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Poverty Reduction in Africa: The Role of the Bretton Woods Institutions

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1. Introduction

"*From development to poverty reduction*" sums up the trajectory of the development discourse in Africa over nearly five decades since the advent of self-rule. Immediately after gaining independence from the colonialists in the sixties and early seventies, African economies showed remarkable economic performance, with an average GDP growth rate of about 5.7%. The trend was reversed from the mid-seventies, following several shocks such as the oil crises, droughts and civil wars. This saw the advent of Africa's crisis, which greatly shaped the Africa of today, a continent considered to be the most vulnerable, poverty-stricken, debt-distressed, technically backward and marginalized. The eighties have been characterized as the "lost development decade" for Africa, as reflected by weak growth in the productive sectors, poor export performance, mounting debt, deteriorating social conditions, environmental degradation and the increasing decay of institutional capacity (World Bank, 1989, as quoted by Cheru, 1992). Africa is the only continent in the world that has grown poorer in the last 25 years, thus approximately 50% of its current population live in absolute poverty (people survive on less than US$1 per day). There were about 580 million in Africa in 1995, out of which 291 million had average incomes of less than one dollar per day in 1998 (World Bank, 2001). The continent is the only region where the incidence of poverty could worsen by 2015 given that it requires a sustained per capita growth rate of at least 4.6% per annum to make significant progress towards achieving the Millennium Development Goals (AfDB, 2003). Africa also has a very low per capita income compared with other regions. Per capita income for the continent increased from an average of US$339.8 over 1970–1975 to US$709 over 2000–2003, compared with an increase from US$1,207.3 to US$5,309.3 for the world over the same period (UNCTAD online statistics). This marginal increase in per capita income falls short of redressing the substantial income losses and impoverishment of the lost decades.

There exists a lot of information on the probable causes of the African crisis, but there is hardly any consensus on the cause of the crisis. Some attempts to analyze causes of the crisis identified domestic policy failures as the main cause (AfDB, 1995). However, the Berg Report (World Bank, 1981) demonstrated that external factors, such as rising interest rates and deteriorating terms of trade contributed considerably to the economic crisis. Other stakeholders have attributed the crisis to various reasons, among them: weak and non-hegemonic nature of the state; corrupt, dependent and weak nature of the dominant elites; inefficiency and ineffectiveness of the bureaucracy; weak nature of the African market; technological backwardness; dependence on foreign capital; mismanagement and poor planning; and inability to set up effective regional integration schemes. Policies of africanization, indigenization, nationalization, import substitution, joint ventures, stabilization and structural adjustment have had a very limited effect on the quality of life, degree of political stability, and the ability of the state to build supremacy, construct national projects or meet the basic needs of the vast majority of the people (Ihonvbere, 1996).

This paper focuses on poverty reduction efforts in Africa, with specific inference on Kenya. Poverty reduction is one of the major development challenges facing low-income countries as evidenced by the current development agenda under the Millennium Development Goals (MDGs) and the Poverty Reduction Strategy Papers (PRSPs). Under the United Nations Millennium Declaration signed in 2000, it was proposed that an enabling environment conducive to development and poverty reduction be created, both at national and international levels. The focus on poverty is justified by the extent and depth of poverty itself in many economies, and also its implications on other social and economic processes.

Following the development path since independence of many African states, it is recognized that several efforts (both at national and international levels) have been carried out to reduce/eradicate poverty. The international financial institutions have played a major role not only in Africa, but also in other low-income countries in supporting development and poverty reduction. The historical role of the Bretton Woods Institutions (BWI) reveals a focus on development policies between 1950 and 1980, but a change in focus towards poverty reduction after several criticisms about development with a human face. Another factor that has shaped the evolution of this role (as will be discussed later) has been the issue of ownership of programs. It is recognized that government ownership and political will have greater influence on the timing, the extent and the sustainability of the reform program, than the availability of financial resources such as aid. The research questions that arise here are:

- What has been the impact of policies pursued by the international financial institutions on poverty reduction efforts in Africa?
- What has been the role of national governments and regional initiatives in the fight against poverty in Africa?
- Is there policy coherence between poverty reduction efforts under PRSP, NEPAD framework and MDG policy options, with specific inference on the Kenyan case?
- Can this poverty reduction trajectory lead us to the set objectives of, for example, meeting the MDG goals by 2015? What is the way forward for poverty reduction in Africa?

