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MINISTRY OF LABOUR AND SOCIAL PROTECTION
STATE DEPARTMENT FOR SOCIAL PROTECTION

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SOCIAL PROTECTION SECTOR REVIEW

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ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
AMREF	African Medical and Research Foundation
ARC	Africa Risk Capacity
APSP	Africa Platform for Social Protection
ASAL	Arid and Semi-Arid Lands
BWC	Beneficiary Welfare Committee
CBT	Community Based Targeting
CDC	Centres for Disease Control and Prevention
CEDAW	Convention on the Elimination of Discrimination Against Women
CEO	Chief Executive Officer
CFA	Cash for Assets
C&G	Complaints and Grievances
CMS	Case Management System
CPF	Children Protection Fund (Zimbabwe)
CPI	Consumer Price Index
CRA	Commission of Revenue Allocation
CRC	Convention on the Rights of the Child
CRPD	Convention on the Rights of Persons with Disabilities
CSAC	Constituency Social Assistance Committees
CSO	Civil Society Organisations
CSPS	Civil Service Pension Scheme
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
DB	Defined-Benefit
DC	Defined-Contribution
DCS	Department of Children’s Services
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development
DHS	Demographic Health Survey
DLI	Disbursed Linked Indicators
DSD	Department for Social Development
EB	Equity Bank
EFC	Error, Fraud and Corruption
FAO	Food and Agriculture Organization
FBO	Faith-Based Organisations
FDP	Food Distribution Points
FFA	Food for Assets
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
GFD	General Food Distribution
GoK	Government of Kenya
HDI	Human Development Index
HGSFP	Home Grown School Feeding Programme
HH	Household
HISP	Health Insurance Subsidy Programme

HIV	Human Immunodeficiency Virus
HSNP	Hunger Safety Net Programme
HTT	Harmonised Targeting Tool
ICT	Information, Communication and Technology
IFC	International Finance Corporation
IJP	Inua Jamii Programme
ILO	International Labour Organization
IMF	International Monetary Fund
ISA MIS	Integrated Social Assistance Management Information System
IRA	Insurance Regulatory Authority
IPRS	Integrated Population Registration Service
KCB	Kenya Commercial Bank
KDHS	Kenya Demographic and Health Survey
KES	Kenya Shilling
KIHBS	Kenya Integrated Household Budget Survey
KRA	Kenya Revenue Authority
LEAP	Livelihood Empowerment Against Poverty (Ghana)
LOC	Locational OVC Committee
LRA	Long Rain Assessment
MCH PRRO	Maternal and Child Health Protracted Relief and Recover
M&E	Monitoring and Evaluation
MEACLSP	Ministry of East African Community, Labour and Social Protection
MHFB	Minimum Healthy Food Basket
MICS	Multiple Indicator Cluster Survey
MIS	Management Information System
MLEA	Ministry of Labour and East African Affairs
MoDP	Ministry of Devolution and Planning
MoH	Ministry of Health
MSME	Micro, Small, and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
NCPWD	National Council for Persons with Disabilities
NDEF	National Drought Emergency Fund
NDDCF	National Drought and Disaster Contingency Fund
NDMA	National Drought Management Authority
NHIF	National Hospital Insurance Fund
SPIP	Social Protection Investment Plan
NISR	National Institute of Statistics of Rwanda
NSNP	National Safety Net Programme
NSPC	National Social Protection Council
NSPP	National Social Protection Policy
NSPS	National Social Protection Strategy
NSSF	National Social Security Fund
ODI	Overseas Development Institute
OPCT	Older Persons' Cash Transfer
OPM	Oxford Policy Management
PforR	Program for Results
PAC	Principle Accounts Controller

PIBS	Beneficiary Satisfaction Surveys
PILU	Programme Implementation and Learning Unit
PMT	Proxy Means Test
PRRO	Protracted Relief and Recovery Operations
PS	Principal Secretary
PSNP	Productive Safety Net Programme (Ethiopia)
PSP	Payment Service Provider
PwSD-CT	Persons with Severe Disabilities Cash Transfer
RBA	Retirement Benefits Agency
RC	Rights Committee
RSFP	Regular School Feeding Programme
SAGE	Social Assistants Grants for Empowerment (Uganda)
SAU	Social Assistance Unit
SDSP	State Department of Social Protection
SLA	Service Level Agreement
SPEP	Social Protection Expansion Programme (Zambia)
SPF	Social Protection Floor
SPS	Social Protection Secretariat
SRA	Short Rains Assessment
SS	Social Security
TWG	Technical Working Group
UFS-CT	Urban Food Subsidy Programme
UN	United Nations
UN DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development
USD	United States Dollar
VUP	Vision 2020 Umurenge Programme (Rwanda)
WEO	World Economic Outlook
WFP	World Food Programme
WHO	World Health Organisation

GLOSSARY

Administrative Costs	Any management and administrative expenditure incurred by a social protection scheme to enable its implementation.
Affluence Testing	A form of means testing that aims to exclude the affluent rather than identifying the poor.
Basic Income Grant	A transfer income paid to all residents or citizens, independent of need.
Beneficiary	Individual or household receiving benefits at a specific point in time/during a period of time. In most cases, beneficiaries are individuals, although benefits can also be paid to households or families.
Cash Transfer	Regular and predictable tax-financed payment of money provided by government or non-government organizations to individuals, families or households.
Community Based Targeting	Selection of beneficiary households by a group of community members, elites or leaders.
Conditional Cash Transfer	Regular, predictable cash payment made to individuals and households that is conditional on compliance with certain conditions, e.g. immunization, school attendance. Conditions are defined by the scheme providing payments. Conditional cash transfers usually impose penalties on beneficiaries who fail to comply with the specified conditions. The type and extent of penalties vary between schemes.
Consumption	Measure of expenditure by households on goods and services.
Consumption Dynamics	Changes in consumption of households over time.
Entitlement Schemes	These are schemes that are accessible to citizens whenever they need them and are provided as a right. They are usually financed by general government revenues (or taxation).
Exclusion Errors	Exclusion errors can be quantified as the proportion of intended beneficiaries who are omitted from a social transfer programme.
Fiscal Space	Available room in national financial resources that allow a government to provide resources for a desired purpose without any prejudice to the sustainability of a government's long-term financial position.
Graduation	Refers to the notion that receipt of social transfers should be time-bound, if possible, with complementary interventions put in place that enable recipients to support themselves when they no longer receive the transfer. It is often used to refer to exit from a programme. It is not a term used in developed countries.
Inclusion Errors	Inclusion errors can be quantified as the proportion of a programme's beneficiaries receiving transfers who were not in the intended beneficiary group.
Inclusive Lifecycle Approach	A social protection system that provides transfers that address risks and challenges across the lifecycle and which are accessible citizens across each stage of the lifecycle. When a lifecycle system is inclusive, it is provided to all or most citizens in each category.
Means Test	Method that aims to select individuals/households on the basis of their income and/or wealth.
Poverty Gap	A measure of the 'depth' or 'intensity' of poverty, defined as the average difference between the consumption of people living under the poverty line at a particular point in time and the poverty line. The aggregate poverty gap is the sum of all these differences in a country.

Poverty Line	A level of consumption that is determined by governments as defining poverty. It is used as a monitoring tool by government to assess progress in addressing poverty.
Poverty Rate	The proportion of people in a group or a population with income under the poverty line at a particular point in time.
Poverty Targeting	Types of targeting mechanism that aim to identify people living in poverty.
Proxy Means Test	A mechanism often used to identify and select beneficiaries of social protection schemes. A proxy means test estimates the income of households by assigning scores against a set of proxies that have a correlation with expenditure.
Public Works	Tax-financed programmes providing temporary employment at low wage rate mostly to unskilled manual workers on labour intensive projects.
Safety Net	Measures to catch those who experience a shock or crisis and need to access social protection.
Social Assistance	These are social protection schemes for those living in poverty, and financed from national taxation. They are often not a right and are, instead, based on a charity model. As a result, many citizens cannot access them when they are in need.
Social Care Services	These are the services that are provided to the most vulnerable members of society to protect them, usually based around a social work system. These can include areas such as child protection but also the system of institutional care (e.g. older persons homes and orphanages).
Social Insurance Schemes	These are schemes run or overseen by government which include a solidarity principle. Therefore, people contribute different amounts and, when deciding on the benefit, those who contribute more, receive a bit less while those who contribute less, receive a higher benefit, which is subsidised by the higher-level contributors.
Social Protection Floor	The social protection floor is a commitment to provide lifecycle schemes that are available to all citizens, when in need, in particular: i) Basic income security for children, to enable them to obtain access to nutrition, education, care and any other necessary goods and services; ii) Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and, iii) Basic income security for older persons.
Social safety net	A term popularised by the World Bank to refer to social assistance. These schemes do not, however, act as safety nets since targeting is done on a very infrequent basis.
Targeting	The means by which individuals are selected as beneficiaries of social protection schemes.
Vulnerability	Complex and multidimensional concept relating to the exposure of people to a shock or process linked to their ability to manage the hazard.
Workfare Schemes	Type of public work scheme that offers cash payments or food in exchange for people working. The scheme is usually put in place because of an unwillingness to provide cash for free.

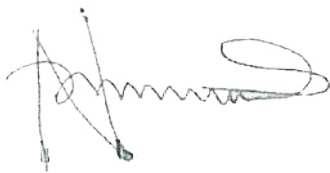
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Nelson Marwa Sospeter, EBS
Principal Secretary

FOREWORD

The Government of Kenya's commitment to provide for vulnerable populations that are unable to meet their basic needs is enshrined in the Constitution. This commitment is also demonstrated by the various policies and legislative frameworks that have been developed by various ministries in the recent years.

Evidence shows that increasingly, social protection instruments are effective in addressing extreme poverty, vulnerability and risk. The Social Protection Sector in Kenya has made significant progress especially after the introduction of the Cash Transfer programmes in 2004. This has not only been quantitatively in terms of increase in the number of beneficiaries and actors in the sector but also qualitatively in terms of knowledge, skills and capacity development. Despite the fact that there have been a number of initiatives to reform contributory schemes, progress has been limited.

In line with the National Social Protection Policy (NSPP), the current social protection system is being designed to address lifecycle risks, through a mixture of schemes financed from general government revenues (including through donor-support) and contributory schemes.

A comprehensive Review of Kenya's Social Protection Sector undertaken in 2011/12 noted that social protection was still a relatively small sector dominated by a few larger programmes such as General Food Distribution (GFD), the Civil Service Pension (CSP), the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). A number of social assistance schemes delivering regular and predictable cash transfers had been initiated, but their coverage and expenditure was limited.

In 2017, an update to the social protection sector review undertaken in 2011/12 was carried out. This review noted that Kenya has made significant progress in building a larger, more effective and nationally-owned social protection system. There has been a significant expansion of its core social assistance schemes, which have replaced more ad hoc humanitarian programmes.

According to the review, evidence from impact evaluations indicates that social protection programmes are increasing the capacity of the Kenyan labour force and have stimulated investment in assets and local economic growth. The expansion of social protection programmes has been impressive and there has been continuing progress in strengthening programme delivery. There has also been a significant increase in political commitment to social protection. Despite only commencing in 2004, Kenya now invests more in social protection than many richer middle-income countries and is the leading investor in the region.

The Review provides an analysis of the Social Protection Sector rather than individual programmes. It describes how the system has evolved, the improvements that have taken place, and identifies challenges therein. In addition, it highlights both the achievements in the Sector over the past few years and key issues that still need to be addressed. It provides data on Government's and stakeholder's level of financing of the sector, coverage of and access to social protection, delivery of social protection schemes, governance, performance management and accountability, impacts, cost-efficiency and value for money and sustainability of the sector.

The recommendations contained in the review are critical and will inform the continued reform agenda for the sector.



Hon. (Amb.) Ukur Yatani
Cabinet Secretary

EXECUTIVE SUMMARY

Introduction

In 2011/12 a comprehensive Review was undertaken of Kenya's Social Protection Sector.

It noted that the Sector was still relatively small and dominated by a few larger programmes such as General Food Distribution (GFD), the Civil Service Pension (CSP), the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). There were a few social assistance schemes offering regular and predictable cash transfers, but none were particularly significant. In the intervening years, the Social Protection Sector has changed considerably, in very positive directions.

The challenge faced by Kenya

The vast majority of the population of Kenya would benefit from access to social protection.

Around 36 per cent of the population live on less than KES 134 (US\$1.34) per day while close to 80 per cent have per capita daily expenditures below KES 280 (US\$2.80) per day. In fact, between 1997 and 2007, 84 per cent of rural households spent at least some time living in poverty. While the highest poverty rates can be found in the Arid and Semi-Arid Lands (ASAL) area, nationally only 44 per cent of those living in poverty can be found in ASAL areas with 56 per cent living in the rest of the country. A similar picture appears when examining other indicators of well-being. Furthermore, Kenyans face a range of risks over the lifecycle that can impact on their wellbeing.

Overview of the Social Protection Sector

Since the last Sector Review, Kenya has made very significant progress in building a larger, more effective and nationally-owned social protection system. There has been a significant expansion of its core social assistance schemes, which have replaced more ad hoc humanitarian programmes, while, in March 2017, the Cabinet Secretary for Finance announced the introduction of a universal pension scheme for everyone aged 70 years and over – the Inua Jamii Senior Citizens' programme – which will be the first individual entitlement social protection scheme in the country. There has been more limited progress in reforming the national system of contributory schemes, although the National Hospital Insurance Fund has expanded.

Overall, around 1.02 million households were in receipt of a regular and predictable social assistance transfer in 2016 (mainly in the form of cash but a small number continued to receive food transfers on the Food for Assets scheme).

This is nearly 12 per cent of all households while 39 per cent of the population can access the NHIF. While this coverage is impressive, given that the first core social assistance scheme only began in 2004, the majority of the population is still unable to access social protection, which impacts negatively on their wellbeing as well as national social cohesion and economic growth. A high proportion of the population on middle incomes – the so-called 'missing middle' – are unable to access benefits

despite experiencing insecure livelihoods.

Since the last Review, legislation linked to social protection have been passed, although its impact has not been as significant as may have been hoped. Nonetheless, Kenya's 2010 Constitution offers every Kenyan the right to social security, which gives a firm legal basis to efforts by the government to expand the Social Protection Sector. One challenge faced by the government, however, is that the NSPP and previous Sector Review used a broad definition of social protection, which may be difficult to explain to policy-makers and the general public and may hinder gaining further popular and political support.

Financing of the Sector

In recent years, regular and predictable cash transfers have grown rapidly to become 83 per cent of social assistance expenditure. The Government's own investment has driven this change, which is positive for sustainability, while the introduction of the Inua Jamii Senior Citizens' programme will increase tax-financed social transfers from 0.3 to 0.4 per cent of GDP. Another significant achievement has been the development of scalable social protection to respond to droughts, in particular through HSNP, which has become a model for international learning. Making other cash transfers scalable should be considered. There are financing options to expand tax-financed social protection further. Over the next five years, it would be financially feasible to increase investment to one per cent of GDP. The investment case for social protection is integral to achieving inclusive growth and development and its contribution to the realization of Vision 2030 needs to be clearly set out. The NSSF and NHIF each have a turnover of between 0.2 and 0.3 per cent of GDP while the Civil Service Pension Scheme (CSPS) requires annual spending equivalent to 0.6 per cent of GDP.

Coverage of and access to social protection

Social assistance programmes have been directed to areas with the highest poverty rates, though not necessarily to those counties with the largest numbers of people in poverty. As a result, households in arid lands are three times more likely to be registered for social assistance schemes, compared with the rest of the country. There are also significant geographic disparities in the coverage of health insurance with the highest prevalence in areas where the formal economy workforce is largest.

Coverage of social protection schemes across

lifecycle categories of the population is variable.

Among children, the priority has been to reach orphans, with the majority of children excluded from the system, in particular the very youngest. Among working-age adults, an estimated 7 per cent live in households receiving social transfers while some 15 per cent of formal and informal workers aged 18–65 years have an employer contributing to or providing the NSSF pensions. Among older people, around 31 per cent of those aged 65 years and over receive an old age pension, although with the introduction of the Inua Jamii Senior Citizens' programme in 2018, this should increase to 77 per cent. Persons with disabilities remain vastly underserved, with an estimated coverage of less than 1 per cent among children and those of working age.

The Government of Kenya has chosen to build a lifecycle social protection system, combining both tax-financed and contributory mechanisms.

This is in line with the approach adopted by developed countries and many developing countries with more mature systems. However, insufficient funding for social protection has obliged the government to reduce the coverage of the categories of the population it can support, which necessarily creates challenges (as in all developing countries where it is always problematic to accurately identify beneficiaries). Most schemes target those living in poverty, although the Inua Jamii Senior Citizens' programme will be offered to all citizens. The evidence indicates challenges in the effectiveness of the selection of beneficiaries across most programmes. The government is making efforts to strengthen targeting through a Harmonised Targeting Tool and the introduction of more inclusive schemes.

Contributory schemes are able to incorporate some members of the workforce in the informal economy, but support from general government revenues will be necessary if coverage is to be extensive. The NHIF is making use of subsidies to incorporate those outside the formal economy into the scheme, including by offering support to those receiving social assistance schemes.

Delivery of social protection schemes

Considerable progress has been made in strengthening the administrative processes and systems for social assistance schemes. This includes building a common operating framework to consolidate and harmonise programme delivery through the National Safety Net Programme (NSNP). There have been significant improvements in programme and national management information systems, including the introduction

of the internationally renowned Single Registry. Nonetheless, challenges remain such as a need for further capacity development training and stronger local implementation structures. Contributory schemes such as the NSSF and NHIF have invested in further developing their operational systems by taking advantage of the effectiveness and efficiency of modern technology, but continue to face some challenges.

Governance, performance management and accountability of the Sector

The Governance of the Social Protection Sector has been significantly strengthened by the expansion of the National Social Protection Secretariat (SPS) in 2012, the establishment of the State Department of Social Protection (SDSP) within MEACLSP in 2015, and the creation of the Social Assistance Unit (SAU) in 2016. Nonetheless, the institutional structure of the Sector remains somewhat fragmented across a number of ministries. The SPS faces challenges in coordinating the Sector while the implementation structures at local level need to be streamlined. The risk of error, fraud and corruption (EFC) within the NSNP has been reduced by programme consolidation, the use of electronic payments and better monitoring and evaluation.

The accountability of social assistance programmes is growing stronger. The increased share of social assistance funded by government (in NSNP and within school feeding), the replacement of relatively unpredictable food transfers by regular cash transfers programmes, and the strengthening of monitoring and evaluation have all helped improve accountability. Accountability would also be strengthened by a forum for stakeholder dialogue and more systematic monitoring of the system as a whole.

Kenya does not yet have a comprehensive performance framework for the entire Social Protection Sector and institutional complexity makes the effective oversight and monitoring of the sector challenging. Human resources and capacity within the SDSP to undertake M&E remain constrained. Higher-level monitoring mainly focuses on tracking Disbursement-Linked Indicators (DLIs) in the results framework of the NSNP rather than on the National Social Protection Policy. There are no comprehensive results frameworks for contributory forms of social protection.

Impacts, cost-efficiency and value for money of the Sector

The impact of social assistance programmes has grown in recent years as cash transfers have expanded and more ad hoc food-based transfers have reduced in size. Impact evaluations show positive effects in health, education (including reducing child labour), labour market participation, savings and credit, resilience to shocks and women's empowerment. Programmes are increasing the capacity of the Kenyan labour force and have stimulated investment in assets and local economic growth; but, impacts would increase with higher coverage and improved targeting. Cost efficiency has improved and has been helped by increased coordination and consolidation of delivery within Inua Jamii and by the use of electronic transfers. For the HSNP and CT-OVC schemes, cost efficiency is on a par with programmes in other countries. Administrative costs in contributory programmes have declined in recent years.

The value for money of social assistance has been further improved over the Review period as a result of the HSNP scheme successfully scaling up in response to drought. This has reduced the need for less efficient and effective emergency support. The value for money case for making other cash transfer programmes scalable should be explored.

Sustainability of the Sector

Significant progress has been made in enhancing the sustainability of the Social Protection Sector and it is highly unlikely that the gains made in recent years will be reversed. Social protection is now a well-known and popular sector across Kenya, for which there is growing demand. It is very positive that many of the proposals in the National Social Protection Policy of 2012 have been implemented although there are others that remain to be realised. Importantly, more needs to be done to embed social protection within legislation. Opposition to some of the legislative reforms of the NSFF and Civil Service Pension will need to be addressed.

Despite the progress made in strengthening the Governance of the Sector, more needs to be done for the gains to be sustainable and for management and coordination of the Sector to be further strengthened. One option is to give further responsibilities to the State Department for Social Protection, with an expanded support and coordination role given to the SPS. Consideration should be given to moving responsibility for certain schemes to the SDSP, such as the regular transfers component of the HSNP and the NSFF. A particular

strength of the Social Protection Sector is a growing cadre of committed and experienced civil servants although further capacity strengthening is required.

Conclusions

The Review finds that the Government of Kenya has made very significant progress in developing its national social protection system in recent years. The expansion of schemes has been impressive and there has been continuing progress in strengthening programme delivery. Without doubt, there has been a significant increase in political commitment to social protection. Despite only commencing in 2004, Kenya now invests more in social protection than many richer middle-income countries and is the leading investor in the region. Furthermore, Kenya is an excellent example of the benefits that can be gained from a strong partnership between international agencies and national governments. Nonetheless, over time the Government has increasingly become the main driver in determining social protection policy. Further investment in social protection will be necessary if Kenya is to continue to build its economy and a more cohesive society, in line with Vision 2030. History has shown that all successful economies require significant levels of investment in social protection and, if Kenya can build on its current progress and introduce a comprehensive lifecycle social protection system – in line with the National Social Protection Policy – it should benefit from significant economic, social and political rewards.

1

INTRODUCTION

Chapter Summary

- Investment in social protection is an essential component of a successful and sustainable market economy and a range of developing countries are now investing a significant proportion of national wealth in social protection.
- While Kenya's economy has been growing, it is held back in maximising its potential by human development constraints which contribute to lower productivity across the workforce. Many of these could be partially addressed by further investment in social protection.
- The national poverty rate is estimated to be around 36 per cent. The distribution of the number of people living in poverty is relatively even between ASAL and non-ASAL counties and a range of non-ASAL counties have higher poverty rates than ASAL counties (although the highest poverty rates are in some of the latter). Furthermore, many of the counties with the highest numbers of people living in poverty are non-ASAL counties.
- In reality, a high proportion of the population of Kenya live on low incomes: 36 per cent live on less than KES 134 (US\$1.34) per day and close to 80 per cent have per capita daily expenditures below KES 280 (US\$2.80) per day.
- Furthermore, incomes are highly dynamic and shocks and crises can easily push people into poverty. Around 84 per cent of the rural population spent some time living in poverty over a period of ten years.
- The risks that people face are often linked to stages in the lifecycle, but they are also subjected to covariate risks, such as droughts, floods and economic recessions.
- The vast majority of the population of Kenya would benefit from access to social protection.

1.1 Background and Objectives

In 2011/12 a comprehensive Review was undertaken of Kenya's Social Protection Sector.¹

At the time, the Sector was undergoing significant change. The Review noted that social protection was still a relatively small sector dominated by

a few larger programmes such as General Food Distribution (GFD), the Civil Service Pension (CSP), the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). A number of social assistance schemes delivering regular and predictable cash transfers had been initiated, but their coverage and expenditure was limited. Social

¹Government of Kenya (2012).

protection was also defined broadly, encompassing a wide range of large and small programmes cutting across a range of sectors, including agriculture, health, education, financial services and emergency assistance.

In the intervening years, much has changed in Kenya's Social Protection Sector with many significant and positive improvements. A range of key social assistance programmes – in particular the Cash Transfer for Orphans and Vulnerable Children (CT-OVC) and Older Persons' Cash Transfer (OPCT) – have expanded significantly, demonstrating growing government commitment to the sector. The largest programme in 2011/12 – General Food Distribution – is now one of the smaller programmes and, to a large extent, has been replaced by more regular and predictable cash transfers. Government has also assumed responsibility for a much higher proportion of the investment in the sector, including for the Hunger Safety Net Programme and School Feeding. Some components of the Sector have undergone relatively little change such as the Civil Service Pension, NSSF and NHIF, although there have been important reform initiatives which still have to be fully implemented while the NHIF has expanded its coverage. Institutional structures have been strengthened, including the creation of: a State Department for Social Protection (SDSP), with a dedicated Principal Secretary; a Social Protection Secretariat (SPS) to lead on policy development and coordinate the sector; and, a Social Assistance Unit to oversee the implementation of the main social assistance schemes run by the Ministry of East Africa Community, Labour and Social Protection (MEACLSP). There have been a range of enhancements in the operational delivery of a number of schemes. There is greater public knowledge about the sector and growing political support. The announcement by the Cabinet Secretary for Finance in the 2017 budget speech that Kenya will introduce a universal pension for everyone aged 70 years and over was a strong statement of positive political intent.

This Sector Review aims to update the Review undertaken in 2011/12. Its objective is to carry out a strategic overview of the Sector and identify changes that have taken place since 2011. As with the last Review, it will analyse the Social Protection Sector rather than individual programmes, although detail is provided on these. It will describe how the system has evolved, the improvements that have taken place, and identify challenges that still need to be addressed. It is, therefore, a backward-looking review, analysing the system as it currently is and looking at how it has evolved in recent years. It

highlights both the achievements in the Sector over the past few years and key issues that still need to be addressed.

A principal aim of the Review is to provide inputs into the development of a Social Protection Investment Plan (SPIP) for social protection and a National Social Protection Strategy (NSPS) that are taking place in 2017. Therefore, it will not offer detailed recommendations for improving the Sector as these will be dealt with in both the SPIP and NSPS. The SPIP will outline the Government's vision for the Sector up to 2030 to ensure that it contributes to the fulfilment of Vision 2030 and progressively realises the right to social security for all citizens of Kenya that is found in the national Constitution. The NSPS will set out the direction of travel for the Sector over the next five years.

1.2 Methodology of the Sector Review

The Review was carried out by a team of international and national consultants working in close collaboration with the Social Protection Secretariat (SPS) in the State Department of Social Protection.² The list of the consultants involved and their roles can be found in Annex 7. The consultants were overseen by the SPS, who facilitated consultations with other stakeholders in Kenya while providing extensive information on the Social Protection Sector as well as their expertise and advice. It was agreed that, as much as possible, the Review should make full use of existing information and reports and avoid undertaking original research replicating work previously undertaken.

The Review used a number of information gathering methods. Information was obtained from a literature review of Kenya's social protection system, secondary analysis of existing programme and household survey data sets and structured, in-depth interviews with stakeholders from government, external partners, programme implementers and civil society organisations.³ Interviews and data collection took place at various times including during three missions by the international consultants between October and December 2016 and through continuous follow-ups with stakeholders by a national consultant up to April 2017. A consultation workshop for stakeholders was carried out during the first mission while helpful inputs were received during a discussion workshop in March 2017 and a validation workshop in May 2017.

²Funding for the Sector Review was provided by UNICEF and the World Food Programme.

³A list of those consulted in the review is provided in Annex 6.

A variety of sources were used. These included:

- I. The comprehensive review of the literature drew on Government of Kenya policies, legislation and strategic planning documents, programme reviews and operational manuals, reports, critiques and studies from external organisations. Further reports and publications were used to understand the broader environment in Kenya and the provision of social protection in other countries. The breadth of information consulted can be found in the bibliography.
- II. Much financial and other information was obtained from: government annual budget reports for different ministries; internal ministry expenditure tables; and annual reports on programmes by the Auditor General.
- III. Programme impact evaluations published since 2012 or not reported on in the last Review have been drawn on, including for the CT-OVC, HSNP, Home Grown School Meals and the Cash and Food for Assets programmes and including the 2015 Beneficiary Satisfaction Survey for Inua Jamii.
- IV. Analysis was carried out on a range of household surveys, including the Kenya Integrated Household and Budget Survey 2005/06 and 2015/16 surveys, the 2009 national census, the 2014 Kenya Demographic Health Survey (DHS), the 2009 and 2011 evaluation data sets for the Hunger Safety Net Programme, and the 1997-2007 Tegemeo Rural Household Budget Survey.
- V. Analysis was also carried out on data from the National Single Registry and the HSNP Management Information System.

The analysis has not examined datasets in isolation but has, where possible, adopted an integrated approach, comparing datasets and

combining analysis. This has enabled a richer investigation than would be possible with just one dataset but has required assumptions to be made in certain cases, which are explained in the text when the analysis is presented. The Review has taken a variety of analytical approaches in looking at the Social Protection Sector and the report includes a range of simulations and mapping analysis.

The Review faced a number of challenges.

Occasionally, the Review team faced some difficulties in obtaining complete information on some programmes, at times because the information has not been collected. Sometimes, information from different sources was inconsistent and a judgement had to be made on which to use (though this is inevitable in a review of this nature). There were also challenges from some studies either not being of a usable quality or not being made available to the Review (sometimes because the reports were withheld for commercial reasons). In addition, some datasets linked to programmes either lacked information or data had been inaccurately entered. And, it was not possible for the Review team to meet with a small number of key stakeholders although efforts were made.

The Sector Review has, where appropriate, employed a rights based perspective, in line with the national Constitution.

Box 1.1 sets out key principles that should operate within any national social protection system and, throughout the report, reference will be made to these principles when reviewing progress in the Sector. These principles are a high standard and few countries are able to fully incorporate them within their social protection systems but they offer useful guidance on the standards that countries should aspire to even if, currently, they do not have the resources to fully implement them.

Box 1.1: Human rights principles for design and delivery of social protection systems and schemes⁴

Equality and non-discrimination: Social protection schemes should be available to all, and states should ensure that nobody is discriminated against in programmes and services. Social protection must promote gender equality and women's rights; and take into account the different experiences of men and women and the life-cycle risks they face.

Accessibility: Social protection systems should be barrier-free and inclusive and ensure that everyone has equal opportunities for access, which may require special measures being taken for particular categories of the population who may face additional barriers, such as those living with disabilities.

Adaptability: States must guarantee that social protection programmes, services and materials are adapted to the needs of individuals, including persons with disabilities, as well as to local contexts. They should be culturally acceptable in the context of multiple forms of discrimination.

Adequacy of the benefits provided: States should ensure that social protection schemes provide quality services and benefits of an adequate amount and duration to enable all beneficiaries to enjoy an adequate standard of living, including ensuring that persons with disabilities enjoy equal opportunities to access the same standard of living as other citizens.

Respecting the dignity and autonomy of individuals: Social protection systems must respect the inherent dignity of all individuals, as it is a fundamental right in itself and constitutes the basis of fundamental rights in international law; and they must avoid stigmatisation and prejudice.

Ensuring the right to privacy: Social protection schemes must respect the right to privacy and international standards on confidentiality when collecting information to identify beneficiaries.

Transparency and access to information: Social protection systems must provide transparent and comprehensive access to information and communicate effectively on all aspects of programme delivery and services provided. In the case of persons with disabilities, information is to be accessible according to specific needs. It must also be culturally appropriate and delivered to be equally accessible to those of all cultures and languages.

Accountability: States are to ensure access to accountability mechanisms, independent and effective complaints procedures, and effective remedies. States and responsible parties in social protection systems are to be held accountable for decisions and actions that might have negative impact on the right to social security for all. The responsibilities of institutions need to be clearly defined and stipulated in a legal framework to ensure accountability.

Meaningful and effective participation: All citizens, including persons with disabilities, must have the right and ability to participate in all stages of social programme schemes; specific measures must be put in place to actively encourage and enable the participation of those experiencing structural discrimination.

Comprehensive, coherent and coordinated policies: States are to promote a holistic and comprehensive approach to social protection by designing and implementing integrated and coordinated programmes and services, and by taking into account the interdependence of rights and complementarity with other social, economic, development and employment policies. In addition, states should ensure the coverage of risks individuals face throughout their lifecycle and bear in mind specific experiences related to a given stage in the lifecycle.

1.3 Outline of the Report

The review will consist of ten chapters, including the introductory chapter, each addressing different aspects of the Social Protection Sector in Kenya. This section will briefly outline the contents of each of the following

⁴These principles are adapted from Sepúlveda and Nyst (2012), Recommendation 202/2012 of the International Labour Organization and UNRISD's Social Protection & Human Rights Platform at: <http://socialprotection-humanrights.org>

chapters. The following section of this introduction chapter – Section 1.4 – will provide an overview of the context for social protection in Kenya and the challenges that are faced by Kenya and its citizens throughout the lifecycle.

Chapter 2: Overview of the Social Protection Sector. This chapter provides an analysis of the current Social Protection Sector in Kenya as well as an overview of developments over the 5 years since the last Sector Review was conducted in 2012. Changes in the legislative and policy framework are examined. It discusses the definition of social protection used in Kenya and provides a description of the current Social Protection Sector, outlining the schemes to be included in the review. It also provides an overview of the design of the current national social security system, emphasising that there is a significant ‘missing middle’ of the population which is currently excluded from the system.

Chapter 3: Budgeting, Expenditure and Financial Sustainability of the Social Protection Sector. This chapter offers an overview of the trends in spending on social protection within the Sector since the 2012 Review, how sources of funding have evolved, and how levels of spending in Kenya compare to other countries, especially in Africa. Furthermore, it addresses some of the key issues around budgeting, spending and funding sustainability. The latter is illustrated by a hypothetical scenario for increasing government spending on social protection in future years.

Chapter 4: Adequacy and Equity of Social Protection Schemes. This chapter assesses the effectiveness of the coverage of the national social protection system, disaggregating it by, for example, lifecycle categories, gender and geography. It assesses the extent to which access to social protection schemes has improved since the 2012 Sector Review by examining the effectiveness of the selection mechanisms that have been used to identify beneficiaries. It also assesses the adequacy of the value of the benefits provided by social protection programmes, comparing them against a range of bench-marks, as well as looking at changes in their real values over time.

Chapter 5: Social Protection Programme Delivery Mechanisms. This chapter addresses the operational mechanisms for the management of social protection schemes in Kenya. It assesses the effectiveness of the delivery mechanisms of tax-financed and contributory social protection schemes to determine the extent to which the right people

are receiving the right cash at the right time and place.

Chapter 6: Governance, Performance Management and Accountability in the Social Protection Sector. This chapter addresses institutional governance, performance and financial management, and accountability in the Social Protection Sector. Accountability is assessed in terms of accountability to citizens.

Chapter 7: Effectiveness and Impact of the Social Protection Sector. This chapter examines the cost-efficiency, impact and cost effectiveness of social protection. It also takes a forward look on the role of social protection programmes and their potential role in strengthening human development, building the capacity of the labour force, stimulating investment and promoting economic growth.

Chapter 8: Institutional and Political Sustainability of the Social Protection Sector. This chapter examines the drivers of change that have influenced the evolution of the national social protection system over the past five years and assesses the factors that will determine the sustainability of the sector.

Chapter 9: Conclusion. This chapter is based on findings from the previous chapters and identifies potential areas that could be addressed in the future National Investment Plan and National Social Protection Strategy.

1.4 The Context for Social Protection in Kenya

Investment in social protection is an essential component of any successful and sustainable market economy. In developed countries, an average of 12 per cent of GDP is invested in social protection, making it the highest area of public spending.⁵ Social protection is recognised as a core and essential public service, alongside other services such as health and education. Some developed countries have been investing in formal national social protection systems for over two centuries. However, the most significant expansion began after the Second World War as a means of building social cohesion across divided societies and underpinning future economic success. The majority of the investment has been in guaranteeing income security for the most vulnerable members of society, in particular older people, persons with disabilities, children and widows, while also providing a safety net for those facing crises impacting on their wellbeing (such as unemployment or ill-health).

⁵OECD Social Expenditure Database (SOCX), available at <http://www.oecd.org/social/expenditure.htm>

A growing number of developing countries are investing significant proportions of national income in social protection, recognising the benefits it brings to their societies and economies.

The level of investment in some developing countries – such as South Africa, Mauritius, Brazil and Georgia – is at more than 3 per cent of GDP. Kenya has been developing its tax-financed social protection system for the past 10 years and has reached a level of investment of 0.38 per cent of GDP, which places it as one of the leading countries in Africa and ahead of many wealthier Asian nations. The level of investment is, however, still below the level at which it can make a significant difference.

Investment in social protection brings significant social, economic and political benefits to countries.

It is the key policy tool available to governments for reducing poverty and offering all citizens the guarantee of income security. Alongside other public services, it can significantly contribute to human development, build a nation's future labour force, and encourage greater and more productive labour force participation. It plays a key role in strengthening the national social contract and engendering social cohesion.⁶ The increased spending by beneficiaries on consumption goods is also a key driver of economic growth, protecting economies during downturns and creating markets for entrepreneurs.⁷

In recent years, Kenya's economy has been growing steadily.

GDP growth has been around 5.3 per cent from 2005 to 2015, with the country now recognised as lower middle income.⁸ Kenya was hit hard by the global economic crisis of 2008 – especially the agricultural sector – but, over the period of this Review, had managed to return to its previous growth trajectory. While the country runs a budget deficit, the national debt remains at

sustainable levels.⁹ The economy continues to rely on agriculture, contributing a quarter of total GDP and employing about 7 out of 10 Kenyans in rural areas. The manufacturing sector, where productivity gains could be made, is a relatively small and diminishing share of the economy and is held back by inadequate infrastructural investment in energy and transport. Labour force participation is only 72.4 per cent for men and 62.4 per cent for women and is accompanied by underemployment, while low productivity is prevalent among those in work.¹¹ Currently, the sectors performing well are high-value horticulture, tea, tourism, financial services and emerging ICT.¹² Services have offered the main stimulus of economic growth in Kenya over recent years, accounting for 72 per cent of the increase in GDP i between 2006 and 2013. This is due to the emerging ICT sector and financial services which boost demand for trade. Moreover, tourism, horticulture and food production have prospered over recent years.¹³

The growth of Kenya's economy is held back by human development constraints which contribute to lower productivity across the workforce.

These constraints include the impact of poor nutrition, limited provision of quality health services and the large number of children leaving school before finishing secondary education.¹⁴ However, the Human Development Index has been growing, which is a positive trend (see Figure 1). Life expectancy has been rising since 2001 – following the impacts of HIV and AIDs epidemic – and now stands at 62 years (which is higher than in the late 1980s), in part because of a significant reduction in infant mortality. However, the high – and probably growing – inequality in Kenya is almost certainly holding back growth.¹⁵

⁶ILO (2013).

⁷Mathers and Slater (2014); Kidd (2014)

⁸World Bank (2017), available at <http://data.worldbank.org/country/kenya>

⁹IMF (2014).

¹⁰World Bank (2016).

¹¹ILO (2017): ILOSTAT, Labour participation rate – ILO estimates and projections (%).

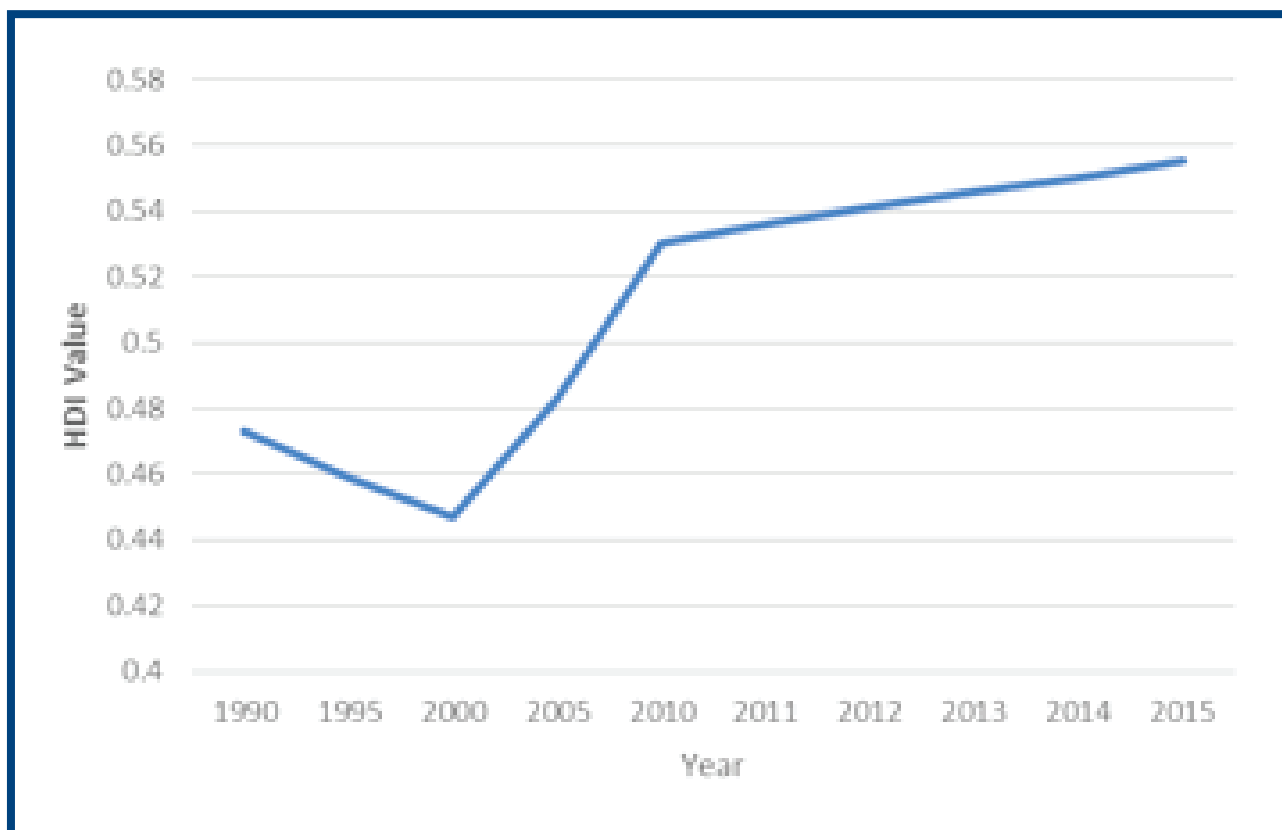
¹²World Bank (2014).

¹³World Bank (2016).

¹⁴Gelders (2016b).

¹⁵World Bank (2016).

Figure 1: Growth in HDI Value in Kenya between 2010-2015¹⁶

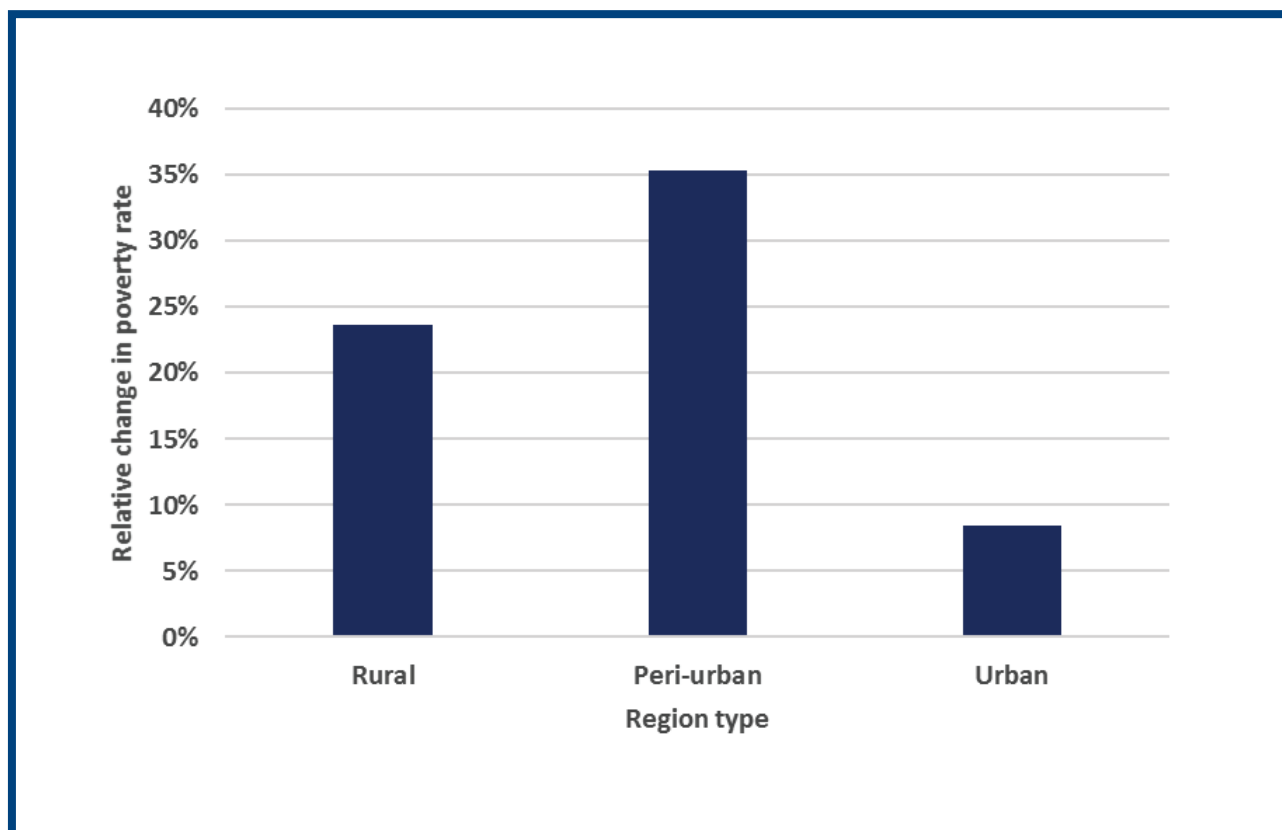


As Kenya develops and moves towards middle-income country status, its social infrastructure – such as the health, education and Social Protection Sectors – must evolve to ensure that the benefits of progress and growth are shared with all citizens. Higher investment in social protection will create greater stability, increased prosperity, a more dynamic and competitive economy and ensure that every citizen is included in society and can reach their full potential, resulting in a more productive workforce. Many of the pathways through which social protection contributes to economic growth are explained in Chapter 7.

The most recent measure of poverty in Kenya is from 2015/16 and indicated a national poverty rate of 36 per cent (with the poverty line set at KES 107 in rural and peri-urban areas, and KES 197 in core urban areas, per person per day). This represents a significant fall in the poverty rate since 2005/06 when the poverty rate was 47 per cent. The fall in poverty rates has not been consistent across the country: for example, as shown by Figure 2, the highest fall in poverty rates has been in peri-urban areas, while the lowest fall has been in urban areas.

¹⁶Source: UNDP (2016), available at http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/KEN.pdf

Figure 2: Changes in poverty rates comparing urban, peri-urban and rural areas¹⁷

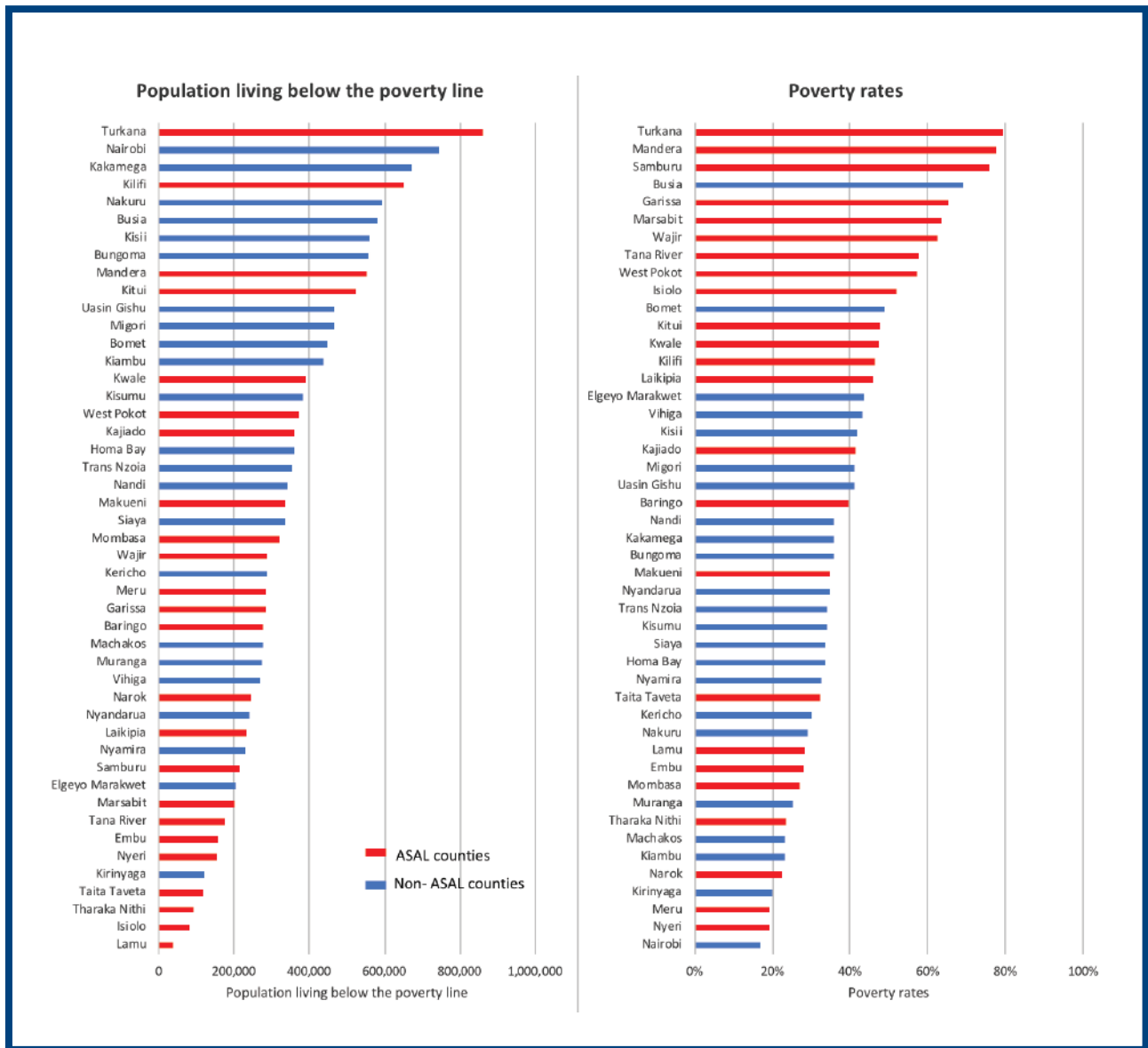


There is a geographic dimension to poverty in Kenya, as indicated by Figure 3. However, the common belief that poverty is more prevalent in the arid and semi-arid areas (ASAL) is not entirely consistent with the evidence. As a proportion of the total population living below the poverty line, 44 per cent live in ASAL areas whereas 56 per cent live in non-ASAL areas.¹⁸ As the graph on the left shows, while the counties with the highest poverty rates are found in ASAL areas, there are many non-ASAL counties that have higher poverty rates than some ASAL counties. Furthermore, when examining total numbers of people living in poverty, the picture is also different: as the right-hand graph indicates, many non-ASAL counties have higher numbers of people living in poverty than ASAL counties, mainly due to larger populations. Figure 4 shows the same analysis but through a map.

¹⁷Source: KIHBS 2015/16. 2005/06 poverty line has been revalued based on 2015/16 basket using 2005/06 prices.

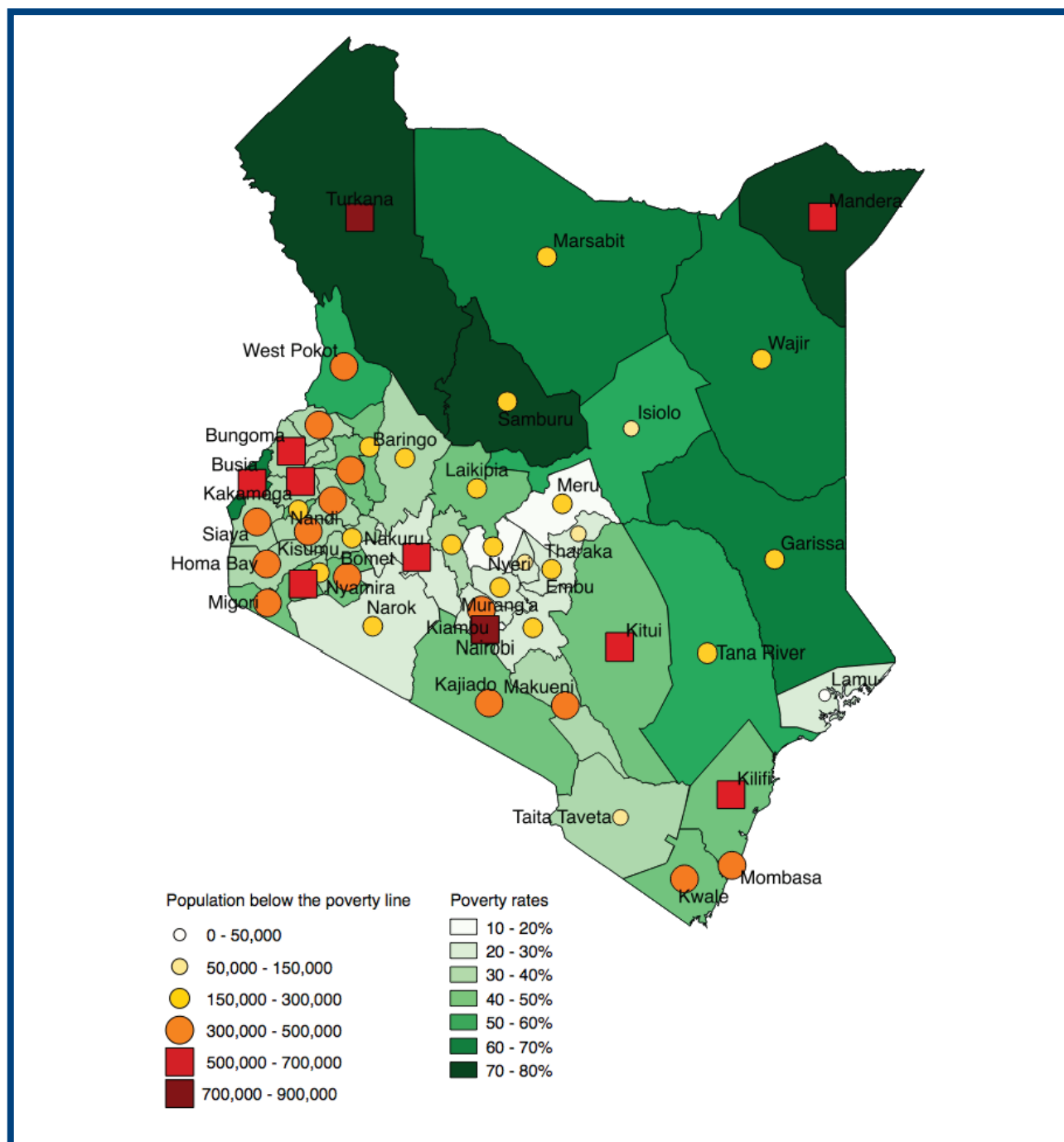
¹⁸Poverty estimates taken from KIHBS 2015/16 data.

Figure 3: Poverty rates and numbers of people living in poverty across counties¹⁹



¹⁹Source: Analysis of KIHBS 2015/16 by Development Pathways.

Figure 4: Map of counties indicating poverty rates and numbers of people living in poverty²⁰



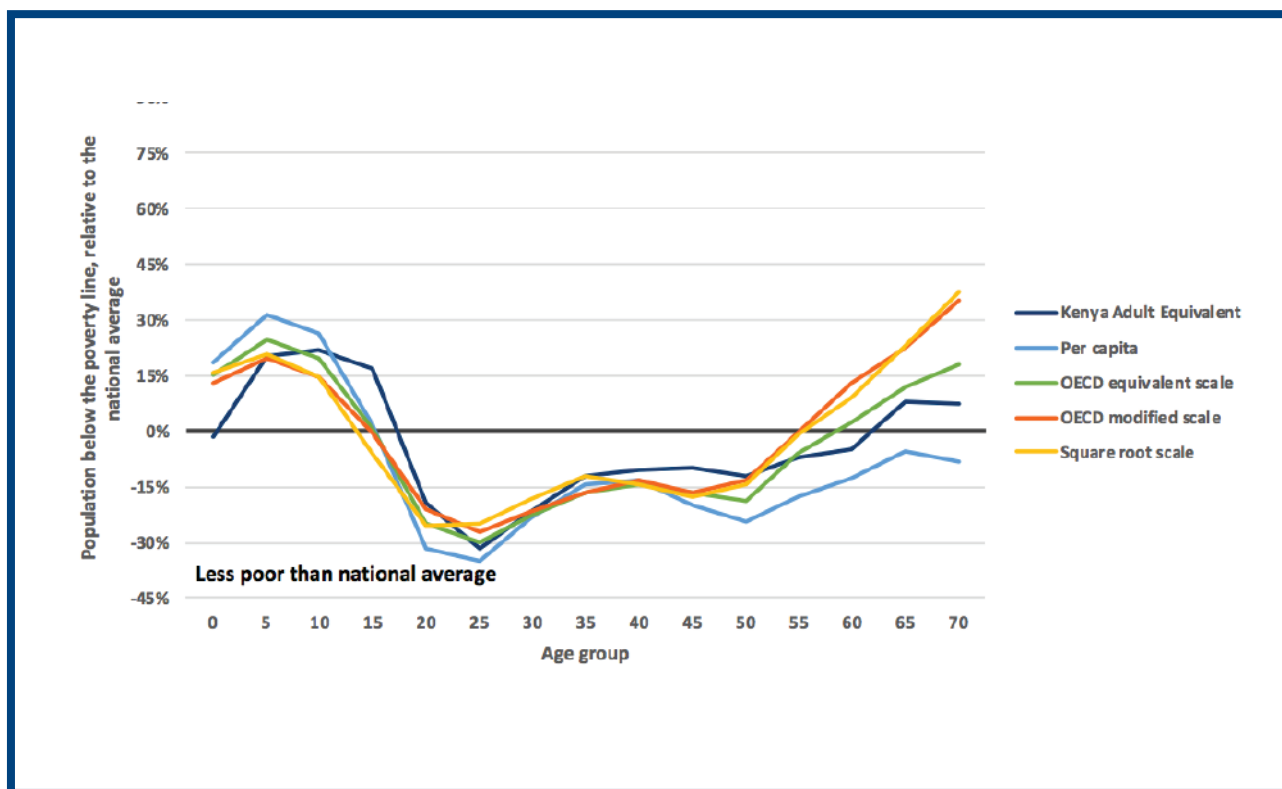
Poverty rates vary across different age groups, although caution needs to be exercised in undertaking comparisons. As Figure 5 shows, under assumptions used in the conventional analysis of poverty rates in Kenya, children are the poorest category of the population, although not children aged under 5 years who have a poverty rate below the national average. However, under different assumptions – all of which are valid – relative poverty across age groups changes. Under

certain assumptions, older people are assessed as the poorest category of the population while children aged under 5 years are also assessed as poorer than average and, under one assumption, are the poorest category of the population. Overall, it is safe to conclude that children and older people tend to be poorer, on average, than those of working age. The poverty rate of persons with severe disabilities is 42 per cent.²¹

²⁰Source: Analysis of KIHBS 2015/16 by Development Pathways.

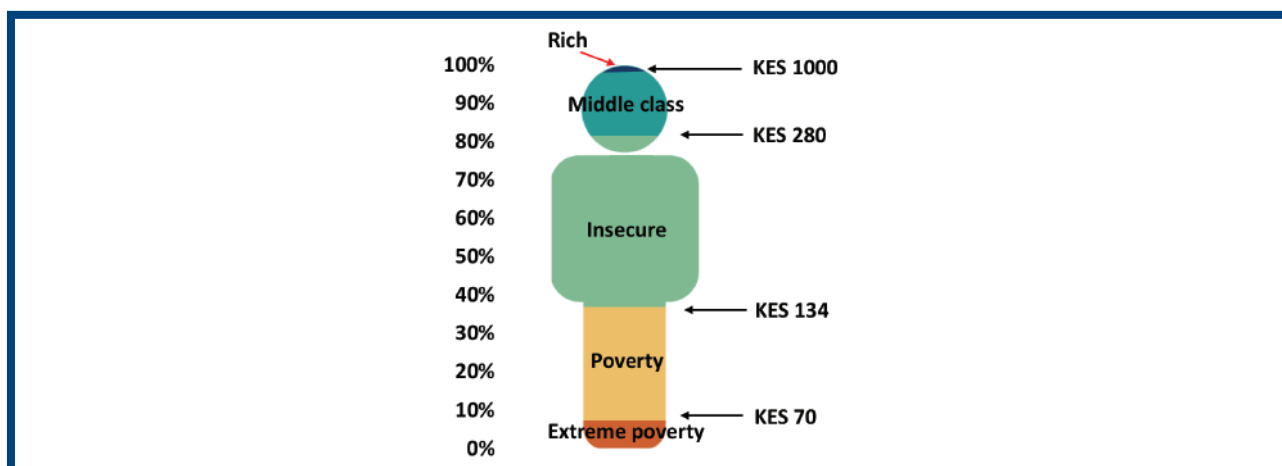
²¹Those estimates are based on KIHBS 2015/16, but they have to be interpreted carefully, as the questions on disability are not aligned with the Washington Group questions.

Figure 5: Comparison of relative poverty across age groups, using different assumptions on equivalence scales



In reality, the majority of the population of Kenya live on low incomes. Based on the 2015/16 KIHBS data, as Figure 6 indicates, a large proportion have per capita consumption that makes daily life a struggle. Around 80 per cent of the population could be considered as either living on insecure, low incomes and in danger of falling into poverty at any time given that their per adult equivalent daily expenditures amounts to less than KES 280 (US\$2.80) per day.²² In fact, in rural areas, this figure rises to 85 per cent of the population. Only a small proportion of the population – less than 20 per cent – could be considered as middle class, but that would require setting the line for qualifying as middle class at only KES 280 (US\$2.80) per adult equivalent per day. Indeed, less than 1 per cent of the population were living on more than KES 1,000 (US\$10) per adult equivalent per day.

Figure 6: Economic classes in Kenya and the proportion of the population living on different levels of daily per capita consumption in 2015/16²³

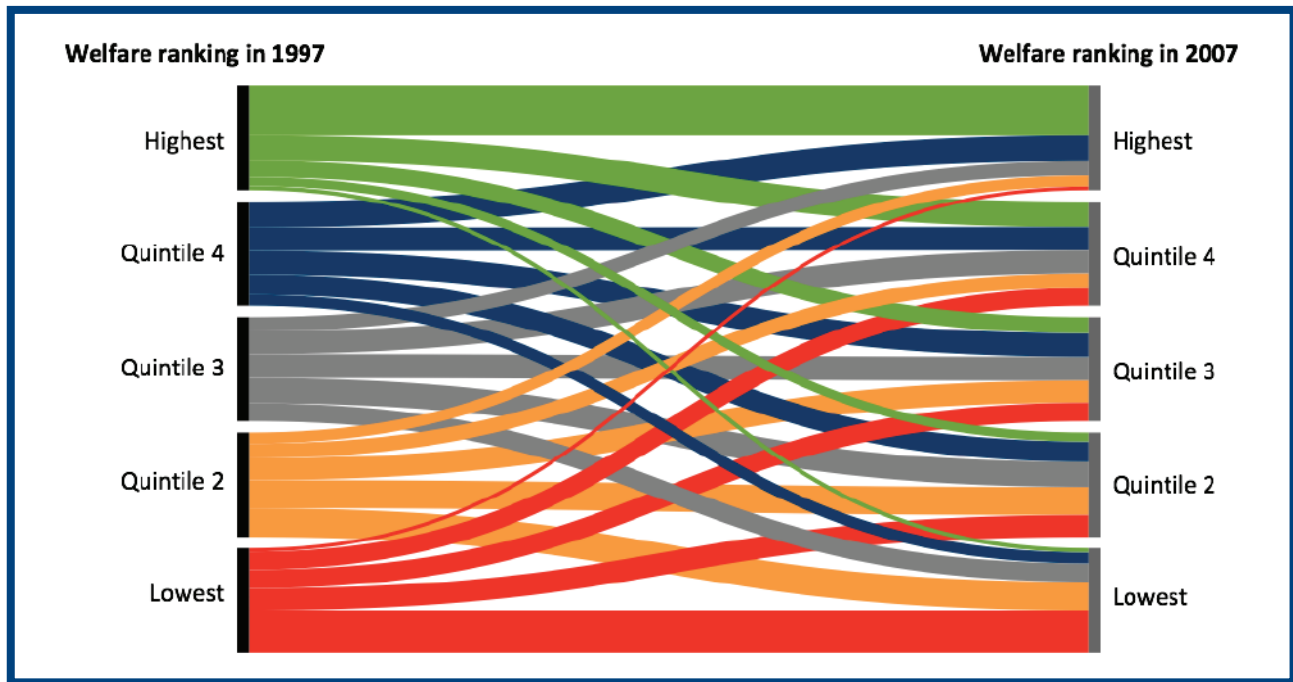


²²The estimates given here are based on KIHBS 2015/16 and the dollar exchange rate used is based on the average for the 2015/16 financial year. KES 280 per adult equivalent a day is slightly greater than two times weighted averages of poverty lines. In PPP terms, KES 280 is equal to US\$6.00.

²³Source: Analysis undertaken of KIHBS2015/16. Poverty headcounts are calculated using adult equivalent poverty lines. The extreme poverty lines in 2016 were KES 1,954 in rural and peri-urban areas and less than KES 2,551 in core-urban areas. The poverty lines in 2016 were KES 3,252 in rural and peri-urban areas and KES 5,995 in core-urban areas. Cut-off values were based on weighted averages of poverty lines.

Furthermore, household consumption and income is highly dynamic, as people are hit by shocks and crises or respond to opportunities. Figure 7 offers an example of consumption dynamics in rural Kenya between 1997 and 2007. It shows the movement in relative wealth ranking of 1,540 rural households in Kenya that were interviewed four times during a 10-year period, as part of the Tegemeo panel household survey. It indicates that, while many households improved their relative position to others, a large number of households had experienced relative falls in their standards of living. Indeed, across rural Kenya, throughout the ten-year period between 1997 and 2007, 84 per cent of rural households spent all, or some time, living in poverty.²⁴ While this happened over a relatively long period of time in Kenya, in other countries – including Uganda and Rwanda – there is evidence of similar movements happening over one to three years, and a similar situation should be expected in Kenya over shorter periods.²⁵

Figure 7: Movement of households in rural Kenya across consumption quintiles, 1997-2007²⁶



Similar changes in the relative position of households across consumption quintiles can be found in the counties of Turkana, Marsabit, Mandera and Wajir over a period of just two years, using data from an evaluation dataset of the Hunger Safety Net Programme (see Figure 8).²⁷ Although most of the households are living in poverty, the volatility in consumption clearly indicates the impact of shocks and crises: even households in the highest quintile dropped to the lowest quintile in only a two year period.

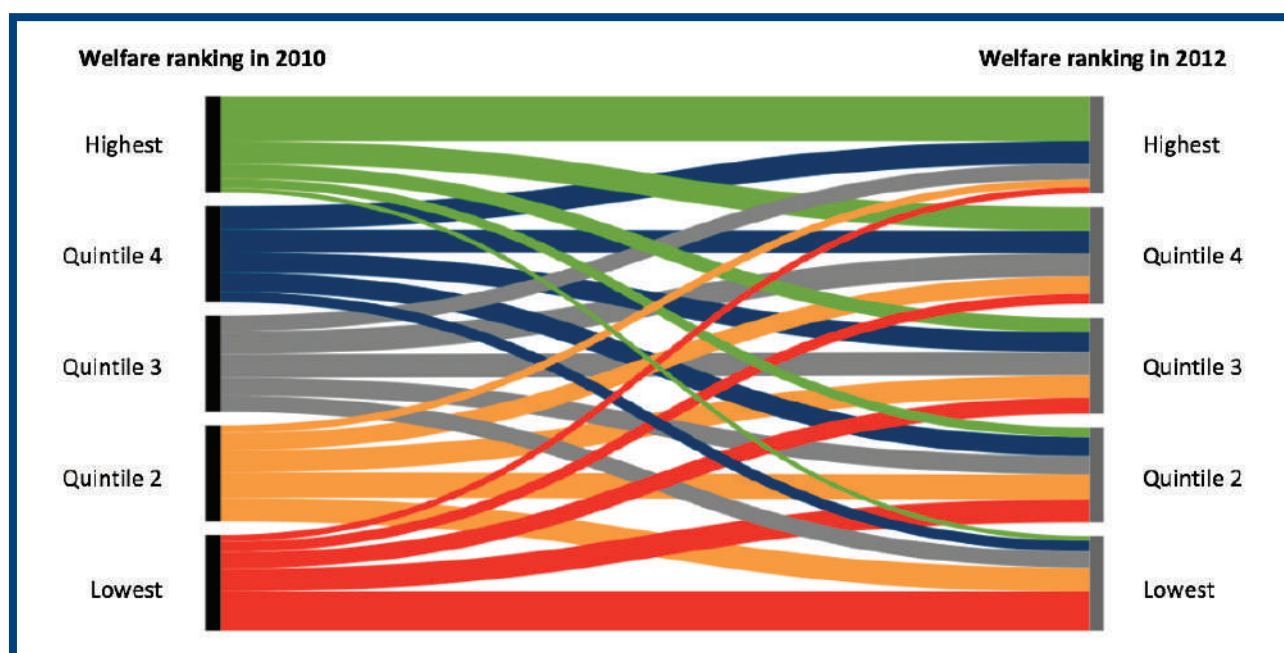
²⁴Gelders (2016b).

²⁵See, for example, Kidd et al. (2016), Kidd and Gelders (2016), Kidd, Gelders and Athias-Bailey (2017) and NISR (2016).

²⁶Source: Calculations based on the Tegemeo Rural Household Budget Survey 1997–2007 data sets.

²⁷These are consumption quintiles within these counties, not national consumption quintiles.

Figure 8: Movement of households in Turkana, Marsabit, Mandera and Wajir across consumption quintiles, 2010-2012²⁸



The evidence from these panel datasets indicates that families in Kenya are continuously susceptible to poverty and falling living standards as they run the risk of being hit by a crisis or shock at any time. These crises can occur at any stage of life: it may be a sudden onset of illness or disability resulting from an accident; the growing challenge of ageing as people gradually become frailer and less able to provide for themselves and their families; unemployment; the birth of a child, while a joyful event, also means that family costs increase at the same time that their capacity to earn falls; the death of livestock; a drought or flood; or an economic recession. Any of these challenges can lead to falling living standards among Kenyan families and, the lower their incomes, the less able they are to cope with risks. .

The dynamic nature of household incomes means that policy analysts should not be trapped into thinking that countries have fixed groups of 'poor' and 'non-poor.' As Box 1.2 explains, poverty lines should be used as a means of monitoring a country's progress in tackling poverty but not as the key input into the design of social policies. Since income and consumption are very dynamic, a high proportion of the population is likely to spend some time under the poverty line over a period of years (in the case of Kenya, as noted above, it was 83 per cent of rural households over 10 years). Therefore, in any country, potentially many more people should be regarded as living in poverty than just those who were captured at one point in time during a household survey. Furthermore, as in the case of

Kenya, consumption and incomes in developing countries are low for the majority of the population, which increases their insecurity. So, any shock or crisis could easily downgrade a person's wellbeing ranking when measured against others.

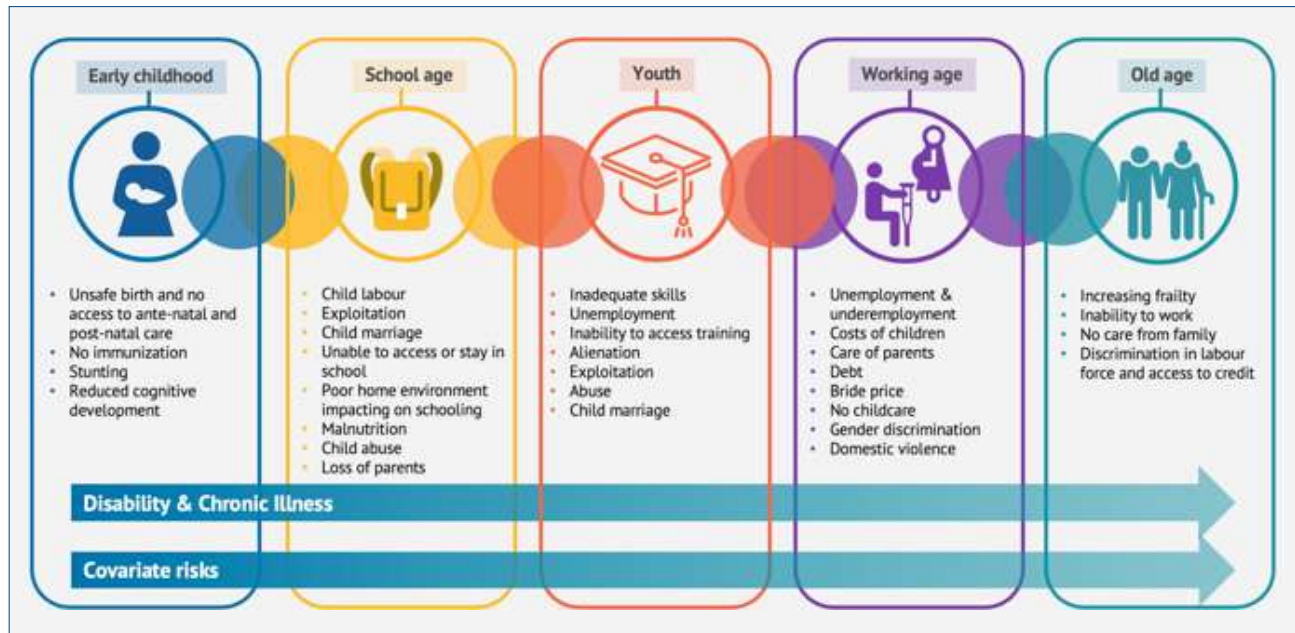
Box 1.2: Understanding poverty lines and rates

Countries use poverty lines and poverty rates to monitor their progress in tackling poverty over time. Furthermore, each country can choose its own poverty line as well as the assumptions used to determine the poverty rate. Therefore, when comparing countries, results can be counter-intuitive. So, while Kenya has a national poverty rate of 36 per cent, Uganda – a much poorer country – has a national poverty rate of only 21 per cent. Indeed, just by changing the assumptions used in the analysis of Kenya's household survey, a different poverty rate could be calculated. So, for example, if Kenya were to use the same assumptions as Indonesia – in terms of equivalence scales – the poverty rate would be 60 per cent, a significant increase. Therefore, when determining social policies – including on social protection – it is necessary to use more sophisticated analysis to understand who is really in need of social protection and how best they can be reached.

²⁸Source: Calculations based on the HSNP evaluation survey for 2010 and 2012.

The risks that people face – which can hit their standards of living – vary across the lifecycle. The risks faced by children, younger people, those of working age and older persons can be different, but they all have broader impacts on families, households and wider kinship groups. Since many of these risks can undermine family incomes, they can be addressed, in part, by the provision of social protection. The following paragraphs examine some of the key risks faced by Kenyans across the lifecycle, which are summarized in Figure 9.

Figure 9: Summary of lifecycle risks experienced by Kenyans



During early childhood, poverty can have particularly negative and irreversible effects that last throughout adulthood. The challenges that young children face begin in the womb, in particular if pregnant women are unable to access an adequate diet which has negative impacts on their babies’ nutritional status. When a woman suffers from malnutrition or micronutrient deficiencies, this heightens the risks of problems during pregnancy and having a child with a low birth weight. In Kenya, as elsewhere, these risks are intensified when families have limited access to health services. Among the poorest wealth quintile, only 30 per cent of births in Kenya are delivered by a skilled provider while the figure is 62 per cent among all births in Kenya.²⁹

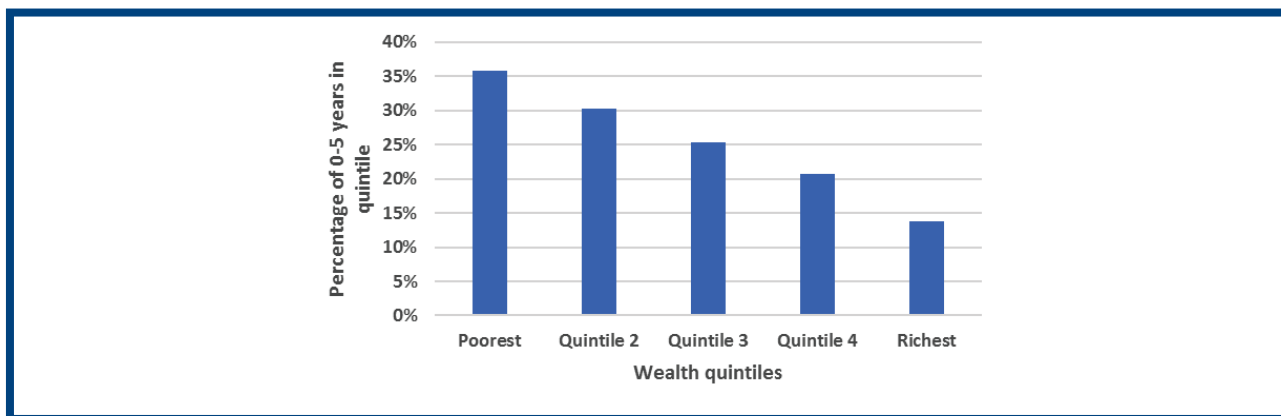
Inadequate nutrition over an extended time period often leads to children being stunted, a fate experienced by 26 per cent of children in Kenya under the age of 5 years.³⁰ As Figure 10 indicates, stunting is particularly prevalent among the poorest households: approximately 35 per cent of children in the poorest quintile are stunted. However, the rate is also high in the second most affluent quintile – at over 20 per cent – offering further evidence that a high proportion of the population live on low incomes.³¹

²⁹KDHS (2014).

³⁰KDHS (2014).

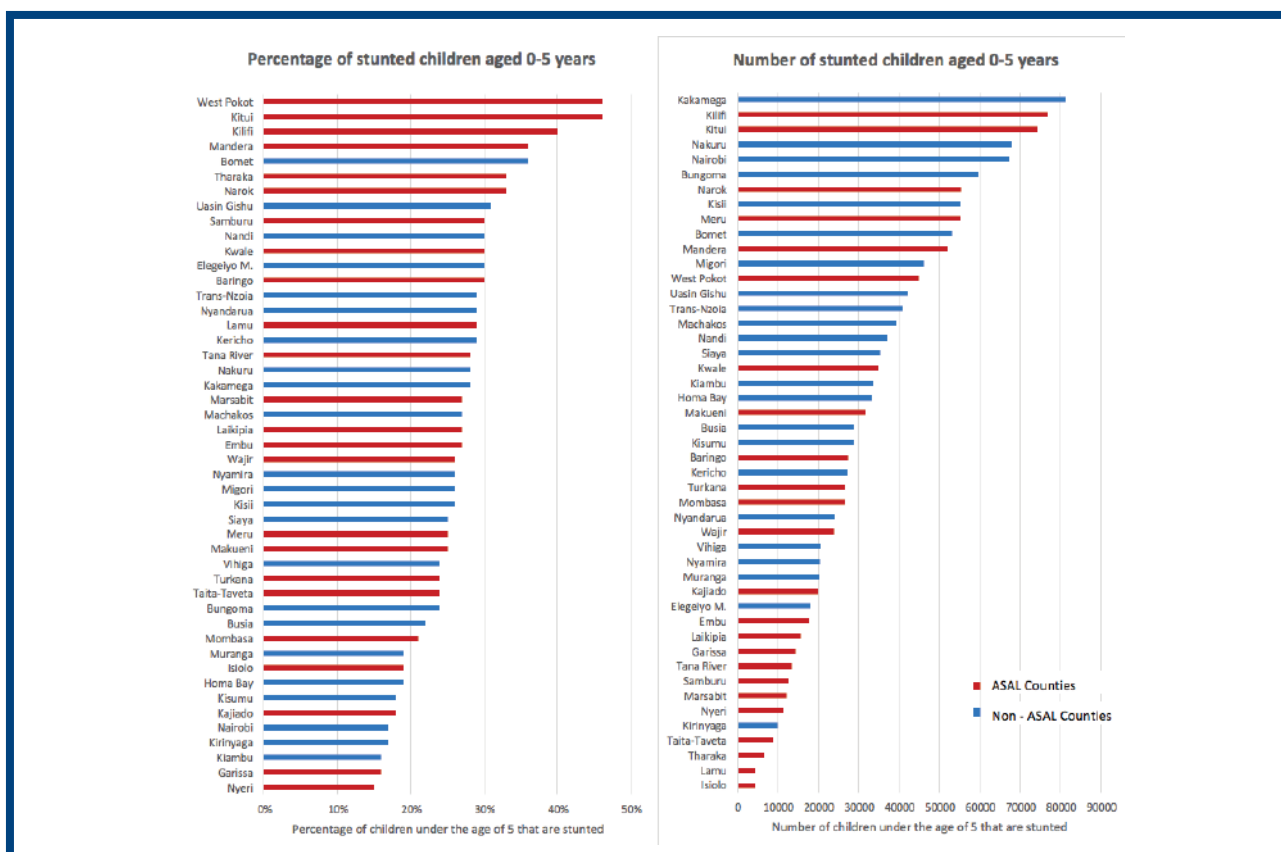
³¹KDHS (2014).

