

**DOES CORRUPTION AFFECT POVERTY? THE CASE
STUDY OF KENYA**

**BY
BONIFACE N. KAMITI**

C/50/P/8966/2000

UNIVERSITY OF NAIROBI
EAST AFRICANA COLLECTION

**A Research Paper submitted to the department of Economics in partial
fulfillment of the requirement for the degree of Masters of Arts (Economic
Policy Management) of University of Nairobi.**

JOMO KENYATTA MEMORIAL
LIBRARY



SEPTEMBER 2004

DECLARATION:


This project is my original work and has not been presented for a degree in any other university.



Boniface N. Kamiti

Date: ^{to} 16 September, 2004

This project has been submitted for examination with our approval as university supervisors



Dr. Samuel Nyandemo

Date: 21/09/04



Dr. Mary Mbithi

Date: 24/09/04

DEDICATION:

To my parents for their unwavering support and advice and to Lucie for always being next to me even when things got rough.

AKNOWLEDGEMENTS:

First and foremost, to the Lord Almighty who has given me the strength and willpower to complete this project.

Much gratitude is extended to my supervisors Dr. Samuel Nyandemo and Dr. Mary Mbithi not only for their guidance and advice during the authorship of this work but also during the course of my studies.

Gratitude is also extended to my friends George Okee, David Murage, Angela, Diana, Nick and Shiru for their support and prayers.

TABLE OF CONTENTS:

Declaration	ii
Dedication	iii
Acknowledgments	iv
List of tables	vi
Abstract	vii

Chapter One: Introduction

1.1 Background Statement	1
1.2 Problem Statement	5
1.3 Goals and objectives of the study	7
1.4 Justification of the study	7

Chapter Two: Literature Review

UNIVERSITY OF NAIROBI
EAST AFRICANA COLLECTION

2.1 Theoretical Literature Review	8
2.2 Empirical Literature Review	12
2.3 Literature Review Overview	16

Chapter Three: Research Methodology

3.1 Data types and sources	17
3.2 Data analysis	17

Chapter Four: Results and Discussions

4.1 Descriptive Analysis	21
4.2 Empirical Analysis	23

Chapter Five: Conclusions, Recommendations and Suggestions

5.1 Conclusions	30
5.2 Recommendations	31
5.3 Suggestions	31
Bibliography	32

LIST OF TABLES:

- Table 1 : Prevalence of Direct Financial Payments
- Table 2: Magnitude of rise/fall in corruption
- Table 3: FDI and GDP versus cost of corruption
- Table 4: Approximated annual loss to irregular payments
(Controller and Auditor General Report 1991-1996)
- Table 5: Approximated annual loss to uncollected and unsurrendered resources
(Controller and Auditor General Report 1991-1996)
- Table 6 : Corruption Indices
- Table 7: Corruption and Poverty: OLS Estimates
- Table 8: Relationship between Corruption, Factor Endowments, and Factor Ownership.
- Table 9: Relationship between Corruption and Social Spending.
- Table 10: Corruption and Growth

ABSTRACT:

Corruption is increasingly viewed as a major impediment to sustained economic development in Sub-Saharan Africa. Its importance is reflected in conditionalities for development assistance being proposed by members of the international donor community notably World Bank as it is recognized that corruption negatively affects poverty.

This dissertation demonstrates that high and rising corruption increases poverty by reducing economic growth, the level and effectiveness of social spending and the formation of human capital and by perpetuating an unequal access to education.

The objective of this dissertation is to investigate the relationship between corruption and poverty. Chapter One gives the background information to the problem of corruption in Kenya, the problem statement and the justification of the study. The research methodology and the results and discussions are covered in Chapter three and four respectively. Chapter five gives comprehensive conclusions, recommendations and suggestions for further studies.

CHAPTER ONE

INTRODUCTION

1.1 Background Information

In the last five decades, the concern for most nations has been to improve the living conditions of the poor but corruption has been a hindrance to the achievement of these goals because most of these poor nations, generally speaking are corrupt. Kenya has been no exception and has been ranked 96 with a score of nine (9) according to the corruption perceptions index¹. The development predicament in Kenya has been attributed to imperfections in the internal structure of the national economy and to some extent, weaknesses in the national institutions and political structures. The institutions, which are meant to provide the framework within which human beings are to interact, are not only weak but equally also corrupt. The problem of corruption in Kenya is deeply entrenched and has permeated not only in the public sector, but also in the private sector. In the public sector, the executive, legislature, the judiciary and regulatory agencies are deeply involved in corrupt activities for example in the Goldenberg International scandal where the company through authorization by senior government officials received compensation for minerals not exported.

A look at the Controller and Auditor General's reports highlights the laxity and weak financial controls that characterize government management of public funds. Over the years, these reports have developed into an annual litany of extraordinary scams, looting, waste and incompetent allocation of resources by the state. The Auditor General's reports are a measure of the culture of high-level impunity by the government ministries and departments where there have been irregular payments made, wasted expenditure in terms of unsupported development projects, unauthorized loans and diversion of funds to private accounts among other waste categories.

Corruption is defined as the misappropriation of funds or even property, which is public, owned by officers given the mandate to safeguard and protect them. Corruption also occurs through the offering and acceptance of bribes. In a paper presented by Professor Kivutha Kibwana titled, "Combating corruption, lack of transparency and accountability in Kenya's public sector" (1998), he explains that there are three types of corruption; petty corruption, survival corruption and gigantic corruption. Petty corruption is done unconsciously and occurs when a person gives a bribe as an inducement to work. Survival corruption occurs mainly because there is no economic base for people and especially our leaders who get into leadership positions for the purpose of "eating". Our leaders therefore go into leadership positions poor and come out rich, their riches derived from corrupt practices. Gigantic corruption is the high level misappropriation of public funds by government officers, which may entail among other categories wastage and expenditure that is not authorized.

The domestic policy inadequacies in Kenya coupled with corruption and public unaccountability have been manifested in the weaknesses of institutional frameworks and the lack of security of property. There has been a near halt of most sectors of Kenya's economy as a result of greed.