The rest of the (this) paper is organized as follows: Section two sheds some light on the concept of poverty. Section three outlines the evolving role of the Bretton Woods Institutions in Africa, with specific focus on the impact on poverty reduction. Section four provides a critical evaluation of the NEPAD framework as the major development agenda currently being pursued by Africa, and provides an insight into poverty reduction efforts in Kenya. This paper concludes with section five, mainly by highlighting the major weaknesses in previous poverty eradication efforts, and thereby proposing the way forward for poverty reduction in Africa.

2. The Concept of Poverty

Despite years of effort in fighting poverty, certain misconceptions still remain about the poor, such as why they are poor and what is needed to help them lift themselves out of poverty. Poverty is a multidimensional fact of life (World Bank, 2000), and it manifests itself in various forms. Therefore, there is no uniform standard for measuring poverty, even though it is widely viewed as the lack of sufficient income. Some groups in the population often face a combination of the predicaments associated with poverty —low income, illiteracy, premature death, early marriage, large families, malnutrition, and illness and injury etc.— which locks them into unacceptable low standards of living. In general terms, poverty can be defined as the inability to attain a certain predetermined minimum level of consumption at which basic needs of a society or country are assumed to be satisfied (Manda et al, 2001). The minimum level of consumption at which basic needs are assumed to be satisfied is known as the poverty line.

According to the World Summit for Social Development in Copenhagen (March 1995): "Poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by lack of participation in decision-making and in civil, social and cultural life".

The World Bank's 2000 World Development Report defines poverty as an unacceptable deprivation in human well-being that can comprise both physiological and social deprivation. Physiological deprivation involves the non-fulfillment of basic material or biological needs, including inadequate nutrition, health, education and shelter. A person can be considered poor if he or she is unable to secure the goods and services to meet these basic material needs. The concept of physiological deprivation is thus closely related to low monetary income and consumption levels, but it can extend beyond. Social deprivation widens the concept of deprivation to include risk, vulnerability, lack of autonomy, powerlessness and lack of self-respect. Given that countries' definitions of deprivation often go beyond physiological deprivation and sometimes give greater weight to social deprivation, local population (including poor communities) should be engaged in the dialogue that leads to a most appropriate definition of poverty in a country.

Poverty may be defined in absolute or relative terms (GoK, 1998). Absolute poverty is a state where one cannot raise the income required to meet the expenditure for purchasing a specified number of basic requirements. Relative poverty is when one cannot purchase a bundle of basic needs available to a reference social group, such as people within a median income level.

The perpetuation and aggravation of poverty and the apparent inability of many people to break down the vicious circles of poverty call for new approaches in tackling the problem.

Categorizing and characterizing the poor requires an understanding of poverty and its causes (World Bank, 2001). There are three overlapping categories that are important in the African context: chronic versus transitory poverty; the poor versus the destitute; and dependent versus economically active poor. Destitute people mostly fall under the chronic poor, while the economically active fall in and out of poverty because of vulnerability to economic shocks. Household poverty is also linked to the stages in the life cycle, whereby households are likely to be poor when they have many young children, and also in old age.

3. The Role of the Bretton Woods Institutions in Poverty Reduction in Africa

Traditionally, the role of the International Monetary Found (IMF) in low-income countries was towards stabilization policies that were aimed at reducing short-term disequilibrium, especially budget deficits, balance of payments deficits and inflation, while the Bank's structural adjustment policies were geared towards orienting the structure of the economy towards greater efficiency in the medium term. Three categories of policies formed part of almost every Fund program:

demand restraint; switching policies; and policies related to long-term supply or efficiency. The aim of demand restraint policies was to curtail expenditure on imports and release resources for exports. Major policy instruments included: reduction in government expenditure and budget deficit; controls over money supply and credit creation; and policies to cut real wages. Switching policies were aimed at shifting resources from non-tradables to tradables by changing incentives. Policy instruments included: devaluation and exchange rate unification; changes in domestic prices especially in agriculture and wage control. On the other hand, long-term supply policies were for raising the long-term efficiency of the economy by securing a more market-oriented economy subject to fewer restrictions and less segmentation. Reforms included trade liberalization, along with financial and price reforms. The World Bank policies, on the other hand, were also strongly market-oriented, and like those of the Fund, stressed monetary and fiscal orthodoxy, appropriate real exchange rates, positive real interest rates, and liberal approaches on the external account (Helleiner, 1988, as quoted by Stewart et al., 1994). Helleiner (1998) indicates that the categorization of the Bank policies suggests four major elements:

- Mobilization of domestic resources through fiscal, monetary and credit policies and improved financial performance of public enterprises.
- Improvements in the efficiency of resource use throughout the economy. Measures in the public sector included: reform and privatization; while measures in the private sector included price decontrol, reduction of subsidies, competition from imports and credit reform and encouragement to foreign direct investment.
- Trade policies, which entailed liberalization, with reduction and removal of import quotas, improved export incentives and some institutional reforms to support exports.
- Institutional reforms, which aimed at strengthening the capacity of the public sector and increasing the efficiency of public enterprises and also improved institutions to support the productive sectors.

The role of the IMF and the World Bank in Africa dates as far back as the institutions financial intervention after the first and second oil shocks. The average growth rate for Africa decelerated sharply to about 3.5% over 1974–1979 (down from an average of 6% after independence) following the adverse effects of the first oil shock (AfDB, 1995). To be able to assist the continent to solve the balance of payments problems resulting from the crisis, the IMF introduced the first idea of a concessional or *soft loan* window for low-income countries.

The role of the BWIs in Africa can be subdivided into two main phases: the initial intervention phase, whereby the focus of intervention was initially geared towards the traditional role of macroeconomic stabilization policy, and other market oriented reforms (neoliberal policies), and then a redirection in lending approach towards poverty reduction.

3.1. Macroeconomic Stabilization Policy and Other Market Oriented Reforms

After the first oil crisis, the IMF provided its initial balance of payments support in the form of the Oil Facility Subsidy Account in 1975, which was followed by the Trust Fund in 1976. These types of loans were subject to only first-tranche conditionality, which implied that an eligible member country was required to prove that it faced a balance of payments problem and to demonstrate that it was making a reasonable effort to correct it. Nearly all countries that were eligible on the basis of having low per capita income borrowed their share of available funds. However, the idea of conditioning concessional loans on specific policy commitments was becoming more widely accepted by the time the Trust Fund was exhausted. The Extended Fund Facility (EFF) on the other hand was intended to help countries carry out "comprehensive programs that included policies of the scope and character required to correct structural imbalances in production, trade and prices". They were meant to have longer-term maturities, with market interest rates being charged on ordinary stand-by arrangements. This arrangement provided a blend of financing available to low-income countries, which included conditional stand-by or extended arrangements at regular rates and low-conditionality loans at concessional rates. This type of lending did not help solve the crisis in borrowing states, a fact that the IMF attributed to easy access to loans with low conditionality combined with a general deterioration in the external environment that borrowers faced (IMF, 1985).

The defunct Trust Fund was replaced by the Structural Adjustment Facility (SAF), which was formally created on 26 March 1986. This was the foundation of Africa's period of economic reform and privatization. Countries were expected to formulate a medium-term policy framework, which was to be drafted by both the member country and the World Bank representatives. Loan approval was conditional on the specification of a detailed set of policy commitments even though a country was given a greater benefit of doubt on its willingness and ability to carry out those commitments than it would have been with a conventional upper-tranche arrangement. The Enhanced Structural Adjustment Program (ESAF) replaced the SAF in 1987, mainly on the premise that it would have a larger injection into low-income countries in the 1990s, and it would also offer balance of payments support substantially and sustainably and foster growth in Africa. The first initial lending project to Africa was a loan to Malawi on 15th July 1988. This facility was enlarged and extended in December 1993, and made a permanent facility in 1996. The Heavily Indebted Poor Countries (HIPC) initiative was also later linked to concessional ESAF operations. The Bank published *Sub-Saharan Africa – From Crisis to Sustainable Growth: A Long-Term Perspective Study* in 1989 after criticism from several agencies, United Nations Economic Commission for Africa (UNECA) and the (Organization of African Unity (OAU). This led to the Bank's realization that adjustment cannot be carried out at the expense of the people. The report considered state participation in the economy, and recognized the political dimensions of the crisis, the role of corruption and political competition, the marginalization of the people from decision-making processes, and the need for democratization in the society. The report emphasized issues of good governance to enable African states to meet their global obligations and to better implement structural adjustment programs. From the Bank's perspective, the nineties represented a period of increased policy-based lending. The realization that economic recovery in Africa was yet to be achieved, necessitated a change in the view that SAFs were more for short-run stabilization rather than supply side reforms (World Bank, 1994).

