[154] J. Chapman et al, "Rights Based Development: The Challenge of Change and Power", Action *Aid:* Advocacy Action Research Paper November (2005),pp. 4-5.
[155] Ibid,p.5.

expound on these rights include: people have a right to a voice in the decisions shaping the quality of their lives, and to basic economic and social resources.[156]

The understanding of rights gives the basis for defining a vision of good governance as open and participatory that pays particular attention to promoting the voice of excluded members of society. However, supporting the most marginalised is very difficult in the current 'one size' fit all neo-liberal development model that basically sees the role of governance as facilitating the flourishing of markets. Rather than sharing and balancing power and human rights for all, this approach tends to concentrate power and wealth. Because of the dominance of this view, it is important that people work with their own organizations and governments to create alternative economic, political and social models that can support and advance their rights and confront this narrow ideological perspective of governance, Chapman concludes.[157]

2.12.9 Subsidies as a Poverty Alleviation Strategy

Pouliguen and Malmberg contend that in practice, subsidies are a crucial obstacle to the entry of the private sector into the provision of infrastructure services which, in many instances, is key to the poor getting any service at all. If subsidies are to be resorted to some key conditions have to be met: the source of subsidies has to be clearly identified and the implications for the provider have to be assessed realistically. The prospect for sustainability of the payment of the subsidy has to be realistic. The mechanism for the payment of subsidies has to be simple and yet minimize leakages to the non-poor. There are countless examples of low urban transport fares leading to the collapse of urban transport companies or extremely poor quality services. Furthermore administering an effective subsidy system requires financial means and strong institutions, which are often lacking in developing countries that

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156 Ibid,p.6.
157 Ibid,p.7.

require subsidies most. Subsidies even then are not the primary source of defence against the financial exclusion problem. They can only help "at the margin". The primary line of attack against the high cost has to be more basic and address the root cause of the problem, namely the high cost itself. In countless instances, the poor are paying far more than they need to, even without any subsidies whatsoever. There are many reasons for that but the most typical ones are: lack of competition in the provision of the service, in appropriate design standards and high construction costs. Of these factors the dominating one is almost always the lack of competition in the provision of service. And this is the area in which the most significant savings can be achieved. Contrary to often widely held views, the private provision of infrastructure services, far from being the cause of the financial exclusion of the poor, is a key element of the solution to the problem. If and where it appears to be a problem, it is almost always because the market does not work properly. Hence "making markets work" is key to reducing exclusion due to pricing.[158]

Pouliguen and Malmberg further add that the idea of "social" or "lifeline" tariffs at subsidized rates for the poor are very appealing in theory. But, in practice they lead to a disincentive to the supplier to add connections and are not consistent with encouraging entry into the market. In the worse scenarios, where the subsidies they require are not forthcoming, they may put the overall financial stability of the supplier in jeopardy and affect negatively all the services. There are in addition large "leakages" in who actually benefits from the subsidized services, with the poor getting only a fraction of what was intended for them. Similarly well intentioned, output standards can also lead to a practical negative impact that may easily outweigh the theoretical benefit that they were intended to achieve. They may lead to entry barriers by putting constraints on the level of service pitched above what the beneficiaries actually need or can afford.[159]

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[158] L.Pouliguen and C. Malmberg. *Infrastructure and Poverty*,Op cit,p.14.
[159] Ibid,p.28.

2.12.10 The Need for Community Involvement

Theunissen, points out that the introduction of efficient and robust water pumps reduced the cost of rural water provision by a factor of three to four in Africa and one to two in Asia. But the engineering facet of the achievement is less crucial than the institutional dimension. The Poor are used to building with very limited resources. In the Sahel, the classrooms they build seldom cost more than about a tenth of those provided by the government. The extreme constraint on resources also means that these classrooms are built to extremely low standards. But the large gap between the cost of what the local communities, left to their own devices, can do, and the cost of "top down" government interventions, suggests that the biggest scope in reducing cost is not through "engineering" solution but through higher community participation in the design and construction process. Local communities know best what level of service they need in relation to what they can afford, and they have extensive experience with low cost construction methods. Blending this source of experience with the knowledge of what has been done elsewhere and a minimum increment in the financial resources required to build to the desired standards is the surest route to cost reduction.[160]

2.12.11 Economic Growth as a Poverty Alleviation Strategy

According to Wiggins and Higgins, many developing countries see economic growth as the main way to reduce poverty, following strong role models in East and Southeast Asia. Growth can play a key role in reducing poverty. For example, rapid economic growth has helped greatly to reduce poverty in East Asia, where the proportion of people living in extreme poverty fell from 33% in 1990 to 9.9% in 2004, and in South-East Asia, where the proportion fell from 41% to 29.5% over the same period. Conversely, in sub-Saharan Africa,

[160] P.Theunissen, "Etude sur Les pratiques de constructiondcs infrastructures sociales au sahel" Unpublished Report 18 Kerry Byrnes,(1992).

where economic growth has been slow overall, the proportion of people living in extreme poverty has fallen only slightly, from 47% in 1990 to 41% in 2004.[161]

Growth spurts are a common global phenomenon. What is not so common in the developing world, however, is countries' ability to sustain episodes of growth. Policies and institutions play a central role in enabling sustained growth. Indeed, the secret to sustaining growth seems to lie in getting the institutions and policies – or 'the rules of the game' – right. Essentially, sustaining growth requires increasing incentives to invest and increasing the use and productivity of capital and labour across the economy through appropriate policies and institutions. It requires facilitation of the factors that contribute to growth, which include macroeconomic stability, institutions that are underpinned by good governance, and a favourable investment climate that ensures secure property rights and efficient markets.[162]

In Uganda Bird and Shepherd found out that during the 1990s, growth was accompanied by falling rates of poverty, but, since 2000, economic growth has not reduced poverty. Despite increases in average real expenditure per capita, the poverty headcount in Uganda went up between 1999 and 2003. Not only are the numbers of poor rising, but the poor are also getting poorer. Spending by those at the bottom of the income distribution curve has fallen, as has consumption of items such as meat, fish and salt that are sensitive to poverty. Wages are also down. The causes seem to lie in a: slow-down of agricultural growth and a fall in food prices between 2001 and 2002.[163]

Michael Porter has proposed a three-stage model: early growth depends on putting unused and underused factors of production (such as labour, and for farming, land) to work; later the challenge is to use factors more efficiently; and finally growth depends largely on

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[161] S. Wiggins and K. Higgins, "Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction" *UK Oveseas Development Institute*; Briefing Paper no 33, (January 2008) p.1.
[162] Ibid.
[163] Bird and Shepherd (2006) and Chronic Poverty Research Centre – Uganda (2005). In S. Wiggins and K. Higgins, "Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction" *UK Oveseas Development Institute;* Briefing Paper no 33, (January 2008) p.1.

innovation.[164] Different issues arise at each stage, and countries that fail to recognise the changing nature of the challenges they face and the correspondingly different requirements for institutions and policies can find their growth stalling.