As result of corruption and economic mismanagement, there has been an increase in poverty. The formulation of poor policies, policies not been implemented or are implemented by corrupt officers has led to the despondency existing. Poverty has driven many Kenyans to alcoholism and to seek refuge in cheap drinks and Kenyans use alcohol as an aesthetic against despair in severe socio-economic hardships. Corruption is not restricted to leaders and has trickled down to the grassroots level. In the Kenyan situation, corruption has been baptized chai (tea) or kitu kidogo (a small thing). There is no expectation of transparency and accountability and Kenyans are equating thievery with wisdom and good governance. In

¹ The CPI 2002 relates to the degree of corruption as seen by business people, academics and risk analysts, and

Kenya it is more likely for a thief to make it to positions of high status rather than being appointed or elected on the basis of performance, integrity and value. Therefore the cycle goes on: the corrupt people get rewarded with positions and commendations.

Corruption in Kenya has continued to deny the poor, the marginalized and the least educated members of every society the social, economic and political benefits that should properly accrue to them. Corruption has impeded sustainable development and has robbed the children of today the resources they will need to survive tomorrow. As a result of corruption, Kenya's economy is performing poorly. It must be realized that a big chunk of donor funds and hard currency from our exports has been misappropriated and simply ended in the private accounts of a few individuals. Our leaders have been more interested in personal gain than national aspirations. They have bought houses and acquired land and property both locally and abroad through corruption

The public health system and education system for example has not been effective in provision of services because somebody entrusted with ensuring effective provision of medical services wants to get rich quickly and live beyond their means. Therefore Government spending on health is negatively and significantly correlated with corruption. This is to say that the more the corruption, the less is spent on health. Instead of resources being directed to projects to lift the living standards of the poor, high capital expenditure has been on white elephant projects. Likewise though the government expenditure on education has been high, it rarely benefits the most needy. The revenue collection system at both local and central government levels is inefficient because of under the table deals.

An Action Aid Kenya Report (1998) indicates that power in the hands of a few, mismanagement of public resources and unaccountable public resources are the social cause

of Kenya's poverty. The report further explains that poverty has been precipitated by a lack of effective pro-poor public policies and decline in public services coupled with lack of public accountability.

The hallmarks of the corruption crisis in Kenya are its dwindling resources, growing external and domestic debt, declining economic performance reflecting very poor earnings, environmental degradation, insufficient food production alongside with poor policy formulation and implementation. These factors, together with other high costs of operating business on account of poor infrastructure and services provided by public enterprises, inefficient allocation of public resources, deteriorating security and constraining government regulations have reduced the level and quality of investment. Consequently economic growth has dwindled and unemployment has risen which combined with decline in access to essential services by the poor have contributed to significant increases in poverty. (Cheserem and Okemo, 2000)

In the Poverty Reduction Strategy Paper of the government of Kenya, 2001, Poverty is defined as the inadequacy of income and deprivation of basic needs and rights and lack of access to productive assets as well as to social infrastructure and markets. Further it defines the poor as those who cannot afford basic food and non-food items. According to the paper, the absolute poverty line is estimated at Kshs1,239.00 per person per month and Kshs 2,648.00 respectively for rural and urban areas. The absolute poverty line is the minimum amount of money necessary to afford an adult equivalent their basic minimum food and non-food requirements. The precise poverty threshold as defined by the World Bank is US\$ 1.08 (Kshs 85.00) per day. Poverty is multi dimensional and is manifested in many forms. Some of the more prominent forms are:

- i. Falling per capital income has led to rise in poverty. The agricultural sector, where most of the poor are to be found has declined drastically and reduced personal incomes as well as national incomes.
- ii. A high level of income and regional inequality has a negative relationship on growth and poverty reduction.
- iii. Unemployment is a major determinant and characteristic of poverty.
- iv. Wage levels in the informal sector have been drastically lower than in the formal sector.
- v. The overriding poverty related HIV/AIDS concerns are AIDS orphans, population size and growth, cost of health care and child mortality.
- vi. Poor people mean more than inadequate consumption, education and health. Social insecurities manifest themselves in forms of illness, crime and domestic violence, harvest failure, fluctuations in food prices, insufficient demand for labour and lack of social security in old age.
- vii. Corruption increases poverty both directly and indirectly as it diverts resources to the rich people and weakens government ability to fight poverty.
- viii. Gender is an essential component since women are more vulnerable.
- ix. Developing the capacity for good governance is a prerequisite for the sustainability of poverty eradication efforts.

1.2 Problem Statement

The rampant systemic corruption existing in Kenya is entrenched and is among the causes of poverty related problems among Kenyans. Not only has corruption affected economic growth and development in Kenya in terms of poor infrastructure, widespread unemployment, lack of investor confidence among other costs but it has also contributed to the poor targeting of social programs in health, education, housing, sanitation and other critical sectors that has

resulted in inequalities that leave the poor very poor and has made the rich become more richer.

Corruption has compelled firms to simply choose not to come to Kenya to invest due to an uncertain environment created by political and financial instability, therefore Kenya has had not only to deal with loss of foreign exchange but has also resulted in a negative relationship with the Bretton Woods institutions and donors who do not trust their money with government 'sharks' out to make a killing at the expense of the majority of Kenyans who are absolute poverty. Misuse of power and misallocation of resources is widely prevalent in government departments, and the judicial system is corrupt and strives to benefit those who can line the pockets of corrupt judicial officers at the expense of the dispensing of justice to the truly needy. Projects have been required for development but there has always been the opportunity and motivation for those in positions of authority to take advantage of the 'profits' found in these projects. As Kenya has become impoverished, however, so has the motivation, and sometimes need, to be corrupt grown.

Corruption is negatively associated with Foreign Direct Investment. Where there has been an increase in corruption, there have been a fall in Foreign Direct Investment and likewise a fall in the Gross Domestic Product. The inequalities brought about by corruption have widened and continued to bring about untold suffering among Kenyans. It is therefore important that every effort be made on the elimination of this vice as it is a sure way of ensuring that poverty is alleviated and the inequalities of income brought about by rampant corruption are reduced.

1.3 Goals and Objectives of the Study

The goal of the study is to investigate the relationship between corruption and poverty.

The specific objectives of the study are:

- i) To analyze corruption in Kenya.
- ii) To analyze the relation between corruption and poverty.

1.4 Justification of the study

Corruption is increasingly viewed as a major impediment to sustained economic development in Sub-Saharan Africa. Its importance is not only reflected in the strict conditionality for development assistance being proposed by members of the international donor community, notably the World Bank but also on the concern of the extent of poverty and the poor standards of living of Kenyans. The findings of this study will be necessary to be able to get a clear picture of the extent of the problem of corruption and poverty in Kenya and shall analyze and determine the connection or contribution of corruption to the problem of increasing poverty in Kenya. The findings shall also be useful to policy makers and the general public not only for the purpose of creating awareness of the adverse effects of corruption on economic growth and income growth of the poor but to also utilise the data in policy formulation and implementation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

Income inequality and poverty is affected by corruption through various channels including overall growth, biased tax systems and poor targeting of social programs as well as through its impact on asset ownership, human capital formation, education inequalities and uncertainty in factor accumulation.