Figure 10: Stunting rates among children aged 0-5 years, by wealth quintile³²



There is a geographic dimension to stunting, as shown by Figure 11. As the left-hand graph shows, the highest rates of stunting are in some ASAL counties – West Pokot, Kitui, Kilifi and Mandera – but many non-ASAL counties also have high rates of stunting. Furthermore, the highest number of stunted children is found in the non-ASAL county of Kakamega and, in general, non-ASAL counties have higher numbers of stunted children than ASAL counties due, to a large extent, to higher numbers of young children. In ASAL counties, the total number of children experiencing stunting is 673,000 while the number of stunted children in non-ASAL counties is 871,000.³³

Figure 11: Stunting rates and number of stunted children aged 0-5 years, across counties³⁴



A significant consequence of stunting is that it impacts on children’s cognitive development and future earnings and so impedes the development of Kenya’s labour force. Nutritional setbacks among young children are difficult to recover from and result in inferior performance at school while reducing the opportunities of earning a good income as adults. For example, a stunted child earns around 20 per cent less

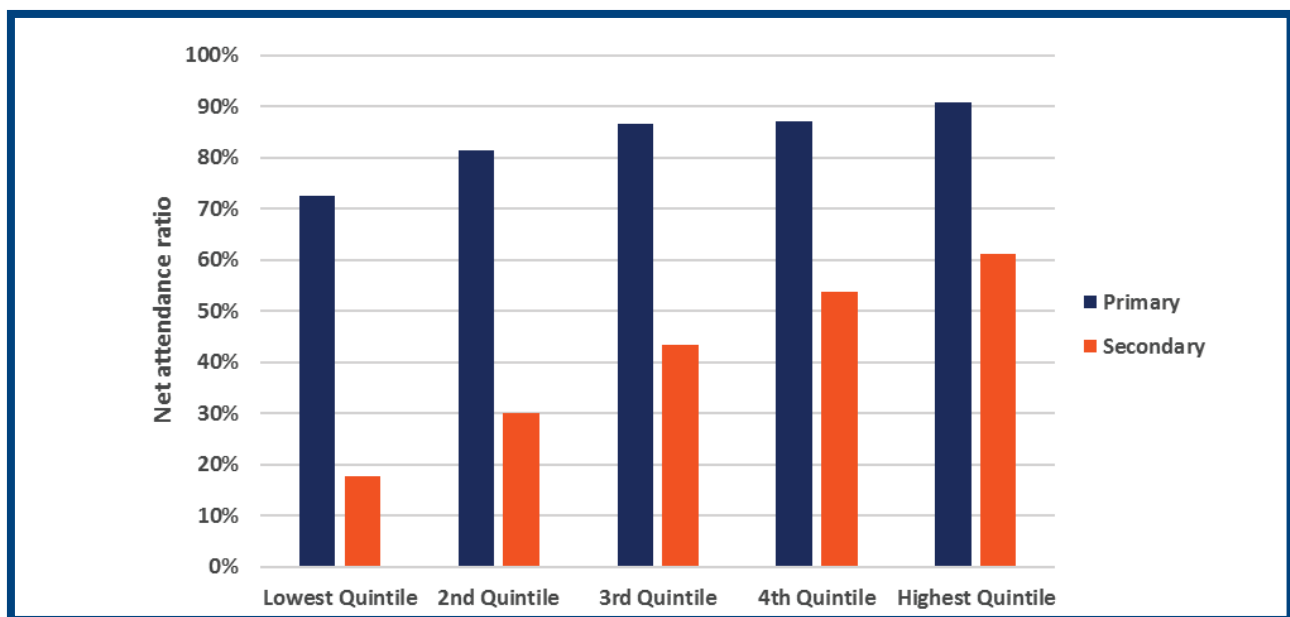
³²These figures are based on the 2014 Kenyan Demographic and Health Survey (KDHS)

³³These figures are based on the 2014 Kenyan Demographic and Health Survey (KDHS)

as an adult than their non-stunted peer.³⁵ Ensuring that young children have optimal nutrition, health, care and stimulation during the first five years of life is essential to their reaching their full potential and making the maximum contribution to the nation.

One of the major challenge that children face is the risk of being unable to attend school.³⁶ Whereas, as Figure 12 shows, school attendance rates among young children in Kenya are relatively high – although this masks significant regional disparities – many children nationwide are unable to attend secondary school. The net attendance ratio for secondary schools in Kenya is 32.6 per cent while the gross attendance ratio is 54.3 per cent.³⁷ Children from families living on low incomes in Kenya are less likely to attend school: the net attendance ratio of secondary schools in the lowest wealth quintile is merely 17.6 per cent, whereas it is 61.3 per cent in the highest quintile. And, if they do attend school, their home environments, including poor diets, may be less conducive to study.³⁸ Risks can also vary between ethnic groups and regions: for example, early child marriage, female genital mutilation and school drop outs are likely to be higher in northern Kenya.

Figure 12: Net school attendance ratio among children age 5–17 years, by consumption quintile and level of education³⁹



Many children in Kenya are orphans but orphanhood does necessarily mean being in a household with a lower income than other children. An emerging body of global research has shown that orphanhood and co-residence with a chronically ill or HIV-positive adult are not universally robust measures of child vulnerability across national and epidemic contexts.⁴⁰ As shown in Figure 13, similar evidence can be found in Kenya: orphaned children are not that much more likely to live in poverty.⁴¹

³⁵Gelders (2016b).

³⁶Ibid.

³⁷KDHS (2014). The net attendance ratio (NAR) of secondary schools is expressed as the percentage of secondary school-age population, aged 14–17, that is attending secondary school. The gross attendance ratio (GAR) is the total number of secondary school students, expressed as the percentage of the official secondary school-age population.

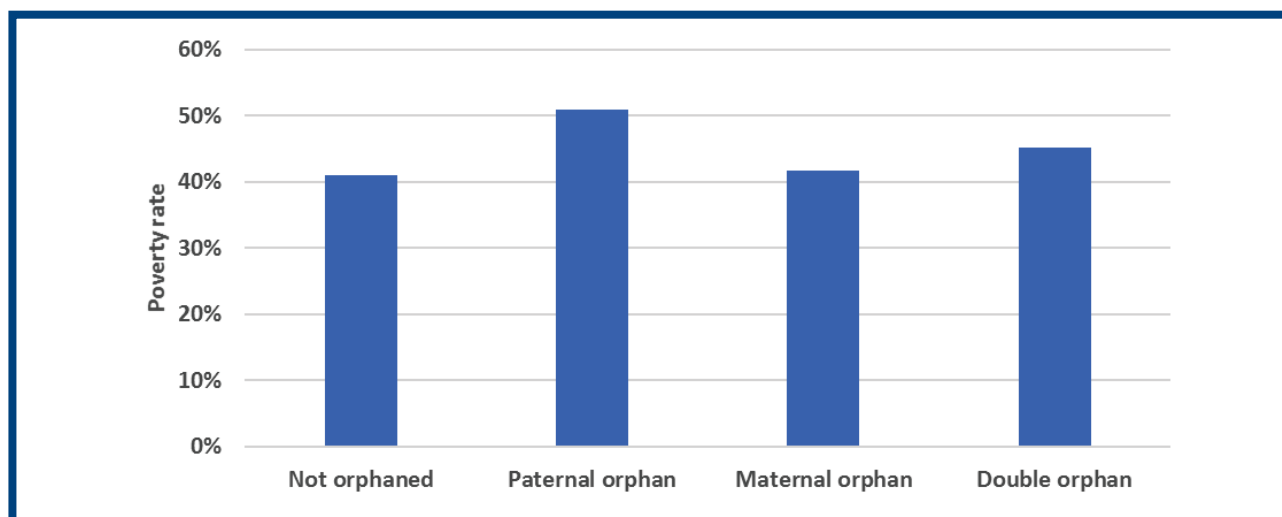
³⁸KDHS (2014).

³⁹Calculations based on KIHBS 2015/16.

⁴⁰Akwara et al. (2010); UNICEF (2014a).

⁴¹Further discussion can be found in Gelders (2016b).

Figure 13: Poverty rate among children below the age of 18 years by orphanhood status, 2015/16⁴²



However, children with disabilities are significantly disadvantaged. Children with disabilities are less likely to attend school: 17 per cent of children of school age (6-17 years old) with a disability had never attended school in comparison to 10 per cent of children without a disability.⁴³ Children born with a disability can be particularly disadvantaged if their impairment is regarded as the result of a curse and is a source of stigma. Often, husbands can abandon their wives and children, after the birth of a disabled child, leaving them particularly exposed. And, children with disabilities can be hidden away and find it impossible to access health and education services. However, disability is also a risk that people can be confronted with in later life due to the lack of early intervention in childcare. According to the 2009 Census, approximately 2.2 per cent of children aged 0-17 years old – which amounts to around 437,000 children – were living with a disability.⁴⁴ However, this figure is likely to be an underestimate since some families may have withheld information about their child’s disability from the census. Worldwide, WHO and World Bank (2011) estimate that 5.1 per cent of children have a disability while 0.7 per cent have a severe disability.

Children from low income families are more likely to engage in child labour in order to supplement their families’ incomes. This not only compromises their education but also their cognitive and physical development if they become involved in hazardous activities which are detrimental to their health. The 2015/16 KIHBS estimated that over 1.9

million children aged 5-17 years were working for pay, profit or family gain.

A recent study by UNICEF, WFP and the Social Protection Secretariat argues that the definition of vulnerable children in Kenya should move away from a focus on orphanhood, since many non-orphans are also vulnerable and living in poverty.⁴⁵ Indeed, as indicated above, some of the most vulnerable children are those living with disabilities. As discussed later in the report, this could have implications for the design of the national social protection system.

As people reach working age, they face further challenges on entering the labour market and starting families. A large proportion of the working age population experience insecurities as they rely on income from low-earning jobs in the informal economy or subsistence sector. The majority of men (67 per cent) and women (69 per cent) in Kenya are employed in agriculture, unskilled manual labour or domestic services.⁴⁶ Underemployment and unemployment affect large numbers of working age people.

Only 26 per cent of the working age population were employed in the formal economy. Yet, as Figure 14 shows, formal employment does not mean that families are able to escape poverty: among the poorest quintile of the working age population, around 19 per cent were in formal sector employment.

⁴²Source: Calculations based on KIHBS 2015/16.

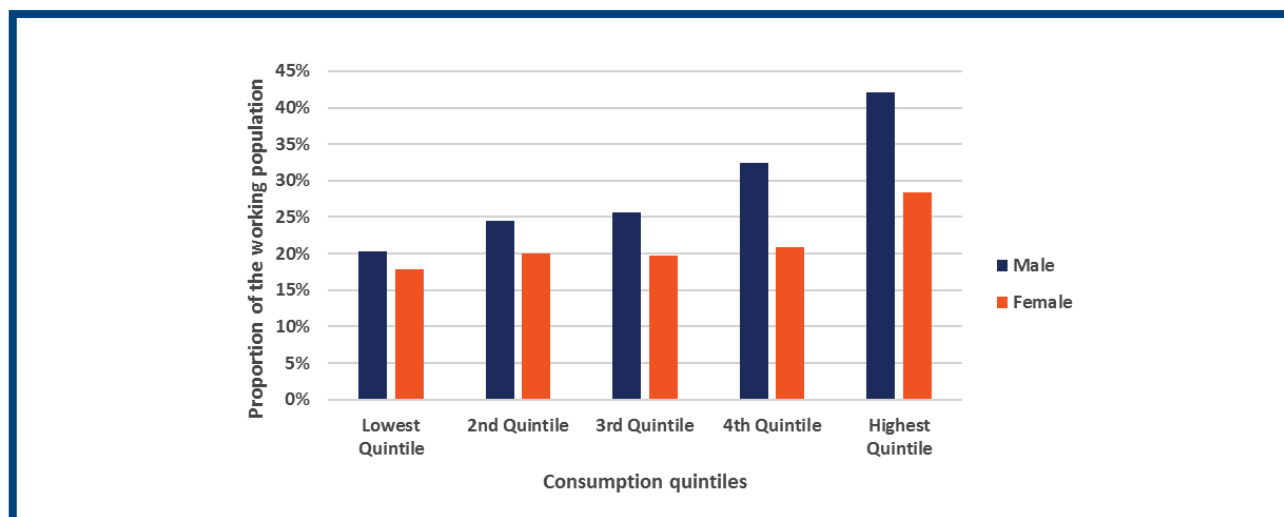
⁴³Government of Kenya (2012).

⁴⁴These figures are based on an analysis of the 2009 National Census data set.

⁴⁵See Gelders (2016b)

⁴⁶KDHS 2014.

Figure 14: Proportion of the population aged between 18 and 65 years in formal employment, by sex and consumption quintile⁴⁷



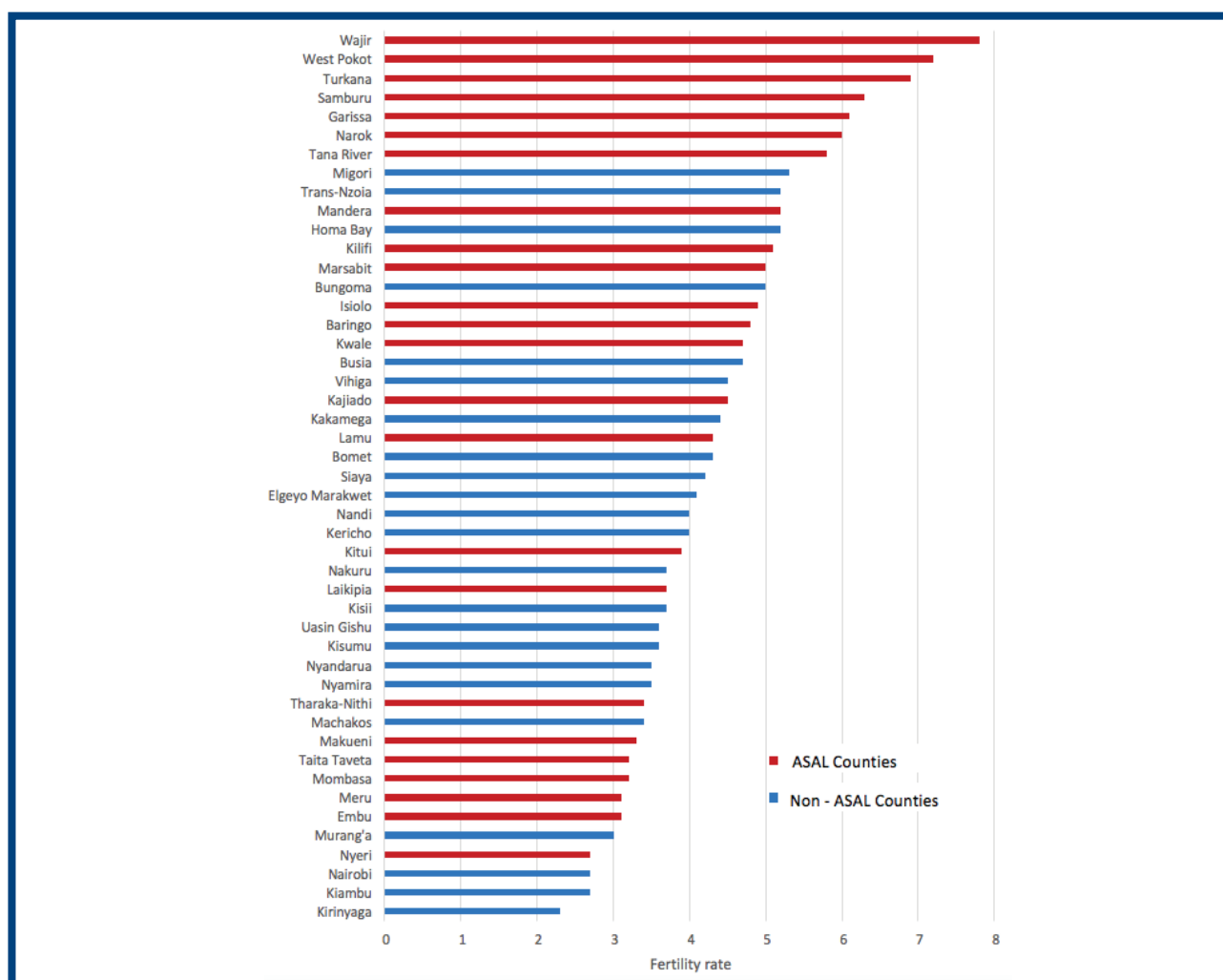
Families with children in Kenya are particularly vulnerable when breadwinners stop working, through illness, disability or because of the birth of a child: family incomes suffer as does the wellbeing of children. A breadwinner becoming disabled can have catastrophic repercussions for families. Another significant challenge for families is that the birth of a child often leads to mothers reducing work in order to care for the child. Indeed, the more children that families have, the more likely they are to live in poverty. Women from households in the poorest wealth quintile have an average of 6.4 births, whereas women in the wealthiest quintile have an average of 2.8 births in a lifetime.⁴⁸ As Figure 15 indicates, there is no clear geographic pattern to rates of fertility, although some ASAL counties have the highest rates. The absence of child care facilities leads to a lower participation of women in the labour force, in comparison to men, with many mothers unable to return to work until their children reach schooling age. Many women also begin childbearing at an early age, contributing to higher fertility. Around 18 per cent of women between the age of 15-19 have begun childbearing, 15 per cent have already had a live birth and an additional 3 per cent are pregnant with their first child.⁴⁹

⁴⁷Calculations based on KIHBS 2015/16 data.

⁴⁸KDHS 2014.

⁴⁹KDHS 2014.

Figure 15: Fertility rates across counties⁵⁰



International experience indicates that persons with disabilities face particular challenges during working age. Lower participation rates in school education – alongside lower quality schooling – have lifelong impacts on the economic opportunities of persons with disabilities.⁵¹ Working age adults with disabilities may be less likely to enter the formal workforce, be lower paid, have fewer promotion opportunities and less overall job security.⁵² Disabled women experience inequality in hiring, promotion rates, equal pay, access to training, retraining, credit and other productive resources and often do not participate in economic decision-making.⁵³ Furthermore, most persons with disabilities experience additional costs in accessing work and participating in society, which means that their chances of finding work are less and their standards of living are lower than non-disabled

people on similar incomes.⁵⁴ In any country, only a relatively small number of working age persons with a disability do not have the capacity to work, and it is likely to be the same in Kenya.⁵⁵ If those persons with disabilities able to work are unable to access work, it is a significant loss to any economy.

Older people in Kenya face some of the biggest challenges, as their capacity to work gradually reduces due to increasing disability. As Figure 16 indicates, the prevalence of disability is highest among older people, since, in 2010, approximately 12 per cent of the population between the age of 65 and 69 years had a disability, 17 per cent between the age of 70 and 74, and 25 per cent of people over the age of 75 years (again, these figures are almost certainly underestimates and probably signify severe disability). This affects older people’s ability to work and, if they are employed, they often obtain a lower

⁵⁰Source: KDHS 2014.

⁵¹Filmer (2008); Groce and Bakshi (2009); WHO and World Bank (2011).

⁵²LO (2013).

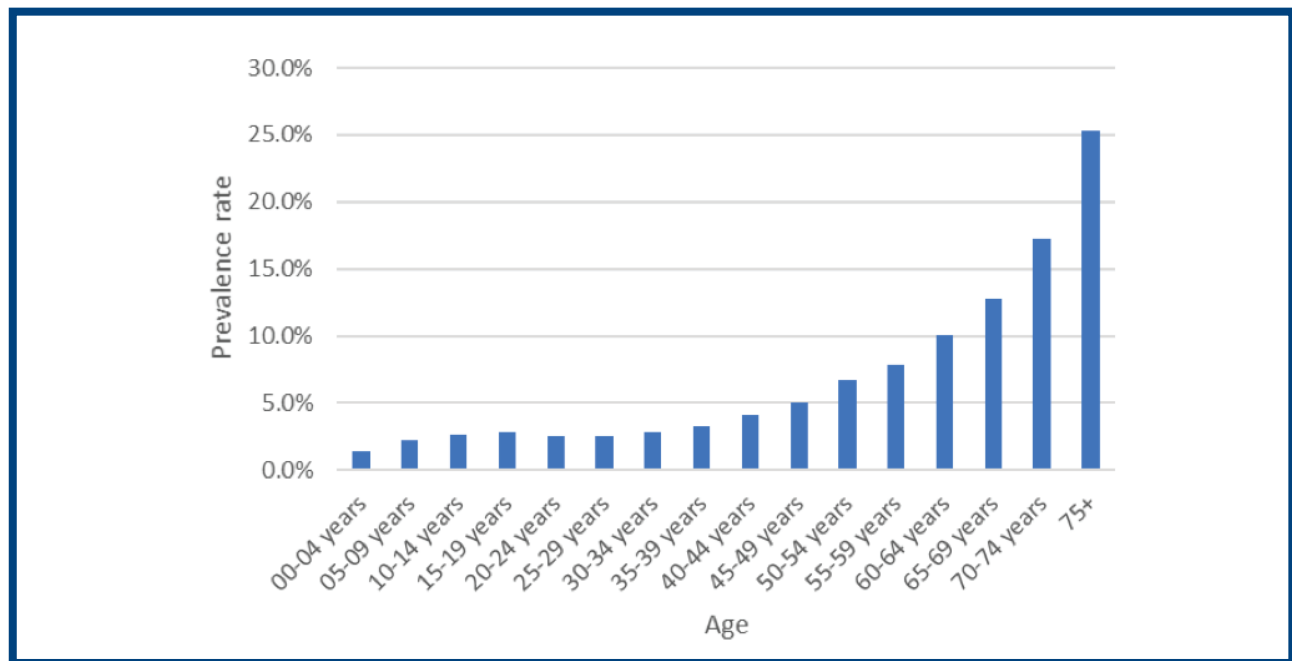
⁵³O’Reilly (2003).

⁵⁴Kidd et al. (2017).

⁵⁵Kidd et al. (2017).

salary. An inability to obtain an independent income can lead to social exclusion: as older people become less able to contribute to their kinship networks – for example by helping their grandchildren – they may face growing isolation and loss of support from family members who are often simultaneously struggling to provide for their own children. In fact, just over 18 per cent of older women live alone (compared to 8 per cent of older men), while a further 19 per cent are in skipped generation households (compared to 8 per cent of older men) with the responsibility of caring for children. Some older people do not have identity cards, which can make it more challenging to access public services. Low incomes mean that many older persons resort to begging and are looked down upon by others in the community. It is a sad end to life for those who have spent their lifetimes contributing as best they can to their communities and nation.

Figure 16: Prevalence of disability by age group⁶⁶

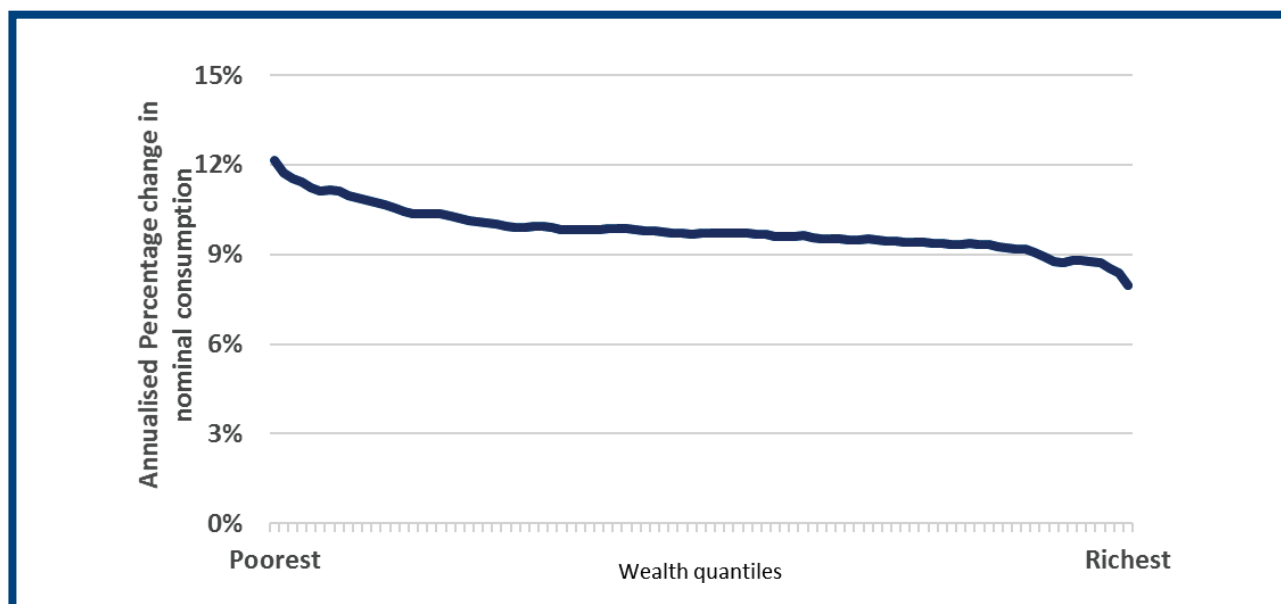


Kenyans are also subjected to co-variate risks affecting large numbers of people at the same time in particular areas. These include climate-related risks – such as floods and droughts – as well as economic risks, such as the ongoing impacts of the global recession of 2008. Certain areas of the country – in particular in ASAL counties – are more liable to be hit by climate-related risks. Co-variate risks can negatively impact on family incomes while also obliging people to sell their assets, which can make it more challenging to recover after the crisis, if there is no access to outside assistance. Furthermore, those at particularly vulnerable stages of the lifecycle or who suffer limitations in their capacity, such as some people with disabilities, are likely to be more affected by co-variate risks.

A positive trend in recent years has been the fall in inequality. While the national Gini co-efficient had been 0.45 in 2005/06, by 2015/16 it had fallen to 0.39, a significant drop. Those living in poverty have been the biggest winners since 2005/06 in enjoying the benefits of economic growth, with their annual consumption rising faster than among those who are better-off (see Figure 17). This may, in part, be as a result of the expansion of social protection over the period.

⁶⁶These figures are based on an analysis of the 2010 National Census dataset

Figure 17: Average annual change in consumption across the wealth distribution, between 2005/06 and 2015/16⁵⁷



Nonetheless, despite the improvements in recent years, those living on low incomes continue to have reduced capacity to deal with the risks they face, both those linked to the lifecycle and covariate risks. Given that around 80 per cent of the population lives on less than KES 280 per day, this is a challenge facing the vast majority of Kenyans and is a strong rationale for the extension of social protection to reach the majority of the population (although this could only be achieved over a period of many years).

1.5 Conclusion

Despite significant progress in tackling poverty and strengthening the economy, many people in Kenya continue to live on low incomes and/or face insecurities. Patterns of poverty and vulnerability vary across the country and, while many ASAL counties have high poverty rates, so do some non-ASAL counties, while high numbers of people living in poverty are found outside the ASAL counties. People are subjected to a range of risks that can provoke crises, many of which are related to the lifecycle while others are more widespread, hitting large numbers of people at the same time. Persons with disabilities are, perhaps, the most vulnerable group in the country, with the highest prevalence rates occurring during old age.

Social protection can be a key tool at the Government of Kenya's disposal for addressing the many challenges faced by the vast majority of the Kenyan population. It should be regarded as a vital part of a wider strategy for growth and

development in Kenya which should also include investments in health, education, infrastructure and the many other areas of government activity. As this Review will show, social protection complements other sectors by ensuring that people can use schools and health services and engage in markets. It protects families and the productive assets of a household, builds human capacity and allows economic activity to flourish.

The majority of the population in Kenya would benefit from access to social protection. This Review will examine how well Kenya is performing in offering access to social protection to its citizens, so that the right to social security of all citizens can be progressively realised, although comprehensively achieving this right will take many decades (and, indeed, will always remain a work in progress). Given the size of the challenge and the limited resources available, the Government of Kenya has had to make choices on who to prioritise. This Review will, therefore, examine the choices made and how effective they have been. But, the overall message of the Review will be that the Government of Kenya has made very significant progress in building its national social protection system in recent years, although, clearly, there is still much to do.

⁵⁷ Analysis undertaken of the 2005/06 and KIHBS 2015/16 data sets.

OVERVIEW OF THE SOCIAL PROTECTION SECTOR

Chapter Summary

- Since the last Sector Review, there has been very significant progress in building a national social protection system, in particular through an expansion of regular and predictable social transfer schemes which have, to a large extent, replaced the more ad hoc humanitarian schemes – in particular General Food Distribution – that were the largest programmes in 2011.
- The Government of Kenya has significantly increased its funding to the Social Protection Sector, in particular through the expansion of the Older Persons Cash Transfer (OPCT) and the Cash Transfer–Orphans and Vulnerable Children (CT-OVC) programmes.
- The announcement in the Cabinet Secretary for Finance’s budget speech in March 2017 of the introduction of the Inua Jamii Senior Citizens’ programme – to commence in January 2018 – will be a further very significant step forward for Kenya, since this will be the first individual entitlement scheme in the country.
- The National Social Protection Policy (NSPP) has been approved and a number of pieces of legislation have been passed. However, their impact has not been as significant as may have been hoped.
- The NSPP and previous Sector Review used a broad definition of social protection, which may be difficult to explain to policy-makers and the general public. It is an opportune moment for the Government of Kenya to re-think its definition, as part of its move to build greater public and political support for social protection.
- There has been more limited progress in reforming the national system of contributory schemes.
- Kenya’s social protection system implicitly aims to support those living in extreme poverty and in the formal sector. A high proportion of the population on middle incomes – the so-called ‘missing middle’ – are unable to access benefits although the introduction of the universal Inua Jamii Senior Citizens’ programme will begin to address this challenge by offering everyone access to a pension.

2.1 Introduction

Since the last Social Protection Sector Review, the national social protection system in Kenya has undergone substantial change, making some remarkable progress – in particular in terms of its expansion – although it continues to face challenges. This chapter will, therefore, offer a broad overview of the changes that have taken place, many of which will be discussed in more detail in later chapters. It will

also describe the current Social Protection Sector.

The chapter is organized as follows. Section 2.2 examines changes in the legislative and policy framework since 2012. Section 2.3 discusses the definition of social protection used in Kenya, suggesting some challenges with the current definition, while section 2.4 proposes one option for re-thinking the definition. Section 2.5 provides a description of the current Social Protection Sector, examining tax-financed, contributory and civil service schemes. Section 2.6 offers an overview of the design of the current national social protection system, indicating that there is a significant ‘missing middle’ of the population which is currently unable to access the system. Section 2.7 concludes the chapter.

2.2 Legislative and policy framework

The overarching framework for social protection in Kenya is embedded within the national Constitution. Article 43(1)(e) states that ‘Every person has a right to social security’ while Article 43(3) stipulates that, ‘The State shall provide appropriate social security to persons who are unable to support themselves and their dependants.’ These rights reflect Kenya’s commitments to its citizens, arising most fundamentally from its adherence as a member of the United Nations to the Universal Declaration of Human Rights and as a Party to the International Covenant on Economic, social and Cultural Rights⁵⁸. In addition, Kenya has ratified several international conventions that require the extension of social security to specific categories of the population including the right to social security for all children, that is found in the Convention on the Rights of the Child (CRC), the right to social security for all women, found in the Convention on the Elimination of Discrimination Against Women (CEDAW), and the right to social protection for all persons with disabilities, which is stipulated in the Convention on the Rights of Persons with Disabilities (CRPD). Therefore, within Kenya, social security is recognized as an entitlement that all citizens should be able to access, whenever they are in need.⁵⁹ However, it is important to recognize the right to social security should be progressively realized over time: developed countries took many

decades to build their current systems.

Social protection plays a key role in realising Kenya’s Vision 2030 which aims to provide a ‘high quality of life for all its citizens by the year 2030’ and ‘a just and cohesive society with social equity.’ These priorities cannot be achieved without a significant level of investment in social protection, as well as in other core services such as health, education, transport, housing and social care.

Since the last Sector Review, Kenya has taken some major steps forward in terms of social protection policy and legislation. In 2011, the National Social Protection Policy (NSPP) was agreed by Cabinet, accompanied by a sessional paper on the NSPP in 2014;⁶⁰ in 2012, a new international instrument, the Social Protection Floors Recommendation (ILO Recommendation No. 202) was formalised and agreed by Kenya, thereby providing a globally recognised standard and framework within which the NSPP can be embedded;⁶¹ in 2012, the Public Service Superannuation Scheme Act was passed by Parliament with the objective of bringing about a transition to a funded basis of the old-age provision for (national) civil servants; in 2013, a Social Assistance Act was passed by Parliament (Act 24 of 2013); and, in 2013, National Social Security Fund Act was promulgated to bring about key reforms within the NSSF. A Social Protection Coordination Bill is currently under development.

The NSPP set out the direction of social protection in Kenya with the objective of ensuring that: ‘All Kenyans live in dignity and exploit their human capabilities to further their own social and economic development.’ It defined social protection as:

‘Policies and actions, including legislative measures, that enhance the capacity of and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare, that enable income-earners and their dependants to maintain a reasonable level of income through decent work, and that ensure access to affordable healthcare, social security, and social assistance.’

The NSPP also established three pillars for the national social protection system (although it did not define them):

⁵⁸Articles 22 and 25 of the Universal Declaration of Human Rights state respectively that ‘Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality’ and ‘Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control’. Article 9 of the Covenant recognises ‘the right of everyone to social security, including social insurance.’

⁵⁹The 2012 sector review outlined a range of relevant legislation, policies and international agreements, which are not repeated here.

⁶⁰The NSPP is highlighted here because, at the time of writing of the 2011 sector review, it was still in draft form and had not been approved. It is also a key document for this review, since it outlined the direction of growth of the social protection system between 2012 and 2016, the period of this review.

⁶¹The Recommendation on Social Protection Floors was formalised and adopted by the International Labour Organization (ILO) in 2012, following several years of consensus-building in regional and global forums, and at the level of heads of UN agencies, so providing a framework around which a wider coalition of international agencies have been able to offer models and advice to countries, exemplified by Kenya, wishing to build national systems of social protection around rights-based and lifecycle approaches.

Box 2.1: Reaching the poor and vulnerable

While the NSPP highlighted that social protection in Kenya would be aimed at supporting the poor and vulnerable, this should not necessarily be understood as meaning that programmes should be targeted at the poor and vulnerable. Indeed, there is a significant difference between the aim of reaching the poor and vulnerable and **targeting** the poor and vulnerable. As Chapter 4 will explain, programmes with universal or high coverage are much more effective in **reaching** the poor and vulnerable than programmes targeted at those living in poverty, since the latter always have relatively high errors of exclusion. Indeed, the NSPP recognizes this by proposing the introduction of a universal pension. Furthermore, as Chapter 1 indicated, a high proportion of the population of Kenya is living on low incomes and vulnerable to being hit by a range of shocks and crises, so targeting the poorest will always exclude the majority of people living on low incomes.

- **Social assistance**, which has a key aim of providing 'direct cash transfers to poor and vulnerable people over their lifecycle.' The NSPP indicated that transfers could be either targeted at those living in poverty or offered on a universal basis to everyone in a particular category of the population (such as all older people).
- **Social security**, with a key aim of offering 'retirement schemes to informal sector workers and to increase the range and adequacy of NSSF benefits.' These could include maternity, unemployment insurance, and work injury arrangements.
- **Health insurance**, with the aim of 're-establish(ing) the NHIF as a fully-fledged comprehensive national health insurance scheme, which covers all Kenyans.'

Countries signing up to the Social Protection Floor have committed themselves to guaranteeing income security to address risks across the lifecycle. This includes: basic income security for children, providing access to nutrition, education, care and any other necessary goods and services; basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and, basic income security for older persons. Indeed, the NSPP stated that 'the Government will also be planning longer-

term actions in line with the UN Social Protection Floor (SPF) Initiative, which guarantees a universal minimum package that adopts a lifecycle approach to social protection. This would include, in the longer term, 'introducing a universal pension scheme for older persons.'

The Social Assistance Act of 2013 stipulated the establishment of a National Social Assistance Authority which, among other responsibilities, would identify and provide social assistance to persons in need of social assistance. Persons in need were defined as: 'orphans and vulnerable children; poor elderly persons; unemployed persons; persons disabled by acute chronic illnesses; widows and widowers; persons with disabilities; and any other persons as may from time to time be determined by the Minister, in consultation with the Board.' However, the general consensus among stakeholders interviewed for this Review is that the Social Assistance Act has had minimal, if any, influence on national social protection policy, since it did not receive the backing of the Executive Branch of government.

Box 2.2: Summary of the main reforms proposed by the National Social Security Fund Act 2013

This Act introduces a number of changes to the scheme of retirement benefits operated by the NSSF:

- Contributions will be payable by employees and employers at the rate of 6 per cent of earnings (in place of 5 per cent).
- New minimum and maximum earnings on which contributions are paid will substantially increase the contributions payable (which have previously been effectively capped at a total of KES 400 a month).
- Contributions will be split into 'Tier I' and 'Tier II' accounts, one to provide benefits on retirement in lump sum form (as now), the other to provide a 'pension' benefit.
- The pension benefit should, in principle, be realized by annuitizing the accumulated value of the Tier II account on retirement (through buy-out with an approved life insurance company, although it appears that annuitization may not be enforced).
- Employers have the option to contract out of 'Tier II' contributions by offering an approved retirement benefit plan with benefits equal to or better than those provided under the NSSF Tier II.

The 2013 National Social Security Fund Act reflected a realisation that the National Social Security Fund (NSSF), as the major focus of contributory livelihood provision for old-age, must adapt to changing times. These included a number of aspects, such as: the facilitation of increased levels of saving by those with sufficient financial capacity (in partnership with their employers where possible); increased access to those living and working in the informal economy; and, the provision of old-age benefits in the form of regular pensions, rather than one-off 'lump sum' payments (see Box 2.2 for further information). The extension of NSSF benefits to include the provision of benefits in pension form is, however, indirect and can be achieved only by way of 'annuitization' of a member's benefit at retirement age through a separate institution, generally a (registered and regulated) life insurance company.⁶²

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- Employers have the option to contract out of 'Tier II' contributions by offering an approved retirement benefit plan with benefits equal to or better than those provided under the NSSF Tier II.

2.3 The Definition of Social Protection in Kenya

As indicated in the previous section, the NSPP outlined a definition of social protection to be used in Kenya, alongside the identification of three pillars within the sector. However, in 2011, the Social Protection Sector was in its infancy in Kenya and the definition agreed in the NSPP reflected this more limited experience. It also generated a range of challenges, which are discussed below.

Internationally, the definition of social protection is highly contested, with proponents of both narrow and broad understandings. Kenya adopted a broad definition and, in effect, rather than outlining a clearly defined sector, conceptualised social protection as comprising a range of schemes from across many sectors, such as agriculture, employment services, health, education, housing, emergency assistance, business, cooperatives, resettlement and financial services. Furthermore, within the NSPP only peripheral mention was made of the key services delivered by the Children's and Social Development Departments – in particular those linked to social work and social care – despite both departments being core components of the State Department for Social Protection.

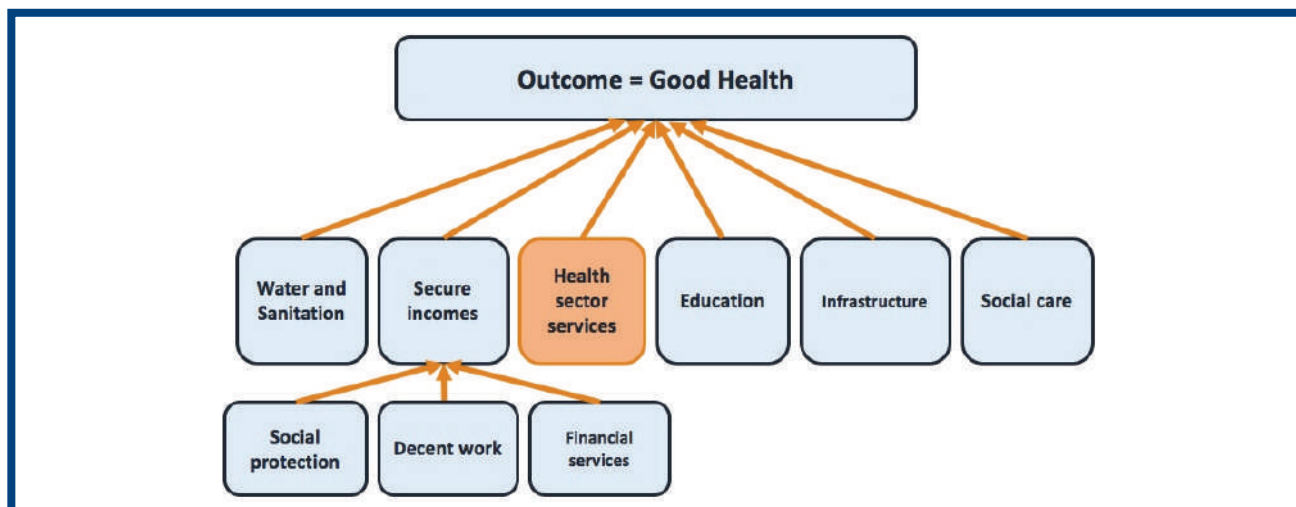
The programmes and services outlined as comprising social protection in the NSPP are very different in nature which makes it challenging to describe Kenya's Social Protection Sector as well as to undertake oversight and coordination. And, while these services may be socially protective – in that they contribute to achieving the outcome of social protection (i.e. protecting the lives of people) – this does not necessarily mean they should be considered as components of a national Social Protection Sector.

In other sectors, there are similar distinctions between the sector itself and the outcome. For example, as Figure 18 indicates, a wide range of sectors contribute to achieving the health outcome of good health for all citizens, of which one is the health sector. But, good health for citizens could not be achieved without investments in a wide range of interventions, including social protection.

Similarly, a wide range of programmes and sectors in Kenya could be regarded as socially protective of citizens, in terms of contributing to their security and resilience. These include the health and education sectors, water and sanitation, active labour market programmes, housing, financial services, police and security services, infrastructure, etc. However, this does not mean that they should necessarily be considered as part of the Social

⁶² Annuitisation refers to an insurance product that members of contributory schemes can purchase with their funds (i.e. savings), and which guarantees a regular income for the rest of their lives.

Figure 18: Sectors contributing to the achievement of health outcomes



Protection Sector. Therefore, to gain clarity in the definition of social protection in Kenya, it could be useful to distinguish between programmes that are *socially protective* and the narrower *Social Protection Sector*. Socially protective programmes that are not in the Social Protection Sector could be regarded as complementary to the Sector.

While the Constitution guarantees the right of social security to all the citizens of Kenya, the NSPP limits the definition of social security to contributory social protection schemes. Yet, social security is conventionally understood to incorporate schemes offering income transfers to people financed from both general government revenues and social insurance. By limiting social security to social insurance schemes, the policy may undermine the realisation of the right to social security for all citizens, which can only be achieved by schemes financed from general government revenues. Furthermore, it has also resulted in a range of documents in recent years that refer to the right to social protection, the right to social assistance and the right to social safety nets, none of which are stipulated in the Constitution.

Given the much greater experience of social protection that now exists in Kenya, it is an opportune time to revisit the definition and ensure that it is aligned to the National Constitution. It is critical that the definition of the Social Protection Sector is easy to explain to both policy-makers and the general public, if it is to gain support and further investment. It could also consider consolidating within the sector – and within the State Department for Social Protection – programmes that are relatively similar in nature (such as those offering regular and predictable transfers to people). The debate on an up-to-date definition of social protection should take place within the context of the development

of the National Investment Plan and National Social Protection Strategy.

2.4 The Current Social Protection Sector

Since 2012, the Social Protection Sector in Kenya has made significant progress. Most social assistance schemes have expanded significantly, although others have contracted and even disappeared. While there have been a number of initiatives to reform contributory schemes, progress has been limited. The three pillars will be discussed in turn below (while Box 2.3 outlines the schemes that will be focused on in the review).

Box 2.3: Schemes to be focused on in this review

While the 2012 Sector Review offered an overview of a wide range of schemes – many of which would not conventionally be regarded as social protection – it was agreed with the Social Protection Secretariat that this Review would focus on a more limited set of core programmes, while offering only an overview of programmes that are parts of other sectors. At the same time, the previous Sector Review did not consider private retirement schemes, which are included in this Review. The main programmes to be considered in this Review are:

Social assistance

- Cash Transfer-Orphans and Vulnerable Children (CT-OVC)
- Older Persons Cash Transfer Programme (OPCT)
- Cash Transfer for Persons with Severe Disabilities (PwSD-CT)

- Hunger Safety Net Programme (HSNP)
- Urban Food Subsidy Programme (UFS-CT)
- Cash for Assets (CFA)
- Food for Assets (FFA)
- General Food Distribution (GFD)
- School Feeding programmes

Contributory schemes

- National Social Security Fund (NSSF)
- Mbao Pension Scheme
- Private retirement schemes under the Retirement Benefits Authority

Health insurance

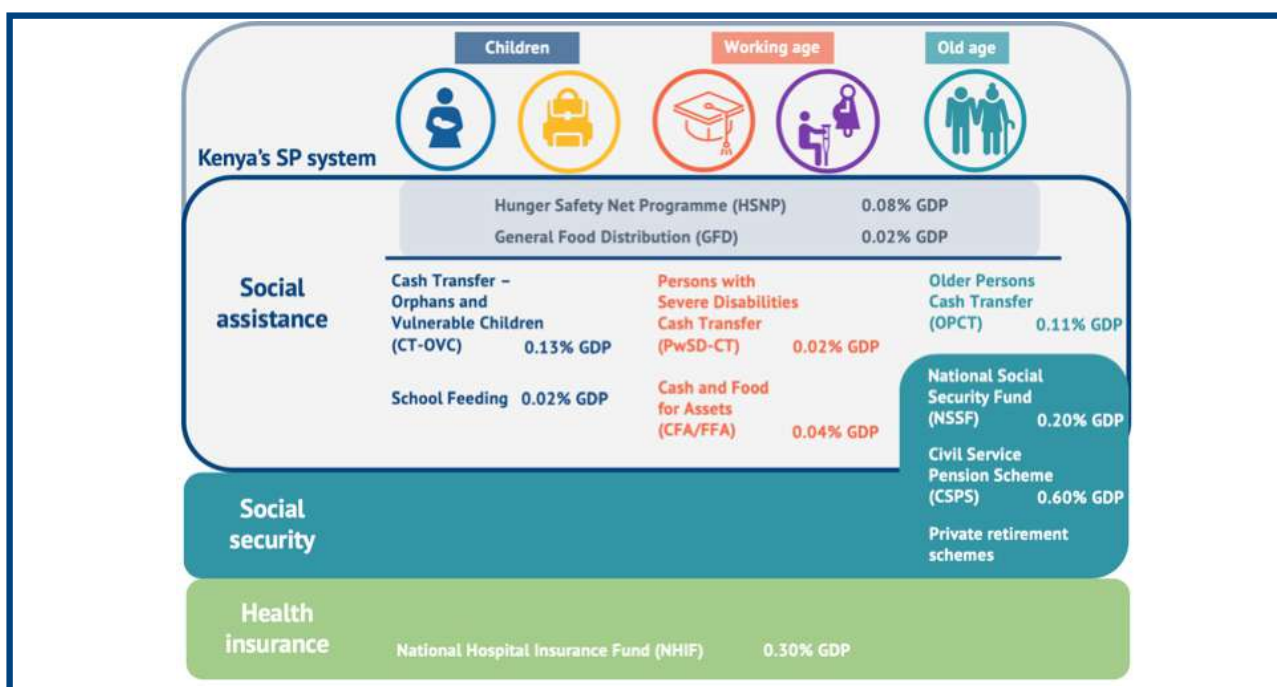
- National Health Insurance Fund (NHIF)

In addition, Public Service Pensions are included in the Review, although they do not fit neatly into any of the categories above. They are financed from general taxation, but are not social assistance since they are not targeted at those living in poverty. Indeed, Public Service Pensions could be regarded as deferred salaries, rather than social protection.

It could be argued that school feeding would be better regarded as part of the Education Sector, while the NHIF is a core component of the Health Sector. However, given their current prominence in social protection discussions, both schemes have been included in this Review although it is recognised that they could be recognised as complementary socially protective services if a new definition of the Social Protection Sector is adopted.

To a large extent, and in line with the NSPP, the current social protection system is being designed to address lifecycle risks, through a mixture of schemes financed from general government revenues (including through donor support) and contributory schemes. Most schemes are aligned to address lifecycle risks and contingencies, in particular old age, disability and childhood (see Figure 19). However, as Chapter 4 discusses, despite significant progress in recent years, current levels of coverage are low and, even among older people, people with disabilities and children, there are very significant gaps.

Figure 19: Kenya's national social security system, mapped across the lifecycle⁶³



⁶³The figures show the cost of each programme, which are explained in more detail, later in the report. However, the figures for HSSF and NHIF are based on reported income from contributions

2.4.1 Social assistance

Since 2012, the national system of social assistance transfers has evolved. At the time of the previous Review, General Food Distribution was the largest social assistance scheme but, since then, it has shrunk considerably, while the Urban Food Subsidy has disappeared. While there have been no major new programmes since 2012, many of the existing schemes have expanded considerably. Four of the schemes – the CT-OVC, OPCT, PwSD-CT programmes and HSNP – are now known under an umbrella term: National Safety Net Programmes (NSNP). Annex 1 provides a short description of each of the schemes.

Table 2.1 provides a summary of the current social assistance transfer programmes in Kenya – excluding school feeding – while Figure 2.4 shows the growth in the number of beneficiaries since 2007, and Box 2.3 describes the transfers that are provided to refugees). Setting aside school feeding, there were 1,022,000 households in receipt of social assistance in 2015/16. This is only a small increase of around 5 per cent over 2011/12, when there were 976,000 beneficiary households. However, this is because there was a spike in the number of recipients of GFD in 2011/12 due to the need to address drought. To a large extent, since 2012, there has been a fall in the number of recipients of GFD and the Cash and Food for Assets (CFA/FFA), which has been compensated by a substantial increase in the number of beneficiaries of the NSNP schemes. This is significant progress, indicating a clear move from a system of ad hoc support in the form of relief to a more regular and predictable social protection system..

Box 2.4: Social protection support for refugees⁶⁴

Although not considered in this Review, UNHCR and WFP implement social protection programmes in Kenya's three refugee camps: Kakuma, Daadab and Kalobeyei. In total, around 560,000 people receive support. In Kakuma and Daadab camps, the support is in both cash and in-kind while those in Kalobeyei receive cash benefits since it has strong links to the market. The value of the transfers is calculated according to household composition. The refugees are also able to undertake small asset creation projects such as irrigation, agricultural production and tree planting.

Currently, the two largest programmes in terms of both beneficiary households and budgets are the CT-OVC and OPCT programmes, with more than 300,000 beneficiary households each, a significant change compared to 2011/12. The fastest growing programme, which is entirely financed by the Government of Kenya, has been the OPCT scheme. The PwSD-CT is the other fully home-grown and funded programme, but only reaches around 41,000 beneficiary households. Since the last review, the Hunger Safety Net Programme (HSNP) has mainly been funded by DFID and has grown to almost 100,000 beneficiaries, with the Government of Kenya taking on much more financial support for the scheme in recent years (currently providing over half of the funding). The Cash and Food for Assets (CFA/FFA) programme offers transfers to recipients, who are also provided with skills and additional inputs to develop or improve communal and household productive assets. In the same communities around 10 per cent of recipients of CFA/FFA benefits are classified as having limited capacity to work and are given unconditional transfers. Since 2011/12, the programme has fallen in size – with around 114,000 households benefitting in 2015/16 – while the balance of transfers has moved more towards cash than food (52.5 per cent compared to 47.5 per cent).⁶⁵ The scheme is still donor-funded.

⁶⁴ UNHCR (2016a; 2016b; 2016c; 2016d).

⁶⁵ It needs to be borne in mind that, in 2011/12, the scheme had been expanded as part of an emergency response. Nonetheless, the overall direction of the programme is a gradual reduction in size.

Table 1: Overview of social assistance programmes in Kenya, 2016

Scheme	Responsible agency	Target group	Number of registered beneficiary households	Transfer value a month (KES)	Transfer value (percentage of GDP per capita) ⁶⁶	Actual spend (KES billion)	Actual spend (percentage of GDP) ⁶⁷
CT-OVC	Social Assistance Unit, MEACLSP	Household with OVC	365,232	KES 2,000	16.6 per cent	8.34	0.13 per cent
OPCT	Social Assistance Unit, MEACLSP	Household with 65+	320,636	KES 2,000	16.6 per cent	6.62	0.11 per cent
PwSD-CT	Social Assistance Unit, MEACLSP	Household with PwSD including adults and children	41,374	KES 2,000	16.6 per cent	1.12	0.02 per cent
HSNP	NDMA, Ministry of Devolution and Planning	Poorest households in Turkana, Marsabit, Mandera and Wajir	101,630	KES 2,700 ⁶⁸	22.4 per cent	4.98	0.08 per cent
Cash for Assets	NDMA, Ministry of Devolution and Planning	Food insecure households living in poverty in ASAL counties	54,061	KES 1,167	9.7 per cent	1.14 (incl. CFA unconditional)	0.02 per cent
Food for Assets	NDMA, Ministry of Devolution and Planning	Food insecure households living in poverty in some ASAL counties	48,962	n/a ⁶⁹	n/a	0.89 (incl. FFA unconditional)	0.01 per cent
CFA Unconditional	NDMA, Ministry of Devolution and Planning	Poorest households without labour capacity in some ASAL counties	6,007	KES 1,167	9.7 per cent	See above	See above

⁶⁶GDP per capita figures and inflation estimates are based on the IMF's World Economic Outlook database (October 2015).

⁶⁷Source: Calculations are based on GDP figures from the World Development Indicators (WDI).

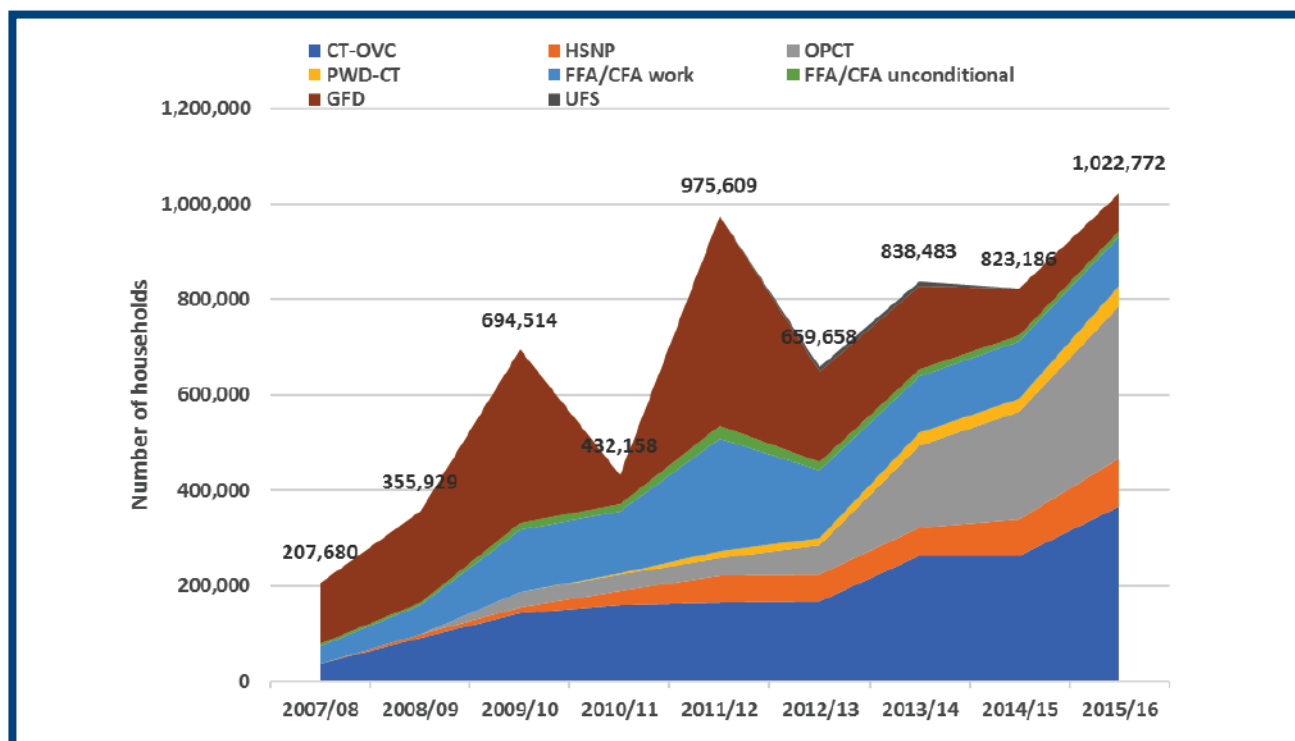
⁶⁸The value of cash transfers of HSNP have been updated to the value of KES 5,400 per two months in July 2016

⁶⁹The Food for Assets scheme provides transfers in food/calories rather than monetary transfers. FFA transfers are meant to cover 75 per cent of a balanced 2,100 kcal daily diet for a six-person household, composed of cereals, pulses, vegetable oil, salt, and supercereals.

FFA Unconditional	NDMA, Ministry of Devolution and Planning	Poorest households without labour capacity in some ASAL counties	5,440	n/a	n/a	See above	See above
General Food Distribution	NDMA, Ministry of Devolution and Planning	Food insecure households living in poverty in some ASAL counties	78,000	n/a ⁷⁰	n/a	1	0.02
Total			1,021,342			24.09	0.39 per cent

⁷⁰Beneficiary households receive 75 per cent of a balanced 2,100 kcal daily diet for a six-person household, composed of cereals, pulses, vegetable oil, and salt.

Figure 20: Number of beneficiary households of social assistance schemes in Kenya (2007-2016)⁷¹



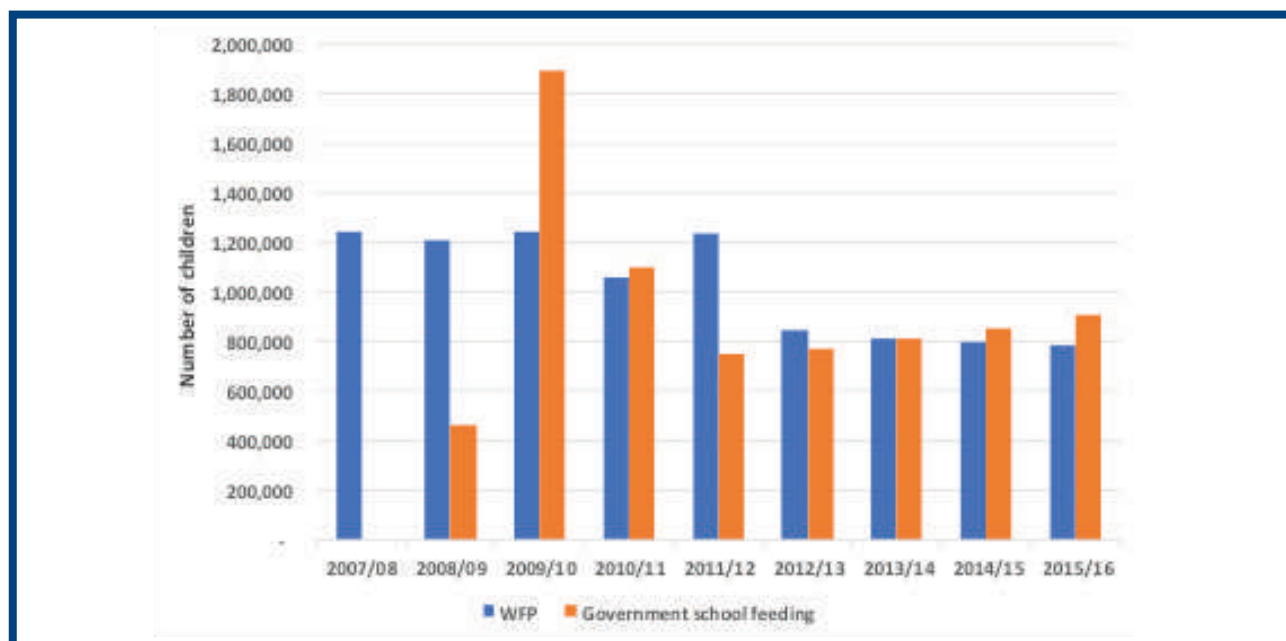
General Food Distribution offers food transfers – equivalent to around 1,500 calories in arid areas and 1,000 calories in semi-arid areas – to those assessed as living in zones of need. Transfers are for no more than one year’s duration, although they may be received for as short a period as 4 months. GFD could, therefore, be considered more as humanitarian assistance rather than social protection. The programme has shrunk from 355,000 households in 2011/12 to 78,000 in 2015/16, in part because of the expansion of the NSNP schemes. Increasingly, counties are assuming responsibility for the delivery of emergency food transfers, with technical support provided by WFP.

The School Feeding programme has fallen slightly in the number of beneficiary children since 2011/12, from around 1.99 million to 1.69 in 2015/16, although it is currently on a par with 2008/09. As Figure 21 indicates, the Government of Kenya has shared responsibility with WFP for the

meals, with the proportion of children supported by government increasing from 38 per cent to 57 per cent (and a much larger increase when compared to 2008/09). The government Home-Grown school feeding programme transfers funds to schools which procure food locally, thereby supporting local markets. However, while WFP school feeding offers children meals for 195 days per year – although, occasionally, pipeline challenges mean that is not possible – the government home-grown school feeding programme only offers children meals for around 40-50 days per year. The reason given by the Ministry of Education is insufficient funding and consideration should be given by government to increasing the funding so that the system becomes more comprehensive (at least in those schools and areas where it is already functioning).

⁷¹Source: Single registry; information from WFP; information from HSNP.

Figure 21: Numbers of children receiving school meals, disaggregated by Government and WFP funding



A major change in Kenya’s national social protection system happened with the announcement – in March 2017 – by the Ministry of Finance of the introduction of the Senior Citizens’ Inua Jamii programme for everyone aged 70 years and above. It will be implemented from January 2018. If full coverage is attained, around 840,000 persons will be able to access the scheme. In addition, around 68,000 people aged 65-69 years will continue on the OPCT, although this number will fall year on year. The Inua Jamii Senior Citizens’ programme will be the first social protection scheme in Kenya to be an entitlement in that everyone who needs it should be able to access it. While the incorporation of older persons aged 70 years and above – in other words, those with the highest rates of disability – within the national social protection system will increase, many younger older people will miss out on a pension, although this can be addressed in the future by lowering the age of eligibility.

Some of Kenya’s schemes are national, while others are restricted to particular areas of the country. The main Government of Kenya funded programmes – the CT-OVC, OPCT and PwSD-CT – have a presence across all of Kenya’s counties. In contrast, other schemes have more restricted geographical coverage: the CFA/FFA, GFD and School Feeding programmes are in the Arid and Semi-Arid Lands counties while the HSNP is in the four northern counties of Kenya (Turkana, Mandera, Marsabit and Wajir), which are among the poorest

seven counties in the country.

In recent years, some county governments have developed their own tax-financed social protection schemes but information on these is still limited.⁷² Most schemes implemented by counties appear to be similar to charity programmes, rather than offering regular and predictable transfers. However, Kakamega County has established a cash transfer programme for pregnant and lactating women with the aim of improving new-born and maternal health: the cash transfer amounts to KES 12,000 for a period of 18 months and is delivered every two months. Makueni county has proposed a universal pension for older persons, but this has not moved ahead and its design will have to be reconsidered now that the central government is putting in place a similar national scheme.⁷³

Kenya’s national social assistance system has evolved as a lifecycle system, in line with the NSPP. As Figure 2.2 shows, most schemes – including the contributory schemes – address lifecycle contingencies, in line with the approach taken by high and middle-income countries with more mature systems: the CT-OVC is focused on children; the CFA/FFA programmes are for those of working age; the OPCT is for older persons; and the PwSD-CT is for persons with disabilities. The HSNP and the unconditional CFA/FFA transfers are exceptions in that they are designed as general transfer schemes for those living in poverty, with a focus in the CFA/FFA unconditional scheme on those without labour capacity (although, in the past, the

⁷²See Kimetrica (2017) for further information.

⁷³Other counties such as Marsabit, Baringo, Wajir and Kilifi have allocated funds to provide cash transfers to vulnerable groups, but progress to date is unclear.

HSNP successfully piloted a universal pension). To date, Kenya's lifecycle schemes have been targeted at those living in poverty while they also only offer one benefit per household, whereas lifecycle systems usually offer benefits to individuals. The Inua Jamii Senior Citizens programme for over-70s will adopt a different approach in that it will not use poverty-targeting and will be given to individuals rather than households.

The Government has begun to strengthen its capacity to respond to emergencies and is developing a National Drought Emergency Fund (NDEF) for shock-responsive cash transfer payments. HSNP has provided bank accounts to most of the population in Turkana, Marsabit, Mandera and Wajir and is able to make payments when specific crisis indicators are triggered: more than a million people in 191 thousand households received an emergency payment in 2016. Options for funding include regular government disbursements, external partner funding (possibly partially through a Multi-Donor Trust Fund) and risk finance payments including from an Africa Risk Capacity (ARC) sovereign insurance payout. The establishment of the NDEF and earmarking of funds for scalable payments is part fulfilment of Disbursement Linked Indicator 7 under the Government of Kenya and World Bank's National Safety Net Program for Results. It follows the creation of the National Drought and Disaster Contingency Fund (NDDCF) during the period of the review, financed by the government and EU, which is likely to be subsumed by the NDEF.

School feeding is also being used as part of an emergency response. In 2011/12, it was expanded significantly during the drought. And, as part of the response to the 2016/17 drought, the Ministry of Education is distributing an additional KES 622 million (around US\$6 million) to bridge gaps in school feeding in the arid counties, while also extending the geographic coverage of its Home-Grown School Meals programme to reach further children in need.

HSNP is recognised as a successful model of government-external partner collaboration to address responses to major shocks. To quote an international review of disaster responses, 'Governments and international donors should aim for coordinated, pre-financed defined plans, with clear responsibilities for coordinated implementation and a credible joint financing strategy, and not the current myriad of initiatives ... This is the trajectory for schemes such as Kenya's Hunger Safety Net Programme.'⁷⁴ There are clear economic gains from the organised, multi-year funding of major shock

response which HSNP is helping to realise through its emergency response mechanism.

Kenya is gradually developing a 'Cash-Plus' approach to its social protection schemes, although it is still in its early stages. This implies linking tax-financed social transfers to other services. For example, some recipients of transfers are being offered the additional benefit of membership of the National Hospital Insurance Fund. In the future, recipients of social transfers may be offered additional livelihoods support. In fact, the Asset Creation programme could be regarded as a form of Cash-Plus initiative in that it complements cash transfers with technical assistance and support to build a household asset.

2.4.2 Contributory schemes

There are a number of schemes that can be considered as contributory forms of social protection in Kenya. Some are state schemes – the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF) – while there is also a range of private retirement schemes which are regulated by the Retirement Benefits Agency (RBA). The private retirement schemes were not considered within the previous Sector Review.

2.4.2.1 State contributory schemes

The NSSF has been in existence for around 50 years. It was constituted as a provident fund, meaning that it provides a fund into which contributions are paid by and on behalf of individual members, so as to facilitate and gain the benefit of investment returns. The contributions have been payable at the rate of 5 per cent of earnings by each of the employee and employer, subject to a 'cap' of KES 400 per month in total; under the provisions of the 2013 Act, the contribution rate should increase to 6 per cent of earnings, payable by each of the employee and employer, with the 'cap' also increased to KES 2,160 per month. The accumulated amount of each member's contribution is identified as a personal account and, at the time of that individual's retirement from employment (whether by reason of age or disablement),⁷⁵ the accumulated value of her or his personal account is released from the fund as a retirement benefit. The NSSF pays out its benefits as a lump sum, rather than as a regular pension. The NSSF is registered as a retirement benefit scheme with the Retirement Benefits Authority (RBA) and, accordingly, conducts its operations in

⁷⁴Clarke and Dercon (2016).

⁷⁵A benefit, equal to the value of the individual member's account, may also be paid on death (to her/his dependants) or on permanent emigration from Kenya.

conformity with the RBA's requirements in a range of aspects, including investment regulations and the establishment of a complaints tribunal. The scheme was, by the end of 2016, collecting contributions, more or less regularly, from around 2.3 million workers, representing around 10 per cent of the country's total work force. The number of persons receiving lump sum payments each year has not been obtained from the NSSF.

Given that there is no risk-pooling or solidarity element within the NSSF and it does not offer a regular and predictable transfer, it cannot ensure older persons' access to social security since it does not offer the potential of a pension to most of its members.⁷⁶ Rather the NSSF should be regarded mainly as a savings or investment programme and, in effect, it has more of the characteristics of a financial services programme than a social protection scheme.

Nonetheless, it is possible to reform a provident fund model into a form of defined-contribution (DC) pension scheme. This can be achieved through the 'annuitisation' of the lump sum retirement benefit (or, less satisfactorily, scheduled 'drawdown' payments).⁷⁷ At the time of the 2012 Review, proposals had been tabled to develop the NSSF to mandate it to offer a pension in respect of one half of a member's personal account. The annuitisation would be effected through any one of the life insurance companies authorised in Kenya – by the Insurance Regulatory Authority (IRA) – to transact business of this type, with the member making the choice. An Act was passed by Parliament in 2013 with the objective of empowering the NSSF to operate on this basis – together with other developments, mostly less radical, which would facilitate the extension of coverage to the wider population – but, despite having received the President's assent, it has only partly been implemented. It appears that a number of stakeholders have raised questions concerning, concurrently, the proposed increase in contribution liabilities to NSSF and the interaction with the (perceived) promise that 'contracting out' of that liability (in part) would be permitted for approved occupational schemes. One or more questions have been put to the courts as to whether the intended mode of implementation of the changes would be fully in accordance with the Act as drafted and, until these are resolved, it is not possible in practice to enforce all of the new provisions.

The National Hospital Insurance Fund (NHIF) was created as a facility for 'formal sector' (regularly and contractually-employed) individuals to participate in a risk-pooling (social) insurance system through which the risk of having to meet excessive expenses of hospital in-patient treatment could be managed. It operates under the authority of an Act dating from 1998 (with a modest update in 2015). The NHIF is overseen by the Ministry of Health and is a key source of funding for the Health Sector. It could, therefore, be regarded as socially protective, but as part of the Health Sector rather than the Social Protection Sector.

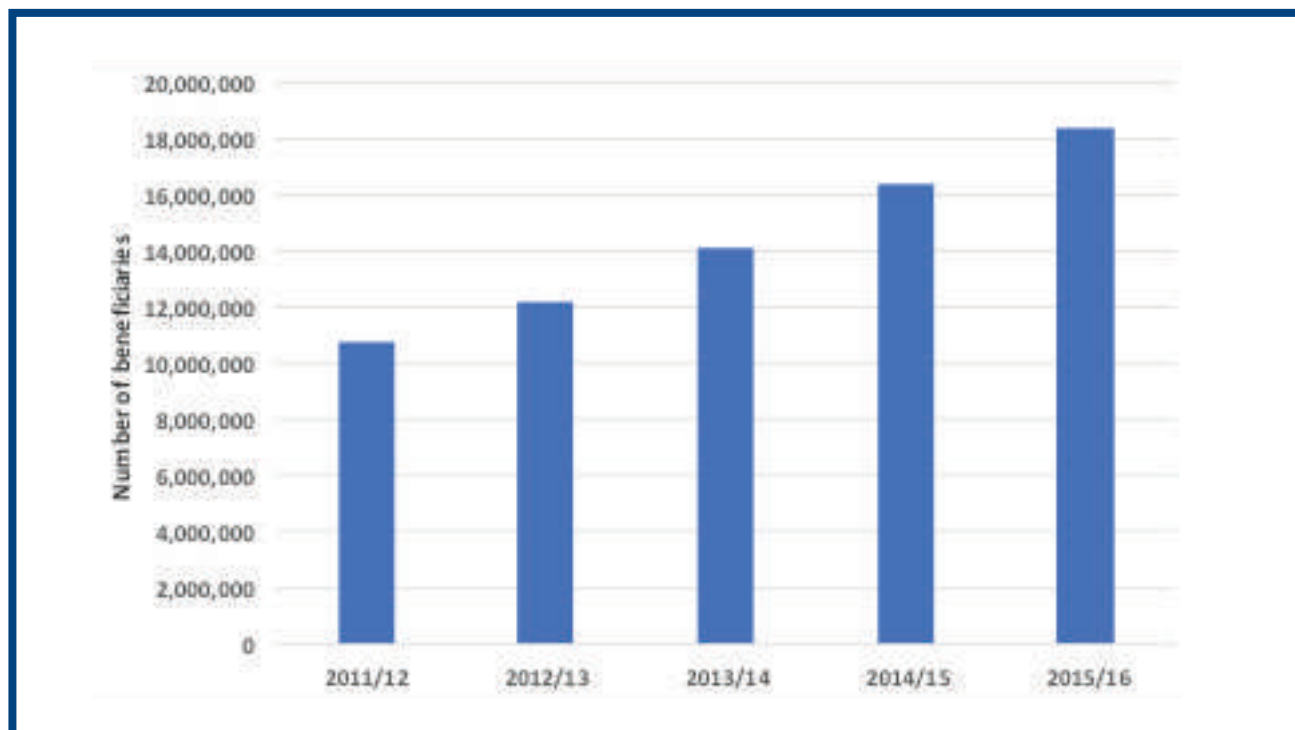
The objective of the NHIF is to meet the cost of inpatient treatment for its contributing members – and their immediate family members – up to certain limits. These limits are based on the costs of treatment in government hospitals and other facilities, but members are also allowed to use the medical facilities of faith-based organisations and private for-profit facilities on a cost co-sharing basis. The range of inpatient and outpatient treatments now available is quite wide in principle, including, for example, radiological treatment for cancer, and renal dialysis (up to cost limits of KES 9,500 for 2 treatments per week).

The number of contributing members to the NHIF has increased significantly since the last Sector Review, from 3.59 million to 6.14 million. The total number of people benefiting – since the programme also provides for immediate family members – is set out in Figure 22. Currently, there are around 18.41 million beneficiaries, equivalent to around 39 per cent of the population. This is a large expansion over a relatively short period, although over half the population still cannot access programme. Around 59 per cent of members work in the formal economy and 41 per cent in the informal economy.

⁷⁶It is, however, possible for those with savings of KES 5 million to purchase an annuity and access a pension.

⁷⁷As noted earlier, 'annuitization' refers to an insurance product that members of contributory schemes can purchase with their funds (i.e. savings), and which guarantees a regular income for the rest of their lives.

Figure 22: Estimated number of beneficiaries of the NHIF principal scheme (members and their family members) from 2011/12 to 2015/16⁷⁸



In recent years, the NHIF has reviewed its portfolio of activities in the light of developing needs, expanding its services and coverage.

Since 2015, it has added hospital-based out-patient treatment to the package of benefits provided to its 'mainstream' members including, for example, cancer treatment and kidney dialysis. It has also facilitated access on the part of self-employed individuals and others in the informal economy (together with their families). They are required to make a relatively low-cost voluntary contribution at a monthly rate of KES 500. The scheme has also added three further categories of member: (a) those elderly individuals over age 65 who receive benefits from the OPCT scheme; (b) the Health Insurance Subsidy Programme (HISP), which targets children classified as Orphans and Vulnerable Children (OVCs) linked with care-givers and listed as beneficiaries of the OVC-CT programme; and (c) Civil Servants. For each of these programmes, NHIF calculates the annual expected cost which is met by a corresponding premium payment by the government. Everyone aged 70 years and over who receives the Inua Jamii Senior Citizens' programme will also be accepted as members of the NHIF, again with their contributions paid by government.

2.4.2.2 Private contributory schemes

There are around 1,200 private contributory schemes operating within the regulatory framework of the RBA. These schemes were not classified as social protection under the NSPP and were not discussed in the previous Sector Review. They comprise a range of occupational and 'umbrella' retirement benefit schemes. They are, however, restricted to those in formal sector employment. Almost all are defined contribution schemes and pay lump sums on retirement so, as with the NSSF, do not offer income security in old age. Nonetheless, some people do take the option to annuitise their lump sums through life insurance firms, so as to receive a regular pension. The number is not known.

There is also a range of privately-administered health insurance schemes operated by insurance companies. These are under the auspices of the Insurance Regulatory Authority. Anecdotal evidence suggests that, when workers in Kenya have the opportunity (on the basis of their employment) of membership in such schemes, they are preferred to the NHIF.

⁷⁸Source: Administrative data provided by the NHIF.

There has been a number of initiatives to extend private pension schemes to the informal sector.

The 'Mbao' scheme is flagship initiative of the RBA and is registered as a retirement benefit scheme. It is, however, managed privately in the same way as most of the 'normal' occupational schemes operating in the country. It offers a very simple means by which members may easily accumulate a low level of regular (even daily) savings at minimal cost – typically through the money transfer schemes operated by the mobile phone companies – and appears to be managed effectively with relatively low overhead costs; early estimates suggest that these could be kept to around 0.95 per cent per year of the fund value.⁷⁹ The total recorded membership in 2016 was about 99,000, with an accumulated fund of about KES 110 million.

There is little evidence that Mbao will be able to contribute to old age income security.

Contributions can be – and typically appear to be – withdrawn after a required minimum period of 3 years. While the scheme membership has, until now, reached only a rather limited proportion of the target population of informal economy workers, it has grown fairly steadily.

However, Mbao is not the only channel available to those working in the informal economy to invest a modest level of savings with old age in view.

One option is to contribute on an individual basis through one of a growing number of 'umbrella' schemes operated by private sector managers. Another is via the NSSF facilities for self-employed workers. A third option is through facilities now offered by the institutions with an original mandate to manage the pension provision for local authority officials (see Box 2.4).

2.4.2.3 Civil Service Pension Scheme

Pension arrangements have been in place for officials working in the national government service for many decades, through the Civil Service Pension Scheme (CSPS). The CSPS provides pensions to civil service officials, those employed by the national teaching service, and the so-called 'disciplined' services (the police, prisons service and national youth service). Benefits are paid from the national budget (the 'Consolidated Fund'), through the Pensions Department, which is a unit within the Directorate of Portfolio Management of the national Treasury. Pensions are also paid from the Consolidated Fund to military personnel (22 per

cent of the total payments in the 2016-17 estimates), to former members of Parliament (1.5 per cent), and retired Presidents. There is also a scheme for local government officials (see Box 2.5).