Economic growth by itself is only weakly correlated with poverty reduction. For example, Ravallion found that a 1% increase in per capita incomes can reduce income poverty by as much as 4% or by less than 1%, depending on the country as well as the time period. Clearly the pattern of growth matters as well as the place.[165]

The question often asked is: why does growth not always transmit its benefits to the poor? According to Wiggins and Higgins, the answers lie in the degree of access that the poor have to markets and the terms on which they participate in such markets. This can be broken down into the following elements: Lack of physical access – some people are effectively unable to take advantage of opportunities owing to the costs of reaching the market; Market failures – particularly in the cases of finance, land, and labour, such failures mean that the poor cannot obtain the resources needed to invest and innovate; Lack of human capital of the poor – low levels of basic education and vocational skills, and higher levels of ill-health, often leave the poor in no position to get better-paid jobs; and Exclusion – discrimination on grounds of race and ethnicity, language, religion, caste, and gender can mean people are excluded from jobs and public services. In addition, the vulnerability of the poor to a range of hazards makes it too risky for them to invest, innovate, specialise and otherwise take up economic opportunities. Indeed, shocks to the vulnerable poor are a major reason for poverty, depriving them of assets and preventing them from working.[166]

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[164] M. Porter, J. Sachs, and J. McArthur, "Competitiveness and stages of development", *Global Competitiveness Report 2001*, World Economic Forum, Geneva.
[165] M. Ravallion, "Pro-Poor Growth: a Prime", Washington, DC: World Bank, Development Research Group. (2004). in S. Wiggins and K.. Higgins, "Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction",Op cit,p.2.
[166] S. Wiggins and K. Higgins, "Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction",Op cit,p.3.

2.12.12 Other Poverty Alleviation Strategies

According to Rodney for economic development to take place it is not enough for a country to produce more goods and services. The country has to produce more of those goods and services which in turn will give rise too spontaneously to future growth in the economy. For example, the food-processing sector must be flourishing so that workers would be healthy, and agriculture on the whole must be efficient so that the profits (or savings) from agriculture would stimulate industry. Heavy industry such as steel and the production of electric power must be present so that one is capable of making machinery for other types of industry and for agriculture. Lack of heavy industry, inadequate production of food, unscientific agriculture. These are all characteristics of the underdeveloped economies.[167]

Rural Poverty reduction according to the IFAD report on Kenya, requires improving the delivery of services to the rural poor by strengthening the capacity of the public sector, private sector and civil society organizations. Rural poverty can also be tackled by increasing incomes to the rural poor through improved access to and utilization of appropriate technologies, markets and community owned productive and social infrastructure. Market oriented production is another key avenue out of poverty the report adds. Access to and the efficiency of markets and the provision of rural financial services to the poor is another strategy. Improved access to financial services results in increased investment opportunities which lift the poor out of poverty. Access to financial services by the rural poor will enhance improved and increased adoption of new technologies and the proliferation of rural enterprises that contributes to higher incomes for the rural poor.[168]

The IFAD report adds that labour based work programmes are a tested approach to poverty reduction, and the construction of roads and other infrastructure by small contractors

[167] W. Rodney, *How Europe Underdeveloped Africa*, Op cit,p.26.
[168] IFAD, "Republic of Kenya Country Strategic Opportunities Programme", Op cit.p.1.

using local labour creates employment opportunities for the poorest.[169]. Pouliguen and Malmberg add that infrastructure can also be part of the solution through its employment creation potential. Workfare programmes are often included in crisis mitigation packages. Their primary aim is employment creation and this can at times lead to projects being built for the sole purpose of creating employment. As a result they may be built where they are not required or are at least not of highest priority. These may then result in lack of "ownership" by the beneficiaries or the institutions which should assume responsibility for them and in the process translating into poor operation and maintenance. To avoid these potential shortcomings and to make sure that in addition to creating employment, the infrastructure built under workfare programs is sustainable and fully meets the need of the poor for which it is usually intended, projects built under these programs must be subjected to the same selection, design standards and institutional sustainability criteria as any other infrastructure project.[170]

Shepherd et al state that public services need to be financed from growth. However, sustaining that growth is a major challenge, as is ensuring that all citizens share in the benefits. It requires the development of an effective taxation and public expenditure system to support public investment and services, as well as the specific policy initiatives on growth or human development that will generate the necessary social compact. None of this is easy. External actors can play a valuable role – recognising and supporting the steps taken by a government towards a new social compact, helping with system development, and providing long- term and stable aid resources.[171]

The MDGs Shepherd argues cannot be achieved without economic growth. They depend on growing tax revenues and public expenditure, even more than on increased aid –

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[169]Ibid,p.9.
[170] L. Pouliguen and C. Malmberg, *Infrastructure and Poverty*, Op cit,p.26.
[171] A. Shepherd et al, "Achieving the MDGs : The Fundamentals; Success or Failure will be Determined by Underlying Issues", *UK Overseas Development Institute* : Briefing Paper no 43, (September 2008) p.2

valuable though this is. A number of countries have shifted their poverty reduction strategies to focus explicitly on growth as a principal means of reducing poverty, and southern elites are typically more motivated by growth than by poverty reduction itself.[172]

According to K. Bird, 'pro-poor growth' that is growth that benefits the poor — relies on the state providing an enabling policy environment. Evidence from East Asia, where pro-poor growth has occurred, suggests that the government's role in enabling such growth has resulted from the provision of public goods and social protection mechanisms, and the creation of institutional conditions for more inclusive and equitable development. Achieving this requires that policies be adopted and implemented effectively, which in turn means that there must be institutional and governance structures that are capable and willing to devise, operationalise and implement such policies.[173]

Wambugu and Munga point out that though it is widely agreed that economic growth is critical for poverty reduction, the response of poverty to economic growth differs across countries. Three reasons are advanced for lack of response of poverty to economic growth in Africa. First the rates of growth so far achieved are inadequate to make a noticeable contribution to poverty reduction. Second, the growth sectors have low labour absorption capacity and; third there is in equality in the distribution of opportunities generated by economic growth.[174]

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[172] Ibid,p.3.

[173] K. Bird, "The Political Economy of Pro-Poor Growth : The Challenge of Making Growth Pro-Poor" *UK Overseas Developmement Institute*: Briefing Paper no 35, (January 2008)P.1.

[174] A. Wambugu & B. Munga. "Growth Poverty and Income Inequality in Kenya suggested Policy Options" Nairobi, KIPPRA. (May 2009),p.1.

CHAPTER THREE – POVERTY IN KENYA AND PROPOSED ALLEVIATION STRATEGIES

3.0 Introduction

This chapter reviews the literature on various poverty concepts and alleviation strategies adopted in Kenya between the years 1995 to 2008. It specifically looks at the Poverty Reduction Strategy Paper (PRSP) that was adopted in 2000, The Economic Recovery Strategy (ERS) that replaced the PRSP in 2003. and The Millennium Development Goals (MDG) that were adopted by the UN in 2002. The Welfare Monitoring Surveys (WMS) are used as a monitoring tool on the poverty eradication policies implemented. The chapter in addition reviews some case studies on poverty alleviation strategies have been implemented and worked in other countries. The objective of this chapter is to facilitate the recommendation of a poverty alleviation strategy for Kenya.

3.1 The Poverty Situation in Kenya.

Poverty remains a major concern of development policy in Africa and other developing regions including Kenya. Table 3.1 provides estimates of the incidence of poverty for Kenya between 1990 and 2006 as derived from previous studies. The number of the poor increased to about 52.9% of the rural population and 49.2% of the urban population in 1997 up from 46.0 % of the rural population and 29.3 % for urban households in 1992. estimates for 2000 show that poverty had increased further to 56% with 51.5% of the urban population and 59.6 % of the rural population being poor. However poverty estimates for 2005/2006 show that there has been a general reduction in poverty since the early 2000s with overall poverty declining from 56.0 % to 45.9 %. [175]

[175] A. Wambugu & B. Munga, "Growth Poverty and Income Inequality in Kenya suggested Policy Options", Op cit.p.8.