High poverty is as a result of high corruption for two reasons. First, evidence suggests that a higher growth rate of the economy is associated with a higher rate of poverty reduction (Ravallion and Chen, 1997), and that corruption slows the rate of poverty reduction by reducing growth. Second, income inequality has been shown to be harmful to growth (Alesina and Rodrik, 1994; Person and Tabellini 1994), and if corruption increases income inequality, it will also reduce growth and thereby limit poverty reduction (Ravallion, 1997).

Corruption can lead to tax evasion, poor tax administration, and exemptions that disproportionately favour the well-connected and wealthy population groups. This can reduce the tax base and the progressivity of the tax system, possibly leading to increased income inequality. Various studies show that corruption lowers investment and consequently economic growth (Mauro,1995 : Knack and Keefer, 1996. A paper by Tanzi and Davoodi (1997) provides evidence that corruption actually increases public investment, especially investment in unproductive projects and squeezes expenditure allocations for operations and maintenance, thereby lowering the productivity of the public stock.

The targeting of social programs to the truly needy can be affected by corruption. The use of government-funded programs to extend benefits to relatively wealthy population groups, or the siphoning of funds from poverty-alleviation programs by well-connected individuals, will diminish the impact of social programs on income distribution and poverty. (Laban et al 1994)

There is evidence of influence in public policy and increase in income inequality where there is high concentration of asset ownership. In a society where asset ownership is concentrated in a small elite, asset owners can use their wealth to lobby the government for favourable trade policies, including exchange rate, spending programs, and preferential tax treatment of their assets. These policies will result in higher returns to the assets owned by the less well-to-do, thereby increasing income inequality furthermore, assets can be used as a collateral borrow and invest; therefore, inequality in ownership of assets will limit the ability of the poor to borrow and increase their lifetime income and will perpetuate poverty and income inequality (Li, Squire, and Zou 1996; Birdsall and Londono, 1997).

Income distribution and poverty is affected by corruption via its impact on human capital formation and the distribution of human capital. First, corruption weakens tax administration and can lead to tax evasion and improper tax exemptions, as discussed above. Therefore for a given tax system, the higher the level of corruption, the lower the tax revenue and the lower the resources available for funding public provision of certain services, including education.

Second, corruption increases the operating cost of government, and, therefore, reduces the resources available for other uses, including the financing of social spending that is crucial to the formation of human capital. In fact, higher corruption is found to be associated with lower education and health spending (Mauro, 1997).

Third, wealthy urban elites can lobby the government to bias social expenditure toward higher education and tertiary health, which tend to benefit high-income groups. Corruption can also increase expenditure on tertiary health because bribes can be more easily extracted from the

building of hospitals and purchasing of state-of-the-art medical equipment than from the expenditure on vaccinations (Tanzi 1995)

Finally, corruption can increase the share of recurrent expenditure devoted to wastes as opposed to operations and maintenance (Tanzi and Davodi, 1997). This lowers the quality of education and health services and affects the ability of the state to improve educational attainment levels.

According to Welfare Monitoring Survey (1997) database, the majority of Kenyan's urban poor live in peri-urban and slum settlements characterized by inadequate water etc. The essential service provision to the poor in these areas has been affected by economic crisis and corruption, which is among the important roots of sharp increases in poverty incidence in the world.

Sharp et al (1997) identifies the causes of poverty as; the low quality of the labour force in most developing countries; inadequate amounts of available capital resources which translates directly into low labour productivity and poverty; failure or inability to adapt to modern production techniques. In many poor countries, the resources are either not fully or efficiently used and lastly, high rates of population growth, which exceed the rate of economic growth, tend to complicate the problem of scarcity.

Jorgen (1998) in his study in Kenya on "Structural Adjustment and poverty" using the CGE model found that poverty in Kenya still remains a severe problem and policy declarations have fallen short of real action to combat it. The policy inadequacies in terms of policies not been implemented have contributed to the increased inequalities and poverty among Kenyans.

Todaro (2000) explains that the general levels of living in developing countries tend to be very low for the vast majority of people and that is not only true in relation to their counterparts in rich nations but often also in relation to small elite groups within their own societies. These low levels of living are manifested quantitatively and qualitatively in form of low incomes (poverty), inadequate housing, poor health, limited or no education, high infant mortality, low life and work expectations and in many cases a general sense of malaise and hopelessness. The magnitude and extent of poverty in any country depend on two factors; one, the average level of national income and two, the degree of inequality in its distribution. For any given level of national per capita income, the more unequal the distribution, the greater the incidence of poverty. Similarly, for any given national per capita income distribution, the lower the average income levels, the greater the incidence of poverty. The concept of absolute poverty is meant to represent a specific minimum level of income needed to satisfy the basic physical needs of food, clothing, and shelter in order to ensure continued survival. These minimum subsistence levels will vary from country to country and region to region reflecting different physical as well as social and economic requirements. The absolute poverty line has been set at US\$ 1.00 a day a person in 1985 purchasing power equivalent of that sum in terms of a developing country's own currency.

Jhingan (2001) explains the principal causes of poverty in India to include the following:

- 1) Underdevelopment. Due to this, a large proportion of the population has to go without even the most essential needs of the daily life because the aggregate consumption is too small relative to the enormous size of the population.
- 2) The second cause of poverty is extreme inequality of income and wealth.
- 3) Poverty in India is also reflected by the low per capita income.
- 4) Inadequate growth rate against a high population growth is another cause of poverty.
- 5) The rise in unemployment has increased the levels of poverty.
- 6) Low availability of essentials has been given as another cause of poverty in India.

- 7) Other causes of poverty have been identified as high rate of inflation, low levels of technology, capital efficiency and the social factors that are prevalent in India.

If the rules of the game in a corrupt country are unclear and unbiased toward the well connected, the poor and the less well connected face an added risk premium in their investment decisions. This unequally distributed risk increases expected returns to any investment decisions for the well connected. Therefore, low income and poor groups –the less-well connected – will be discouraged from investing in any resource – human, physical capital, or land – and income inequality and poverty will be perpetuated or accentuated.