Following the dismal performance of low-income economies that had implemented the SAFs, including those that were termed the *good adjusters* and the mounting critic of the program, several reviews were carried out on the ESAF process. The reviews concluded that the Policy Framework Papers (PFPs) had largely failed to reach their objectives and highlighted a number of problems with ESAF-supported programs, including lack of national ownership; weaknesses in the analytical and empirical bases of the social policy content of programs; and insufficient attention to trade-offs involving policy choices that imply significantly different paths for growth and social welfare (IMF, 2004). The realization that ESAF could not deliver the set objectives, and also given the above limitations, the partner institutions embarked on coming up with a new approach that would counter some of the shortcomings of the previous lending program. The new approach was therefore supposed to strengthen country ownership, enhance the poverty focus of country programs and provide for stronger collaboration between the Bretton Woods Institutions and, more broadly, among development partners in supporting country development efforts. This led to the introduction of the Poverty Reduction and Growth Facility (PGRF).

3.2. Poverty Reduction

What has been the role of the Bretton Woods Institutions in poverty reduction in Africa? Looking at the history of the role of these institutions in Africa, several direct initiatives/mandates were undertaken to fight the rising poverty levels in Africa.

Unlike the Fund, the Bank's initial programs in low-income countries in late 70s did not have poverty reduction as a clearly mandated objective *per se*, but hinted at focusing on *pro-poor* projects. Project lending was initiated in the seventies, which entailed financing of capital infrastructure such as roads and railways, telecommunications, ports and power facilities. The initial idea of pro-poor initiatives was endeavored when the emphasis of the development strategies was changed to focus more on investments that could directly affect the well being of the masses of poor people in developing countries by making them more productive and by integrating them as active partners in the development process. These projects failed, raising some of the initial concerns about the success of the Bank's programs in low-income countries.

The turning point for both Bretton Woods Institutions in terms of commitment to poverty reduction in poor countries was in 1999 when a clear mandate was undertaken to integrate the objectives of poverty reduction and growth more fully into its operations. A new framework of support was adopted, which comprised of two key elements: country-authored PRSPs, which were expected to draw on broad-based consultation with key stakeholders, and the PRGF, which replaced the ESAF. The programs supported by the PRGF were to be derived from the PRSPs to ensure country ownership and also clear orientation towards achieving joint objectives of poverty reduction and growth. Unlike ESAF, the PRGF was to ensure more clearly focused policies, which not only enjoyed better national ownership but also more consistent implementation structure (IMF, 2001; World Bank, 2004). The PRSP process emphasized: the need for realistic short-term goals; the importance of the initial conditions when assessing the degree of progress; the variation in the nature and content of country-specific PRSPs and the dynamism of the PRSP process. Its underlying principles were: a country-driven and broad-based participation approach; results oriented and focused on pro-poor outcomes; recognition of the multi-dimensional nature of poverty and the proposed policy response; partnership oriented involving co-ordinated participation of development partners; and grounded in a long-term perspective for poverty reduction (IMF, 2004; World Bank, 2004). The major purposes of the PRSP are:

- For the country: to lay out realistic but challenging poverty objectives, along with policies needed to achieve them;
- For the Bretton Woods Institutions: to provide a suitable basis for their concessional lending;
- And for other development partners: to offer a key instrument around which to organize their relationship with low-income countries.

3.3 The Bretton Woods Institutions and Poverty in Africa

Many critics of the Bank's and Fund's activities have argued that many policies pursued by these institutions have continuously impoverished poor nations.

Many of their programs did not have a clear mandate on poverty, even though their role in low-income countries has consequently incorporated poverty reduction over time.