Box 2.5: Pensions for local government officials

There is a pension system for local government officials, who worked in the old Provincial and District administrations. They benefit from coverage under arrangements which are contributory and fully funded on a defined contribution basis, following conversion from a defined benefit system some years ago. However, the picture is complicated by the process of devolution of government, and a draft has been prepared of legislation (the County Public Service Pension Scheme Bill) under which new, but yet-to-be-fully-specified pension arrangements will be made. For the time being, these officials continue to contribute to the existing scheme, which collects contributions of 27 per cent of earnings in total, and which is managed by an institution named 'Lapfund.' It claims to have just under 30,000 members.

In 2014, there were 162,217 civil servants on retirement pensions, plus an additional 58,700 dependants.⁸⁰ The value of these pensions is not known. While the Civil Service Pension scheme (CSPS) is not contributory, the NSPP grouped it with the NSSF, as if it were contributory. It also differs from the NSSF in that it does offer a regular and predictable pension.

The detailed benefit provisions within the CSPS are complex, reflecting multiple variations related to different service conditions across times and places. The main scheme provision is in the form of pension calculated on a defined benefit (DB) basis⁸¹, which is paid, in principle, on retirement (broadly at age 60, but with variations), or, subject to sufficient service if the public servant experiences a disability.

At the time of the 2012 Review, it was expected that the government would implement proposals developed some years earlier for converting the scheme into a fully-funded, defined contribution pension scheme. This would be financed by contributions of 22.5 per cent of salaries, to be shared in the ratio 2:1 between the government

⁷⁹Kwena and Turner (2013).

⁸⁰Information from Pensions Department, available at <https://m.facebook.com/PensionsDepartmentKenya/posts/853109608034606>

⁸¹The main scheme provides for pension accrual at the rate of one-fortieth of final salary a year of qualifying service; arguably this is high by international standards. There is a notionally separate scheme providing benefits in the case of the death in service of an official, for widows and children.

(as employer) and the member. Although the enabling Act – the Public Service Superannuation Scheme Act – was passed by Parliament in 2012, no progress has been made. Implementation of the scheme would entail complicated transitional arrangements: questions have been raised as to the compatibility of some aspects of the financing with the financial responsibility regulations enshrined (partly) in the 2010 Constitution.⁸² Whether for this or other reasons, the new scheme has not yet been implemented, although the forward budget estimates for financial year 2017-2018 do imply that the scheme should be operational from that year onwards.

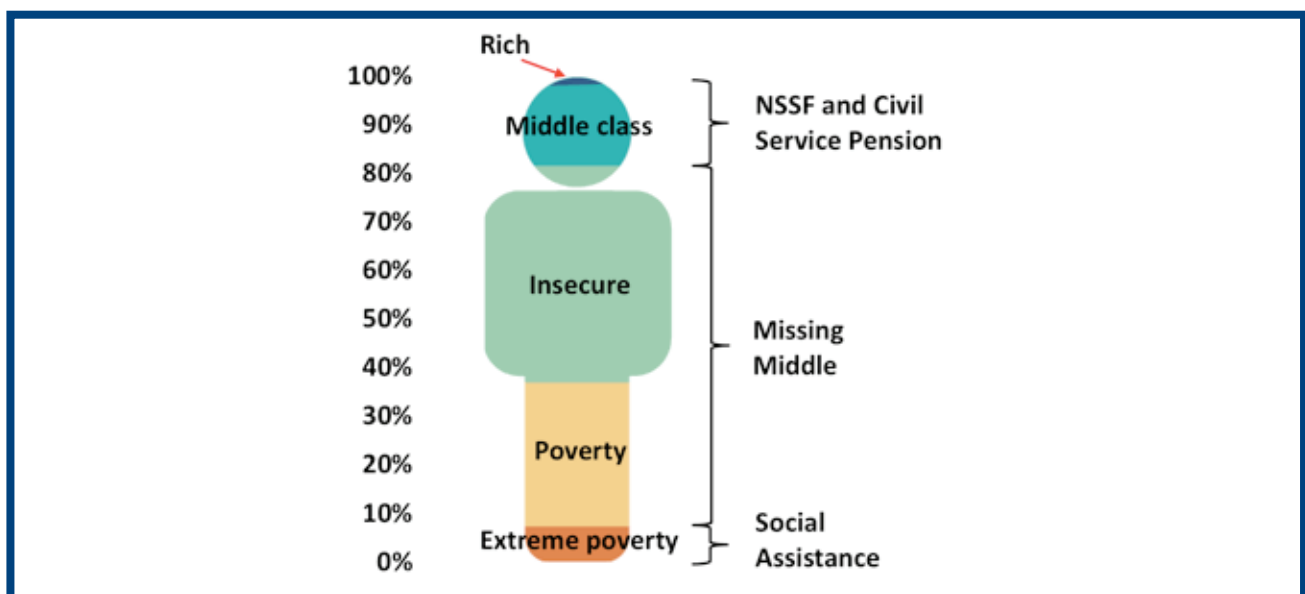
2.5 Current Overall Design of the National Public Social Protection System

Kenya’s overall social protection system currently focuses on addressing the needs of two groups: those living in the most extreme poverty and the more affluent. The prioritisation of those living in extreme poverty has been the result of the limited resources invested in social protection, despite the expansion of schemes in recent years. Furthermore, there are large gaps even among these two groups: as noted above, the NSSF does not, in fact, offer regular old age and disability benefits to its members while, as Chapter 4 will show, many of those living in extreme poverty are unable to access the schemes

targeted at them.

As Figure 23 indicates, the current design of the Social Protection Sector means that there is a significant ‘missing middle’ of the population that is unable to access social protection even though, as Chapter 1 argued, the vast proportion of the national population would benefit from some access. Including the ‘missing middle’ – who are still living in poverty or insecurity – would not only help them as individuals but would have significant national social, economic and political benefits (as explained in Chapter 7). International experience indicates that, as countries expand their national social protection systems, they begin to offer support to this group. Importantly, those in the ‘missing middle’ are more influential than those living in poverty in national elections, so it makes sense for democratic governments to include them in their social protection programmes, and subsequently receive the electoral awards. In fact, the introduction of the Inua Jamii Senior Citizens’ programme will be the first major initiative in Kenya to including the ‘missing middle’ in the national social protection system in that they, and everyone else in Kenya, will be guaranteed a pension once they reach old age.

Figure 23: Ideal design and coverage of the population by Kenya’s social security system⁸³



⁸²In relation to officials required to transfer to the new pension scheme, residual liabilities for pensions accrued with service in the ‘old’ scheme would be crystallized in the form of a government bond, in effect adding to the quantum of national debt that must be serviced.

⁸³Source: Analysis of the KIHBS 2005/06 conducted by Development Pathways. Poverty headcounts are calculated using adult equivalent poverty lines. The extreme (food) poverty lines in 2006 prices were KES 1,474 in urban areas and KES 988 in rural areas. The poverty lines in 2006 prices were KES 2,913 and KES 1,562 in urban and rural areas, respectively. Cut-off values were based on weighted averages of poverty lines and inflated using IMF’s estimated consumer price index for Kenya. The inflation for the period 2006–2016 is estimated at 120.9 per cent (WEO April 2016).

2.6 Conclusions

In many respects, since the last Social Protection Sector Review Kenya has made excellent progress in developing its national Social Protection Sector. It has been developing a lifecycle social protection system, combining both social assistance and contributory schemes. The introduction of the Inua Jamii Senior Citizens' programme will be a further step forward, placing Kenya at the forefront of countries in the region. The NSPP has outlined the direction of the national social protection system and a number of key pieces of legislation have been passed, although they are facing certain implementation challenges. As would be expected, there are still gaps in the national social protection system and Kenya still has a long way to go to reach the levels of spending found in other middle income countries: yet, many of these countries are wealthier than Kenya and have been implementing their systems for much longer. Kenya is on a positive trajectory and it will be important to clarify the long and medium term directions in the National Investment Plan and National Social Protection Strategy.

The following chapters will examine in more detail different aspects of the national social protection system. They will assess in more detail the progress that has been made, challenges faced and those that still remain.

3

BUDGETING, EXPENDITURE AND FINANCIAL SUSTAINABILITY OF THE SOCIAL PROTECTION SECTOR

Chapter Summary

- The trend in social assistance spending has been flat overall over the last decade as a proportion of GDP and as a proportion of government spending.
- But, spending on cash transfers in the National Safety Net Programme (NSNP) has risen significantly, displacing mainly General Food Distribution. Expenditure on Cash and Food for Assets has also fallen over the review period, while spending on school feeding is broadly unchanged following the emergency response to the drought in 2011/12.
- This change has been driven by increased government spending on the NSNP schemes, rather than external partner spending, which is good for financial sustainability.
- The OPCT and PwSD-CT schemes are entirely financed by the Government of Kenya. It is unusual for countries in the region, and in sub-Saharan Africa more generally, to have entirely government-funded social assistance programmes.
- The government is introducing a universal social pension for all of those aged 70 years and over from January 2018 – the Senior Citizens’ Inua Jamii programme - which will increase investment and is a sign of significant additional commitment to the Sector.
- Most NSNP spending is in the development budget where disbursements are regularly delayed.
- Another significant achievement is that HSNP now has the capacity to scale up in response to droughts by making emergency payments to additional drought-affected households. This builds on existing shock-responsive capacity within the Cash and Food for Assets and School Feeding programmes.
- Contributions to NSSF and NHIF have risen over the review period and, in each case, are now around 0.3 per cent of GDP.
- There are likely to be financing options for increased future government funding to social protection schemes from growth and higher tax revenues, should the Government of Kenya decide to further increase its investment.

3.1 Introduction

This chapter describes trends in spending within the Social Protection Sector since the 2012 Review, how sources of funding have

evolved, and how levels of spending compare to other countries, especially in Africa. It goes on to address some key issues around budgeting, spending and financial sustainability and describes some options for increasing government spending

on social protection in future years.

3.2 Social Protection Spending in Kenya

This section examines social spending expenditure across both social assistance and contributory schemes.

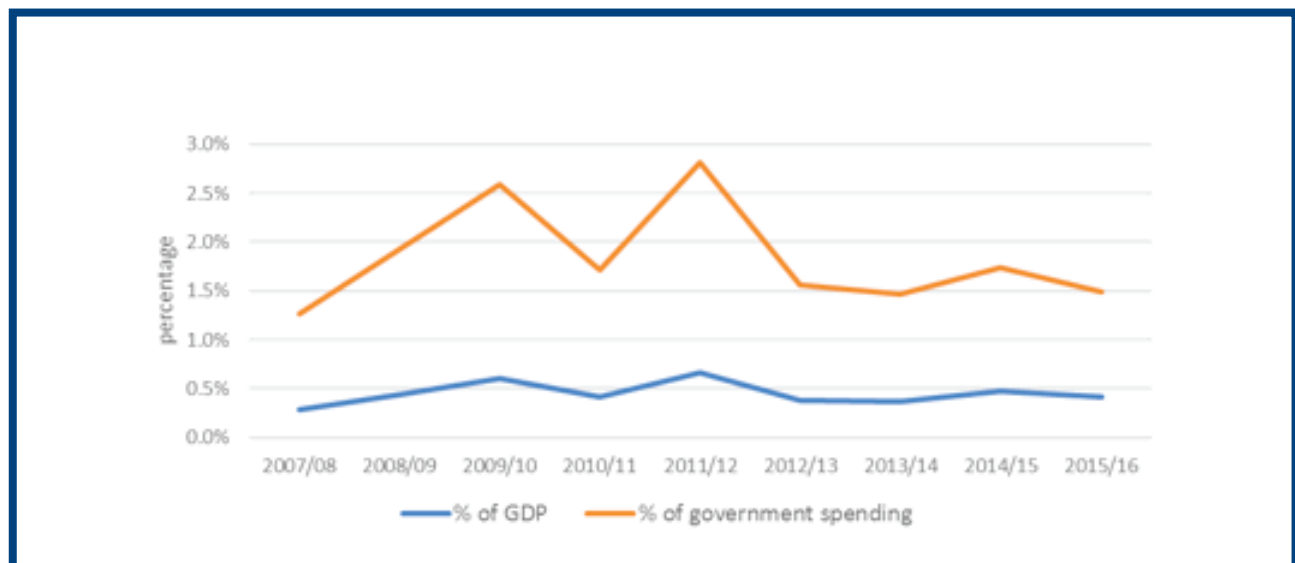
3.2.1 Social Assistance

Social assistance spending is unchanged as a proportion of GDP in recent years and has been flat overall as a proportion of government spending.⁸⁴ Figure 24 shows social assistance spending as a proportion of GDP and government spending. Peaks in the chart are where a greater quantity of emergency support was provided after the droughts of 2008/09 and 2010/11.⁸⁵ Annex 2 contains detailed spending tables and sources.

The absolute level of social assistance spending, in real terms, has been on a slight upward trend

since 2007/08 but flat since the 2012 review. Figure 25, however, shows that the National Safety Net Programme (NSNP) schemes have expanded in real terms and are now more than three quarters of spending, while other social assistance – including Asset Creation and General Food Distribution – has declined overall. Spending on school feeding is broadly flat over the review period, after the emergency response to the drought in 2011/12. Within School Feeding, the Government’s Home Grown School Feeding Programme (HGSFP) has expanded, at least in nominal terms (not taking account of inflation) over the review period - leaving aside the expansion for the 2011 drought - while WFP’s Regular School Feeding (RSFP) fell (see Annex 2). This is part of a deliberate strategy to move school feeding into government. General Food Distribution was the largest social assistance programme in the 2012 Review but one of the smaller programmes in 2015/16, since it has been replaced by more regular and predictable social assistance schemes.

Figure 24: Social Assistance spending as a proportion of government spending and GDP (percentage)⁸⁶

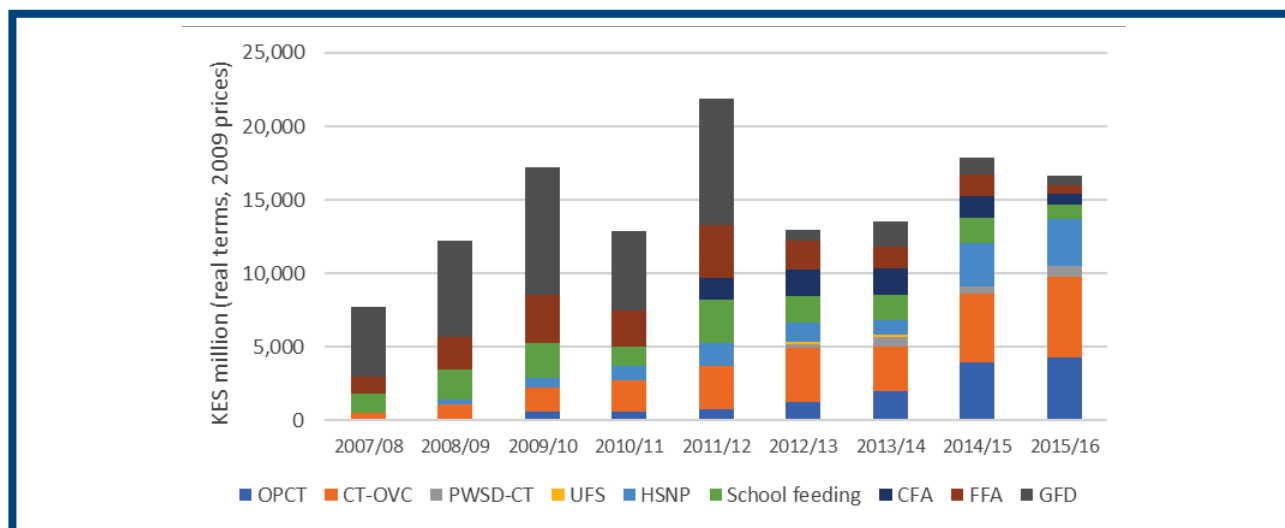


⁸⁴The 2012 review recorded spending on social security to 2010.

⁸⁵Where programmes have scaled up during periods of emergency, this additional spending is included in the chart. Programmes that are entirely emergency spending, such as Expanded School Feeding, Supplementary Feeding and Protracted Relief and Recovery Operations, are excluded.

⁸⁶Sources (see Annex 2): State Department of Social Protection internal expenditure tables, MEACLS (2016). Inua Jamii: Towards a More Effective National Safety Net for Kenya, Progress Report, Kenya National Audit Office (2015). Report of the Auditor General on the Financial Statements of Kenya National Safety Net Program, for the year ended 30 June 2014, HSNP internal tables, Social Assistance Unit (SAU) internal tables, single registry (for disbursements), Ministry of Education (internal tables), Ministry of Devolution and Planning (internal tables), WFP Kenya (internal tables). See Annex 2 for further explanation.

Figure 25: Social Assistance spending by programme (real terms)⁸⁷



3.2.2 The Impact of Devolution on Spending

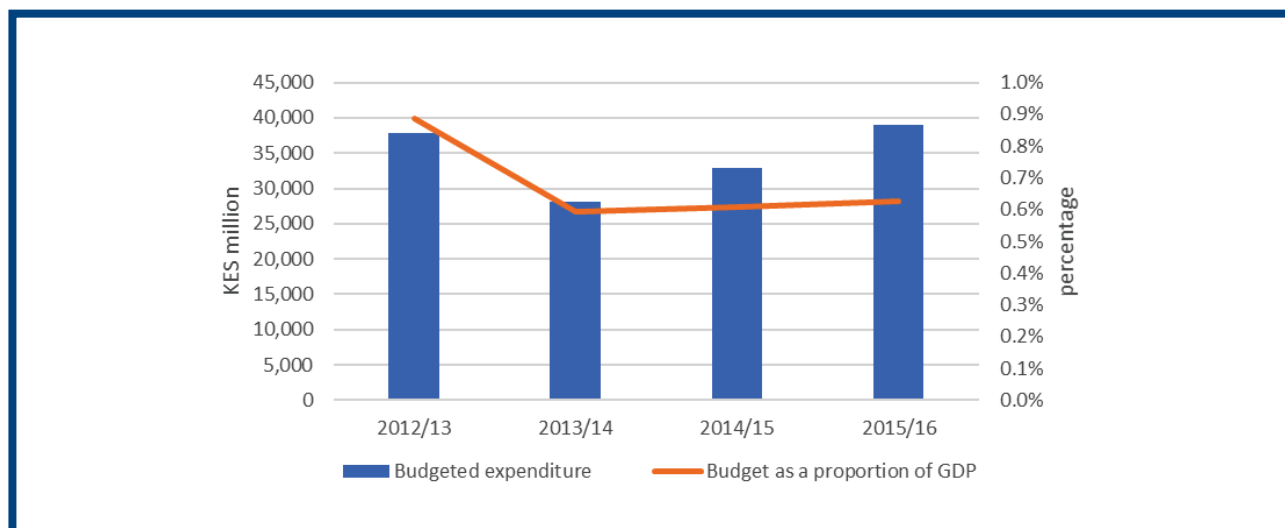
The national government has a constitutional responsibility and mandate to provide social security to citizens and also provide guidance and coordination to county governments on their potential role. While social assistance is not a responsibility that has been devolved to counties, some county governments have looked to introduce their own programmes. The World Bank estimates that social protection spending made up 0.5 per cent of the total county spending in 2014/15.⁸⁸ The national government is seeking to provide guidance: for example, it blocked a proposed pension in Makueni on the grounds of duplication and informed the county that it should seek to complement national programmes. Expanding

county spending on social protection could present significant challenges in terms of national planning and public financial management, but could also be an opportunity to expand coverage if it is coordinated with and complements national schemes.

3.2.3 Contributory schemes and the Civil Service Pension Scheme

The costs of the Civil Service Pension Scheme (CSPS) should be assessed separately from the general Social Protection Sector. The Sector Review in 2012 noted the CSPS absorbed a much greater proportion of spending by the government than social assistance and interpreted this as 88 per cent of total spending on social protection. But the CSPS may be better seen as representing deferred remuneration for services rendered, rather

Figure 26: Civil Service Pension Scheme budgeted expenditure⁸⁹



⁸⁷Sources: see Annex 2.

⁸⁸World Bank (2016).

⁸⁹Source: The National Treasury of Kenya, budget documentation for various years.

than social protection, and a liability that should not be disowned retrospectively. This element of government spending should not, therefore, be seen as a potential alternative source of funding for social assistance programmes. Having said that, the CSPS claim on government resources, including since the 2012 review, is – as Figure 26 shows – considerable and must be managed accordingly. At 0.6 per cent of GDP in 2015/16 it remains higher as a proportion of GDP than social assistance spending at 0.4 per cent.

The two large contributory schemes, NSSF and NHIF, each have a ‘turnover’ of between 0.2 per cent and 0.3 per cent of GDP. In each case, the figure is an estimate of the yearly contribution receipts. Overall activity for these schemes includes benefit payments as well as contributions. The two schemes differ greatly in terms of benefits: NSSF benefit payments have averaged less than 25 per cent of the yearly contributions (and the proportion has reduced in recent years compared with a relatively rapid increase in contributions), whereas, for NHIF, income is translated into expenditure relatively quickly, so contributions give a good representation of overall activity. The contribution ratios have increased from year to year during the period under review for both NSSF and NHIF, more rapidly for the latter, and appear in the most recent years to equate to around 0.2 per cent of GDP for NSSF and 0.3 per cent for NHIF.⁹⁰

3.3 Sources of funding

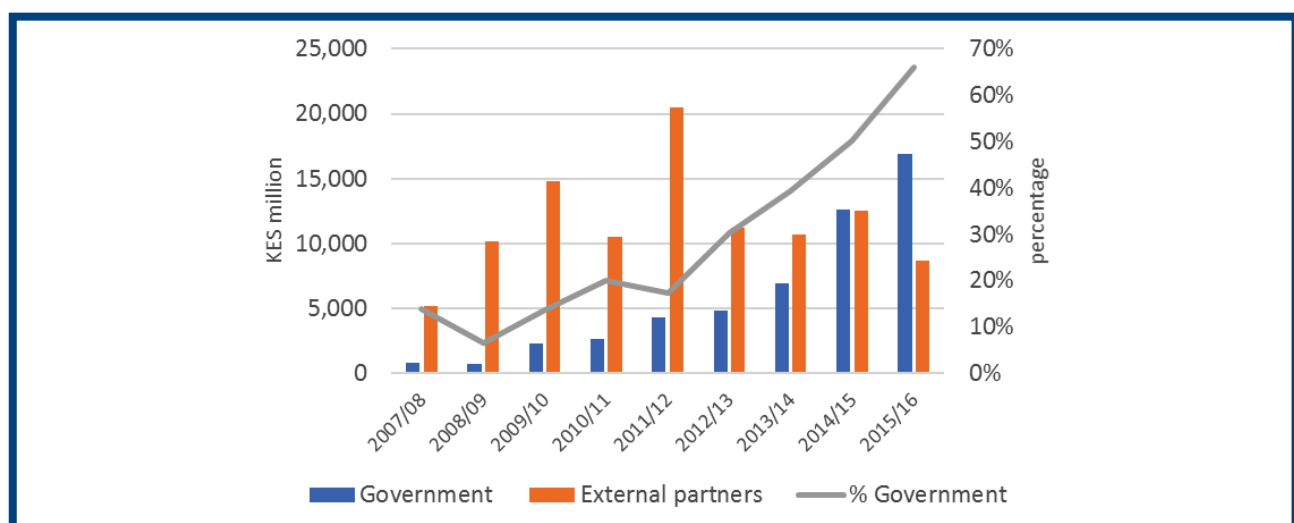
This section outlines the main sources of funding for social protection schemes, examining both social assistance and contributory schemes.

3.3.1 Social Assistance Sources of Funding

The increase in investment in social assistance has been driven by government rather than external partners. Figure 27 shows how the government share of spending has risen over recent years, especially since the 2012 Review. This increase in government spending is in line with the 2012 National Social Protection Policy which states that the government will ‘Ensure that adequate resources are allocated to social protection in a predictable, gradual, and long-term manner’.

Unusually for countries in the region, and for sub-Saharan Africa more generally, the increase in government spending includes programmes developed by government itself rather than with external partners. Figure 28 shows government and donor spending on the NSNP schemes. The OPCT – the fastest growing and now one of the largest programmes – and PwSD-CT are entirely government funded, as was the smaller Urban Food Subsidy, which was discontinued after 2013/14. There are few other instances in Africa of entirely tax-financed social protection programmes outside the southern Africa region (excluding civil service and other public sector pensions). The social pension in Zanzibar is one example, which covers all older people aged 70 years and over.

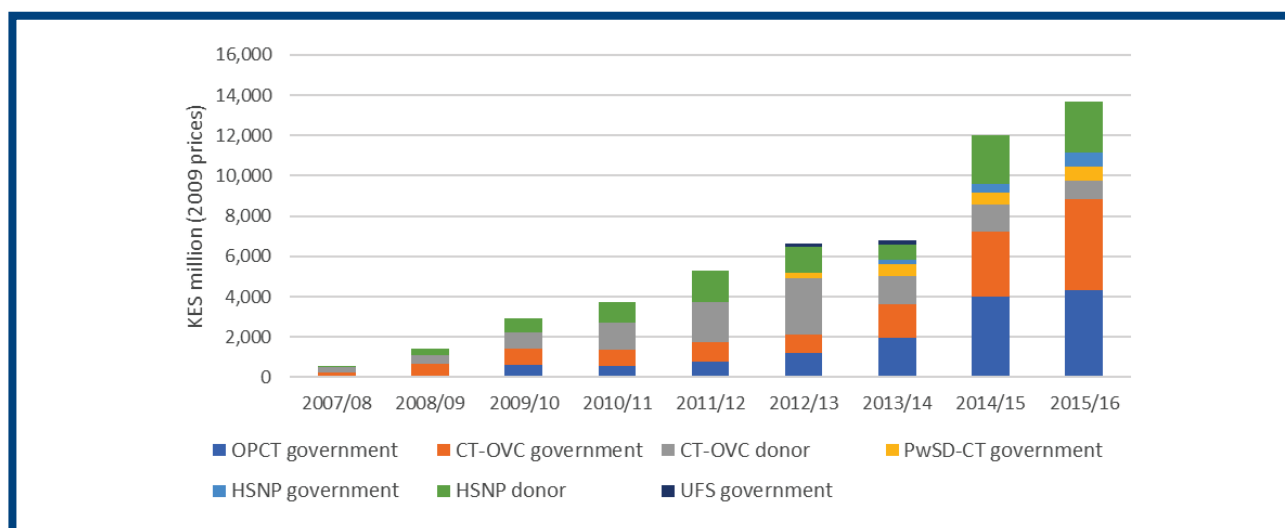
Figure 27: Social Assistance spending by funding source (KES million)⁹¹



⁹⁰Sources: for NSSF, contribution rates from annual reports and internal NSSF presentations; for NHIF, contribution rates published in national press (see for example, *Business Daily* on 16 August 2016) as official reports unavailable to this review

⁹¹Source: see Annex 2

Figure 28: NSNP spending by funding source (real terms)



The Government of Kenya is significantly increasing its commitment to social protection by introducing a universal social pension for those aged 70 years and over in January 2018, the Inua Jamii Senior Citizens' programme. This is a major expansion, for which financial sustainability is strengthened by it being funded from the government's own resources. The expected total cost, assuming a 90 per cent take-up, is around KES 17 billion per year. Given that the budget for OPCT is KES 7.9 billion for 2017/18, the net cost of the Inua Jamii Senior Citizens' programme will be around KES 9 billion per year. This does not take into account future population growth although, if the transfer value is linked to inflation and economic growth continues on a positive trajectory, the cost of the scheme as a proportion of GDP will not rise. Adding KES 9 billion to current government spending on social assistance will take it from 0.3 per cent to 0.4 per cent of GDP. It is a significant achievement for the Government to have established the reputation and impact of regular and predictable social transfers to the point where there is political support for such an expansion.

Another significant achievement in the review period is that HSNP has developed the capacity to scale up in response to shocks. A proportion of HSNP donor spending (from the UK Department of International Development) in 2014/15 and 2015/16 is on scaled-up programme emergency payments, in response to drought. Emergency payments are triggered by satellite-monitored indicators on grazing resources and vegetation cover. HSNP can cover more than a quarter of a million additional households in northern Kenya, beyond the around 100,000 it reached with cash transfers in 2015/16.

This has been made possible by the opening of bank accounts for most of the population in the four drought-affected counties in which HSNP operates that are not already in receipt of transfers. Spending on emergency payments was fully 15 per cent of total programme costs in 2014/15 and 21 per cent in 2015/16.⁹² While these payments have been funded by DFID so far, as noted in Chapter 2 the Government of Kenya is developing a National Drought Emergency Fund (NDEF) for shock-responsive cash transfer payments. Making HSNP shock-responsive builds on the existing capacity to respond to shocks in the Cash and Food for Assets and School Feeding programmes which were part of the extra KES 9.3 billion per year spent on drought response in 2008 to 2011.⁹³

The government has been supported in its spending by a World Bank concessional loan, but is largely financing the expansion in cash transfer programmes from its own resources (and, indeed, the loan should be considered as Government of Kenya funding anyway). Around \$100 million (or around KES 10 billion) in loan tranches under the Program for Results (PforR) have been paid to the general government budget since 2013, in return for reforms to the funding, design and operational efficiency of NSNP schemes (though the government has to pay for these reforms up front and is subsequently reimbursed, requiring a high level of initial commitment).⁹⁴ This is not direct support to social assistance spending, as the Government of Kenya is free to spend the loan as it chooses. But the coincidence of the loans and the increase in government spending suggests a direct connection and increased spending on social protection is one of the Disbursement Linked Indicators (DLI).⁹⁵

⁹²MEACLS (2016) records emergency payments of KES 512 million in 2014/15, and internal HSNP tables show emergency payments of KES 831 million in 2015/16.

⁹³DFID (2016).

⁹⁴The total maximum loan value for Program for Results programme is \$250 million over five years, 2013-2017. Reforms of Inua Jamii are set out in Disbursement Linked Indicators (DLIs) which address spending, targeting, the Single Registry, electronic payments, the timing of payment, complaints and grievances, scalable social protection, the consolidation of Inua Jamii programmes and increased harmonisation with HSNP.

⁹⁵See also Wanyama and McCord (2017).

However, the increase in government spending on the NSNP has been KES24 billion since 2012/13, which is two and half times the loan, so most of the extra spending has come from domestic resources.

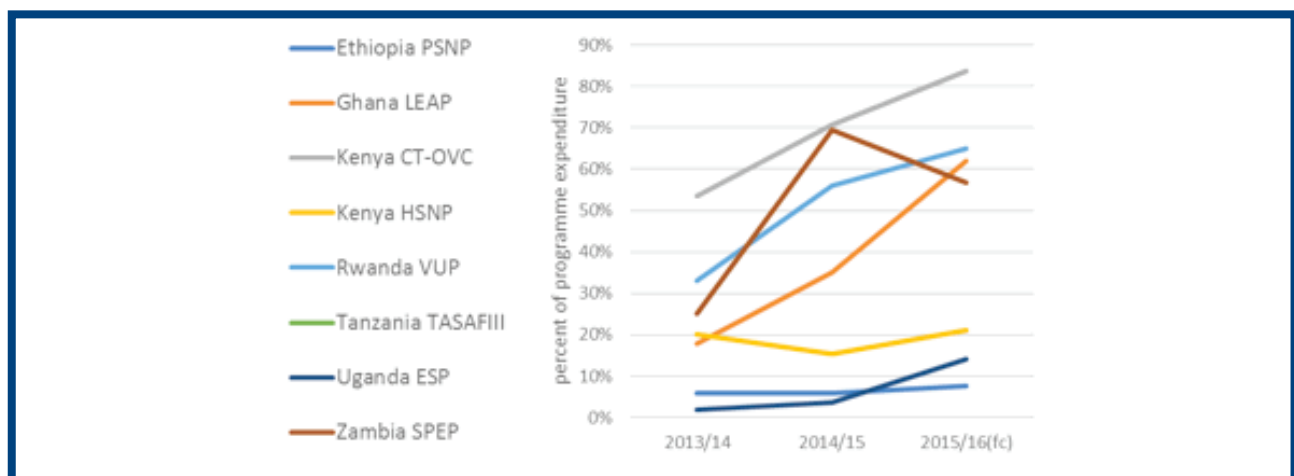
The government has also expanded its support to programmes set up with external partners, which is boosting their sustainability. Figure 28 also shows how government has increased its support to the CT-OVC and HSNP schemes, both established with the support of external partners. This increasing support to programmes established in partnership with outside donors is part of a wider trend in some African countries, as Figure 29 shows. It is also in line with international agreements on meeting the new Sustainable Development Goals. The Addis Ababa Agenda for Action affirmed the importance of domestic funding for the long-term sustainability of social policy programmes.⁹⁶ The government also provides funds for other social assistance programmes: it entirely funds HGSFP, pays half of the operational costs for RSMP and also contributes to the Asset Creation Programme (CFA and FFA). The government provides at least 50 per cent of the implementation cost for the in-kind School Feeding programme.

Significant support has been given by external partners in the past but, as mentioned earlier, the government is increasingly taking over funding which is promoting sustainability. Direct support from external partners to social assistance over the review period – and before – has been significant. The CT-OVC scheme has been supported by a \$60 million (around KES 6 billion⁹⁸) World Bank loan, from 2009 to 2016⁹⁹ and a \$79 million (around KES 7.9 billion) Trust Fund financed by the UK’s Department for International Development (DFID), which started

in 2010.¹⁰⁰ Both programmes have funded transfers and technical assistance, and the Trust Fund has also supported the National Social Protection Secretariat. UNICEF also provided nearly KES 3 billion from 2007/08 to 2012/13. HSNP has been funded by DFID since it started in 2009, with support from the Australian government, but government funding has increased and was 30 per cent of total funding in 2015/16.¹⁰¹ In terms of other social assistance, WFP funds the CFA and FFA programmes with the support of government which, as mentioned, also finances half of the operational costs for RSFP and all of HGSFP costs. General Food Distribution costs have been mainly met by external partners, with additional support from government.

Future external partner support to social assistance is under discussion, though the already dominant funding role of government is strengthening financial sustainability. External support for the CT-OVC scheme is set to end in 2017, except for the CT-OVC Trust Fund which has been extended to 2018. Future support is under discussion. The World Bank is designing an additional \$60 million loan to support Inua Jamii in northern Kenya.¹⁰² DFID is currently collaborating with government on the design of Phase 3 of HSNP, with Phase 2 finishing in 2018. As mentioned, the higher the government share of funding for programmes, the greater will be the financial sustainability of the Sector which will be boosted by the Inua Jamii Senior Citizens’ programme. For the CT-OVC, 84 per cent of the programme was government funded in 2015/16. Going forward, external partners could consider focusing more on technical assistance rather than funding transfers. This is the intention of WFP in relation to school feeding: all WFP provision of school meals is set to finish in 2018 after which

Figure 29: Share of government spending in programmes supported by external partners, selected countries in Africa (percentage of programme expenditure)⁹⁷



⁹⁶United Nations (2015), *The Addis Ababa Action Agenda of the Third International Conference on Financing for Development*.

⁹⁷Source: for Kenya programmes, see Annex 2, for other countries data is from individual programmes’ internal documentation.

⁹⁸This is using today’s exchange rate of around KES 100 per USD. Exchange rate at 7 January 2017 was KES 103.7 per USD according to www.exchangerates.org.uk.

⁹⁹The Kenya Cash Transfers for Orphans and Vulnerable Children programme was due to finish at the last review, running 2009 to 2012, but was extended to 2016. The original IDA credit was for \$50 million and the additional financing was for another \$10 million.

Home Grown School Meals Programme will cover all the costs of the meals while WFP will concentrate on technical assistance. WFP is continuing to finance the CFA/FFA programme but the financing of General Food Distribution has stopped, although WFP still provides technical assistance.

3.3.2 Contributory Schemes and the Civil Service Pension

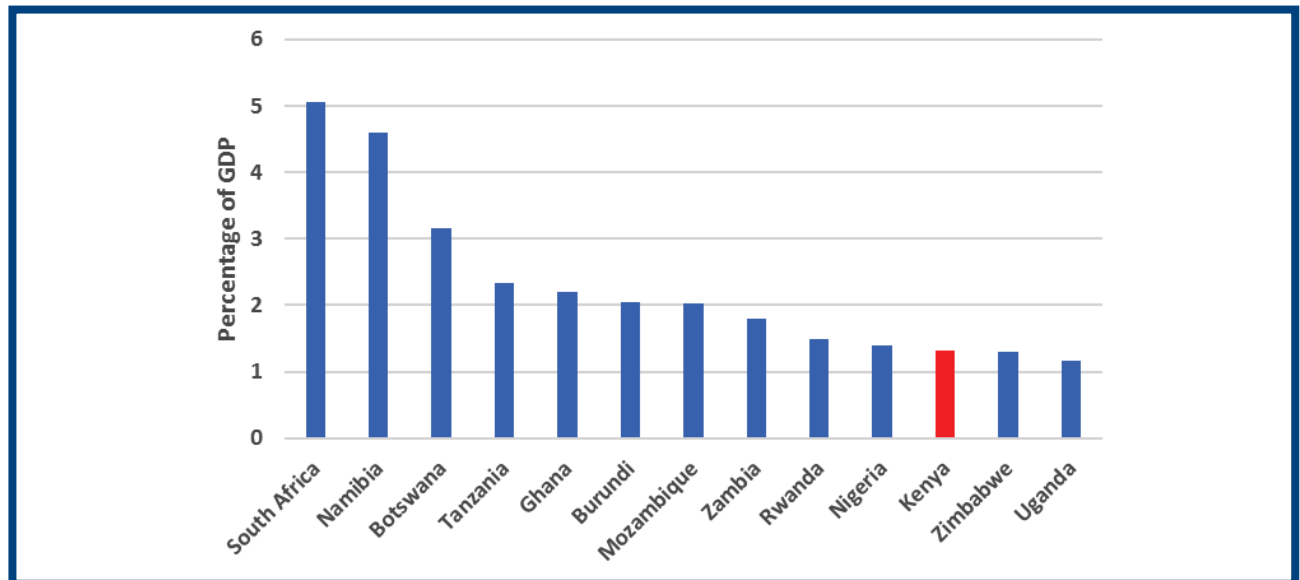
The investment of accumulated funds is a key source of funding for the NSSF but much less important for the NHIF and CSPS. Returns on the investment of funds is a vital element of the NSSF’s financial framework, and the accumulated fund had reached, by the end of the 2015-16 fund year, about KES 172 billion, equivalent to around 3 per cent of GDP. Pending the availability of the audited financial statements, it is difficult to assess the overall investment returns on the fund with any precision. In some years, early in the period under review, annual returns allowing for the revaluation of assets may have exceeded 20 per cent but, in the most recent years, local investment conditions have been relatively unfavourable (as seen in the decline of the securities exchange index), and returns on the fund may have been in the low single figures. For NHIF, these issues are less significant in that, by its nature, while it is important to maintain prudent financial reserves to assure the sustainability of its services, it has no requirement to build up an investment reserve. Funding for NHIF will come not just from contributions, but from government

and development partners. The Health Insurance Subsidy for the Poor (HISP) will be accessible to a proportion of CT-OVC recipients, funded by the World Bank, and to a proportion of OPCT and PwSD-CT recipients, funded by government. Recipients of the new Inua Jamii Senior Citizens’ programme will also have access to the NHIF. The Free Maternal Health Care Programme will also expand access to health care for women not already in the NHIF or with private insurance. Within the CSPS, which is financed on a ‘pay-as-you-go’ basis, as for NHIF there is no present need to accumulate an investment fund. This situation would, however, change if proposals go ahead to transfer at least some members to a ‘funded’ pension scheme relying on the investment of regular contributions payable by and on behalf of the individual officers. There is already a ‘funded’ pension scheme for local government officials (see Box 2.5).

3.4 Social Protection Spending Compared to Other Countries

In terms of total spending on social protection, including civil service pensions, Kenya’s level of investment is, in general, lower than among most countries for which there is information. Kenya spends around 1.3 per cent of GDP on social protection, which includes Civil Service Pension. Figure 30 shows that Kenya’s level of investment is significantly less than the highest spending countries in Africa such as South Africa and Namibia, but more than some others. The chart is restricted

Figure 30: Social protection spending in selected countries in Africa including Civil Service Pension Scheme (latest year available)¹⁰³



¹⁰⁰ DFID’s current Social Protection Programme Phase 2 is £38.22 million, running 2013 to 2017 (this is around KES 4.9 billion at a current exchange rate of KES 127.4 per GBP, from www.exchangerates.org.uk). 91 per cent of total spending is intended to fund transfers including delivery costs and 9 per cent technical assistance.

¹⁰¹ This excludes DFID funding for emergency payments in response to drought, which was around a fifth of its total contribution to HSNP in 2015/16.

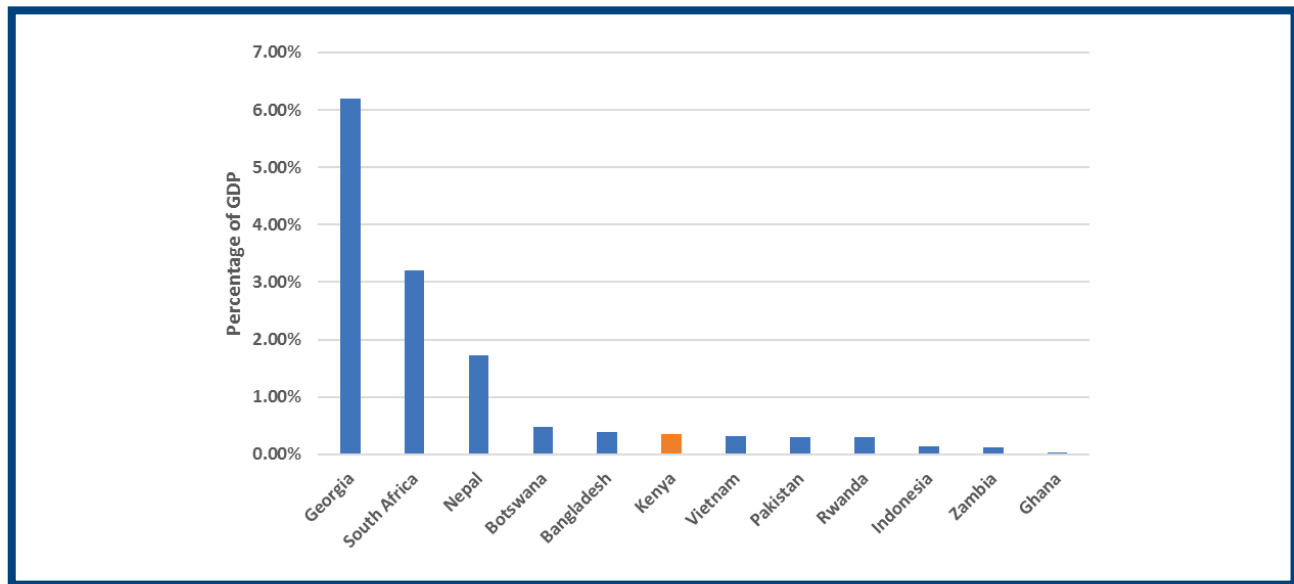
¹⁰² Referred to as an Additional Financing Credit.

¹⁰³ Source: ILO (2015).

to countries with available information and many spend less than those shown. Indeed, it is also likely that the higher investment in some other countries is not the result of investment in social assistance but includes significant spending on civil service pensions.

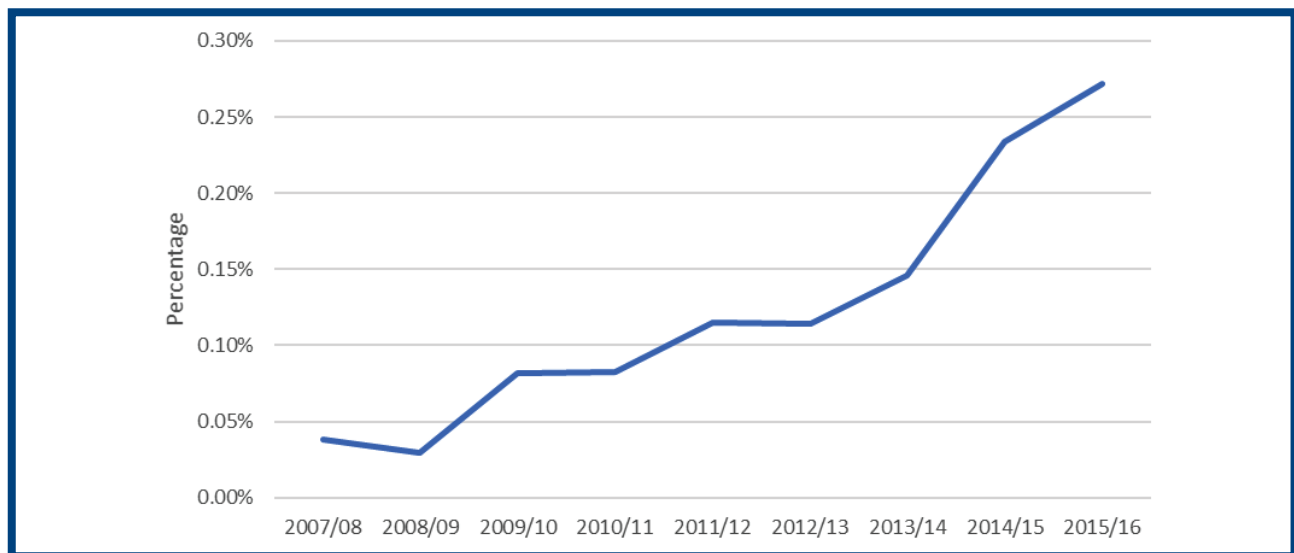
In terms of spending on social transfers financed from general government revenues, Kenya again spends less than some developing countries and more than others, but spending is on the rise. Spending on social assistance by the Government, which excludes social insurance and the CSPS, is 0.27 per cent of GDP in Kenya (it is 0.41 per cent of GDP when external-partner-funded social assistance is included). Figure 31 shows how Kenya compares with other countries: its investment is higher than richer countries such as Indonesia and Vietnam, but lower than Nepal, a poorer country. Certainly, Kenya’s investment is the highest in the East Africa region.

Figure 31: Spending on tax-financed social protection for selected developing countries ¹⁰⁴



Furthermore, Kenya’s investment is rising. Figure 32 shows how much spending on the NSNP component of social assistance has risen in Kenya in recent years, especially since the 2012 Sector Review and the commencement of the Government of Kenya and World Bank’s National Safety Net Program for Results in 2013. It is set to rise further, to 0.37 per cent of GDP, with the introduction of the Inua Jamii Senior Citizens’ programme in January 2018.

Figure 32: Government of Kenya spending on social assistance as a percentage of GDP¹⁰⁵

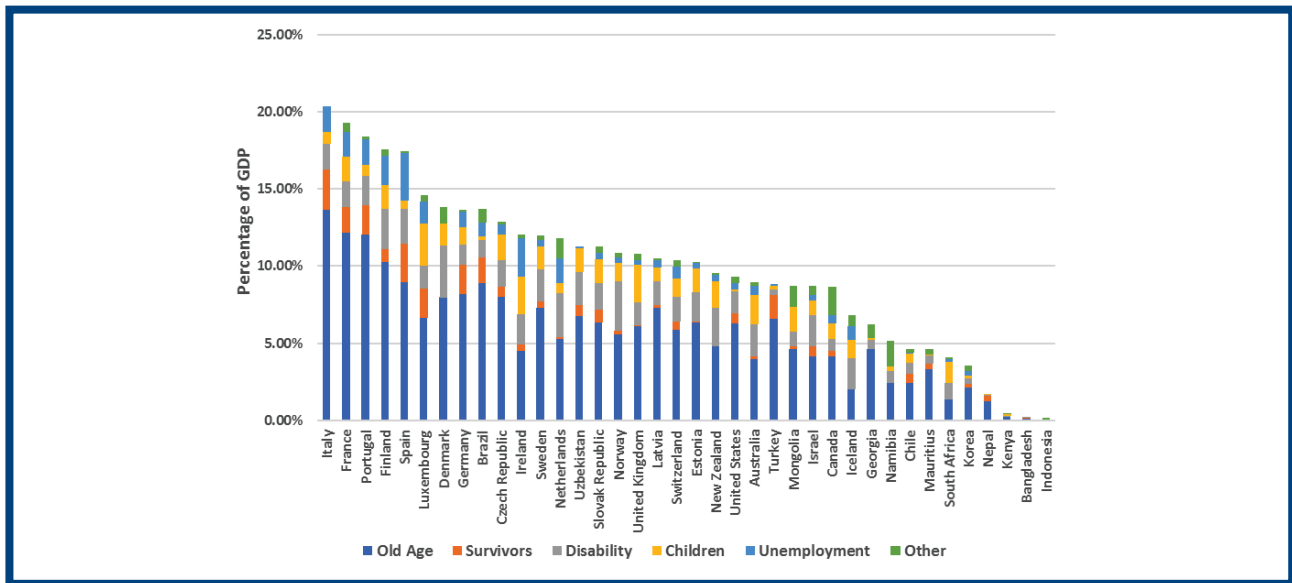


¹⁰⁴Source: for Kenya, see Annex 2, for other countries, individual government and programme sources.

¹⁰⁵Source: see Annex 2.

Most developing countries spend much less on social protection than developed countries, so Kenya is a long way behind the highest spenders globally. Figure 33 shows spending on social protection for developed countries and high spending developing countries, by type of programme as a percentage of GDP (and includes both spending from general government revenues and social insurance). For developed countries, social protection is the largest area of government spending averaging 14 per cent of GDP across developed countries.¹⁰⁶ It illustrates that Kenya has, understandably, a long way to go to reach global leaders, though it has made strong progress in recent years.

Figure 33: Spending on social protection in developed countries (2013) and high spending developing countries (various years)¹⁰⁷



3.5 Key Issues for Kenyan Budgeting and Expenditure

Spending on social assistance in Kenya is influenced by the workings of the Government’s budget and spending processes. These include: the setting of annual budgets; the classification of spending in either recurrent or development budgets; the allocations made to ministries which, in reality, are often significantly different from budgeted amounts; and the timing of disbursements from Treasury to Ministries and programmes. These issues are discussed in the following sections.

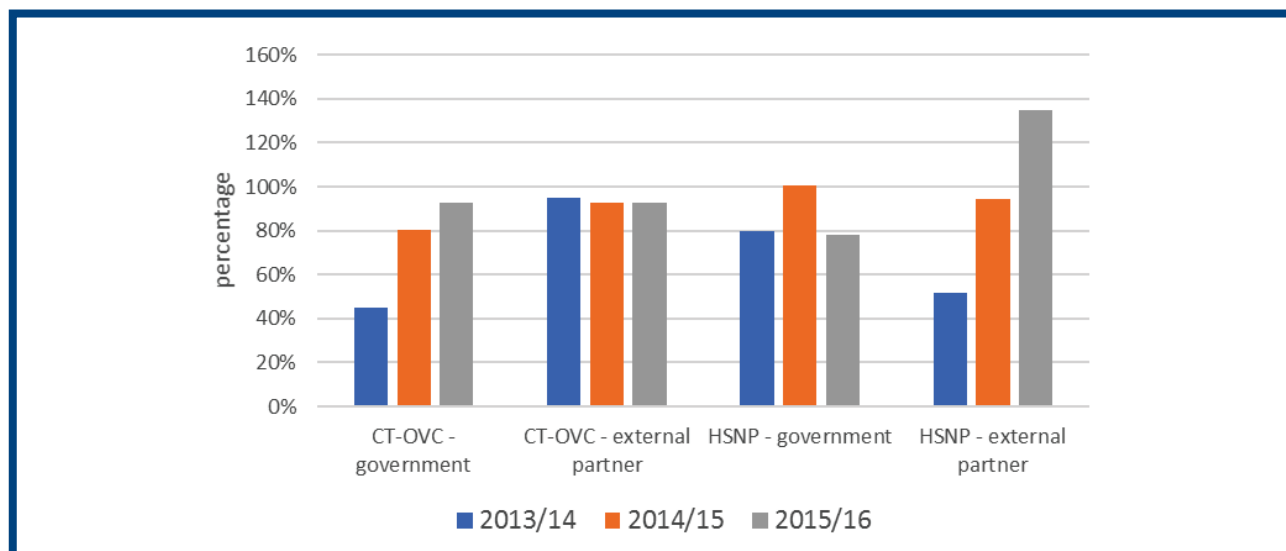
3.5.1 Budget predictability

Budget predictability – the proportion of budgeted expenditure actually spent – is a measure of government and external partner commitment to a sector and of that sector’s absorptive capacity. Budget predictability for the NSNP is shown in the chart for the last three years (the 100 per cent line representing full budget predictability is in bold). It has been around 80 per cent or higher, but lower for government funding to CT-OVC and donor funding to HSNP, though in both instances budget predictability has improved significantly over the last three years. Spending for the HSNP includes emergency payments in response to droughts which was around one-fifth of spending in 2015/16, and is likely to partly explain why predictability exceeded 100 per cent.

¹⁰⁶Source: OECD Social Expenditure Database (SOCX).: <http://www.oecd.org/social/expenditure.htm>

¹⁰⁷Source: OECD Social Expenditure Database; SASSA 2015/16; and Kidd and Damerou (2015)

Figure 34: Inua Jamii spending as a proportion of annual budget¹⁰⁸



The National Program for Results (PforR) has created incentives to improve predictability. The disbursement of loans from the PforR to the general government budget is likely to have reassured the Government of Kenya that spending on social assistance was covered partially by the loan. Loans were for the general budget but tied to reform of the NSNP. One of these reforms was Disbursement Linked Indicator 9, which asks that ‘The government finances the HSNP in line with budget and policy commitments’. This was one of the first DLIs to be achieved.

Absorptive capacity has limited spending in the National Safety Net Programme but it has performed well on predictability compared to HGSFP. The Auditor General highlighted low absorptive capacity in 2014/15 for the NSNP to explain a budget of KES 19 billion and actual spending of KES 14 billion, but said, ‘No explanation has been provided for failure to utilise the funds received to meet the need of the given number of beneficiaries in the country’.¹⁰⁹ The complexity and manual nature of processes to reconcile budgets and payrolls and to otherwise manage programme monitoring and payment processes – see the description of fund flows in Chapter 5 – may have been a factor. But other social assistance programmes have predictability issues. Low spending for HGSFP has been attributed to ‘cash-flow bottle necks and at times overriding priorities’. As a result, ‘funds have consistently been disbursed too late to ensure that meals could be provided from the first school day.’¹¹⁰ The programme is described as being ‘highly vulnerable to funding gaps and pipeline breaks’ and having a budget predictability of just 44 per cent in 2013/14. HGSFP may suffer from sitting in the relatively large Ministry of Education budget with large, unavoidable recurrent budget items including teachers’ salaries, which may leave the Treasury seeking to save in other areas of the Ministry’s spending. One solution to the problem would be to finance HGSFP from recurrent expenditure while establishing the scheme in legislation.

3.5.2 The Timing of Treasury Disbursement to the Social Protection Sector

The timing of the Government of Kenya Treasury disbursements to social assistance is regularly delayed because resources for the NSNP come mainly from the development budget rather than the recurrent budget. Development budget disbursements to Ministries are delayed because the Government of Kenya’s system of cash-based budgeting – introduced to encourage fiscal responsibility¹¹¹ - means cash has to be in the government account before it can be spent. The priority at the beginning of the financial year is the recurrent budget. Borrowing to pay for spending from both the recurrent and development budgets is discouraged.¹¹² Within the development budget, social assistance is given priority according to the Treasury, reflected in Treasury documentation which sets out social assistance spending as a strategic priority.¹¹³

¹⁰⁸Source: spending figure sources are as at Annex 2. Budget figures are from Treasury recurrent and development budget documentation and from Kenya National Audit Office (2015), and MEACLS (2016).

¹⁰⁹Source: Kenya National Audit Office (2015).

¹¹⁰Source: Haag (2014).

¹¹¹The principles of cash-based budgeting are set out in the Constitution, Public Financial Management Act of 2012 and Public Financial Management regulation 2015.

¹¹²Borrowing to pay for the recurrent budget is discouraged because the recurrent budget is less explicitly for growth and therefore is not expected to deliver a rate of return which in turn can be used to repay interest. Borrowing for the development budget from the domestic financial market is discouraged because it puts upward pressure on interest rates and can lead to economic volatility. See Kenya Public Financial Management Act 2012.

¹¹³The 2017 Budget Policy Statement sets out Inua Jamii achievements which include ‘increased number of older persons receiving cash transfers from 164,000 to 310,000; increased number of households with OVCs receiving cash transfers from 253,000 to 353,000; and increased number of Persons with Severe Disabilities receiving cash transfers from 27,000 to 46,414’.

Disbursements to HSNP are also helped by the fact that they are classified as counterpart funding to DFID contributions – which are understood as Appropriations in Aid – so are prioritized. Nonetheless, in 2016/17 disbursement delays have meant that July-August NSNP payments were delayed to October. There are additional reasons for payments to beneficiaries being delayed which relate to internal MEACLP and payment service provider processes, which are discussed in Chapter 5. There has been recent success in reducing these delays and further reductions in delays are being sought including through the terms of the currently proposed World Bank additional financing to the NSNP. MEACLP and Treasury are also seeking to increase the speed of Treasury disbursements and recently agreed to change disbursements to a quarterly basis from the previous bi-annual basis.¹¹⁴

The proportion of NSNP spending in the national recurrent budget is decreasing rather than increasing, suggesting programmes should be grounded in legislation to place them in the recurrent budget. Figure 35 shows how the rising quantity of funds for the NSNP in the development budget is reducing the proportion of the overall programme in the recurrent budget. Increases in government spending are being allocated to the development budget. An impediment to moving NSNP spending into the recurrent budget is that the development budget is legally required to be equal to or above a proportion of the overall budget: ‘over the medium term a minimum of thirty per cent of the national and county governments budget shall be allocated to the development expenditure.’¹¹⁵ However, the Inua Jamii Senior Citizens’ programme

for those aged 70 years and over being introduced in 2018 is an entitlement, unlike previous cash transfers, and is an opportunity to make the case for grounding financing from general government revenues more firmly in the recurrent budget. Indeed, basing tax-financed social protection schemes in legislation rather than policy would also strengthen the case for a greater proportion of spending being located in the recurrent budget. There is also a need to simplify how tax-financed social protection budgets are structured.¹¹⁶

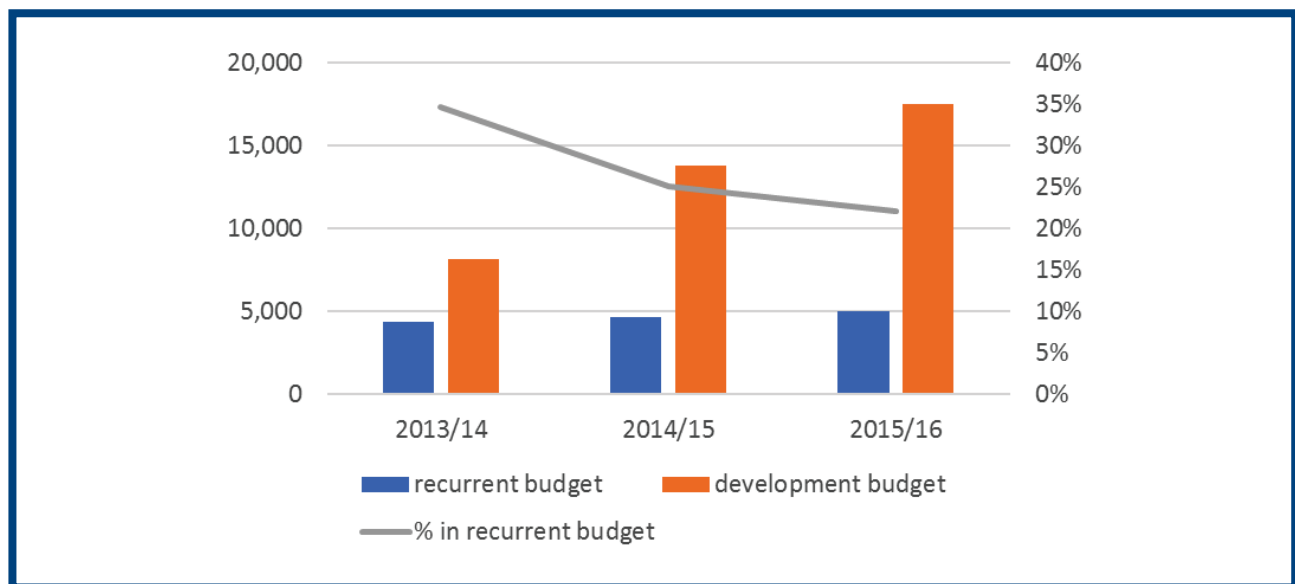
3.6 Financial Sustainability: Sources of Future ‘Fiscal Space’

Government spending on tax-financed social protection will be affected over the long term by the financial sustainability of the sector, or the ‘fiscal space’ for maintaining and increasing spending. Some key issues for financial sustainability considered here are: government policy intent; short term fiscal pressures; the wider economic context; oil production; the success of scalable social protection; and potential efficiency gains, though not substantial redistribution of spending from other parts of government. Each is discussed in turn.

3.6.1 Government Policy Intent

The Government of Kenya has made huge gains over the review period in terms of increasing funding to social assistance, but the future would be more settled if programmes were grounded in legislation. The government’s fast-increasing

Figure 35: National Safety Net Programme Budget (KES million current prices)



¹¹⁴See World Bank (2016a)

¹¹⁵Kenya Public Financial Management Act 2012, 15. 2. a), page 27.

¹¹⁶... there is a need to further discuss and think through the way the budget for the three SAU programs (OPCT, CT-OVC and PWSD-CT) is being planned for and executed. The current system is complex and creates confusion for auditors ... (World Bank, 2016a).

funding of social assistance programmes over the review period – and the transformation of those programmes into more regular and predictable cash transfers rather than mainly food transfers – is a clear and encouraging signal of the government’s policy intent. This is being considerably strengthened by the introduction of the Inua Jamii Senior Citizens’ programme in 2018. But, the long-term trajectory is still not settled because of the predominance of social assistance spending in the development budget and the absence of legislation (though obligations to current beneficiary groups are unlikely to be abandoned or undone).

3.6.2 Short Term Fiscal Pressures

The Government of Kenya is under considerable fiscal pressure in the short term, constraining expansion. In 2015, the fiscal deficit was 8.3 per cent of GDP and was estimated to be 7.2 per cent in 2016.¹¹⁷ The government is committed to fiscal consolidation and controlling borrowing at a national and county level. It has a target of reducing the fiscal deficit to the region of 5 per cent, which the IMF forecasts will be achieved by 2019. Increased short term fiscal pressure comes from flagship programmes, in particular the Nairobi-Mombasa railway which, alone, is estimated to cost 2 per cent of GDP per year. Security and health spending are increasing and there is also the immediate expense of the 2017 election. Further short term pressure may come from the devolution of some spending to county governments. As a result of these short term fiscal pressures, according to the Medium-Term Expenditure Framework, forecast spending for the OPCT, CT-OVC and PwSD-CT programmes from 2016/17 to 2018/19 is broadly flat although, as indicated earlier, the transformation of the OPCT into a universal pension will result in an increase in investment.¹¹⁸

3.6.3 The Kenyan Economy in the Longer Term

The Kenyan economy has significant strengths but also areas of vulnerability. Strengths include the level of remittances from abroad and a strong

service sector in terms of telecommunications and banking and traditional services such as construction, trade and transport. This has driven growth in GDP of 4.5 per cent to 8.5 per cent each year over the last decade, except 2008 and 2009 (after the global slowdown).¹¹⁹ Vulnerabilities include: domestic shocks such as elections and droughts, which is part of the reason output growth in manufacturing and agriculture has been relatively low; sluggish exports, which have fallen as a proportion of GDP since 2005 while imports have grown; and the stock of public debt, which was more than 50 per cent of GDP in 2016 (although it is still regarded as sustainable).¹²⁰

Allocating 10 per cent of additional future tax revenues to social protection from general government revenues could take spending to 1 per cent of GDP over a relatively short period.

The IMF forecasts growth of between 6.0 per cent and 6.5 per cent over the next five years, before taking account of oil production (discussed below). Assuming growth of 6.5 per cent and an unchanged tax to GDP ratio, estimated at 19.6 per cent by the IMF in 2016, creates around KES 90 billion in extra tax revenue per year.¹²¹ Tax-funded spending on social assistance in 2015/16 of KES 16.6 billion was 1 per cent of overall government spending.¹²² If it is assumed social protection receives 10 per cent of the increase in revenue – an arbitrary assumption for illustrative purposes – this will accumulate at around KES 9 billion a year (sufficient, by itself, to fund the Inua Jamii Senior Citizens’ programme). Within 5 years, spending on social protection from general government revenues could increase by KES 45 billion to KES 62 billion, or around 1 per cent of GDP.¹²³

There should also be scope for increasing tax revenues further in the long term. Figure 3.13 shows that Kenya’s tax revenue as a proportion of GDP is healthy relative to near neighbours but has scope to increase significantly in the long term as the economy develops. While it would not be expected for Kenya to reach the level of developed countries quickly, tax revenue as a proportion of GDP achieved by, for example, South Africa may be a realistic goal by 2030.

¹¹⁷Source: Hakura et al (2016).

¹¹⁸Kenya Medium Term Expenditure Framework, 2016/17-2018/19.

¹¹⁹IMF, World Economic Outlook for October 2016.

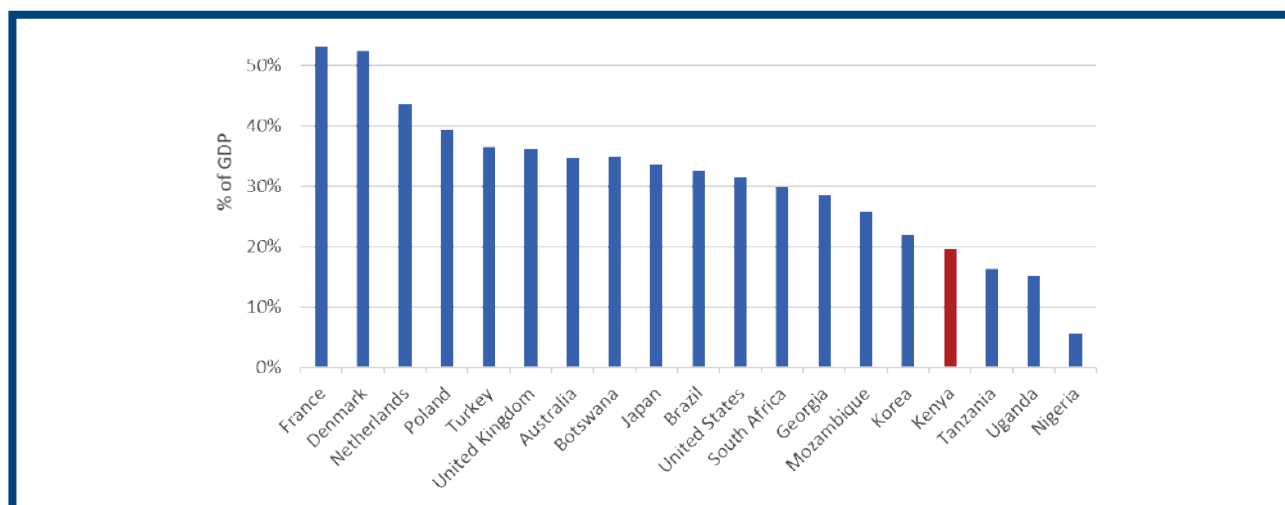
¹²⁰World Bank (2016b)

¹²¹In reality there may be scope to increase this ratio even in the short term, by, for example, improving the administration of VAT or introducing a property tax.

¹²²IMF, World Economic Outlook for October 2016. Estimate is for 2015.

¹²³Ignoring the rising level of GDP in terms of its impact on spending and on spending as proportion of GDP, for simplicity (though one should offset the other).

Figure 36: Tax revenue as a proportion of GDP for selected countries¹²⁴



3.6.4 Oil Production

There will be additional revenue from oil production, part of which could fund social protection, though there may be some risks. The World Bank estimates that fiscal revenues from oil production will commence in 2020 and peak at \$9 billion in 2033, which is around 16 per cent of GDP.¹²⁵ If World Bank projections are correct – and, furthermore, oil revenues are managed to give an even flow of resources over time – there could be in the region of an additional \$2 billion a year, or KES 200 billion, available to the government over a number of decades.¹²⁶ If 10 per cent of this is spent on social protection, this could provide, as long as oil revenues last, an extra KES 20 billion of investment per year (or, alternatively, smaller amounts over a longer time period). There are risks because the timing and size of oil revenue is uncertain, and social protection requires long term, sustainable funding. But projected oil revenues are significant and using a part of government oil revenues for social protection, with its associated impact on inclusive growth and development (see Chapter 7), could be a powerful narrative for the Government of Kenya as it sets out its plan for achieving Vision 2030. It is likely to significantly increase popular support for the Government’s spending of oil windfalls. Oil revenue has been left out of the calculation below because of its uncertain size and timing, but this is an area which could be explored further in terms of making the case for investing in social protection.

3.6.5 Scalable Social Assistance

The Government of Kenya already spends significant resources responding to droughts. The government has, in the past, spent an average of KES 4.2 billion per year on disaster relief funding. During the drought years from 2008 to 2011 this, to a large extent unbudgeted, spending rose to an average of KES 9.3 billion spending per year.¹²⁷ This was through additional spending on programmes classified as social assistance, such as GFD (which peaked at KES 9.7 billion in 2011), CFA/FFA (KES 5.8 billion in 2011) and HGSM plus RSFP (3.4 billion in 2011).¹²⁸ It was also through emergency support programmes, such as the Expanded School Feeding Programme (one-off spending of KES 5.3 billion in 2009), Supplementary Feeding (spending rose to KES 3.6 billion in 2010) and Maternal and Child Health Protracted Relief and Recover (MCH PRRO) (KES 1.0 billion in 2010).¹²⁹ In 2015/16, the government spent KES 14.5 billion in response to the drought (with needs estimated at double that) between October and July.¹³⁰

Drought response through scalable cash-based social protection programmes could be significantly expanded, which would reduce spending on other emergency responses. HSNP already has the capability to reach the vast majority of households in the four counties in which it operates and is a core part of NDMA’s

¹²⁴Source: OECD Tax Revenue Database <https://data.oecd.org/tax/tax-revenue.htm>; and GDP estimates from IMF World Economic Outlook Database.

¹²⁵World Bank (2016b).

¹²⁶This analysis is based on assumptions and is intended for illustrative purposes only. It is based on a simple eyeballing of government revenue projections set out in World Bank (2016b).

¹²⁷DFID (2016).

¹²⁸See Annex 2 for sources.

¹²⁹See Annex 2 for social assistance sources, otherwise, Ministry of State for Planning, National Development and Government of the Republic of Kenya (2012b), Kenya Social Protection Sector Review.

¹³⁰The UK Department of International Development (DFID) estimated the figure at £97m, converted to KES using an exchange rate of KES 150 to £1, estimated from World Bank World Development Indicator data.

drought response strategy. It builds on existing shock-responsive capacity within the CFA/FFA and HGSMP. As mentioned, in 2015/16 one fifth of HSNP spending, or KES 0.8 billion, was on drought response. As noted elsewhere in this Review, if government investment on regular social transfer programmes were expanded to 1 per cent of GDP, 45 per cent of households could be reached nationally. This could be funded, at least in part, by savings on emergency responses through other programmes, though some emergency response programming separate from regular social transfers would need to continue. This assumes that resources can be transferred, which may not always be the case. Nonetheless, it is worth assessing government savings on emergency responses from both an increase in the coverage of cash transfers programmes and the introduction of a more extensive social protection system. If we assume, for illustrative purposes, that around a fifth of average annual spending on drought response from 2008 to 2011 is saved, this would be approximately KES 2 billion a year. This additional spend, like oil revenues, has been left out of the calculation below, because of the need for further analysis. Supporting vulnerable households with cash, whether regular payments or as part of an emergency response, is also generally more effective – in other words, has a larger impact – than more ad hoc and in-kind responses (see Chapter 7).

3.6.6 Efficiency Gains

Additional resources are likely to derive from efficiency gains from reduced programme administrative costs, but savings will be small relative to other sources of additional funding. Current tax-financed spending on Inua Jamii is KES 16 billion (2015/16). Administrative costs have been estimated at 19 per cent for HSNP and 12 per cent for CT-OVC and may be similar or larger for other tax-financed social assistance programmes (see Chapter 7). These costs are likely to reduce as improvements in the management of programmes continue, guided by the new SAU for Inua Jamii programmes, which coordinates and harmonises programme management, including with HSNP, and enables economies of scale to be realized. Administrative costs are however likely to be kept relatively high by the complexity of programme targeting but should reduce with the introduction of the universal Inua Jamii Senior Citizens' programme, which is likely to be simpler to manage. Indeed, additional savings could be made by further

simplifying programme targeting. For example, in South Africa, where a simple means test is used very effectively in the targeting of the Old Age, Child Support and Disability Grants, administrative costs do not exceed 6 per cent of total programme costs.¹³¹ In terms of potential savings from efficiency gains, if, for the purposes of illustration, we assume that administrative costs reduce from 15 per cent to 10 per cent of total programme costs for all tax-financed social protection schemes, and assume tax-financed spending on social protection increases to KES 62 billion a year (from increased tax revenues, as described above), this would release an additional KES 3 billion per year to spend on transfers within social protection programmes (though the overall budget for programmes would not increase). Arguably, this figure could double with simpler targeting though, conversely, Inua Jamii administrative costs would increase in the short term by investing in making programmes scalable in response to shocks.

3.6.7 Conclusion: fiscal sustainability

In conclusion, the financial sustainability of social protection depends on the government recognising its benefits in terms of growth and development and prioritising tax revenue. Box 3.1 summarises where future funding may come from, which is mainly from tax revenues from higher economic growth, though funding from oil revenues remains a possible source. Small additional funds come from efficiency gains although this increases funding for transfers without adding to the overall budget. Box 3.1 excludes the new Inua Jamii Senior Citizens' programme being introduced in January 2018 which will take government spending on tax-financed social protection from from 0.27 per cent to 0.37 per cent of GDP. Savings on emergency support and revenue from oil are less certain in their level and timing and require further analysis, so have been discounted. Long-term benefits to the economy of investing in social protection include: building the future labour force (Chapter 7 describes the potential impacts on human development), stimulating local and national economic growth by putting money in the hands of people which is spent on local goods and services, encouraging economic transition by protecting the labour force during periods of change, strengthening the ties between citizens and the state, increasing social stability and reducing inequality. The latter is recognised by the International Monetary Fund as a constraint to future

¹³¹Source: Email of 10 February 2017 from Pathamavathy Naicker, General Manager, Monitoring and Evaluation Branch, Strategy and Business Development, South Africa Social Security Agency (PatNa@sassa.gov.za).

growth: 'Per capita income growth in sub-Saharan Africa could be higher by as much as 0.9 percentage points on average if inequality was reduced to the levels observed in the fast-growing emerging Asian countries.'¹³² These arguments will need to be effectively articulated to promote greater investment in social protection from revenues from both taxation and oil, in particular its contribution as an important component of a wider growth and development strategy.

Box 3.1: Summary of possible sources of future 'fiscal space' for tax-financed social security¹³³

Current investment in tax-financed social protection	KES 17 billion (0.27 per cent GDP)
Programme efficiency gains	KES 3 billion (this is additional funding for transfers rather than an increase in the overall budget)
Reduced spending on emergencies	KES 2 billion (but discounted as it requires further analysis)
10 per cent of government revenues from oil	KES 20 billion (but discounted as it requires further analysis)
10 per cent of additional tax revenue from growth, before oil (in five years' time)	KES 44 billion
Potential new investment in tax-financed social protection	KES 61 billion (0.98 per cent of GDP)

3.7 Conclusion and Recommendations

Spending on social assistance has been transformed by the Government of Kenya, with the support of external partners, since the 2012 review. While social insurance is relatively unchanged since the 2012 Review, social assistance has evolved significantly. Spending on social assistance is flat relative to GDP and government spending, so the 2012 Review's recommendation to increase spending on social protection has not been met. But, spending on more regular and predictable cash transfers has grown hugely while overall spending on GFD and the CFA/FFA has fallen. This meets the 2012 Review's recommendation on changing the allocation of spending between programmes. Moreover, this change has been driven by rising government spending which is improving financial sustainability.¹³⁴ This is reinforced by the imminent introduction of the Inua Jamii Senior Citizens' programme in January 2018 which will more than double government support to older persons through cash transfers. One programme within the NSNP, HSNP, has become, over the review period, a scalable social assistance programme capable of reaching most households in the four drought-affected counties in which it operates and is an important part of the NDMA's drought response strategy. This builds on the existing capacity of CFA/FFA and school feeding to scale up in response to shocks. The government is establishing a National Drought Emergency Fund (NDEF), to draw on resources from the government and external partners and, possibly, the African Risk Capacity insurance instrument, as recommended by the 2012 Review. This will fund scalable social assistance alongside other emergency support. It will be worthwhile assessing the extent to which other social assistance programmes can be made scalable and the extent to which this could be funded by savings in other emergency support.

Remaining challenges on budgeting and finance for tax-financed social protection include securing increased funding for the long-term. . In part, this will depend on further securing the position of social protection in legislation which will help social protection spending to become part of the recurrent budget rather than the development budget, thereby improving the timing of disbursements from Treasury that are currently delayed (although moving any expenditure to the recurrent budget is restricted by legislation on the minimum proportion of overall spending, 30 per cent, that must sit in the development budget).

There is scope for further increasing spending on social protection, from higher tax revenues, and perhaps from oil production, efficiency savings and savings on other emergency support. But for this to

¹³²IMF (2016).

¹³³The underlying calculations and assumptions are described, briefly, in the main text of the chapter.

¹³⁴Social protection has a place at the table in terms of setting the government budget: the 2017 Budget Policy Statement sets out the government's strategic priority 'To foster inclusive growth, reduce poverty and inequality, the Government will continue investing in quality and accessible healthcare, relevant education and strengthen the social safety net'.

happen, the benefits of social protection to growth and development must be effectively communicated. This would help the Social Protection Sector engage more effectively with the Treasury during budget negotiations. Indeed there should be a greater representation of cash transfer programmes in budget sector working groups and in the Medium-Term Expenditure Framework (MTEF) process, which was recommended in a recent study.¹³⁵ At the same time, it is important not to forget the considerable successes over the review period on securing increased government spending for the sector.

This review makes the following recommendations:

- As the SPIP and NSPS are developed, the Government of Kenya should consider whether to increase the proportion of GDP spent on tax-financed social protection from the current 0.27 per cent of GDP to at least one per cent over the next five years, as part of its long-term strategy for inclusive growth and development, as the country seeks to become a successful and growing middle income economy. This will help address remaining gaps in provision (see Chapter 4). Such an increase in investment is fiscally feasible.
- To support an increase in investment, within the SPIP and NSPS a compelling case should be developed for spending a higher proportion of future tax revenues on social protection. This should set out evidence of the impacts of social protection on economic growth and highlight connections with other sectors including through the Cash Plus initiative.
- The Social Protection Sector could make the case for investing a significant part of future oil revenues in social protection by highlighting how this would generate greater popular support for the government's use of oil resources. It should also illustrate the returns from investing increasing proportions of oil revenue in social protection. It could consider whether new policy or legislation relating to the use of oil resources can support this.
- An assessment could be made of the feasibility of introducing more scalable social protection into the broader Social Protection Sector if investment is increased. This should include potential savings from reduced spending on other emergency response programmes.
- Delays in payments should be addressed by:
 - o MEACLSP working closely with Treasury to further reduce disbursement delays through budget planning and requisition processes, building on ongoing initiatives such as moving to quarterly, from bi-annual, Treasury disbursements.
 - o Using the introduction of the universal Inua Jamii Senior Citizens' programme as an entitlement to strengthen the case for moving tax-funded social protection spending from the development budget to the recurrent budget.
- Tax-funded social protection should be grounded in legislation, establishing social security in law as an entitlement in line with the 2010 Constitution and supporting its move from the development budget to the recurrent budget to secure regular long-term funding.
- Similarly, to secure funding for the HGSFP, it should be moved from the development to the recurrent budget, while the scheme itself should be established in legislation.