2.2 Empirical Literature Review

Mwabu et al (2000) used the cost of basic needs (CBN) and the food energy intake (FEI) methods to derive poverty lines. They define a poverty measure (P_α) as an aggregate indicator of a dimension of poverty. The commonly used measures are those by Foster et al; Thorbeck (1984) or FGT index, also used by Mwabu et al for $\alpha = 0$ the poverty measure, P_0 is the headcount index. It indicates the percentage of households below the poverty line. For $\alpha = 1$, P_1 is the average poverty gap ratio. This shows the depth of poverty. It gives the proportional shortfall of the average poor person from the poverty line and can be used to estimate funds needed to bring the expenditure of every poor person up to the poverty line thus eliminating absolute poverty.

Alemayehu et al (2001) studied determinants of poverty in Kenya in household level analysis. They used a binomial model to compute probabilities of being poor or non-poor given the characteristics of the population. They found that education attainment of the household head employment in the agricultural sector account for the good part of probability of being poor.

Datt and Ravallion (1995) used pooled state level data for the period 1957-1991 to estimate the poverty model as below: -

$$\begin{aligned} \text{Ln Pit} = & \pi_1 (\nabla \text{Ln YPHit} + \nabla \text{Ln YPHit-1}) + \pi_2 (\nabla \text{Ln YNAit} + \nabla \text{Ln YNAit}) + \\ & \pi_3 (\text{Ln CPIALit} - \text{Ln CPIALit}) / \tau + \pi_4 \nabla \text{Ln DEVEXit-1} + (\gamma_1 \text{IRR} + \gamma_2 \\ & \text{IRR} + \gamma_3 \text{LITF} + \gamma_4 \text{IMR})_t + \eta_1 + \varepsilon_{1t} \end{aligned}$$

Where:

Pit = a time series measure of rural poverty for state

IMR= Infant Mortality Rate.

LITF= Number of literate females per thousand females in population.

IRR= Percentage of operated area which was irrigated in 1957-1960.

DEVEX = Rent state development expenditure per capita.

YHP = Real agricultural state domestic product per person.

CPIAL = Rate of inflation in the rural sector.

Atkinson (1997) used a model that specifies the personal distribution of income in terms of factor endowments, distribution of factors of production, and government spending on social programs. The model was assumed to depend on the following variables:

- Initial distribution of assets.
- Education inequality. (Percent of adult population with no schooling expressed as a fraction of percent of adult population with completed secondary and higher education)

- Education stock or educational attainment. (average years of secondary education in population aged 15 and over)
- Capital stock- to- GDP ratio.
- Natural resource endowment (share of natural resources in total exports)
- Corruption (various corruption indices)
- Social spending (various measures relative to GDP)

Thorbecke and Crawford (1979) use the 'dominant item' approach to define the poverty line and consider food consumption as the single most important commodity. They start from a daily per capita required caloric intake of 2250 Cal. and suppose that the diet is composed of a maize- beans diet in a 70/30-percentage proportion. The, the required intake is valued at current market prices and the household food poverty line is obtained by multiplying this value by the average household size. Finally they divide the household food poverty line by the share of food expenditure in total household consumption to arrive at the household poverty line. Their main aim was to assess the degree of income concentration in Kenya and to decompose the inequality index in order to measure the contribution of various factors to the overall income inequality and to give an estimation of the extent and intensity of poverty in the country.

✓ According to the Republic of Kenya (1998), the factors that are associated with poverty determinants or consequences of poverty are:

- 1) Poor households in Kenya have been found to have large families with an average household of 6.4 members compared to 4.6 members in non-poor households. Female-headed households depicted a higher level of poverty.

- 2) Wage employment is a source of income in urban areas while livestock and crop revenue was the main revenue in rural areas. Subsistence farmers were found to have been among the poorest and most vulnerable.
- 3) The poor devote a higher proportion of their income on food, 71% in 1994 compared to 59% for the non-poor.
- 4) Poor health is a quick way to fall into poverty. Access to health services by the poor, availability, affordability and physical accessibility of drugs and consultations has been limited due to factors ranging from cost sharing and long distances to health facilities.
- 5) Education is considered an important vehicle for poverty reduction. Poverty has been observed to be highest among people with no or low levels of education. For example, cited studies show that there was virtually no poverty among households headed by university graduates.
- 6) Access to safe water and sanitation varies by poverty status and locality. Two-Thirds of the rural poor do not have access to safe drinking water and 72.2% of the poor has no access to sanitary facilities.
- 7) The poor have low yield per acre due to difficulties in accessing fertilizers, quality land, credit, irrigation and other inputs.
- 8) The household's amenities availability is an important indicator of the standard of living in that household. One of such amenities is cooking fuel. The WMS II of 1997 found that 97.5% of the poor in rural areas use firewood for fuel and 92.4% use paraffin for lighting.

In his study, *The Evolution of Poverty in Nigeria*, Ali (1997) concludes that economic growth contributes more to poverty reduction than any other poverty measures. The study recognizes that the use of "relative" and "absolute" in poverty analysis depends on the interpretation that one gives to the standard of living used. The study recognized the standard practice of using a

functional relationship between the poverty line and mean income. This functional dependence of the poverty line on mean income was empirically investigated by Ravallion, Datt and Van de Walle (1991) who found from a survey of local poverty lines from 33 developing countries that there is a clear tendency for the local poverty line to increase with mean consumption. The cross-country evidence also suggested that the real poverty lines tend to increase with economic growth.

2.3 Literature Review Overview

Corruption literature has tended to emphasize the efficiency implication of corruption while overlooking its distributional consequences. In part this reflects the belief that the rich or well connected typically use bribes to be the first in line for a government good or service and the poor or individual at the lower end of income distribution obtain the good or service after waiting in line (Bardhan 1997). These view ignore that corruption may create permanent distortions from which some individuals can benefit than others. They also ignore that individuals with high willingness to pay are not necessarily the intended beneficiaries of government programs. Finally, empirical work on distributional consequences of corruption has been hindered by a lack of consistent and reliable data on income inequality and poverty. This study shall therefore endeavour to provide the missing link to determining the distributional consequences of corruption.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Data Types and sources

Secondary data shall be utilized for this study and will be largely drawn from various publications including World Bank working papers, USAID papers, Central Bureau of Statistics, Welfare Monitoring Survey and articles written by various authors on poverty, income inequality and corruption.