Table 3.1: Summary of poverty estimates for Kenya, 1990 to 2006

AUTHOR	REFERENCE YEAR	DATA SOURCE	POVERTY INCIDENCE
Republic of Kenya	1994	1994 WMS I	46.8 % Rural Population 29% Urban Population 40% National Estimates.
Republic of Kenya	1994	1994 WMS II	39.7 % Rural Population 28.9 % Urban Population 38.8 % National Estimates.
Republic of Kenya (2000) results for WMS III	1997	1997 WMS III	52.9 % Rural Population 49.2 % Urban Population 52.3 % National Estimates
Mwabu et al. (2002)	2000	Predictions based on GDP and Gini coefficients and poverty estimates for 1997 using WMS III	59.6 % Rural Population 51.5 % Urban Population 56.8 % National Estimates
KNBS (2007)	2005/2006	KIHBS	49.1% rural population 33.7% urban population 45.9% national population

Sources: Economic Survey 1994, 1997; Mwabu et al., 2000 Republic of Kenya, 2007: and, KNBS, 2007.

In Kenya, the government identified poverty as a major problem soon after independence. Many policies, programmes and projects have been designed and implemented with the aim of alleviating poverty. The development strategies that the country pursued placed emphasis on income growth, job creation and provision of basic social services. However poverty continues to afflict a large segment of the Kenyan population. It is estimated from the 2007 National Household Budgeting Survey that 45.9 per cent of the population lives below the poverty line. In the 2005 Survey it had been established that 33.7% of the population in urban areas and 49.1 per cent of the population in rural areas were poor. The high poverty incidence in Kenya posses' major development challenges.[176]

The majority of Kenya's smallholders are market-oriented. It is estimated that as many as 80 per cent of all rural households sell some crops. The five broad categories of rural smallholders may be identified as commercially oriented smallholders, semi-subsistence smallholders, subsistence smallholders, agro pastoralists and pastoralists.[177] According to Mwabu et al (1999), high poverty rates are found in Kenya among subsistence farmers, pastoralists, among large households and among households with limited access to market and social amenities.[178]

The IFAD released a report on Kenya in 2007 that shows that: there are several environmental problems, including severe land degradation, water scarcity, drought and floods, and a weak institutional capacity to implement environmental plans and commitments to enable appropriate responses to climate change. Nearly half the rural population is living below the poverty line and 85% of all poor people live in rural areas. About 6.5 million people are considered among the extreme poor, meaning that they would be chronically food insecure even if they were to forgo all non food expenditures. Kenyan society is characterized by wide income disparities; the poorest 20 per cent of the rural population receives only 3.5 per cent of rural income. The arid and semi arid land show the lowest development indicators and the highest incidence of poverty. The causes of poverty include low agricultural productivity and poor marketing, insecurity; leading to losses of property, unemployment and low wages, lack of capital to facilitate self employment, poor governance, land issues, bad

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[176] A. Wambugu & B. Munga, "Growth Poverty and Income Inequality in Kenya suggested Policy Options",Op cit,p.1.
[177] IFAD, "Republic of Kenya Country Strategic Opportunities Programme" Op cit, p.3.
[178] G. Mwabu. and J. B. Kirimi. "Social Expenditures in Kenya: Effect on Poverty". Washington, D.C., World Bank. mimeo, (1999).

roads, the high cost of health services and education and HIV/AIDS; which negatively affects the most productive segment of the population. Women are more vulnerable to poverty relative to men because of their unequal access to social services and economic assets.[179]

Susan George states that: The 'policy dialogues ' undertaken between the IMF and World Bank on one side and the third World countries in the 1980s were disastrous for the worst-off and most vulnerable groups in the Third World. This was so because of the nature of the structural adjustment and economic 'stabilisation' measures devised by the World Bank and the IMF. The oil-price hikes of 1979 and mounting debt burdens forced many Third World countries to consistently import more goods than they were exporting in early 1980s. They were thus spending more than they earned. To achieve the admirably clear and simple goal of increasing Third World country's revenues and reducing their expenditures, the World Bank and IMF came up with the structural adjustment programmes. That involved most of the following 'austerity' measures: devaluation of the local currency (because in theory, this discourage imports – by making them more expensive – and provide a stimulus to exports), draconian cuts in government expenditure; particularly spending on education and health care, radical reduction or complete elimination of food and other consumption subsidies. Measures like reduction in wages and restrictions in the availability of credit, which are also designed to reduce the overall level of consumption within 'adjusting' societies. Across-the-board abolition of price controls, coupled with privatisation of public utilities and immediate price increases for the services they provide (like water, electricity,) and finally higher taxes and higher interest rates.[180] Kenya adopted the Structural adjustment programs and this had disastrous consequence on the poor and vulnerable. Economic growth declined from 4.3 % experienced between 1980-90, to 2.1 % between 1991-2000, after implementation of Structural Adjustment Programs.

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179 IFAD, "Republic of Kenya Country Strategic Opportunities Programme", Op cit, p.3.

180 S. George, *A Fate Worse than Debt*, Penguine Books, London, 1988. Quoted in G . Hancock, *Lords of Poverty*, (New York : The Atlantic Monthly Press, 1989),p.62.

3.2 Regional Poverty Distribution

In a study by Wambugu & Munga regional poverty estimates for Kenya reveal that poverty varies widely by region and its incidence is particularly high in semi-arid areas of the country. Overall, the Kenyan poor are disproportionately found in: rural areas; households headed by widows and less educated persons; large households; and certain types of occupations – such as subsistence farmers, unskilled public and private sector workers and unpaid family workers. Some of the reasons put forward for the high poverty rates in Kenya include: lack of income earning opportunities; inadequate human capital investments; unfavourable agro-climatic conditions, HIV-AIDS pandemic and weak implementation of antipoverty interventions.[181]

Webb et al show that poverty in the rural areas tends to be explained more by low access to physical assets (particularly land), low agricultural productivity, inadequate non-farm employment opportunities, and low access to healthcare and schooling while labour market distortions tend to explain poverty in the urban areas. Regional disparities in the incidence of rural poverty are strongly associated with rainfall and dependence on rain fed agriculture.[182]

The absolute poverty line in Kenya has been taken as an earning of kshs 2,648 per adult per month in urban areas and kshs 1,239 per adult per month in rural areas. In the 2005 Economic Survey the poverty head count ratio was used. Poverty varies widely among rural areas, from 31.0 per cent in Central to 65.0 per cent in Nyanza. The results per province are as shown in table 3.2 below:

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[181] A. Wambugu & B. Munga, "Growth Poverty and Income Inequality in Kenya suggested Policy Options",Op cit,p.vi.

[182] Webb et al "Food Sustainability and Sustainable Growth for Pastoral Systems in Semi-Arid Africa Agricultural Sustainability; Growth and Poverty Alleviation: Issues and Policies". Proceedings of the Conference held on 23-27 September 1991, Feldating. IFPRI/DSE/ZEL. Feldating.

Table 3.2 ; Regional Poverty Distribution in Kenya.

PROVINCE	POVERTY HEAD COUNT MEAN INDEX	HIGHEST CONSTITUENCY INDEX	LOWEST CONSTITUENCY INDEX
NAIROBI	43.9 %	59.1 % MAKADARA	31.3 % WESTLANDS
CENTRAL	31.1 %	43.2 % NYERI TOWN	16.5 KABETE
COAST	57.6 %	84.0 % GANZE	30.5 BURA
EASTERN	58.3 %	75.8 % KITUI SOUTH	34.4 NTONYIRI
N - EASTERN	64.2 %	70.5% WAJIR NORTH	59.8 DUJIS
RIFT VALLEY		64.3 % TURUKANA CENT	33.6 % SUBUKIA
WESTERN	60.8 %	71.7 % IKOLOMANI	50.3 % AMAGORO
NYANZA	64.6 %	80.8 % KURIA	43.7% RONGO

Source 2005 Economic Survey KNBS GoK Printer

From the survey it was found that households headed by individuals with secondary level of education and above are better of than those headed by individuals with primary level of education. Within each province, households headed by individuals with no education depict the highest poverty incidence. This pattern holds for both urban and rural residents across all provinces.