¹³⁵Oxford Policy Management (forthcoming).

4

ADEQUACY AND EQUITY OF SOCIAL PROTECTION SCHEMES

Chapter Summary

- Very good progress has been made in expanding the coverage of the national social protection system in recent years but there still remain gaps, which is to be expected given that funding of the system is still below an optimum level.
- Social assistance programmes have been directed to areas with the highest poverty rates but not necessarily to those areas with the largest number of people in poverty. As a result, households in arid lands are three times more likely to be registered for social transfer schemes, compared with the rest of the country.
- Among children under age 18, some 5 per cent are covered by the CT-OVC programme. The targeting of orphans is inadvertently resulting in the exclusion of other children who are equally or even more vulnerable.
- Among working-age adults aged 18-65 years, an estimated 7 per cent live in households receiving social transfers. 15 per cent of formal and informal workers have an employer contributing to or providing the NSSF pension.
- Among older people, some 27 per cent of those aged 65 years and above live in a household enrolled in the OPCT programme, while another 4 per cent receive payment(s) from formal pension schemes. Government has announced the introduction of a universal pension scheme for over-70s in 2018 which will further increase coverage.
- Among persons experiencing severe disabilities, the coverage rate is extremely low (less than 1 per cent).
- Almost 40 per cent Kenyans are covered by the National Hospital Insurance Fund, with increasing efforts to reach informal sector populations too.
- Insufficient funding has obliged the government to reduce the coverage of the categories of the population it has chosen to support, which necessarily creates challenges, as it does in all other developing countries
- Since 2012, the selection mechanisms have remained broadly similar across all schemes, except for HSNP which was testing three options but has moved to use a mix of community based selection and a proxy means test.
- A Harmonised Targeting Tool is currently being tested. It should significantly improve registration but the challenge of inaccurate selection may well remain. The most effective means of incorporating those living in poverty into the national social protection system would be to increase coverage,

which will require a higher level of investment.

- Contributory schemes are able to incorporate some members of the informal economy work force, but support from general government revenues is necessary if coverage is to be extensive. The government's introduction of the universal Inua Jamii Senior Citizens' programme will be an effective solution to offering old age pensions to those in the informal economy.
- The benefit levels of Kenya's main social assistance cash transfer programmes are modest, but broadly in line with – or higher than – those offered in other countries when the size of the economy and domestic capacity to fund social protection is considered.
- The retirement benefits provided by the NSSF generally remain inadequate, while the NHIF appears capable of providing benefits which are reasonably well matched to medical treatment needs.
- Approaches to setting transfer levels and indexation, to maintain purchasing power, need to be more coordinated and coherent as the social protection system evolves further.

4.1 Introduction

Kenya's social protection system is constantly faced with decisions regarding equity and adequacy, largely as a result of the need to prioritise and, ultimately, ration coverage to conform with budgetary constraints. Equity is understood, in this Chapter, as the extent to which different categories of the population and regions of the country are covered by social protection benefits, assessed against the challenges they face. Adequacy is understood as a measure of how effective transfer values are in helping people achieve their right to an adequate standard of living.

There has, however, been a clear drive to expand coverage in Kenya. The NSPP outlined a vision for scaling up social protection schemes and widening their geographical and demographic coverage. Likewise, the NSNP aims to expand cash transfer programmes to promote more equitable and comprehensive coverage, guided by an Expansion Plan based on poverty and vulnerability criteria. Nonetheless, at the same time, any expansion of schemes has to take into account the value of transfers since higher value transfers can result in lower coverage. This chapter reviews geographic disparities in the coverage of schemes as well as the coverage of different groups in society across the lifecycle. It examines the type and efficacy of selection mechanisms used to identify beneficiaries and also addresses the adequacy of benefits, by comparing transfer values with national and international benchmarks and assessing whether they have kept up with inflation.

4.2 Geographic Coverage

For the purposes of this review, geographic coverage is defined as the percentage of households of a

given geographic unit that are enrolled onto social protection schemes. The analysis focuses mostly on those programmes for which data is available on the number of recipients disaggregated by county. The section complements Chapter 2 (Section 2.4) which provided an overview of the national coverage of the different schemes in Kenya and trends in the number of beneficiary households over the last decade.

4.2.1 Geographic Coverage of Social Assistance Schemes

There is a growing recognition among actors in the Sector that the criteria used for allocating resources need to be technically credible, operationally efficient, and politically palatable. Since the last Sector Review, there has been considerable debate between Government, Parliament, and development partners on approaches to geographic targeting and resource allocation. For instance, in 2013, the Parliamentary Committee on Labour and Social Welfare directed government to focus on allocating a minimum number of beneficiaries for each programme in each constituency.¹³⁶ In the four HSNP counties in northern Kenya, there were challenges from local politicians to the unequal allocations initially proposed for the second phase of the programme, which were derived from the initial attempt at selecting beneficiaries.¹³⁷ The NDMA therefore resorted to using a modified version of the Commission of Revenue Allocation (CRA) formula (which allocates funds from central government to the counties).¹³⁸

The NSNP Expansion Plan sets out the process for prioritizing locations for expansion in each financial year. It was amended in 2013/14 and now allocates 70 per cent of new beneficiaries to locations based on poverty rates – rather than

¹³⁶ See: Aide Memoire of the Joint Review and Implementation Support Mission for the Kenya National Safety Net Program for Results and the Cash Transfer Program for Orphans and Vulnerable Children, November 2013. As a result, the World Bank did not count the expansion in the financial year 2013/14 towards the achievement of the disbursement-linked indicator on coverage, which requires that expansion is guided by indicators of poverty and vulnerability.

¹³⁷ See: Fitzgibbon (20 14).

¹³⁸ NDMA modified the CRA formula by removing land area and fiscal responsibility, increasing poverty to 30 per cent resulting in the following weighting: 25 per cent basic equal share, 30 per cent poverty and 45 per cent population size

numbers of people living in poverty – while 30 per cent are distributed equally among locations that have not yet reached their full target of eligible households.¹³⁹ However, the relative poverty rates between counties are derived from the 2005/06 KIHBS data, which – according to the most recent 2015/16 KIHBS – have changed since then.

Despite significant growth, there remain large geographic disparities in the combined coverage of social assistance programmes. This can be assessed according to a range of parameters and the following paragraphs use information from the Single Registry to examine geographic coverage, since relatively little detailed data is available on the geographic distribution of other schemes. As illustrated in Figure 37, the CT-OVC, OPCT, and PwSD-CT programmes are active in all counties of the country, whereas the HSNP is limited to four counties in northern Kenya (Turkana, Marsabit, Mandera and Wajir) and the CFA/FFA programme to arid and semi-arid lands.¹⁴⁰ In absolute figures, Turkana has by far the largest number of beneficiary households (around 67,000), followed by Kitui, Mandera and Kilifi. The county of Lamu has the lowest number of recipients (around 3,500 households).

Figure 37: Number of beneficiary households found in each county, disaggregated by programme¹⁴¹

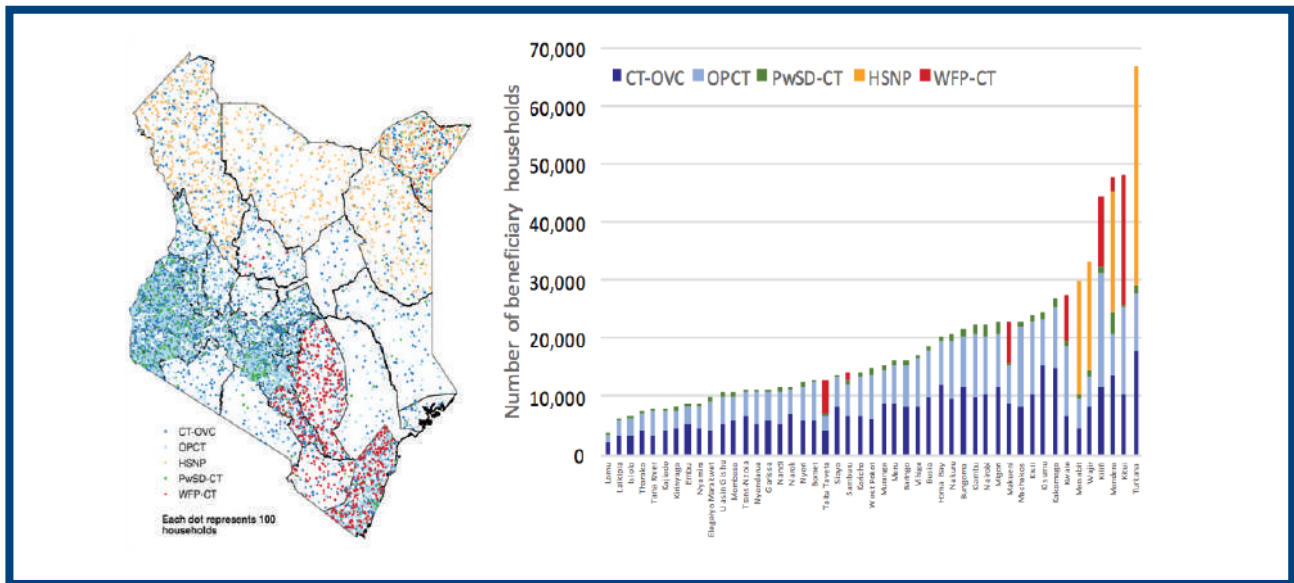


Figure 4.2 illustrates geographic differences in coverage rates, in terms of the proportion of households enrolled onto one of the main social assistance programmes. At county level, the estimated share of households registered onto one of the programmes ranges from a low of 2 per cent in Nairobi to a high of 54 per cent in Turkana.¹⁴² Indeed, there are 26 counties with coverage below 10 per cent. The map is illustrative of the effectiveness of Government policy in prioritising programme coverage in specific regions of the country, especially the north, with HSNP having a particular influence over coverage in the four most northerly counties.

Overall, therefore, households living in arid lands are three times more likely to receive social assistance compared with the rest of

country. Kenya has 23 arid and semi-arid lands (ASAL) counties, which constitute over 80 per cent of the country’s land mass and about a third of the total population. Out of the 23 counties, nine are classified as arid and 14 as semi-arid.¹⁴³ The arid counties are predominantly pastoral, with limited crop farming, and food availability is constrained by poor quality roads and long distances to markets. They have historically been marginalised with lower levels of investment, service delivery and human development indicators. The semi-arid counties are mostly agro-pastoral and highly dependent on seasonal rain-fed crops. As shown in Figure 38, arid counties have the highest level of coverage (around 35 per cent) while households living in semi-arid and non-arid counties are significantly less likely to benefit from social assistance (at 12 per cent and 7 per cent respectively).

¹³⁹See Mwasiagi et al (2016).

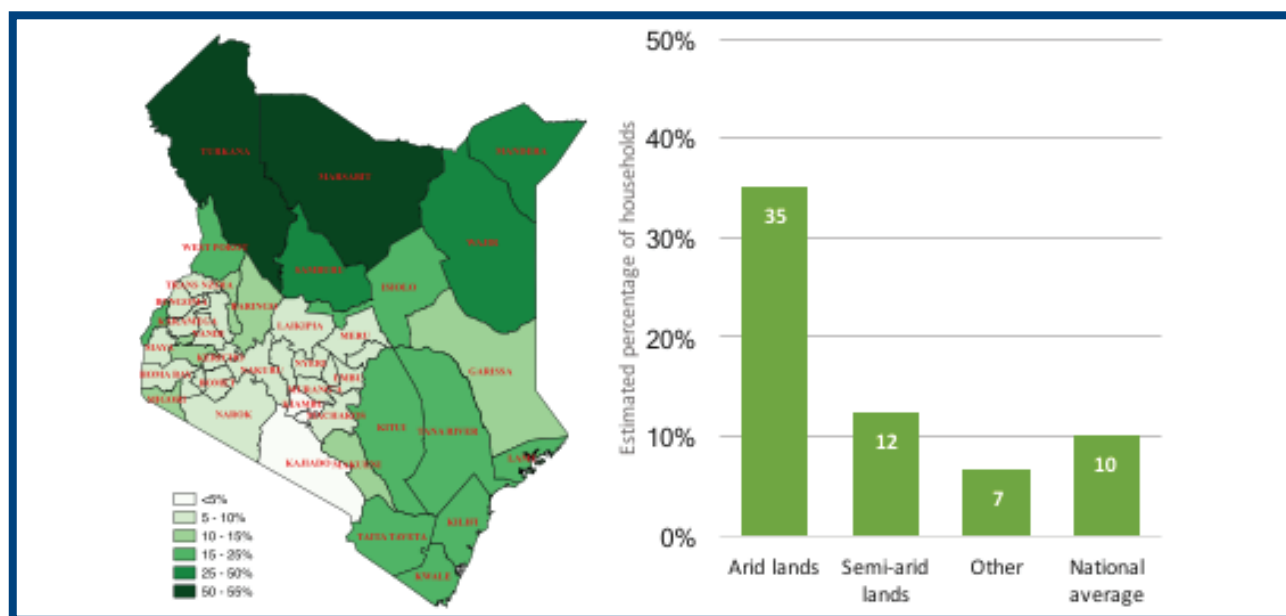
¹⁴⁰Note that the Single Registry included data on the CFA but not yet the FFA at the time of writing.

¹⁴¹Based on data from the Single Registry (December 2016). Data on the asset creation programme excludes FFA as programme data was not yet integrated into the Single Registry at the time of this Sector Review.

¹⁴²When compared with the number of households as per the Census 2009. In reality, the coverage rate of households is somewhat lower due to the high population growth in Kenya. According to KNBS projections the number of households in the country increased from 10.1 million in 2010 to 12.0 million in 2015.

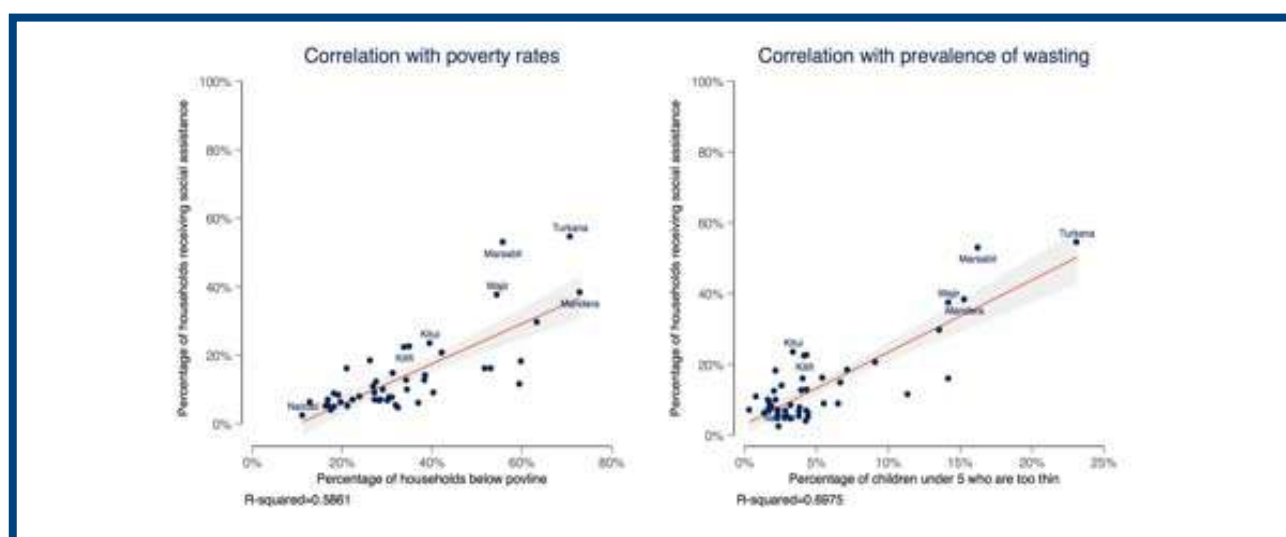
¹⁴³The arid counties include: Garissa, Mandera, Wajir, Marsabit, Isiolo, Turkana, Samburu, Baringo, Tana River. The semi-arid counties include: Kitui, Makuani, Meru, Tharaka-Nithi, Embu, Nyeri, West Pokot, Narok, Kajiado, Laikipia, Kilifi, Kwale, Lamu, Taita Taveta. Source: Republic of Kenya (2011). Vision 2030 Development Strategy for Northern Kenya and other Arid Lands.

Figure 38: Proportion of households that are recipients of the main social assistance programmes, by county and by ASAL classification¹⁴⁴



The geographic coverage of social assistance programmes is strongly correlated with poverty rates and levels of acute malnutrition at the county level. Figure 39 plots the relationship between the share of households covered, on the one hand, and the poverty rate and prevalence of acute malnutrition, on the other hand. Each county appears as a blue dot fixed by the value of both variables. There is a very strong positive correlation with the poverty rate ($|r| > 0.7$) and with the prevalence of wasting among children under five ($|r| > 0.8$) in each county. Moreover, as explained further in Annex 5, there is a strong correlation ($|r| > 0.7$) with the share of households falling in the bottom two wealth quintiles based on an asset index that is statistically significant ($p < 0.001$).¹⁴⁵ In fact, between 50 to 70 per cent of the variation in coverage rates between counties can be explained by differences in these three indicators. Some of the outliers include Marsabit and Turkana, where coverage is relatively high compared with other counties when assessed against poverty rates. This is not unexpected since the HSNP and the CFA/FFA deliberately focus on northern Kenya. Further analysis is available in Annex 4, including with additional indicators of food and nutrition security.

Figure 39: Correlation between coverage of social assistance programmes, poverty rates and prevalence of wasting at county level¹⁴⁶



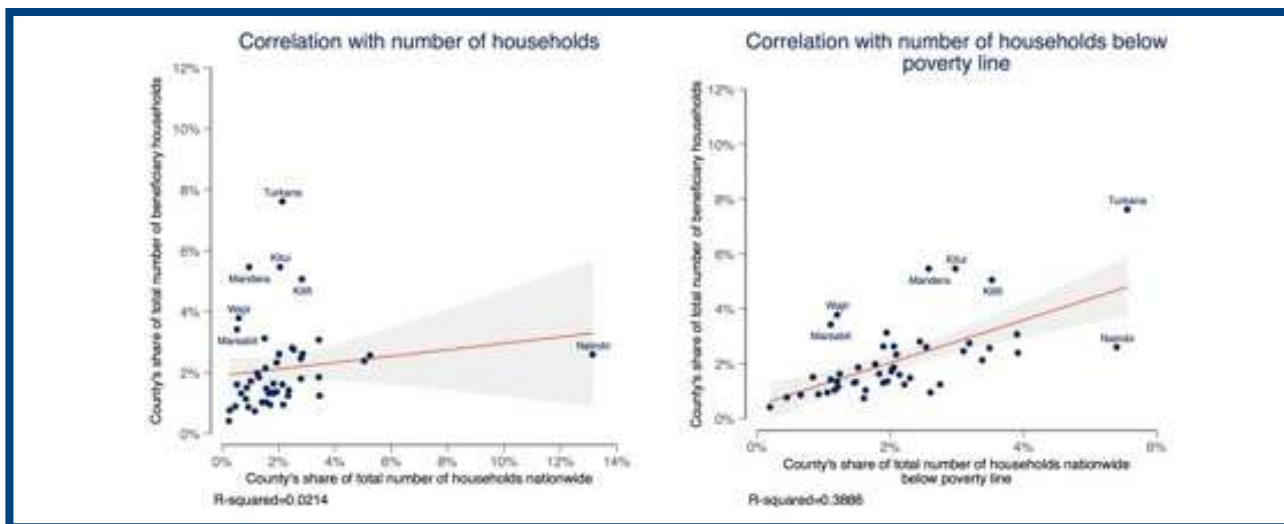
¹⁴⁴Based on data from the Single Registry (December 2016) and Census 2009. Data on the asset creation programme excludes FFA as programme data was not yet integrated into the Single Registry at the time of this Sector Review.

¹⁴⁵The wealth index is calculated using data on a household's ownership of selected assets, such as televisions and bicycles; materials used for housing construction; and types of water access and sanitation facilities. See KDHS 2014.

¹⁴⁶Based on data from the Single Registry (December 2016); Poverty and Vulnerability Database (Census 2009 and KIHBS 2005); and KDHS 2014. The programmes included in the calculations are: CFOVC, OPCT, PWSD, HSNP and CFA. Each county appears as a blue dot fixed by the value of both variables. The scatter plots also show the least-squared regression line (and its 95 per cent confidence interval) and the R-squared (R²) value, which is the percentage of variation in coverage that is explained by the measure of poverty or vulnerability.

However, the geographic coverage of social assistance programmes is only moderately correlated with the total number of households living in poverty in each county. Figure 40 shows the correlation between geographic coverage, on the one hand, and the number of households below the poverty line, on the other. Generally, the number of programme recipients in each county is not proportional to the county’s population size. Counties with larger numbers of poor households do receive a larger share of total beneficiaries, but the effect size is only moderate ($|r| > 0.6$).

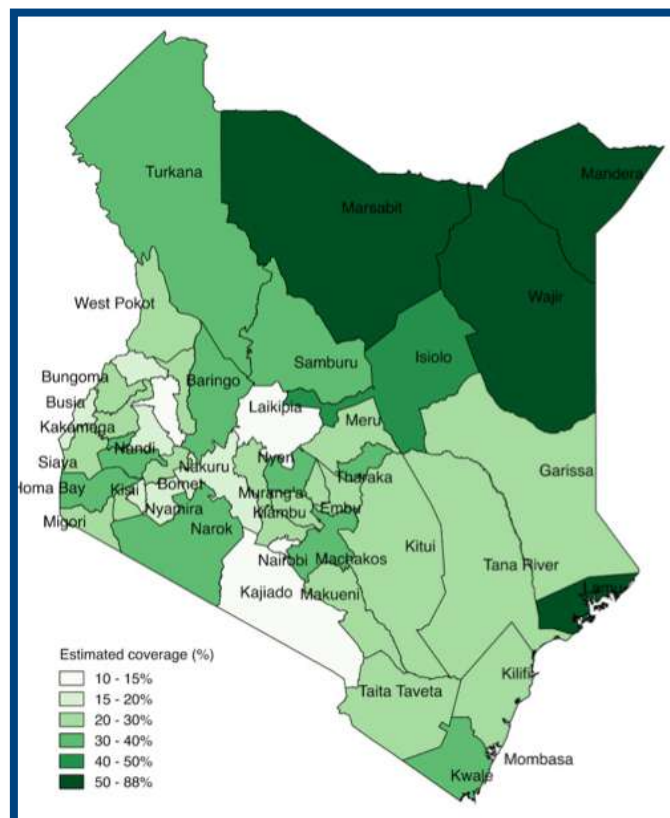
Figure 40: Correlation between coverage of social assistance programmes, number of households, and number of households below the poverty line



Furthermore, the geographic coverage of social assistance programmes is strongly associated with levels of acute malnutrition at the county level, but not with chronic malnutrition.¹⁴⁷ This is further illustrated in Figure 41, which shows the combined coverage of schemes expressed as a proportion of households living in poverty in each county.¹⁴⁸ Many of the counties in central and western Kenya – which have high population sizes and therefore large numbers of people living in poverty and insecurity – have relatively low access to social assistance schemes.

This, then, may lead to reflection on whether the drive to maximize coverage within ASAL counties is necessarily the correct approach since it appears to under-serve those areas of the country with high numbers of people living in poverty and food insecurity. Similarly, a recent study on the CFA and FFA programmes concluded that food security programmes should not exclusively target ASAL counties because some 43 per cent to 64 per cent of the total number of acutely and chronically malnourished people and food-insecure households are living in non-ASAL areas.¹⁵⁰ These arguments justify the Government’s desire to spread coverage more equitably across counties, rather than exclusively prioritizing northern counties.

Figure 41: Geographic coverage of social assistance programmes when measured as a proportion of households below the poverty line, disaggregated by county¹⁴⁹



¹⁴⁷See Annex 5.

¹⁴⁸Care should be taken in interpreting this graph. Due to targeting errors and consumption dynamics, it does not show the proportion of households living in poverty that receive a transfer, since many recipients of social assistance schemes are probably not living in poverty at any specific point in time.

¹⁴⁹Based on data from the Single Registry (December 2016) and poverty rates by county. Data on the asset creation programme excludes FFA as programme data was not yet integrated into the Single Registry at the time of this Sector Review.

¹⁵⁰Gelders (2016a).

Box 4.1 Data challenges in estimating coverage rates of social protection schemes

Since the last Sector Review in 2012, Kenya has made significant progress in improving the availability of data on social assistance schemes, as evidenced by the launch of the Single Registry. There remain, however, several challenges in estimating the share of households or the share of the population that is benefiting from social protection schemes.

- **Data used to estimate the number of the eligible households and set expansion targets for social assistance programmes is based on outdated information.** The Expansion Plan relies on population figures from the latest census conducted in 2009. However, Kenya has one of the fastest growing populations in the world: according to KNBS projections, the number of households in the country increased from 8.8 million at the time of the latest census in 2009 to over 12 million in 2015. Moreover, estimates of poverty were produced by combining data from the 2005/06 KIHBS and the 2009 Census. The levels and patterns of poverty are likely to have changed significantly over the last decade as Kenya experienced rising food and fuel prices, was hit by several severe droughts, and made considerable structural and economic reforms. The 2015/16 KIHBS will be used to update the country's poverty profile.
- **Limited information is available on the coverage of vulnerable groups defined in the Constitution (children, older people, persons with disabilities, women, and other marginalised groups).** Data in monitoring reports is not systematically disaggregated by age, gender, geographic location and other social-demographic stratifiers. To some extent, this reflects limitations in the quality of data in the Single Registry. For instance, the OPCT and PwSD-CT only started collecting information on all household members in 2013. Moreover, in a context of high fertility and mortality, information on household sizes and composition captured in databases becomes quickly outdated. Section 4.3, therefore, combines information from the Single Registry, the KDHS and population projections to provide up-to-date estimates of the coverage of different age groups across the lifecycle.
- **No reliable information is being collected on children and adults experiencing severe disabilities.** While measuring disability in a census or survey context is notoriously difficult, international standards have been developed by the UN Washington Group on Disability Statistics that produce much more useful and reliable data than in the past. The government should be encouraged to adopt these Washington Group modules into future surveys.

Little is known about the equity of coverage within counties – at the level of constituencies and locations – because up-to-date and accurate information on poverty is not available for such lower level administrative unit. Indeed, while the Expansion Plan has been helpful in guiding the geographical roll-out of cash transfer programmes in a systemic manner, there are limitations in the accuracy of the Government of Kenya data used to rank and prioritise locations. Box 4.1 discusses data constraints in monitoring the coverage of social protection schemes, including the accuracy of Kenya's small area estimates of poverty.¹⁵¹

4.2.2 Geographic Coverage of Social Insurance and Other Contributory Public Schemes

The 2012 Sector Review concluded that contributory programmes and the Civil Service Pension do not necessarily have a large urban bias, but called for more analysis to substantiate this finding. The NSSF is collecting contributions for approximately 2.3 million workers, representing around 10 per cent of the country's total work force or 15 per cent of working age (18 – 65 years) in employment. However, as shown by Figure 42, most counties have much lower coverages (less than 10 per cent). Only in Mombassa and Nairobi are employers contributing to NSSF for more than 30 per cent of the work force of working age.

¹⁵¹ The small area estimates of poverty were produced by combining relatively old data from the 2005/06 KIHBS and the 2009 Census. Some concerns have been raised about the representativeness of the survey data and whether there were enough observations on sparsely populated areas and mobile population groups to produce poverty estimates with reasonable standard errors. Many differences in poverty between various locations are also not statistically significant, limiting their usefulness as a ranking device. Indeed, local level officials in several counties have questioned the accuracy of the small area estimates. See, for example: Fitzgibbon, C. (2014). HSNP Phase II Registration and Targeting: Lessons Learned and Recommendations. UK Department of International Development (DFID); and Annex 5 of the Aide Memoire of the Joint Review and Implementation Support Mission for the Kenya National Safety Net Program For Results and the Cash Transfer Program for Orphans and Vulnerable Children, June 2015.

According to the 2015/16 KIHBS dataset, about 19 per cent of the population had been covered by some form of health insurance over the previous 12 months.¹⁵³ This was an increase from less than 10 per cent in 2003 and 17 per cent in 2013.¹⁵⁴ Among those insured, the 2015/16 KIHBS indicated that the vast majority (94 per cent) were members of the NHIF. As illustrated in Figure 43 there were significant disparities in the coverage of health insurance in 2015/16, with 32 per cent of the urban population covered as compared with 13 and 20 per cent of the rural and peri-urban populations respectively. Seven counties had a coverage rate below 5 per cent (Wajir, Mandera, Marsabit, Garissa, West Pokot, Tana River, and Turkana) while three counties had coverage over 30 per cent (Nyeri, Embu and Nairobi). This naturally reflects the (original) mandate of NHIF to cover formally-employed workers, the great majority of whom are based in the urban areas in the southern part of the country. The picture may be expected to evolve in the light of more recent initiatives whereby, since mid-2015, the NHIF began extending coverage under the HISP to certain members of social assistance schemes, and to voluntary contributors.

Figure 42: Percentage of the workers of working age (18-65) covered by NSSF, by county, 2015/16¹⁵²

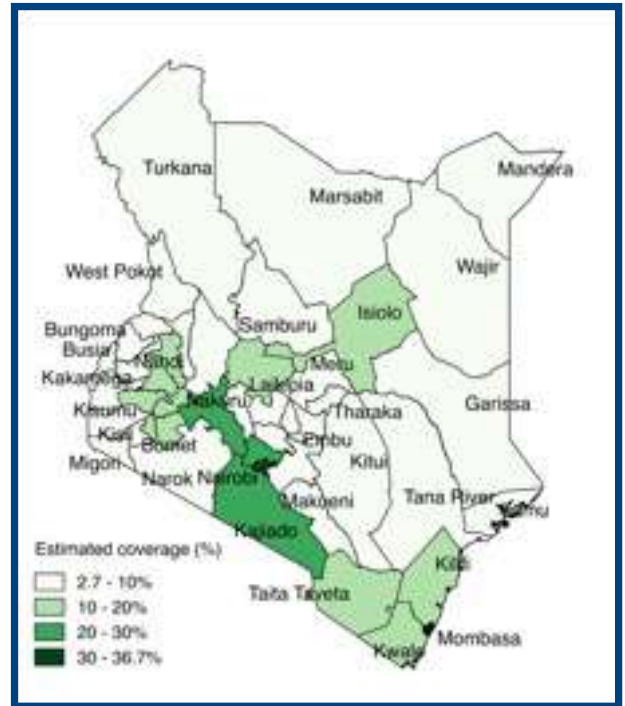
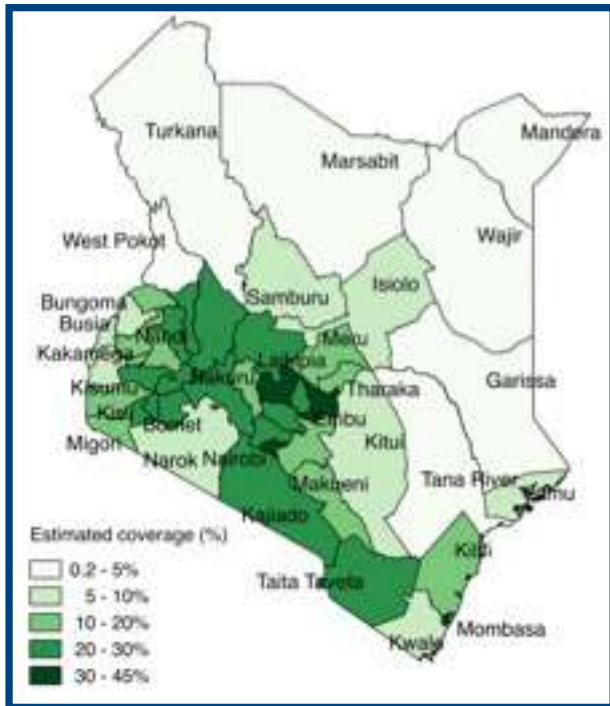


Figure 43: Percentage of the population covered by health insurance, by county, 2015/16¹⁵⁵



4.3 Coverage Across the Lifecycle

The National Social Protection Policy has an explicit objective to move towards a more inclusive lifecycle approach to social protection. Indeed, the Kenyan Constitution guarantees all citizens the right to social security and asserts the duty of the government to meet the needs of particular vulnerable groups within society, including children, older people, persons with disabilities, women, and other marginalised groups. Currently, however, due to resource constraints, social transfer programmes are designed as household benefits, rather than individual entitlements. And, while the availability of data has improved since the last Sector Review in 2012, key indicators within the M&E framework are not yet adequately disaggregated by age, sex and other markers of vulnerability, such as disability status. This Review therefore generated up-to-date estimates of the coverage of different vulnerable population groups in line with Kenya’s policy and constitutional commitments (see also Box 4.1 for a discussion on the data challenges).

Table 2 presents new estimates of the number of people living in households registered for social

¹⁵²Ministry of Health, Government of Kenya (2014). Note that, at the time of the survey, the KNBS had not updated the NASSEP master frame to include Mandera, Wajir, and Garissa counties, so these counties were not included in the survey.
¹⁵³Own Calculations based on the KIHBS 2015/2016
¹⁵⁴Ministry of Health, Government of Kenya (2014). 2013 Kenya Household Health Expenditure and Utilisation Survey. Nairobi: Government of Kenya.
¹⁵⁵Ministry of Health, Government of Kenya (2014). Note that, at the time of the survey, the KNBS had not updated the NASSEP master frame to include Mandera, Wajir, and Garissa counties, so these counties were not included in the survey.

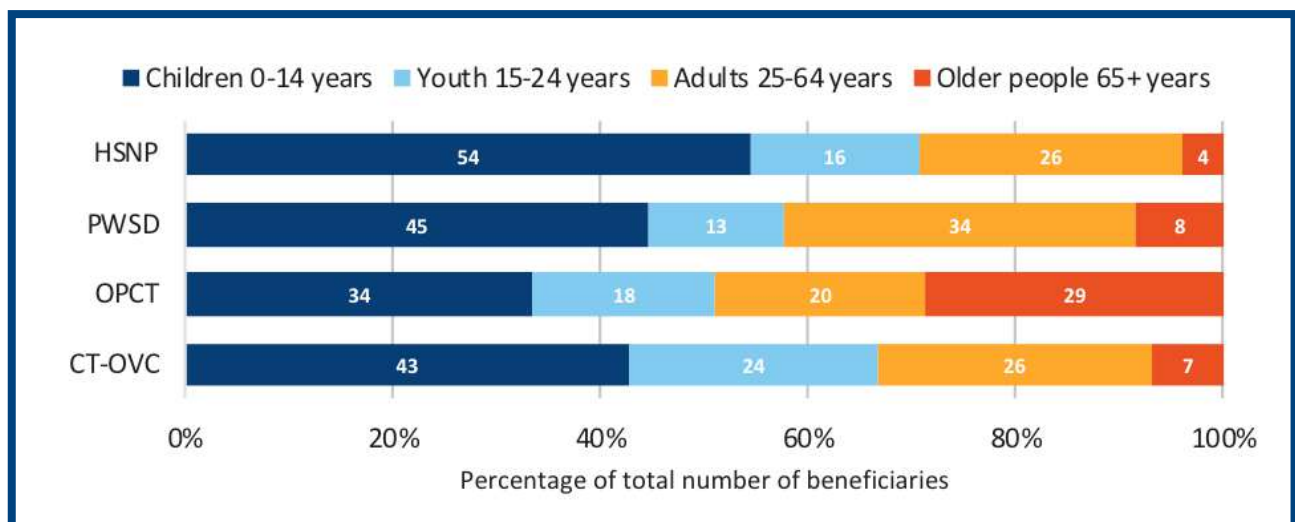
assistance programmes in 2016, disaggregated by main age group in line with the lifecycle approach of the NSPP. It was developed based on information from the Single Registry and programme MISs combined with survey data on the average number of children, working-age adults and older people in different types of households. The coverage rate for each group has been calculated by comparing absolute numbers with estimates of Kenya's population size in 2016.¹⁵⁶ Overall, it is estimated that some 4.5 million people are living in a household enrolled onto one of the main social assistance schemes, representing 9 per cent of the total population. The data also indicates that Kenya's social protection system largely follows a lifecycle approach as children and older persons are generally more likely to benefit from cash transfers compared with adults of working age.

Table 2: Estimated number of people living in household registered for regular social assistance programmes, 2016¹⁵⁷

Programme	Children (0–17 years)	Working age (18–64 yrs)	Older people (65+ years)	Total
CT-OVC	1,136,562	738,566	89,527	1,964,655
OPCT	518,150	429,724	371,511	1,319,385
PwSD-CT	104,571	74,533	9,021	188,126
HSNP	319,425	175,169	19,357	513,950
CFA/FFA	238,735	217,097	19,087	474,920
Total in enrolled households	2,317,442	1,635,089	508,504	4,461,036
Population size (2016 estimate)	22,723,188	23,176,622	1,351,639	47,251,449
Percentage living in enrolled households	10 per cent	7 per cent	38 per cent	9 per cent

An estimated 1.1 million children under 18 years – or 5 per cent of the total child population – are living in a household enrolled in the CT-OVC programme (Table 2). The vast majority of these children are orphans (up to 95 per cent according to the Single Registry) because, in practice, Kenya's Social Protection Sector defines child vulnerability in a narrow way, focusing on orphanhood and, to a lesser extent, chronic illness. Furthermore, as illustrated in Figure 44, children constitute a significant share of those living in beneficiary households of other programmes too. In total, an estimated 1.2 million children are part of households registered for the OPCT, PwSD-CT, HSNP and CFA/FFA. Put together, this means that 10 per cent of children are covered – directly or indirectly – by one of the main social assistance programmes.

Figure 44: Age structure of people living in beneficiary households, by major age groups (percentage of total number of beneficiaries)¹⁵⁸



¹⁵⁶An important caveat, of course, is that a person 'covered' by a programme (i.e. living in a household enrolled in the programme), does not necessarily 'benefit' from that programme as the sharing of resources within households is determined by the distribution of power and decision-making responsibilities.

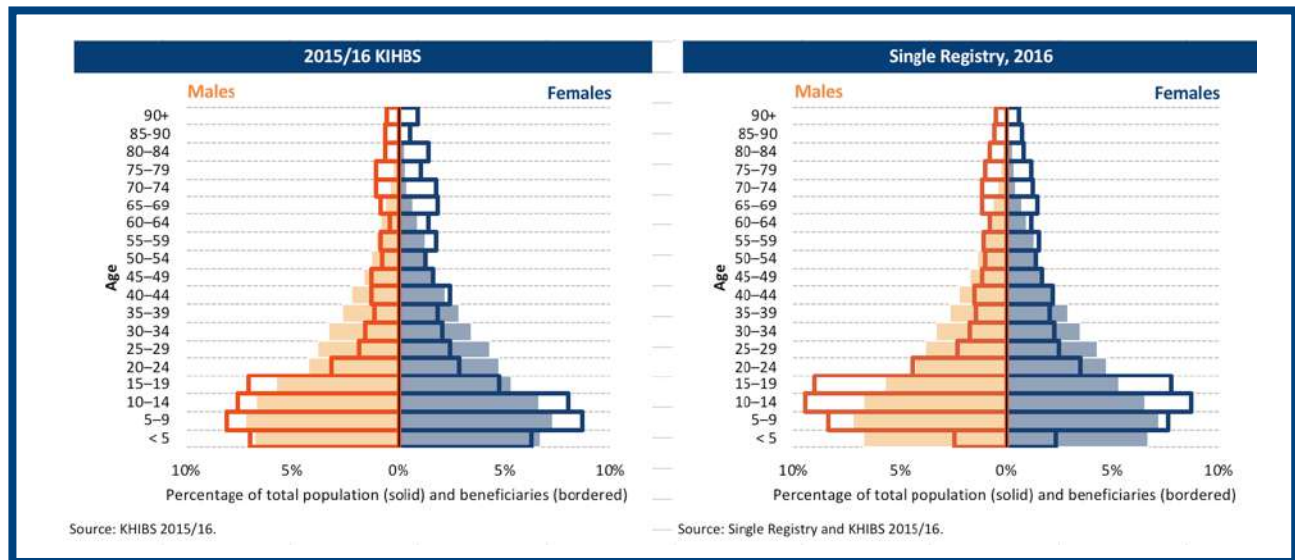
¹⁵⁷Source: Calculations based on the number of households registered for each programme at the end of 2016, multiplied by the average number of children/working-age adults/older people per household (as per the 2014 KDHS). Calculations are based on the average size and composition of households with orphans for the CT-OVC; households with older people 65+ years for the OPCT; households in the bottom two quintiles for the PwSD-CT; households in the four HSNP counties for the HSNP; and households in ASAL counties for the CFA/FFA. Estimates of the total population size in 2016 are derived from UN populations projections by DESA.

¹⁵⁸Source: Calculations based on data from the 2015/16 KIHBS. The chart defines youth as people who are 15-24 year old in line with common global practice, though in Kenya the definition of youth often includes people up to the age of 35. The chart does not include the CFA/FFA programmes, since data is not collected on household members.

A study commissioned by UNICEF, WFP and the SPS examined the effectiveness of Kenya’s social protection schemes in reaching vulnerable children and issues of under-coverage and exclusion.¹⁵⁹ It concluded that children who have lost a parent are three times more likely to live in a household enrolled onto cash transfer programmes compared with their non-orphaned peers. This is as expected since orphans are the explicit target group of the CT-OVC and orphanhood is also a common proxy of vulnerability used in the other cash transfer programmes. Girls under 5 years appear to be slightly underrepresented, possibly pointing to the existence of gender biases in community-based selection processes. Children with disabilities are significantly under-covered, though it is challenging to produce estimates because no reliable data is available.

The UNICEF, WFP and SPS study shows that the targeting of cash transfers to orphans needs to be considered alongside the exclusion of other children who are equally or even more vulnerable. Young children under five are particularly less likely to benefit than older children, largely because the prevalence of orphanhood increases sharply with age so older children are more likely to fulfil the selection criteria than younger children. This has been confirmed both by data from the Single Registry and the 2015/16 KIHBS, as seen in Figure 45 which shows the population pyramid of the general population in the background (and in solid colours) overlaid by the age profile of household members in the country’s main schemes (in bordered bars). Among children, the age structure of beneficiaries is skewed towards somewhat older children aged 5-14 years, and very similar to the age structure of orphaned children in general, a reflection of the fact that the prevalence of orphanhood increases sharply with age.¹⁶⁰ The bias against young children is most pronounced in the CT-OVC programme but also appears to be present in other programmes. The study argues that the underrepresentation of under-fives requires further attention, especially since global evidence from the fields of neuroscience and developmental psychology shows that poverty during early childhood can have irreversible effects that last throughout adulthood.¹⁶¹ Indeed, a key principle of child-sensitive social protection is to intervene as early as possible.

*Figure 45: Population pyramids comparing age structure of the general population and age structure of people living in households enrolled in cash-transfer programmes, according to KIHBS 2015/16 (left) and single registry, 2016 (right)*¹⁶²



Working-age adults are not an explicit target group of social assistance programmes, except as the main participants in the Asset Creation programme and in their capacity as caregivers of orphans and vulnerable children or if they are experiencing a severe disability. This is a normal feature of lifecycle social protection systems in most low and middle-income countries as adults are expected to get by with work (and many countries introduce public works schemes as a means of offering work to those who are unemployed or underemployed). Overall, an estimated 1.6 million people aged 18-64 years are residing in households covered by one of the main national schemes and the Asset Creation programme, representing 7 per cent of working-age adults (Table 2). The coverage rate of persons with disabilities is estimated to be very low, less than 1 per cent. Relatively few people of working-age are contributing to the NSSF and can expect to access a benefit in old age. Overall, only 15 per cent of formal and informal workers aged 18-65 years have an employer contributing

¹⁵⁹Gelders (2016b).

¹⁶⁰According to the 2015/16 KIHBS, the share of children who have lost one or both parents increases from around 2 per cent among under-fives to nearly 18 per cent among children aged 15-17 years old.

¹⁶¹See, for instance: UNICEF (2012).

¹⁶²Population pyramids were calculated based on the 2015/16 KIHBS.

to or providing the NSSF pension. However, this challenge will, to a large extent, be addressed by the introduction of the universal pension for those aged 70 years and above in 2018.

Kenya has made significant progress in expanding social protection for older people. According to the estimates presented in Table 2, around 372,000 older people aged 65 years and above are living in a household registered for the OPCT. This is equivalent to 21 per cent of the national population aged 65 years and above. In addition, an estimated 137,000 older people are residing in households enrolled on the CT-OVC, PwSD-CT, HSNP and CFA/FFA. Combined together, this means that 29 per cent of older people are covered – directly or indirectly – by one of the main social assistance programmes. In addition, an estimated 4 per cent of retired people are benefiting from a civil service pension. Recently, the Government announced the introduction of the Inua Jamii Senior Citizens’ programme for all people 70 years and above. Simulations indicate that, in 2018, the share of people aged 65 years and above with access to a pension will therefore grow to around 77 per cent (including those on a civil service pension). Overall, women will benefit strongly from this new policy initiative since they show a higher life expectancy than men, and constitute a majority of older people.

4.4 Access to social protection schemes

The previous sections and Chapter 2 examined the coverage of social protection programmes in Kenya, indicating that there has been a significant expansion of core social assistance schemes in recent years. In early 2017, around 9 per cent of the population lived in a household benefiting from a core social assistance programme, indicating excellent progress by the Government of Kenya given that the first of these schemes commenced only just over 10 years previously.¹⁶³ It shows that Kenya has been making significant advances in progressively realising the Constitutional right to social security for all citizens, and the introduction of the Inua Jamii Senior Citizens’ programme for those aged 70 years and above in 2018 will enable it to continue along this path. However, a high proportion of the population is still unable to access social protection – including many of those in the greatest need – with coverage varying between categories of the population and regions of the country. This section will examine access to both tax-financed and contributory schemes.

¹⁶³These figures do not include GFD or School Feeding.

¹⁶⁴For civil servants (both national and local/county officials), access to coverage for social security (or provisions of similar type) is contractual, and to the extent that there are ongoing challenges, these lie outside the scope of this Review.

4.4.1. Access to tax-financed schemes

The core challenge facing the Government of Kenya is that it has still not been able to invest sufficient funds in social assistance schemes to build a fully inclusive social protection system, although, as noted above, the direction of travel is very positive. This is a challenge faced by all countries in the early stages of building their social protection systems and it usually takes decades to generate the level of investment to a point in which a system can be regarded as truly inclusive.

One consequence of the limited funding available for social protection is that the Government of Kenya has had to make difficult choices on who to include within the social assistance schemes.

This Section will examine the choices that have been made and how they have been implemented. It will examine the effectiveness of the mechanisms that have been put in place to select beneficiaries. The Chapter will also examine strategies to increase access to contributory schemes.¹⁶⁴

There is a range of design options for governments when decisions have to be made on selecting a restricted number of beneficiaries.

While one option is to direct resources to those living in poverty, there are other approaches. Figure 4.9 explains simply the approaches available to governments: they can either narrow the category selected or direct resources at those living in poverty (or, do both). Narrowing the category often implies changing the age of eligibility or, in the case of disability benefits, selecting those with more severe disabilities. A narrower category can also be achieved by restricting the coverage to particular geographic regions.

Kenya has adopted both approaches as it aims to narrow the category.

The core social assistance schemes have attempted to select those living in poverty: for example, the OPCT attempts to reach only those aged 65 years and above living in poverty. In contrast, the proposed universal Inua Jamii Senior Citizens’ programme will narrow the category of older persons to be selected by changing the age of eligibility and offering the scheme to everyone aged 70 years and over. The PwSD-CT has both narrowed the category to people with the most profound disabilities but continues to direct resources to those living in the greatest poverty.

Figure 46: Outline of the choices if governments wish to restrict the number of beneficiaries of a social security scheme

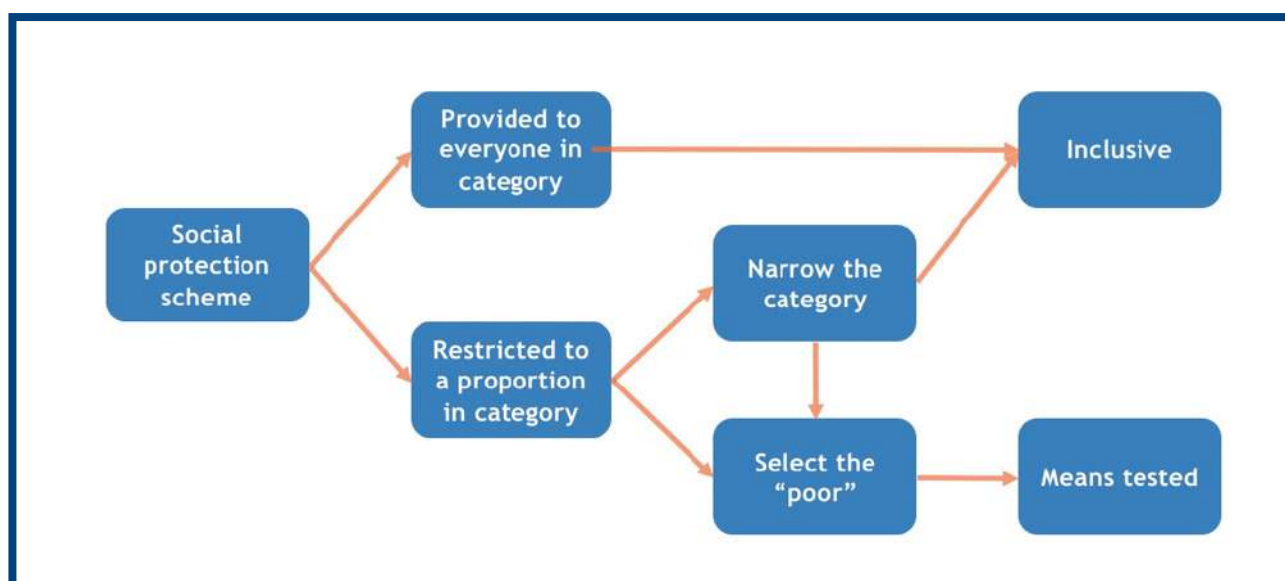


Table 3 summarizes the methodologies used by Kenya’s current social assistance schemes to direct resources at a narrow category of recipients. All attempt to select those living in poverty using broadly similar methods. The CT-OVC, OPCT, PwSD-CT and HSNP schemes have all used a combination of community-based targeting (CBT) and proxy means tests (PMT), and an outline of the process used can be found in Box 4.2. The CFA/FFA (both assets and unconditional branches) and GFD programme have, in contrast, used only community-based targeting. In addition, HSNP and the CFA/FFA have been restricted to specific counties in the ASAL areas, with the HSNP in only Turkana, Marsabit, Mandera and Wajir. The School Feeding programme has adopted a different approach in that it offers meals to all the children in a school. However, the schools themselves are restricted to the ASAL areas and are selected on the basis of educational factors, such as low enrolment rates and food insecurity within the targeted areas.

Table 3: Summary of selection methods used by social assistance schemes

Scheme	Category of population	Geographic restriction	Universal	Community based selection	Proxy means test
CT-OVC	Orphans 0-17 years	No	No	Yes	Yes
OPCT	65 years and over	No	No	Yes	Yes
PwSD-CT	Profoundly disabled	No	No	Yes	Yes
HSNP	No	Yes	No	Yes	Yes
CFA/FFA (work)	Working age	Yes	No	Yes	No
CFA/FFA (unconditional)	No labour capacity	Yes	No	Yes	No
GFD	No	Yes	No	Yes	No
School feeding	School children	Yes	Yes	No	No

Box 4.2: Overview of the selection mechanisms in the CT-OVC, OPCT, PwSD-CT and HSNP programmes

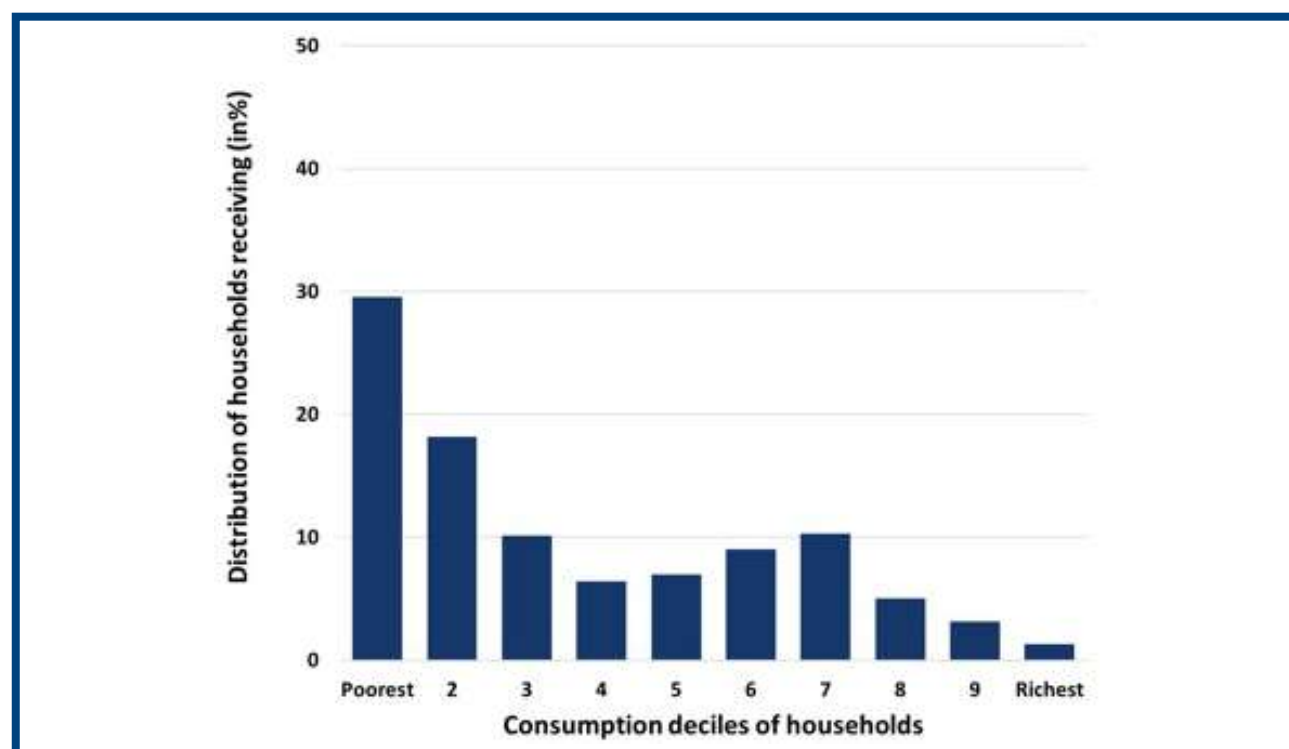
The three social assistance programmes managed by the MEACLSP – the CT-OVC, OPCT and PwSD-CT – use a selection mechanism in which a committee in each location draws up a list of households that they believe meet the eligibility criteria (in the PwSD-CT, since the funding is so limited, the disability criteria focus on those requiring 24-hour care). These households are visited by enumerators who apply a scorecard: in the CT-OVC programme the scorecard is derived from a proxy means test developed using data from the 2005/06 KIHBS while in the other two programmes, it is derived from pre-determined more subjective weights which comprise a simple form of proxy means test. A proposed list of the households identified as the poorest is drawn up by the programmes and presented to community members in a public baraza, so that they can accept and/or challenge the decision. The process is repeated every few years, but no more frequently than a four-year period.

In the HSNP, the community selection and PMT survey were undertaken at the same time, by NGOs. Those households ranked by communities in the poorest category of the population were subjected to a proxy means test. There was no community verification mechanism. The selection of recipients was undertaken in 2012/13 and has not been repeated.

Since 2012, the selection mechanisms have remained broadly the same across programmes, except for the HSNP. In 2012, HSNP was still testing three types of selection mechanism: a dependency ratio; community-based selection; and, a social pension for everyone aged 60 years and above. However, in 2012, the programme decided to adopt the combination of community-based selection and proxy means test.

Evidence from the 2015/16 KIHBS survey indicates challenges in the effectiveness of targeting.¹⁶⁵ Figure 47 shows the distribution of recipients of the CT-OVC and OPCT programmes across consumption deciles of households eligible according to the categorical criteria (i.e. households with an orphan or an older person aged 60 years and above). It indicates that around 50 per cent of beneficiaries are in the poorest quintile of the population, while the rest of the beneficiaries are distributed across the consumption profile.

Figure 47: Distribution of CT-OVC and OPCT beneficiaries across consumption deciles of those in the eligible categorical criteria¹⁶⁶

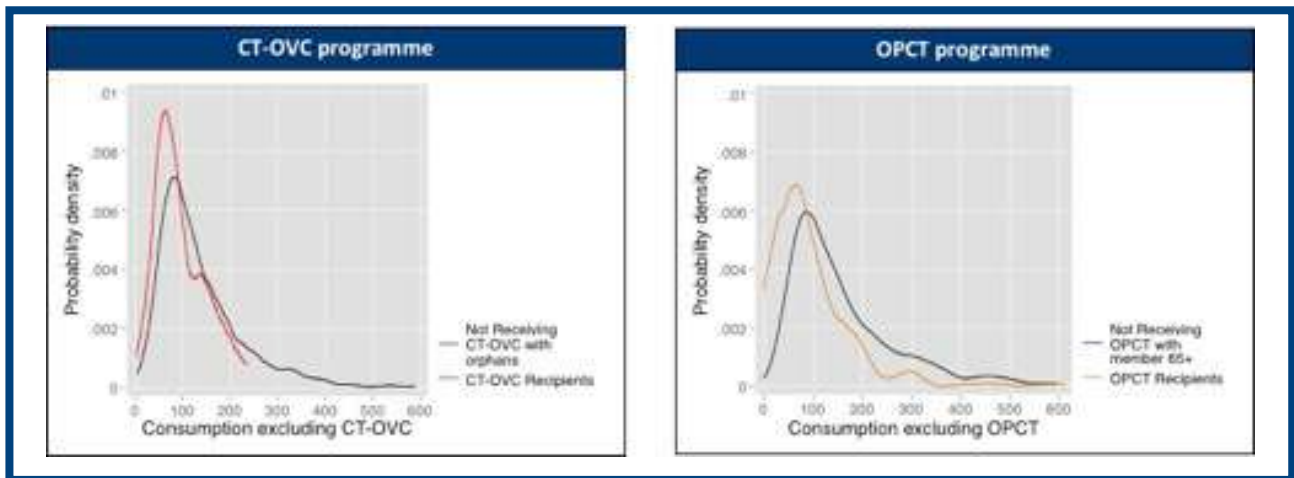


¹⁶⁵The KIHBS survey of 2015/16 asked questions on the receipt of the social assistance schemes but, for the CT-OVC, OPCT, PwSD and CFA/FFA programmes, the number of recipients was significantly under-represented. Therefore, a full analysis of targeting cannot be undertaken. In contrast, there was a good representation of HSNP beneficiaries.

¹⁶⁶Source: Analysis of KIHBS 2015/16 dataset.

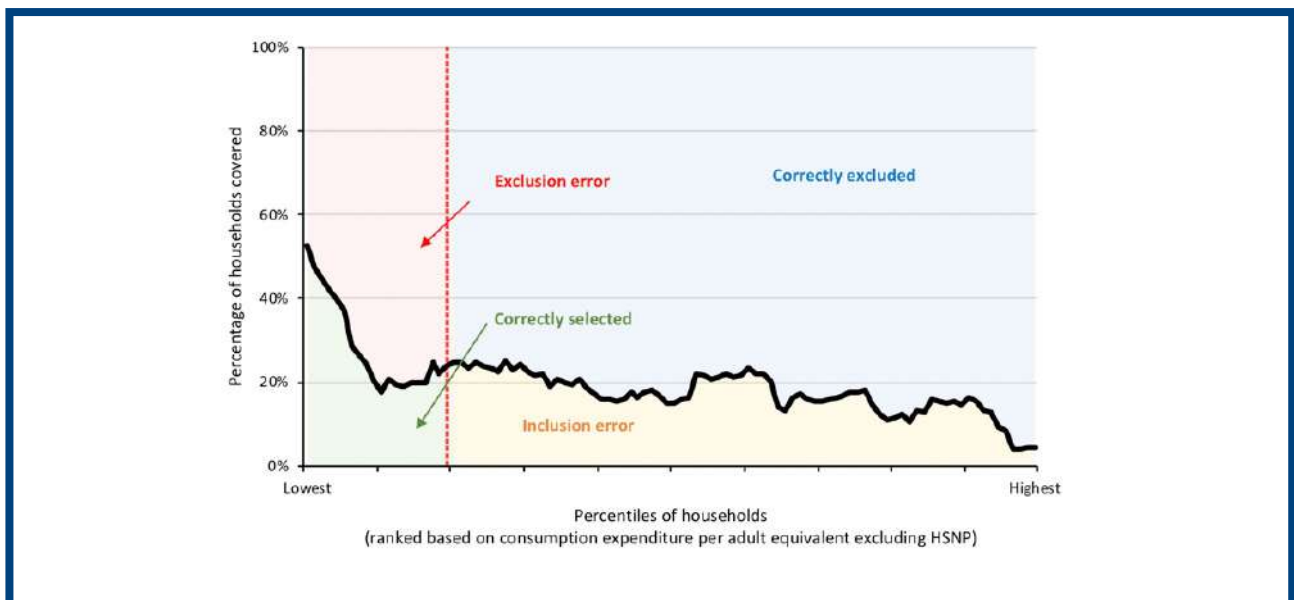
Figure 48 shows an alternative measure of targeting effectiveness, by comparing the consumption of beneficiary and non-beneficiary households of the CT-OVC and OPCT programmes, again limited to the eligible categories. If the targeting were perfect, there should be no overlap between the two groups. However, there is significant overlap, showing a large exclusion of eligible households, although in both programmes there is a higher proportion of non-beneficiaries with higher consumption. Nonetheless, the majority of recipients are households with per capita consumption below KES 100 per day – or KES 3,000 per month – before the transfer and, therefore, in need of social protection. However, many non-beneficiaries are also living on less than KES 100 per day.

Figure 48: Distribution of beneficiaries and non-beneficiaries across consumption, for the CT-OVC and OPCT programmes¹⁶⁷



There is clearer evidence about the targeting effectiveness of HSNP. Recent research by Oxford Policy Management has found that exclusion errors in the Hunger Safety Net Programme (HSNP) are 62 per cent and that it was only a little better than random selection.¹⁶⁸ Analysis of the KIHBS 2015/16 data paints a similar picture. Figure 49 shows the proportion of each percentile of the consumption distribution are included and excluded from the scheme. All those to the left of the dotted red line should have been included in the scheme. As indicated, the exclusion error is high at around 69 per cent while there is relatively even distribution from poorest to richest. The findings, therefore, are very similar to those of OPM.

Figure 49: Targeting effectiveness of HSNP: percentage of beneficiaries in each consumption percentile¹⁶⁹



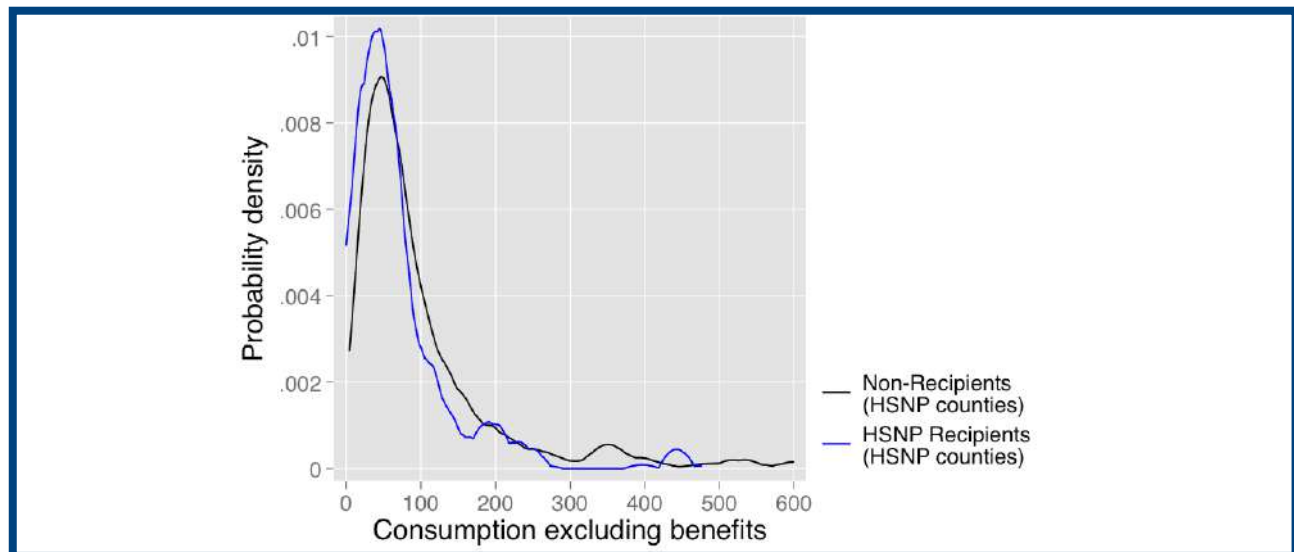
¹⁶⁷Source: Analysis of KIHBS 2015/16 dataset.

¹⁶⁸Source: Silva-Leander and Merttens (2016).

¹⁶⁹Source: Analysis of KIHBS 2015/16 data.

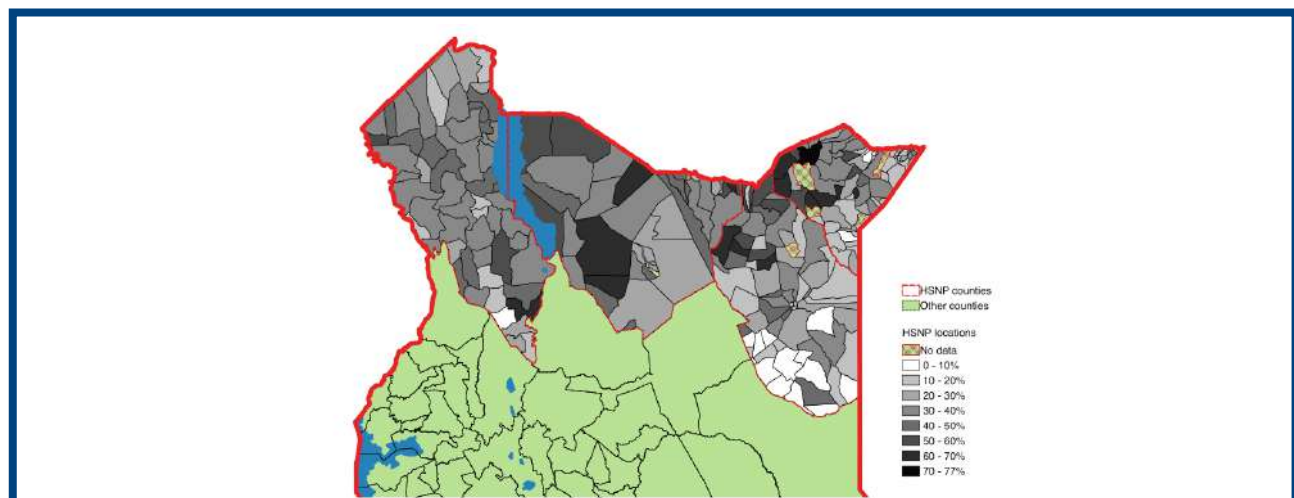
Further, as Figure 50 indicates, the distribution of HSNP beneficiary and non-beneficiary households across the wealth distribution is very close, indicating an almost random distribution. However, most of the population within the HSNP area is living in poverty and are in need of support from social protection. In fact, 82 per cent of recipient households have per capita daily consumption of less than KES 100 (or KES 3,000 per month) although, similarly, 76 per cent of non-recipients also have similar per capita consumption, yet are excluded from HSNP.

Figure 50: Distribution of beneficiaries and non-beneficiaries across consumption, for the HSNP programme¹⁷⁰



Not only is HSNP selection relatively random across beneficiaries, there is also significant variability across locations. Figure 51 shows the proportion of beneficiary households per location.¹⁷¹ Coverage varies between less than 10 per cent in some locations to more than 70 per cent in others. It is unclear whether poverty levels vary according to a similar pattern or whether the differences are more the result of challenges with the targeting methodology.¹⁷² Similarly, coverage varies according to residence in urban or rural areas: around 12 per cent of households in urban areas receive HSNP compared to 22 per cent in rural areas and 36 per cent in peri-urban areas. In comparison, poverty rates – when assessed against a poverty line equivalent to the 20th percentile of households in HSNP areas (i.e. KES 31 per capita per day) are 5 per cent in urban areas, 27 per cent in rural areas and 19 per cent in peri-urban areas. This indicates that rural areas are under-represented in the HSNP and peri-urban areas over-represented.

Figure 51: Proportion of those registered for the HSNP emergency scheme who receive the regular cash transfer, by location¹⁷³



¹⁷⁰Source: Analysis of KIHBS 2015/16 dataset.

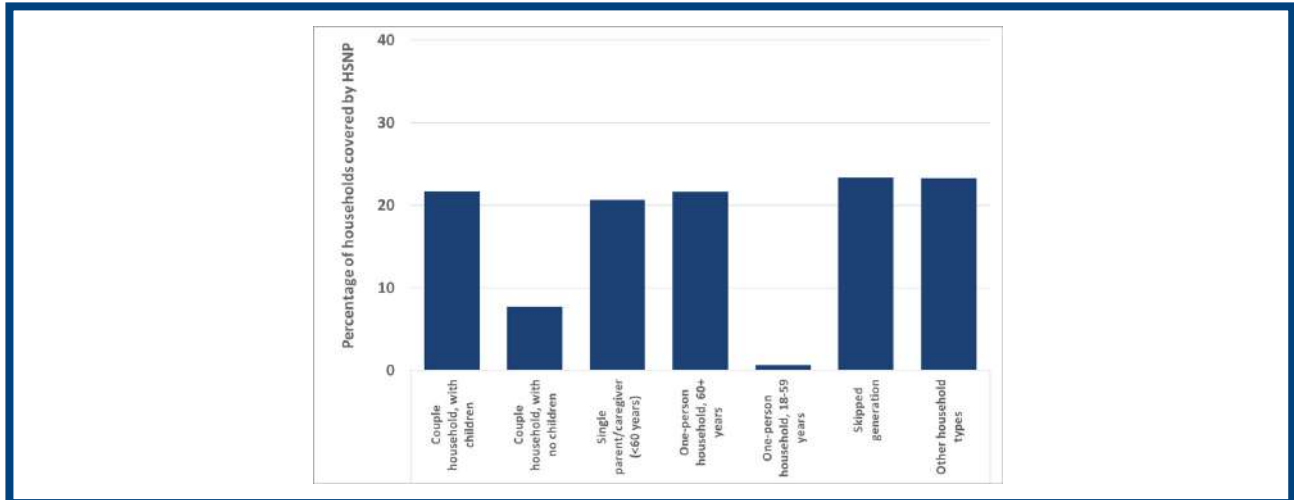
¹⁷¹The review attempted to obtain reliable information on the number of households initially registered in the HSNP survey, but it proved not to be possible. Therefore, the data here uses only those that were registered for the emergency transfer and we assume that the proportion of those registered for the emergency transfers replicates the proportions of those actually living in the locations.

¹⁷²The review attempted to obtain reliable information on the number of households initially registered in the HSNP survey, but it proved not to be possible. Therefore, the data here uses only those that were registered for the emergency transfer and we assume that the proportion of those registered for the emergency transfers replicates the proportions of those actually living in the locations.

¹⁷³Source: information from the Single Registry. Locations (mtaa) were the 4th tier on the administration hierarchy used before the Constitution of 2010.

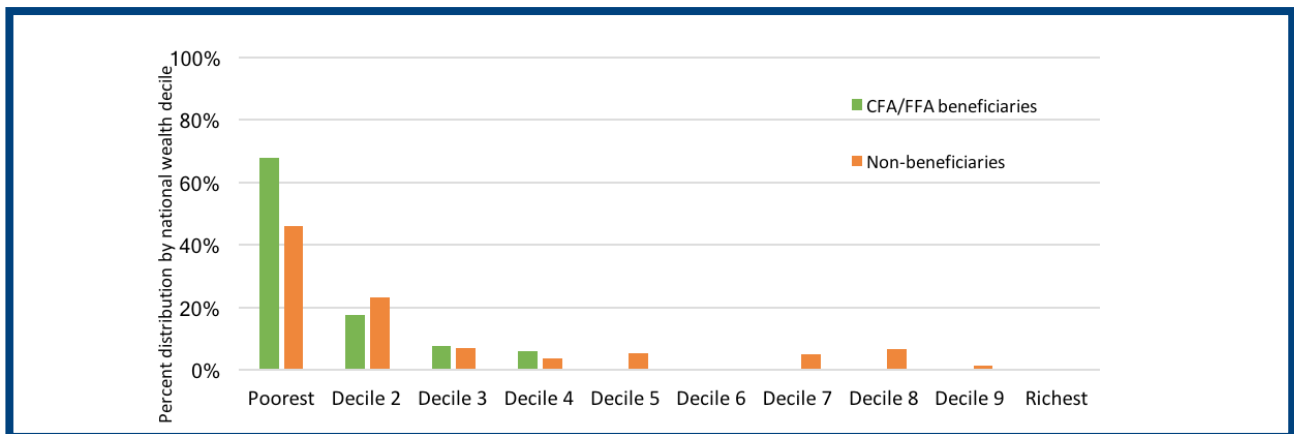
Within HSNP, there are also differences in coverage according to the type of household. As Figure 52 indicates, coverage is lower among small households of working age with no children, which is expected as they are likely to be less of a priority (apart from those – a very small number – that include a person with a severe disability). However, some vulnerable households appear to have lower coverage than would be expected, such as households with single parent/caregivers of children, single older persons and skipped generation households (i.e. households comprising older persons and children only).

Figure 52: Coverage of different types of household by HSNP¹⁷⁴



A qualitative survey was undertaken in late 2015 of the CFA/FFA programme to assess the effectiveness of its community based selection.¹⁷⁵ The assessment found that the focus of the programme on the ASAL counties was not entirely justified since, on the basis of food security indicators, other counties could just as easily have been included: between 43 per cent and 64 per cent of the total number of acutely and chronically malnourished people and food insecure households in the country are living in non-ASAL areas and are excluded from the programme by design. However, within the ASAL areas, the distribution of the programme was relatively good across counties. Within communities, most respondents agreed that deserving households had been included but noted that many equally deserving households had been excluded (due to budget limitations). Figure 53 shows the comparison across wealth deciles between those selected for the CFA/FFA programme and those not selected, in communities where the programme was operational. The effectiveness of the geographical selection is indicated by the fact that most people – beneficiaries and non-beneficiaries – are in the poorest quintile of the national population. Within the communities, those selected were, on average, a little poorer than those not selected but it reflects the views of communities that many deserving household were excluded.

Figure 53: Differences in wealth status between beneficiaries and non-beneficiaries of CFA and FFA programmes in communities where the programmes were operating¹⁷⁶



¹⁷⁴Source: analysis of KIHBS dataset 2015/16.

¹⁷⁵Source: Gelders et al (2016).

¹⁷⁶Source: Gelders et al (2016). The analysis was based on data from the KDHS of 2014.

There has been no study undertaken of the effectiveness of the selection mechanism in the School Feeding programme. As with the CFA/FFA programme, the focus on the ASAL counties excludes many equally deserving children elsewhere in the country. However, within schools, since all children receive meals, the programme is likely to be very effective in incorporating the children living in the greatest poverty, with minimal exclusion errors.

Although it has not yet been implemented, it is likely – based on international evidence – that the Inua Jamii Senior Citizens’ programme will reach the vast majority of older persons living in poverty. International experience indicates that universal social pensions tend to reach almost all intended recipients although some wealthy individuals may self-exclude.¹⁷⁷ Similarly, the forthcoming National School Feeding Strategy outlines a commitment to offering all school children a meal, which should also be a very effective means of including the poorest children.

A Harmonised Targeting Tool (HTT) is under development to improve the accuracy of selection among those schemes that will continue to direct resources to those living in poverty. The HTT’s design is similar to the current selection mechanisms used by the main social assistance programmes since it uses a mix of community based targeting and a proxy means test. It will comprise the following steps:¹⁷⁸

- Government officials will hold community meetings to generate a list of ‘poor and vulnerable households;’
- The list will be shared in community meetings to check that it is both accurate and complete;
- A proxy means test survey will be administered to rank households from poorest to least poor; and,
- Any corrections will be made via a Complaints Mechanism

There is an expectation that all programmes will be able to draw on the Harmonized Targeting Tool for the selection of their beneficiaries, which may reduce costs. However, while the registration tools within the HTT may continue to be used for the Inua Jamii Senior Citizens’ programme, there will be no need to make use of the community selection mechanism and PMT. The HTT will be of most relevance to the HSNP and CT-OVC programmes. Furthermore, there is no evidence that the HTT will improve selection within the CFA/FFA programme and there are currently no plans to adopt it within

that programme.

In reality, given that the best exclusion errors on social protection schemes in developing countries are around 50 per cent, exclusion errors are likely to continue even if the HTT is introduced.¹⁷⁹ Indeed, if the HTT manages to deliver exclusion errors of 50 per cent, that would be an excellent performance. In the longer term, the best means of reducing exclusion errors and building more effective selection mechanisms would be to move towards more inclusive schemes, which would require higher levels of investment. The proposed introduction of the universal Inua Jamii Senior Citizens’ programme and the Government’s plan for inclusive school feeding are indications that social protection in Kenya is moving in this direction. As Figure 54 shows, an investment of 1 per cent of GDP in an inclusive social protection system could reach 43 per cent of households nationally while an investment of 2 per cent of GDP – if it could be achieved by 2030 – would reach 76 per cent of households.¹⁸⁰ It would include over 95 per cent of households in the poorest quintile of the population and over 85 per cent of those in the so-called ‘missing middle.’ If this proportion of households were brought into the national social protection system, it would enable the Government to respond to humanitarian crises rapidly by increasing payments to these households, making the system much more shock-responsive.

4.4.2. Access to contributory schemes

Access to contributory schemes depends on the ability of people to pay contributions or the willingness of government to subsidize the contributions. In reality, across developing countries, contributory employment schemes are mainly restricted to those in the formal sector and have low coverage among those working in the informal economy since they often find it difficult to make contributions. This is often because: i) there is no counterpart funding from an employer; ii) many have incomes that are too low to be able to contribute; and iii) incomes are often irregular, which makes it difficult to make the consistent payments required by contributory schemes. Access among those in the informal economy to health insurance benefits can only be achieved if government subsidizes or pays the contributions of those on low incomes.