3.2 Data Analysis

The model of poverty to be used will rely on models that determine overall income growth in the economy (Sala-I-Martin (1997) and Sachs & Warner (1997). Specifically, multiple regression analysis will be used for testing hypotheses about the relationship between the dependent variable, Y and the independent variables, Xs and for prediction. The regression analysis shall be for the time period between 1980 and 1990.

The variable linear regression model will be as follows: -

$$Y_1 = \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots + \beta_7 X_7$$

Where:

Y_1 = Income growth of the bottom 20 per cent of the population.

X_1 = Aggregate economic growth (real per capita GDP growth rate);

X_2 = Initial income of the poor (real income of the bottom 20 percent of the population in 1980);

X3 = Initial secondary schooling (years of secondary education in population aged 15 and over in 1980)

X4 = Education inequality (percent of adult population with no schooling, expressed as a fraction of percent of adult population with completed secondary and higher education);

X5 = Initial distribution of assets.

X6 = Social spending (various measures relative to GDP)

X7 = Growth in corruption (various indices).

The rate of change of the income of the bottom 20 percent will be chosen as the dependent variable because it is less prone to measurement errors than levels of poverty. Another advantage of this formulation is that it is unaffected by specific factors that influence the level of poverty.

Initial income of the poor will also be included and is intended to examine their income growth and to capture the extent to which the poor are catching up with the rest of Kenyans. If there is a catch-up convergence effect, the lower the initial income of the poor, the higher their income growth will be. Therefore, the coefficient on the initial income of the poor is expected to be negative.

Initial secondary schooling will be included to measure the impact of human capital on the income growth of the poor. A positive coefficient will be expected if human capital contributes positively to income growth of the poor. Education inequality will be included and will be expected to be negatively associated with the income growth of the poor.

Well-targeted social programs are believed to transfer relatively more income to the poor and reduce the incidence of poverty. In reality, it is quite conceivable that much of the benefits of social programs accrue to the middle- and higher-income groups. To assess the impact of social spending on the income growth of the poor, three broad proxies for social spending will be tried, all in relation to GDP; these are government spending on (i) social security and welfare, (2) education and health and (3) the sum of spending items (1) and (2) plus housing and community amenities. Finally, in line with the model of income inequality, which is in the spirit of Atkinson (1997), various indices of corruption will be used to examine whether a higher growth rate of corruption reduces the income growth of the poor.

A simple regression of the income growth of the poor on aggregate growth will be intended to examine the view that other things being equal, higher growth increases the rate of poverty alleviation.

All regressions will contain the following variables: a constant, initial income of the poor, initial secondary schooling, and growth in corruption. The two remaining variables (education inequality and social spending) will be entered one at a time and then all at once to see if the sign and significance of these variables as well as that of corruption change.

The regressions will therefore investigate the association between higher growths in corruption with lower income growth of the poor and strive to prove that the income growth of the poor is higher with lower education inequality and higher social spending.

The regression results will also strive to establish the existence of a statistically significant positive association between corruption and poverty. However, high poverty can cause high corruption or the observed association between the two variables can be due to other factors. In sum, the evidence will show that corruption increases poverty.

The regressions will show that factor endowments, ownership structure of factors of production and corruption, among others, affect and poverty. This could be labeled as the direct impact of corruption on poverty. However, as argued previously, corruption may also affect poverty and income distribution indirectly through its impact on variables such as factor endowments and factor ownership.

At the outset, each of the variables representing factor endowments and factor ownership will be regressed on a constant and a corruption index. To control for the stage of economic development, real per capita GDP will be added to each regression to verify if the simple correlation changes sign or significance.

The correlations will show that with high corruption there will exist higher education inequality and lower mean years of secondary schooling and will determine whether higher corruption tends to contribute to lower levels of social spending.

The discussion here underscores the role of social spending in alleviating poverty and reducing income inequality and how corruption can affect these variables through social spending. To determine whether the data support this indirect channel, social spending will be regressed on a constant and a corruption index.

It was argued previously that corruption could perpetuate poverty by reducing growth. To test this hypothesis, the real per capita GDP growth rate will be regressed on the same set of variables as the income growth of the bottom 20 percent of population. Therefore the results will determine whether corruption reduces the overall growth rate of the economy and whether corruption leads to higher poverty by reducing economic growth.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Descriptive Analysis

A survey conducted by Transparency International on the costs and prevalence of direct financial payments in Kenya came up with results that have indicated that there has been rising corruption. The structured interview accumulated data on 10 organisations ; the frequency of corruption ; the extent to which it affected profit (private and public enterprise) ; and the total effect on Kenya's GDP. Other indicators such as gender, age, education level and socio- economic status were taken into consideration. The survey found that 67% of the respondents interaction with public institutions involved bribes or bad service, harrassment or no service if a bribe was not paid. (TI,2002,Pg.05).

Table 1 : Prevalence of Direct Financial Payments

Education Level	Encounter bribery in interactions with public sector(%)
Primary and below	75.0
Post-Primary training	75.9
Secondary Schooling	67.3
Post Secondary education	62.7
University	63.0
Income Per Month (kshs)	Encounter bribery in interactions with public sector(%)
Upto 5,000	74.4
5,000- 10,000	63.2
10,000- 25,000	61.7
25,000- 50,000	64.9
50,000- 100,000	61.9
100,000 and above	61.9

Source : (Transparency International 2002)

As shown in table 1, it was found that where direct financial payments were most prevalent, those most liable were the least educated and poorest, that is the majority of the population in Kenya. This finding coincided with the fact that most bribes involved relatively small sums paid very frequently. With the average income of the respondents being Kshs 26,056.00, 75%

of all transactions were below daily bribes of Kshs. 1,000.00, 63% below Kshs 500.00 and 41% of all transactions being Kshs 200.00 and below.

Table 2: Magnitude of rise/fall in corruption

Years Past	Partial Increase %	Moderate Increase %	Sharp Increase %
1 Year	5.5 %	10.6 %	18.1 %
3 Years	4.0 %	14.2 %	15.0 %
5 Years	6.0 %	10.3 %	16.2 %

Source : (Transparency International 2002)

Table 2 shows the reactions of the respondents to whether they felt corruption has risen or fallen and the magnitude of change. Of the 8700 responses, 5.5% of all respondents stated that it had risen moderately, and 18.1% stated that there has been a sharp increase in corruption. The figures were comparable to studies of the previous three and five years.