Household size has been known to influence poverty. It is a belief that poverty incidence is directly correlated with household size, such that the larger or bigger the household, the more the poverty incidence. This emanates from overdependence in larger households limiting effective utilisation of scarce resources, contrary to the situation in smaller households. Results of the survey confirm this widely held view. There is a wide disparity between smaller households (3 members or less) and larger households (more than 3 members). Given the less favourable terms for women in the labour market and high dependency ratios, one would expect households headed by females as the main income earners to be poorer, and most likely more vulnerable to economic recession.[183]

Further information from Wambugu and Munga's study shows that, the poor in Kenya are less likely to report health problems or seek treatment compared to the non-poor. Long distances to health facilities and long waiting times which have opportunity costs limit access to health services by the poor. There are also environmental characteristics correlated with poverty, which can provide strong indications about the standard of living. In areas where the incidence of poverty is high, rivers, ponds and lakes are major sources of drinking water. In addition, a large proportion of rural residents have limited access to safe drinking water and proper sanitation. Firewood is the main source of energy for many poor households in rural areas while kerosene is their main source of lighting. In urban areas kerosene and charcoal are the main sources of energy for the poor. A large proportion of the poor are in agriculture production. However data shows that, on average, the poor cultivate less land than the non-poor, furthermore, output per acre for the non-poor is substantially higher than that for the poor. This can partly be attributed to differences in the quantity and quality of inputs.[184]

3.3 Poverty in Arid and Semi Arid Kenya

The IFAD report on Kenya released in 2007 shows that arid and semi-arid lands host about 70 per cent of the national livestock population, with an estimated value of about KES 70 billion. They are also home to over 90 per cent of wild game, which helps support the tourist industry. Pastoralism provides direct employment and livelihoods to over 3 million Kenyans. Arid and semi-arid lands represent an enormous potential for irrigation development and mineral exploitation. In addition, the symbiotic interaction between wildlife and

[183] Republic of Kenya, *Economic Survey,* (Nairobi : Government Printer, 2005) ,pp.216-220.
[184] A. Wambugu & B. Munga, ' *Growth Poverty and Income Inequality in Kenya suggested Policy Options.* Op cit,p.11.

Pastoralism, coupled with the rich cultural heritage of pastoral and agro pastoral communities, is a major tourist attraction. This great potential is however affected by droughts and conflict among various communities. Losses of livestock through disease, death and theft continue. In addition, rising population because of migration from medium-high potential areas and declining natural resource base pose a great challenge for sustainability of livelihoods in arid and semi-arid lands.[185]

3.4 Corruption and Poverty in Kenya

According to Githongo, the type of corruption that is responsible for poverty in Kenya is 'looting' it differs slightly from petty and grand corruption. It is prevalent in developing countries where institutions of governance are weak. The impetus for looting is political and it happens under the direction or with the acquiescence of important political players in a given country. Looting is a premeditated activity because it often entails the deliberate creation of a government project for which resources will be allocated and spent but the project is not meant to be completed from the outset.[186] K. Bird adds that, corruption, in this instance the use of public resources for private gain, not only affects the level and efficiency of private investment and public spending, with negative effects on economic growth and development, but also increases income-inequality and poverty.[187]

Githongo further states that, in states with weak institutions an alternative or parallel power structure develops that has tentacles in all economic, political and social sectors. This structure has one primary purpose to maintain the ruling elites hold on state power and therefore the primary mode of economic accumulation.[188] Many African elites of today have

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[185] IFAD *Republic of Kenya Country Strategic Opportunities Programme*, Op cit,p.2.
[186] J. Githongo, In Andrew Mullei's *The Link Between Corruption and Poverty: Lessons from Kenya Case Studies* (Nairobi : The African Centre for Economic Growth, 2000),p.4.
[187] K. Bird, *The Plotical Economy of Pro-Poor Growth : The Challenge of Making Growth Pro-Poor*, Op cit.p.2.
[188] J. Githongo, In Andrew Mullei's *The Link Between Corruption and Poverty: Lessons from Kenya Case Studies*, Op cit,p.5.

acquired wealth through connections to the state or via participation in the state itself through politics, the civil service or military. Corruption, the serious corruption that undermines development in the most debilitating ways is an elite activity. When elites that are part of the informal structures of power perpetuate much of the most harmful corruption, it exacerbates already serious levels of poverty and economic inequality. This is partly because in the economies where such elites flourish the governance institutions are weak and members of the elite and their associates are almost literally beyond the law. At the end of the day it is the poor and the weak that face the true brunt of corruption. This is a critical link between corruption and poverty.[189]

The fight against corruption in many developing countries like Kenya is economic because it deepens poverty, exacerbates inequalities and makes for economies whose very structure is skewed. It is also political because corruption breeds impunity and undermines vital governance institutions sustaining shadow power structures. The fight against corruption is also social and cultural because where impunity with regard to corruption prevails, one finds the corrupt transformed into latter day heroes and the principles of honesty and hard work unattractive.[190]

Tackling corruption requires a good understanding of its structural drivers. These include low civil-service salaries, weak downwards accountability and an absence of the rule of law. Also, fiscal constraints in poor countries limit the redistribution possible through the budget and can lead to off-budget transfers within patron–client networks.[191]

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[189] Ibid.
[190] Ibid.
[191] K. Bird, *The Plotical Economy of Pro-Poor Growth : The Challenge of Making Growth Pro-Poor*,Op cit,p.2..

3.5 Poverty Alleviation

According to Ravallion et al there are two sets of determinants' of geographic concentration of poverty. The first set is based on individualistic model in which poverty arises from low household-level endowment of privately held productive resources such as human capital. In this case, poor areas exist because people with poor endowments tend to live together. The second set of determinants is based on a geographical model in which individual poverty depends heavily on geographic capacity and mobility is limited. Limited factor mobility leads to persistent geographical differences. 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 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. Knowing which of the models dominates is very important for anti poverty policy formulation.[192]

Manda et al stress that in addition to knowledge about the extent of poverty, formulation of effective poverty alleviation policies and programmes also require knowledge about the characteristics of the poor. [193]

Economic growth is important for poverty reduction; however, the concern is that it may not do so substantially. For growth to impact on poverty substantially, it has to be sustained at relatively high levels. The UNECA report of 1999, for instance estimated that for African countries to reduce poverty by half by 2015, they need to attain and sustain a GDP growth rate of 8.0% p.a. starting from the year 2000. Kenya is yet to attain and sustain such high rates of growth despite the post 2003 recovery in economic growth. In Kenya, the 1966-2003 periods was generally marked by declining economic growth. Growth averaged 7.2% in

[192] Ravallion et al "Measuring Pro – Poor Growth." *World Bank. 2003*, Policy Research Working Paper 2666.
[193] Manda, Kimenyi and Mwabu. "A Review of Poverty and Antipoverty Initiatives in Kenya" Nairobi KIPPRA 2001.