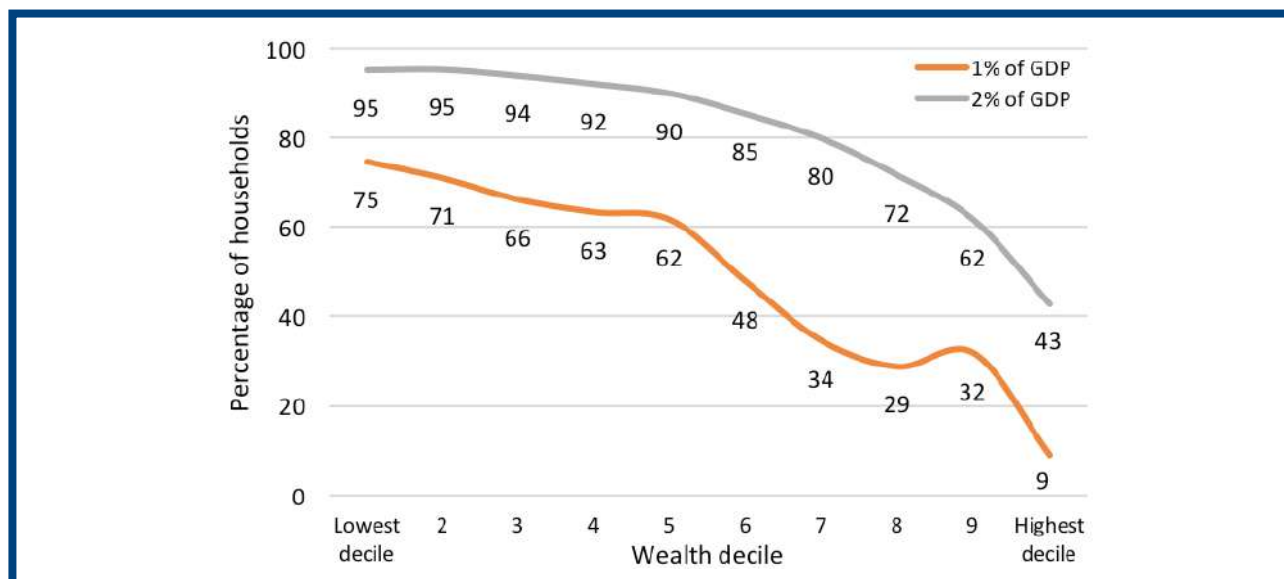
¹⁷⁷See Kidd (2017) for further discussion of the international evidence.

¹⁷⁸MEACLSP (2016).

¹⁷⁹Kidd and Bailey-Athias (2016); Kidd et al (2017).

¹⁸⁰Source: Calculations based on 2015/16 KIHBS. Chapter 9 shows the proposed programmes in the 1 per cent of GDP package. The 2 per cent of GDP scenario is based on proposals in the 2018 Social Protection Investment Plan.

Figure 54: Proportion of households across the consumption distribution that would receive at least one social assistance benefit by different levels of investment in an inclusive social protection system¹⁸¹



Access to both the NSSF and NHIF schemes must be assessed in a way which balances adequacy of benefits against the affordability of contribution costs. In theory, basic access can be afforded to individuals on relatively low incomes if: a) a high enough level of awareness can be created of the value of social protection to individuals and their families; and, b) the monthly contribution required by NSSF and/or NHIF can be kept sufficiently low or subsidised by government. There are also practical issues to overcome so that individuals can feasibly make regular payments.

Both the NSSF and NHIF schemes have taken positive steps over the last two to three years to enrol new (voluntary) members from the informal economy, on the basis of offering low contribution rates. The minimum contribution for NSSF is KES 400 per month (KES 4,800 per year) and KES 500 per month (KES 6,000 per year) per family for NHIF. Nonetheless, the number of people in the informal economy that have joined both schemes on this basis low although NHIF has been the most successful. The other strategy being followed is through the Health Insurance Subsidy Programme (HISP) which is enabling the members of the CT-OVC and OPCT schemes to access the NHIF. A 'block' premium is paid by the government to the NHIF. The premium required by NHIF is understood to correspond to that payable by the minimum-rate voluntary contributors. This arrangement has been pre-trialled for a limited number of households, with external donor support. However, no information is available on whether assessments have been made of the long-term financial sustainability of this arrangement.

There are private initiatives to extend old age pension coverage to those working in the informal economy. As Chapter 2 indicated, the Mbao scheme is specifically aimed at those in self-employment while there is a growing number of 'umbrella' schemes operated by private sector managers.

However, as discussed in Chapter 2, the NSSF does not offer a pension in old age or in the case of disability and there is no indication that the private schemes will ever develop into effective pension schemes. The most appropriate type of old age pension for those in the informal economy is a social pension financed from general government revenues, as long as it is inclusive and offered to all older people. This is the type of basic pension that is offered in many developing and developed countries, and can act as the first tier of a multi-tier pension system.¹⁸² The Government of Kenya has recognized this and this is a key motivation for the introduction of the Inua Jamii Senior Citizens' programme.

Healthcare coverage can be provided by either health insurance, general taxation or a mixture of both. However, whichever funding mechanism is used, without adequate funding within the health system, it is not possible to offer good quality health coverage to all. Kenya could move to a health insurance scheme, as outlined in the NSPP, but it will require a significant subsidy from general taxation to underwrite the contributions of the majority of the population. Alternatively, Kenya could choose to increase funding to the health system directly from the Ministry of Finance to the Ministry of Health. Both options, however, will require increases in tax.

¹⁸¹Source: Analysis based on the 2015/16 KIHBS.
¹⁸²For more information, see Kidd (2014).

4.5 Benefit Levels of Social Protection Schemes

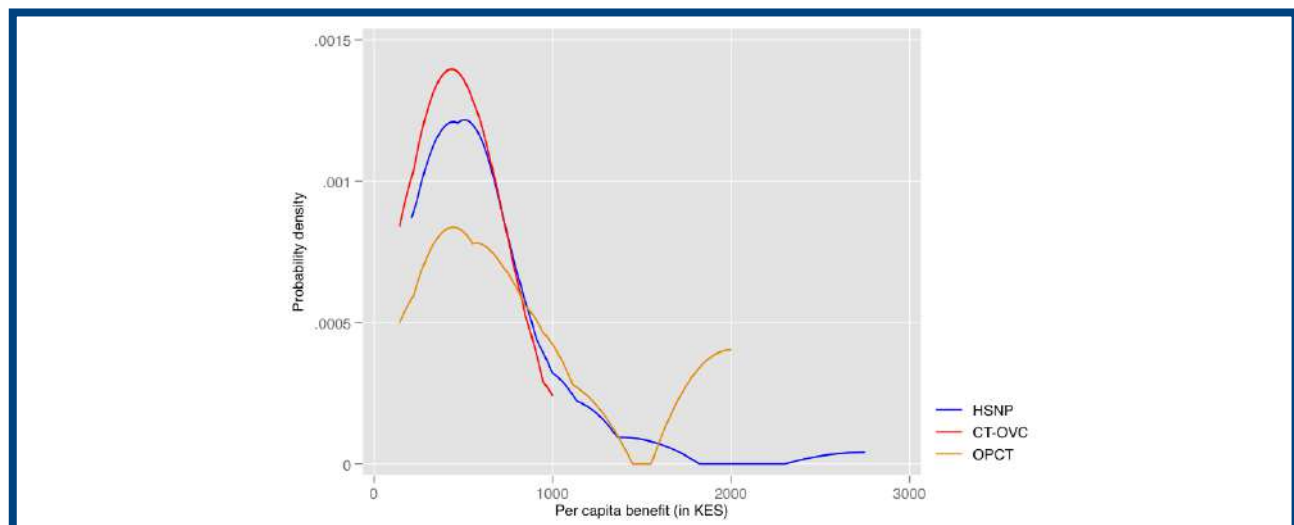
This section addresses the adequacy of benefits, by comparing transfer values with national and international benchmarks and assessing whether they have kept up with inflation. Benefit levels should be adequate to achieve programme objectives, but also take into account the risk of labour disincentives and the overall cost and fiscal sustainability of schemes. Indeed, a key consideration for governments is how to achieve a balance between two objectives that are in tension: how to set the value of the transfer at a level that helps realise the right to an adequate standard of living; and, how to set the value low enough so that it remains fiscally affordable and reaches the priority target population, thereby offering as many people as possible the right to access social security.

4.5.1 Transfer Levels in Tax-Financed Social Assistance Schemes¹⁸³

Concerns about the (in)adequacy of benefit levels have been widely flagged since the last Sector Review in 2012. Currently, households enrolled in the CT-OVC, OPCT and PwSD-CT receive KES 2,000 per month while the HSNP delivers KES 2,700 per month. Households participating in the CFA programme receive – on average over the year – KES 1,166 per month (although, in the seven months that the programme operates, they are given KES 2,000 per month). When the CT-OVC was introduced, its transfer size was calculated based on a formula that took into account the average incomes of the target group, the ratio of the transfer to the poverty line, and average monthly expenditures on health and education. The transfer represented around 12 per cent of the poverty line and 25 to 30 per cent of the income of households below the poverty line. The HSNP payment was set at 75 per cent of the value of a full WFP food ration in 2006 when it was first calculated, while CFA/FFA payments aim to provide 75 per cent of the full cost of the food basket in arid lands and 50 per cent in semi-arid lands, based on an analysis of long-term food security trends and local market prices.¹⁸⁴ However, the rationale for the size of the OPCT and PwSD-CT payments is less clear. When government introduced these two programmes, it aligned their transfer values to those of the CT-OVC, without taking into account the differential needs of the target groups.

Due to resource constraints, the value of transfers in Kenya is fixed at a standard level, regardless of household size or composition. Internationally, this is common in social protection programmes that are intended for individuals (such as child grants and social pensions), but not so usual in programmes that target households. The ‘effective’ value of transfers, therefore, varies with the size of the household. For example, it is estimated that the average monthly value of the CT-OVC is KES 339 per person in recipient households, KES 326 per person in OPCT households and KES 377 per person in HSNP households.¹⁸⁵ But, as illustrated in Figure 55, there is significant variation in the per capita generosity of programmes with larger households receiving less cash per member than smaller ones. Indeed, evaluations of the HSNP and CT-OVC have found that programme impacts tend to be greater in smaller households. As households are currently only allowed to be enrolled onto one programme – regardless of how many children, persons with disabilities, or older people they may have – the social protection system does not respond well to the differential needs and vulnerabilities of different families.

Figure 55: Frequency distribution of households by transfer value per capita for the HSNP, CT-OVC and OPCT programmes¹⁸⁶



¹⁸³This section draws heavily on Gelders, B. and Kidd, S. (2016).

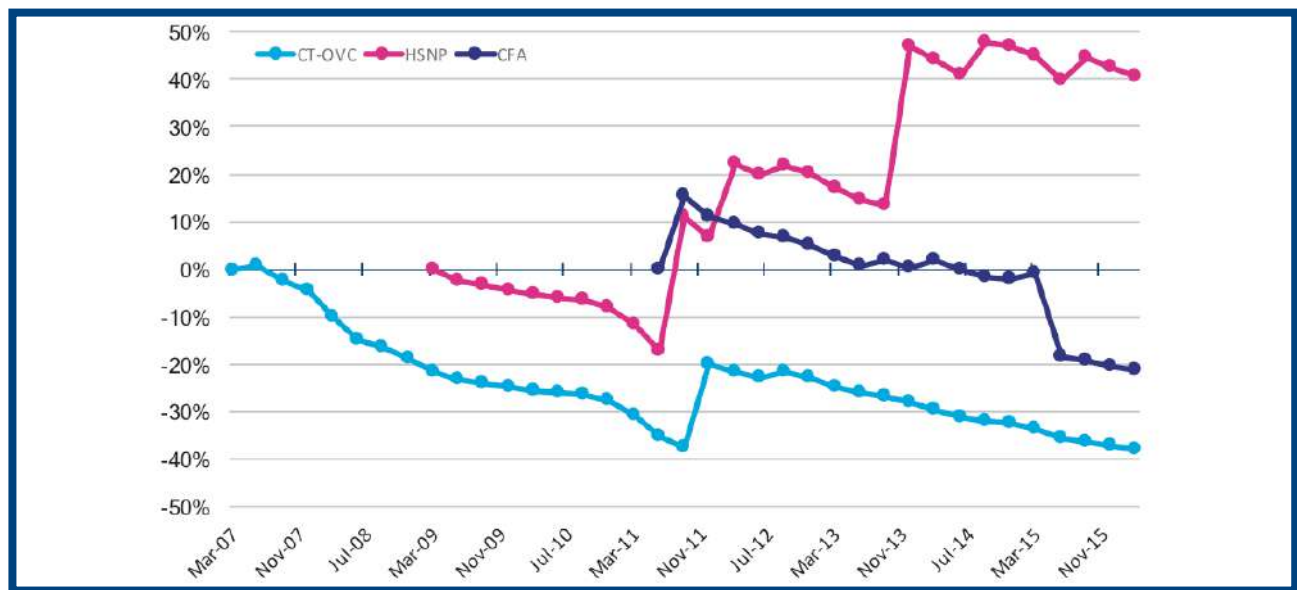
¹⁸⁴However, WFP has recently reduced the transfer levels due to funding constraints.

¹⁸⁵Based on own calculations using the 2015/16 KIHBS data. The calculation is dividing the average households size of those households receiving a transfer by the actual transfer value.

¹⁸⁶Calculations based on the number of members in beneficiary households in the KIHBS 2015/16 dataset

Not all programmes have protected benefit levels against the risk of inflation. Without periodic indexation, the real value of cash transfers declines significantly over time, thereby eroding the purchasing power of beneficiaries. Figure 56 shows the evolution of the real value of the benefit levels of the main schemes in Kenya, after taking into account inflation.¹⁸⁷ The value of the CT-OVC, OPCT and PwSD-CT has been increased only once – in 2011 – since the programmes were introduced. As a result, the purchasing power of the CT-OVC has fallen by some 38 per cent since 2007. The CFA is meant to be adjusted upwards or downwards whenever local food prices in intervention areas fluctuate by more than 10 per cent. On average, however, the transfer value has dropped by 21 per cent since 2011 and, recently, WFP has fixed the average value at KES 2,000 per month largely due to budget constraints (which is paid over seven months in each year), although households also receive an asset and technical assistance. The HSNP programme is indexed more regularly and, in fact, has increased its real value by 40 per cent between 2009 and 2016. As a result, the HSNP provides higher transfers than other government programmes active in the same region.

Figure 56: Evolution in the real value of transfer sizes when adjusting for inflation, expressed as a percentage change compared with the year in which the schemes were introduced¹⁸⁸



A recent study commissioned by WFP, UNICEF and Government compared transfer sizes against a range of national and international benchmarks.¹⁸⁹ One approach is to compare them with the poverty gap, in other words the average shortfall in consumption to the poverty line. For example, a universal transfer value of KES 2,000 per month to all households would reduce the share of those living below the food poverty line by 42 per cent, if all the additional money would go into food.¹⁹⁰ Another approach is to compare transfer values with the average consumption of households. For instance, the estimated value of the CT-OVC programme per beneficiary household member covers, on average, approximately 8 per cent of total household expenditure per capita and 16 per cent of food expenditure. However, as illustrated in Figure 57, there is regional variation because expenditure patterns and the cost of food baskets differ substantially across the country. The size of the transfer value is equivalent to roughly 13 per cent of average household spending in Bussia compared with only 5 per cent in Nairobi. Another useful benchmark is the price of the Minimum Healthy Food Basket (MHFB), providing 2,100 kcal per person per day. The CT-OVC, OPCT, PwSD-CT and CFA offer, on average, less than a third (29 per cent) of the income required to purchase a MHFB while the HSNP provides nearly 40 per cent.

Overall, the generosity of Kenya’s cash transfers is modest, but transfer values are broadly in line with – or higher than – those offered in other countries when the size of the economy and domestic capacity to fund social protection is taken into account. Kenya’s OPCT scheme has a value of around 15 per cent of GDP per capita, which is not too different from the relative value of other pensions in Africa and on par with Namibia and Mauritius. The CT-OVC transfer – when expressed per child in beneficiary households as a share of GDP per capita – appears to be higher than the relative value of child benefits in many European and developing countries and just above the level of South Africa’s child grant. The PwSD-CT transfer value is on the higher end of the spectrum observed in other countries, above Georgia and Mauritius but below

¹⁸⁷ For a similar analysis on benefit levels and inflation, see also: Stanford, J. (2014).

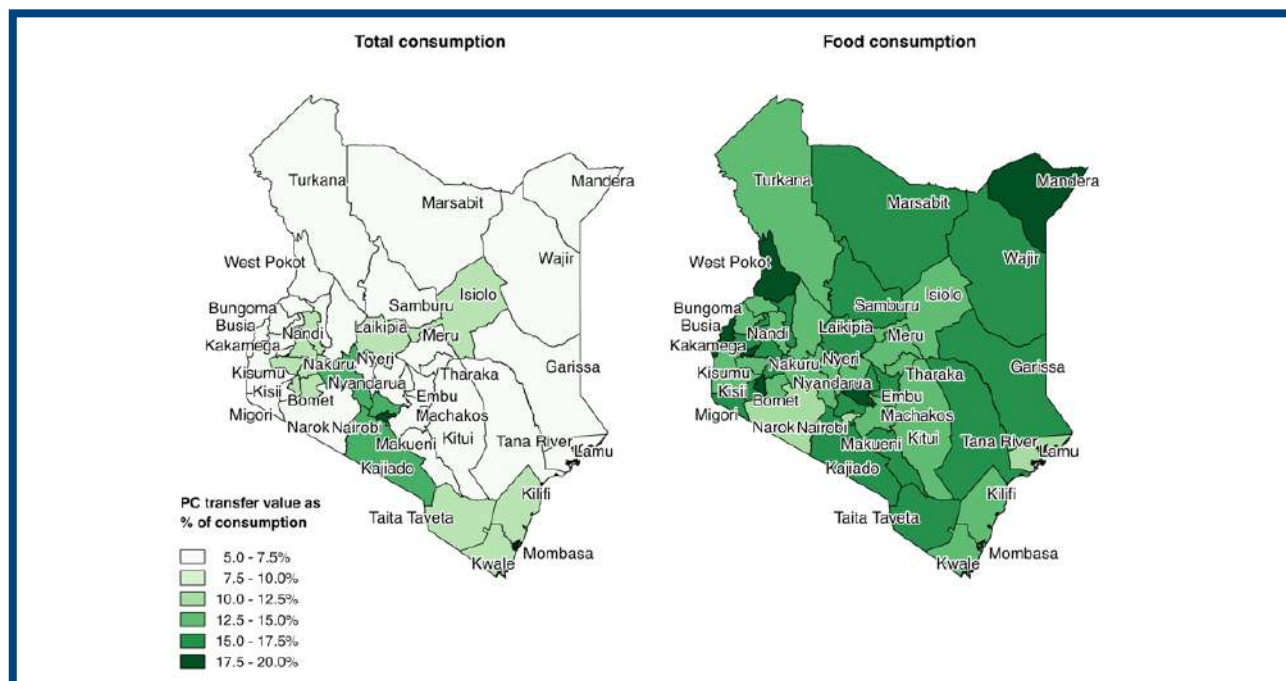
¹⁸⁸ Transfer levels were expressed in constant prices using CPI data from the KNBS. This chart does not take into account regional differences in food prices

¹⁸⁹ See Gelders and Kidd (2016).

¹⁹⁰ Own calculations based on the 2015/16 KIHBS. Uses the official food poverty line and adult equivalent consumption. This is an update to the WFP publication.

South Africa, while the HSNP is relatively high when compared with other poverty-targeted programmes in developing countries.

Figure 57: Value of CT-OVC as a percentage of estimated household expenditure per capita, by county¹⁹¹



Moreover, Kenya’s benefit levels are higher than the minimum norms set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102) of the International Labour Organisation.¹⁹² Table 4 applies these norms to Kenya’s lowest minimum wage for unskilled agricultural rural workers which, in 2016, was set at KES 5,436 per month. The table suggests that Kenya’s current transfer values are higher than the minimum ILO standards. Indeed, the current value of the OPCT is nearly twice as high as the recommended minimum norm, at least for rural areas.

Table 4: Recommended minimum value of transfers per person by applying the Social Security (Minimum Standards) Convention, 1952 (No. 102) to Kenya’s lowest minimum wage¹⁹³

Scheme	Minimum monthly transfer
Child Benefit	KES 163
Older Persons Cash Transfer	KES 1,087
Cash Transfer for Persons with Severe Disability	KES 1,087

4.5.2 Contribution and Benefit Levels in Contributory and Similar Schemes

The retirement benefits provided by the NSSF are generally inadequate. It has been a significant challenge for the NSSF, almost from the outset, that its contribution rate cannot easily be updated in the light of cost and wage inflation. The latest update appears to represent, again, a political compromise, unlikely to provide retirement benefits at a minimum livelihood level, either for those contributing a percentage of earnings or those (self-employed/informal sector) contributing at the prescribed minimum level, equivalent to around US\$4 per month. Currently, contributions have been payable at the rate of 5 per cent of earnings by each of the employee and employer, which is subject to a cap on accessible earnings of KES 400 per month in total. Under the provisions of the 2013 Act, this contribution rate should increase to 6 per cent of earnings, payable by each of the employee and employer, with an increase of the cap on accessible earnings to KES 2,160 per month. The Act also provides members and their employers with the option to ‘contract

¹⁹¹ Calculations based on expenditure data from the 2015/16 KIHBS, and the average per capita value of the CT-OVC transfer value in beneficiary households.

¹⁹² The Convention sets out recommended minimum levels of transfer for a range of individual entitlements schemes: (a) an old age pensioner with wife of pensionable age should receive 40 per cent of their working age wage, which could be interpreted as 20 per cent per person; (b) a child benefit should be set at 3 per cent of the wage of an employed person; and (c) a person with a disability, wife and two children should also receive 40 per cent of the previous wage, but if the invalidity came from an employment injury, the value would be 50 per cent. It may be reasonable to set this at 20 per cent per adult person, since many disability benefits for adults are set at the same level as old age pensions.

¹⁹³ See Gelders and Kidd (2016).

out' of the mandated pension component of the NSSF, in the case that the individual worker has an equal or better expectation of a pension through an alternative scheme of occupational provision.

The 2013 National Social Security Fund Act aimed to improve the facilitation of increased levels of spending by those with sufficient financial capacity, increase access for those living and working in the formal economy, and provide old-age benefits in the form of regular pensions, instead of one-off 'lump sum' payments. However, few of the changes that were envisioned by the 2013 Act have been implemented due, in part, to legal challenges around the interpretation of some of the new provisions. These appear to relate to those aspects of the reform which would: a) not only increase contribution rates (modestly) but also increase the 'cap' (dramatically) on individual contributions and, hence, the value of the contributions payable; and, also, b) provide for a 'contracting out' option under which employers and employees may divert part of their contributions to private occupational pension schemes. It appears that, since the questions must be resolved by the courts, this is likely to be a slow process which will hinder further reform.

All of these circumstances have led to a situation where contributions are generally low and accumulate to correspondingly low benefits at retirement age. The situation is exacerbated at times, such as the present, when the prevailing local investment conditions are poor. The Fund has sought in recent years to credit an appropriate proportion of its investment returns to the members' personal accounts, but even here, challenges arise, since the Fund is unable to identify adequately its dormant, as opposed to currently-contributing, members, and has built a disproportionately large suspense reserve.¹⁹⁴ The Auditor-General's statement in regard to the 2013-2014 Accounts indicates that this figure – as at June 2014 – was KES 2.4 billion (compared with total contributions for the year of KES 8.5 billion) and that, although this represented a reduction from the figure of KES 2.6 billion one year earlier, it should be brought to zero. The level of administrative costs is high (see Chapter 7), and may reflect a failure on the part of the management to adequately prioritise the efficient use of members' contributions as against, for example, the perceived need to maintain its nationwide outreach through an extension network of fully-staffed local branches.

The NHIF has updated its benefit package (see Chapter 2) and appears capable of providing benefits which are reasonably well matched

to the medical treatment needs, either by way of inpatient (original mandate) or outpatient (expanded mandate) care, to any given member who might present for treatment. Following its most recent initiatives to extend coverage, self-employed workers, even with low incomes, are able to participate and gain access for both themselves and their immediate family members, to high-level health care facilities, including – subject to various conditions – the major private hospitals. In addition, the NHIF provides benefits of a broadly similar nature, even if slightly restricted in terms of magnitude, to three specific groups, each of which is financed by a block premium calculated by NHIF and charged to the Treasury: families caring for OVCs and enrolled in the OVC-CT scheme; older persons enrolled in OPCT scheme; and civil servants. In the 'big picture', more acute questions may relate to its capacity to provide a suitable level of care for the whole population of those covered (family members included), and whether its costing basis and financing arrangements are sufficiently rigorous for sustainability.

The CSPS plans a new contributory pension scheme in which contributions will be at the rate of 22.5 per cent of earnings, to be paid by an individual official (one third) and, on her/his behalf, by government as the employer (two thirds). A simplistic calculation on an illustrative basis suggest that contributions paid at this rate in a well-managed scheme should be sufficient to finance pension benefits representing an earnings-replacement rate after a 'full' career, of between 50 and 60 per cent of final salary.¹⁹⁵ In principle, this indicator of financial adequacy is more or less independent of whether the choice is made for a scheme of the defined benefit or defined contribution types. However, the present situation of poor investment returns in the local market highlights a major feature which renders the defined contribution model problematic as a base, or 'Tier 2', component of a broad-based national scheme of pension provision: the individual member-beneficiaries bear the full risk and brunt of the loss of value of their assets in such an financial climate.¹⁹⁶ The risk inherent in this situation is itself exacerbated by the fact that such a large proportion of the old age protection offered by the system in Kenya is now tied to the defined contribution model of pension scheme design (almost all of the occupational and individual schemes registered with the RBA, and, notably, the NSSF).

Until the current year, the returns on the Mbao scheme – broadly in the region of 10 per cent per annum – have been such that there have been no real concerns about the level of future benefits.

¹⁹⁴The Auditor-General's statement in regard to the 2013-2014 Accounts indicates that the suspense account figure as at June 2014 was KES 2.4 billion (compared with total contributions for the year of KES 8.5 billion), and that although this represented a reduction from the figure of KES 2.6 billion one year earlier, it should be brought to zero.

¹⁹⁵Key parameters in this regard include the usual retirement age, which will be set at 60 years, and the average longevity of retirees; the most recent estimates from the World Health Organisation indicate that the expectation of remaining life from age 60 for Kenyans is now approaching 19 years (taking males and females together).

¹⁹⁶Rather than the sponsoring stakeholders.

However, concerns are growing that difficult conditions leading to poor returns on investments through the Nairobi securities exchange will undermine the real value of members' individual interests in the fund. The scheme has not grown particularly large and does not, at present, provide retirement benefits in any meaningful way, being in effect a scheme in which members save relatively small amounts of money very flexibly, free of income tax, with some minimal conditionalities imposed on withdrawals. As such it is modestly attractive as a savings vehicle but it is unlikely to function as a reliable pension scheme for those working in the informal economy. Insufficient information is available to assess the adequacy of other private schemes.

4.6 Conclusions and recommendations

The coverage of social protection programmes has expanded significantly and government should continue to increase its funding to the sector to reach higher coverage across all parts of the country. Social assistance programmes have been directed to areas with the highest poverty rates but not necessarily to those counties with the largest number of people in poverty. As a result, households in arid lands are three times more likely to be registered for social assistance schemes compared with the rest of the country. There are also significant disparities in the coverage of health insurance although, since mid-2015, the NHIF has begun extending coverage under the HISP to certain members of the social assistance schemes, and to voluntary contributors.

The Kenyan Constitution guarantees all citizens the right to social security and asserts the duty of the government to meet the needs of particular potentially vulnerable categories within society, including many children, older people, persons with disabilities, women, and other marginalised groups. However, due to resource constraints, programmes tend to restrict coverage to certain subgroups of these categories. For children, the system focuses on one specific type of vulnerability – orphanhood – but studies have shown that the targeting of cash transfers to orphans is inadvertently leading to the exclusion of other children who are equally or even more vulnerable. Among working-age adults aged 18-65 years, an estimated 7 per cent live in households receiving social transfers while 15 per cent of formal and informal workers have an employer contributing to or providing the NSSF pension. Among older people, some 27 per cent of those aged 65 years

and above live in a household enrolled in the OPCT programme, while another 4 per cent are benefiting from a civil service pension. However, government recently announced the introduction of the Inua Jamii Senior Citizens' programme for over-70s in 2018. Children and adults with disabilities remain vastly under-served, with an estimated coverage of less than 1 per cent.

Due to insufficient funding, Kenya's social assistance schemes have had to limit coverage and, to date, the method chosen is to select those living in poverty (although School Feeding has been, to a certain extent, an exception).

The introduction of the Inua Jamii Senior Citizens' programme signals a different approach, with the coverage of the programme being reduced by raising the age of eligibility from that currently used for the OPCT. This approach is likely to have the advantage of being highly inclusive while the programme should be very popular both within communities and nationally.

The most effective means of incorporating those living in poverty into the national social protection system would be to develop more inclusive schemes, based around the lifecycle, in line with proposals in the NSPP. This will, however, require an increase in investment but would be consistent with the Constitutional right of all citizens to access social security and could be progressively expanded as Kenya seeks to achieve Vision 2030. The higher cost should not be viewed negatively: it will lead to a more effective and transformative system, as well as bringing significant benefits to the national economy. A World Bank report has recently suggested that adopting a more inclusive approach may be as effective in reducing poverty as directing resources to those living in poverty.¹⁹⁷

Approaches to setting transfer levels and indexation, to maintain purchasing power, need to be more coordinated and coherent as the social protection system evolves further. Some progress has been made since the last Sector Review in 2012, including further research and analysis to put forward policy proposals, but there remain many unresolved issues. First, a core challenge is that programmes are designed as household transfers, providing a fixed amount irrespective of the household size or its composition, rather than individual entitlements as envisaged in the Constitution and the NSPP. The Inua Jamii Senior Citizens' programme for people aged 70 and older represents an important move forwards. Second, the generosity of cash transfer programmes is modest and not sufficient to fill the food poverty gap. At the same time, benefit levels in Kenya appear to be higher than the minimum

¹⁹⁷ Brown et al (2016).

standards recommended by the ILO Convention and on par with – or somewhat higher – than other countries when taking into account the size of the economy and fiscal capacity. Third, there is no standard approach to indexing benefit levels to the cost of living. The HSNP has been able to increase the real value of its transfer while the purchasing power of the other programmes has decreased significantly. As a result, the HSNP provides higher transfers than other government programmes active in the same region. Fourth, the CFA/FFA programme requires recipients to work to build household and community assets, yet provides less than the other cash transfer programmes, although they are left with an asset and receive in-kind technical assistance. Nonetheless, this creates inequities in the transfer amount when considered against similar types of households in the same communities.¹⁹⁸ Lastly, the retirement benefits provided by the NSSF are only available as lump sums and not as regular and predictable transfers, while the NHIF appears capable of providing benefits which are reasonably well matched to medical treatment needs.

This review makes the following recommendations:

- As the current Expansion Plan comes to end in 2018, there is need for a follow-up plan on expanding geographic coverage, developed in a consultative and inclusive manner with a wide group of stakeholders to ensure national ownership. It should consider how to balance a focus on areas with high rates of poverty with reaching areas that are home to large numbers of people in poverty and insecurity. And, it should consider the needs of potentially vulnerable categories of the population, wherever they reside (such as children, older persons and persons with disabilities). This revised expansion plan should take place within the context of developing the National Investment Plan and National Social Protection Strategy.
- Government should aim to improve the availability of data on the coverage of vulnerable groups defined in the Constitution (children, older people, persons with disabilities, women, and other marginalised groups). Data in monitoring reports should be disaggregated more systematically by age, sex, geographic location, and other social-demographic stratifiers.
- Government should consider whether to expand its child-focused programmes beyond orphans, as highlighted by a recent study commissioned by UNICEF, WFP and the SPS.
- During the development of the SPIP and NSPS, the Government should further assess the most appropriate targeting mechanism for Kenya given the failures of poverty targeting. It should adopt a long-term vision and assess the extent to which it can move to a more universal, effective and popular social protection system, and over what period of time.
- Further analysis should be undertaken of contributory schemes to determine how they can include a higher proportion of people working in the informal economy and whether this would require further changes in legislation.
- Government and development partners should adopt a common approach to the indexing of transfer values, to maintain their purchasing power, building on existing proposals made in the Sector. Government should consider whether to establish a body to determine the appropriate indexing of benefits.
- There is a need to assess whether offering fixed transfer values for households irrespective of size is the most appropriate approach; within this assessment, consideration should be given to whether individual entitlement schemes based on a lifecycle approach would offer a social protection system that could better adapt to the size of households.
- There is a need to set up initiatives to educate pension scheme members about the relationship between contributions and benefits, with a view to strengthening support for contributory schemes.
- Trends in old age benefit provision have led to a near exclusive reliance on the defined contribution scheme model, which – particularly in the light of poor investment conditions in the local securities markets – may be considered inappropriate. Therefore, consideration should be given as to how to re-spread those risks now loaded on individual contributors/pensioners.

¹⁹⁸At the same time, households enrolled on the CFA/FFA are also benefiting from significant technical assistance which, by and large, may make their asset more productive and sustainable than assets owned by non-beneficiaries.

SOCIAL PROTECTION PROGRAMME DELIVERY MECHANISMS

Chapter Summary

- Considerable progress has been made in the Social Protection Sector over the past few years in enhancing administrative processes and systems/management arrangements by establishing a common operating framework to consolidate and harmonise programme delivery through the National Safety Net Programme (NSNP).
- While social assistance administrative processes, systems and management arrangements still face certain challenges, the Government of Kenya is taking on-going steps to address key issues.
- Non-NSNP programmes – such as the CFA/FFA asset creation programme – have strategically shifted away from food aid to food assistance to build the capacity of communities to become more resilient to emergencies.
- Contributory schemes such as the NSSF and NHIF have invested in further developing their operational systems by taking advantage of the effectiveness and efficiency of modern technology.
- Although the financial and transfer systems for the NSNP programmes through government mechanisms are still subject to delays, measures are being put in place to improve the efficiency of these processes.

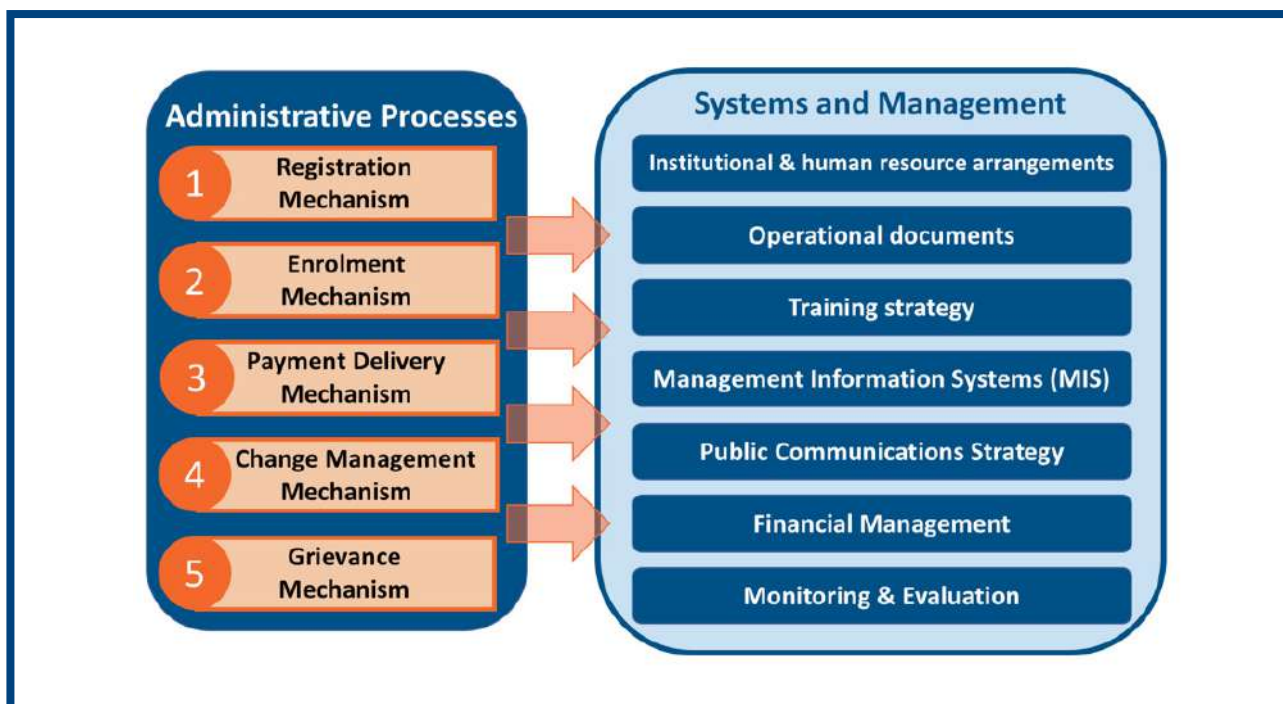
5.1 Introduction

This chapter aims to assess the operational mechanisms for the management of social protection schemes in Kenya. The key aim of this chapter is to determine the extent to which the operational processes and systems of Kenya's social protection schemes ensure that the right individual or household receives the correct benefit, at the allocated time and place.

Considerable progress has been made over the past few years in enhancing the effectiveness and efficiency of the core operational processes within the Social Protection Sector. These developments will be assessed throughout this chapter with a focus on the key administrative processes as well as the institutional policies, systems and management setup for effective implementation, as illustrated by Figure 58.¹⁹⁹

¹⁹⁹Further information on the model used in the analysis can be obtained from Barrett and Kidd (2015).

Figure 58: Administrative processes and systems and management arrangements for cash transfer programmes²⁰⁰



The State Department for Social Protection has made considerable progress in addressing issues around the coordination and fragmentation of social protection policy and programming in Kenya. It has recognised the need to develop strategies to make programmes more effective and efficient in their implementation alongside increasing their coverage and scope to enable Kenyans to access social protection when needed. The cash transfer programmes had previously utilised different implementation arrangements which may have resulted in duplication, as well as limiting opportunities for learning across programmes, but efforts are being put in place to address these challenges.

The development of the NSPP in 2012 set out the vision of realising the right to social security for all citizens by reducing poverty and the vulnerability of Kenyans to shocks and crises. The NSPP states that the right to social security will be achieved by: ensuring that the design and implementation of programmes is coordinated; strengthening and scaling up existing social assistance programmes; establishing the institutional frameworks to ensure consistent and adequate levels of support; and, conducting reviews based on standards agreed upon by stakeholders.²⁰¹ In 2013, the government established the NSNP, also known as the Inua Jamii Programme (IJP),²⁰² with the aim of strengthening the operational systems of the cash transfer programmes while expanding their coverage to

progressively realise the right to social protection.

The NSNP aimed to bring coherence to the sector through improving and enhancing social protection delivery in the country. Its core objectives in relation to delivery mechanisms have focused on creating robust systems for selection and registration of beneficiaries, payment delivery and the monitoring of programmes. Moreover, it called for a common operating framework for the four main national cash transfer programmes: the CT-OVC, the OPCT, the PwSD-CT, and the HSNP.

Harmonisation and coordination at national and county level was identified as a key priority to strengthen the effectiveness and performance of social protection delivery to beneficiaries. In 2016, the government established the Social Assistance Unit (SAU) to manage the implementation of the NSNP by harmonising activities and delivery under a coordinated framework. The SAU currently manages the CT-OVC, OPCT and PwSD-CT programmes under one roof, although the HSNP continues to sit within the NDMA and is managed by the Programme Implementation and Learning Unit (PILU). At the county level, officers from the Department of Children’s Services, Social Development and Drought Management directly implement the cash transfers. With the on-going evolution of the NSNP and an increase in the coverage of the schemes, the permanent recruitment of additional officers will be imperative, as officers may be overburdened with

²⁰⁰See Barrett and Kidd (2015) for further information.

²⁰¹Kenya National Social Protection Policy (2012)

²⁰²Strictly speaking, the Inua Jamii Programme refers to the cash transfer schemes managed by the State Department for Social Protection.

programme implementation in conjunction with their wider duties within their departments.

The government has been working to improve resilience through asset creation programmes – Cash/Food for Assets (CFA/FFA) – in collaboration with WFP and partner agencies.

Through the provision of cash or food for assets to support food and nutrition security programmes, beneficiaries are being encouraged to increase production to support their households over the long-term. Moving forward, it is envisaged that food and cash support will be scaled back while technical support will increase to ensure the effective use and sustainability of assets.

WFP had been progressively handing over the responsibility of the GFD and School Feeding programme delivery to government.

The entire GFD portfolio was fully transitioned to government before the end of 2016. Currently, the capacity of various counties to assess, analyse, prepare for, and respond to food and nutrition insecurity in an effective and efficient manner is being strengthened. Furthermore, the Ministry of Education has become increasingly responsible for school feeding, and should be fully responsible by 2019, with WFP offering technical assistance only.

Contributory schemes such as the NSSF and the NHIF are working to increase citizens access to services by improving their operational systems.

A shift to modernising various processes such as payments (collection of contributions), registration of members and communications has been a priority. The utilisation of mobile money platforms has also been beneficial in allowing for greater financial access to services.

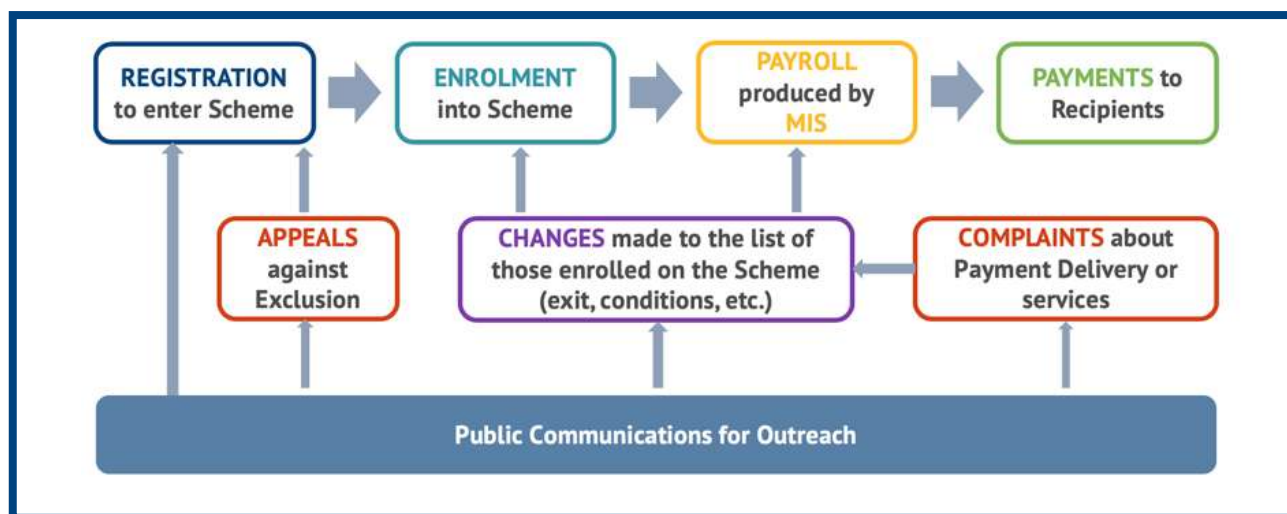
This chapter will provide progress to date on how social protection is delivered and will be organised as follows:

Section 5.2 will assess the administrative processes; Section 5.3 will examine the systems and management of social assistance programmes; the operations of contributory schemes will be the subject of Section 5.4; the financial and transfer system will be reviewed in Section 5.5; and, Section 5.6 will offer recommendations for improving systems to more effectively manage social protection transfers in Kenya.

5.2 Administrative Processes

Cash transfers are implemented through a set of administrative processes that include registration, enrolment, payment and complaints and grievance mechanisms, as well as change management. These processes, as shown in Figure 59, are part of the operational cycle of schemes, and will be described in further detail for each of the cash transfer programmes.

Figure 59: Figure 5.2: Cash transfers simplified programme cycle²⁰³



²⁰³Source: Barrett and Kidd (2015).

5.2.1 Registration Mechanisms

The registration mechanism comprises the selection of beneficiaries of cash transfer programmes. Sensitisation and awareness creation is the primary step in ensuring that communities have access to information on a programme’s objectives and its eligibility criteria. The registration mechanism comprises programme implementers collecting relevant personal data on applicants, verifying its accuracy and assessing compliance with the eligibility criteria for each specific programme. The Operations Manuals for the four national programmes outline, with varying degrees of detail, the registration process for each scheme.

Since coverage is not universal for any of the programmes, the Government of Kenya targets the poorest and most vulnerable households who fit certain eligibility criteria, as outlined in Chapter 4. The criteria for each programme is shared with households prior to the registration exercise in addition to guiding principles for selection to ensure that fair and transparent processes are followed. These include treating potential beneficiaries with dignity and respect, a refusal to accept bribes, and support to apply if a household is particularly vulnerable and needs support. Table 5 outlines the eligibility criteria for the HSNP, CT-OVC, OPCT, PwSD-CT and WFP’s CFA/FFA programmes.

Table 5: Eligibility criteria for the Cash Transfer Programmes

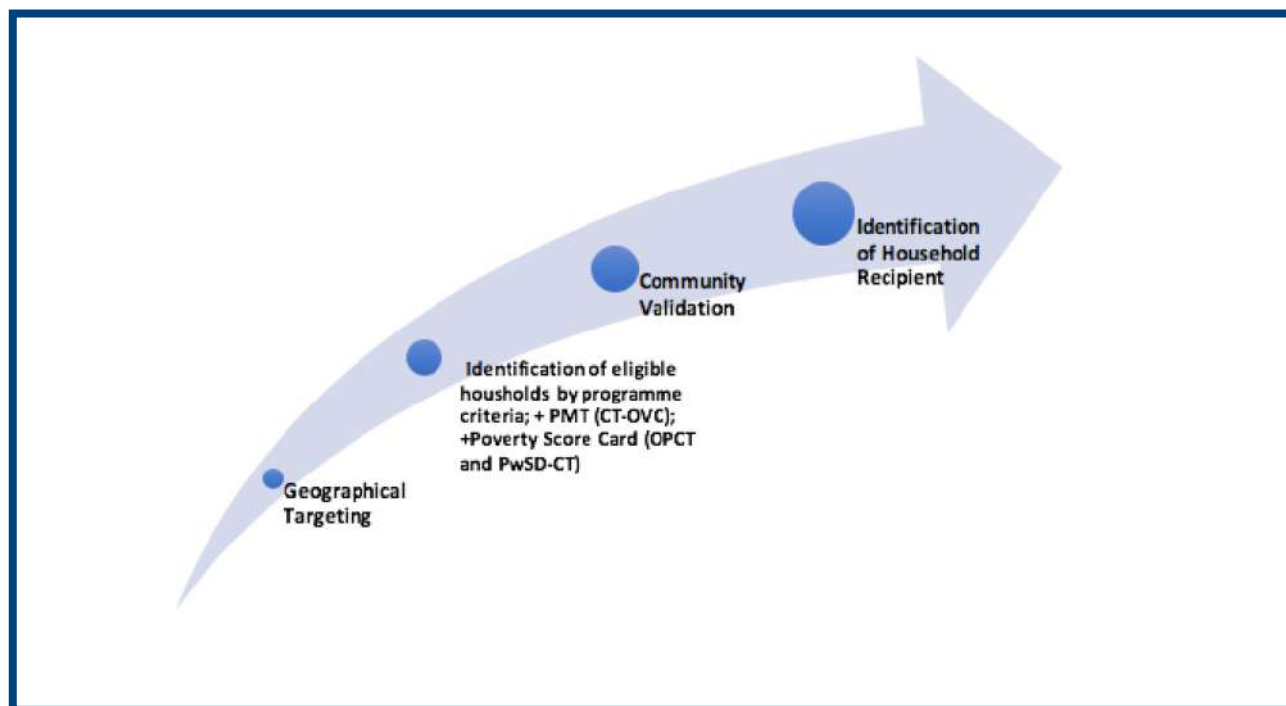
Programme	Eligibility criteria
HSNP²⁰⁴	Poverty/geographically defined groups in 4 northern counties; no-one should be a beneficiary of other programmes; and, household lives in extreme poverty
CT-OVC	Household includes at least one OVC as a permanent member, lives in extreme poverty, and no-one is a beneficiary of another programme
OPCT	Household has a member of 65 years or older, lives in extreme poverty and no-one is a beneficiary of another programme
PwSD-CT	Household lives in extreme poverty and vulnerable and has a member with a severe disability; no-one is a beneficiary of another programme
CFA/FFA	Household fits criteria (i.e. food insecurity) determined by community with support of an interim selection Committee; no-one is a beneficiary of other programmes

Awareness creation regarding the cash transfer programmes is undertaken using various channels and with the participation of several parties. Sensitisation of communities on the NSNP is undertaken through public barazas, radio messages, communication materials such as pictorials of registration processes and, in some cases, the use of smart phone platforms. Programme staff also provide key messages to ensure applicants understand the eligibility criteria in addition to documentation required for registration. Word of mouth is also recognised as an important communication tool in Northern Kenya, as pastoral community members may not always be reached due to their nomadic lifestyle.

The registration mechanisms for the CT-OVC, OPCT and PwSD-CT programmes are broadly similar and are summarised in Figure 60. With support from local committees, community members select an initial list of those they determine fit the programme criteria. Enumerators then visit the households on the community list to verify whether they meet the programme criteria and apply a targeting tool, based on a form of proxy means test (see Chapter 4). The information collected is entered into the programme MIS and a score is generated for each household. Those below the cut-off are put on a list which is read out in a verification meeting within the community. The community can contest the list, although it is rare for them to challenge the proposed names.

²⁰⁴For HSNP Phase II, certain categories were excluded such as: Residents of public dwellings (prisons, hospitals, army barracks), Persons living in streets or refugee camps; Internally displaced persons (unless government confirms residency), Non-residents of the location and non-citizens of Kenya.

Figure 60: Registration process for CT-OVCP, OPCTP and PwSD-CTP²⁰⁵



The registration process for the CT-OVC, OPCT, PwSD-CT, and HSNP schemes involves several government levels and stakeholders with different administrative roles. These include responsible Ministries nationally – the MEACLS and Ministry of Devolution and Planning through NDMA – down to sub-national levels: Social Development Officers, Children’s Officers, ex-officials, Beneficiary Welfare Committees (BWCs) and local committees. Recently established Constituency Social Assistance Committees (CSAC) have been given registration functions relating to the four NSNP schemes as well as a role in the handling of grievances.

There is little information on the effectiveness of the registration process. According to a 2015 beneficiary survey, almost 39.2 per cent of the recipient households did not conform to the correct category.²⁰⁶ However, it is not known whether this was the result of inaccuracies in the initial registration or the result of changes in households over time. Similarly, the same survey found that around 24 per cent of households did not conform with the poverty score which, again, could be due to problems during registration or changes over time.

Waiting lists are developed when deserving applicants are unable to access programmes. Those who meet the eligibility criteria but miss out on the scheme are placed onto waiting lists in preparation for enrolment once an opening arises,

such as a current beneficiary household exiting the programme or when programme expansion allows for higher coverage. Not all programmes implement waiting lists and it is unclear how efficiently change management in relation to exiting and on-boarding beneficiary households is.

Although there have been efforts to improve the registration process of the four national programmes, challenges remain. These include: inadequate training of local leaders and committees in registration procedures; local implementation structures still being established; distances for people to travel and insufficient vehicles; few programme staff; data entry errors (although these have been minimised); absence of supporting documents, such as identity cards; late transfers of funding to support registration; language barriers and literacy levels; low attendance at barazas; difficulties in tracking pastoral communities and other movements of people; and occasional limited understanding of eligibility criteria by communities.²⁰⁷

A key challenge with the use of community based targeting is that records are not kept on the reasons why each household is proposed or not by communities. It could be argued that communities should not be absolved from following due process and maintaining proper records on the rationale for its decisions. The absence of a written rationale means that it is difficult for households to

²⁰⁵Based on the current two Operational Manuals for the three cash transfers.

²⁰⁶Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²⁰⁷Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

appeal decisions, while government officials cannot effectively monitor whether the community has proposed the correct households. A further issue relates to the public posting of the names of beneficiaries and the public discussion of private details in community based targeting and validation meetings, which could challenge the right to privacy found in Article 31 of the Constitution.²⁰⁸

The current mechanism for identifying disability in the PwSD-CT scheme still requires strengthening to reach international standards. The NCPWD's disability assessment mechanism is not used and, due to the low coverage of the scheme, the focus is on those requiring 24-hour care and, effectively, bed-ridden. This process is supported by county officers from the National Council for Persons with Disabilities (NCPWD) to assist in the identification, registration and the validation of potential beneficiaries. The Council also has disability groups within the county. There is no assessment of the effectiveness of this selection process but, as the scheme expands, it will be necessary to develop a more robust disability assessment, linked to that used by the NCPWD, which is described further in Box 5.1

Box 5.1: Challenges faced by the NCPWD in disability assessment

The NCPWD is mandated to register persons living with disabilities in Kenya including institutions and organisations providing services to persons with disabilities. The registration of applicants requires an individual to provide a passport size photo, a completed registration form and a medical assessment report from the Government Gazetted hospitals. A fee may be charged for medical assessments to be undertaken at the hospital, which presents a barrier to households that cannot afford it. Also, additional costs are faced in transporting the applicant to the hospital for assessment. Although registration is done at county level, approval of the medical assessment report is undertaken by the Director of Medical Services with support of an oversight committee based at national level. The facts that forms need to be collected and the process can be escalated to Nairobi for review before being approved, can lead to delays.

The Council manages a database of its membership which includes information on approximately 387,585 persons with disabilities, although it does not have information on those with severe disabilities, particularly children. Moreover, the database is not linked to the health system nor to the programme MIS for the PwSD-CT scheme. Backlogs of 32,000 registration applications occurred in 2016 due to the high volume of applicants seeking to join the Council in order to receive benefits and/or exemptions from tax. The Ministry of Health is working to address this issue and has put in place measures to deal with slow processing of applications. The NCPWD has made efforts to decentralise their services to counties, but more resources are needed to improve the current system on issues such as strengthening registration processes – including shorter turnaround – and if possible, an on-demand assessment process

The Government of Kenya and development partners have invested in developing a Harmonised Targeting Tool (HTT) which aims to select and register households from the national programmes. The MEACLSP is currently undertaking a pilot to test improvements to the registration mechanism, as part of the development of the tool, alongside a broader programme Consolidation agenda. It aims to ensure that all social assistance transfers use one methodology for registering households and to reduce inclusion and exclusion errors. Once the pilot is completed, it will be used by the SAU.

Registration through the HTT will be undertaken electronically using tablets which runs software developed by the MEACLSP. Tablets can be utilized offline in remote areas, but they will automatically update captured information once in range of an internet signal. Staff will collect information such as identification card numbers, demographic data, geographical coordinates, telephone numbers, biometrics and pictures of household. Internet dongles and airtime bundles will be provided to enumerators to allow for efficient registration.

Another improvement in registration is linked to the development of the Single Registry, which has allowed information collected during registration to be linked to the Integrated Population Registration Service (IPRS). This allows programmes to verify the identity of beneficiaries/recipients through their national identity cards. The HTT, once rolled out, will link to the Single Registry.

²⁰⁸It states that: 'Every person has the right to privacy which includes the right not to have information relating to their family or private affairs unnecessarily required or revealed.'

Non-NSNP schemes – such as the CFA/FFA and GFD programmes – utilise cooperating partners, local government staff and their own field staff to support registration processes. Community members – with support of local leaders such as Chiefs – register beneficiaries by recording basic data such as the name and sex of the head of the household as well as demographic data on household members. An assessment of WFP’s CFA/FFA programme was undertaken to review the performance and results of activities in Kenya’s arid and semi-arid lands during the last two protracted relief and recovery operations (PRRO) periods from 2009 to 2015.²⁰⁹ Chapter 4 discussed the efficacy of the selection process, but a key challenge in the operations was found to be weak communications and community mobilisation.

The introduction of the Inua Jamii Senior Citizens’ programme will allow the government to introduce an alternative registration mechanism for this specific scheme, replacing that used for the OPCT. The registration mechanism for the Inua Jamii Senior Citizens’ programme will be simpler than for the OPCT and it will be possible to introduce alternative methods, such as on-demand registration. It will, however, require that the State Department for Social Protection undertake a more detailed design to identify the most appropriate registration process and determine the extent to which components of the HTT registration process can be used.

5.2.2 Enrolment Mechanism

An enrolment mechanism within a cash transfer programme provides a registered beneficiary with a token to identify himself or herself during the payments process. Depending on whether a programme has manual or electronic payment mechanisms, the token might be a simple identification card or include biometric data and digital data on smart cards.

During enrolment, beneficiaries are expected to provide accurate identification documents while receiving information on the programme. The completed enrolment information is entered into the MIS. Further details on enrolment are included in sections 5.2.4. and 5.3.3. The newly developed HTT envisages registration of all households in a target area after which enrolment will take place as per programme eligibility criteria.

However, many people in Kenya do not have identity documents, which makes enrolment challenging. This challenge cuts across all

programmes including the future Inua Jamii Senior Citizens’ programme. Therefore, further investment is required to ensure that all applicants for schemes have birth certificates and identity cards. Potentially, the enrolment into schemes could be undertaken alongside registration for birth certificates and identity cards. NDMA has already engaged with the National Registration Bureau to increase the number of Identity Card holders in northern Kenya.

According to a 2015 survey, the level of beneficiary satisfaction with the enrolment process for the four cash transfer programmes reached 80.2 per cent, which is very positive.²¹⁰

Some of the challenges reported in the enrolment process include: influencing by chiefs; language barriers, when those undertaking the enrolment do not speak the same language as applicants; political interference; and, the long-time lag between the registration process and actual enrolment.²¹¹

5.2.3 Use of Conditions

Alongside the national programmes, the Government of Kenya has recently implemented a pilot Conditional Cash Transfer Programme, which is currently under review. The pilot targeted 1,500 households within the CT-OVC programme and required beneficiaries to comply with conditions relating to health and education in return for their benefits. Failure to comply with conditions results in benefit deductions for each payment cycle until the beneficiary household meets the conditions. Through the pilot, the government hoped to compare the impacts of conditional and unconditional transfers.

The use of conditions in the CT-OVC programme was already tested a few years ago, and there was no evidence found of additional impact from the conditions.²¹² Much of this resulted from the challenges in implementing conditions in a Kenyan context, which were difficult to overcome. Furthermore, there is no robust evidence internationally that the use of conditions improves human development outcomes, while they may cause harm and may exclude some of the most vulnerable families and children that cannot comply with conditions, such as children and carers with disabilities.²¹³ In the current pilot, those implementing it have advised that, as happened during the first pilot, the verification of compliance to conditions was both time consuming and resource intensive to undertake. Moreover, there have been challenges with the quality of health and education services. An impact evaluation has been undertaken to assess the pilot and findings will provide insight on the impact of using conditions in the CT-OVC

²⁰⁹WFP (2016).

²¹⁰Source: programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²¹¹Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²¹²See: OPM (2010).

²¹³See Kidd (2016), Kidd et al (2017) and Sepulveda and Nyst (2012).

programme but initial indications are that it has not been possible to measure any impacts due to the continuing challenges with implementation.

5.2.4 Payment Delivery Mechanisms

The Government of Kenya, with support from development partners and payment service providers, have engaged in improving the efficiency of the payment delivery processes in addition to enhancing the ease of access to payment agents at the local level for beneficiary households. The use of payment service providers has helped improve the delivery of benefits through strengthened monitoring systems and better implementation of payment processes such as requests for funds, submissions of payrolls, approvals of disbursements and reconciliation procedures.²¹⁴

The four NSNP transfers are delivered by Equity Bank and Kenya Commercial Bank through a network of agents at local level. The procurement processes allowed for transparent and fair competition: financial service providers were required to meet criteria such as cost of services, value to the beneficiary households, capacity to deliver in programme areas, and capacity to provide financial access to the community while they have also been assessed on their ability to develop innovative solutions for the delivery infrastructure.

Payment delivery to beneficiaries is managed at the county level by payment service provider coordinator staff and local payment agents. They work in conjunction with the officers from the Department of Social Development, the Department of Children's Services, the NCPWD county coordinator, the NDMA county coordinator and local leadership such as Chiefs and Assistant Chiefs. Although the agents manage the disbursement of funds, the local officers help in organising the pay-points, providing information on the payment exercise and addressing any arising complaints and concerns.

Beneficiaries can access their payments with the use of a payment token – a bank card – which holds personal information on the beneficiary and secondary recipient. The payment token acts as a wallet of the benefit amount due to a household in accordance with the payroll. The payment tokens themselves vary depending on programme design which, in turn, has implications on the level of access a beneficiary household has to managing their benefits. For the CT-OVC, PwSD-CT and OPCT schemes, beneficiaries have bank accounts but they

do not provide the full range of benefits expected from a full bank account. Also, uncollected funds revert to the Ministry account after three payment cycles. With HSNP, beneficiaries enjoy access to a full bank account through MasterCard and related services without their cash being returned to the Treasury. Beneficiaries are given flexibility around retaining transfers in their account and can transact as per their needs. Currently, beneficiaries can make two withdrawals per payment cycle after which they are faced with charges. However, if three payment cycles pass without any activity on the account, Equity Bank deactivates the account until the programme verifies the reasons for dormancy.

Barriers in accessing benefits can be a key concern for beneficiaries when attempting to collect the cash transfer during the payment cycle. Distances to the pay points, complex authentication procedures and the costs associated with accessing a payment agent are some of the challenges faced across the four NSNP programmes. It is not clear whether all programmes adhere to the distance beneficiaries must travel to the pay points, but instances of beneficiaries incurring costs to collect their cash transfer are common. According to customer survey results, 16 per cent of HSNP beneficiaries travel more than 6 km to the closest pay point while, for the CT-OVC, OPCT and PwSD-CT schemes, 60.7 per cent of beneficiaries do so.²¹⁵ Other issues reported include: bribery, costs associated with accessing pay points (transportation), opportunity costs to recipients, long waits at pay points, as well as inconsistencies in payment cycles. Older persons and persons living with a disability may incur additional charges in relation to gaining access to pay points due to physical barriers. In terms of accessing funds on the payment token, beneficiaries can face difficulties in meeting the authentication requirements. In the case of older persons, for example, beneficiaries have been known to forget PIN numbers or their biometrics have failed, thereby hindering their access to their cash. In the case of beneficiaries who are visually impaired, keying in an authentication code is not possible. Also, the beneficiary may be exposed to opportunities for fraud due to difficulties in verifying the payment process.

The Government of Kenya is making good progress in addressing the issues but some recipients still experience delays in payments. Around 52 per cent of all NSNP beneficiaries confirm receiving the payment within the scheduled dates, although 29 per cent of beneficiaries report not knowing whether payments were made on time, thus indicating the need to increase awareness among beneficiaries regarding payment cycles.²¹⁶

²¹⁴Source: Consolidation Strategy and Action Plan (2016). Inua Jamii Programme

²¹⁵Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²¹⁶Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

Efficiency of payment delivery has been a key priority for the social protection programmes, leading to investment in improving the fund flow processes across the programmes.

Reporting of progress in payment delivery touches on some of the DLIs under the programme-for-results framework. A key challenge influencing the effectiveness of payments is delays associated with requesting funds at the national level. As part of the consolidation and harmonisation agenda, the three MEACLSP transfers are supposed to have funds channelled through the SAU, which should improve processes. The government has also endeavoured to reduce the number of days in the payment cycle from request for disbursement to reconciliation. More detail on the financial and transfer system is in Section 5.5.

Establishment of the SAU is improving the capacity of the government to deal with issues around payments in the three MEACLSP programmes in addition to strengthening communications across all stakeholders.

The payment service providers will be expected to report to the Unit regarding progress on delivery, reconciliation processes and other issues arising. This will aid in mitigating fragmentation and delays. Any delay along the payment cycle results in serious implications around the efficiency of payment disbursements.

Payrolls are generated by the operational staff within the SAU through the MIS system after which a summary is forwarded to the accounting department for review.

Similarly, a mobilisation list is also shared with the Children's Department and Social Development Department to enable preparation of payments at the local level. At the national level, physical payroll lists are printed and distributed to county-level staff in preparation for the payment. This process can cause delays. Consequently, the SAU is looking to move away from this practice by sending information via soft copy once they begin managing the dissemination of lists, including payment dates for the three programmes. Once the accounting department has reviewed the payroll and the Chief Finance Officer confirms that there are sufficient resources in place for the transfer, the Head of the SAU approves the list. The Principal Secretary provides the final approval before funds are transferred from the Ministry to the relevant Payment Service Provider (PSP). More detail in payment flows is found in subsection 5.5.

The payment service provider receives a letter specifying the beneficiary accounts to credit for the payment cycle. This is usually shared five days before payment. It is important to note

that some PSPs, such as Equity Bank, receive the transfer value only while others, such as the Kenya Commercial Bank, receive the transfer value in addition to their commission (2 per cent of payroll). At the local level, bank staff and officers from the Children's Services and Social Development Departments have a planning or briefing meeting to discuss the upcoming payment cycle, particularly around how coordination will be done across various locations. The payment cycle window for the three MEACLSP cash transfers is 21 days after which uncollected funds are returned to the Ministry and the reconciliation process begins. Once funds have been returned to the Ministry coffers, beneficiaries are unable to access them during future payment cycles.

As noted above, the HSNP follows a different model with funds flowing from the Ministry of Finance to the NDMA, while DFID passes resources through Financial Sector Deepening (FSD) Kenya.

Once NDMA and FSD Kenya receive funds, they are channelled to Equity Bank which credits the beneficiary accounts for payment. A Service Level Agreement (SLA) between FSD Kenya and Equity Bank allows FSD to hold the PSP accountable and enforce penalties if service delivery fails.

The CFA programme provides its transfers through Equity Bank, but has begun to use Cooperative Bank and Safaricom's mobile money platform, M-Pesa. Beneficiaries have the added benefit of greater choice.

5.2.5 Change Management

The social assistance programmes have developed change management mechanisms.

These enable the enrolment of replacement beneficiaries (including those on waiting lists), updates of beneficiary household information as well as changes in the wellbeing of the household which deems them ineligible according to the programme criteria.

The exit mechanism employed by each programme varies in line with the design, target population, duration, and funding levels of the programme.

Through the efforts of the government to consolidate and harmonise the programmes, the three MEACLSP programmes utilise similar exit methodologies. If a beneficiary household's socio-economic status is considered to be improved – thereby deeming them ineligible for the programme – they should be exited from the scheme. Those moving to a new location not covered by the programme also face withdrawal. In cases where beneficiaries do not collect their payment for three

consecutive cycles for various reasons, the payment service provider deems the account dormant and payments are stopped. Officers at the local level may investigate these occurrences but, if no valid reason is found, the beneficiary is withdrawn from the programme. There are a few specific exit measures for the MEACLSP social transfers that are specific to the programmes:

- For the PwSD-CT and the OPCT schemes, when a beneficiary dies the household members continue to receive payments for three cycles after which they are required to exit the programme
- For the CT-OVC, when a household is no longer caring for an orphan or vulnerable child under the age of 18 years they are required to exit the programme

However, evidence indicates that the exit mechanisms faced some challenges. In a recertification of the OPCT and PwSD-CT schemes it was found that, in 11 per cent of OPCT and 8 per cent of PwSD-CT beneficiary households, the older person and/or disabled person had died.²¹⁷ It will be necessary to strengthen the exit mechanisms so that deaths are reported as soon as they occur. It is very encouraging, however, that a more recent survey found that over 96.9 per cent of OPCT beneficiaries were aged over 65 years while 99.3 per cent PwSD-CT recipients had a disability and required 24-hour care, indicating excellent progress by the Government.²¹⁸

The HSNP has various measures for recertifying and exiting beneficiary households. During the 2012/13 transition from the HSNP 1 pilot to the current phase, households that had benefitted previously, but did not meet the new criteria, were removed from the programme. The programme provided a one-off payment of KES 10,200 to households being exited.

During the current phase of HSNP, there are several reasons that could deem a beneficiary household to be ineligible for the transfer. These could include the death of a beneficiary, inclusion of a non-deserving household onto the programme or non-collection of payment for three cycles or more. HSNP has also been replacing beneficiaries from its regular and predictable case load with the next cohort of registered households in instances where payments have not been collected nor beneficiaries traced. Moreover, an absence of identification cards has been a challenge in enrolling beneficiaries that have been deemed eligible.

In the case of the asset creation GFD programmes, exit – or rather recertification – is

based on the long and short rain assessments and food insecurity indicators, which provide data on the level of need including allocations per county. GFD beneficiary caseloads are updated twice a year, but asset creation programmes are more stable based on the average numbers over the last five years, with each single asset creation project lasting for at least 12 months towards the end of the emergency period during recovery.²¹⁹

For all programmes, any misrepresentation of information provided by applicants should result in a beneficiary household being removed from the transfer programme. There are measures in place to monitor fraudulent cases in addition to channels for community members to raise issues or complaints for investigation. At present, there is little to no reporting on such cases particularly as programmes will resolve issues at the local level without referring upwards to the national level unless required. The HSNP has developed a robust complaints mechanism of which more detail is provided in Section 5.2.6.

5.2.6 Complaints and Grievances Mechanism

A functioning Complaints and Grievance (C&G) mechanism is critical for accountability and proper programme performance. Cash transfer programmes should design and implement solid complaints and grievances mechanisms that enable citizens to appeal against decisions, file complaints, and provide feedback to implementing agencies.

Social assistance programmes in Kenya have C&G mechanisms in place and significant efforts have been made to strengthen them. In the 2012 Sector Review, it was stated that accountability would increase if there were broad standards used by all programmes. By 2013, HSNP and CT-OVC already had C&G mechanisms in place and, since then, the government has developed a coordinated approach towards a C&G mechanism for cash transfers.

Some complaint channels established by the programmes include: in-person complaints with BWCs (for the three programmes managed by the SAU), Rights Committees (RCs) for HSNP, and government officials for each programme (both county and national levels); a complaints box in post offices or other public spaces; telephones using a toll-free number; and, SMS and email. Recently, the government has also established Constituency Social Assistance Committees (CSACs) that have dealing with grievances among their functions. All complaints are recorded on the Single Registry at

²¹⁷Source: Mwasiaji et al (2016).

²¹⁸Source: Mwasiaji et al (2016)

²¹⁹Source: WFP (2016).

the national level. When possible, programmes seek to resolve complaints at the local level. However, an escalation process has been established to take complaints to the national level when necessary. In the case of HSNP, the Case Management System (CMS) is integrated with and supported by the MIS, entering and tracking complaints. In the case of the three cash transfers under the MEACLSP, MISs include modules to record C&Gs, and these modules are being decentralised to the county level through a pilot programme.

Beneficiary awareness on complaints and grievance mechanisms available is often perceived as low. Although sensitisation is undertaken periodically across programmes, the level to which communities are empowered to raise grievances is a challenge: poor and vulnerable households may regard support as a gift or handout rather than a right to which they are entitled. Therefore, more work should be undertaken to build the capacity of communities as claim holders who are able to engage with the state and/or partners around their rights, including the mandate of duty bearers in realising these rights.

The NSNP programmes have established a set of categories for grievances and complaints. The C&G structure put in place for the CT-OVC programme allows for complaints regarding any programme implementation aspect. In the OPCT and PwSD-CT programmes, grievances are separated into two categories: appeals and complaints (the latter referring to general complaints related to programme implementation and operations, fraud or corruption). The HSNP CMS divides cases into complaints (related to operational errors and quality of service), updates and corruption/fraud. Appeals regarding exclusion errors are included in the C&G mechanisms set up for CT-OVC, OPCT and PwSD-CT but appeals are not allowed in the HSNP.

The level of satisfaction with the C&G mechanisms varies. A survey of beneficiaries notes that all CT-OVC beneficiaries who complained had received feedback but only 28.3 per cent for the OPCT, 39.8 per cent for the PwSD-CT, and 22.4 per cent for HSNP.²²⁰ In terms of receiving satisfactory feedback, across all NSNP programmes 30.2 per cent of the beneficiaries who had complained reported receiving feedback although only 39.5 per cent of them rated the feedback as being satisfactory.²²¹

A successful C&G mechanism requires that an adequate awareness process be put in place, so that communities are fully aware of the existence of these mechanisms should complaints arise. In the case of the OPCT and PwSD-CT schemes, this aspect is stressed in the operational manuals.

All four NSNP cash transfer programmes have implemented awareness and outreach activities (radio-casts, service and programme charters and posters, among others). Nonetheless, in a beneficiary satisfaction report, it was found that 56.7 per cent of beneficiaries do not know how to make a complaint, 34.5 per cent are aware of at least one means of registering a complaint, and only 8.8 per cent of beneficiaries know of two or more ways.²²²

Despite the many advances in establishing C&G structures at the national level, challenges remain. Key issues relate to: the functionality of sub-national grievance structures (BWCs and Rights Committees have been established for HSNP and CT-OVC schemes, but are still in process of being set up for the OPCT and PwSD-CT programmes); insufficient training on C&G and reporting mechanisms of sub-national actors; staffing constraints; inadequate awareness on existing mechanisms in place; delays in feedback; and, the flow of information and reporting on C&G from the county to the national level. A further challenge relates to automated online mechanisms and a toll-free line for the three cash transfers managed by SAU. The online automated mechanism is not yet fully functional for the MEACLSP's programmes but is active for the HSNP.

5.3 Systems and Management

The administrative processes for cash transfer programmes are established within an institutional and management framework. This framework can include: institutional arrangements and human resources, operational manuals, training strategies, communication strategies, management information systems, financial managements systems, and monitoring and evaluation systems. This section examines all of these arrangements, with the exception of institutional and human resources and monitoring and evaluation which are considered in Chapter 6.

5.3.1 Operations Manuals

Since the last Sector Review, the Operation Manuals have been updated for the NSNP programmes. Nonetheless, they require continuing updating to reflect the latest changes and the new organisational structure. Among other issues, manuals should: clearly define the roles of all responsible institutions and actors; ensure accountability and participatory mechanisms while further detailing accessible C&G mechanisms including independent redress; incorporate standards of privacy and confidentiality of information belonging to beneficiaries; include the

²²⁰Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²²¹Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²²²Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

EFC framework and procedures; as well as clearly defining the protocols and procedures for when and how to exit households from the programmes. Currently all manuals are being updated, with a consolidated manual being produced for the three programmes under the SAU.

5.3.2 Institutional and Human Resources Arrangements

Since the 2012 Social Protection Sector Review, institutional arrangements and human resources have seen significant changes. The overall governance and institutional structure for Kenya’s Social Protection Sector will be covered by Chapter 6 on Governance and Accountability.

5.3.3 Training Strategy

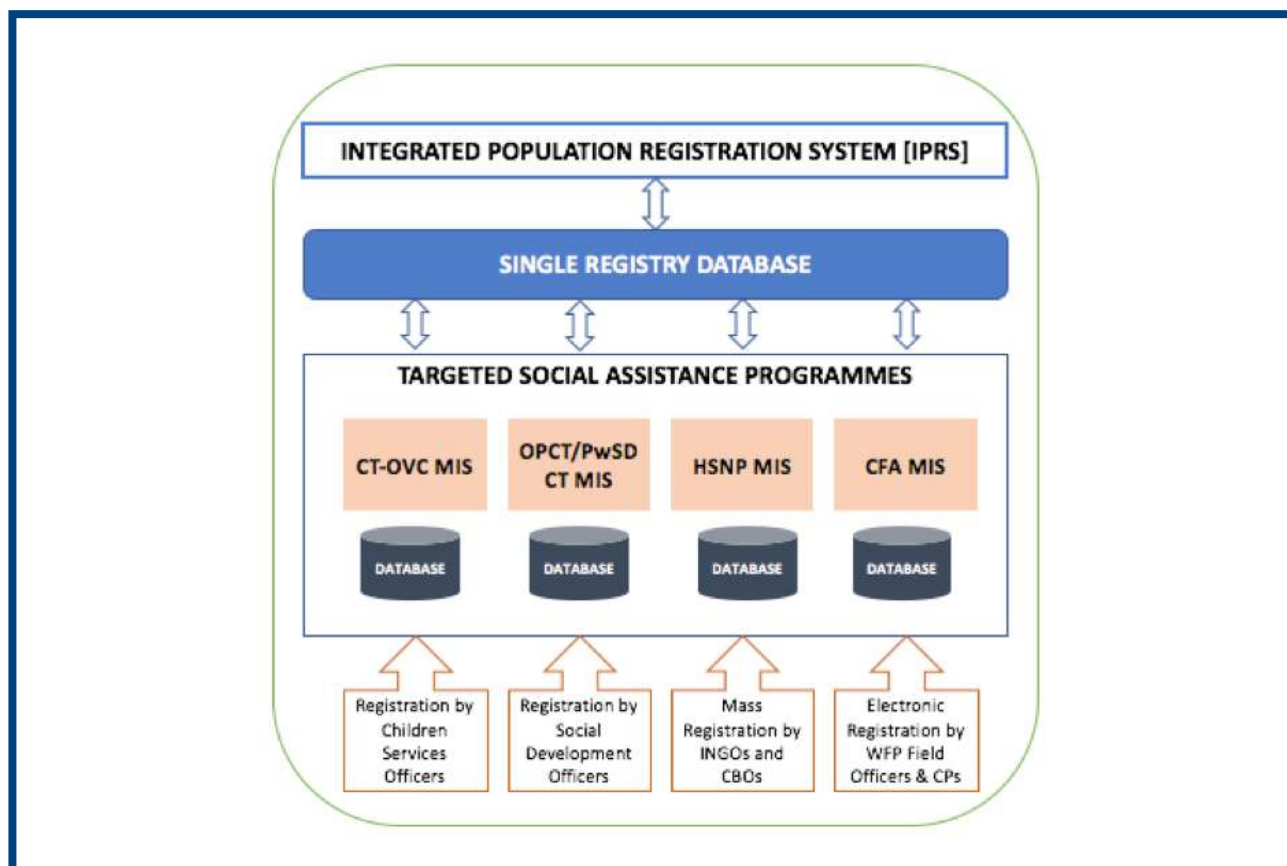
Social protection schemes should ensure they have training strategies while implementing continuous capacity building and training activities for programme staff. Training strategies should take into account institutional needs, set up realistic expectations, and be updated on an on-going basis.

The training of local and national-based government officials, as well as local actors (chiefs, ex-officials, BWCs, LOCs and RCs) has been on-going for programme operations since 2012, although somewhat limited at sub-national levels. MEACLSP and NDMA officials report receiving training in cash transfer operations (such as targeting, payments and C&G).²²³ WFP has recently begun supporting the SPS to deliver a programme of professional development across the Social Protection Sector.

5.3.4 Management Information Systems

Programme Management Information Systems (MISs) underpin effective social protection schemes, ensuring the high quality delivery of key operational processes, such as registration, enrolment, payments, and grievances. They also play an important role in facilitating and supporting programme monitoring. MISs for social protection programmes can be seen as a reflection of the operational processes of a programme, predicated upon appropriate technology. In an integrated MIS set up, one of the key components is the Single Registry. A Single Registry is a warehouse of

Figure 61: Kenya’s Social Protection Integrated Management Information Systems Set up²²⁴



²²³Source: Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

²²⁴Source: CPs – WFP Cooperating Partners

information linking together Social Protection Sector schemes to provide social protection performance reports to policy makers. As illustrated in Figure 61, this policy tool in Kenya offers interlinkages between programme MISs and the civil registration systems.

As a result of strong development partner support and Government prioritisation, there has been a tremendous shift in the social protection management information systems landscape in Kenya over the past three years (2013-2016).