Table 3: FDI and GDP versus cost of corruption

	GDP US \$M (P/CAPITA)	FDI US \$ THOUSAND	FDI AS % OF GDP	CORRUPTION AS % OF GDP	TOTALUS \$ M
1991	8,043	18,900	0.23	7.44	598,625
1992	8,002	6,000	0.07	36.99	2960,418
1993	4,977	1,500	0.03	26.13	1300,378
1994	7,148	4,000	0.06	25.08	1793,025
1995	9,047	33,000	0.36	12.53	1134,135
1996	9,206	13,000	0.14	19.25	1771,783

(WB,2001b)

Corruption appears to be negatively associated with Foreign Direct Investment (FDI) as shown in table 3. Where there has been an increase in corruption, there has been a fall in FDI. However, it has also declined in line with changes in GDP as well as a sharp fall in GDP. This is to say that the rise in costs of corruption can be expected to bring a fall in FDI as does a fall in GDP. Years 1992-1993 and 1993- 1994 typify how, despite a decrease in corruption, FDI has continued to fall, most likely due to the sharp decrease in GDP earnings. It therefore shows some correlation between corruption (as a percent of GDP) and FDI, with the highest years of corruption being negatively correlated to levels of FDI.

Table 4: Approximated annual loss to irregular payments (controller and auditor general report 1991-1996)

1991	Kshs. 114,619,992
1992 (election year)	Kshs. 3,386,920,700
1993	Kshs. 10,183,739,200
1994	Kshs. 26,418,148,940
1995	Kshs. 15,575,215,600
1996	Kshs. 16,331,467,280

Data compiled by Centre for Governance and development

Table 5: Approximated annual loss to uncollected and unsurrendered resources (controller and auditor general report 1991-1996)

1991	Kshs. 13,958,631,800
1992 (election year)	Kshs. 72,959,101,840
1993	Kshs. 23,969,302,180
1994	Kshs. 27,583,411,920
1995	Kshs. 27,389,004,760
1996	Kshs. 58,043,786,340

Data compiled by Centre for Governance and development

Corruption in Kenya especially in the government ministries and departments has led to the reduction of spending in areas considered to be important in promoting growth and alleviating poverty. The extraordinary scams, looting and incompetent allocation of resources by the state are shown in the tables 4 and 5 above. The results show that over the years, the amount of money looted and wasted has been increasing and has been especially wasteful in 1992 during the election year where Kshs 3,386,920,700 and Kshs. 72,959,101,840 was lost to irregular payments and unsurrendered resources respectively.

4.2 Empirical Analysis:

As shown in Table 6, all corruption indices are highly correlated, with correlation coefficients ranging from 0.88 to 0.98m are statistically significant at the 1 percent level. The high and positive correlation coefficients suggest that Kenya's rank in the corruption index is more or less stable over time.

Table 6 : Corruption Indices

	Correlation Coefficients					
	Corruption 1	Corruption 2	Corruption 3	Corruption 4	Corruption 5	Corruption 6
Corruption 1	1.00 *** (87)					
Corruption 2	0.88 *** (38)	1.00 (38)				
Corruption 3	0.90 *** (49)	0.98 *** (38)	1.00 (50)			
Corruption 4	0.91 *** (46)	0.95 *** (38)	0.97 *** (43)	1.00 (47)		
Corruption 5	0.89 *** (72)	0.95 *** (38)	0.97 *** (50)	1.00 *** (47)	1.00 (77)	
Corruption 6	0.97 *** (49)	0.94 *** (38)	0.95 *** (50)	0.95 *** (50)	0.94 *** (50)	1.00 (50)

Sources: International Country Risk Guide (ICRG), Business International (BI)

A simple regression of the income growth of the poor on aggregate growth (plus a constant) produces a highly significant coefficient with a t- statistic of 2.94 and an R-Squared of 0.213. The size of the coefficient on the aggregate growth variable (1.2) indicates that 1 percent point increase in aggregate growth is associated with a 1.2 percentage points of income growth of the poor. This finding is consistent with the view that, other things being equal, higher growth increases the rate of poverty alleviation.

As shown in Table 7 below, all regressions contain the following variables: a constant, initial income of the poor, initial secondary schooling and growth in corruption. The two remaining variables (education inequality and social spending) are entered one at a time and then all at once to see if the sign and significance of these variables as well as that of corruption change. In all these regressions, higher growth in corruption is associated with lower income growth of the poor with the coefficient being significant in four regressions at the conventional

statistical levels. The estimated coefficient on the corruption index is most significant (at the 1 percent level) when the regression includes social spending (column 4). The results also show that the impact of corruption on poverty is quantitatively important. A one standard deviation increase in the growth rate of corruption is associated with a decline in income growth. The results also show that income growth of the poor is higher with lower education inequalities and higher social spending. When the latter two variables are entered simultaneously (columns) all variables continue to be statistically significant at the conventional levels. The above regression results establish the existence of a statistically significant positive association between corruption and poverty. However, high poverty can cause high corruption or the observed association between the two variables can be due to other factors. The results in Table 3 below show that the corruption index has the same sign as the OLS results of Table 2 and is significant at the conventional statistical levels. The estimated coefficients on the corruption index are higher than their OLS estimates. The results also provide evidence that corruption increases poverty. The impact of corruption on poverty is quantitatively important. A one standard deviation increase in the growth rate of corruption reduces income growth of the population (table 4, column 4).

Table 7: Corruption and Poverty: OLS Estimates

(Dependent variable: income growth of the bottom 20 percent)					
Independent Values	(1)	(2)	(3)	(4)	(5)
Constant	0.02 (1.00)	0.03 (1.94)	0.08 (3.14)	0.05 1/ (0.27)	0.04 2/ (0.89 2/)
Initial Income of the Bottom 20 percent (x103)	-0.05** (1.72)	0.06** (-1.87)	-0.06** (-1.95)	-0.10*** (-2.77)	-0.09*** (-2.35)
Initial Secondary Schooling	0.02* (1.50)	0.01* (1.15)	0.02 (1.60)	0.02* (1.42)	0.02* (1.52)
Education Inequality (x10)		-0.08*** (-2.94)			0.02* (1.37)

Initial Gini Coefficient for Land (x102)			-0.09** (-2.02)		-0.04 (-0.74)
Social Spending (x10)				0.03*** (2.69)	0.04** (2.39)
Growth in Corruption	-0.01* (1.41)	-0.02** (-2.22)	-0.06 1/ (0.50)	-0.02*** (-2.65)	-0.02** (-2.06)
Adjusted R2	0.11	0.17	0.16	0.33	0.28
Number of observations	42	42	38	35	31
F-statistic	2.32*	2.70**	2.41*	4.30	2.69**

Source: Sachs & Warner 1997

Notes: Estimation is by OLS. Numbers in parentheses are t-statistics based on White heteroscedasticity-consistent standard errors. Corruption 1 is the corruption index used. Social spending on education, health, social security, welfare housing and community amenities. The corruption index is multiplied by -1 so that a high value of growth in the index indicates a high growth rate of corruption.