1966-70; 4.9 % in 1971 -80; 4.3 % in 1980-90; 2.1 % in 1991-2000 and 4.2 % in 2001 -06. Kenya has numerous policy, regulatory and operational initiatives by government and other stakeholders to address growth, poverty and income inequality. Some of the government's policy and operational initiatives include: the use of devolved funds, Youth Enterprise Development Fund, and the Women Enterprise Development Fund. Some of the broad groups of other stakeholders involved in addressing poverty include: multilateral organizations, bilateral partners and Civil Society Organizations (CSOs).[194]

Poverty alleviation initiatives rely on some explicit or implicit measure of poverty. Besides income considerations, these poverty indicators almost always include some indicators of the performance of the health and education sectors. It may also include some indicators of water availability and access to other types of infrastructure[195]. Once poverty is measured and the poor have been identified, the next steps in the poverty reduction strategy is to choose public actions and programmes that have the greatest impact on poverty, indentify indicators of progress, and monitor the changes in a systematic manner.

The Human Development Index (HDI) is a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP, and income). The index provides a broadened prism for viewing human progress and the complex relationship between income and wellbeing. In 2005 the HDI for Kenya was 0.521, which gave the country a rank of 148th out of 177 countries.[196]

The Human Poverty Index (HPI) for developing countries focuses on the proportion of people below a threshold level in the same dimensions of human development as the HDI –

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[194] A. Wambugu & B. Munga, *Growth Poverty and Income Inequality in Kenya suggested Policy Options*, Op cit,p.vii.
[195] L. Pouliguen and C. Malmberg, *Infrastructure and Poverty*,Op cit, p.30.
[196] http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_KEN.html

living along and healthy life, having access to education, and a decent standard of living. It is a multi-dimensional poverty measure. The HPI value of 30.8 in 2005 for Kenya ranks 60th among 108 developing countries.[197]

3.6 The Origin of Inequality in Kenya

Claude Ake traces inequality in Kenya to the land transfer scheme which was a brilliant structure of the colonial policy. In effect, farmland was bought from European farmers and sold to Africans. But the settlers got good and sometimes inflated prices for land they had taken illegally in the first place and developed by crossly exploiting African labour. The commercialisation of agriculture by Kenyans who acquired European farms has contributed to the process of class formation in the country. It led to the emergence of a very strong and competitive petty bourgeoisie.[198]

The inequality that exists in Kenya today can be attributed to the evolution of the bourgeoisie and their relationship with the workers and the peasants of the country adds Ali Mazurui.[199] Inequality can also be attributed to the economic behaviour of multinational corporations and the extent to which the political system has facilitated their entrenchment in the country's economy.[200]

Ogot and Ochieng state that, in the period between 1960 and 1963, with independence in sight, the configuration of Kenya's class society had begun to markedly transform, with political power gradually shifting into the hands of the African petty bourgeoisie. This period was characterised by a huge exodus of former European settlers and civil servants and Asians, who sold their property and left in fear of what *uhuru* portended. It was also characterized by

[197] A. Wambugu & B. Munga, "Growth Poverty and Income Inequality in Kenya suggested Policy Options",Op cit,p.12.
[198] Claude Ake, *Democracy and Development in Africa.* (Washington Brookings , 1996) pp 78-80
[199] A. Mazrui, Africa's International relations (London: Heinemann, 1977), p.2
[200] A. Fadahunsi , A review of the Political Economy of the Industrialization Strategy of the Nigerian State 1960 -80. Political science Departmental seminar, Ahmadu Bello University Zaria, Nigeria (April, 1979).

the 'flight' of capital out of the country. The incoming African government responded to the inevitability of *uhuru* and European and Asian exodus by promoting the African petty bourgeoisie into important and key posts in the civil service, the military, educational institutions and industries. This *Africanisation* of key posts in the civil service would be of crucial significance in the future economic and social development of the postcolonial state.[201] The petty bourgeois class, in collaboration with its ruling counterparts in government, later used the power of state through the mechanism of licensing to acquire private capital to effect access into certain areas of the economy, such as trade, land and good jobs.[202]

Immediately after independence the *foreign investment protection act of 1964* was passed. The act guaranteed foreign firms investing in Kenya- the repartition of all their profits if they wished to do so, the payment of interest and loan capital secured abroad with earnings from Kenya. Generous depreciation allowances for equipment and machinery and the protection of domestic market against any products from abroad which might compete with what the foreign firms were producing. As the Kenyan economy grew by rates considered impressive by western countries the disparities between the rich and the poor become larger. For example a survey of household incomes in 1972 showed that the top 20 per cent of Kenyan households accounted for 70 per cent of the income.[203]

Income inequality measures for Kenya as measured by the Gini coefficient, suggest that income inequality has all along been relatively high but has not been increasing. Understanding the sources or causes of inequality and its relationship with poverty is crucial in formulating appropriate policy responses. Data on the 2005/2006 household survey conducted by the KNBS shows that, the lowest 10 % of households in rural areas controlled 1.63% per cent of total expenditure while the top 10 % controlled approximately 36 %. It is

[201] B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93*, Op cit.xvii.
[202] N. Swainson, *The Development of Corporate Capitalism in Kenya*, in B.A. Ogot & W.R. Ochieng, *Decolonization & Independence in Kenya, 1940-93*. Op cit,p.xvii.
[203] Republic of Kenya, *Economic Survey*, (Nairobi : Government Printer, 1972).

also noted that expenditure shares tend to be higher in poor regions compared to richer regions. Moreover, poor regions tend to have larger proportions of their populations in the lower expenditure deciles.[204]

3.7 Poverty Alleviation Strategies in Kenya

The poverty reduction strategy for Kenya is captured in several documents key amongst which are: the Poverty Reduction Strategy Paper, (PRSP) 2001-2004. The Economic Recovery Strategy for Wealth and Employment Creation (ERS), 2003-2007, Vision 2030, the Strategy for Revitalisation of Agriculture (SRA), 2004-2014, and the National Policy for Sustainable Development of Arid and Semi-Arid Lands.

3.7.1 Poverty Reduction Strategy Paper (PRSP)

The PRSP process in Kenya was first initiated in 2000 with the development of the Interim Poverty Reduction Strategy Paper (iPRSP). It was this that set the pace for the full PRSP in 2001. The final document was launched in mid 2002.

The Poverty Reduction Strategy Paper (PRSP) was launched by the government in 2001. It was developed as a short term strategy for meeting the long term vision outlined in the National Poverty Eradication Plan of 1999, which proposed a 15 year time horizon to fight poverty based on the first Millennium Development Goals (MDG's) of halving poverty by the year 2015. The PRSP was initiated by donors but the government found it useful for addressing increasing poverty levels and achieving sustained economic growth. At around this time (2000), about 57% of Kenyans were living below the poverty line. GDP growth rate had also declined to 0.2 %.[205]

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[204] A. Wambugu & B. Munga, "Growth Poverty and Income Inequality in Kenya suggested Policy Options."Op cit,p.17.
[205] N. Waiyaki, H. Nyangito & F. Miencha, "Agricultural Special Products and Special Safeguard Mechanism For Kenya" Kenya Institute for Public Policy Research and Analysis (KIPPRA) 2005.p2.

