Assessing Poverty in Kenya

About half of Kenya's rural population (approximately 9 million people) was below the poverty line in 1992, a proportion unchanged from 1982. In urban areas, approximately a million and a quarter persons or 30% of the population was below the poverty line. In the early 1980s, Kenya's social indicators were distinctly more favorable than those of most countries in the region, and there was further progress (see table). But many indicators stagnated in the early 1990s. There are also persistent differences between rural and urban areas and between the poor and the non-poor. These are the findings of the Kenya Poverty Assessment (March 1995) which is one of the few studies in the region to document and measure changes in poverty indicators over a decade. Using data from a number of sources, it shows that while Kenya achieved some improvement in its social indicators, the lack of sustained per capita income growth resulted in continued poverty for an increasing number. And that the benefits of good health and education did not accrue to all.

Who are the poor?

- As in most sub-Saharan countries, the rural poor are predominantly subsistence farmers and families who derive the bulk of their income from the informal sector. People working in the formal sectors - private and public - and export farmers have significantly lower rates of poverty. The urban poor are either unemployed or in the informal sector.

- A third of rural households are female-headed, and as many as 60% of these have no male support. Communities interviewed classified 44% of the female headed households as "very poor" compared to 21% of the male headed households. Ownership and access to land is a critical factor. Sixty percent of the people asked how they would sub-divide land said that they
would give all their land to their sons. Another 8% said they would give more land to their sons. Married women enjoy usufructuary rights to land but widowhood brings uncertainty and upon divorce or separation, many assets including land, become the sole property of the man. Destitute women often migrate to urban slums where they remain poor. Women have a heavier burden of work which cuts into rest.

- The poor have lower schooling for their children who are more likely to be malnourished and less likely to be immunized and face higher chances of dying in infancy and childhood. They have much lower enrollment in high school. Girls are as likely to enroll in primary school as boys but drop out or are pulled out more often. Girls from poor rural households rarely attend secondary school.

**Why are they poor?**

*Lack of Income Growth*

- The absence of sustained per capita income growth because of low investment and an inefficient parastatal sector is the primary cause of continued income poverty in Kenya. Despite a decline in fertility in the 1980s, the labor force grew by 4% per annum. The slow increase of employment opportunities resulted in a fall in real wages in most sectors of the economy. In urban areas, unemployment increased from 11% in 1977 to 16% in 1986 and to 22% in 1992. If the parastatals had had the same rate of productivity growth as the private sector, economic growth would have been 2 percentage points higher.

- The average holding size in the smallholder sector declined from 2 hectares to 1.6 hectares and the proportion of households without land increased. Two severe droughts reduced agricultural growth to only 2.2% annually. Even in good years, the yield of the staple crop, maize, stagnated at less than 2 tons per hectare. The poor turned increasingly to wage-employment and self-employment, but falling real wages, restrictions on private trade and processing for many years, and poor maintenance of infrastructure constrained the growth of rural incomes.

- In this land-scarce country, a sizable proportion of land is taken up by farms of between 500-1000 hectares. These farms are capital intensive, relatively inefficient and sustained by subsidized credit, tax advantages and price supports.

- Kenya is one of the few countries that did not tax its agriculture heavily at any time. But manufacturing was heavily protected for much of the 1980s and therefore the terms of trade discriminated against agriculture. Only in recent years has protection been dismantled.

- Production-related infrastructure, including water supply and the rural roads network was not well-maintained.
Inequity in Social Expenditures

- The Government and parents spent heavily on education. Two thirds of public spending was on primary schools and the poor receive a greater share of public subsidies than the non-poor. But
parental costs were one third the total cost and poor parents spent considerably less, resulting in lower non-teacher inputs which may have adversely influenced schooling outcomes. For the poorest, the private cost was too high and as a result fewer children were enrolled and many dropped out. The private cost of secondary schooling was ten times as high (partly because of boarding fees) and only the non-poor could enroll their children. Public subsidies to secondary education therefore went in large measure to the rich, mainly in the urban areas.

