Kenya has made progress in raising living standards of its citizens, supported by strong economic growth.

Progress has not been equally shared, with stark and persistent spatial disparities.

- GDP growth
- Poverty headcount (national poverty line)
- Almost two Kenyans out of five were poor in 2021, more than were poor before the COVID-19 pandemic.
- Poverty is consistently higher in rural areas.

A combination of factors contributes to uneven progress:

- Employment type by poverty status, 2019
- Inequality of outcomes weakens the transmission of growth to poverty reduction
- Fiscal incidence analysis of taxes and spending shows the system is progressive and redistributive but does not reduce poverty.

Droughts are concentrated in the north, where poverty rates are the highest.

Looking ahead, an inclusive growth strategy is needed. In addition to increasing the productivity of the private sector to ensure sustained high rates of economic growth, the strategy would seek to:

- Connect the poor to economic growth
  - Use agriculture sector policy to build farmer capability and support diversification via training and timely financing. Ensure price stabilization policies do not disincentivize production.
  - Use MSME development to reach urban poor self-employed and household enterprises to provide training, sustainable financing options.
  - Design urban development policies to facilitate commuting and increase proximity to customers.

- Strengthen households’ resilience to adverse weather shocks
  - Adaptive and shock-responsive social protection.
  - Develop and promote the use of market-based risk management tools for poor rural households.
  - Invest in comprehensive and inclusive disaster risk management.
  - Build climate-resilient infrastructure.
  - Promote climate-smart agriculture.
  - Build inclusive institutions and systems.

- Make fiscal policy more supportive of poverty reduction objectives
  - Evaluate tax and social spending together to ensure the poor benefit from the system.
  - Enhance efficiency of public spending by reviewing incidence and impact of input subsidies to producers.

Cross cutting

- More, better, and timely data availability to monitor and assess progress.
- Equalize education opportunities and access to basic services, especially among the poor and in rural areas, leveraging on devolution.