The PRSP was a product of broad –based & in depth consultations undertaken in 70 districts of the country. It identified measures for improved economic performance & priority actions for reduction of poverty incidence. The government three year Medium Term Expenditure Framework (MTEF) budget was expected to implement priorities identified by the PRSP. The PRSP ranked Agriculture and Rural development as the topmost national priority. Others in terms of priority were: human resource development, physical infrastructure, trade, tourism and industry, public safety, law and order, national security and public administration. Under agriculture the PRSP indentified the following areas for intervention: crop development, rural water, livestock development, food security, lands and settlement, environmental management, forestry and fisheries.[206]

According to Hammer et al the World Bank and the International Monetary Fund (IMF) were behind the PRSP initiative. It was presented as an instrument through which allocation of debt relief funds and concessional loans for Highly Indebted Poor Countries (HIPC) could be allocated to poverty reduction strategies and programs. Kenya was the one of the countries where the PRSP was not linked to conditions of Enhanced HIPC debt relief, but the PRSP was to be implemented as a condition for accessing new concessional lending from the IMF and the World Bank.[207] The PRSP approach is based on six core principles. PRSPs should be: Results oriented with targets for poverty reduction that are tangible and monitor able; Comprehensive, integrating macroeconomic, structural, sectoral and social elements; Country driven, representing a consensual view of what actions should be taken; Participatory, with all relevant stakeholders participating in formulation and implementation;

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[206] Ibid.
[207] L. Hanmer et al, *Kenya in Development Policy Review*, Overseas Development Institute,(2003),pp.179-196.

Based on partnerships between government and other actors; Long term, focusing on reforming institutions and building capacity, as well as short-term goals.[208]

Wakwabubi notes that the PRSP in Kenya lacked Monitoring and Evaluation (M&E) mechanisms, the government also lacked an implementation framework for the PRSP. The role of community or village/municipal institutions in monitoring and evaluating the impact of PRSP is critical. In Kenya during implementation of the PRSP this was lacking. The impacts of the PRSP were limited by focusing on hardware issues (number of hospital beds, pharmaceutical supplies and schools) as opposed to software issues (access to information, community management of water and basic sanitation, nutrition and basic community education). The government placed emphasis on increasing the GDP at the national level as opposed to increasing the GDP at the household level. Another weakness of PRSP was that it was not linked to the budget cycles as well as MDGs. In Kenya, lack of decentralization made local control over the implementation of the PRSP difficult.[209]

Wakwabubi however notes the following successes, Kenya implemented universal and free primary education and is considering embarking on initiatives that will enable it to provide health services to all of its population. These efforts are highly linked to MDGs and PRSP goals.[210]

3.7.2 Economic Recovery Strategy Paper (ERSP)

The ERSP was launched by the Government of Kenya GOK in 2003. It outlined the development strategy and policies that the government planned to pursue up to 2008. It aimed

[208] N. Waiyaki, H. Nyangito & F. Miencha, "Agricultural Special Products and Special Safeguard Mechanism For Kenya"Op cit,p.3.
[209] E. Wakwabubi "Lessons Learnt on Civil Society Engagement in PRSP Processes in Bolivia, Kenya and Uganda" PAMFORK-Kenya, pamfork@nbet.co.ke pp,7-10.
[210] Ibid,p.30.

to reduce the cost of doing business and to reduce poverty by providing people with income earning opportunities.

Mule et al note that by 2003, when the NARC government came into power there was basically nothing on the ground to show that the PRSP was being implemented. The government came up with a new strategy Economic Recovery Strategy for Wealth and Employment creation. The new government developed the ERSP as a means of integrating the PRSP into the government's manifesto. It was launched by the government as a blueprint for development planning during the next 3 years. It was not an alternative to PRSP or the Ruling Party's Manifesto, rather, it aimed to translate PRSP priorities and the manifesto into a program of action that would address the following: poor governance, insecurity, stagnation of manufacturing industries and tourism, low agricultural productivity, declines in donor support, high interest rates, low growth levels, low investment levels, increasing domestic debt, HIV/AIDS, dilapidated infrastructure, and high unemployment rates and low wages. Once adopted, the ERSP formed the blueprint for development planning over the next 3 years.[211] The main idea behind the ERSP was to direct efforts and resources to policies and actions that would have direct impact on poverty reduction.

Under the ERSP the economic policy has been oriented to stimulate growth. The government has also began to pay attention to the country's governance related problems by taking important positive steps towards solving the institutional governance issues. Under the ERSP real GDP growth was 3.2 % in 2004 and rose to 3.6 % in 2005. The GDP growth target over the ERSP first three year period was 4.7 % and was achieved by 2006.[212]

The ERSP identified the key policy actions necessary to spur the recovery of the Kenyan economy based on four pillars: macro-economic stability; enhancing revenue

[211] Mule et al , Kenya, Strategy for Economic Recovery, A Discussion Paper Prepared for the Ministry of Planning and National Development. 2003

[212] Republic of Kenya, *Economic Survey*, (Nairobi : Government Printer, 2007).

collection; expenditure restructuring; and a monetary policy (price stability). It also emphasized strengthening institutions of governance; it outlined various reforms in public administration, national security, and law and order. Rehabilitation and expansion of physical infrastructure, and investment in the human capital of the poor. The ERSP recognized that economic recovery is primarily the result of improvements in the productive sectors of the economy; agriculture, tourism, trade and industry.[213]

The ERSP identified the following as constraints in the agricultural sector: institutional failure due to lack of capacity by the private sector to take over functions previously performed by the state after liberalization, and lack of markets, poor access to farm credit, high cost of farm inputs, insecurity in certain parts of the country, and taxation of farmers through local authority cess and other levies. Generally, there is a high degree of coherence between the PRSP and the ERSP. The ERSP is relatively more specific on what is to be done by 2008. The ERSP investment programme clearly indicates the government funding that is available for various projects and the funding that may be required from donors/private sector. The ERSP however has one major weakness of failing to identify regional priorities.[214]

3.7.3 The Millennium Development Goals. (MDGs)

The Millennium Development Goals (MDGs) are ambitious world quantified and time bound targets set for achievement by 2015 by all the 191 member states of the United Nations who adopted the Millennium Declaration (GA Resolution A/54/2000) in Sept 2000. They are essentially a collection of commitments that the country has made at the international level, the only difference being that those commitments have been expressed as concrete and time-bound goals and targets with associated indicators for measuring progress.[215]

[213]N. Waiyaki, H. Nyangito & F. Miencha, "Agricultural Special Products and Special Safeguard Mechanism For Kenya"Op cit,p.4.
[214] Ibid.
[215] www.un.org/milleniumgoals/bkgd.shtml.

The eight MDGs to be achieved by 2015 are: halving extreme poverty and hunger; Achieving universal primary education; Promoting gender equality; Reducing under five mortality by two thirds; Reducing maternal mortality by three quarters; Reversing the spread of HIV/AIDS, malaria and TB; Ensuring environmental sustainability; and Developing a global partnership for development, with targets for aid, trade and debt relief.[216]

Waiyaki notes that, the development priorities of Kenya have been to re-launch economic growth, promote poverty reduction, and human development in Kenya. The country launched in May 2004 the MDG based planning and policy formulation process to mainstream the MDGs within the national policy, budgeting, and monitoring processes of the government. The Kenya MDGs needs assessment is aimed at generating information on the resources required to achieve the MDGs, and ultimately to bring about a shift in planning resource allocation, use, monitoring and reporting. Kenya is also using the New Partnership for Africa's Development NEPAD/APRM processes to assess political, social, and economic development and governance issues.[217]

According to Shepherd et al, many people have been excluded from the MDGs, or included on very bad terms. The 2008 Chronic Poverty Report estimates that there are up to 443 million chronically poor people across the world, many of whom have little chance of benefiting from current national and international efforts to reduce poverty. For them, there is an urgent need to adjust the model. The report argues for a social protection MDG or, at the very least, the inclusion of a social protection target within an existing goal. This is a critical issue given the vulnerability of poor people, especially the bottom 20%, in the face of global