Three years ago, the social assistance sector MISs were principally paper-based. Besides the HSNP and CT-OVC programmes that had web-based and web-capable MISs respectively, the other social assistance programmes (OPCT, PwSD-CT and the defunct UFS-CT) were operating with paper-based MISs supplemented with Excel payrolls. Since the national programmes were centrally managed in Nairobi, the key functions of the MISs – such as the determination of eligibility, processing of enrolment, preparation of payrolls and updates of beneficiary details – were managed centrally. Consequently, the transfer of information from the districts to Nairobi for data input was undertaken by vehicles in paper format. HSNP, in contrast, has always used decentralised data capture for the registration of its potential beneficiaries and, recently, has undertaken a rollout of a comprehensive electronic case management system (consolidating updates, complaints and enquiries functions). In terms of the breadth and depth of information collected, the majority of the programme MISs (OPCT, PwSD-CT and UFS-CT) collected and stored information limited to names and addresses (constituency and post offices) of heads of households (for OPCT and UFS-CT) or disabled persons for the PwSD-CT programme, and caregivers. As a result, there was no comprehensive information on other household members, payments reconciliations, and complaints and grievances.

It is evident that significant MIS upgrades and enhancements have been undertaken over the past 3 years. One of the notable information management achievements has been the development and launch of the Single Registry. Launched in September 2016, the Single Registry is designed to: prevent error/fraud during targeting of beneficiaries; increase programme efficiency and effectiveness through common warehousing functionality; strengthen the monitoring of programme implementation by the Social Protection Secretariat; support the planning of the expansion of social protection programmes; provide a foundation for the establishment of common delivery systems; and, act as the basis for emergency responses.

As a warehouse of information, the Single

Registry is currently configured to automatically receive data from five cash transfer programmes (OPCT, PwSD-CT, CT-OVC, HSNP and WFP's Asset Creation Programme). To enable the verification of data with the IPRS and the reporting of duplicates, the Single Registry provides a service (web services) to user programmes either in the form of application programming interface, exception reports accessed using established data sharing protocols, or ad hoc data runs against the Single Registry based on requests to the SPS.

A number of upgrades still need to be undertaken of the MIS system. These include:

- **Strengthening audit and security controls.** Comprehensive protocols for security and guidelines on how programme MISs can link to the Single Registry should be developed.
- **Expanding data collection methods.** The planned harmonised targeting exercise and other large scale data collection efforts should be based on a solid digitised data collection process.
- **Strengthening links to external systems.** Building on the successful linkage of the Single Registry to the IPRS and WFP's management information systems, further scoping should be undertaken to determine whether other systems within the sector – especially the social insurance schemes – should be linked to the Single Registry.
- **Improving programme MISs.** There is a vision to establish one integrated MIS for the three social assistance programmes known as the Integrated Social Assistance MIS: the CT-OVC; the OPCT; and the PwSD-CT. The ISAMIS strategy for the design of the ISAMIS that is to be developed within the 2016-2017 financial year should be underpinned by the review and consolidation of the key processes that were previously implemented by two Departments (Department of Social Development and Department of Children Services). However, the introduction of the universal Senior Citizens' scheme to replace the OPCT may require a re-think on whether an integrated MIS is the most appropriate way forward.
- **Improving Single Registry data sets, reporting and dashboards.** The Single Registry should be enhanced to enable the input of indicators that have data sources outside the programme MISs and allow the capture of report narrations so that the Single Registry can provide comprehensive and complete reports to all stakeholders.
- **Strengthening systems for the scale up and long-term continuity.** Scoping should be undertaken to determine a feasible strategy

for the sustainability of the Single Registry and programme MISs – in terms of brainware, hardware and software resources – once development partners no longer offer support.

5.3.5 Communications Strategies

A clear communications strategy is imperative to ensure that communities understand the social protection schemes at their disposal. This should include: information on the existence of programmes; how to apply for and engage with programmes; eligibility criteria required by the schemes; administrative and complaints procedures; and, accountability mechanisms.²²⁵ Poor communications can cause confusion within communities being engaged, negatively impacting on the efficiency of operational processes and increasing the likelihood of individuals raising complaints due to confusion or misunderstanding. To address these challenges, a beneficiary outreach strategy is being developed.

The Inua Jamii Technical Working Group has developed a communications strategy (2016-2018). It is part of the consolidation agenda to: enhance capacity for integrated and harmonised communication management for the cash transfer programmes; increase visibility and understanding among stakeholders; build commitment and support through regular engagement with stakeholders; and improve the capacity of programmes to address shocks and crises.²²⁶ The communications strategy should aid in tackling issues around low awareness and visibility of the programmes while encouraging more engagement from various actors at both national and local levels. The strategy also defines various areas that need support such as: aligning approaches to programming; understanding the communication needs of different audiences; unpacking key messages and effective channels for delivery; and, a framework for monitoring and evaluating the communication management of programmes. The HSNP has a separate communications policy that conforms to the NDMA policy under the MoDP, focusing on providing all stakeholders with timely, accurate, clear, objective and complete information about its policies, innovations, operations, and results.²²⁷

Other non-governmental actors in Kenya have implemented communications and awareness activities on social protection. In addition to government-led communication and awareness strategies, some non-governmental organisations such as the Africa Platform for Social Protection (APSP) have been working with community-based

organisations to enhance their capacity around social protection as well as supporting them to undertake evaluations and audits of social protection programmes.

5.4 Contributory schemes

The two large national institutions, NSSF and NHIF, have developed their operational systems to take advantage of modern technology. The 2012 Sector Review described how the NSSF and NHIF have updated their payment systems, including both the collection of contributions and the payment of benefits, using modern technology. The systems for registration of individual members have long been electronic and, for NHIF, the systems of communication of both medical and financial data are now fully electronic. At the level of individual members, a large proportion of transactions are made through electronic systems. For those transfers falling within a suitable range of values, the money transfer facilities of the mobile phone operators Safaricom (M-Pesa) and Airtel offer a cost-effective approach, largely bypassing the traditional banking system. The Mbao scheme is designed to take advantage of mobile phone money transfer systems.

All of these schemes seek to maintain, or improve, their outreach and both the NSSF and NHIF maintain a network of branch offices. These are spread across the country in each of the counties (just under 60 offices for NSSF and just over 90 for NHIF). These offices provide the range of services needed by the membership, including payment facilities for contributions and benefits. NHIF has sought, in recent years, to pay hospitals providing services by means of direct transfers through the electronic banking networks: the role of local offices in relation to the registration of members would be of high relative importance. Mbao is able to achieve outreach through its relationship with the Jua Kali Association.

Both NSSF and NHIF collect combined contributions due from employed workers and their employers, either by the employer's cheque or through direct bank channels. *Figure 62* illustrates the payment flow for contributions of this kind while *Figure 63* illustrates in schematic form the process for settling claims. Payments by individual members (voluntary contributors) are generally paid either in cash or through the mobile phone (M-PESA etc.) networks. Public acceptance of this mechanism is good since it has provided a means of overcoming many, if not most, of the challenges for people in remote areas concerning money transfers. Both institutions are well aware of the reputational

²²⁵Barrett and Kidd (2015).

²²⁶Inua Jamii (2016). *Communication Strategy: The Inua Jamii Cash Transfer Programme*

²²⁷NDMA (2016).

Figure 62: Collection Process for NSSF Membership Contributions

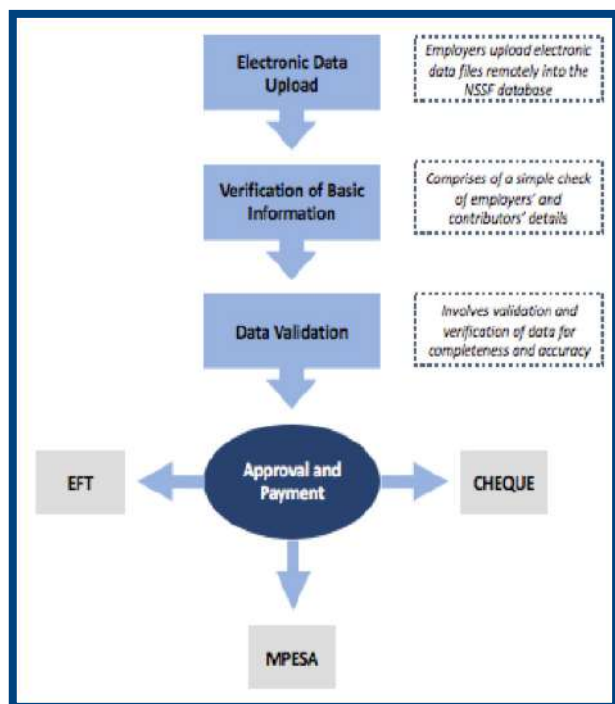
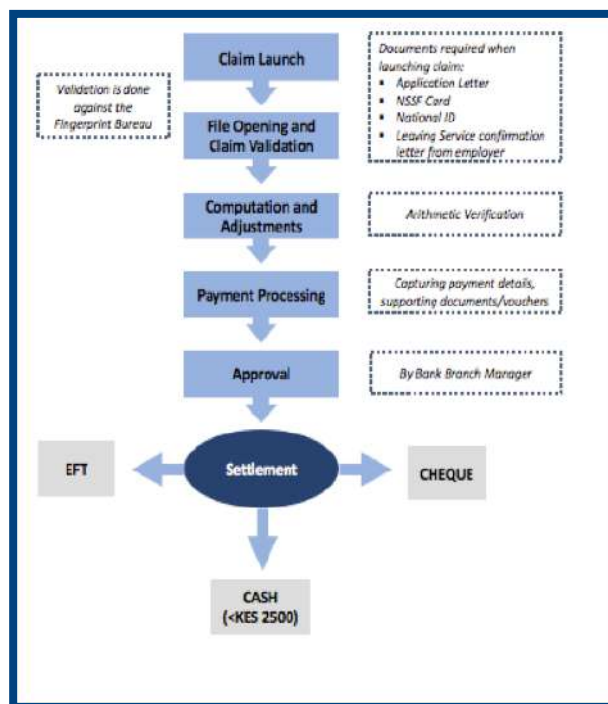


Figure 63: The NSSF Claims Processing System



damage accumulated over a number of years as a result, partly, of inefficient payment systems, and have taken worthwhile steps towards improvement, with specific target turnaround times.

In a similar vein, both NSSF and NHIF have become increasingly aware of the need to improve communications with their memberships and each maintains a moderately extensive website. In both cases this provides extensive information on the obligations of employers and members with regard to registration, contributions, and so on, and where to find the respective branch offices. The benefits are listed, but there is little by way of quantification. There is also very little information regarding the situation and progress of the institutions. Particularly glaring deficiencies relate – in the case of NSSF – to the declaration of the annual interest accrual to members’ accounts and statistics regarding membership growth. On the NSSF website it is possible to find annual financial reports up to 2013 but information is lacking about numbers of members, or claims. The NHIF website provides no straightforward links to information of this kind. The websites provide electronic versions of the various paper documents available, notably the guides/handbooks on the procedures for contribution deduction.

The institutions have relationships with banking institutions that are rather different in nature to those of the social assistance schemes. Whereas the latter require the setting up of specific

operational payment systems, most payments to and from the formal institutions can be adequately handled through the regular banking system. However, both NSSF and Mbao, by virtue of their registration with the Retirement Benefits Authority (RBA), are required to maintain links with institutions that can look after their members’ interests through the provision of independent services of a custodian nature and, for this purpose, they have contractual relations with a number of the commercial banks.

Little information is available on the NSSF and NHIF internal monitoring systems. Both NSSF and NHIF maintain a formal system of annual financial reporting and their statutes require that the annual accounts be made publicly available, though only after auditing by the office of the Auditor-General. The Auditor-General has engaged in some degree of qualification and has criticised NSSF for its over-use of the accounting mechanism of placing unallocated monies into a suspense account. However, the auditing process seems slow. The respective Boards – of Trustees at NSSF, of Management at NHIF – are ultimately responsible for the adequacy of these systems.

Both NSSF and NHIF maintain mechanisms for dealing with complaints brought by their members (and their employers) relating to operational matters. NSSF is obliged to maintain a Dispute Tribunal, as a condition of its RBA registration, and this is provided for in Section 53 of the 2013 Act. The NHIF Act refers, in Section 31, to

dispute settlement and provides that the mechanism should be specified in Regulations. In neither case is this facility advertised on the institutions' websites – although the NSSF site does have a specific facility to report corruption observed at any of its offices – raising the question as to how user-friendly the relevant mechanisms may be. Some complainants may have a fall-back option, whereby issues of maladministration may be brought before the public 'Ombudsman' (officially the Commission for Administrative Justice). The Ombudsman's report for 2015 notes that around 1,000 complaints were made relating to the NSSF and NHIF combined, although it is not possible to assess the degree of seriousness.

There are, however, still concerns about inefficiencies in the administration of the NSSF. Based on scheme's accounts - and estimated by interpolation or presented in budget papers – the cost ratios in relation to annual financial turnover in recent years have been approximately 54 per cent for the NSSF, with a peak of over 75 per cent in 2012-13. The CSPS has had a cost ratio of 15 per cent over the past 4 years.

The operational issues of most acute concern for the different institutions at present appear to be the following:

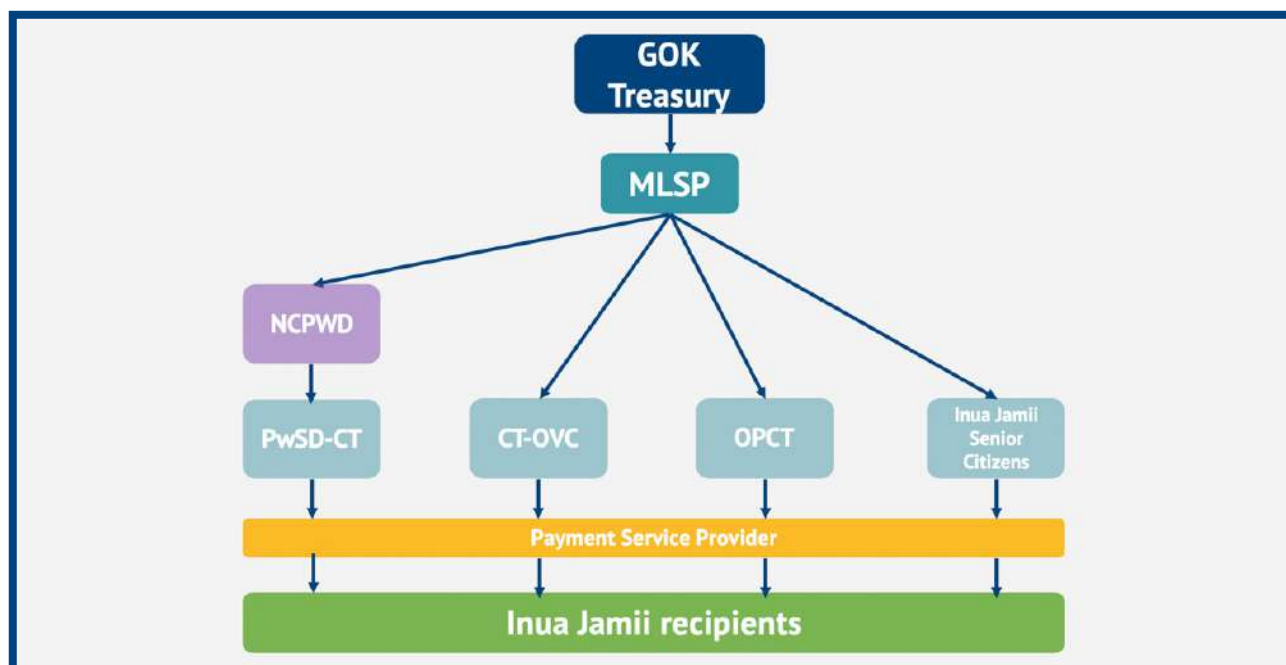
- For **NSSF**, the urgent need to improve its capacity to generate increasing contribution income, and to collect contributions due; the 2012 Sector Review commented on the weaknesses of its enforcement systems, but it is not clear as to whether a significant improvement has been achieved in the meantime.
- For **NHIF**, the need to align its operations adequately with the developing approach to health care through the devolved county administrations;
- For **CSPS**, the need to resolve the apparent blockages to its planned conversion to a funded scheme, following which it will need to put in place parallel systems of administration for those subscribing to the 'old' and 'new' arrangements.
- For **Mbao**, the issues of risk to the savings of small-scale, potentially low-income, subscribers in the light of declining investment markets

5.5 Financial and Transfer System

Moving funds efficiently is important for making timely programme payments, but the movement of funds for the MEACLSP's programmes through government systems continues to be subject to delays. The 2012 Review estimated that transferring funds from donors – at the time, the main source of social assistance funding – to the government took 20 days and from the government to implementing agencies 31 days, making a total of 51 days (transferring funds from donors to implementing agencies took 19 days). It is estimated that funds for the MEACLSP's schemes, most of which come from the government budget, currently take 53.7 days to travel from Treasury to the beneficiary (this is once the process of MEASCLSP requisitioning funds from Treasury is underway and before taking account of the often significant delays in Treasury disbursements related to insufficient funds in the development budget). Since this is not comparing like with like, it is not possible to conclude whether fund flows have improved or worsened since the 2012 Sector Review.

Funds for the MEACLSP's programmes pass through a number of steps inside and outside government. Figure 5.8 shows how funds move inside government systems. Treasury Funds pass into the MEACLSP for the CT-OVC, OPCT and PwSD-CT schemes and, for the latter, through the NCPWD, and then to beneficiaries via payment service providers. The Treasury also passes funds to NDMA for the government's share of HSNP. Funds also come from donors, in the case of the CT-OVC and HSNP schemes. Funds from the World Bank are received indirectly, through the general government budget (although, as noted earlier, these should properly be regarded as Government of Kenya funds, since they are a loan). For HSNP, DFID funding – in the form of a grant – is provided to FSD and, from there, to payment service providers. This arrangement has resulted in more timely payments for HSNP on the whole (see Chapter 7). All HSNP funding will eventually need to move within government for the purposes of coordination, accountability and sustainability.

Figure 64: Fund flows for the MEACLSP's programmes²²⁸



The timing of funds from both external partners and from the Treasury can be unpredictable and is subject to delays. Chapter 3 describes how only half of budgeted donor funds for HSNP for 2013/14 were spent in that year, though the meeting of budget commitments and the timeliness of payment for HSNP since 2013/14 has been much better. Funds from the Treasury for the OPCT, CT-OVC and PwSD-CT schemes are delayed because most funds are in the development budget, which are lower priority than the recurrent budget (discussed in Chapter 3). This is an ongoing problem: for example, Treasury disbursements for July-August 2016 payments were delayed until October. The government’s efforts to develop the consolidation strategy and harmonisation agenda – including the establishment of the SAU – aim to address challenges such as fund flow delays.

There have been improvements in the delays as funds move through the MEACLSP. Table 5.2 examines the number of days spent within MEACLSP to forecast spending, requisition funds from the Treasury, disburse funds to PSPs, and for PSPs to pay beneficiaries. The Table compares days taken for February and October 2016. The total time for the steps has been significantly reduced from 89.5 days to 53.7 days. One of the Disbursement Linked Indicators in the Programme for Results is on timely payments. It is still not being met as a result of delayed disbursements from the Treasury and internal MEACLSP processes and is recognised as one of the continuing challenges in delivering MEACLSP’s programmes.

Table 6: Comparison of days for each fund flow step in MEACLSP²²⁹

MEACLSP days needed by fund flow step for OPCT, PWSD & CT-OVC programme funds				
No.	Activity	Responsible Unit	February 2016	October 2016
1	Payment projections for each programme (including unpaid funds from previous cycle)	MIS	2	1
2	Confirmation of active beneficiaries from Single Registry	SPS	1	0.5
3	Approval of cash request for payment to PSPs by SAU	Director	0.5	0.5
4	Approval of cash request by PS	PS SDSP	5	1

²²⁸Source: Presentation material shared by the National Safety Net Programmes (2016)

²²⁹Source: World Bank (2016a); World Bank (2016b)

5	Confirmation of available funds	Chief Finance Officer	0.5	1
6	Approval for voucher preparation for payment to PSPs	Principle Accounts Controller (PAC)	1	
7	Voucher preparation	PAC	1	
8	Voucher invoicing	PAC	1	0.5
9	Voucher validation	PAC	1	
10	Preparation of cash transfer to PSPs	Programme Finance	0.5	0.5
11	Online Approval by AIE holder	Director	1	0.1
12	IFMIS online approval	PAC	1	0.1
13	Exchequer request (Ministry requisition of funds request to Treasury)	PAC	1	0.5
14	Exchequer release process	Accountant General	14	10
15	Exchequer receipt process	PAC	1	1
16	Transfer funds to NCPWD/CT-OVC and OPCT project accounts	PAC	1	
17	Transfer funds to PSP holding account	PAC/PAC NCPWD	1	
18	Preparation of payroll	PAC/Programme director	1	1
19	Payroll and payment advice to PSP	MIS	5	
20	Authority to PSP to debit a/c	MIS/Programme director	1	
21	PSP mobilization for payment	Equity/KCB Transactional banking	7	5
22	Payment to beneficiaries	PSP/ Programmes	21	21
23	Payment reconciliation PSP & Programme MIS	PSP	14	7
24	Payment Reconciliation Programmes	Programme Finance	7	3
Total no. of days required to complete payment cycle			89.5	53.7

Further efforts are required to enhance the efficiency of fund flows through the MEACLSP. Actions include potential changes in budget planning and the requisition of funds – for example requesting funds from the Treasury twice a year rather than four times, so the Treasury can better anticipate the need for fund - and setting up a more automated system for the payment cycle (which would also reduce the risk of error, fraud and corruption, discussed in Chapter 6).²³⁰ One potential automation is the payroll reconciliation which is currently carried out in an Excel workbook managed by the SAU.

The time for PSP to transfer funds to beneficiaries needs to be reduced and contracts with PSPs need to be effectively managed. Table 5.2 shows that it still takes an average of 26 days for funds to reach beneficiaries from PSPs (5 days for the PSP to mobilise for payment and 21 days for the actual payment to be made). Reasons for delays include un-carded beneficiaries, beneficiaries not being able to open bank accounts, and long distances between beneficiaries and pay points. Measures have recently been agreed to ensure that PSPs adhere to a maximum distance to pay points for beneficiaries – including installing more payment agents if required – and the printing of cards to beneficiaries who have not yet received them.²³¹ Other aspects of PSP contract management are also improving. In its 2015 report on the MEACLSP’s programmes the Auditor General complained of the quantity of unpaid funds kept by the Kenya Commercial Bank (KCB) (see Chapter 6). In response, for the July-August 2016 payment cycle the SAU in MEACLSP only transferred funds to KCB for payments to beneficiaries who have cards.

A remaining significant challenge is reducing delays in Treasury disbursements. Chapter 3 discusses the importance of funds for the social assistance programmes moving from the development to the recurrent budget, because the cash budgeting used by the Treasury means that, at the beginning of each financial

²³⁰Source: World Bank (2016a); World Bank (2016b)

²³¹Source: World Bank (2016a); World Bank (2016b)

year, the development budget is short of funds. This will be facilitated by the government funding a greater proportion of social assistance schemes and by programmes being grounded in legislation.

5.6 Recommendations and Conclusions

The outcome of a beneficiary satisfaction index exercise to measure overall satisfaction against the needs of the beneficiary for the four NSNP programmes showed a 70.4 per cent satisfaction level.²³² The indicators falling below this rate and requiring further attention are as follows: payments (cycle, window, amount, distance to pay points); complaints and grievances; awareness of roles and responsibilities; replacements of primary/secondary caregivers; and, the updating of personal details.

Although significant improvements have been made over the past few years in addressing issues around coordination and fragmentation and in enhancing the effectiveness and efficiency of the core social assistance operational processes within the Social Protection Sector, challenges still remain.

As this chapter has pointed out, the Government of Kenya still has a number of obstacles to overcome in terms of operational consolidation and implementation, such as in registration, enrolment, payments, change management, C&G, MISs, communications, and training). A particular priority is to ensure that operational consolidation is working both at the national and sub-national levels, and in terms of inter- and intra-institutional coordination.

Similarly, improvements have been achieved in several operational systems of contributory schemes such as the NSSF and the NHIF by modernising processes such as payments (collection of contributions), the registration of members and communications. However, there are remaining issues to be resolved, which will require further improvement on the operational side.

The introduction of the Inua Jamii Senior Citizens' programme will need to be accompanied by significant efforts to ensure its effective implementation. While universal programmes are simpler to implement than targeted schemes, this does not imply that they are without challenges. An effective design of the scheme needs to be developed, with challenges identified and solutions proposed. A key issue to address will be the absence of identity documents among older persons, although this could be tackled by linking registration for the scheme with applications for identity documents.

This review makes the following recommendations:

- Strengthen communications and coordination across all responsible institutions and stakeholders comprising the Social Protection Sector, including social assistance programmes and contributory schemes.
- Further strengthen training, awareness and communications strategies of social assistance and contributory social protection programmes. It is essential to provide up-to-date training for government officials at the national and sub-national levels both on their specific duties and on all cash transfer programme operations, as well as on beneficiaries' entitlements. Furthermore, beneficiaries need to participate in awareness-raising events to sensitise them on their rights, entitlements and responsibilities and on the general programme processes. In particular, there is a need to raise awareness on programme objectives, C&G mechanisms and payment cycles and windows.
- Given that the Government of Kenya has established the right to social security in its Constitution and that the National Social Protection Policy sets out the vision of realising the right to social security, it is key that operational processes take into account human rights principles throughout the implementation of social protection programmes. A review of each programme against key principles should be undertaken.
- Undertake the design of operational processes for the forthcoming Inua Jamii Senior Citizens' programme and align them as much as possible to existing processes.
- Undertake a review of the challenges that people face in obtaining identity documents and implement the recommendations.
- Ensure a more efficient and predictable flow of funds for NSNP programmes.
- Undertake a detailed operational review of the NSSF and NHIF to determine weaknesses and propose further solutions.

²³²Programme Implementation and Beneficiary Satisfaction (PIBS) Survey for the Kenya National Safety Net Programme, Cycle 1 Report.

6

GOVERNANCE, PERFORMANCE MANAGEMENT AND ACCOUNTABILITY IN THE SOCIAL PROTECTION SECTOR

Chapter Summary

- Institutional arrangements for social protection have been significantly strengthened by the expansion of the National Social Protection Secretariat (SPS) in 2012, the creation of the State Department of Social Protection within MEACLSP in 2015 and the creation of the Social Assistance Unit (SAU) in 2016.
- The institutional structure of the overall Social Protection Sector remains somewhat fragmented and the SPS faces significant challenges in coordinating the Sector. There are also complex reporting lines on the ground for social assistance, and significant gaps in capacity.
- There is no regular monitoring of the implementation of the National Social Protection Policy. Performance management is largely driven by the Disbursement-Linked Indicators (DLIs) of the Programme-for-Results lending instrument.
- Accountability has been strengthened by government with the support of external partners through: the increased share of social assistance funded by government; the increasing use of regular cash transfers programmes with fixed transfer rates replacing relatively unpredictable food transfers; and, by strengthened monitoring and evaluation.
- Accountability will be further strengthened by the introduction of the universal social pension in 2018, which will create an entitlement for those over 70 years of age and will be much easier for communities to understand selection choices.
- There is still scope for accountability to civil society and the citizens of Kenya to be strengthened including by a regular forum for stakeholder dialogue and more systematic monitoring of the social protection system.
- The risk of error, fraud and corruption within NSNP has been reduced by programme consolidation, the use of electronic payments and better monitoring and evaluation. It will be further reduced by the relatively simple selection process within the Inua Jamii Senior Citizens' programme.

6.1 Introduction

This chapter addresses the institutional governance and management of the Social Protection Sector, as well as accountability systems. Governance – in terms of changes to the institutional management structure and outstanding challenges – is examined, alongside performance and financial management. The analysis of the institutional management structure is mainly, but not exclusively, focused on the State Department for Social Protection which is at the centre of coordination efforts in the Social Protection Sector. Accountability is assessed in terms of answerability to citizens as a group, focusing on elections or via the National Assembly and civil society organisations. Accountability to individual citizens, including through the complaints and grievance mechanisms, has been addressed under programme operations in Chapter 5.

6.2 Institutional Arrangements

The 2012 Sector Review describes how the institutional arrangements for social protection ‘are diffused and are not well-coordinated’ and spread across ‘numerous ministries, departments and agencies.’²³³ To quote the 2012 National Social Protection Policy on social assistance: ‘Currently, social protection interventions are managed by several different line ministries, including the Ministry of Gender, Children, and Social Development; the Ministry of Labour; the Ministry of Public Health and Sanitation; the Ministry of Medical Services; the Ministry of Special Programmes; the Ministry of Agriculture; and the Ministry of Education.’ Institutional fragmentation for both social assistance and social insurance led to what the 2012 National Social Protection Policy referred to as the ‘duplication and inconsistencies in the operation and implementation of social protection throughout the country’.

The 2012 National Social Protection Policy aims to ‘streamline and strengthen the institutional arrangements for social protection’.²³⁴ The Policy proposed the creation of a National Social Protection Council: ‘In response to the need for a more coordinated approach to social protection, the Government shall establish a National Social Protection Council (NSPC) to coordinate and oversee the development, implementation, and integration of social protection strategies, programmes, and resources’. While the proposed Council was not established, there have been significant changes in the institutional architecture of the sector.

²³³Although the definition of social assistance in the 2012 Sector Review was wider than in the current review, including programmes belonging to other sectors such as agriculture, health and emergency support.

²³⁴Ministry of Gender, Children and Social Development (2011).

²³⁵The organogram excludes programmes that are socially protective but part of other sectors, such as free maternity care, supplementary feeding, school feeding and agricultural inputs. The organogram is high level and does not include all aspects of programme delivery such as payment service providers.

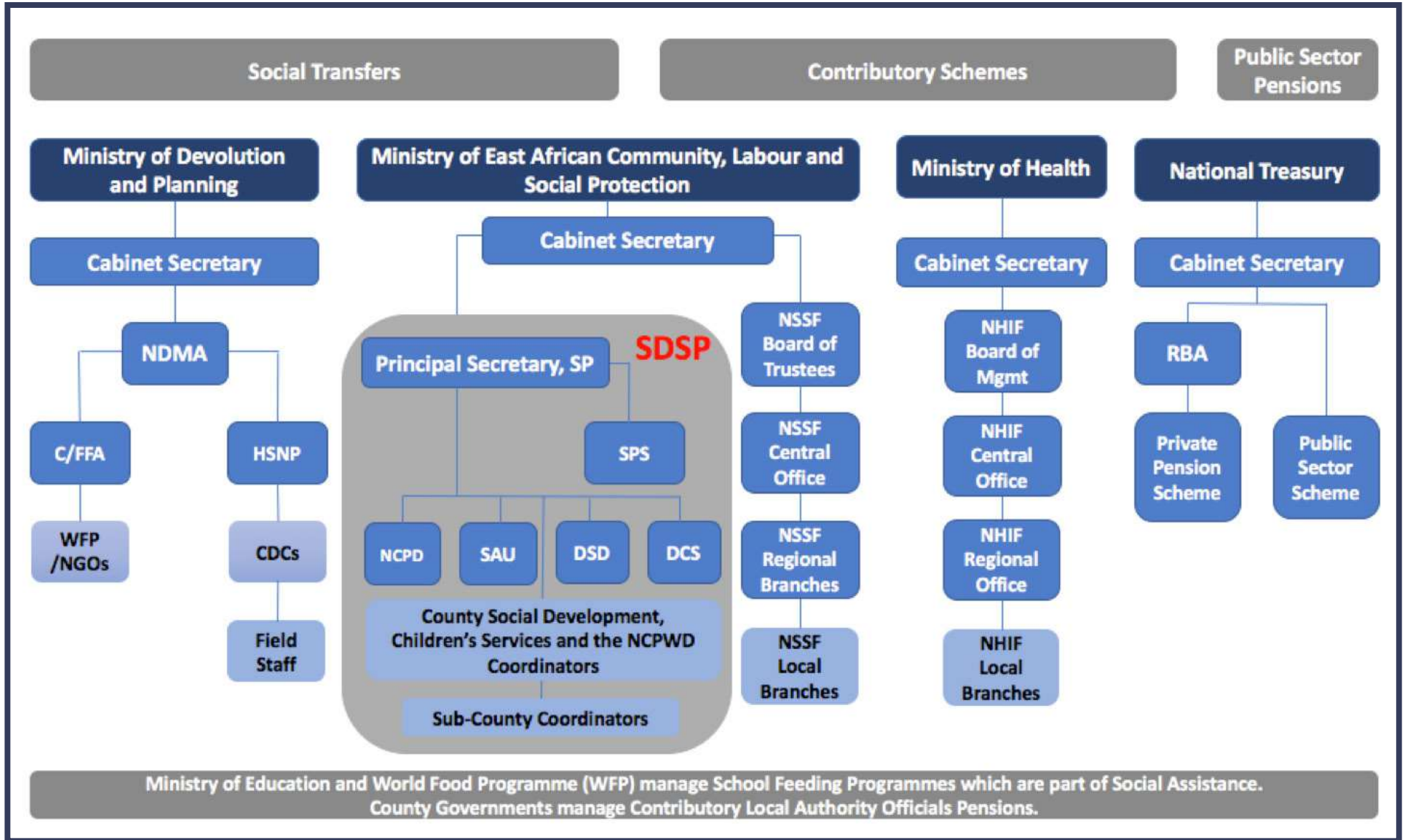
6.2.1 Current Institutional Architecture

There have been major improvements in the institutional arrangements of the Social Protection Sector since 2012, in particular the strengthening of the Social Protection Secretariat (SPS) in 2012, the creation of the State Department for Social Protection in 2015, and the creation of the Social Assistance Unit (SAU) in 2016. The State Department for Social Protection, the SPS and the SAU all sit within the Ministry of East African Community, Labour and Social Protection (MEACLSP), which has oversight of the Social Protection Sector and was formed in 2015. Up to 2013 the Ministry of Gender, Children and Social Development oversaw social protection and the Ministry of Labour, Social Security and Services from 2013 to 2015. The current governance structure for all of social protection and public sector pensions in Kenya, across ministries, is set out in the organogram in Figure 65.²³⁵

The SPS was significantly expanded in 2012, although the proposed National Social Protection Council was not formed. The expansion of the SPS in 2012 was in line with the 2012 Policy but the Council, which the SPS would have supported and been overseen by, was not formed (apparently, in part, as a result of the government’s decision to minimise new extra-ministry institutions). The expansion of the SPS coincided with the new National Safety Net Program (NSNP) for Results, which the Government of Kenya developed with the World Bank, beginning in 2013.

The State Department for Social Protection, formed in 2015 within the new MEACLSP, has overall responsibility for coordination of the Social Protection Sector and manages some of the largest social assistance programmes. The creation of a single institutional home for key social protection programmes is a major step forward. The Department currently manages the CT-OVC, OPCT and PwSD-CT schemes, with the latter undertaken in collaboration with the National Council for Persons with Disabilities (NCPWD). The NCPWD oversees issues relating to persons with disabilities at a national and county level and has County Coordinators on the ground supporting the delivery of the PwSD-CT, while also dealing with the classification of persons with disabilities (see Chapter 5). Other social assistance programmes are outside the management of the department and MEACLSP.

Figure 65: Institutional arrangements for social security and public sector pensions, highlighting the role of the State Department for Social Protection



The SPS is within the State Department for Social Protection and leads on the SDSP's wider coordinating role across ministries.

The SPS has responsibility for initiating social protection policies and legislation, coordinating social protection programmes across the various sectors on Kenya, designing and implementing integrated social protection programmes, establishing single registries for programmes and linking to national systems, developing and implementing a communication and influencing strategy and capacity building for social protection stakeholders.²³⁶ The SPS is not responsible for social protection programme management, nor does not function as the secretariat of the State Department, as might be expected from its title.

As mentioned in Chapter 5, the SAU was created in 2016 to consolidate the management of Inua Jamii programmes within the State Department for Social Protection. The SAU was created as part of the consolidation strategy for the Inua Jamii Programme.²³⁷

It brings together in one place the national management of CT-OVC, OPCT and PWSD-CT schemes and is the most likely institutional home for the new Inua Jamii Senior Citizens' programme being introduced in 2018 (although this may require a change in name to the SAU since the Inua Jamii Senior Citizens' programme will be an entitlement, rather than social assistance). The SAU's responsibilities include: programme targeting, including recertification; training of County and sub-County staff; payments including liaison between ministry and payment service providers (PSPs); accounting for all resources and audits; monitoring, evaluation, learning and research; consolidating and managing the MIS system; linking programme MISs to the Single Registry; complaints and grievances; and addressing error, fraud and corruption. The creation of the SAU, with shared administrative functions and good practice across programmes, is a significant step forward and has brought greater management coherence. It has already generated efficiencies such as the reduction in fund flow delays (Chapter 5), and has created the potential for significant efficiency savings in the future.

While the SAU has responsibility for managing the OPCT, CT-OVC and PWSD-CT programmes at the national level, for the short term, at least, the Department for Social Development (DSD) and Department for Children's Services (DCS) continue to deliver programmes on the ground. Staff for the SAU have been drawn from the DSD and DCS, the local level structure of which continue to be responsible for delivering the programmes

locally, as explained in Chapter 5. DSD and DCS also continue to have significant responsibilities for adult and children's personal social services which, while not highlighted in the NSPP, are considered to be part of the broad Social Protection Sector and, of course, are within the State Department for Social Protection. Neither the DSD nor DCS report into the Principal Secretary through the SPS.

A future challenge will be matching the consolidation of programmes at a national level with consolidation of delivery at local level.

The Social Protection Sector has made major improvements to institutional arrangements since the 2012 Review. Such changes are challenging and take time. It may be unfair to criticise the sector for not consolidating social protection programmes, or at least some of the larger social assistance programmes, at local level. But this is the next challenge. Recommendations in a functional review and the Inua Jamii consolidation plan to recruit additional staff for local delivery and for consolidation have not been adopted, in part because of a Government recruitment freeze.²³⁸ The DSD, DCS and NCPWD still have County and Sub-County Coordinators on the ground working independently on their respective social assistance programmes, reporting to their parent departments but also, now, to the SAU on programme delivery issues.²³⁹ There are social development and children's officers for DSD and DCS, who are expected to coordinate on the delivery of social assistance programmes and also to discharge their responsibilities for adult

Box 6.1: Responsibilities for Personal Social Services

In many countries, the delivery of personal social services is the responsibility of local governments since, by their nature, the services require intimate knowledge of the local context and clients. National governments retain responsibility for policy, establishing regulations, quality assurance etc.

Therefore, in time, the government of Kenya may want to transfer responsibility for the delivery of personal social services to county governments, with the Children's and Social Development Departments offering national level oversight and policy leadership. Social Development and Children's officers could transition to become fully fledged social workers.

²³⁶Functions of the National Social Protection Secretariat, a document handed to the Review team in hard copy.

²³⁷MEACLSP (2016).

²³⁸Oxford Policy Management (2014). MEACLSP (2016).

²³⁹Operational resources and funding for transfers are controlled by the SAU except that PWSD-CT resources still go via NCPWD, though at the time of the Review this was expected to change in the near future.

and children's personal social services. As Box 6.1 discusses, it would be worthwhile giving some consideration to how best to deliver personal social services.

A high-level Interim Ministerial Committee is being planned to oversee the delivery of social assistance programmes within Inua Jamii. This Committee will be chaired by the Principal Secretary of the State Department for Social Protection. It was recently formed to support the SAU and will include the coordinator of the NSPS and the CEO of the NCPWD.

Other social assistance programmes are managed within other ministries and agencies, including the National Drought Management Authority (NDMA). The NDMA is within the State Department for Special Programmes which, itself, is part of the Ministry of Devolution and Planning. The NDMA manages the Hunger Safety Net Programme (HSNP), which is the fourth programme in NSNP (alongside the CT-OVC, OPCT and PWSD-CT programmes), as part of a wider Government of Kenya strategy for drought preparedness set up after the 2011 drought. HSNP is implemented by NDMA staff on the ground. NDMA also oversees the CFA/FFA programme which, in practice, is managed by the World Food Programme. The NDMA was established in late 2011, at the time of the 2012 Review. Previously, HSNP was managed by the Ministry of Northern Kenya.

The Ministry of Education increasingly manages school feeding in Kenya and the role of the World Food Programme (WFP) is gradually decreasing. School feeding – not included in the organogram at Figure 6.1 because of space constraints – is split between the Home Grown School Feeding Programme (HGSFP), funded and managed by the Government, and the Regular School Feeding Programme (RSFP), managed by WFP. The government pays for half of the transport costs of RSFP. Just over a third of school feeding in Kenya was government funded and managed through the HGSFP in 2012/13: in 2015/16, it was more than half. The government is planning to fund and manage all school feeding in Kenya through HGSFP by the end of 2018 after which WFP support would be restricted to technical assistance. WFP has also been managing General Food Distribution. This was a major component of the Social Protection Sector in the 2012 Review but has shrunk significantly to become one of the smallest programmes and is increasingly a county government responsibility. It has not been included in the organogram in Figure 6.1

The institutional arrangements for contributory social insurance are also diverse. As set out in

Figure 6.1, the MEACLSP oversees the National Social Security Fund (NSSF), under the terms of the 2013 National Social Security Fund Act, but it reports into the Cabinet Secretary rather than through the Principal Secretary for Social Protection; the National Health Insurance Fund is managed by the Ministry of Health; private occupational pensions are authorised by the Retirement Benefits Authority (RBA); and the Treasury oversees (tax-financed) national public sector pensions, as well as the RBA.

6.2.2 The Challenge of Institutional Fragmentation

Coordination and management of the Social Protection Sector is made more challenging by the institutional complexity across ministries and agencies. The SPS has a difficult task coordinating the Social Protection Sector in Kenya given the broad definition of social protection and the fact that key components are situated within other ministries and agencies with their own objectives and work cultures. This is made more difficult in that the SPS is not involved in the line management chain for social protection programmes within its own ministry. Institutional complexity also makes effective oversight and monitoring of the Social Protection Sector more challenging, as discussed below.

There are delivery challenges on the ground in the Inua Jamii programme. As indicated earlier, consolidation through the creation of the SAU has not yet been matched by consolidation on the ground, though it is early days. County Coordinators still have performance contracts with their parent departments, with the management of social assistance programmes included. Management of the CT-OVC, OPCT and PwSD-CT schemes is not yet fully coordinated at county level and depends on staff cooperation, which may be tested during busy or disrupted periods. Coordinators also have to report to the SAU on aspects of programme delivery, such as household registration for programmes, which has the potential to pull them in two directions. The tangle of responsibilities and reporting lines has resulted in significant work requests from the SAU to coordinators – for example on re-registration within programmes – being sent via parent departments. Increasing efforts are being put into improving coordination at the county level. Liaison officers have been established to support coordination between the SAU and the DCD and DSD to facilitate communications. There is also a not-yet-implemented plan for the most senior coordinator in each county and sub-county to lead on management and coordination. There remains a significant risk that the coordinators'

other responsibilities, primarily social work, will be crowded out. This is in contrast to the HSNP and CFA/FFA schemes which have their own delivery staff on the ground. The delivery responsibilities for the Inua Jamii Senior Citizens' programme have still to be designed.

6.2.3 The Challenge of Devolution

Devolution further challenges the coherence of the Social Protection Sector although, if coordination is done well, it could also provide opportunities to increase coverage. Chapter 3 refers to how devolution presents significant challenges to planning, coordination and public financial management for the Social Protection Sector in Kenya. Responsibility for social protection has not been devolved – and, indeed, there are strong arguments for core social protection to remain a national responsibility – and county staff and governors sit outside the delivery of national social protection programmes.²⁴⁰ But, as Chapter 2 discussed, counties are seeking to develop their own programmes in a number of cases. There are plans to have management information systems in county programmes which can link to the Single Registry, but devolution will remain a challenge to coordination. The 2012 National Social Protection Policy intended that the National Social Protection Council would have County and Sub-County Social Protection Committees carrying out governance responsibilities around the country, which would 'establish appropriate reporting relationships with the county governments.' This has not happened and leaves a gap in coordination. Going forward it will be preferable for county governments to work alongside national programmes rather than create their own alternatives, which risks duplication and inefficiency. Increasingly county governments are playing a leading role in the management of the CFA/FFA programme, while county governments in Baringo, Samburu and Wajir are partially funding it. External partners have lobbied since 2013 for formal guidelines to be drawn up for county governments on the design and management of cash transfer programmes but, prior to this happening, clear decisions need to be made on the level of responsibility within government for different types of social protection scheme and, preferably, this should be outlined in legislation.

6.2.4 Institutional capacity

Gaps in staff capacity to deliver on the ground have been identified for programmes delivered by government staff. A 2014 review of Inua Jamii programmes found significant gaps for the OPCT

and CT-OVC programmes in terms of capacity on the ground, which is not to detract from the significant and committed work from staff in post.²⁴¹ The MEACLSP (then called the Ministry of Labour, Social Security and Service) estimated that the Department of Social Development 'is running at 35 per cent of its optimal staffing level' and the Department of Children's Services 'at around 40 per cent'. The review recommended the consolidation of functions on the ground, so that functions across Inua Jamii programmes are carried out by single rather than multiple units, to match the creation of the SAU. Gaps could be exacerbated in the short term by the introduction of the Inua Jamii Senior Citizens' programme in 2018 and need to be taken into account as the programme is designed. At a headquarters level, management of social assistance programmes are described by the 2014 Review as 'staffed to plan'. There are no corresponding studies for other social protection programmes which have separate arrangements. For example, according to a DFID Review, HSNP is delivered by staff contracted and part-funded by NDMA although there are issues: for example, HSNP Beneficiary Welfare Committees (BWCs) 'appear to not be functioning effectively in most of the counties where the HSNP operates.'²⁴² The majority (65 per cent) of school feeding delivery is within Ministry of Education structures.

Social assistance programmes depend, in part, on volunteers in their delivery model. The same DFID Review found that neither the DCS nor the DSD 'is resourced at sub-county level, or even county level, with staff, equipment and systems to effectively implement CTs without a community based framework.'²⁴³ It also appears that Chiefs pick up a lot of responsibilities, without sufficient training or support. This raises questions on how sustainable or saleable this voluntary effort can be, unless positive steps are taken to either strengthen incentives for volunteers or replace some of their functions with paid staff. There are, though, potentially some advantages: for example, the use of volunteers may increase citizen engagement and ownership.

External partners have been collaborating with the Government of Kenya to fill capacity gaps for social assistance. The World Bank is currently funding 210 staff to the end of 2017 in the Department of Social Development, the Department of Children's Services, HSNP, the SAU and the SPS to support National Safety Net Programme implementation. This is on top of World Bank support to the Social Protection Secretariat (KES 329 million in 2014/15) which is funded by DFID through a World Bank Trust Fund (which also

²⁴⁰The plan in the 2012 National Social Protection Policy was for more far-reaching devolution than transpired, 'Responsibility for the delivery, administration, and management of social protection programmes will gradually be decentralised to the county and sub-county levels'.

²⁴¹Oxford Policy Management (2014).

²⁴²DFID (2016).

²⁴³DFID (2016).

manages DFID support to CT-OVC).

The next challenge will be to develop a government-owned plan for strengthening capacity for the long-term which external partners can support. External partner support is helping to address many of the short-term capacity constraints for social assistance programmes on the ground. There is a need to develop a long-term, sustainable plan for addressing capacity constraints that is realistic and in line with the Government of Kenya’s vision for the Social Protection Sector, including the introduction of the universal Inua Jamii Senior Citizens’ programme. It could quantify current capacity levels and gaps at an institutional, organisation and individual level, building on the functional review of NSNP mentioned, and draw on lessons and evidence from capacity strengthening initiatives in other countries and in other sectors using available literature and emerging international collaboration in this area.²⁴⁴ Above all it could set a baseline, milestones and targets based on outcomes, not just outputs (such as the delivery of training courses). And, it could develop a process for monitoring and evaluation that allows course correction and ensures sustainable, long-term impact. The plan could be designed to attract financing from external partners.

6.3 Performance Management

Kenya does not have a performance framework covering the entire Social Protection Sector and institutional complexity makes the effective oversight and monitoring of the sector challenging. Indeed, the Sector as a whole remains a long way from the oversight and regular monitoring outlined in the 2012 National Social Protection Policy, within which monitoring and evaluation was to be addressed by both ministries and the National Social Protection Council:

‘Social protection measures will be monitored at two levels: (i) within the line ministries alongside the overall monitoring of programmes and targets identified for poverty reduction in line with Vision 2030; and (ii) by the NSPC, which will specifically monitor the strategies, programmes, and interventions developed within the framework of this Policy. All of this monitoring will focus on whether this Policy is being implemented fully and in a timely manner.’

However, no Monitoring and Evaluation (M&E) plan was developed to track progress towards the realisation of the Policy. Instead, monitoring efforts have largely focused on one subcomponent of the NSPP, namely those cash transfer programmes that fall under the National Safety Net Programme (NSNP).

Higher-level monitoring centres on tracking Disbursement-Linked Indicators (DLIs) in the results framework of the NSNP. The Programme for Results (PforR) loan provides general budget support based on the achievement of results rather than the provision of inputs and disburses up to US\$250 million based on the achievement of pre-agreed results measured by DLIs. There are three main results areas under the PforR: (a) expanding cash transfer programmes to promote more equitable and comprehensive coverage; (b) strengthening programme systems to ensure good governance; and, (c) harmonising cash transfer programmes to increase the coherence of the Sector. Government and development partners use an agreed set of indicators and targets to monitor and evaluate the performance of the NSNP. The entire M&E framework specifies 39 indicators at different levels of the results chain (goal, expected impacts, outputs, activities and inputs). Table 7 shows a smaller subset of 9 core DLIs. Each DLI carries with it a verification protocol, which specifies how the DLI will be verified and how disbursement will be made on the basis of verification.

Table 7: Main Disbursement Linked Indicators (DLIs) for the Kenya National Safety Net Programme²⁴⁵

DLI	Baseline	Schedule					Value US \$ Million
		Sept 2013	July 2014	July 2015	July 2016	July 2017	
I. Expanding cash transfers to promote more comprehensive and equitable coverage							
1: No. of additional households enrolled in the NSNP according to expansion plan	0		Expansion plan adopted (10)	65,000 additional households (24.9)	130,000 additional households (24.9)	235,000 additional households (40.2)	(100)

²⁴⁴See for example report on recent international collaboration, SPIAC-B (2016) available at www.socialprotection.org, which records current capacity strengthening activity including the European Union’s Social Protection Systems Programme supporting capacity strengthening in six African countries including Ethiopia and Tanzania. For evidence on capacity strengthening more generally see, for example: UNDG Capacity Development Portal (n.d.); World Bank (2012): *Guide to Evaluating Capacity Development Results* (n.d.); OECD (2006), DFID (2012).

²⁴⁵Source: World Bank (2016b); NSNP (2013).

II. Strengthening programme systems to ensure good governance							
2: Percentage of programme beneficiaries who meet targeting criteria for programme in which they are enrolled	No baseline		Establishment of baseline (5)		15 percentage point increase (15)		(20)
3: Single registry fully operational with programme MIS using agreed standards for internal payroll controls	No	MIS operational (15)		Single registry operational (10)			(25)
4: Percentage of NSNP payments made electronically using two-factor authentication	40 per cent		60 per cent (6)		90 per cent (9)		(15)
5: Percentage of payments disbursed to PSPs on time	25 per cent		45 per cent (7.5)		65 per cent (7.5)		(15)
6: Functional complaint and grievance mechanisms (I)	Not functional		Functional at national level (5)		Functional at all levels (10)		(35)
Percentage of programme beneficiaries who can name two means (II)	15 per cent			40 per cent (10)		65 per cent (10)	(20)
III. Harmonizing cash-transfer programmes to increase the coherence of the safety net sector							
7: System for scaling up NSNP as part of national drought risk management system	No		System agreed and GoK financing (20)				(20)
8: Strategy for consolidating cash-transfer programmes	No	Strategy adopted (5)		Strategy implemented (10)			(15)
9: Government finances HSNP in line with budget and policy commitments	No	GoK financing (5)					(5)
Total		20	32.5	70.9	67.4	59.2	250

Note: Colour explanation: Red means goal not yet reached, yellow goal mostly reached and green means goal reached (Source: World Bank, 2016). Numbers in brackets are proposed spending values from the original project document (World Bank, 2013)

The M&E Unit in the Social Protection Secretariat is responsible for coordinating the monitoring and evaluation of the sector.

This includes compiling reports to construct NSNP indicators, drafting narrative summaries, managing the oversight of the PIBS surveys, and circulating reports to government and development partners. A Technical Working Group on M&E is no longer functional after recent restructuring processes and the establishment of the SAU. Regular monitoring of performance is carried out bi-annually during Joint Review and Implementation Support Missions. Joint reviews are typically attended by: representatives of the Ministry of East African Affairs, Labour and Social Protection and the Ministry of Devolution and Planning; development partners including World Bank, DFID, WFP, and UNICEF; and other stakeholders such as National Council for Persons

with Disability, Financial Sector Deepening Trust, and HelpAge International.

However, human resources and the capacity for Sector-wide M&E remain constrained.

Some progress has been made since the last Sector Review in strengthening M&E, through the provision of technical assistance by development partners and a number of workshops and learning events. But, there remain challenges in the timely completion of monitoring reports and capacity to manage external service providers, coupled with high staff turnover. To date, there has been no systematic assessment of the M&E capacity needs and no costed action plans to improve the skills base

Box 6.2: Sources of data used for monitoring in the Social Protection Sector

Administrative programme data forms the backbone of the monitoring system. The management information systems of the CT-OVC, OPCT, PwSD-CT, HSNP, and CFA have improved significantly since the last Sector Review and are now linked to the Single Registry. As a result, the Single Registry serves as a central warehouse for data on registration, case management, complaints and grievances and payment activities. It is increasingly able to generate outputs on all variables of interest, making it faster and easier for the Secretariat to produce monitoring reports.

Programme Implementation and Beneficiary Satisfaction Surveys (PIBS) are a key source of external monitoring data. PIBS are carried out by an independent local consultancy firm, managed by the Secretariat, to provide data on the efficiency of programme operations and beneficiaries' satisfaction. The baseline report produced in 2015 covered a sample of approximately 3,100 households enrolled onto one of four schemes (CT-OVC, OPCT, PwSD-CT, HSNP) with another two rounds planned for 2016 and 2017. However, some concerns have been raised about the quality of the data and, as a result, international technical support was brought in to strengthen the survey implementation and analysis processes. The surveys for 2016 and 2017 have not yet happened.

Impact evaluations and programme assessments constitute another important source of information in the Social Protection Sector. The external evaluation component of the second phase of the HSNP has generated a significant number of reports on the programme's impact, operations, and targeting effectiveness since the 2012 Sector Review. Evaluations have also been published for the Asset Creation Programme and the Home Grown School Meals Programme. A study intended to evaluate the potential introduction of conditionalities in the CT-OVC programme, however, faced a significant delays and data quality problems. Annex 3 provides an overview of M&E-related reports since 2010.

The use of national household surveys to support monitoring of social protection has been limited to date. Existing household surveys can provide a cost-effective vehicle for supplementary monitoring data, if they are able to identify beneficiaries of social protection programmes. Kenya's 2014 Demographic and Health Survey (KDHS) was the first national survey to include questions on the receipt of cash transfers and social assistance. It was used by WFP to help assess the effectiveness of the community-based targeting of the CFA/FFA and has been used by this Review.²⁴⁶ The Social Protection Secretariat, development partners and the Kenya Bureau of Statistics collaborated to add relevant questions to the 2015/16 Kenya Integrated Household Budget Survey (KIHBS). While it contains a module on the receipt of a range of social protection benefits, there is still room for improvement in the KIHBS questionnaire, as sequencing and framing of the questions is likely to cause under-reporting in the coverage of social protection programmes.

²⁴⁶See Gelders (2016a).

There are no comprehensive results frameworks for contributory forms of social protection.

The 2012 Sector Review concluded that: 'There is an urgent need to develop comprehensive performance management systems for the sector's contributory schemes. These should include specific and measureable indicators for all key processes, risks, and intended results associated with these schemes. A full performance assessment that compares each scheme's performance with ILO standards would also be highly desirable.' It appears that little progress has been made in implementing this recommendation.

6.4 Financial Management

There are challenges in another key area of governance: financial management. Some of these relate to wider government systems. For example, in the latest Public Expenditure and Financial Accountability (PEFA) Assessment, in 2012, there were a number of low scoring areas: 'Effectiveness of internal audit' was marked C+, though it was acknowledged the internal audit function is 'gradually strengthening', and the 'Scope, nature and follow-up of external audit' was marked at D+.²⁴⁷ Some of this relates to the identified inadequate capacity on social assistance programme delivery.

There have been improvements in overall government systems since the 2012 Review, such as government procurement moving to an electronic system in 2014. There have also been improvements specific to the Social Protection Sector. For example, financial accountability has been strengthened by a higher proportion of social assistance programme funding coming from government, which aligns budget planning and execution more closely with the broader budget process. Procurement in the Social Protection Sector was already assessed by the World Bank as adequate in the Program for Results appraisal in 2013.

But challenges remain including delayed disbursements from Treasury and devolution.

The 2015 Auditor General's report qualified the National Safety Net Programme (now Inua Jamii) accounts for a number of reasons including: a shortfall in funds disbursed from Treasury (in 2014/15, discussed in Chapter 3); a failure to prepare a consolidated financial statement; and, a failure to earn interest on funds of KES0.5 billion held by the Kenya Commercial Bank for two months.²⁴⁸ And, with devolution, financial accountability is likely to become more challenging: public financial

management at county level is described by the IMF as 'very weak.'

As with other sectors of government a particular concern is error, fraud and corruption (EFC), though some of the changes over the Review period have significantly reduced this risk.

A 2016 study of EFC in the social assistance sector found a number of strengths and weaknesses. Strengths included the MIS/Single Registry system, electronic payments using national identity cards, programme cards and/or biometric verification and uniform transfer rates preventing official error. To this list can be added the move towards regular and predictable cash transfers over the Review period, and away from in-kind transfers, which should have reduced the risk of leakage. Weaknesses included: insufficient ministerial oversight on EFC and an absence of effective monitoring: there is no official estimate of EFC in the Social Protection Sector in Kenya, and few to no local reports of fraud; irregular recertification in programmes (this is being addressed in the World Bank's additional financing of the NSNP which is under development); inadequate segregation of duties when using MISs; inadequate quality controls in the MISs; the need to take MISs to the lowest operational levels at sub-county level so they can be used by all those that are implementing programmes; and too much scope for payment errors by payment service providers because of gaps in payment reconciliation processes.²⁴⁹ The government has agreed to act to close gaps and an action plan has been developed. EFC functions will be placed under an officer in the SAU, but there is a need to establish momentum in this area. Strengthening a secretariat under the Principal Secretary – in other words, a change in the role of the SPS – could increase capacity in this area.

A clear source of risk is the use of community based targeting (CBT) and proxy means testing (PMT) in the social assistance sector. Targeting

is cited by World Bank staff as a specific area of improvement to reduce the risk of EFC in Inua Jamii programmes.²⁵⁰ The 2016 EFC study stated, '*means-tested or targeted low income cash transfer programmes are most vulnerable ... to error and fraud, and possibly corruption. This is because eligibility rules and associated procedures tend to be complex and any misunderstanding on the part of beneficiaries or administrators can result in customer or official error. Similarly, there can be a temptation to under-declare household economic circumstances in order to maximise entitlement, thereby committing fraud.*' The risk of EFC in developed country contexts is estimated to double for means tested benefits from 3-5 per cent to 5-10 per cent.²⁵¹ While all social protection programmes have to live

²⁴⁷Source: Government of the Republic of Kenya (2012c).

²⁴⁸Source: Office of the Auditor-General (2015).

²⁴⁹Source: Reducing Error, Fraud and Corruption (EFC) for Inua Jamii Program (2016).

²⁵⁰Discussion between review team and World Bank staff, 25 November 2016.

²⁵¹In 2006 the UK National Audit Office published its report on 'International Benchmark of Fraud and Error in Social Security Systems' on measuring, understanding and responding to error and fraud in social assistance and social insurance programmes. The report showed levels of error and fraud of between 3-5 per cent of expenditure in five selected countries (UK, Ireland, US, Canada, and New Zealand). However, for means tested programmes specifically, the rate was higher at between 5-10 per cent.'

with a degree of risk of EFC, this increased risk should be carefully assessed. Based on international experience, simplifying targeting, as is being done with the new universal Inua Jamii Senior Citizens' programme being introduced in 2018, is likely to increase transparency and accountability since the rules on eligibility will be easier for Kenyan citizens to understand and verify. It could also reduce the capacity needs for delivery (though they would still be significant).

Financial management would be improved by following the guiding principles in the 2012 National Social Protection Policy. The Policy advocates common standards whereby 'Partners and agencies involved in implementing and supporting social protection will commit to a common set of performance and financial management standards and reporting procedures. They will compile and share with relevant stakeholders' [sic] statistical information, periodic progress reports, and the results of independent audits, actuarial valuations, and social budgets.'

6.5 Accountability

A politically sustainable Social Protection Sector in Kenya requires accountability to the citizens of Kenya, in the first instance through elections. Citizens of Kenya can influence national policy through national elections every five years for the Presidency and to elect members of the National Assembly. There is evidence this line of accountability is strengthening: for example, there was a section on social protection in the Harmonised Jubilee Coalition (ruling party) 2013-2017 manifesto, including universal coverage of cash transfers for older people, in line with the 2012 NSPP (a programme that is being introduced in January 2018).²⁵² Accountability comes to a lesser extent from local elections because social protection has not been devolved to county governments. It also comes from referenda including, in particular, the 2010 Referendum on the Constitution in which the universal right to social security in Kenya was established.

Accountability is maintained between elections through Parliamentary scrutiny. The Executive branch of government is accountable to the Kenyan Parliament on social protection through normal budget and Parliamentary processes and, via the Parliamentary committee system, through the Committee on Labour and Social Welfare and the Public Accounts Committee. Accountability of financial management is maintained through scrutiny by the Kenya National Audit Office including annual reports on Inua Jamii social assistance programmes.

²⁵² Source: *Transforming Kenya, Securing Kenya's Prosperity, 2013-2017*

6.5.1 Improvements in accountability

Accountability has been strengthened since the 2012 Review by the transformation of social assistance programmes and the increased level of Government of Kenya funding. In 2012, social assistance programmes were dominated by a relatively uncoordinated mix of mostly food transfers schemes. Now, as discussed earlier, programmes are dominated by more regular and predictable cash transfers in Inua Jamii and HSNP. These programmes have publicised transfer values (which are the same across Inua Jamii programmes) and eligibility rules. Civil society and the citizens of Kenya are in a better position to assess and, if necessary, challenge the Government of Kenya's social protection strategy. The picture will be further improved by the introduction of the country's first entitlement programme, the Inua Jamii Senior Citizens' programme, which will have selection criteria that are much easier for citizens to understand. The government, with the support of external partners, deserves credit for these changes, as it does for the increased proportion of social assistance funded by government, up from 15 per cent in 2012/13 to 66 per cent in 2015/16 (see Chapter 3). The greater proportion of spending coming from government resources helps strengthen accountability to the people of Kenya because more funding is subject to internal Kenyan government checks and balances. Improvements have not just been for the NSNP since, for example, school feeding is gradually moving inside government.

Accountability has also been strengthened by institutional changes and by the improvements in systems of delivery and monitoring and evaluation. The institutional changes described, including the creation of the SAU, have increased accountability through the development of a common platform for delivery, with for example harmonised payment systems and a common approach to monitoring and evaluation. Harmonisation will mean greater transparency in terms of the workings of delivery systems. Improved M&E has been supported by external partners which require minimum standards to be met for their own accountability purposes. The Single Registry is a significant step forward although, as mentioned, the reliability and use of data could improve. Communications, including the new Inua Jamii website and published impact evaluations and beneficiary perceptions surveys, makes programmes easier to assess and challenge by those outside immediate programme implementation.

6.5.2 Areas where accountability could be strengthened

A regular forum for dialogue would help increase accountability to civil society and other organisations. Accountability to citizens has been improved by government with the support of external partners for the reasons mentioned above but there are still gaps, including in dialogue with civil society. There are good, recent examples of dialogue between civil society, government and development partners: a 2015 National Conference on Social Protection and on a smaller scale, a Social Protection Roundtable in 2016 between the Africa Platform for Social Protection (APSP) and the Principal Secretary in the State Department for Social Protection.²⁵³ But there is a need for an institutionalised, co-owned space where all stakeholders can collectively contribute to the sector.

Accountability is weakened by insufficient systematic monitoring of the Social Protection Sector and patchy communication of information. As mentioned above, there is no regular monitoring of the Social Protection Sector as a whole which undermines dialogue on the current and future direction. In terms of communication, collected information is readily available for some programmes, such as programme rules, spending, beneficiaries and impact evaluations from HSNP and CT-OVC programme web sites and from the government's National Safety Net Programme website. As mentioned, this is a significant step forward since the last review: in 2012, the World Bank concluded social assistance programme materials were 'rarely available' to the general population.²⁵⁴ However, information is not immediately available at a local level to communities nor is it available for other programmes. The government should produce publicly available annual reports on the Social Protection Sector, including beneficiaries and spending and other relevant information, to inform national dialogue. This process will be helped by the institutional consolidation and strengthening since the 2012 Review. It should also consider producing policy briefs and the publication of studies in academic journals. As mentioned in Chapter 5, Inua Jamii has developed a communications strategy which should help in this area.

Nonetheless, the existence of the Single Registry and the ease of public access to its information is a very positive step and places Kenya in the lead internationally. Anyone can easily access a range of information that could be used to hold government

to account, although there is no evidence that it is being used in this way yet. A range of countries are very interested in following Kenya's example, including Rwanda and Uganda which are both currently developing their own Single Registries.

Dialogue would be improved by following the principles set out in the 2012 National Social Protection Policy. The Policy states: 'it is vital to ... bring stakeholders together in an effective partnership to agree on the way forward for social protection at both the national and county levels;' and, 'Beneficiaries and all stakeholders will be consulted and involved in the design, planning, implementation, monitoring, and evaluation of social protection interventions'. The National Social Protection Council envisioned by the Policy has not been formed but its principles could still be drawn on as a model for a future forum. The Policy sets out how Council 'membership shall consist of representatives of the Government ministries engaged in social protection, and of organised business, employers, and workers, social security organisations, and of CSOs (civil society organisations) and FBOs (faith-based organisations).' However, the role given to the Council to 'be a forum in which the stakeholders will jointly agree on social protection policies and actions' may be a step too far. Policy should be decided by Ministers and Cabinet, though a forum could play a key role in proposing policies and monitoring, and in bringing in the wider views of Kenyan citizens.

There may be a need to invest in citizen engagement on social protection policy, beyond the views of programme beneficiaries. As indicated in Chapter 2, 2010 Constitution states 'Every person has a right to social security' and that, 'The State shall provide appropriate social security to persons who are unable to support themselves and their dependents.' This does not outline how programmes are designed and implemented, but it is a relevant question whether the Kenyan population as a whole (not just programme beneficiaries) feel that the current social protection strategy is meeting the terms of the Constitution, allowing for the fact that resources and government capacity are limited, or whether a change of direction, large or small, is needed. There is already some evidence that social protection programmes in Kenya have improved perceptions of the state and strengthened citizen-state ties.²⁵⁵ And programme beneficiaries in the NSNP are now being monitored for their awareness of programme rules and their entitlements, which is a positive development since the 2012 Review.²⁵⁶ Results show that knowledge of entitlements vary, though very few beneficiaries have no knowledge of

²⁵³APSP is an a CSO umbrella organisation active in a number of countries in the region including Kenya.

²⁵⁴World Bank (2013).

²⁵⁵ODI (2103).

²⁵⁶MEACLS (2016).

entitlement at all and around half are aware of two or more key programme rules and processes.

There may be more to do on accountability at a local level, though there has been increased effort in this area. Accountability to communities has been promoted by government in the NSNP, with the support of external partners. As part of this, DFID has commissioned HelpAge to increase local accountability in HSNP along the lines of Beneficiary Welfare Committee for other Inua Jamii programmes. While regular programme monitoring and evaluation is informing programme implementation for social assistance, it is not yet clear whether all local concerns are finding their way into national dialogue and programme design. For example, research among local populations on the CT-OVC programme has shown tensions between beneficiaries and non-beneficiaries in the community who feel other groups should also be incorporated. To quote a recent study: 'Beneficiaries, non-beneficiaries and community leaders recommended considering destitution and not only orphanhood in targeting, because children in such households are equally vulnerable, even though they have parents ... civil society stakeholders recommended transforming the CT-OVC into a child rights programme.'²⁵⁷ Such concerns may arise in special studies but do not appear to be emerging from existing accountability processes.

As at the national level, local fora for dialogue and better communications are needed. A study of local population perceptions – both beneficiaries and non-beneficiaries – of the CT-OVC scheme states that communities recommend an: 'Increase in community involvement and participation. This might include publicity campaigns to create awareness and working with existing community-level structures like church, youth, women and clan groups. Increased involvement and participation are likely to lead to community ownership and, subsequently, demands for, among other things, accountability in the way funds are used from the national to the local level'.²⁵⁸ Inua Jamii is planning ongoing awareness sensitisation among communities including non-beneficiaries.²⁵⁹ As mentioned, publications on system and programme performance need to be made available at a county and local level including in hard copy. Stronger accountability lines are needed to protect groups that are normally excluded. A review carried out in July 2016 for the National Safety Net Programme found no strong evidence that minority groups are being systematically

excluded but argued that programme performance in remote areas 'needs continued attention' and asked for 'Special measures to be put in place to ensure that Vulnerable and Marginalised Groups are not systematically excluded from the NSNP'.²⁶⁰ In terms of information provided at a county and local level, the appropriate format should be considered for readability e.g. the production of digestible pamphlets, and to ensure maximum access for the visually impaired, those with cognitive disabilities, those unable to read and other potentially socially excluded groups.

County governments should also be included in accountability as they are directly elected by their constituents. County government could have a role in holding central government to account, and vice versa, and in improving the accountability of their own programmes to constituents through being transparent on spending decisions and supporting forums for local dialogue. The 2012 NSPP envisioned that county committees reporting to the National Social Protection Council would also engage with county governments, to increase coordination and strengthen accountability.²⁶¹ Any institutional reform will need to establish links between county and national government activity in the sector.

The support of external partners for the Government of Kenya has been essential to the success of the Social Protection Sector since the 2012 review, but the future vision for the Sector needs to be developed and owned by the citizens of Kenya. External partner support to government has helped facilitate the transformation and expansion of social assistance programmes, the development of effective collaboration on drought response in the Arid Lands, increased government funding for social assistance, institutional change, and improved and more transparent programme delivery. These have all contributed to stronger governance and accountability. And, external partner support will remain important in addressing future challenges, including strengthening capacity for the long term and in many other areas. But, if a vision for the Social Protection Sector is to be developed that is sustainable, this will need to be through the more active participation of stakeholders in Kenya, through the fora suggested above (see Chapter 8 for further discussion). Stakeholders may wish to return to the 2012 National Social Protection Policy as well as the 2010 Constitution to confirm that reforms are broadly on track, in terms of the intent of the Constitution and national policy.

²⁵⁷ Onyango-Ouma and Samuels (2012).

²⁵⁸ See footnote 209.

²⁵⁹ MEACLS (2016).

²⁶⁰ From, World Bank (2016b), para 39, which describes results from a social safeguards review carried out in July 2016.

²⁶¹ 'To carry out governance responsibilities around the country, committees will be established at the county and sub-county levels whose membership and functions have yet to be defined but are likely to include the responsibility for overseeing community-based initiatives including micro-insurance schemes. As social protection is a function of the national government, the committees will report to the NSPC but will also establish mechanisms for reporting to the county governments.' Ministry of Gender, Children and Social Development (2011).

6.6 Conclusions and Recommendations

Since the 2012 Review there have been significant improvements in governance and accountability driven by government, with the support of external partners. The 2012 Review described the institutional structure for social protection as 'diffuse and not well coordinated.' Since then, social assistance programmes have been transformed, changing from mostly food transfers to more regular and predictable cash transfers. Two thirds of spending now comes from government resources and this will increase with the introduction of the universal Inua Jamii Senior Citizens' programme in 2018. Both of these changes have significantly strengthened governance and accountability, as have the creation of the State Department for Social Protection and the Social Assistance Unit (SAU) and consequent improvements to the management and monitoring and evaluation of programmes.

There are still significant challenges to address going forward. The National Social Protection Secretariat (SPS) faces considerable difficulties coordinating the Social Protection Sector given the still remaining institutional diversity and its position within MEACLSP but outside the direct management of programmes. The position of the regular and predictable transfers in HSNP within NDMA and the Ministry of Devolution and Planning puts it apart from other, similar programmes in Inua Jamii within MEACLSP which is likely to come at a cost to programme coordination.

Institutional complexity in the Sector makes system monitoring harder (though it has significantly improved at a programme level over the Review period). This does not help Sector dialogue, nor does the absence of regular fora for dialogue at a national, county and local level. There are pressing capacity issues on the ground and still complicated reporting lines for local staff responsible for programme delivery, though it is early days given the recent changes at a ministry level. Devolution is a significant challenge to coordination, as well as an opportunity to expand coverage. Within financial management, the risk of error, fraud and corruption needs to be managed including the risk arising from the complexity of programme targeting, although a review and action plan are already in place to address this.

The 2012 Review made a number of recommendations which have been partly achieved. It recommended better coordination of the delivery of social protection programmes and much progress has been made through the creation of the State Department for Social Protection and the SAU and the strengthening of the SPS. It recommended that sector minimum standards be applied based on recognised accountability tools, using regional and international standards, which has been at least partly achieved by the strengthening of programme MISs and the establishment of the Single Registry. And, it recommended the use of community structures like HSNP rights committees, which has been achieved and are described in Chapter 5.

This review makes the following recommendations:

- The institutional position of the National Social Protection Secretariat (SPS) should be reviewed to determine how best it can support the Principal Secretary of the State Department of Social Protection (SDSP) in coordinating the Social Protection Sector. The position of the NSSF within the institutional structure, in relation to the SDSP, could also be assessed.
- The SPS should identify linkages and synergies between social protection and other sectors including as part of Cash Plus, in support of setting out the investment case for social protection (see Chapter 3's recommendations) and make recommendations on coordination between institutions and programmes.
- The SPS should coordinate the development of a comprehensive M&E framework for the Social Protection Sector. The SPS should further develop its online portal into a comprehensive, one-stop repository for relevant M&E products. An improved dissemination strategy is also needed.
- The Government should consider whether consolidation of on the ground delivery can take place for Inua Jamii programmes (currently, OPCT, PwSD-CT and CT-OVC programmes), taking account of the introduction of the universal Inua Jamii Senior Citizens' programme in 2018, to match the creation of the Social Assistance Unit (SAU).
- Gaps in capacity to deliver the government's vision for the Social Protection Sector – at a national, county and local level – should be systematically quantified through a commissioned assessment that draws on international best practice for capacity strengthening and builds on work already carried out

in the sector. A capacity strengthening plan should be developed and owned by government which sets a baseline, milestones and outcome-based targets, which includes monitoring and evaluation processes to allow appropriate course correction and ensure sustainable impact. It should be capable of attracting financial and technical support from external partners.

- A review should be undertaken of governance in the social protection sector so that the coordinating role of the State Department for Social Protection is recognised and strengthened, and set out in legislation.
- External partners should consider, over time, increased funding to sustainable, long-term capacity strengthening, building on current support to capacity strengthening, as the Government of Kenya continues funds a growing proportion of social assistance programmes. This would follow the lead of WFP which plans to provide technical assistance only for school feeding by 2019.
- The Government of Kenya should establish an institutional mechanism for regular dialogue so that people are aware of their entitlements. Dialogue can then inform the government's future strategy for social protection and should ensure that the vision adequately reflects the views of Kenyan citizens and civil society.
- The government, with the support of external partners, should produce publicly available annual reports on the Social Protection Sector, including beneficiaries and spending and other relevant information, to inform dialogue. Individual programmes and the SAU should produce regular summaries of programme performance. Publications should be available at national, county and local levels, including in hard copy.
- The government should consider providing formal guidelines to county governments on the design and implementation of social protection programmes, and the extent and limits of the role of county governments in the Social Protection Sector.
- The impact of further simplifying programme targeting on reducing the risk of error, fraud and corruption (EFC), following the decision to introduce a universal social pension in 2018, should be assessed. This action should be added to the existing action plan for addressing EFC in Inua Jamii which should be fully implemented. It should also be part of a wider review of the pros and cons of targeting options for social assistance programmes.
- An assessment should be undertaken of current social accountability measures and a strategy developed to enhance the accountability of government to civil society, in the design and delivery of social protection schemes.

EFFICIENCY AND EFFECTIVENESS OF THE SOCIAL PROTECTION SECTOR

Chapter Summary

- The value for money of programmes within the Social Protection Sector in Kenya has significantly improved over the Review period as more efficient and effective regular cash transfers have grown and more ad-hoc, food-based transfers have fallen.
- The efficiency of programme delivery is likely to improve further with the introduction of the universal Inua Jamii Senior Citizens' programme for those aged 70 years and over in January 2018, though there will be set-up and roll-out costs in the short-term.
- Value for money has been further improved over the Review period as a result of HSNP successfully scaling up in response to drought, building on existing shock-responsive capacity within the Cash and Food for assets and school feeding programmes. This reduces the need for less efficient and effective emergency support.
- Programme impacts on human development, investment in assets and local economic growth, and levels of cost efficiency, are on a par with programmes in other developing countries.
- There are gaps in evidence, especially in the measurement of cost efficiency in programmes and the measurement of impact.
- The efficiency and effectiveness of targeting approaches within NSNP programmes require more scrutiny.

7.1 Introduction

This chapter addresses the cost efficiency of social protection in terms of the administrative cost of managing programmes as well as its impact and cost effectiveness. It is important to ensure programme costs are as low as possible while still maintaining quality, and that impacts and overall value for money are high and comparable to social protection programmes in other countries. Broader aspects of programme performance and efficiency – such as the timing of payments, coverage and targeting efficiency – are addressed in Chapters 4 and 5, although they are mentioned here briefly as

far as they affect programme impact.

7.2 Cost-Efficiency of Social Protection

The cost-efficiency of social protection programmes can be measured by the size of administrative costs in relation to the total cost of programmes. It is an objective of the Government of Kenya to lower these costs: the 2012 National Social Protection Policy proposes to: 'Reduce administrative costs associated with paying benefits and collecting contributions.'²⁶²

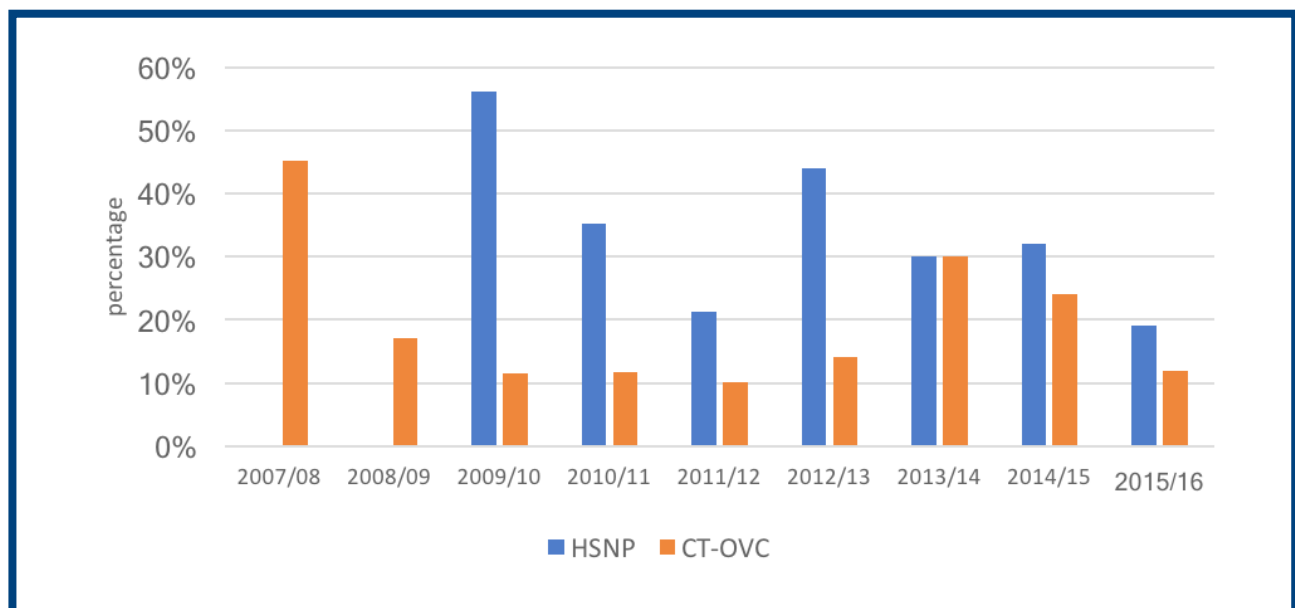
²⁶²Ministry of Gender, Children and Social Development (2011).