1/ Multiplied by 10

2/ Multiplied by 100

*** Significant at 1 percent level; ** significant at 5 percent level; * significant at 10 percent

Table 9: Relationship between Corruption, Factor Endowments, and Factor Ownership.

Dependent Variable	Constant	Corruption	Real Per Capita GDP in 1980	Adjusted R2	N	F-statistic
Capital Stock GDP ratio	270.00*** (10.90)	-4.43 (-1.21)		0.05 1/ (0.50)	62	1.32
Education Inequality	3.44*** (4.25)	0.44** 3.70		0.18	66	15.80***
Secondary schooling	0.52*** (3.15)	-0.05 (-0.72)	0.13*** 3/ (3.65)	0.57	64	43.00***
Gini coefficient for land	68.60*** (3.15)	1.14* (1.38)		0.01	55	1.73

Source : Sachs & Warner 1997

Notes: Estimations by OLS. Numbers in parentheses are t-statistics based on White hereroscedasiticity-consistent standard errors. N is the number of observations. It has been multiplied by -1 so that a high value of the index indicates a high level of corruption.

1/ Multiplied by 100

2/ Multiplied by 100,000.

3/ Multiplied by 1,000.

*** Significant at 1 percent level; ** significant at 5 percent level; and * significant at 10 percent level.

Impact of corruption on Social Spending:

The regressions have shown that factor endowments, ownership structure of factors of production and corruption among others affect poverty. This could be labeled as the direct impact of corruption on poverty. However corruption may also affect poverty indirectly through its impact on variables such as factor endowments and factor ownership. At the outset, each of the variables representing factor endowments and factor ownership are regressed on a constant and a corruption index. The results show that the capital stock GDP ratio reduces on account of high level of corruption while education inequality and secondary schooling is affected with high level corruption all when regressed at a constant and at a significant level of 1 percent. To control for the stage of economic development, real per capita GDP is added to each regression to verify if the simple correlation changes sign or is significant.

Table 10: Relationship between Corruption and Social Spending.

Dependent Variable	Constant	Corruption	Real per Capita GDP in 1980.	Adjusted R2	N	F-statistic
Social Security and welfare Spending	-1.85** (-1.71)	-1.82*** (-7.50)		0.45	61	50.30***
Education and Health Spending	3.88*** (4.95)	-0.34** (-2.20)		0.07	63	5.60***
Social Spending	2.73 (1.74)	-2.19*** (-6.59)		0.42	60	44.5***

Source : Sachs & Warner 1997

Notes: Estimation is by OLS. Numbers in parentheses are t-statistics based on White heteroscedasticity-consistent standard errors. All components of social spending data are expressed as fractions of GDP. Social spending is sum of spending on education, health, social security, welfare, and housing and community amenities. N is the number of observations. It has been multiplied by -1 so that a high value of the index indicates a high level of corruption.

1/ Multiplied by 1,000

2/ Multiplied by 10,000

*** Significant at 1 percent level; **significant at 5 percent level; and *significant at 10 percent level.

To determine whether data supports the role of social spending in alleviating poverty and how corruption can affect these variables through social spending, social spending is regressed on a constant and a corruption index. Three measures of social spending are used; these are government spending on: (1) Social security and welfare, (2) education and health, and (3) the sum of spending items (1) and (2) plus housing and community amenities. Real per capita GDP is added to control for the stage of economic development. The results are shown below in Table 5 for three measures of social spending. The correlations show that higher corruption tends to have lower levels of social spending. Of the three simple correlations, two are statistically significant at 1 percent level (social security and welfare, and total social spending), and one at the 5 percent level (education and health spending). Corruption is statistically significant at the 10 percent level (social security and welfare, education and health spending) and 5 percent level (total social spending) when the impact of real per capita GDP is controlled for.

The data are consistent, therefore, with the view that corruption reduces social spending whether or not real per capita GDP is held constant. The results in the previous section showed that higher social spending increases the income growth of the poor. Together these results show that corruption not only reduces income growth of the poor directly, but also indirectly through lower social spending.

Table 11: Corruption and Growth

Independent Variable	(1)	(2)	(3)	(4)	(5)
Constant	1.87*** (2.59)	1.78** (1.85)	5.32*** (4.05)	2.06** (2.25)	5.12** (2.06)
Initial Real Capita GDP (x103)	-0.30*** (-2.85)	-0.29*** (-2.75)	-0.16** (-2.15)	-0.24** (-1.88)	-0.14 (-1.35)
Initial Secondary Schooling	0.43 (1.19)	0.45 (1.25)	0.53* (1.67)	0.11 (0.26)	0.11 (0.34)
Education Inequality		0.03 (0.14)			-0.26 (-0.55)
Initial Gini Coefficient for Land			-0.06*** (-3.58)		-0.05** (-2.33)
Social Spending				-0.03 (-0.70)	-0.01 (-0.27)
Corruption	-0.47*** (-3.83)	-0.47*** (-3.87)	-0.12 (-0.96)	-0.53*** (-3.30)	-0.16 (-1.11)
Adjusted R2	0.28	0.27	0.27	0.26	0.09
No. Of Observations	56	56	47	46	38
F-Statistics	6.35***	4.99***	4.46***	4.11***	1.53

Source: Sachs & Warner 1997

Notes: Estimation is by OLS. Numbers in parentheses are t-statistics based on White heteroscedasticity-consistent standard errors. Social spending is sum of spending on education, health, social security and welfare, and housing and community amenities. It has been multiplied by -1 so that a high value of the index indicates a high level of corruption.