[216] D. Leipziger et al, *Achieving Millennium Development Goals : The Role of Infrastructure*, (World Bank Policy Research, Working Paper 3163, November 2003) p.1.
[217] N. Waiyaki, H. Nyangito & F. Miencha, "Agricultural Special Products and Special Safeguard Mechanism For Kenya"Op cit,p.4.

market shocks and climate change. The MDGs need to recognise the impact of social protection on such vulnerability they argue.[218]

Leipziger et al note that infrastructure services have an important role to play in the achievement of MDG health targets.[219] The are interaction effects between education, health, and infrastructure variables for improving child health outcomes, for both child mortality and malnutrition. The impact of infrastructure seems to be conditioned by the level of education and the use of adequate health services. To achieve child health goals put forward in the MDGs combined interventions will be required on many different fronts to build upon cross sectoral synergies.[220]

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[218] A. Shepherd et al. "Achieving the MDGs : The Fundamentals; Success or Failure will be Determined by Underlying Issues" *UK Overseas Development Institute* : Briefing Paper no 43, (September 2008) p.2.
[219] D. Leipziger et al, "Achieving Millennium Development Goals : The Role of Infrastructure", Op cit,p13.
[220] Ibid,p.15.

CHAPTER FOUR – RECEMMENDATIONS AND CONCLUSION

4.0 Introduction

This chapter summaries the literature on causes of poverty, highlights the main findings and comes up with recommendations on the changes in strategy that are required to alleviate poverty in Kenya.

4.1 Poverty Alleviation in Kenya

Even with the available resource, poverty can be greatly reduced by making basic social services like education, health, water and sanitation broadly accessible to the general population. In Kenya, anti poverty measures are likely to have the greatest impact if they are targeted at the rural residents, urban slum dwellers, subsistence farmers, pastoralists and widows, the groups that constitute the bulk of the poor in the country.[221]

Employment is clearly critical for development, and the new youth employment target in the MDGs is a step in the right direction, in that it recognises that not all work is decent, and that it is decent work that is needed to reduce poverty in the long term.[222] In Kenya the youth comprise the largest segment of the population. Any poverty alleviation strategy that ignores them is bound to fail. Therefore the youth enterprise fund and the *Kazi kwa vijana*[223] initiatives are appropriate policies.

4.2 Poverty Alleviation in Arid and Semi Arid Regions.

The arid and semi arid regions in Kenya have high rates of poverty. One of the strategies to be adopted here is to first correct any systematic disadvantages such regions suffer in health, education and other public services. Another is to improve access to such

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[221] A. Mullei, *The Link Between Corruption and Poverty: Lessons form Kenya Case Studies.* (Nairobi: The African Centre for Economic Growth, 2000) p9

[222] A. Shepherd et al, *Achieving the MDGs : The Fundamentals; Success of Failure will be Determined by Underlying Issues,*Op cit,p.3.

[223]www.communication.go.ke

areas to stimulate farming and enterprises, by making it cheaper to get to distant markets and by reducing the costs of imported goods. Better access, of course, may encourage out-ward migration, but this can also have significant welfare-enhancing impacts for poor households.[224] Poverty alleviation strategies in arid and semi arid areas should aim to set up viable investment options. Arid and semi arid areas have the potential for investments based on the co management and the sustainable utilization of natural resources (forestry, wildlife and joint private sector-community ecotourism ventures). Such investment offer opportunities for innovative interventions among the inhabitants of these areas.

The IFAD report on Kenya proposes the following: The policy interventions in arid and semi arid areas should provide viable development alternatives and adaptive measures against droughts and floods. Interventions should focus on enhancing the ability of the poor in these areas to adapt to the hazards of their hash environment on a sustainable basis and to reduce the effects of avoidable disasters. Interventions in these areas should also include alternatives to current livelihoods that include irrigation development and value adding on livestock products through improved market facilities and slaughter houses; market oriented natural resource based livelihoods, including opportunities for commercial camel milk production, especially among women who remain behind when men take their herds to new pastures; the provision of appropriate social infrastructure and services, including appropriate financial products suited to the economies in arid and semi arid areas.[225]

4.3 Poverty Alleviation Policy Changes Required

For poverty alleviation policy to bear fruit it must spur economic growth. This requires incentives to invest and raise productivity, institutions that allocate property rights, lower transaction costs, and permit organised production in companies and in the rural areas.

[224] S. Wiggins and K. Higgins, "Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction" Op cit, p.3.
[225] IFAD *Republic of Kenya Country Strategic Opportunities Programme* ,Op cit,p.14.

Governance that makes policy predictable, reins in the worst excesses of rent-seeking and corruption, and delivers public goods and services.

Poverty alleviation also requires that there is physical access to markets – especially in the case of lagging regions; remedying failures in markets relating to factors such as credit that make it difficult for people to obtain the resources needed to invest and innovate; investing in the health and education of the entire population, and especially of women, those living in rural and remote areas, and groups that suffer from discrimination; and also countering discrimination, especially in access to public services and jobs.

Redistributive policies such as social protection – transfers of income or goods to households on the basis of their income and family situation – can reduce inequality and also contribute to economic growth. Through social protection, vulnerability can be reduced, enabling risk-averse households to take advantage of opportunities such as investment or crop diversification, which generate growth and can be an exit route out of poverty.[226]

On the state providing an enabling policy environment. Evidence from East Asia, where pro-poor growth has occurred, suggests that the government's role in enabling such growth has resulted from the provision of public goods and social protection mechanisms, and the creation of institutional conditions for more inclusive and equitable development. Achieving this requires that policies be adopted and implemented effectively, which in turn means that there must be institutional and governance structures that are capable and willing to devise, operationalise and implement such policies. However, reaching this point of effective policy-making might require changes to the political settlement between the state, the private sector and civil society.[227] It is recommended that Kenya also institutes policy changes that will facilitate the provision of public goods, social protection mechanisms, and

[226] S. Wiggins and K. Higgins, "Pro Poor Growth and Development:Linking Economic Growth and Poveety Reduction", Op cit.p.5.
[227] K. Bird, *The Political Economy of Pro-Poor Growth: The Challenge of Making Growth Pro-Poor*, Op cit,p.1.

that will create institutional conditions for more inclusive and equitable development.

Evidence suggests that economic growth does not translate one-to-one in poverty reduction. Changes in poverty depend not only on economic growth but also on changes in income inequality. Changing income distribution is more important for reducing poverty in better off and highly unequal economies, while economic growth is relatively more important for poverty reduction in countries with low average incomes and low inequality.[228] The recommended policy for Kenya is therefore one that addresses economic growth and income inequality. Because poverty alleviation efforts are more successful when growth policies also address income inequality. Income inequality can be addressed by implementing policies that spur growth in rural areas, because rural based growth is usually accompanied by improved distribution of assets and income. In addition use of progressive income and wealth taxation can also contribute towards income inequality and poverty reduction.

4.4 Addressing Market Failures

Poverty can be alleviated by removal of factor price distortions in markets, formulating and implementing policies to improve functioning of input markets (markets for farm inputs, labour and capital) and product markets. In particular reforms in Kenya should remove constraints (such as high transport costs) that prevent the poor from taking advantage of markets to improve their welfare. Improvement in the functioning of markets for farm inputs can contribute to higher farm incomes to poor farmers and employment opportunities for those without land. This should result in improving incomes in rural areas which in turn should stem rural-urban migration, which gives rise to increased urban unemployment and poverty.[229]

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[228] A. Wambugu & B. Munga, "Growth Poverty and Income Inequality in Kenya suggested Policy Options", Op cit,p.28.
[229] Ibid.