7.2.1 Cost Efficiency of Social Assistance Programmes

The cost efficiency for the CT-OVC and HSNP schemes is improving over time, with fluctuations in some years as a result of programme investments such as re-certification of recipients. But cost efficiency is not being measured in other social assistance programmes. Figure 7.1 shows the cost-efficiency for HSNP and CT-OVC schemes, which made up nearly two thirds of NSNP spending in 2015/16, measured as total administrative costs as a proportion of total costs.²⁶³ Administrative costs include set-up, roll-out, operational, and monitoring and evaluation costs. Caution should be applied in comparing these costs for a number of reasons: for example, it is always challenging to capture all costs including government staff and overheads costs which are shared with other programmes; and costs are inflated in particular years by investments

in programme operations, including re-targeting (for example, HSNP carried out re-targeting in 2012) and broadening registration (HSNP registered almost all households in the four counties where it operates in Phase 2, which started in 2013). Also, the CT-OVC programme costs include technical assistance for all four NSNP programmes funded by the World Bank and DFID. Furthermore, programmes operate in different environments: HSNP operates in the four most drought affected counties which will inflate costs. Finally, costs have been drawn from different sources that were readily available to this review and so cannot be guaranteed to be on a fully consistent basis; indeed, standardising cost measurement is among the recommendations in this chapter. Obtaining comparable and publicly available measures of cost efficiency should be a priority for NSNP and other social assistance programmes for which measures of cost efficiency are not yet available.²⁶⁴

Figure 66: Administrative costs as a proportion of total costs²⁶⁵



7.2.2 Factors Affecting Cost Efficiency of Social Assistance Programmes

The social assistance sector has moved increasingly from food to regular cash transfers since the 2012 Review which will have increased cost efficiency. General Food Distribution was the largest social assistance programme in the 2012 Sector Review. This programme has now come to an end and the cash transfer programmes in Inua Jamii now dominate spending, comprising 83 per cent of expenditure in 2015/16. Cash is usually more cost efficient because it is cheaper than food to transport and store.²⁶⁶ A study comparing cash transfers and food aid found that 18 per cent more people could be assisted at no extra cost if everyone received cash instead of food.²⁶⁷ But there are still ways in which cost-efficiency may be further improved in

²⁶³This is one of a number of cost efficiency measures that can be used in terms of the ratio of administrative costs to the cost of transfers and total programme cost. Alternative measures are explained in: UK Department for International Development (DFID) (2013: p.27).

²⁶⁴CT-OVC administrative costs from SAU 2012/13 to 2015/16 and from UK Department for International Development (DFID) for earlier years. HSNP costs from DFID HSNP annual reviews 2013/14 to 2015/16 and from DFID for previous years. These costs should be treated with some caution as they come from different sources but give a broad indication of relative levels and trends.

²⁶⁵Estimated administrative costs as a proportion of total costs are 11 per cent in 2014/15 for the OPCT scheme and 9 per cent in 2015/16, and 10 per cent for PWSD-CT programme in 2014/15 (figures unavailable for 2015/16). These are from, for 2015/15, Report of the Auditor General on the Financial Statements of Kenya National Safety Net Program, for the year ended 30 June 2015; for 2015/16, State Department for Social Protection internal expenditure documents. However, these figures should be treated with caution and are unlikely to be comparable with CT-OVC and HSNP cost efficiency estimates mentioned. They omit a number of government staff salary and travel costs at HQ level and costs such as rent, power and utilities both at HQ level and within counties. Also, costs from the same sources for HSNP and CT-OVC are 11 per cent and 10 per cent for 2014/15, around a half or even a third of cost efficiency estimates in Figure 9.1.

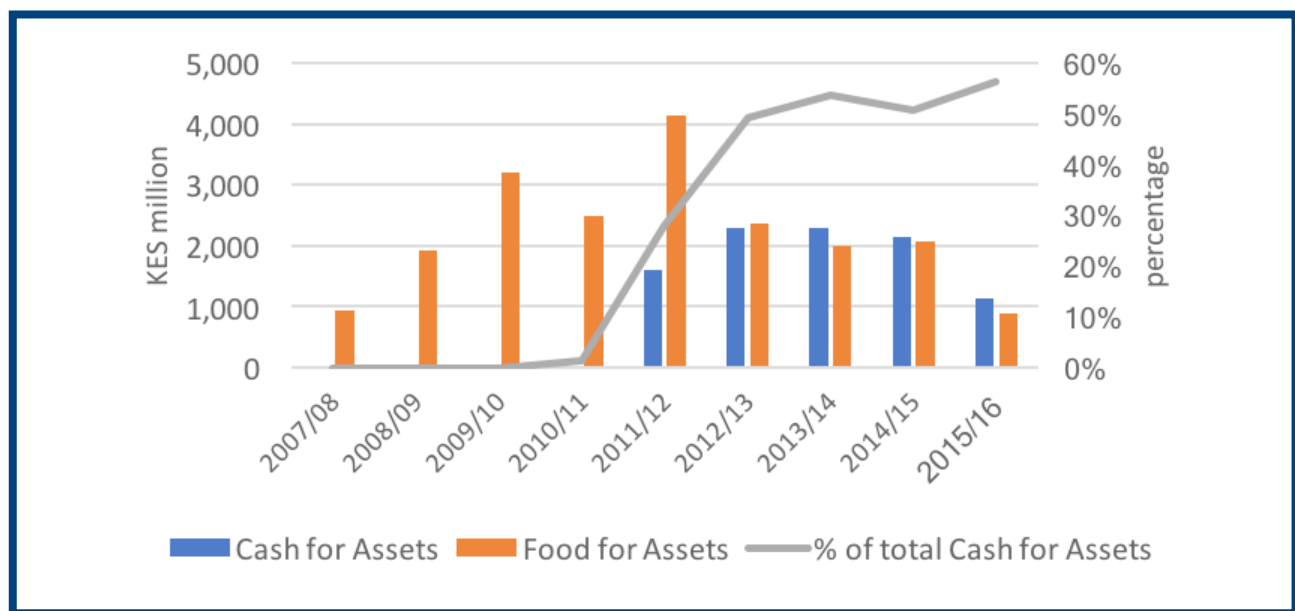
²⁶⁶DFID (2013).

²⁶⁷Margolies and Hoddinott (2014).

the NSNP, for example by simplifying targeting as is being done with the introduction of the universal Inua Jamii Senior Citizens' programme for those over 70 years of age in 2018. While this increases overall costs, it will also increase impacts and effectiveness. As mentioned in Chapter 3, South Africa's social assistance programmes, which have high coverage and use a simple means test to exclude those considered to be affluent, have administrative costs which do not exceed 6 per cent of total costs.

The CFA/FFA and School Feeding programmes have also moved towards cash transfers and away from food, increasing cost efficiency. Estimates of cost efficiency are not available for WFP's Asset Creation Programme, but Figure 7.2 shows its increasing use of cash rather than food transfers, which should have significantly improved cost efficiency. There are also positive trends for School Feeding since HGSFP – which provides cash to schools to purchase food locally – is responsible for an increasing proportion of school feeding, while RSFP, which provides in-kind transfers, is declining as part of a deliberate initiative to transition school feeding across to government. HGSFP was praised in a recent evaluation for purchasing local food and saving on transport costs: 'The local purchase of food appears to be more cost efficient in the areas covered than an in-kind provision of food to each school.'²⁶⁸ It should also help stimulate local economies.

Figure 67: Spending on cash and food transfers in WFP's Asset Creation Programme



Government of Kenya reforms to social assistance programme operations is also helping improve efficiency. Significant efforts have been made to improve operational efficiency within the NSNP since the 2012 Sector Review including the switch to entirely electronic payments and the consolidation of Inua Jamii programme operations under the Social Assistance Unit.

The successful development of scalable, shock-responsive social assistance over the Review period will save expenditure on emergency support. Savings can be expected from delivering cash within an established programme instead of through emergency support, along with greater effectiveness and stronger accountability through transfers being less ad hoc (see value for money discussion below). HSNP already has the capacity to

scale from around 100,000 households to a further 272,000 households. This is on top of the existing shock-responsive capacity within CFA/FFA and school feeding. As discussed in Chapter 2, the Government is developing a National Drought Emergency Fund (NDEF) to consolidate government and external partner funding in support of a range of drought preparedness and response interventions. The fund will be used in part for shock-responsive cash transfer payments including through HSNP. Options for funding include regular government disbursements, external partner funding and risk finance payments including from an Africa Risk Capacity (ARC) sovereign insurance pay-out. The establishment of the NDEF and earmarking of funds for scalable payments partly fulfils Disbursement Linked Indicator 7 under the National Safety Net Program for Results. But, the

²⁶⁸Haag (2014).

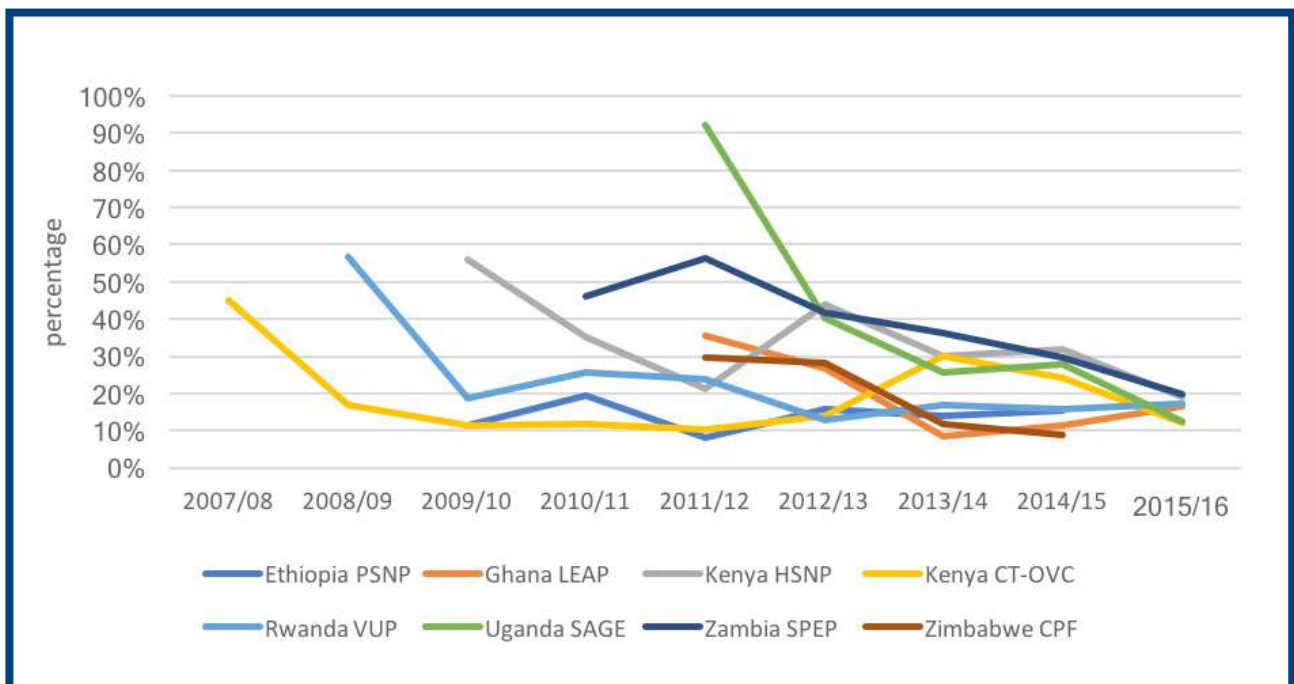
scope of this is limited by the still low coverage of social assistance in Kenya. As indicated in Chapter 4, if one per cent of GDP were spent on tax-financed social protection, this could give at least 45 per cent of households access to bank accounts so they could be reached in the event of emergencies.

7.2.3 Cost Efficiency of Social Assistance Compared to Other Countries

HSNP and CT-OVC scheme costs are comparable with donor supported programme costs in other countries. Figure 68 shows that the cost efficiency for the HSNP and CT-OVC programmes is comparable with other donor-supported programmes in Africa, and is on a similar downward

trend as programmes mature. Care must be taken in comparing cost efficiency across programmes because of variations in designs – including transfer values and the fact that HSNP has developed the capacity to be shock-responsive – the varying contexts within which programmes operate, the varying levels of maturity (set-up and roll-out costs reduce as programmes age) and the difficulty of gathering all costs including government staff costs. Nevertheless, a broad rule described by a World Bank study is administrative costs are in the range of 5 per cent to 15 per cent in well-executed transfer programmes, and that ‘anything beyond about 12 to 15 per cent of total costs bears close examination to see why administrative costs are relatively high.’²⁶⁹ The costs shown including for Kenya are falling year to year but remain mostly at the higher end of, or slightly above, that range.

Figure 68: Figure 7.3: Administrative costs as a proportion of total costs for selected donor supported social assistance programmes in Africa²⁷⁰



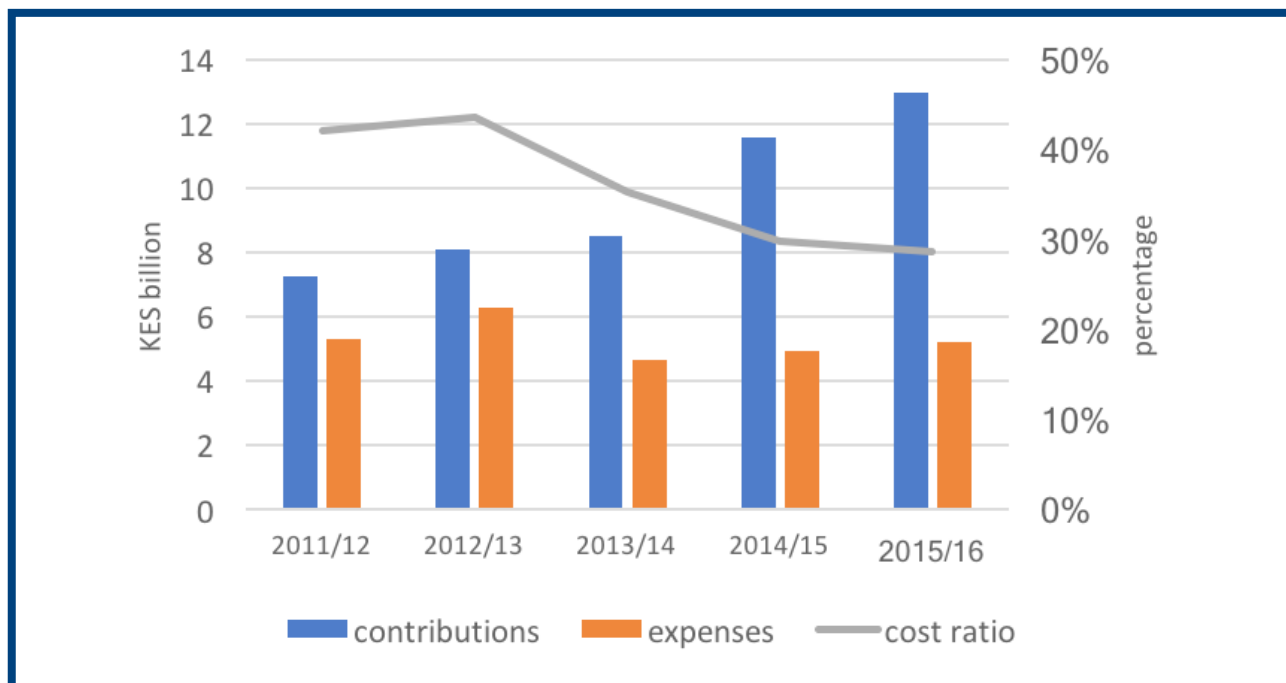
7.2.4 Cost Efficiency of Social Insurance and Other Pension Programmes

The 2012 Sector Review found administrative costs in contributory programmes to be ‘very high’, but they have declined for the main contributory programme, the National Social Security Fund (NSSF). Figure 69 shows administrative expenses as a proportion of contributions to the NSSF, used as a measure of cost efficiency in the absence of expenditure data. Since the 2012 Sector Review, costs have declined though they remain high. The peak in 2012/13 matches the timing of a voluntary early retirement scheme. According to the 2013 Act, NSSF administrative costs should be no more than 2 per cent of the value of the funds, around KES 3.5 billion per year or about 25 per cent of estimated annual income. Costs are still above this level, which in itself is still too high a proportion when compared to international experience.

²⁶⁹Grosh et al (2008).

²⁷⁰Costs are from individual programmes. HSNP and CT-OVC costs are actual to 2015/16. For other programmes costs are actual to 2013/14 and forecasts for 2014/15 and 2015/16.

Figure 69: NSSF administrative costs as a proportion of contributions²⁷¹



Administrative costs of the Civil Service Pension Scheme (CSPS) are difficult to estimate and trends are unclear. Administrative costs for the CSPS relate to the costs of work carried out in the Pensions Department of the Treasury, but these fluctuate significantly from one year to another.²⁷² Nevertheless, since the 2012 Review it appears costs for the CSPS were, broadly, in the range of 15 per cent to 20 per cent of the financial flows to pensions. It is not clear whether cost efficiency is improving.

7.2.5 Cost Efficiency at a Social Protection System Level

At the system level, cost-efficiency can be estimated by aggregating costs across programmes as a proportion of total programme costs. This should show gains for social assistance, for the reasons mentioned, and, possibly, for contributory schemes, though the picture is only clear for NSSF. It may also show gains for the social protection system as a whole. Information gaps mean this cannot be done as yet, but the objective should be to fill gaps and monitor the cost efficiency over time for the whole Sector – and for social assistance and social insurance separately as appropriate – to inform strategic design and implementation choices.

7.3 The Impact of Social Protection Programmes in Kenya

A number of studies have been published since the 2012 Sector Review on how social protection in Kenya is having positive impacts in a number of areas which stimulate economic growth. Impacts at the household and local level are measured in impact evaluations. The only impact evaluations available for the 2012 review were for the CT-OVC scheme.²⁷³ Since then, studies have been published for HSNP, the Asset Creation Programme and Home Grown School Meals (HGSFP).²⁷⁴ Another study recording impact was a recent beneficiary perception survey for programmes in Inua Jamii.²⁷⁵

Simulations using the 2015/16 KIHBS data indicate that Kenya’s social assistance schemes have had a significant impact on poverty on recipients.²⁷⁶ Overall, the poverty rate among recipient households fell from 75 per cent to 64 per cent. Figure 70 shows the reductions in poverty rates among recipients, according to a range of different criteria. Females have benefitted more than males, while impacts on recipients have been greater in rural and peri-urban areas than urban zones. Across age groups, the largest impacts have been among older persons while there have also been significant impacts on single person and skipped generation households.

²⁷¹From NSSF Annual Reports 2012-13 and 2013-14 and figures provided in interview with Mr Richard Rori, NSSF, 2nd December 2016.

²⁷²Possible reasons might include departmental reorganisation or partial transfer of responsibilities; in the absence of the opportunity to interview the staff concerned, these remain unclear.

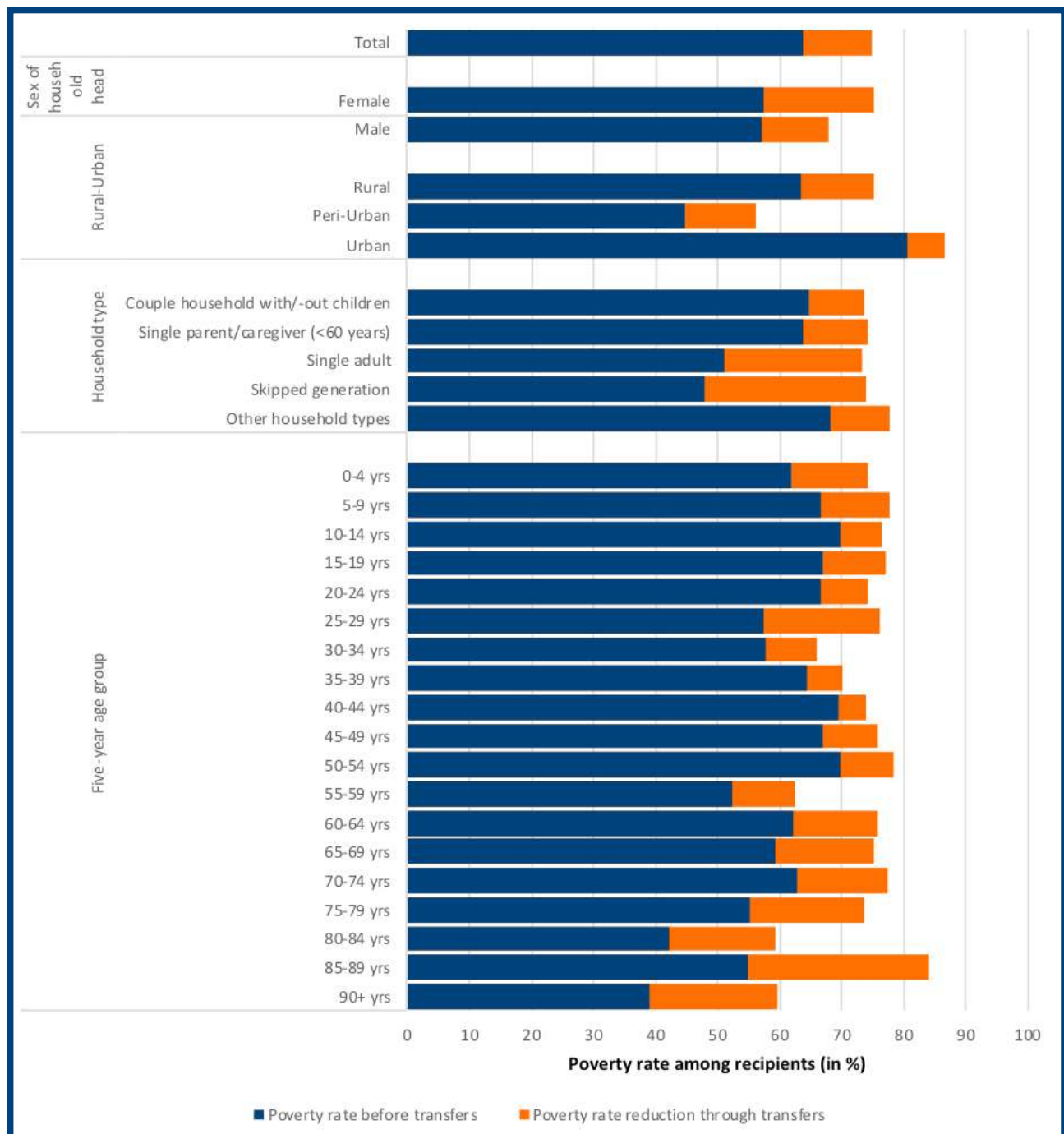
²⁷³OPM (2010).

²⁷⁴See: OPM (2013); WFP (2016); and, Haag (2014).

²⁷⁵Ministry of Labour and East African Community Affairs (2015).

²⁷⁶Due to under-reporting of a number of the social assistance benefits in the 2015/16 KIHBS data, it is not possible to simulate the impacts on national poverty.

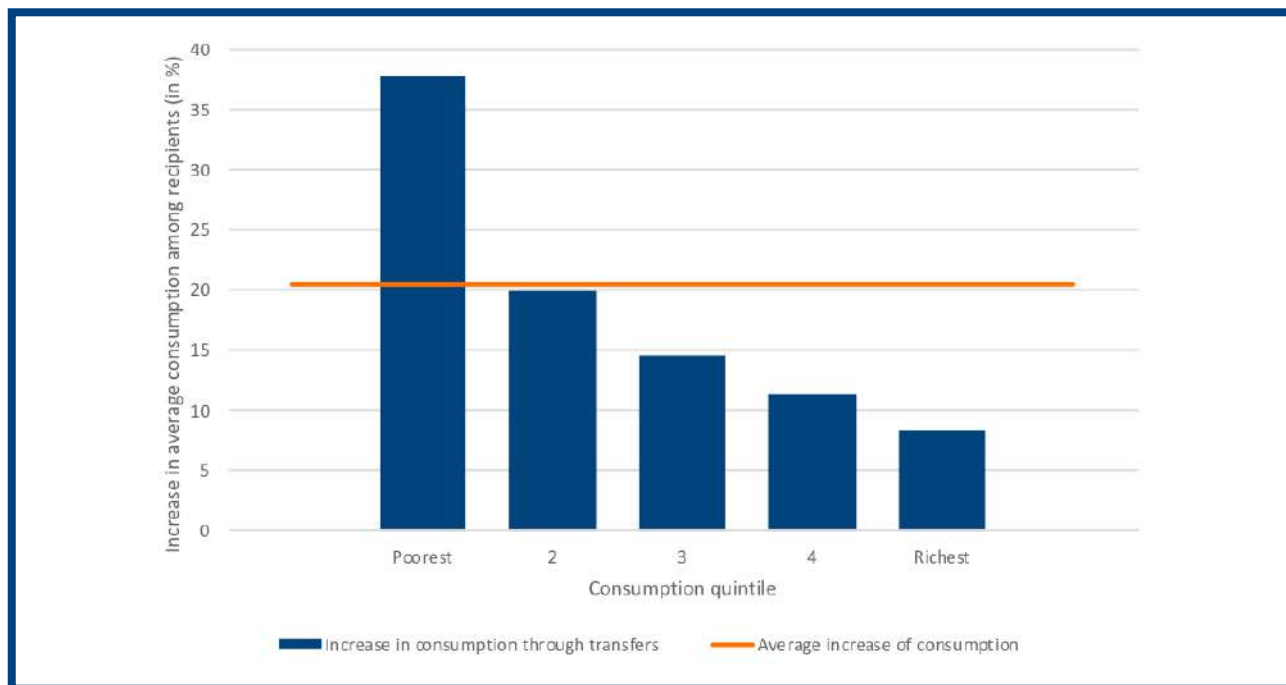
Figure 70: Simulated impacts on poverty rates among recipients of social assistance transfers in 2015/16, across different categories of the population²⁷⁷



The social assistance transfers have made a significant difference to the wellbeing of recipient households, in particular among the poorest. As Figure 71 shows, the average increase in is around 11 per cent. However, the largest benefits have accrued to recipients in the poorest quintile of the population, where consumption has increased by over 35 per cent.

²⁷⁷Based on the 2015/16 KIHBS data set. Poverty impacts among recipients are calculated assuming that every households reportedly having received a transfer - either the CT-OVC, OPCT, HSNP or CT-PwsD - have received the full amount of that transfer. In line with the Kenyan National Statistics Bureau, poverty calculations are based on per adult equivalent consumption.

Figure 71: Increase in consumption as a result of social assistance transfers across recipients in each national consumption quintile (pre-transfer)²⁷⁸



Investment in social protection helps generate economic growth in both the short term and long term.

The provision of social protection is increasing food consumption for beneficiaries while enhancing their access to health and education services and improving educational performance. These are important impacts in themselves and help to protect and build the capacity of the future Kenyan labour force. Social protection is increasing investment by beneficiaries in productive assets and increasing people’s participation in businesses and the wider labour market economic activity. It also helps in increasing access to savings and credit, women’s empowerment and providing an important stimulus to local economic growth. The impact of social protection in Kenya is, however, being constrained by insufficient coverage and inaccurate programme targeting.

The 2012 Sector Review described how the CT-OVC programme has had positive impacts on consumption, dietary diversity and health, including sexual health.

Impacts reported in the Review include increased food consumption and dietary diversity, a 6 percentage point increase in school enrolment and a 3 per cent reduction in child labour. Children aged 0 to 5 years had reduced diarrhoea, a 12 percentage point increase in measles vaccination and a 10 percentage point increase in those seeking preventive health care. Beneficiaries aged 15 to 21 years were 7 percentage points less likely to have had sex, less likely to have had unprotected sex and, in terms of psychosocial

status, less likely to have depressive symptoms. With regard to women’s empowerment, 92 per cent of care givers, the majority of whom were female, decided how to use the transfer themselves or in consultation with others. The 2012 Sector Review also described that the Urban Food Subsidy decreased the proportion of households that were food insecure by 23.7 per cent while the Food for Assets scheme was also reducing food insecurity. It reported an increase in credit available to both CT-OVC and Urban Food Subsidy beneficiary households.

Studies published since the 2012 Review show a further range of positive impacts of social protection including increased consumption and dietary diversity, though not yet nutrition.

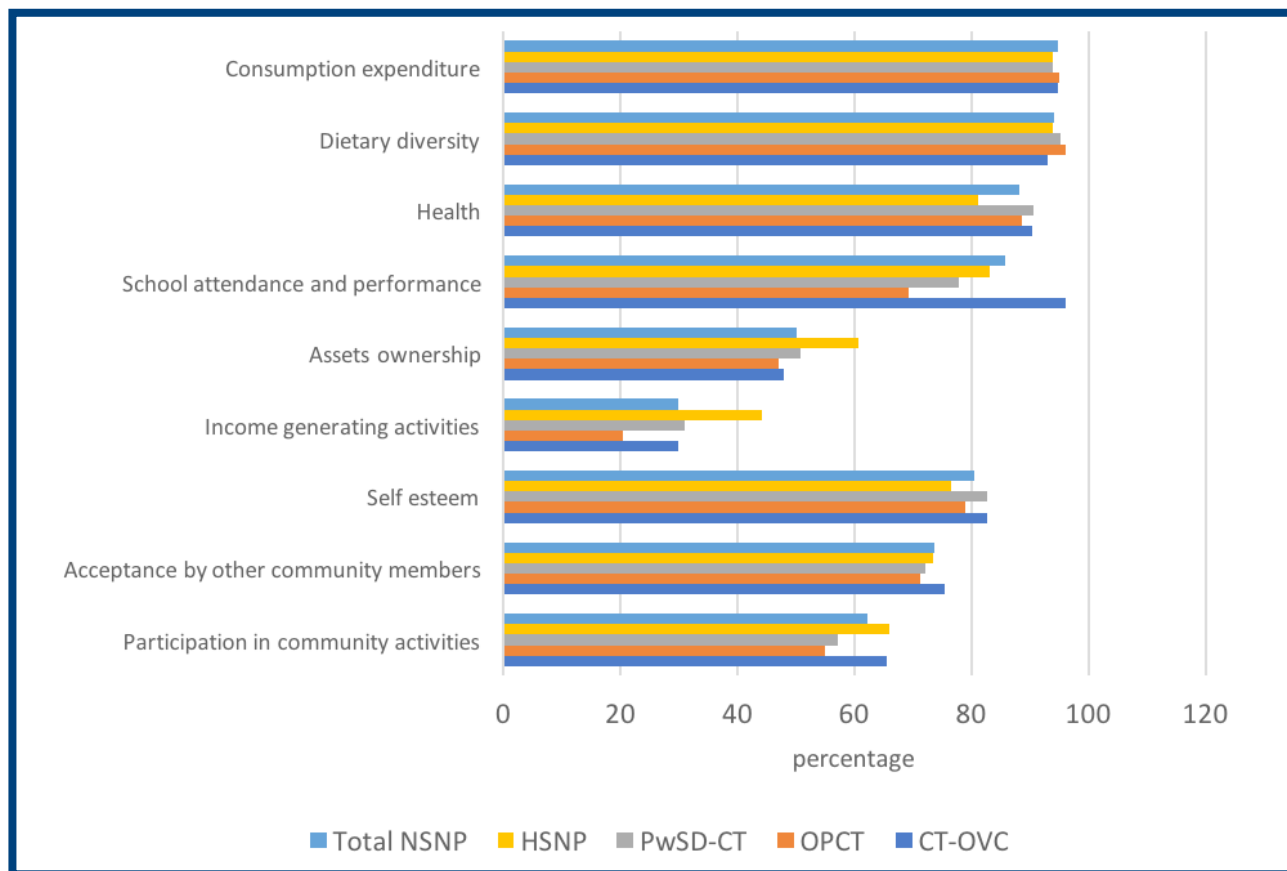
Half of beneficiaries of the CFA/FFA programme reported that their food security had been enhanced, and short-term hunger is addressed by School Feeding on days when school meals are provided. HSNP household consumption increased by KES247 per adult per month and food expenditure and dietary diversity also rose. The 2015 Inua Jamii beneficiary perceptions survey shows over 90 per cent of NSNP beneficiary households experiencing increased consumption and dietary diversity. This is a crucial step in protecting and building the future labour force. There is, as yet, no direct evidence of HSNP improving child nutrition – as there was not for the CT-OVC programme – nor is there for School Feeding. This matches international evidence of impacts on nutrition being restricted to certain

²⁷⁸Based on the 2015/16 KIHBS data set. Consumption impacts among recipients are calculated assuming that every households reportedly having received a transfer - either the CT-OVC, OPCT, HSNP or CT-PwsD - have received the full amount of that transfer. In line with the Kenyan National Statistics Bureau, poverty calculations are based on per adult equivalent consumption.

programmes, highlighting the need for additional support on nutrition and for sufficiently high transfer values.²⁷⁹

The positive impact of social protection on health goes beyond the CT-OVC programme. Figure 72 shows results for the Inua Jamii beneficiary perceptions survey. The proportion of beneficiaries reporting a positive impact on health as a result of receiving cash transfer payments was 81.2 per cent for the HSNP, 90.3 per cent for the CT-OVC, 88.7 per cent for the OPCT and 90.7 per cent for the PwSD-CT. HSNP showed a small impact on health spending of KES 5 per household per month. International evidence is that cash transfers generally increase the use of health services, although improving health outcomes usually requires matching investment in the quality of health services.

Figure 72: The proportion of National Safety Net Programme/Inua Jamii beneficiaries reporting positive impacts in different areas²⁸⁰



There is a wider impact among programmes on education. School Feeding has increased school attendance while children in households receiving the HSNP are 7 per cent more likely to have passed standard IV. The beneficiary perceptions survey found 83 per cent of HSNP beneficiaries reporting a positive impact on performance at school and school attendance, and 86 per cent across Inua Jamii beneficiaries. International evidence shows a generally positive impact on school attendance for cash transfer programmes, and increasingly on education outcomes, although, as for health, this depends on the quality of services available. Both the HSNP and CT-OVC schemes have reduced child labour in line with international evidence.

Social protection is increasing economic activity and investment in assets. Around 30 per cent of Inua Jamii beneficiaries report an increase in income generating activities and 50 per cent an increase in productive assets. The CT-OVC scheme has brought about a 15 percentage point increase for smaller livestock owned by smaller households (not reported in the 2012 review) and HSNP beneficiaries are 6 percentage points more likely to own livestock. On labour participation, the CT-OVC scheme increased participation by 13 percentage points for those living further from markets. For HSNP, 13 per cent of households report a positive change to their work patterns, compared to 2 per cent in control groups, and 5 per cent report being able to start or expand or improve an existing business. The CFA/

²⁷⁹ ODI (2016).

²⁸⁰ Source: Ministry of Labour and East Africa Community Affairs (2016).

FFA programme has contributed by increasing capacity at the individual level in terms of technical knowledge and capacity and at the community level in terms of 'familiarity with and capacity for group organisation, management and enterprise.' International evidence is that most tax-financed social protection programmes have a positive impact on livestock assets and, contrary to fears of increased dependency, programmes increase labour market participation among those of working age.

Social protection is increasing resilience to shocks in Kenya. This is the result of increasing consumption as well as productive assets and overall economic activity as well as through greater access to savings and credit. HSNP is significantly improving the ability of households to save cash, as well as access loans and credit. Beneficiaries are 10 per cent more likely to save, and 80 per cent report improved access to credit. The CFA/FFA programme has also facilitated the development of local savings groups 'which develop important supplementary opportunities in household livelihoods and the local economy'. Overall the ability of beneficiaries to withstand shocks has improved. It is strongly positive in some cases, although overall it is described as modest.²⁸¹

Box 7.1: International evidence on the impact of social protection on economic growth²⁸²

A large number of rigorous, independent impact evaluations, increasingly in Africa and focusing on economic impacts, have established that social protection programmes (especially social assistance and entitlement programmes) have a significant impact on short and long term economic growth. Impacts at the **household and local level** include:

Building the national labour force: social protection boosts dietary diversity, and there is global evidence of a 12 per cent increase in productivity from better nutrition and a 10 per cent increase in lifetime earnings. It also increases access to health and education: for example, children receiving South Africa's Child Support Grant when very young perform better at Maths and English and are less likely to be ill; and, in Uganda there has been a 30 per cent fall in school days missed due to the social pension.

Encouraging investment in productive assets: social protection provides the means to make investments and provides security if investments fail. In Malawi, ownership of agricultural assets increased 16 percentage points for hoes, 32 for axes and 30 for sickles, with higher impacts for female-headed household. In Zambia, there was a 21 percentage point increase in recipient households in the Child Grant Programme owning livestock.

Protecting productive assets during shocks: social protection prevents the use of damaging coping strategies such as missing meals, taking children out of school and selling productive assets. In Ethiopia, 60 per cent of those in the Productive Safety Net Programme avoid selling off assets for food.

Encouraging greater participation in the labour market: contrary to criticism that social protection increases dependency, it stimulates participation in the labour market for those of working age (at the same time as reducing child labour). In South Africa, Child Support Grant beneficiaries are 15 per cent more likely to be in work and 18 per cent more likely to look for work; Lesotho's Child Grants Programme led to an increase in women working by 8 percentage points; and in Uganda the proportion of those of working age that were in employment, in households receiving the Senior Citizens' Grant, increased from 74 per cent to 81 per cent and there was a 16 per cent increase in the number of hours worked each week.

Women's empowerment: social protection can increase women's decision-making power and choices, and helps to reduce fertility because children are less necessary to provide security in old age. In Africa, social pensions in a number of countries have resulted in women having between 0.5 and 1.5 fewer children. In Mexico, women in households in the Progresa programme, now called Prospera, are 5 percentage points more likely to decide how their own income is spent.

Stimulating local economic growth: social protection stimulates local economic growth because recipients spend on local goods and services. For every dollar transferred, the local economy grows between 1.3 and 2.5 dollars according to studies across seven countries in Africa. In Uganda, old age pensioners hire labour to work in their fields and local traders gain more business: 'There is more cash now. Whatever we stock we are sure when the elderly get these transfers, we will sell, thus more profits.'

There are no impact evaluations at a national level. Nevertheless, the evidence is that social protection has the following **economy-wide impacts:**

²⁸¹ Eighty per cent of telephone interviewees said that the programme had helped them withstand shocks better, though fewer in face to face interviews.

²⁸² Sources: FAO (2016); Hakura et al (2016); Kidd (2015, 2016), OPM (2016), ODI (2016).

Increasing the productivity of the labour force: social protection is an investment in the capacity of the labour force at a national level. In developed countries, where social protection is the largest area of spending, averaging 12 per cent of GDP, higher social spending (social protection, health and education) is strongly associated with greater productivity.

Stimulating national demand and consumption: social protection is an important tool for stimulating national demand, especially at times of economic shocks. Uzbekistan invested 4 per cent of GDP in child benefits at the fall of the Soviet Union which boosted growth significantly compared to its Central Asia neighbours; China has expanded pension coverage massively in part to stimulate national demand; and, in the USA, the impact of cash transfers on the national economy after the 2008 financial crisis is estimated to have been as large, dollar for dollar, as investments in infrastructure (both had a multiplier of around 1.6).

Easing the pain of economic transitions: social protection facilitates structural economic reforms by protecting those missing out. The Minimum Living Standards Guarantee Scheme in China covers 60 million people and protects those losing jobs as the result of the restructuring of state-owned enterprises; and in Mexico, the North American Free Trade Agreement was accompanied by the Progresca cash transfer programme, designed to relieve the disruption to rural livelihoods of liberalising trade.

Strengthening social cohesion and stability: social protection can increase social cohesion, especially after conflicts, which is vital for foreign and domestic investment. There was a huge expansion of social protection in post-Second World War Europe (despite weaknesses in national budgets) to maintain stability; in Nepal, the universal pension was massively expanded at the end of the civil war in 2006 as a peace dividend; and in South Africa, an expansion of social security by the ANC after the fall of apartheid generated stability and gave the black population with a concrete link to the state.

Reducing inequality to support growth: social protection reduces inequality, which the IMF has said is important for growth. 'Per capita income growth in sub-Saharan Africa could be higher by as much as 0.9 percentage points on average if inequality was reduced to the levels observed in the fast-growing emerging Asian countries.' In Brazil, pensions have reduced inequality by 12 per cent and, in Georgia, social transfers have reduced the Gini coefficient from 0.41 to 0.36, with 75 per cent of this as result of the universal pension.

Social protection is strengthening women's empowerment.

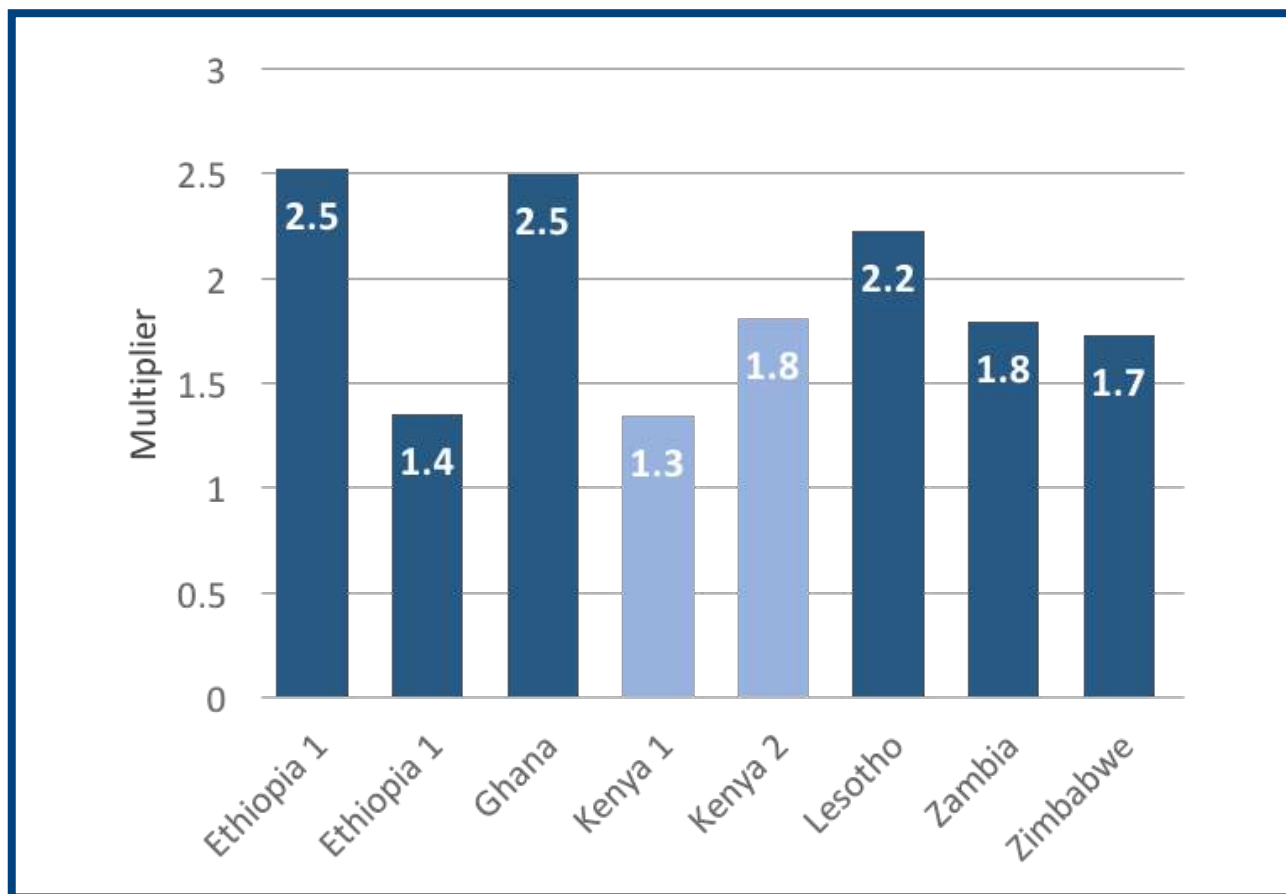
Women's empowerment is important in itself and vital given the role of women in children's welfare and the fact that one-third of households are headed by women who make up 53 per cent of the agricultural workforce. In the CFA/FFA programme, benefits are enjoyed disproportionately by women who form the majority of the work force and are directly responsible for food security within households. Women are also 'prominent and numerous in local programme management committees, many of which are chaired by women.' In the CT-OVC programme there has been a 7 percentage point rise in participation for female-headed households in non-farm enterprise and a 6 percentage point increase in small livestock ownership for female-headed households (not reported in the 2012 Sector Review). International evidence shows social protection programmes increasing women's decision-making power and choices and also show that the positive impacts on production seen in impact evaluations often come from women's activities. This goes against the common perception of women spending mainly or entirely on children. In terms of empowerment more generally, not just for women, the Inua Jamii beneficiary perceptions study shows 62 per cent

saying they have greater participation in community activities, 74 per cent reporting greater acceptance by other community members and 80 per cent reporting increased self-esteem.

Social protection has stimulated local markets in Kenya, spreading benefits throughout the community.

Recipients of social protection tend to spend cash transfers they receive on local goods and services, which gives local traders an opportunity to expand their business. Every shilling received and spent stimulates the local economy and generates a multiplier effect. Figure 7.6 shows the size of this multiplier is estimated for the CT-OVC programme to be 1.34 and 1.81 in the west and east of Kenya respectively (so 1 shilling in cash transfers achieves an increase in the local economy of 1.34 or 1.81 shillings). These impacts are broadly in line with measured impacts in other African countries (one reason for the different impacts is the speed with which local traders are able to increase supply). Government School Feeding is also stimulating local markets by providing cash for the local purchase of food. The evaluation of school feeding describes how the programme has established a 'significant and predictable local market.'

Figure 73: Local economy multipliers for social protection programmes²⁸³

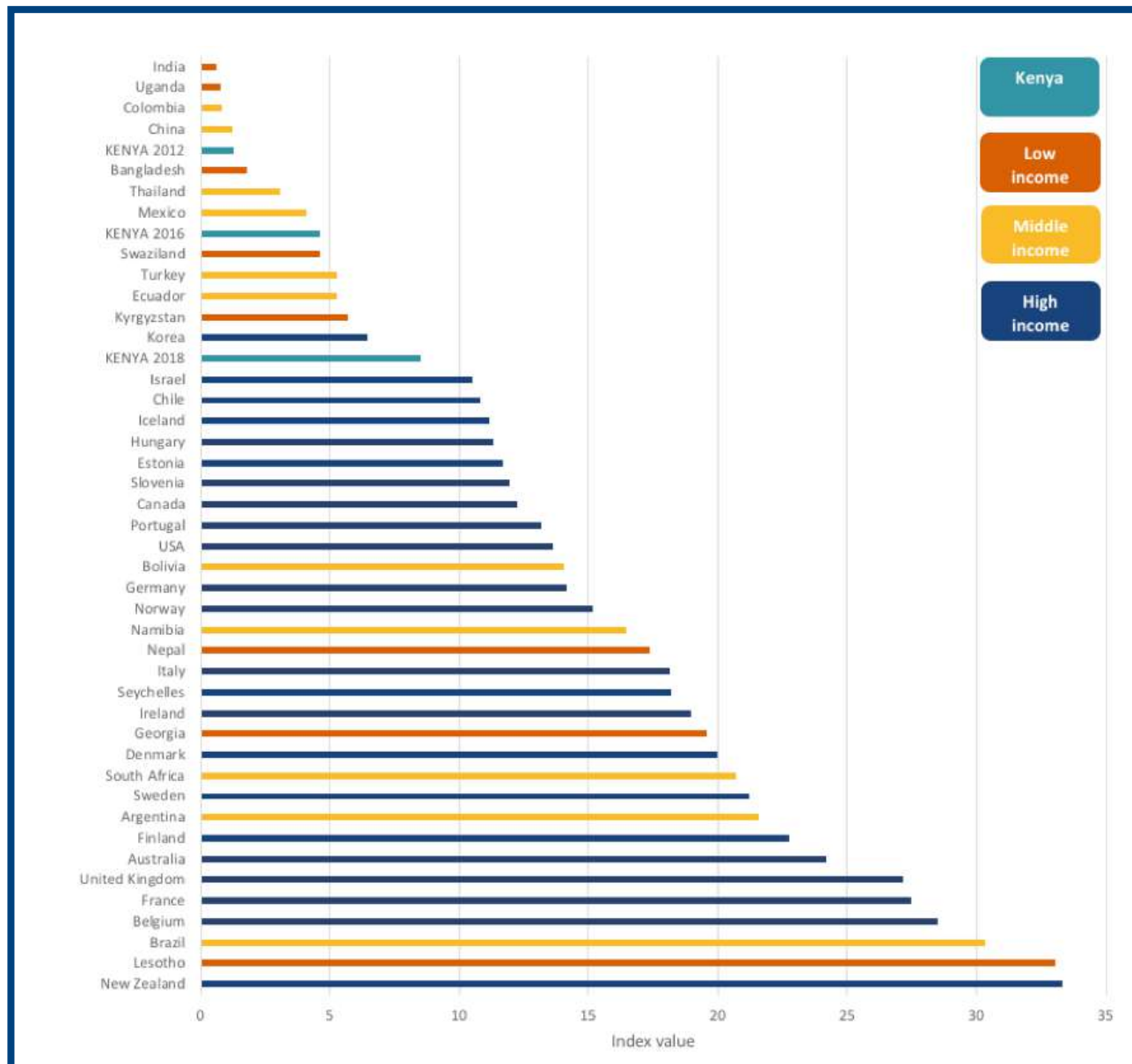


The introduction of the Inua Jamii Senior Citizens’ programme in January 2018 will lead to a significant improvement in the effectiveness of Kenya’s national old age pension system. Figure 74 shows how Kenya’s national old age pension system compares to a range of other countries and how this comparison changes over time. The Figure comprises an index combining a measure of pension coverage within a country among those aged 65 years and over and the value of the social pension (or lowest value pension, in countries without a social pension).²⁸⁴ So, higher values in the index – indicating more effective pension systems – are those countries that have the best combinations of high coverage and high transfer values. By using GDP per capita as the measure of the transfer, the index also indicates the level of commitment of a country to reducing old age poverty. While Kenya had a score of only 1.3 in 2012, this had improved significantly to 4.8 by 2016, placing the country on a par with middle income countries such as Mexico, Ecuador and Turkey. By 2018, Kenya will have improved its score further to 8.6 – assuming a transfer of KES 2,000 per month is paid – moving it ahead of Korea. However, it would remain behind low income countries such as Nepal and still has a long way to go to reach the most effective pension systems. Nonetheless, it is an impressive performance by Kenya, which would be further enhanced by, over time, reducing the age of eligibility of the Inua Jamii Senior Citizens’ programme and increasing the value of the transfer (as measured by per capita GDP).

²⁸³FAO (2013a); FAO (2013b); FAO (2013c); FAO (2016).

²⁸⁴The index is based on an original proposal by Palacios and Sluchynsky (2006), but has been slightly modified to encompass the entire pension system and not just social pensions.

Figure 74: Index comparing the effectiveness of Kenya's national pension system in offering a minimum guarantee of income to older people²⁸⁵



Social protection can have some unintended and negative impacts. These include the cost to beneficiaries of participating in programmes, including collecting transfers;²⁸⁶ the cost to those involved in community participation; the impact on informal social protection for some members of society (although this may be the result of the targeting mechanism);²⁸⁷ negative general equilibrium effects where the increased costs of certain food items after the introduction of a targeted transfer

can increase malnutrition for excluded families;²⁸⁸ and the impact of the selection process in NSNP schemes on community cohesion. The Asset Creation Programme also reports some instances of gender-based violence and pressure in some cases to share food provided by the programme. Beneficiaries in the programme, mainly women, also have to provide 12 days a month of labour required, though this cost or negative impact should be set against programme benefits.

²⁸⁵Source: HelpAge Global Agewatch Index (2015); analysis undertaken of South Africa's General Household Survey (2015) by Development Pathways; Schjoedt (2017); Suwandra and Wesumperuma (2012). Note: this index compares the size of the transfer value of the old age pension, with the coverage of the entire pension scheme of older persons of 65 years or above. Lesotho's pension system consists of a universal social pension for all older persons above 70. However, the beneficiary count exceeds the number of older persons over 70, which leads to a coverage score of 86 per cent. If only older persons above 70 were to receive the pension, the system would cover 60 per cent of older persons 65+.

²⁸⁶In CT-OVC travel times are manageable for most recipients but in Garissa (and some other remote areas) there are longer journeys and higher costs - recipients spend an average 19.2 hours making a return trip, and 83 per cent have to spend at least one night out of their home. On average they spend almost KES 1,500 on transportation, accommodation and food for every payment cycle, somewhat more than the KES 1,000 compensation for expenses they receive. (OPM) For social insurance there are significant transaction costs which Mbao is attempting to reduce.

²⁸⁷In HSNP, the average value of informal in-kind support received by wealthier beneficiary households significantly decreased in comparison to control households.

²⁸⁸Source: Filmer et al (2018)

Overall, while evidence on impact has improved since the 2012 Sector Review, there remain significant gaps. There are still no independent impact evaluations available for some government funded programmes. There is a particular gap for the OPCT scheme despite its size. Lessons on programme impact need to be measured, learned and communicated and this could be an area where external partners provide support. Also, although there have been recent independent evaluations of the Asset Creation Programme and School Feeding, there has been no quantified estimate of overall impact. The impact of social insurance programmes has not been measured. There is an opportunity to establish a comprehensive impact evaluation for the upcoming Inua Jamii Senior Citizens' programme.

7.4 Factors Affecting the Impact of Social Protection Programmes

The Government of Kenya, with support from development partners, deserves credit for increasing support to social protection programmes with proven, measured impact and away from food transfers and emergency support. The transition to regular and predictable cash transfers, along with the development of scalable social protection to address shocks, appears to be significantly increasing the impact and effectiveness of the Social Protection Sector.

Social protection in Kenya is achieving impacts comparable to programmes in other developing countries but these are constrained by low coverage and the challenges of poverty targeting. Coverage of social assistance programmes is low in terms of the proportion of the population covered. Moreover, the targeting of social protection is problematic in that many intended beneficiaries are not reached (see Chapter 4). The impacts of programmes will be distributed in a similar way, with many missing out. Both of these constraints will be partially addressed by the introduction of the universal Inua Jamii Senior Citizens' programme in 2018, at least for households with over-70s as members.

Social protection can have significant national-level impacts if coverage is raised, as will happen with the introduction of the Inua Jamii Senior Citizens' programme. Increasing investment and expanding coverage can enable social protection in Kenya to have the impacts seen in higher spending developing countries and developed countries (see Box 7.1). Further investment in social protection would help to reduce inequality, which the IMF associates with increasing growth in African countries. International evidence suggests social protection will increase social stability, which will

encourage domestic and foreign investment, and will help facilitate structural economic reforms (by protecting those losing out). Other things being equal, this will increase growth and development, as will investing in the human capacity of the current and future labour force. It will also lead to a reduced need to spend in other areas such as emergency support and physical security, with high spending a symptom of low social protection coverage.

The size of programme impact will be increased by providing sustained support to those requiring it. International evidence on cash transfers indicates that, unsurprisingly, long term support has a larger impact. Long term support for those requiring it would be helped by having inclusive entitlement programmes rather than targeting those living in poverty, which necessitates regular exits of those assessed as no longer eligible. Long term support is already being enhanced by government taking on a higher share of social protection funding, which is increasing sustainability (see Chapter 3). And, as Chapter 1 indicated, the majority of the population in Kenya would benefit from access to social protection.

System impact will be increased by ensuring that social protection fits with wider growth and development strategies. Social protection complements investments in nutrition, health, education, livelihoods, infrastructure and financial services. The Government of Kenya is committed to Cash Plus whereby social protection is connected to wider support in different sectors. Having said this, international evidence is that social protection programmes should not be overloaded with complicated designs, but should stick with their core task of delivering regular and predictable cash transfers to intended beneficiaries.

Stronger coordination with county governments will increase system impact by increasing coordination and system coherence. The emergence of some county programmes, combined with insufficient quality control and coordination with national programmes, could weaken the coherence and impact of the Social Protection Sector. At a minimum, standards for the quality of design and implementation, accountability, monitoring and national coordination should be set by government.

7.5 Estimating the Overall Value for Money of Social Protection Programmes

Estimates of the value for money of social protection programmes in Kenya beyond cost efficiency and programme impact are scarce.

Estimating overall value for money at a programme or system level is undertaken by examining rates of return, for example benefit to cost ratios. Studies of benefit to cost ratios for social protection in Kenya are few and far between, although it should be pointed out that they are challenging to estimate not least because some benefits are hard to quantify, such as social cohesion and political stability.

One measure of value for money that has been estimated for HSNP is the cost of reducing poverty, but this is open to challenge. It has been forecast for HSNP that the shilling cost for a 1 shilling reduction in the poverty gap would fall from 2.0 in 2011/12 to 1.4 by 2016/17. This would be due to: declining administrative costs resulting from economies of scale; improved targeting with inclusion errors falling from 40 per cent to 12 per cent; and, the achievement of greater impact because consumption expenditure by poorer beneficiaries tends to be greater than by less-poor beneficiaries, assuming targeting improves (however, there is no evidence that this has happened since, as is reported elsewhere, exclusion errors are between 62 and 77 per cent).²⁸⁹ Furthermore, there are no updated estimates of the impact of HSNP on poverty. But this approach is open to challenge in any case: it does not take into account the fact that most people in the HSNP areas are on low and highly dynamic incomes, which challenges the rationale for poverty targeting, nor does it take into account consumption and income dynamics (see Chapter 1).

It will be difficult to fill all analytical gaps but the value for money of targeting approaches should be addressed. While estimating rates of return – such as benefit to cost ratios – is challenging, it is surprising that more value for money analysis has not been undertaken for programmes in Inua Jamii, especially the externally supported HSNP and CT-OVC programmes. It is particularly surprising that the value for money of alternative targeting methods has not been explored given that HSNP targeting in 2012/13 cost over US\$10 million.²⁹⁰ There may have been too ready a presumption that using community-based targeting and proxy means testing provides the greatest value for money. Given targeting errors (see Chapter 4) and the possibility of programmes with higher coverage to generate greater popular support – a key to sustainability and impact in the long term – this merits further investigation.²⁹¹

7.5.1 The positive impact of scalable social protection on value for money

²⁸⁹ DFID (2015).

²⁹⁰ Fitzgibbon (2014).

²⁹¹ See Sen (1995), Pritchett (2005) and Kidd (2015) for further information.

²⁹² Clarke and Dercon (2016).

²⁹³ Courtenay Cabot Venton (2013), *Value for Money of Multi-year Approaches to Humanitarian Funding*.

²⁹⁴ Government of Kenya (2012a).

²⁹⁵ DFID (2016).

The positive impact on value for money of programmes successfully scaling up in response to droughts should be fully assessed, along with the value for money case for making social assistance programmes scalable more generally.

HSNP has been praised for its capacity to scale up in response to droughts through emergency payments to those registered on the programme but not currently in receipt of cash transfers: 'It allows pastoralists to invest in their cows, goats, and camels without worry that the next drought will ruin them.'²⁹² HSNP is building on the existing capacity of the CFA/FFA and school feeding programmes to scale up in response to droughts. International evidence points to significant gains from scalable social protection displacing more ad hoc emergency responses: 'quantitative and qualitative evidence ... clearly indicates that substantial value for money gains can be made by shifting to multi-year humanitarian funding.'²⁹³ 'The evidence suggests that multi-year funding can facilitate early response, which in turn reduces caseloads, or the cost per person reached ... [and] has the potential to not only deliver cost effectiveness in terms of outcomes (e.g. lives saved, DALYs gained, improved health); it can also facilitate interventions that have longer term impacts that yield benefits beyond the lifetime of the response.' It would be worthwhile carrying out an assessment of how much HSNP is saving on costs, and how much it is adding to the effectiveness and accountability of shock response, to support a value for money case for making social assistance programmes, in particular cash transfers within NSNP, scalable more broadly.

The cost of droughts in Kenya is high, so any interventions significantly reducing this cost is likely to have a significant rate of return.

'The overall effects of the 2008-2011 drought in Kenya have been estimated at KES 968.6 billion (US\$12.1 billion) which includes KES 64.4 billion (US\$805.6 million) for the destruction of physical and durable assets, and KES 904.1 billion (US\$11.3 billion) for losses in the flows of the economy across all sectors.' Recovery costs from droughts are estimated at KES 86.9 billion (US\$990 million), and reconstruction at KES 69.2 billion (US\$788 million). Therefore, the total estimated needs for recovery and reconstruction spanning 2012-2016 is KES 156.2 billion (US\$1.77 billion).²⁹⁴ According to estimates by those carrying out the review quoted, had the drought not occurred, Kenya's GDP would have grown at an average annual rate of 6.3 per cent, instead of the achieved 3.5 per cent average.²⁹⁵

7.6 Conclusion and Recommendations

Over the Review period, the value for money of the national social protection system in Kenya has significantly improved and levels of cost efficiency and impact are on a par with programmes in other countries. Improvements in cost efficiency value and impact are a result of moving towards regular and predictable cash transfers and away from more ad hoc, food-based transfers. These will be complemented by the introduction of the Inua Jamii Senior Citizens' programme in 2018. NSSF administrative costs are also reducing. Not all programmes are measuring cost efficiency and impact (in fact only a minority), which is a gap that should be filled. But international evidence suggests that the transformation in social assistance that has taken place over the Review period should have significantly improved value for money. International evidence also points to the introduction of scalable social assistance in HSNP – building on the shock-responsiveness of CFA/FFA and school feeding programmes – significantly improving the value for money of Kenya's drought response.

But impact is still limited by low coverage: there are large gains to be made from expanding coverage of social assistance programmes, and also from expanding scalable social assistance. To realise national impacts on inclusive growth and development, coverage of social assistance programmes needs to be significantly expanded, and the introduction of the universal Inua Jamii Senior Citizens' programme will help. The scalability of programmes also needs to be significantly increased to mitigate the cost of droughts, which in the recent past have significantly reduced growth in the Kenyan economy.

The 2012 Sector Review made recommendations that have been partly addressed. These were for: common norms for cost measurement; standard impact performance indicators; costing studies for selected programmes; and systematic performance measurement for programmes. The Social Protection Sector has moved part of the way down this road through improved monitoring and evaluation and should continue to address these issues, particularly on cost measurement. Standardising impact indicators may be harder to achieve than cost indicators and arguably, may not be appropriate for all programmes.

This Review makes the following recommendations:

- All programmes should measure and publish comparable estimates of cost-efficiency, including an analysis of the main cost drivers. International best practice should be used as set out in international guidance,²⁹⁶ which will enable the standardization of programme administrative and programme costs (recommended but not acted on in the 2012 Sector Review) and allow them to be compared across programmes. Cost efficiency at the system level should also be estimated to inform system reform. This should be supported by external partners.
- A value for money case for increased government investment in tax-financed social protection (both social assistance and entitlement schemes) – and, in particular regular and predictable cash transfers – should be made to support the broader investment case for social protection mentioned in Chapter 3. This should use rates of return from different programme options including implementing complementary initiatives such as Cash Plus.
- As part of the broader value for money case for investing in social assistance and tax-financed entitlement schemes, the value for money case for expanding the scalability of social assistance in the form of regular and predictable cash transfers in response to emergencies should be made, using evidence of scalable social protection being more efficient and effective than more ad hoc emergency support. Arguments should be made for expanding tax-financed social protection schemes nationally.
- The value for money case should also explore how complementary initiatives such as Cash Plus can increase programme impact, to help open a wider dialogue in this area within government.
- All social assistance programmes should consider measuring impact through evaluations, and the Kenya Income and Household Budget Survey 2015/16 – and future surveys – should be used to estimate the impact of social assistance programmes, individually where possible and in aggregate. This should also be supported by external partners. An evaluation of the Inua Jamii Senior Citizens' programme should be considered.
- A study should be commissioned of the value for money of targeting approaches, drawing on international evidence and, if possible, lessons from the introduction of the universal Inua Jamii Senior Citizens' programme in 2018, so that future social protection design is based as far as possible on evidence on the pros and cons of targeting options.

²⁹⁶For example, DFID (2013).

8

SUSTAINABILITY OF THE SOCIAL PROTECTION SECTOR

Chapter Summary

- Significant progress has been made in enhancing the sustainability of the Social Protection Sector and it is highly unlikely that the gains made in recent years will be reversed. Social protection is now a well-known and popular policy across Kenya, for which there is growing demand. The expansion of social assistance schemes has demonstrated growing commitment by government, while the introduction of a universal pension is a further significant statement.
- Many of the proposals in the National Social Protection Policy of 2012 have been implemented although there are others that remain to be realised.
- More needs to be done to embed social protection within legislation. The development of a Social Protection Coordination Bill is a positive step forward, but more needs to be done.
- The governance of the Social Protection Sector has been significantly strengthened since 2012 – in particular with the creation of the State Department for Social Protection, the SPS and the SAU – but there is still fragmentation. Further strengthening is required to consolidate the leadership and oversight of the sector and contribute to its sustainability.
- A strength of the Social Protection Sector is a growing cadre of committed and experienced civil servants. However, further capacity strengthening is required.
- There has been opposition to reforms of key contributory schemes. This will need to be addressed if these schemes are to be re-designed to be part of a comprehensive national social protection system.

8.1 Introduction

Although very good progress that has been made in developing and expanding the national Social Protection Sector, it is important that these gains are consolidated and their sustainability ensured. This Chapter will, therefore, examine the sustainability of the Sector. Section 8.2 will consider the extent to which there is a strong legislative framework behind the sector, which is critical if the Constitutional right to social security is to be

progressively realised. Section 8.3 assesses the strength and sustainability of the current institutional framework and proposes changes that would generate greater leadership and oversight within the Sector. Section 8.4 looks at the drivers of the changes that have happened in the Sector over the past five years, while considering how the design of the system needs to change if further expansion is to happen. The chapter concludes with Section 8.5, alongside a number of recommendations.

8.2 Sustainability in Legislation

The stipulation in the national Constitution of the right to social security for all citizens is a significant achievement and offers a strong platform for the sustainability of the national social security system. However, further clarification on the definition of social protection and social security in Kenya is required, since the NSPP's use of the term social security is not necessarily in line with the Constitution. Furthermore, as Chapter 2 discussed, the right to social security has been re-interpreted in a range of documents as the right to social protection (and, at times, the right to social assistance and social safety nets). Yet, the fundamental right in national law is to social security and further reflection is required on whether to expand the definition of social security to encompass also schemes that are financed by general government revenues, as is the case in many other countries.

Since the passing of the Constitution, the right to social security has still not been effectively established in law. The Social Assistance Act passed in 2013 has not influenced the Sector. Wanyama and McCord (2017) argue that the MEACLSP has not adopted the bill because it did not reflect the institutional structures outlined in the NSPP. A national Social Protection Coordination Bill, supported by the MEACLSP, is under development but has yet to be finalized. However, there is still a need to embed national social assistance programmes in legislation, to underpin their sustainability. This also applies to the future Inua Jamii Senior Citizens' programme, in particular since it should be regarded as an entitlement for all citizens.

A key achievement has been the approval of the National Social Protection Policy (NSPP), which was agreed by Cabinet in 2012. There is a range of forward-looking and progressive proposals in the NSPP although one issue may be that, as discussed in Chapter 2, it has encompassed a broad definition of social protection which may be challenging to articulate clearly, and has narrowly defined social security as contributory schemes. Nonetheless, the NSPP was a strong statement of support from government to social protection and has been followed by a significant expansion of core social assistance programmes and the recent commitment to a universal pension, which was one of the key proposals in the NSPP.

Positive steps have been taken since the last Sector Review in passing laws linked to the NSSF and the Public Service Pension. These brought about major changes but the non-implementation

of many aspects of these laws indicates that the changes they have proposed are not yet sustainable and they may have to be revised.

In 2017, the MEACLSP will develop a Social Protection Investment Plan (SPIP) and National Social Protection Strategy (NSPS). The SPIP will set out the vision of the government for the Social Protection Sector up to 2030 and, among other objectives, will help realise Vision 2030; the NSPS will focus on the next five years and set out plans for the further expansion and reform of the national Social Protection Sector, during that period. It is an opportune time for Kenya to re-think its vision and plans for social protection, given that the government now has many years of experience to draw upon. However, it will be essential to clearly define social protection, delineate the sector and articulate the link to the right to social security, which should be undertaken within the context of the SPIP.

8.3 Institutional Sustainability

Effective governance of the Social Protection Sector will be critical for its sustainability and it will be necessary to outline clear leadership and coordination structures within the SPIP and NSPS. As will be discussed in this section, this may require some difficult decisions to be made to generate greater cohesion in the sector, including the institutional relationship of HSNP to the other NSNP schemes, the institutional responsibilities for the CFA/FFA and School Feeding programmes, and the Ministerial responsibilities for government oversight of the NSSF and RBA.

Nonetheless, as described in Chapter 6, the institutional sustainability of the Social Protection Sector has been significantly strengthened since 2012. The creation of a State Department for Social Protection within the MEACLSP under the leadership of a Principal Secretary has been a major step forward. The Social Protection Secretariat (SPS) has been strengthened considerably and action has been taken to improve the implementation of some of the NSNP schemes by creating a Social Assistance Unit (SAU).

Yet, there is still fragmentation within the national system of governance for the Social Protection Sector, both horizontally across national government and vertically, from national to local levels. The State Department for Social Protection does not oversee all components of the national social protection system: in particular, as Chapter 6 indicates, the HSNP regular transfers are under the Ministry of Devolution and Planning while the State Department is not yet responsible for oversight of the NSSF or RBA. However, other

components of what is currently regarded as the Social Protection Sector are, appropriately, reporting into other Ministries: for example, school feeding is within the Ministry of Education while the Ministry of Health provides oversight to the NHIF. While the CFA/FFA is currently under the NDMA, it would be useful to redefine the objective of the programme and determine where it should most appropriately sit.

As Chapter 6 indicated, the State Department for Social Protection’s capacity to fulfil its mandate still needs to be strengthened and clarified since the roles and responsibilities of different departments within the SDSP are still evolving.

Issues to be considered are:

- The extent to which the SPS should become a secretariat of the Principal Secretary, supporting her/him across all areas of responsibility and oversight;
- A clear incorporation of the main personal social care responsibilities of the Department of Social Development and Children’s Department within the Social Protection Sector;
- The building of the SAU’s capacity at county level (and below);
- The future implementation responsibilities for the Inua Jamii Senior Citizens’ programme, as it is designed as an entitlement rather than social assistance;
- Institutional responsibilities for disability (see Box 7.1); and,
- Reporting lines for the NSFF and RBA within the MEACLSP.

A key issue to resolve is the institutional responsibility for the HSNP regular transfers. The regular transfer component of the HSNP is a core social assistance programme and a range of stakeholders believe that it may sit more appropriately within the State Department for Social Protection, being administered by the SAU (although, on the other hand, the NDMA has argued that all social assistance programmes in arid counties should come under its purview). Consolidating all regular transfers within one Ministry could offer greater cohesion and harmonization to the Sector. And, indeed, it could be argued that the HSNP regular transfers could be regarded as a short-term solution to a current challenge and could disappear if the MEACLSP’s programmes expand along the lines of a lifecycle system within the same geographic areas (in particular, if the government decides to introduce a child grant, expand the PwSD-CT, and reduce the age of eligibility of the Inua Jamii Senior Citizens’ programme). Analysis undertaken for this review has indicated that if HSNP regular transfers were delivered as lifecycle schemes, they would be more effective in reaching families living in extreme poverty than the current design.

Nonetheless, in this scenario, there would be strong arguments for the emergency assistance component of the HSNP to remain within the NDMA. Over the longer term, as the Social Protection Sector expands, it should be possible to apply the rationale of the HSNP model to emergency assistance across the country. As explained earlier, an expansion of lifecycle schemes – even with an investment of only one per cent of GDP – could reach almost half of all households in Kenya, and higher proportions in many of the counties that are more vulnerable to shocks. As a first step in any emergency response, the government could decide to increase payments to these households, using funds transferred through NDMA.

Box 8.1: Responsibility for Disability

In many developing countries, rather than mainstreaming disability across all sectors of government, responsibilities for persons with disability are often relegated to social development ministries and, then, to weak and poorly funded institutions within these ministries. Arguably, this is the case with the NCPWD, which has responsibilities for coordination on disability issues as well as service delivery. Yet, it is placed at a relatively low level within government.

If disability is to be addressed effectively, responsibilities for oversight and coordination need to be placed at the very top of government – reporting directly into Cabinet or the Presidency – with service delivery delegated across all Ministries. So, for example, assistive devices would be the responsibility of the health sector, special needs education the responsibility of the education sector, social protection for persons with disability would be within the Department responsible for social protection, and even disability categorisation could be the responsibility of the agency responsible for national identification. All sectors would be required to deliver high quality services to persons with disability and would be held accountable by the high-level agency reporting into the President or Cabinet.

²⁹⁷Wanyama and McCord (2017); Mwasiaji et al (2016).

8.4 The Drivers of Change and Expansion of the Social Protection Sector

This Sector Review has described how components of the national social protection system have evolved considerably since 2012, with some elements expanding significantly. At the same time, some aspects have contracted, such as GFD and the CFA/FFA programmes. Others have experienced minimal meaningful change such as the NSSF. This section will examine the drivers behind both the changes and stasis.

In recent years, there has been a significant strengthening of support among politicians for an expansion and strengthening of the Social Protection Sector. All political parties included social protection in their manifestos for the 2012 election and the President indicated his support by formally launching the Inua Jamii programme in 2014.²⁹⁷ Indeed, as in all democratic countries, there has been a realization among politicians that promoting social protection can result in significant political rewards. It will, however, be important that politicians focus on promoting progressive social protection policies. The promise of a universal pension in 2018 is a good sign that the current government is focusing on such schemes.

The NSPP was an ambitious attempt to set the future direction of the national social protection system and indicated political support for further growth. The NSPP had a large number of proposals and Annex 3 sets out progress on some key proposals, showing good advances made in many areas. The NSPP's ambition to expand social assistance has, to a large extent, been attained although there is still much to be done. Furthermore, the proposal to introduce the Inua Jamii Senior Citizens' programme in 2018 is a major step forward in implementing one of the key longer-term aspirations of the NSPP. The introduction of the Single Registry is also a very important achievement. However, other proposals have not yet moved forward or have only partially been introduced.

One challenge in achieving consistent progress in realizing the objectives of the NSPP was that it was not complemented by a detailed implementation plan and budget. However, this was addressed by the development of a more programmatic NSPS in 2017, alongside more detailed budget commitments.

Over recent years, a positive characteristic of the Social Protection Sector has been a growing cadre of highly committed public servants, in both the MEACSLP and NDMA. The numbers of

staff have increased, in particular with the expansion of the SPS and the creation of the SAU. Furthermore, their experience in social protection has also grown significantly which has enabled civil servants to engage, with growing effectiveness, in policy development and programme design. Nonetheless, there is a need for further capacity development across a wide range of areas of social protection so as to further increase the effectiveness of the Government as the main initiator of reforms to the national social protection policy and programme design.

Wanyama and McCord (2017) argue that a key driver of change in the social assistance sector has been the Programme for Results loan for social protection, agreed between the Government of Kenya and the World Bank. The disbursement linked indicators (DLIs) within the loan have become a focus for government since loan disbursements depend on their achievement. While this has resulted in many positive achievements, it is likely that it has distracted attention from achieving some key proposals within the NSPP.

It is important to recognise that the DLIs have not been imposed on the Government but are part of a shared agreement with the World Bank. Committed Kenyan civil servants have been able to take advantage of the pressures resulting from the loan's conditions to drive change, in particular the expansion of the main MEACSLP social assistance transfers. In many respects, there has been a positive partnership between development partners and national civil servants and has been responsible for many of the changes in recent years.

DFID has also played a critical role in driving policy on HSNP. Concerns from Government that the HSNP focuses only on four counties, and that this has generated a geographical bias in the national provision of social assistance – see Chapter 4 – have not been addressed. However, HSNP has expanded significantly in Phase 2, DFID has persuaded the government to assume growing financial responsibility for HSNP, and an innovative emergency response mechanism has been established. The operational delivery of the programme has also been significantly strengthened.

The reduction in size of the CFA/FFA programme has, to a large extent, been the result of reduced funding from donors. To date, the Government has not yet stepped in to bridge any financing gaps or, indeed, expand the scheme. Nonetheless, county governments are becoming more active partners in delivering the CFA/FFA. Agriculture is a devolved function and WFP is deepening the transition of responsibility for asset creation to county governments, ensuring that they have

the institutional structure, budget, and technical capacity to support the building of quality assets. WFP is undertaking county consultations – under the auspices of the Council of Governors – aimed at strengthening the commitment and capacities of counties to support asset creation, covering: coordination of EDE livelihood and Disaster Risk Reduction activities; institutional responsibilities within county governments for the Asset Creation programme; and, allocating budgets to support asset creation as part of County Integrated Development Plans. WFP has, to date, trained and supported three counties (Samburu, Wajir and Baringo) to provide their own technical support and overall supervision of the CFA/FFA programme and it is expected that, during 2017, another three counties will be in a position to take up technical supervision.

Nonetheless, if the Government of Kenya is to be convinced to invest in the Asset Creation programme, it would be helpful if its purpose were more clearly articulated so that its value can be more clearly appreciated by both Government and donors. For example, while it is currently promoted as a safety net programme, it could also be seen as an employment, infrastructure, agriculture or climate change programme.

Overall, as Chapter 3 described, donor support for social protection has, in the past, been significant but the Government of Kenya has now assumed the main responsibility for financing schemes. This process should continue so that the Government is able to fully fund all tax-financed social protection schemes. Furthermore, it should be recognised that loans taken by the government are, in reality, national and not donor funding since Kenya is obliged to repay the loans in future. At the same time, consideration should be given to whether loans are an appropriate means for financing the national Social Protection Sector.

Overall, senior members of Government have expressed the view that, in the past, development partners have had greater influence over social protection policy than the national Government and that this should change. While development partners were influential in building the case for social protection and have funded key schemes, the national Government has, in practice, increasingly begun to take the lead.²⁹⁸ The OPCT and PwSD-CT schemes were domestic initiatives and the OPCT, in particular, has grown substantially. Indeed, the imminent transformation of the OPCT into a universal pension is a clear indication of strong government leadership since no development partner has been promoting its introduction. As noted earlier, however, it is in line with the 2012 NSPP. Similarly, Wanyama and McCord (2017) argue that, while

development partners argued for expansion to focus on the poorest counties, the national Government took the decision to reach all areas of the country. As Chapter 4 indicated, this has been a sensible decision given that many wealthier counties have high numbers of people living in poverty and are particularly underserved.