There has been considerable debate on the impact of structural adjustment on poverty in Africa. The frequently asked questions have been: Did adjustment increased poverty in Africa?, and, Were the poor been adequately protected during adjustment? It has been argued that the link between poverty and economic reforms is growth, but the distributional impact of reforms still remains unclear. Evidence indicates that the poor were not protected from the adverse effects of adjustment given that poverty reduction was not considered as a goal. The bank attributed this to the failure of both markets and the state (World Bank, 2001). From a political economy perspective, several factors have undermined poverty reduction efforts in Africa: the absence of a stable framework for growth; poor and skewed service delivery and distribution; the absence of a poverty reduction strategy; and the inability to target. Lack of implementation both from the institutions' and governments' perspective has also been a major weakness.

A lot has been said about the distributional consequences of economic reforms which have been spear-headed by the Bretton Woods Institutions. The major critique has been that the economic reforms have imposed excess burdens on vulnerable groups, mainly the poor. Looking at country-specific case studies, evidence indicates that the economic reforms failed to abate increasing inequality in Kenya, Tanzania, Cote d'Ivoire, Ghana and Nigeria, even though rural-urban inequalities narrowed for the case of Cote d'Ivoire, Ghana and Tanzania (World Bank, 2001).

As indicated above, the introduction of the PRGF facility was seen as a significant step towards poverty reduction in low-income countries and also to some extent showed the commitment of the Bretton Woods Institutions in meeting the poverty reduction goals. There is considerable evidence that indicates that low-income countries, which needed financial assistance from the donors, took up the PRSP process seriously. For instance, by March 2004, 37 countries (out of a total of 77 eligible countries) had completed a full PRSP. But statistics on growth and development in the continent are disappointing, especially considering the number of people who have fallen below the poverty line over time. Poverty incidence has continued to increase despite the implementation of the Bretton Woods Institutions' programs.

4. The African Agenda for Poverty Reduction

4.1 The NEPAD Framework

Since the advent of the African crisis and the deteriorating growth and development in the late seventies, African leaders have, over time, come up with several attempts to spur economic growth and development in the continent. Among early initiatives was the Lagos Plan of Action for the Economic Development of Africa, 1980–2000 (LPA) that was a blueprint for the socioeconomic transformation of the continent. The objective of the plan was the establishment of a practical framework for building self-reliance through continental cooperation, which was to give way to the establishment of an African Economic Community by the year 2000. The long-run development objectives were articulated as follows: the alleviation of mass poverty and improvement in the standard of living of the people; self-sustained development and national and regional self-reliance. Other initiatives were: Africa's Priority Program for Economic Recovery, 1986–1990 (APPER), the 1987 Abuja International Conference on the Challenge of Economic Recovery and Accelerated Development in Africa; the 1987 Africa's Common Position on External Debt; the 1988 Khartoum International Conference on the

Human Dimensions of Africa's Economic Recovery and Development; and the 1989 African Alternative Framework to Structural Adjustment Programs (SAPs) for Socioeconomic Recovery and Transformation (AAF-SAP). All these efforts did not yield much success as evidenced by the continued economic crisis of the continent and the increasing number of people living below the poverty line.

The current developed agenda being pursued by the African states is the NEPAD framework, which was officially launched on 23 October 2001 at the meeting of the Heads of State implementation committee in Abuja, Nigeria. It has its origins in the African Renaissance discourse, which was in fashion between 1944 and 1999, but gained momentum with the drafting of the Millennium Partnership for the African Recovery Program and the Omega Plan for Africa. The goals of NEPAD are stated as follows: the promotion of accelerated growth and sustainable development; poverty eradication; and ending Africa's marginalization with regard to globalization. Three prerequisites were identified for the achievement of social and economic regeneration, poverty alleviation and empowerment, which included: peace and security; democracy and political governance, and economic and corporate governance. The responsibilities of African states as highlighted under NEPAD are: poverty eradication and development; entrenching democracy, human rights and respect for the rule of law; creation of a conducive environment for private sector mobilization; and responding appropriately to the process of globalization. The framework rightly concedes that development in Africa is impossible in the absence of true democracy, respect for human rights, peace and good governance. NEPAD has been seen as a *holistic and comprehensive integrated strategic framework for the socioeconomic development of Africa*, as Africa's brainchild, wholly perceived and owned by African leaders, and also as a platform for engaging with the rest of the world (Adesina, 2002). It is a comprehensive plan to foster genuine partnership between Africa and the industrialized powers based on mutual interest and benefit, shared commitment and binding agreement under African leadership.

