The goal of economic policy in Kenya has been mobilization and efficient utilization of resources to achieve high economic growth and decent standards of living for the citizens. Despite this creditable objective, the country’s economic performance has been poor leading to high poverty incidences. In Kenya, about half of the population is poor. The high poverty incidences have created a desire for empirical studies and generation of new knowledge to inform poverty reduction strategies.

This study contributes to poverty analysis by incorporating the dimension of poverty dynamics to poverty analysis in Kenya. For comparison, we decompose aggregate household poverty into its chronic and transient components using two approaches: transient poverty as censored fluctuation as proposed by Jalan and Ravallion (J&R) and the Equally Distributed Equivalent (EDE) poverty gaps approach proposed by Duclos, Araar and Giles (DAG). Next we establish correlates of each component using non-parametric and semi-parametric censored quantile regressions. By identifying chronic and transient poverty correlates, we allow the policy maker options for crafting policies for each poverty component.

The results reveal the difference between the J&R and EDE approaches in household poverty decomposition. For the same measure of risk aversion ($\alpha$) and the same poverty line, the J&R transient poverty is found to dominate chronic poverty while in the EDE approach chronic poverty is significant. A slight change of the poverty line significantly alters the ratio of the two poverty components. Figure 1 shows that in certain ranges of the income distribution; even fairly small changes of the poverty line can have large effects on the estimated incidence of poverty and its chronic and transient proportions.

Regression results indicate that the vector of transient poverty correlates is a subset of a larger chronic poverty correlates set. While relatively large households are likely to fall into both transient and chronic poverty, female headed households and those with high dependency ratios are prone to chronic poverty.

The role of education in poverty reduction and especially on chronic poverty has emerged as important. However, as shown the success of education in reducing poverty hinges on primary graduates excelling beyond primary schools.

Land-intensification technologies such fertilizer is found critical in transient and chronic poverty reduction. Sustaining a transition out of poverty will require increase in agricultural productivity. Households with small crop acreage are likely to be chronic and transient poor. However, with the land frontier shrinking due to population pressure, future growth in agriculture will have to come from yield increases. Access to credit is found to reduce chances of households falling into chronic and transient poverty. Crops diversification guards against both transient and chronic poverty while households with diversified income sources are less likely to fall into chronic poverty. Households residing in the lowlands and other regions frequented by drought and crop failures are found to likely experience chronic and transient poverty.

Most of the findings in this study are supported by earlier studies on poverty dynamics in Kenya. The results from the current study can tremendously assist anti-poverty targeting and poverty reduction policies both in Kenya ad other similar sub-Saharan countries.

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