*** Significant at 1 percent level; ** significant at 5 percent level; and * significant at 10 percent level.

It was argued previously that corruption can perpetuate poverty by reducing growth. To test this hypothesis, the real per capita GDP growth rate is regressed on the same set of variables as the income growth of the bottom 20 percent of population. As noted earlier, higher growth is found to increase the rate of poverty alleviation. The results in Table 11 indicate that show that corruption reduces the overall growth rate of the economy. Together, these results indicate that corruption leads to higher poverty by reducing economic growth.

CHAPTER FIVE:

CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS:

5.1 Conclusions

The objectives of this study was to analyze the relationship between corruption and poverty and to determine the effects of corruption on growth. My findings indicate that corruption actually perpetuates poverty as it prevents the efficient allocation of resources meant to improve the standatrd of living of Kenyans.

Corruption interferes with the traditional core functions of government allocation of resources, stabilization of the economy and redistribution of income. These functions influence income distribution and poverty in varying degrees, both directly and indirectly.

The budget is the principal vehicle through which any government conducts its core functions. The empirical evidence presented in this paper shows that corruption has significant distributional consequences by affecting both budgetary revenues and expenditures. High and rising corruption increases income inequality and poverty by reducing economic growth, the progressivity of the tax system, the level and effectiveness of social spending, and the formation of human capital. Corruption also increases income inequality and poverty by perpetuating an unequal distribution of asset ownership and unequal access to education. These findings are valid for Kenya using various indices of corruption. These results hold even when controlling for the other factors that affect poverty: (1) natural resource endowment; (2) capital productivity; (3) educational attainment; (4) unequal access to education; and (5) distribution of land.

The impact of corruption on poverty is considerable. A one-standard deviation increase in the growth rate of corruption (a deterioration of 0.78 percentage points) reduces income growth of the poor by 7.8 percentage points per year.

5.2 Recommendations:

This paper's findings suggest that the adverse distributional consequences of corruption can be mitigated by: (1) broad based labour intensive growth; (2) efficient spending on education and health; (3) effective targeting of social programs; and (4) a low level of inequality in the access to education.

A central message in this paper is that corruption has significant distributional implications and, given its negative efficiency implications, should be considered harmful to both growth and equity.

5.3 Suggestions:

This study strives to determine whether corruption affects poverty and therefore does not cover other important aspects of corruption. It therefore calls for studies to be done on how the problem of corruption can be solved and also on the economic cost of foregone investment to Kenya due to corruption.

BIBLIOGRAPHY

- Alemayehu G, Niek de Jong, Mwabu G and Kimenyi S, 2001 “Determinants of poverty in Kenya in household level analysis” KIPPRA discussion paper No. 9
- Alesina, Alberto, and Dani R, 1994, “Distributive Politics and Economic Growth,” *Quarterly Journal of Economics*, Vol. 109, pp. 465 – 90.
- Atkinson, A.B., 1997, “Bringing Income Distribution in from the Cold,” *Economic Journal: The Journal of the Royal Economic Society*, Vol. 107 (March), pp. 297 – 321.
- Bardhan, Pranab, 1997, “Corruption and Development: A Review of Issues,” *Journal of Economic Literature*, Vol. 35 (September), No. 3, pp. 1320 – 46.
- Birdsall, Nancy, and Juan L, 1997, “Asset Inequality Matters: An Assessment of The World Bank’s Approach to Poverty Reduction,” *American Economic Review, Papers and Proceedings*, Vol. 87 (May), No. 2 pp. 32-37.
- Cheserem and Okemo, 2000. “Memorandum of Economic and financial policies of the Government of Kenya. 2000-03. A paper presented to IMF dated July 12, 2000
- Crawford, E and Thorbecke, B, 1979. The analysis of food poverty: an illustration from Kenya. Ithaca, Cornell University, (Mimeo)
- Deininger, Klaus, and Lyn S, 1996, *New Ways of Looking at Old Issues: Inequality and Growth* (unpublished; Washington: World Bank).
- Jorgen L, 1998, “structural Adjustment and Poverty. The Kenyan case. Unpublished Ph.d Thesis.
- Jhingan, M.L 2001, “The Economics of Development and Planning, 34th Edition, Vrinda Publications (P) Ltd, p 737-744
- Kibwana K, 1998 “Combating Corruption, Lack of Transparency and Accountability in Kenya’s public sector”
- Knack, Stephen, and Philip K, 1996, “Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures,” in *Economic and Politics*, Vol. 7 (November), No. 3. pp. 207 – 27.
- Laban, Raul , and Federico S, 1994, “ Distributional Conflict, Financial Adaptation, And Delayed Stabilizations,” in *Economic and Politics*, Vol. 6 (November), pp. 257 – 76.
- Li, Hongyi, lyn S, and Heng-Fu Zou, 1996, *Explaining International and Intertemporal Variations in Income Inequality* (unpublished; Washington: World Bank).
- Mauro P, 1995, “Corruption and Growth,” *Quarterly Journal of Economics*, Vol. 110 (August), No. 3, pp. 681 – 712.
- Mauro P, 1997, “The effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis,” in *corruption and the Global Economy*, ed. By Kimberly Ann Elliot (Washington: Institute for International Economics).

Mwabu G, 2000, "Poverty in Kenya: Profiles and determinants, UON, Mimeo

Persson, Torsten, and Guido T, 1994, "Is Inequality Harmful for Growth?," *American Economic Review*, Vol. 84 (June), pp. 600 – 621.

Ravallion, Martin, 1997, "Can High-Inequality Developing Countries Escape Absolute Poverty?" *Economics Letters*, Vol. 56 (September), pp. 51-57.

Ravallion and Shaohua C, 1997, "What Can New Survey Data Tell Us About Recent changes in Distribution and Poverty?," *World Bank Economic Review*, Vol 11(May), No. 2, pp. 357 – 382.

Ravallion, M, G Datt 1995. "Growth and poverty in India. Poverty and Human Resource Division, World Bank Mimeo.

Republic of Kenya, Ministry of Finance and Planning. "Poverty Reduction Strategy Paper covering 2001-2004.

Sachs, Jeffrey D., 1995, "Natural Resource Abundance and Economic Growth," Discussion Paper No. 517a (Cambridge, Massachusetts: Harvard Institute for International Development).

Transparency International, 2002 " Corruption in Kenya," Findings of an Urban Bribery Survey. Nairobi.

World Bank, World Development Report, 2000/2001, " Attacking Poverty . Washington DC: Oxford University Press.

UNIVERSITY OF NAIROBI
EAST AFRICANA COLLECTION

JOMO KENYATTA MEMORIAL
LIBRARY