The NEPAD initiative was appreciated as a noble idea, which was meant to provide a solution to Africa's problems of underdevelopment and poverty. However, it can be acknowledged that it has some shortcomings that can undermine its capacity and effectiveness of meeting the set objectives. Most of the critique of the NEPAD framework revolves around the ownership of the program and also the ideologies behind the framework. It has been acknowledged that NEPAD fits with the Northern-dominated hegemonic order (Taylor, 2002). It's argued that NEPAD's mainstream approach to development easily fits into the hegemonic norms that stake out the global political economy, as well as promoting a greater role for the international financial institutions in Africa. Adesina (2002) also argues that the NEPAD framework has its roots in the neoliberal side of the global consensus on development as advocated for by the Bretton Woods Institutions, but has no clear and close similarities with the Millennium Development Goals. Adesina further argues that NEPAD fundamentally differs from MDGs not only in the targets, but also in the mechanisms through which the goals are to be achieved.

The NEPAD framework presents poverty reduction as the major policy concern. But this is treated as secondary to the achievement of sustainable growth and development. Looking at the four years since the inception of the NEPAD, there is barely any evidence on focus on poverty, except that the framework proposes better implementation of the PRSP as articulated by the Bretton Woods Institutions.

On the general principles behind the NEPAD initiatives, the emphasis on neo-liberal policies does not provide any new policy agenda for the continent, but rather pushes the agenda of the Western Powers from within the continent.

The adoption of NEPAD continues to promote the hegemonic structure of the world, given that the 'ownership' of the program is quite debatable. Looking at the progress made so far in the implementation of the African Peer Review Mechanism (APRM), it can be noted that a lot of emphasis has been placed on economic, corporate and political governance. Previous experiences of the Bretton Woods Institutions' support in Africa reveal that poor governance has been one of the major reasons why donor support was at certain points withdrawn from several countries in the South (Kenya being no exception). Poor performance of donor programs in the South has also been attributed to poor governance in these economies. Consider that implementation of NEPAD is based on a trade-off; for African leaders to develop a culture of democracy, accountability and good governance, while the industrialized North to recommit themselves to Africa's development through debt relief, increases in the level of the Official Development Assistance, infrastructural development and foreign direct investment. NEPAD is more like a fulfillment of previous donor conditionalities, with the argument that donor aid will be effective with good governance. What is new on this agenda? It is still a win-lose situation, whereby it is strictly 'link and developed' or 'delink and underdeveloped'. For instance, is it coincidence that the main countries pushing the NEPAD agenda are the largest recipients of FDI in Africa? By agreeing to the trade-off, Africa has clearly failed to decide its destiny given that the continent has to wait for the industrialized countries of the North to eradicate poverty and ensure sustainable development. From the center-periphery development paradigm, the development agenda will continue to be in favor of the Western Powers given that it is always a win- lose situation.

4.2 Poverty Reduction Initiatives in Kenya (NEPAD framework, MDGs and PRSPs/ERSWEC)

Poverty is a major concern of governments all over the world, and countless poverty-alleviation programs and campaigns have been developed across regions and over time. Since independence, one of the principal goals of Kenya's development effort has been to reduce poverty (Manda et al, 2001). The government has pursued this through various development strategies emphasizing economic growth, employment creation and provision of basic social services. Yet poverty continues to be a major impediment to human development and economic progress. Approximately 56% of Kenya's population lives below the poverty line (which is projected to increase to 60% by the end of 2005). The implementation of the poverty reduction strategy paper seemed promising, but its success in poverty reduction is yet to be realized.

The drafting of the Poverty Reduction Strategy Paper was completed in Kenya in 2001. This drafting documented priorities and measures which were considered necessary for poverty reduction and economic growth. The main focus was on: facilitating sustained and rapid economic growth; improving governance and security; increasing the ability of the poor to raise their income levels; improving the quality of life of the poor and improving equity and participation. It was in light of the above that the National Poverty Eradication Plan (NPEP) was initiated, which was in line with the MDGs.

With a new government taking office in January 2003, a new strategy for economic recovery was adopted. The 'Economic Recovery Strategy (ERS) for Wealth and Employment Creation' (ERSWEC) which is a medium-term framework (1993-1997) was formulated to replace the PRSP and had the main objectives of restoring economic growth, generating employment and reducing high levels of poverty. Major emphasis of the framework is on the role of macroeconomic stability in achieving the set objectives. Decentralization and devolution of power are some of the modalities for ensuring that services are delivered effectively and efficiently to communities.