Financial markets failures in the rural areas can be addressed by involving farmers in certain commercial activities that may make it easier to tap into financial networks that already exist. In Embu, in the central highlands of Kenya, for example, tea factories have arranged for payments to be delivered to smallholder growers through a formal financial bank account. This resulted in much greater participation by farmers in formal financial networks, with significant increases in credit access due to the establishment of a relationship between farmers and the banks via the tea payment scheme.[230] It is recommended that this be extended to the other agricultural sectors in the country.

Because the poor participate in multiple markets, better linkages between markets can improve their participation. For example, better linkages between farm and off-farm activities and rural and urban markets would permit beneficial spill over effects from one market to another. The benefits of growth must reach the poor if growth is to contribute in reducing poverty. Better infrastructure in form of roads and information technology can facilitate linkages and dissemination of market information.

In Kenya the poor are mainly in the rural areas and are engaged in agricultural activities. In urban areas, the working poor are found in informal sector activities. Pro poor growth should therefore focus on the activities in which the poor participate directly. For example programmes that improve productivity in the agricultural and livestock sector could have large payoffs in terms of poverty reduction since they would cover large segments of the poor.

Grain price fluctuations experienced in Kenya partly reflect poor rural infrastructure, storage capacity and the failure of the grain market. Assisting farmers with the installation of paddy or grain banks or with better on farm storage can improve food security and smooth

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[230] C.B. Barrett. *Displaced Distortions: Financial Market Failures and Seemingly Inefficient Resource Allocation in Low – Income Rural Communities.* Op cit.p.10.

consumption. This will limit the farmers need for credit by reducing yield depreciation and cutting costs of distribution.

Market demand for unskilled labour collapses when drought or flooding occurs. It is recommended that the government uses pre-planned public works schemes to soak up the idle labour during such calamities. This will enable the labour force meet their immediate cash needs. And prevent people from falling into poverty, distress asset sales, soil mining, deforestation and wildlife poaching.

4.5 Empowering the Poor.

Since economic decisions are related to the power balance, it is essential for the poor to be fully accommodated in decision-making. This will not only enable them articulate their needs but also enhance ownership of projects and programmes meant to improve their welfare. It is recommended that the intended beneficiaries of any policy recognise that it is aimed at them or that it is an adequate response to their needs.

Once a policy has been designed, even if it is pro-poor in orientation, numerous factors can prevent its implementation from being pro-poor. The political economy of a country not only influences policy formulation, it can also have a very substantial effect on whether policy implementation is pro-poor or not. The policy may not be implemented at all because it is politically contested or opposed by powerful vested interests. Or, policy-makers may have failed to build a constituency around the policy —Or, even if policies are implemented, their implementation may be partial or distorted, limiting the gains experienced by poor people. The non-poor may capture benefits. It is recommended that implementation of pro-poor policies involve the beneficiaries and incorporates mechanism for ascertaining their impact of the policies on the poor.

4.6 Government of Kenya Initiatives.

Rapid economic growth is viewed as the key to alleviating poverty. This might explain why all core public policy documents emphasize rapid economic growth as a way of alleviating poverty. The current 9th National Development Plan (2002-2008) and the National Poverty Eradication Plan (1999-2015) focus on poverty eradication mainly through high and sustained economic growth. Recent policy documents especially the Economic Recovery Strategy for Wealth and Employment Creation (ERSP) 2003-2007, emphasized economic growth and job creation. The objective of the ERSP included the reduction of poverty levels by 5 %; achieving real GDP of 7 % by 2006, and creating 500,000 jobs annually. The ERSP was succeeded by vision 2030: First Medium Term Plan (MTP), 2008-2012, which aims at increasing real GDP growth from the estimated 7 % in 2007 to 10 per cent by 2012. The Vision 2030: MTP recognizes that inequality and poverty remain key development challenges that the government continues to confront. The ERSP received some level of success. Economic growth steadily rose from 2.9% per cent in 2003 to 7.0 per cent in 2007. Empirical evidence suggest that growth policies may yield better outcomes in terms of poverty reduction if they take into account the distributional impact of economic growth. There is therefore, need to focus development policy not on growth but also on poverty, and/or inequality. The incidence of poverty in Kenya decreased from 56.8% in 2000 to 45.9% in 2005.[231]

4.7 The Way Forward

There is need to accelerate and sustain economic growth in Kenya. Countries that managed to reduce poverty substantially like China, had high rates of economic growth. However; poverty alleviation efforts are more successful when growth is accompanied by distributional policies that reduce inequality.

[231] A. Wambugu & B. Munga, ' *Growth Poverty and Income Inequality in Kenya suggested Policy Options*.Op cit.p.33.

The government should remove factor price distortions in markets. Improvements in the functioning of markets for farm inputs and outputs can contribute to higher farm incomes to poor farmers and employment opportunities for those without land. Because the poor participate in multiple markets, better linkages between markets can improve their participation.

The government should increase investment in human capital through provision of basic social services (health, education, water) which generate relatively higher returns for the poor than the non-poor, because of the relative scarcity of human capital stock among the poor. The free primary and secondary education are therefore appropriate polices in this context.

The government should encourage the development of insurance mechanisms for the poor. While risk and uncertainty are pervasive in many economic and social settings, the poor often have limited capacity to handle shocks (health, economic) and natural calamities. Consequently, poverty eradication initiatives should include mechanisms to build the capacity of the poor to handle shocks.

According to Bourguignon for a country to reduce absolute poverty under all forms is a meaningful goal for development and reduction of absolute poverty requires strong, country-specific combinations of growth and distribution policies. And that to be efficient and enhancing redistribution should be concerned with wealth rather than current income of consumption expenditures. This efficient redistribution can be achieved by correcting credit markets imperfections, lowering the tax rate or freeing other distortionary income redistribution mechanisms.[232] The recommendation for Kenya is first to develop its own poverty alleviation policies, to devolve resources and to facilitate the participation of the wider population in the economy.

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[232] Bourguignon, F. "The Poverty-Growth-Inequality Triangle", Mimeo, World Bank.(2004)

According to the African Development Bank the key problems holding back economic growth in Kenya, which is key in poverty alleviation include: corruption, poor transport and communication services, weak institutions to handle political risk and inadequate integration into the global economy.[233] A growth strategy that emphasizes reduction of business costs and risks that emanate from insecurity and corruption, transport costs, telecommunication services, unreliability of energy supply, and access to finance for small and rural enterprises is there fore required in Kenya.

Election of new governments tends to led to formulation of new poverty reduction policies and policy discontinuity. In Kenya the election of the new government in 2003 led to discontinuity in PRSP implementation and policies. Frequent changes in policies result in dsicontinuity, duplication of intiatives and wastage of the mearge resources required to alleviate it. It is recommended that anti poverty policies be shielded from political transitions.

It is typical of underdeveloped economies that they do not (or are not allowed to) concentrate on those sectors of the economy which in turn will generate growth and raise production to a new level altogether, and there are very few ties between one sector and another so that (say) agriculture and industry could react beneficially to each other.[234] It is important that there is a linkage between sectors in the fight against poverty.

4.8 Areas for Further Research.

It is suggested that further research be undertaken in the following areas:

A research agenda should be developed to bring about deeper understanding of the link between poverty, economic growth and income inequality in Kenya.

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[233] www.oced.org/dataoecd/12/54/40578108.pdf
[234] Walter Rodeny, *How Europe Underdeveloped Africa*, Op cit,p.27.

A research agenda should be developed on how the focus on poverty reduction can be shifted from increasing the GDP at the national level to increasing GDP at the household level.

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