- The share of preventive health expenditures in the total doubled and explains the continued improvement in basic health indicators. However, the rural poor did not receive the same attention as urban areas. Curative expenditures which comprised 80% of the budget went mainly to hospitals which are less frequently used by the poor and away from health centers which the poor use three times as often.

**Targeted Programs**

- The labor-intensive rural roads maintenance program is one of the more successful of its kind in Africa. Interviews showed that it reached the poor. Typical were a divorced mother with four children who came from 20 km away while her older child took care of the young, a casual laborer and his wife, both uneducated, and a young man who lost his crop in the 1992 drought. But the scheme also attracted some non-poor because it paid wages above the reservation wage of the poor.

- The micro-credit programs were run by NGOs and followed practices adapted from the Grameen Bank. Partly because they were new and not as large as the Grameen Bank, their costs were higher, the loan size was larger, and women comprised a smaller share of the clientele despite the fact that there were 23,000 women’s groups.

- The arid lands of Kenya contain a large nomadic population, most of whom are poor and isolated. Bilateral and NGO projects, small in scale, had a favorable effect on meeting basic needs and improving the health of their livestock, but less impact on increasing income and integration with the rest of the economy.

**Strategy for Poverty Reduction**

- Achieving sustained growth in per capita income should be the top priority. The fastest growth (perhaps doubling to 10%) is likely to come from the manufacturing sector based on a progressive orientation towards exports. The Government should continue implementation of import and exchange rate liberalization and export promotion policies, and sustain macroeconomic stability.

- However, manufacturing accounts for only a fraction of the economy. Therefore, over the medium term, broad rural development is of overwhelming importance for growth, poverty alleviation and food security. Raising smallholder yields, particularly in less well-endowed areas by improving the focus of research and extension, liberalizing the dairy and seed industries, maintaining the road infrastructure through the implementation of the Roads 2000 strategy, are all critical areas of action. The combination of actions on all these fronts can push up agricultural and rural income growth rate by 1-2 percentage points—not spectacular in terms of what is
possible in manufacturing— but of great impact on poverty in the medium term because the
growth is widely dispersed.

- **All subsidies to large farms should be removed** so that larger holdings are subdivided and sold to
the many small peasants in the active land market that exists in Kenya. Smaller holdings would
be more efficient, use more labor and help to reduce poverty.

- In education, a **targeted mechanism to reduce private costs of primary education in the poor
areas and for poor students** -- a system of bursaries for the poor, particularly female students,
administered by community and local authorities - is recommended. The Government should
conduct a study to examine the reasons for the high cost and low enrollment in secondary
schools with a view to finding solutions to the problem. In the meanwhile, **the system of
secondary school bursaries to poor students should be strengthened, with a sharper focus on
girls.**

- In the health sector, the share of preventive health in the public budget should be increased
with an expanded program of child immunization targeted at the poorer districts and poor
families. Within the curative budget, spending must shift towards health centers that are used
more frequently by the poor and away from hospitals. Although cost recovery is providing
significant revenues at the health centers, this must go hand in hand with reallocation of public
expenditures towards facilities most used by the poor. In the area of food security and nutrition,
the primary recommendation is to remove the present costly and ineffective interventions -- the
grain parastatal and the school milk scheme-- and concentrate resources on nutrition and child
development programs that mainly target infants and pre-school children.

- **A number of special initiatives and targeted programs are recommended**: a pilot Rural Water
Fund to directly finance communities and NGOs to construct small water schemes; an expansion
of the labor-intensive Minor Roads program; expansion of micro-credit schemes with more
targeting on women and women’s groups ; and more water kiosks in urban slums and support
for community based initiatives in waste-removal and sanitation . In arid areas, road
infrastructure should be selectively improved and community based pilot income-earning
schemes should be tried out.

Broad-based economic growth and the provision of basic social services to the poor are the two
mutually reinforcing strategies that could assure rapid and sustainable progress for the people of Kenya.
One without the other is insufficient and inadequate progress in one constrains the other.

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of the report, please contact Ms. Yordanos Seium, Room J 10-204, World Bank, Washington,
D.C. Tel. : (202) 473-4099.