The ERSWEC is the operating policy framework within which Kenya has been tackling the MDGs challenges, identified pro-poor policies as those that entail improvement in the status of education, health and nutrition, HIV/AIDS, employment, social security, food security and security concerns amongst others. To maximize the impact of these policies on the poor, the government designed a number of core poverty programs (CPPs) that are *ring fenced* in the budget. CPPs are *ring fenced* in the sense that budgetary allocations to them is mandatory and their receipt should be totally in order to impact positively on chronic poverty. Their implementation was expected to impact directly and positively on the standards of living of the Kenyan society by increasing incomes for the poor and the value of their assets significantly. The programs were prioritized by the government to cushion the poor from unanticipated budget cuts and also ensure that they targeted goals. The program follows a sector-specific approach. Consider the case of pro-poor government expenditure on education, health and other special programmes:

a. Education

The key goals in the education sector include attainment of Universal Primary Education (UPE) by 2005, and Education for All (EFA) by 2015, goals which are in tandem with MDGs. In pursuit of these, the ERSWEC identified education as a major determinant of earnings and, therefore, providing an important exit route from poverty. Education improves people's ability to take advantage of the opportunities that can improve their livelihoods and enhance their participation in community ventures and markets. The broad objectives identified include 100% net primary school enrollment through compulsory free primary education and the reduction in the disparity in access to quality education. The Ministry has seven recurrent and four-development expenditure CPPs aimed at directing resources towards attaining UPE for all. Between 2003/04 and 2004/05, total recurrent expenditure allocations increased by about 9%, whereas development expenditure allocations dropped markedly by 50%. The budget, however, fails to allocate resources to some key pro-poor expenditure (mainly development) areas in the education sector, while reducing allocations to some, undermining their significant role of being pro-poor even though they are supposed to be *ring fenced*.

b. Health

One of objectives of the government has been the creation of an environment that enables the provision of a sustainable quality health care that is acceptable, affordable and accessible to all Kenyans. In conformity, the ERSWEC strategizes to ensure that these fundamental goals are met, but the outstanding challenge facing the poor, however, is affordability. The reform initiatives that have been undertaken, especially targeting the poor, include: initiating a National Social Health Insurance Scheme (NSHIS), converting National Hospital Insurance Fund (NHIF) into National Social Hospital Insurance Fund (NSHIF), covering both inpatient and outpatient treatments and sharing costs amongst the Exchequer, employers and employees; setting up of a special Health Care Endowment Fund to target vulnerable groups; rehabilitating existing health facilities; overhauling the system of procurement and distribution of drugs for public health facilities; and fresh recruitment for essential health services. The ministry has twelve CPPs falling under both recurrent and development expenditure allocations. In the last budgetary allocations total recurrent expenditures fell by about 7%, whereas development expenditure allocations increased significantly by nearly 91%.

c. Other special programs

The Office of the President has a docket that handles special programs, which include: the management of HIV/AIDS pandemic, disaster and emergency response coordination, relief and rehabilitation, food security, security operations amongst others. HIV/AIDS is the single most serious health and development challenge facing the country. It exerts tremendous pressure on the health care delivery system, yet the prospects of finding a cure remain elusive. Total allocations to development expenditures increased by 46.1% in 2004/05, but allocations to recurrent expenditures fell by 3.5%. Development expenditure allocations to National Aids Control Council increased significantly by 65.3% from Kshs.2,250.5 billion to Kshs.3,686.2 billion between 2003/04 and 2004/05, with all the increment coming from the government, which increased its allocations from approximately Kshs.2.21 billion to Kshs.3.69 billion, whereas appropriations in aid fell from Kshs.20 million to Kshs.17.5 million. Its recurrent expenditure allocations remained fairly constant at about Kshs. 150 million over the same period.

d. Arid and Semi-Arid Lands (ASALs) Program

ASAL areas have relatively high levels of poverty incidence and have traditionally been a low priority in public resource allocation, which implies that development of the area is key in addressing poverty reduction. Over 80% of all livestock in Kenya is found in ASAL areas. The priority development areas were identified as: roads rehabilitation; implementation of a broad-based livestock development policy; facilitation of private sector development of fishing infrastructure; strengthening of community-based ecotourism; development of special school programs; strengthening of community based health care systems and preventive medicine and improvement of food security. During 2003/04, the Arid Land Resource Management Project (ALRMP) expanded to 22 ASAL districts, the Natural Resource and Drought Management program was introduced to address the problem of vulnerability and sustainable development and, in an effort to address the water problem in the areas, 150 dams and water bans were rehabilitated and 39 boreholes drilled and equipped. To enhance communication, the Ministry of Information and Communication initiated a program to provide wireless network systems.

e. Slum upgrading and low-cost housing

The Investment Program for the Economic Recovery Strategy (IP-ERS) objective of slum upgrading is to improve the living conditions of millions of poor people who live in urban slums, mainly in Nairobi and Mombasa. This is done through the development of slum upgrading and relocation plans and the enactment of housing legislation to facilitate the private expansion of low cost housing and housing financing. There is no considerable progress in this area since the project is yet to be implemented.

4.3 What is the Progress so far?

Since the initiation of the poverty reduction initiatives in 2001, there has been considerable increase in expenditures geared towards education and health. The target for the incidence of primary repetition was met, but the performance for transition to secondary education was significantly below target. Performance in terms of health outcome indicators has been poor. For instance, the percentage of children less than one year fully immunized remained constant at 10% below the target. Likewise, the proportion of births attended by skilled health personnel was also well below target (42% was achieved against a target of 70.8%). The malaria target was not met (incidence was 10% higher than the target). The country is not on track regarding health MDGs, and more needs to be done if the MDGs are to be met. In terms of the implementation of the ASAL project, implementation was done in 22 districts through mainly supporting agriculture and livestock keeping. School feeding programs were also implemented in the ASALs, but these did not have the anticipated impact on the enrollment rates in these areas. In general, under-financing remains one of the big challenges in meeting the MDGs. Despite these efforts, poverty incidence has worsened over time, and it is expected to increase to about 60% up from 56%. Two major policy questions arise from this scenario. Do the poverty alleviation programs being implemented have any impact on poverty? If they do, then, what is the major reason for the negative outcome? If the programs are right, then implementation or financing constraints could be the problems. These questions need to be addressed on a country-by-country case.

5. Conclusion

Can the current development agenda enhance poverty reduction in Africa? As evidenced by respective country experiences, poverty incidence is still on the rise despite the various poverty reduction programs being implemented. Concerns have been raised about whether the current policy agenda can lead to poverty reduction. As Taylor (2002) posits, if NEPAD is the best hope for Africa, then the future indeed looks bleak for the continent and its peoples.

There is no blueprint on policies for poverty reduction, but there are several principles that can be established to guide formulation of policies for poverty reduction. Firstly, the policies should be homegrown or locally owned, with broad based consensus. Country ownership is not only important for success, but also to ensure that the measures or policies are country-specific. This was one of the weaknesses of the previous Fund/Bank programs. Governments also need to be accountable. Corruption is rampant in most African economies. Secondly, there is a need for a clear understanding of the causes of poverty, and also the appropriate measures that can alleviate the poverty. For instance, for the Kenyan case, there has been no clear understanding of the link between micro and macro aspects of the economy, and limited efforts have been made to provide such an understanding, which is relevant for evaluating the effectiveness of using fiscal policies for poverty reduction. Thirdly, strategies aimed at alleviating poverty must be directly targeted at the poor. Indirect approaches which rely on trickle down effects of the macro- and micro-economy may not benefit the poor. Fourthly, many countries have considered decentralization of the central government, which has been seen as a means of reaching the local poor people, but fiscal decentralization may not necessarily be pro-poor. Evidence from African case studies indicates a poor record, both in terms of participation and socio-economic impact (Crook and Sverrisson, 1999, as quoted by World Bank, 2001). Fifthly, emphasis on poverty reduction has also been on promoting pro-poor growth, but the recent growth experience in most African countries reveals that poverty incidence has been increasing as these economies have been growing. This calls for a look into the sources of growth in these economies and their likely link with the local poor people. Lastly, poverty should be dealt with in tandem with other socio-economic problems facing most of the African nations, for instance, the prevalence of HIV/AIDS and also conflict. Thus, African governments need to rethink their poverty reduction agenda if the continent is to make progress in reducing poverty.

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