Indeed, the introduction of the universal pension follows the pattern seen in many developing countries as democracy strengthens and social protection policy becomes more accountable to citizens. Recent examples include Argentina, Bolivia, Ecuador, Mexico, Lesotho, Tanzania (Zanzibar), and Thailand (and, in the past, across all developed countries). Political parties contesting elections recognize that they must appeal to the electorate with programmes that are both popular and effective, and a universal pension fits both of these criteria. It remains to be seen whether the national Government will continue along this path by building similar inclusive schemes that address other lifecycle risks, such as disability and child benefits (which, again, are proposals found in the 2012 NSPP).

Development partners have played an important role in offering technical assistance to the national Government over a range of areas, which has facilitated change. For example, the World Bank has helped improve the design and operations of the MEACLSP's social assistance programmes; DFID's financing of a Programme Implementation and Learning Unit (PILU) in HSNP has been responsible for a significant improvements in the operations of the scheme and the development of a range of innovations; WFP, Sweden and DFID have funded the development of the Single Registry, which is gaining an international reputation; and, WFP, UNICEF and Sweden are increasingly supporting capacity strengthening and policy development.

Language plays an important role in influencing how people – and policymakers – conceptualise approaches to social protection. While the Constitution is strongly rights based, using the term social security, this has not been followed through within policy and practice. The term social assistance has been adopted to refer to social protection schemes financed from general government revenues, while the term social security has been relegated to contributory schemes. The term social assistance often generates an image of charity for the 'poor' which is distinct from the entitlement approach outlined in the Constitution.

Building popular and political support for social protection will require terminologies to be adapted to the nature of the social protection system that Kenya wants to build. If the national

²⁹⁸See Wanyama and McCord (2017) for further discussion.

Government desires an entitlement-based system, in line with the Constitution, it should consider recognising schemes financed from general government revenues as social security and develop names for schemes that create in the listener an image of entitlement. The same applies to the names of individual programmes: for example, the universal pension has been named the Inua Jamii Senior Citizens' scheme rather than the OPCT, to indicate that it is a right of all citizens based on their contributions to the country. Indeed, the adoption of the term Inua Jamii – meaning 'raising up the family' – is a sign that the government understands the power of language and is taking the initiative in creating a more positive image of the national social protection system.

Enhanced sustainability of the national tax-financed social protection system will mainly result from the development of more inclusive social protection schemes, which are understood by the general public as entitlements. While schemes targeted at those living in poverty rarely have popular support, inclusive schemes – such as the forthcoming universal Inua Jamii Senior Citizens' programme – build alliances across economic classes.²⁹⁹ The introduction – in the medium to long-term – of further entitlement schemes, such as child benefits, disability benefits and employment guarantee schemes (all of which are proposed in the NSPP), will likely also be popular, well-funded and sustainable and help realise Vision 2030.

Building national support will also require Parliament, political parties, civil society and the media to be more engaged in the national dialogue on social protection policy. Without a good understanding within these groups of the benefits of an inclusive and comprehensive national social protection system, it will be difficult to generate broader support across citizens. The MEACSLP has undertaken some useful initiatives to build a broader understanding – including the national conference on social protection in January 2015 and training of Members of Parliament in December 2016 – but more will need to be done. This should be encapsulated within a well-resourced communications strategy led by the SPS that focuses on building national commitment to a social protection system that serves Kenya's needs as a middle-income country.

A further driver of change in Kenya has been devolution and the creation of county governments that are accountable to local citizens. Some county governments have considered developing their own social protection

schemes, despite this being mainly a national mandate. They are responding to local political pressures and need to be seen to be offering social protection to their constituents. No scheme has been taken to scale but there is a danger that they will proliferate, generating confusion across the national social protection system.

It will be important, therefore, for the national Government to generate an architecture for the national social protection system that brings coherence and coordination to both national and county schemes. One option would be to follow the example of countries such as Vietnam and India where the national government provides the criteria and financing for a basic national scheme, with local governments able to make the schemes more generous by using their own resources to modify both the criteria and transfer values. So, for example, if the Inua Jamii Senior Citizens' programme were to provide a transfer of KES 2,000 to everyone aged 70 years and over, a county government could increase the value of the transfer and/or reduce the age of eligibility. Such a system would require modifications to the design and funding flows of schemes, but would be feasible to introduce.

The Government has, as Chapter 2 indicated, attempted to bring about significant reforms to the NSSF, in particular through the passing of the National Social Security Fund Act of 2013. However, few of the changes envisioned in the Law have been implemented due, in part, to legal challenges around the interpretation of some of the new provisions. These appear to relate to those aspects of the reform which would: not only increase contribution rates – albeit modestly – but also significantly increase the 'cap' on individual contributions and, hence, the value of the contributions payable; and, provide for a 'contracting out' option under which employers and employees may divert part of their contributions to private, occupational pension schemes. It appears that, since the questions must be resolved by the courts, this is likely to be a slow process which will hinder further reform. As Chapter 2 indicates, while the reforms outlined in the 2013 Act are intended to strengthen old-age and disability pension provision, this objective has encountered unanticipated delays, if not real obstacles, and there may be value in taking the opportunity to re-think the future role of the NSSF in a broader way. It will also be important to develop a strategy to re-build the confidence of citizens – and members of the NSSF – in the institution.

²⁹⁹For further discussion, see Sen (1995), Pritchett (2005), Kidd (2016) and Kidd and Damerau (2016).

In contrast, there has been no attempt to significantly reform the NHIF, despite the proposal in the NSPP to move towards a more all-encompassing national health insurance system. Nonetheless, the NHIF has improved its response to public opinion with the result that some progress has been made in the extension of its facilities. This is the result of the enrolment into the HISP of a number of beneficiaries of the social assistance programmes and the opening of access to voluntary contributors at a relatively low rate of contribution. In the course of these developments, NHIF has extended its benefit package so that it now provides for at least a partial range of hospital-based outpatient services, in addition to the previously-exclusive in-patient facilities. In this way of hospital-based out-patient services, in addition to the previously exclusive in-patient facilities. In this way, it may have prepared the way to evolve from a hospital insurance to a health insurance scheme. At the same time, it is worth noting that responsibility for healthcare services is due to be devolved from the national to county governments, a change that is certain to affect, but in unpredictable ways, the NHIF. In these circumstances, it may be advisable to take a prudent approach to further development of the institution.

8.5 Conclusions and recommendations

It would be very difficult for the progress that has been achieved so far across the social protection sector to be reversed. Indeed, the 2017/18 budget announcement – with the inclusion of the Inua Jamii Senior Citizens’ scheme – demonstrated that the current Government is committed to its further expansion. It would be very difficult for any future government to reverse the gains made and, indeed, as democracy continues to strengthen, further investments in inclusive schemes can be expected. A significant expansion in social protection – as long as it is well designed – can bring major social, economic and political benefits.

Nonetheless, more needs to be done to fully embed social protection within the Government. The social assistance schemes and the Inua Jamii Senior Citizens’ scheme are not yet guaranteed in legislation. While the institutional structures of the social protection sector have been strengthened over recent years, responsibilities for social protection are still spread across the Government and should be further consolidated. The definition of the social protection sector needs further clarification so that its importance to the State can be presumed.

The proposed SPIP and NSPS offer a good opportunity for the Government of Kenya – with the participation of citizens – to strengthen and consolidate what has already been achieved. The Government will need to decide whether to gain the full social, economic and political benefits from social protection by increasing its investment in the sector and progressively realizing the right to social security for all citizens, or, it can limit its investment and lose out on these benefits. An expansion of the sector, though, will require a move towards a more inclusive social protection system, along the lines of the universal pension.

This Review makes the following recommendations:

During the development of the SPIP and NSPS, to increase the sustainability of the Sector, the Government should:

- Clearly define how social protection is understood within the context of Kenya.
- Set out a clear plan for increasing investment over the next 15 years in the SPIP and 5 years in the NSPS.
- Decide whether to build on the NSPP's commitment to build a comprehensive social protection floor and outline plans for the types of schemes to be introduced and their coverage.
- Determine how to make the national social protection system more shock-responsive, with reliable funding sources for emergencies such as droughts.
- Develop a plan for substituting all development partner funding for transfers with government funding.
- Outline plans for introducing legislation across the Sector, including to consolidate the Inua Jamii Senior Citizens' programme.
- Determine the future Governance structure of the Social Protection Sector to further strengthen its coherence.
- Review the challenges in introducing reforms into the NSFF, Public Service Pension and NHIF and outline proposals for effectively implementing the proposals in the NSPP that the Government determines are still relevant.

The Government should also:

- Develop a comprehensive communications strategy which aims to build public and political support for further investment in the Social Protection Sector. The strategy should include building a comprehensive understanding across key stakeholders of the social, economic and political imperatives to invest in social protection.
- Develop a capacity development strategy to further strengthen the capacity of those working in the sector, both on policy development and programme implementation. The strategy should encompass those Ministries involved in social protection, local government and Parliament.

9

CONCLUSION

Chapter Summary

- Excellent progress has been made since the last Sector Review in building Kenya's national Social Protection Sector, although much still needs to be done.
- It will be important to clarify the scope of the Social Protection Sector, so that it is easily understood by policy-makers and the general public.
- The governance arrangements for the Sector need to be clarified and consolidated, with leadership clearly based within a strengthened State Department for Social Protection.
- The government should consider further expanding the national social protection system to make it more inclusive and addressing the causes of poverty through a lifecycle system. Investment of 1 per cent of GDP in social protection in the next five years is feasible and would bring significant impacts.
- The SPIP and NSPS will be critical for outlining the future direction of the national social protection system.

This Review has demonstrated that the Government of Kenya has made very significant progress in developing its national social protection system since the previous Sector Review of 2012. Highlights include: a significant expansion in regular and predictable social assistance transfer programmes, with the Government assuming increasing responsibilities for funding; the imminent introduction of a universal pension for all citizens aged 70 years and over, which will be Kenya's first social protection entitlement programme; the continuing expansion of the NHIF; a significant evolution and strengthening of institutional structures to oversee and deliver social protection; the growth of a committed and capable cadre of staff responsible for social protection policy development and delivery; the strengthening of the operational delivery of schemes; the development

of a world-leading Single Registry; the growth of an emergency assistance mechanism linked to social protection, with HSNP in the lead; and, importantly, the transformation in the lives of millions of Kenyan citizens alongside broader social and economic impacts.

Without doubt, there has been a significant increase in political commitment to social protection. Despite only commencing in 2004 with the CT-OVC programme, Kenya's social assistance schemes now command an investment of 0.3 per cent of GDP, which is more than many richer middle-income countries, such as Vietnam and Indonesia. With the introduction of the Inua Jamii Senior Citizens' programme, the level of investment will rise to 0.4 per cent of GDP. This places Kenya at the forefront in the region in terms of its commitment to tax-financed social protection.

Furthermore, Kenya is an excellent example of the benefits that can be gained from a strong partnership between international agencies and national governments. While regular and predictable social assistance transfers were initially introduced in response to advocacy from donors, who also acted as the main funders, the Government of Kenya has increasingly taken on the main responsibility, with development partners increasingly focused on financing technical assistance. The Government has also become the main driver in determining and setting social protection policy, with its decision to introduce the universal Inua Jamii Senior Citizens' programme a clear example of the strength of its leadership.

While regular and predictable social assistance transfers were initially introduced in response to advocacy from donors, who also acted as the main funders, the Government of Kenya has increasingly taken on the main responsibility, with development partners increasingly focused on financing technical assistance. The Government has also become the main driver in determining and setting social protection policy, with its decision to introduce the universal Inua Jamii Senior Citizens' programme a clear example of the strength of its leadership.

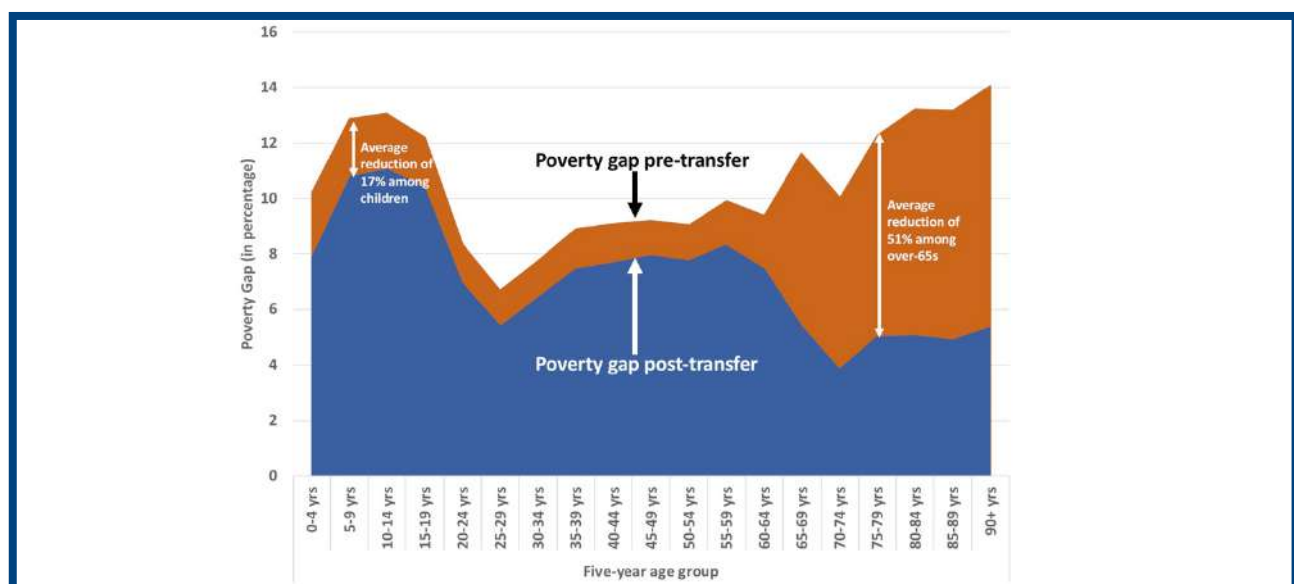
Nonetheless, despite these significant achievements, there is still much to do. As Chapter 1 argued, the majority of the population of Kenya would benefit from access to social protection, while a further expansion in coverage of the system would bring greater significant social and economic benefits to the nation. Yet, coverage from regular and predictable transfers is still only around 12 per cent of households (as a point of comparison, South Africa's national social assistance schemes reach around 60 per cent of the population³⁰⁰). There is, therefore, significant room for further expansion, with many categories of the population experiencing undercoverage. Once the Inua Jamii Senior Citizens' programme is introduced, the coverage of older persons will significantly improve, but there will remain large gaps in the coverage of children, persons with disabilities and those of working age who are unable to obtain an adequate income from work. Indeed, there is a large group in the 'missing

middle' who, by design, are excluded from the national social protection system yet struggle to get by on low and insecure incomes. Kenya is still not gaining the full social, economic and political impacts of investment in a comprehensive national social security system.

Yet, it must be remembered that developed countries took many decades to build comprehensive social protection systems. Kenya is performing well in terms of progressively realising the right to social security for all citizens. There is good evidence of the positive impacts on beneficiaries, communities and the broader economy, which builds the case for further investment in coming years, in particular if Vision 2030 is to be realised.

An increase in investment up to one per cent of GDP in tax-financed social protection schemes over the next five years is fiscally feasible. It remains to be seen whether it could also be politically feasible. Nonetheless, indicative simulations undertaken for this Review suggest that such a level of investment could – as shown by Figure 75 - reduce the poverty gap by 19 per cent. The largest impacts would be among older people and persons with disabilities: for example, among older people the poverty gap would fall by 50 per cent, going a long way to eliminating extreme poverty among Kenya's older persons. The universal Inua Jamii Senior Citizens' programme is a positive first step but, with funding of one per cent of GDP, it would also be possible to introduce nationally an inclusive child benefit (at least for those aged under 5 years), a more comprehensive disability benefit and reduce the age of eligibility of the Inua Jamii Senior Citizens' programme to 65 years.

Figure 75: Impacts on the poverty gap across age groups of an inclusive social security package costing 1 per cent of GDP³⁰¹



³⁰⁰Kidd et al (2017).

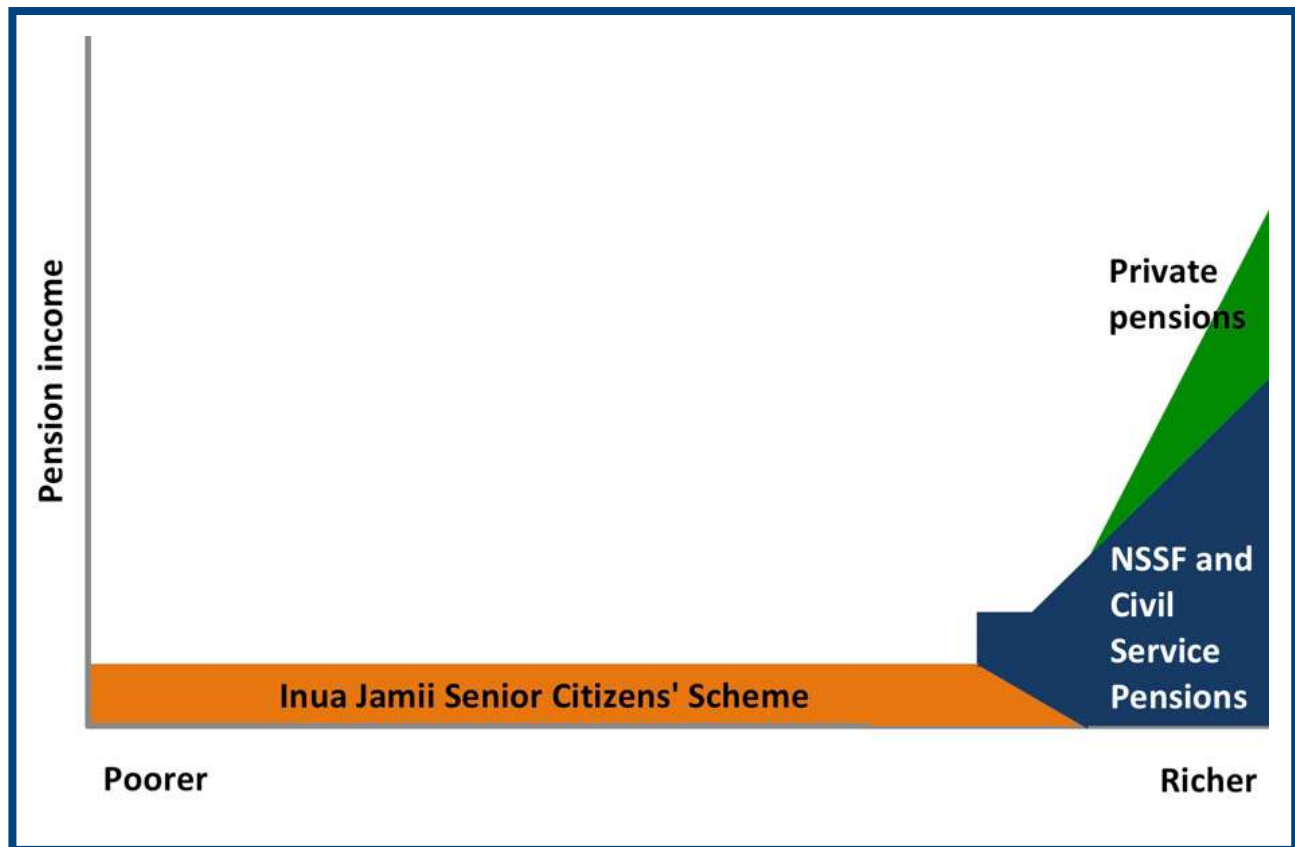
³⁰¹For a budget of 1 per cent of GDP it would be possible to offer inclusive transfers to all older persons aged 65 years and over (at KES 2,000 per month), all working age adults with a severe disability (at KES 2,000 per month), and 70 per cent of children aged 0-4 years (at KES 500 per month), as well as all disabled children (at KES 2,000 per month).

In addition to expanding coverage, there is a range of other areas to address with regard to social protection programmes funded from general government revenues. Delivery systems for programmes need to be further strengthened, building on the good progress of recent years. Financing needs to become more sustainable, with social assistance schemes becoming increasingly financed from the recurrent rather than development budget. Furthermore, the national social protection system needs to be firmly embedded within legislation.

It will also be important for the definition of social protection to be clarified. The definition in the NSPP is broad and may be difficult to communicate it effectively to the public and policy-makers, which could undermine efforts to build support for social protection. It also needs to be aligned to the Constitutional right to social security for all citizens, which should encompass schemes funded from both general taxation and social insurance.

While legislation to reform contributory schemes and the Civil Service Pension has moved forward, the practical application of the reforms has been held back. Efforts should continue to transform the NSSF into a well-functioning second tier of the pension system, complemented by the Inua Jamii Senior Citizens' programme as the first tier and private pensions as the third tier. Indeed, the introduction of the universal Inua Jamii Senior Citizens' programme means that Kenya is in a position to develop a strong multi-tiered pension system, along the lines found in many developed countries (as indicated by Figure 9.2).

Figure 9.2: Potential multi-tiered pension system for Kenya



Further clarity is required on the governance of the national social protection system, building on reforms that have taken place in recent years. Consideration could be given to increasing the responsibilities of the State Department of Social Protection, such as whether to bring other schemes under its purview: examples where decisions need to be made include the HSNP regular transfers and the NSSF. Furthermore, the Social Protection Secretariat could function more as a secretariat to the Principal Secretary rather than being just one department among many in the SDSP. It will also be important to strengthen the Governance of the social protection system at the level of counties and below, with structures aligned to that of the SAU, thereby enabling the DSD and DCS to focus on their core responsibilities of delivering personal social services and social care.

Kenya's national social protection system is at a critical juncture and it is appropriate to take stock of

the progress made to date and develop a future vision and strategy for expansion, consolidation and strengthening. The key aim should continue to be realising the Constitutional mandate to offer access to social security for all citizens. The aim of this Sector Review has been to examine the progress made in recent years, the strengths of the current system, but also the challenges that need to be addressed. The Review has deliberately limited its forward-look and has not focused on developing detailed proposals for the future. These should appropriately be addressed in the development of the future National Investment Plan and National Social Protection Strategy.

It is both an exciting and challenging time for Kenya's Social Protection Sector. While considerable progress has been made since the 2012 Sector Review, much is still to be done. However, a key asset within the social protection system is a cadre of committed staff within government, with a broader network of development partners and civil society organisations in support. They are now in a position to take forward the development, expansion and strengthening of the Sector, as long as they are given the support they require. If the right decisions are taken in the next few years, and the resources are made available, Kenya will soon have a national social protection system that will have made significant process in realising the right to social security for all the country's citizens.

BRIEF DESCRIPTION OF SOCIAL PROTECTION SCHEMES IN KENYA

A1 Social Protection schemes funded from General Government Revenues

A1.1 Cash Transfer for Orphans and Vulnerable Children (CT-OVC)

The CT-OVC programme was launched in 2004 to support orphans and vulnerable children facing poverty and dealing with the negative effects of HIV/AIDS epidemic. The aim of the programme was to support households that were living with or caring for orphans and vulnerable children. The initial pilot operated in Kwale, Garissa and Nairobi districts and supported 500 beneficiary households.

At present, the CT-OVC programme supports 365,232 beneficiary households across the 47 counties. Beneficiaries are encouraged to foster and retain such children within their families and communities and to promote their human capital development. The programme aims to improve school attendance and retention, reduce mortality rates, encourage civil registration in addition to strengthening the capacity of the household to care for the children.

The programme is managed by the Social Assistance Unit (SAU) under the Ministry of East African Community, Labour and Social Protection (MEACLSP). Each beneficiary household receives one transfer valued at KES 2,000 per month on a bi-monthly basis through an appointed payment agent.

The programme selects beneficiary households through a combination of community-based selection and a proxy means test. Eligible households cannot be recipients of other cash transfer programmes nor can they receive any pension or regular income from gainful employment.

The CT-OVC is funded by the Government of Kenya, and Development Partners including UNICEF, World Bank and DFID.

A1.2 Older Persons Cash Transfer Programme (OPCT)

The OPCT programme is a national programme that began in 2007 to support older persons living in and vulnerable to poverty with predictable and regular cash transfers. It began as a pilot in Thika, Nyando and later Busia district and was originally part of the Rapid Results Initiative implemented by the Department of Gender and Social Development at the time.

The programme now has 320,636 beneficiary households across the 47 counties. It is managed by the Social Assistance Unit (SAU) under the Ministry of East African Community, Labour and Social Protection.

It is directed towards older people living in poverty aged 65 years and above. Each beneficiary household receives one transfer valued at KES 2,000 per

The programme selects beneficiary households through a combination of community-based selection and a form of proxy means test. Eligible households cannot be recipients of other cash

transfer programmes nor can they receive any pension or regular income from gainful employment.

Currently, the OPCT reaches around 23 per cent of older people aged 65 years and above. The programme is entirely funded by the Government of Kenya.

A1.3 Cash Transfer for Persons with Severe Disabilities (PwSD-CT)

The PwSD-CT programme is a national programme launched in 2011 to support households living in poverty with persons with severe disabilities requiring 24-hour support from a caregiver as members. It was initially a pilot led by the National Council for Persons with Disabilities (NCPWD) through their development fund. The Council was able to provide benefits to 2,100 households. Through advocacy for the plight of persons with severe disabilities in need of additional support, funding increased to allow for 41,374 beneficiary households to date.

Households that receive the PwSD-CT programme across the 47 counties are provided with the opportunity for caregivers to engage in meaningful income generation activities, strengthen the capacity of the carer to support the beneficiary in addition to improving the overall livelihoods of the persons with severe disabilities.

Each beneficiary household receives one transfer valued at KES 2,000 per month on a bi-monthly basis through an appointed payment agent.

To be eligible, households with a person with severe disability must demonstrate that the applicant needs permanent care which includes feeding, washing, use of the bathroom facilities and protection from danger from other persons, themselves and the environment.

The programme selects beneficiary households through a combination of community-based selection and a form of proxy means test. Eligible households cannot be recipients of other cash transfer programmes nor can they be receiving any pension or regular income from gainful employment.

The programme is managed by the Social Assistance Unit (SAU) under the Ministry of East African Community, Labour and Social Protection and is supported by the National Council for Persons with Disabilities.

A1.4 Hunger Safety Net Programme (HSNP)

The HSNP is a government led programme supporting the poorest and vulnerable households in the poorest four Arid Counties of Turkana, Mandera, Wajir and Marsabit. It is implemented by the National Drought Management Authority, under the Ministry of Devolution and Planning.

The programme has been implemented in two Phases. Phase I, the initial pilot, ran from 2008-2012, and Phase II, the current programme, commenced in 2013 and is due to be handed over to the government in 2017. It is currently funded by the Government of Kenya and DFID.

The overall objective of HSNP is to reduce extreme hunger and vulnerability by delivering regular and unconditional cash transfers to beneficiaries on a bi-monthly basis. At present, 101,630 beneficiary households receive KES 5,400 every two months across the four counties. Transfers are delivered by an appointed payment agent from Equity Bank.

An additional 274,000 households have also been registered onto the programme and can receive cash transfers during shocks and crises. The HSNP emergency scale up has been implemented several times during periods of drought, flooding, or poor harvests in areas deemed highly insecure.

The programme's core beneficiary households in receipt of regular transfers were selected by administering a proxy means test which attempted to identify the poorest and most vulnerable households who were unable to support their lives and/or livelihoods. The community can validate the list of potential beneficiaries in addition to raising complaints if serious concerns are raised.

Eligible households cannot be recipients of other cash transfer programmes nor can they be receiving any pension or regular income from gainful employment.

A1.5 Urban Food Subsidy Programme (UFS-CT)

The UFS-CT was launched as a pilot programme in Mombasa on March 2012 as a response to the high levels of food price inflation. The programme aimed to improve the lives and livelihoods of the most vulnerable residents of urban informal settlements in response to shocks and crises.

Poor urban households that could not meet their food needs due to food and income insecurity were identified through community based selection criteria which assessed applicants on indicators such as an older person in the home, child headed households, persons living with HIV/AIDS, dependency ratios, OVCs and nutritional status.

Household that resided in the programme area with a per adult food expenditure less than KES 2000 per month were eligible to apply for the programme. Applicants should also have resided in the area for a period of no less than a year in addition to not receiving any support from other programmes including pensions.

At the close of the programme, the UFS-CT was supporting close to 10,000 poor and vulnerable households with cash transfers valued at KES 2,000 per month on a bi-monthly basis through the Postal Corporation of Kenya.

A1.6 Asset Creation Programmes

The asset creation programmes - the cash-for-assets and food-for-assets (CFA and FFA) schemes – commenced in 2003 as part of a strategic shift from short term food aid to longer term resilience building. The programmes focus on improving food and nutrition security in addition to promoting the diversification and sustainability of livelihoods.

Asset creation activities provide beneficiaries with technical skills and knowledge to enable them to undertake activities that benefit the community such as water conservation, rehabilitation, agricultural production, diversification and marketing. Alongside the asset creation component of the scheme, a small number of households that are classified as having limited labour capacity are able to receive an unconditional transfer.

There are 60,068 households benefitting from the CFA programme, while 54,402 households receive support from the FFA programme.

For the CFA, each beneficiary household receives one transfer valued at KES 2,000 per month on a bi-monthly basis through an appointed payment agent for seven months each year. For the FFA, each beneficiary household receives a 50 per cent ration or a 75 per cent ration guided by the Kenya Food Security Group (KFSG).

The programme selects beneficiary households through community-based targeting. Eligible households cannot be recipients of other cash

transfer programmes nor can they be receiving any pension or regular income from gainful employment.

The programme is managed in conjunction with the National Drought Management Authority under the Ministry of Devolution and Planning.

A1.7 General Food Distribution

The World Food Programme has been providing food assistance to communities in Kenya's arid and semi-arid lands (ASALs) which continue to face recurrent shocks and crises which negatively impact on households' food security, lives and livelihoods. The aim has been to alleviate the suffering of vulnerable communities by promoting dignity and better quality of life.

On a bi-annual basis, a long and short rains assessment (LRA/SRA) is undertaken to determine levels and severity of food insecurity in local areas. These assessments, led by the national and county food steering committees, also aid in determining the number of individuals in need of food assistance. Counties are then provided with the allocation for distribution in insecure areas at the sub-county level. Redistribution can be undertaken by local staff, but the ceiling for the county cannot be exceeded. Beneficiary caseloads are updated twice a year after the assessments.

Food distribution is undertaken at the food distribution points (FDP) with the support of relief committees that aid in the registration of beneficiaries, sensitisation and information sharing, and the organisation and facilitation of the distribution process. Beneficiary households receive 75 per cent of 2,100 kcal in arid areas,³⁰² with households expected to meet the 25 per cent of their food requirements deficit. The food basket includes cereals, pulses, vegetable oil and salt.

Households are not required to work for their transfer, and they usually receive transfers for less than one year (sometimes only for 4 months, depending on the severity of the shock and the likely rate of recovery). Rations may be distributed weekly, bi-weekly or monthly. The distribution cycle depends on the type of population served, the context, and food resources available.

Households that receive GFD are not supposed to access other social assistance benefits such as the government led cash transfer programmes. However, the community can weigh the extent of vulnerability of a particular household in which case exceptions can be made for accrual of support from the food aid and other interventions.

³⁰²Around 50 per cent for insecure households in semi-arid areas

WFP has been transitioning GFD beneficiaries to its asset creation programmes which have more long term impact in terms of building resilience. Furthermore, GFD has reduced significantly in size.

A2. Contributory Schemes

A2.1 National Social Security Fund (NSSF) and National Health Insurance Fund (NHIF)

The NSSF is a national organisation mandated to provide social security to Kenyans in the formal and informal sector. The Fund registers members, manages their contributions and disburses contributions to eligible members or their dependants. It aims to provide social security to members through enhanced coverage, efficient registration and collections, prudent fund management, competitive benefits and exemplary governance.

The NHIF is a parastatal tasked with providing medical insurance cover to all its members and their declared dependants (spouse and children). This includes ensuring accessible, affordable, sustainable, equitable and quality social health insurance through optimal utilisation of resources to the satisfaction of stakeholders.

A2.2. Mbao Pension Scheme

The Mbao Pension Plan was established by the Kenya National Federation of Jua Kali Associations as a voluntary retirement savings scheme. The Mbao Pension Plan was registered by the Retirement Benefits Authority (RBA) and Kenya Revenue Authority (KRA) in October of 2009 as the Blue MSMEs Jua Kali Individual Retirement Benefit Scheme which allows it to run retirement plans for individual members. The Scheme was later launched in 2011 with the aim of combating old age poverty.

The scheme is geared towards supporting citizens engaged in the informal sector who are not accessing any social security support although it is open to any citizen who would like to join. The programme is well suited for the unique nature of the informal sector who rely on variable incomes and aims to encourage a savings culture for those workers.

The scheme requires that applicants must be citizens of Kenya over the age of 18 years with an Identity Card and a mobile phone owner to allow for contributions. A registration fee and completed application form is also required.

Contributions are not mandatory although the scheme encourages members to put aside twenty shillings ('mbao') a day – in line with the name of the scheme.

The scheme currently has 100,000 members who have saved upwards of KES 110 million. The Scheme has a secretariat that manages the day-to-day operations including liaising between members and the stakeholders of the scheme.

Since it is designed and marketed as a pension plan, the goal of the Secretariat is to encourage retirement savings, but highlight that membership can also be used for savings or other purposes. In the long term, the Secretariat hopes that the Mbao Pension Scheme will continue to provide workers with low and variable cash incomes the opportunity to save regularly for a secure and long-term retirement income. In terms of improvement, there are issues around the risk to the savings of small-scale, potentially poor, subscribers in the light of declining investment markets. However, an evaluation by the World Bank is currently being undertaken to identify ways of improving the scheme in terms of expanding coverage through increased uptake by citizens, means of improving the product for members, recommendations on additional benefits for members including finding incentives to persuade members not to drain their funds once they are faced with short term shocks or stresses such as offering short term low interest loans against the member(s) balance.

ANNEX 2

KENYA SOCIAL ASSISTANCE PROGRAMME SPENDING (KES)

Inua Jamii ³⁰³		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
CT-OVCP	Government	169,000,000	579,000,000	815,916,000	789,885,416	1,081,429,697	1,094,000,000	2,146,551,562	4,589,878,684	6,969,480,229
	External partners	220,100,052	380,982,938	801,811,741	1,403,969,538	2,283,527,347	3,456,520,563	1,868,351,090	1,903,012,567	1,372,623,110
	Total	389,100,052	959,982,938	1,617,727,741	2,193,854,954	3,364,957,044	4,550,520,563	4,014,902,652	6,492,891,251	8,342,103,339
OPCTP	Government	3,600,000	3,600,000	594,000,000	594,000,000	864,864,000	1,500,000,000	2,560,112,645	5,602,223,299	6,617,612,408
	External partners	0	0	0	0	0	0	0	0	0
	Total	3,600,000	3,600,000	594,000,000	594,000,000	864,864,000	1,500,000,000	2,560,112,645	5,602,223,299	6,617,612,408
PwSD-CTP	Government	0	0	0	0	0	385,000,000	770,000,000	775,686,797	1,120,000,000
	External partners	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	385,000,000	770,000,000	775,686,797	1,120,000,000
UFSP	Government	0	0	0	0	0	178,000,000	288,360,000	0	0
	External partners	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	178,000,000	288,360,000	0	0
HSNP	Government	0	0	0	0	0	0	249,600,000	626,408,791	1,054,771,042
	External partners	29,061,949	326,654,854	696,313,367	1,025,846,171	1,727,628,642	1,578,447,398	984,565,600	3,441,798,502	3,922,459,880

³⁰³OPCT for 2007/08 to 2011/12 is disbursements as recorded in the Single Registry.

CT-OVC government and donor spending 2007/08 to 2011/12 and donor spending 2012/13 from Social Assistance Unit.

HSNP spending before 2013/14 from 2012 Sector Review (awaiting confirmation from HSNP and data for missing years).

Government spending for 2012/13 from Report of the Auditor General on the Financial Statements of Kenya National Safety Net Program, for the year ended 30 June 2014.

Government and donor spending for 2013/14 and 2014/15 from Ministry of Labour and East African Affairs (March 2016), Inua Jamii: Towards a More Effective National Safety Net for Kenya, Progress Report.

Government spending 2015/16 on CT-OVC, PwSD-CT and OPCT from State Department of Social Protection recurrent and development spending documentation.

Government and donor spending 2015/16 for HSNP from HSNP

Donor spending 2015/16 on CT-OVC from Social Assistance Unit.

	Total	29,061,949	326,654,854	696,313,367	1,025,846,171	1,727,628,642	1,578,447,398	1,234,165,600	4,068,207,293	4,977,230,922
SPS total	Government	0	0	0	0	0	0	14,606,440	10,933,734	13,244,073
	External partners	0	0	0	0	0	0	15,679,120	318,391,433	176,163,030
	Total	0	0	0	0	0	0	30,285,560	329,325,167	189,407,103
Total	Government	172,600,000	582,600,000	1,409,916,000	1,383,885,416	1,946,293,697	3,157,000,000	6,029,230,647	11,605,131,305	15,775,107,752
	External partners	249,162,001	707,637,792	1,498,125,108	2,429,815,709	4,011,155,988	5,034,967,961	2,868,595,810	5,663,202,502	5,471,246,020
	Total	421,762,001	1,290,237,792	2,908,041,108	3,813,701,125	5,957,449,685	8,191,967,961	8,897,826,457	17,268,333,807	21,246,353,772
Other social assistance programmes³⁰⁴										
School Feeding	Government	0	0	400,000,000	450,000,000	1,500,000,000	800,000,000	800,000,000	900,000,000	850,000,000
	External partners	960,257,733	1,835,325,517	1,970,582,582	849,379,386	1,855,256,985	1,426,437,030	1,463,227,712	1,495,116,396	659,759,206
	Total	960,257,733	1,835,325,517	2,370,582,582	1,299,379,386	3,355,256,985	2,226,437,030	2,263,227,712	2,395,116,396	1,509,759,206
CFA	Government	0	0	0	0	0	0	0	0	0
	External partners	0	0	0	34,732,094	1,606,863,538	2,305,253,398	2,296,752,647	2,142,883,541	1,140,081,478
	Total	0	0	0	34,732,094	1,606,863,538	2,305,253,398	2,296,752,647	2,142,883,541	1,140,081,478
FFA	Government	0	0	0	0	0	0	0	0	0
	External partners	950,656,554	1,919,252,092	3,214,622,796	2,489,953,052	4,147,430,478	2,372,181,684	1,993,129,653	2,083,482,238	888,712,154
	Total	950,656,554	1,919,252,092	3,214,622,796	2,489,953,052	4,147,430,478	2,372,181,684	1,993,129,653	2,083,482,238	888,712,154
GFD	Government	656,121,348	142,432,526	518,989,033	784,485,679	842,242,840	900,000,000	118,000,000	118,000,000	311,000,000
	External partners	3,011,415,566	5,732,503,172	8,161,191,541	4,688,700,985	8,829,766,575	55,130,123	2,103,449,615	1,460,000,166	693,694,879
	Total	3,667,536,914	5,874,935,698	8,680,180,574	5,473,186,664	9,672,009,414	955,130,123	2,221,449,615	1,578,000,166	1,004,694,879
Total	Government	656,121,348	142,432,526	918,989,033	1,234,485,679	2,342,242,840	1,700,000,000	918,000,000	1,018,000,000	1,161,000,000
	External partners	4,922,329,853	9,487,080,780	13,346,396,919	8,062,765,517	16,439,317,575	6,159,002,235	7,856,559,627	7,181,482,340	3,382,247,717
	Total	5,578,451,201	9,629,513,306	14,265,385,952	9,297,251,196	18,781,560,415	7,859,002,235	8,774,559,627	8,199,482,340	4,543,247,717
Social assistance total		6,000,213,202	10,919,751,099	17,173,427,060	13,110,952,321	24,739,010,100	16,050,970,196	17,672,386,084	25,467,816,147	25,789,601,489

³⁰⁴Government School Feeding programme spending from Ministry of Education. All WFP spending provided by WFP Kenya in USD and converted to KES. GFD government spending figures are from 2012 sector review.

ANNEX 3

SUMMARY OF PROGRESS IN IMPLEMENTING KEY RECOMMENDATIONS FROM THE 2012 NATIONAL SOCIAL PROTECTION POLICY (NSPP)

PROPOSAL	PROGRESS
Long term	
Establish institutions and provide resources needed to provide social assistance to the various target populations; Strengthen and scale-up existing social assistance programmes while widening their geographical and demographic coverage.	A range of key institutions have been established – SDSP, SPS and SAU – and there has been significant scale-up of social assistance programmes, which now cover all areas of the country. However, there is still significant undercoverage of key demographic groups, such as children and persons with disabilities. Older persons, however, will soon have almost universal coverage from age 70 and above.
The Government will also be planning longer-term actions in line with the UN/ILO Social Protection Floor (SPF) Initiative, which guarantees a universal minimum package that adopts a lifecycle approach to social protection. The SPF package consists of the following elements: access to education and essential health services; income security through family or child benefits; unemployment benefits; disability benefits; and income security in old age (through both contributory and non-contributory pensions).	The Social Protection Floor has not been at the forefront of government policy development and significant gaps remain. However, progress has been made in guaranteeing income security in old age, and the universal Inua Jamii Senior Citizens’ programme will be a major step forward in building a Social Protection Floor. There are significant gaps still in terms of child benefits, unemployment benefits and disability benefits.
Exploring the possibility of establishing broader child and/or family benefits.	The possibility of child benefits has been explored in a study led by the SPS – with the support of UNICEF and WFP – on child vulnerability and it has demonstrated that it would be feasible to introduce a child benefit, in particular for young children.
Providing safety nets and conditional transfers to those who remain unsupported and unemployed.	There is still a gap in support to working age adults: coverage of the CFA/FFA has fallen since the policy was introduced.
Establishing employment guarantee schemes for the poorest families.	No progress made.
Introducing targeted subsidies to those unable to contribute to formal insurance schemes.	Subsidies for the NHIF are now given to some recipients of social assistance schemes and will soon be provided to everyone over 70 years.
Strengthen the existing social security regime and establish comprehensive social security arrangements that will extend legal coverage to all workers, whether in the formal or informal sectors, and their dependants.	Limited progress. However, the universal Inua Jamii Senior Citizens’ programme will be a more effective tool for offering workers in both formal and informal sectors a pension. But, it will need to be established in law for it to be considered as legal coverage.

Develop synergies within social security and across the social protection spectrum, by harmonizing benefits where possible and by coordinating and integrating a system of providing multi-pillar retirement schemes, supported by integrated coordinated information systems and reliable contributor and beneficiary databases.	Progress in harmonization has been made across social assistance schemes, but little has been done across social insurance schemes.
Promote the adoption of legislation, policies, and implementing measures aimed at replacing, where appropriate, lump-sum benefit payments with regular payments indexed to the cost of living.	While a law has been passed that will enable the annuitisation of NSSF benefits, it has still to be implemented.
Introducing a universal pension scheme for older persons.	This will be achieved for those aged 70 years and over in January 2018, and the design is already underway.
Introducing an unemployment insurance framework for Kenyans to tide over individual workers during times of unemployment and to re-integrate them into the labour market; maternity benefits (mainly in the form of remuneration) shall be provided through a restructured NSSF.	No progress.
Re-establish the NHIF as a fully-fledged comprehensive national health insurance scheme, which covers all Kenyans, and to which those who can afford it must contribute.	No progress, although the NHIF itself has improved and expanded.
Establish a health insurance regulator to improve standard setting, regulation, and supervision in the health sector.	No progress
Ensure that adequate resources are allocated to social protection in a predictable,	This has been achieved in recent years, but there are no long-term plans in place. However, these will be set out in the NHIF and NSPS, which are soon to be developed.
gradual, and long-term manner.	This has been achieved in recent years, but there are no long-term plans in place. However, these will be set out in the NIF and NSPS, which are soon to be developed.
Shift from budget-financed to a contribution-financed pension scheme for public servants in consultation with the key stakeholders.	Legislation is in place, but implementation has not started.
Establish a Consolidated Social Protection Fund envisaged in Vision 2030 to be administered by the NSPC.	No progress
Medium and short-term objectives	Good progress has been made across social assistance schemes, but much less progress in linking health insurance with the NSSF.
Ensure that the design and implementation of all programmes and development approaches are coordinated, including those within social assistance and between social security and health insurance.	Good progress made across social assistance schemes, but much less progress in linking health insurance with the NSSF.
Children of poor and vulnerable families will enjoy income security at least at the poverty level through family/child transfers aimed at helping them to access nutrition, education, and healthcare.	No substantive progress in developing child transfers.
Conduct periodic reviews of instruments and strategies to reach the poor based on standards agreed upon by stakeholders such as ease of implementation, effectiveness in targeting, cost-effectiveness, and the impact on the welfare and livelihoods of the beneficiaries.	There have been regular reviews of progress, as part of joint reviews of the NSNP. However, studies in recent years on the impacts of social assistance schemes are limited
Determine the appropriate graduation and exit strategies for the different interventions while helping stakeholders to develop standards to be used to assess the appropriateness of these strategies.	Under development.

Provide food for work and targeted subsidies to enable the poor to access basic services such as food and inputs; targeted income support will be provided to the poor and unemployed in active age groups especially through cash-for-work and other labour-intensive programmes.	Food and cash for work have shrunk in size since the NSPP was passed. GFD has been handed over progressively to county governments.
Provide asset rebuilding services such as restocking, access to inputs, and resettlement for rehabilitation purposes.	No coherent progress.
The older people and people with disability will enjoy income security through pensions and transfers granted at least up to the poverty line level.	The OPCT and PwSD-CTs have expanded. But, the PwSD-CT is still very small. The universal Inua Jamii Senior Citizens' programme will enable income security to be provided to the most vulnerable older persons.
Increase public expenditures to support social protection.	Significant progress in increasing public expenditures.
Improve the targeting of social protection beneficiaries.	The Harmonized Targeting Tool has been developed and is being piloted. Stage 4 of the targeting process should be improved but there is no evidence that accuracy will be improved. However, the introduction of the universal Inua Jamii Senior Citizens' programme should significantly enhance the targeting of older persons.
Increase the adequacy of benefits by setting target replacement rates close to minimum social security standards, raising contributions to appropriate levels (having reviewed rates and contributory ceilings), curbing excessive administrative costs, incorporating (where appropriate) the preservation and portability of benefits, and ensuring that adequate returns on investments are passed on to contributors and beneficiaries.	Progress made in curbing excessive administrative schemes within the NSFF and passing on returns to contributors; but still much to be done in other areas.
Determine the most appropriate role to be played by occupational schemes in extending social security coverage to those who can contribute to their own post retirement welfare and security and risk mitigation.	There has been some expansion of contributory retirement schemes for those in the informal economy, but they still provide only lump sums so act more like savings schemes
Periodic rather than lump sum payments should be given to any affected workers who only have employment injury and disease benefits to live on.	No progress.
A national social health insurance scheme will be initiated that will protect both formal and informal sector workers as well as the unemployed from the economic liability of health shocks.	No progress. The focus is still on the NHIF and a broader health insurance scheme has not been introduced.
Establish consolidated Single Registry of Beneficiaries (SRB), for social assistance specifically, to be updated periodically to ensure integrity of the data. Corrections and updates of data will be done at the sub-county, county, and national levels.	Excellent progress in establishing a world-leading Single Registry.

ANNEX 4

OVERVIEW OF M&E REPORTS

Programme	Name of Document	Supported by	Author	Year	Recurring	Available online?
Across programmes	Participation of vulnerable populations in their own programmes – The Cash transfers in Kenya		National Gender and Equality Commission	2014	No	Yes
	Programme implementation and beneficiary satisfaction (PIBS) survey for the Kenya National Safety Net Programme – Cycle 1 report	Ministry of Labour and East African Community Affairs	Promin Consultants Ltd, DIC Development Consulting	2015 (?)	Yes	No
	Transfer Values in Kenya's National Social Security System	World Food Programme	Development Pathways	2016	No	No
NSNP including all other programmes	Technical Assessment of the Kenya National Safety Net Program for Results	World Bank	World Bank	2013	No	Yes
	Aide Memoire – Kenya – Joint Review and Implementation Support Mission for National Safety Net Programme for Results, Cash Transfer for Orphans and Vulnerable Children Project – Additional Financing Credit and TF		Government of Kenya, World Bank, DFID, UNICEF	2013–16	Yes, bi-annually	No
	NSNP bi-monthly report	Government of Kenya	National Social Protection Secretariat	2015	Yes, bi-monthly	No

	National Safety Net Programme Single Registry Audit Report			2015		No
	The National Safety Net Programme (NSNP) Annual Report for the 2015/16 Financial Year			2016 (?)	Yes	No
	Towards a more effective national safety net for Kenya – Progress report	World Bank	Government of Kenya, World Bank	2016	No	Yes
Orphans and Vulnerable Children – Cash Transfer	Aide Memoire – Cash Transfer for Orphans and Vulnerable Children Project – Joint Review and Implementation Support Mission		Government of Kenya, World Bank, DFID, UNICEF	2013	Yes	No
	Child vulnerability and social protection in Kenya	World Food Programme, UNICEF, Government of Kenya	Development Pathways	2016	No	No
Older Persons Cash-Transfer	None					
Persons with serious Disabilities	Guiding Social Protection Benefits: A review of the persons with severe disability Cash transfer.		Concern Worldwide	2015 (?)	No	No, only Brief
HNSP	Kenya Hunger Safety Net Programme - Monitoring and Evaluation Component - Impact Analysis Synthesis Report	UK Aid	Oxford Policy Management, Institute of Development Studies	2012	No	Yes
	Kenya Hunger Safety Net Programme Monitoring and Evaluation Component - Impact Evaluation Final Report: 2009 to 2012	UK Aid	Oxford Policy Management	2013	NO	Yes
	Household Registration and Targeting in the Hunger Safety Net Programme 2	UK Aid	University of Reading	2013	No	Yes

	HSNP Phase II Registration and Targeting - Lessons Learned and Recommendations	UK Aid	Independent consultant	2014	No	Yes
	Mid Term Evaluation of Hunger Safety Net Programme Phase II (2012 – 2017): Social Protection Rights Component	HelpAge International	Bryferd Enterprises	2015	Yes	No
	Assessment of Programme targeting	UK Aid, AusAid	Oxford Policy Management	2016	No	No
	Evaluation of the Kenya Hunger Safety Net Programme Phase 2 - Drought Emergency Scale-up Payments Process Review	UK Aid, AusAid	Oxford Policy Management	2016	No	Yes
	Operational Monitoring Support – Hunger Safety Net Programme – Phase 2 Evaluations	UK Aid	Oxford Policy Management	2016	Yes, quarterly	No
School Feeding	WFP's School Feeding Policy: a Policy Evaluation	WFP	Mokoro Ltd	2011	No	Yes
	External Evaluation of WFP's Cash Transfers to Schools Pilot Project	WFP, Canada	Independent consultants	2015	No	Yes
	External Evaluation of Kenya's Home Grown School Meals Programme 2009-2013	WFP	Independent consultants	2014	No	No
	A Mid-Term Evaluation of WFP's USDA McGovern-Dole International Food for Education and Child Nutrition Program's Support (2013- 2015) in Kenya from September 2013 to December 2014	WFP	Kimetrica	2015	No	Yes
Cash for Assets (WFP)	Cash for Assets - World Food Programme's Exploration of the In-Kind to E-Payments Shift for Food Assistance in Kenya	Consultative Group to Assist the Poor (CGAP), DFID	Bankable Frontier Associates	2013	No	Yes

	Kenya Food Security and Outcome monitoring (FSOM)	WFP	WFP	2014–15	Yes, tri-annually	Yes
	Decentralised Evaluation - An Evaluation of WFP's Asset Creation Programme in Kenya's Arid and Semi-arid Areas 2009 to 2015	WFP	Mokoro Ltd	2016	No	Yes
	Assessment of the geographical and community-based targeting of WFP's Cash and Food for Assets programme in Kenya	WFP	Development Pathways	2016	No	No
NHIF	NHIF Strategic Review & Market Assessment of Pre-paid Health Schemes - Measuring up	IFC	Deloitte	2011	No	Yes
	Report of the Auditor-General on the Financial Statements of National Hospital Insurance Fund For the year ended 30 June 2012	Government of Kenya	Auditor General	2012	No	Yes
NSSF	NSSF Annual Report 2013/2014	Government of Kenya	NSSF	2012–14	Yes	Yes

ANNEX 5

CORRELATION BETWEEN COVERAGE OF SOCIAL ASSISTANCE PROGRAMMES AND MEASURES OF POVERTY AND VULNERABILITY AT COUNTY LEVEL

To explore the drivers of the geographic coverage of the main programmes in Kenya, analysis was carried out of the relationship between social protection coverage and a range of other socio-economic variables at the county level, using a combination of data from the Single Registry, KDHS 2014, 2015/16 KIHBS. The programmes included in the calculations are: CT-OVC, OPCT, PwSD, HSNP and CFA. The regression and correlation analysis was carried out with the following indicators:

- Demographic indicators: population size, number of households;
- Poverty indicators: households below the official poverty line; the poverty gap; the severity of poverty; and households in the bottom two wealth quintiles based on the DHS asset index;
- Food and nutrition security indicators: acute malnourished children (wasting); chronically malnourished children (stunting); and households reporting a lack of food or money to buy food.

Table A5.1 provides summary statistics of the strength of the correlation between the coverage rate of social assistance programmes and the ten indicators at county level. Figures A5.1 to A5.10 provide the scatter plots, in which county appears as a blue dot fixed by the value of both variables. The scatter plots also show the least-squared regression line (and its 95 per cent confidence interval) and the R-squared (R²) value, which is the percentage of variation in coverage that is explained by the measure of poverty or vulnerability under consideration.

Table A5.1: Summary statistics of the correlation between geographic coverage and indicators of poverty and vulnerability at the count level

	Correlation	p-value
Prevalence of wasting among under-fives	0.84	0.0000
Percentage of HH below povline	0.77	0.0000
Percentage of HH in bottom two wealth quintiles	0.69	0.0002
Average poverty gap	0.79	0.0000
Number of HH below povline	0.62	0.0001
Average poverty severity	0.77	0.0000
Percentage of HH reporting lack of food or money to buy food	0.50	0.0004
Population size	0.25	0.0888
Prevalence of stunting among under-fives	0.24	0.1089
Number of households	0.15	0.3261

Overall, the geographic coverage of social assistance programmes is strongly correlated with relative measures of poverty and acute malnutrition across counties nationwide. There is a very strong positive correlation with the prevalence of poverty ($|r| > 0.7$) and levels of acute child malnutrition ($|r| > 0.8$) and a strong correlation ($|r| > 0.7$) with the share of households falling in the bottom two wealth quintiles and the average poverty gap that is statistically highly significant ($p < 0.001$). In fact, between 50 to 70 per cent of the variation in coverage rates between counties can be explained by differences in these four indicators. The correlations with the other indicators are only moderate or low.

Figure A5.1: Scatter plot of the relationship between geographic coverage and population size at the county level

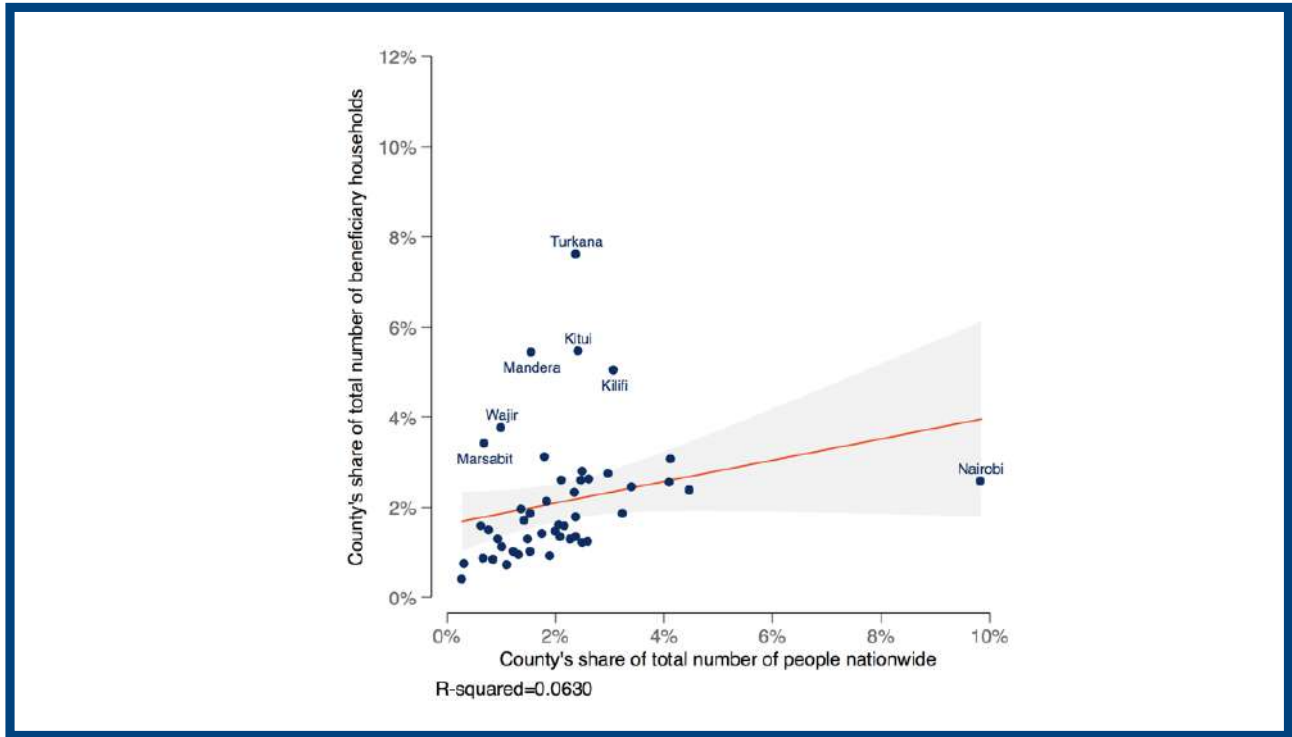


Figure A5.2: Scatter plot of the relationship between geographic coverage and number of households at the county level

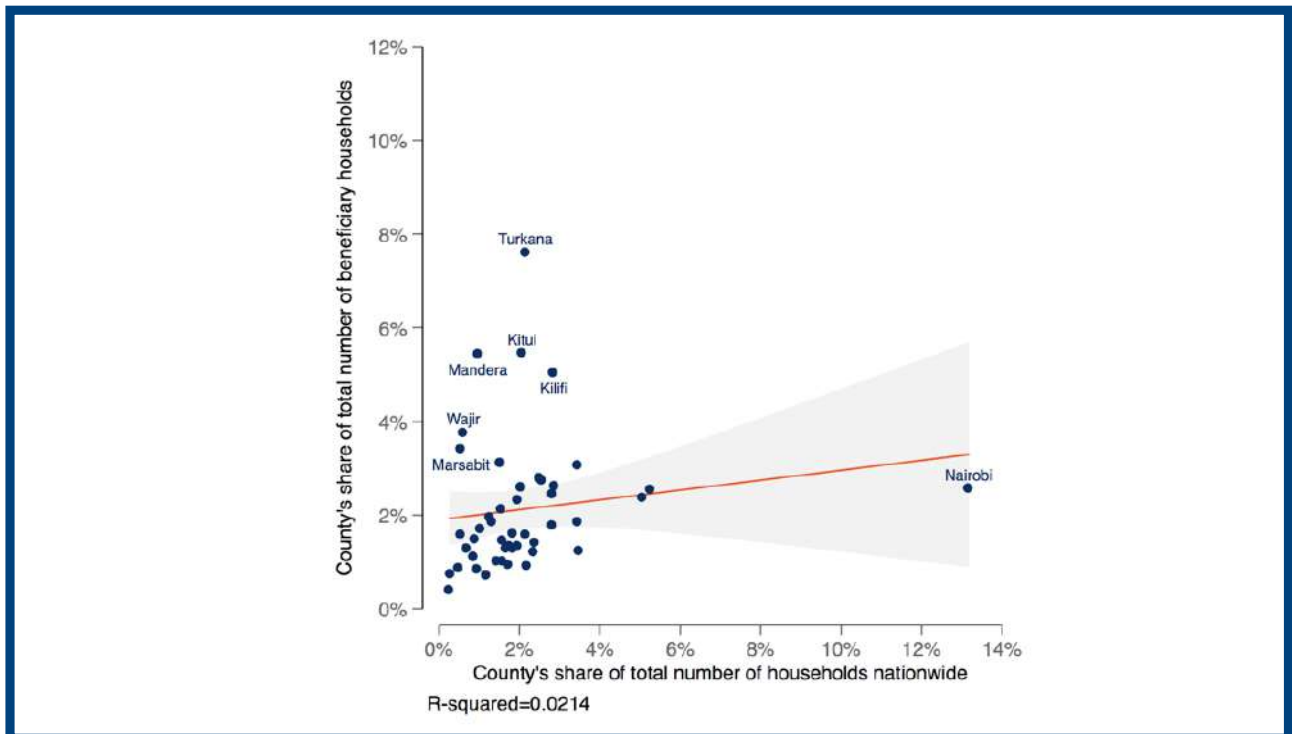


Figure A5.3: Scatter plot of relationship between geographical coverage and poverty rate (P0) at county level

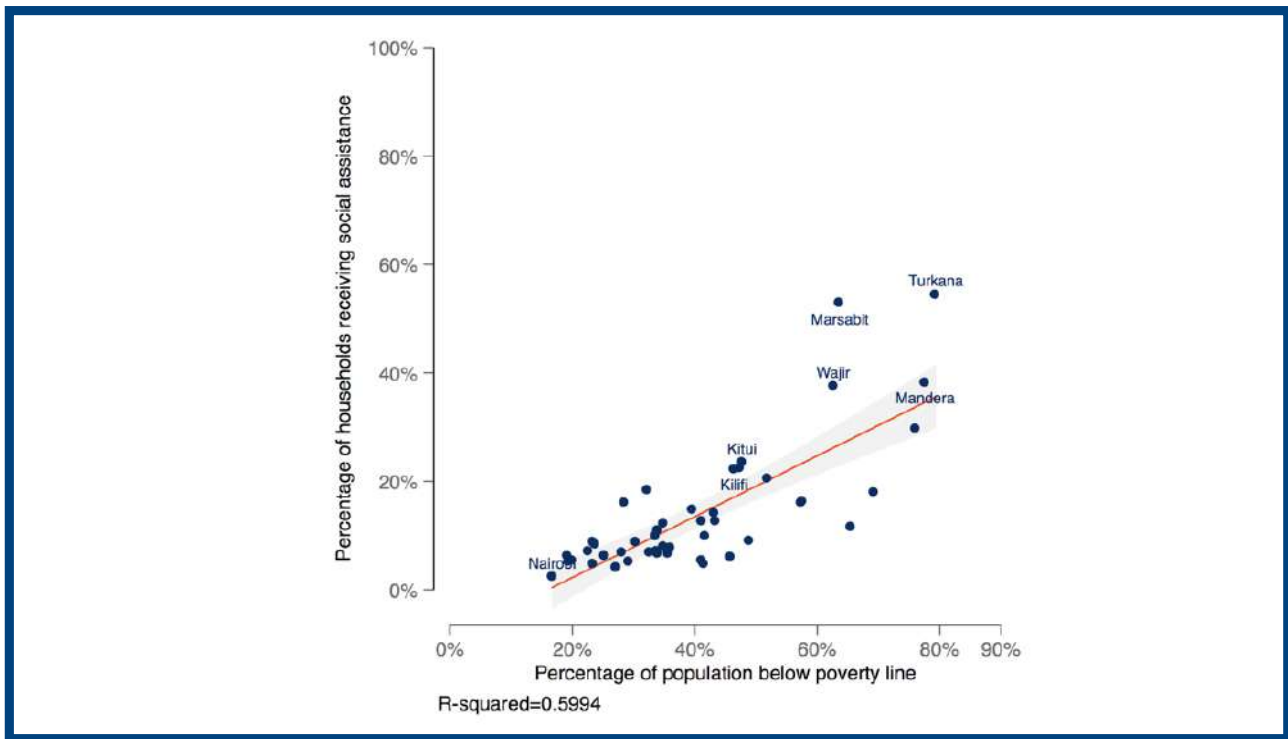


Figure A5.4: Scatter plot of the relationship between geographic coverage and the poverty gap (P1) at the county level

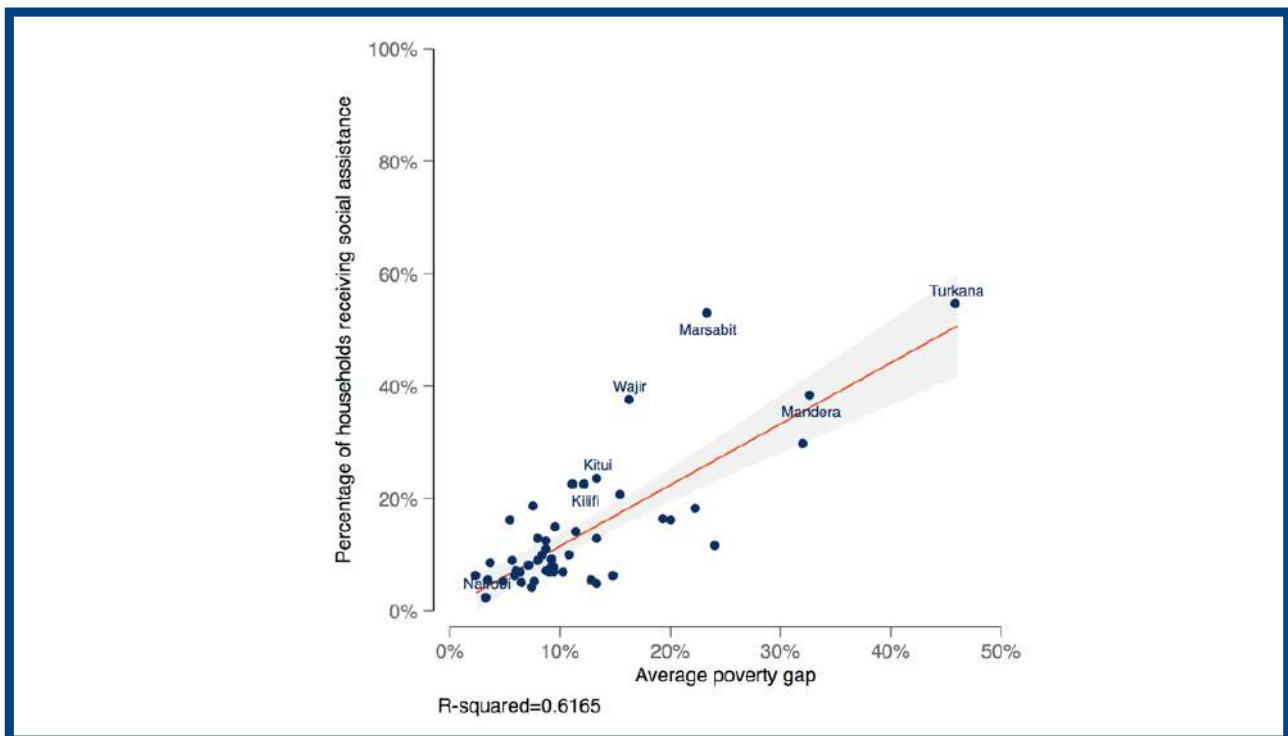


Figure A5.5: Scatter plot of the relationship between geographic coverage and poverty severity (P2) at the county level

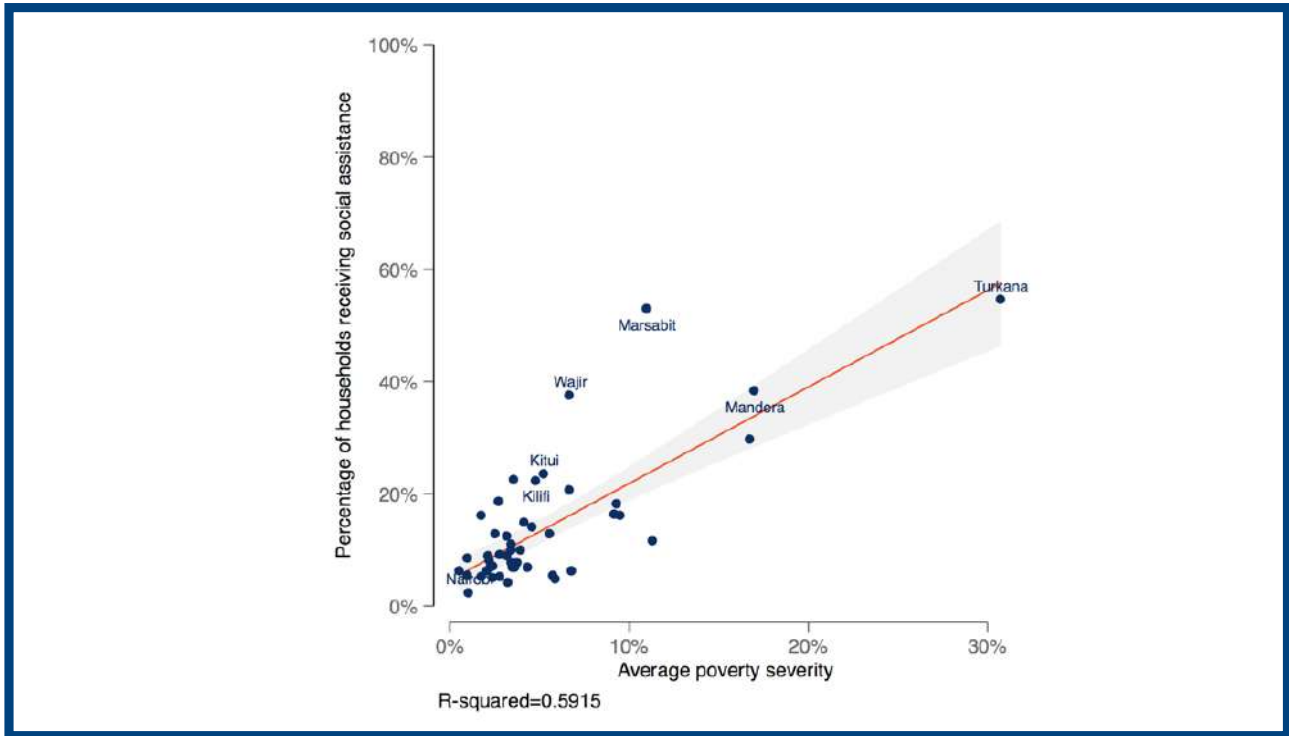


Figure A5.6: Scatter plot of the relationship between geographic coverage and the number of households below the poverty line at the county level

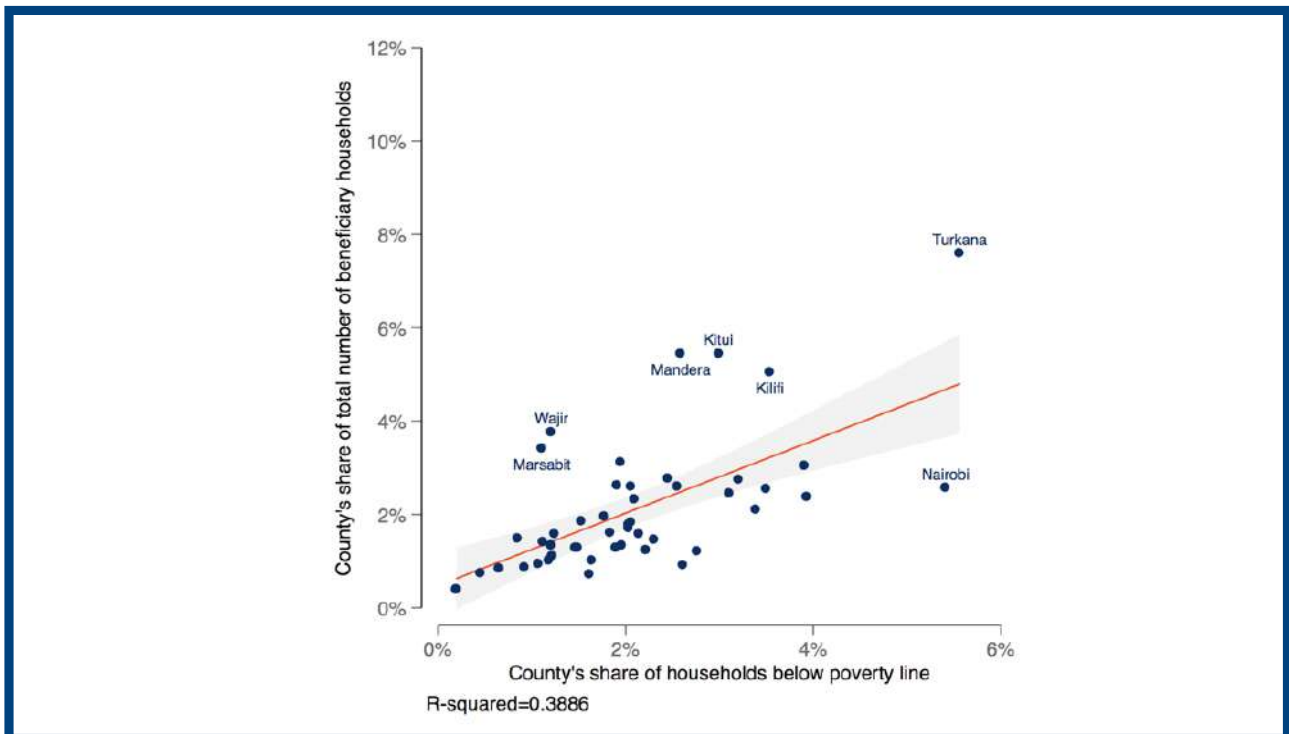


Figure A5.7: Scatter plot of relationship between geographical coverage and share of households in bottom two wealth quintiles, according to DHS asset index, at county level

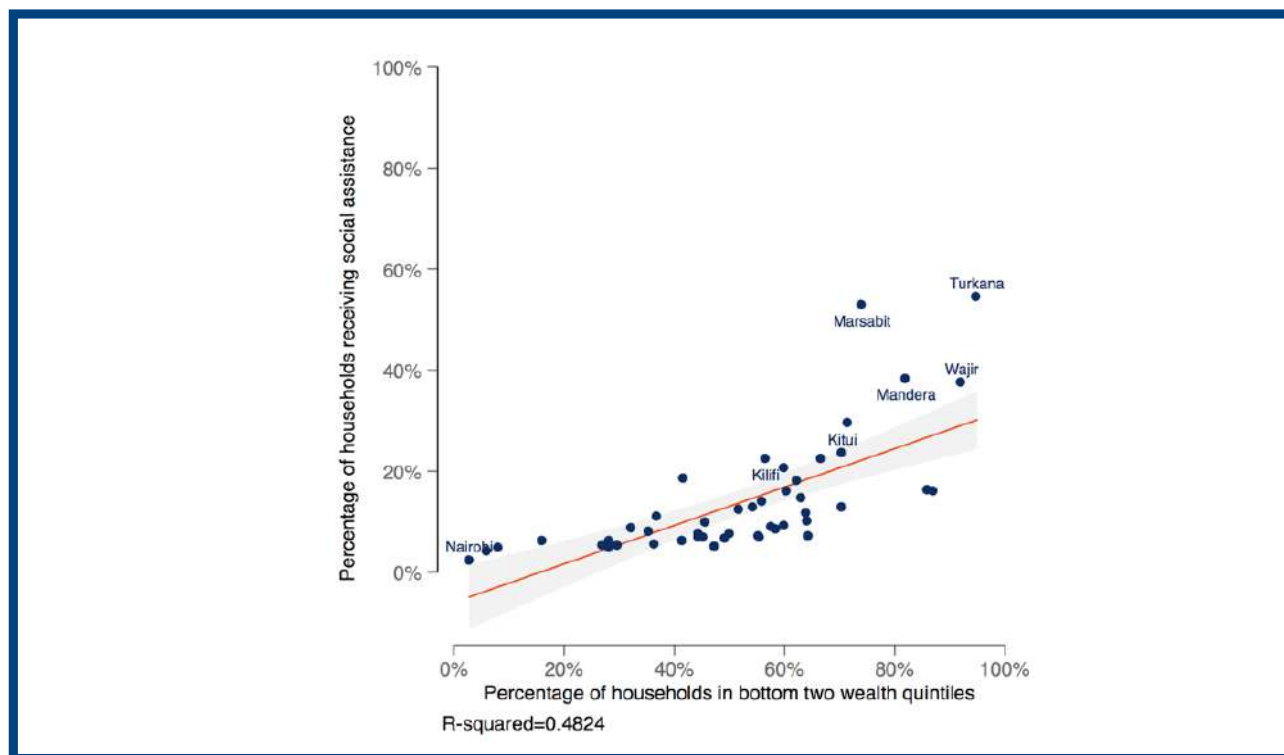


Figure A5.8: Scatter plot of relationship between geographical coverage and prevalence of wasting at county level

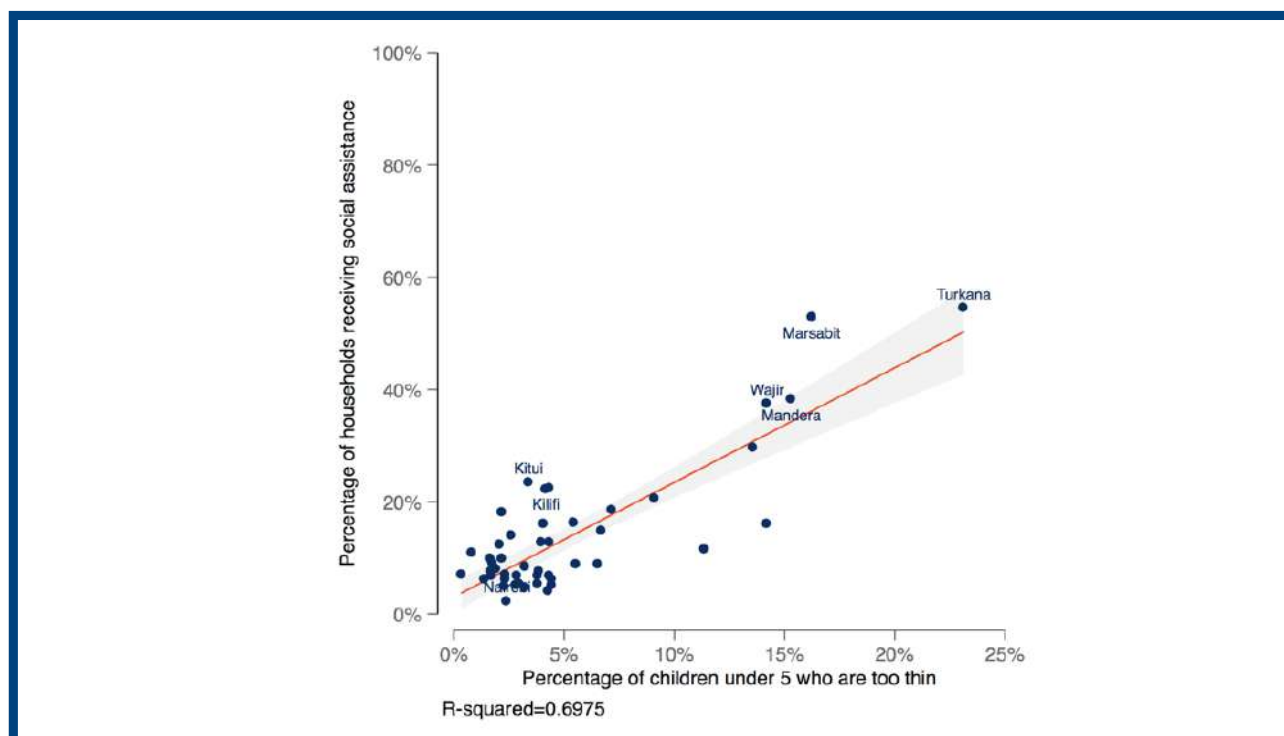


Figure A5.9: Scatter plot of relationship between geographical coverage and prevalence of stunting at county level

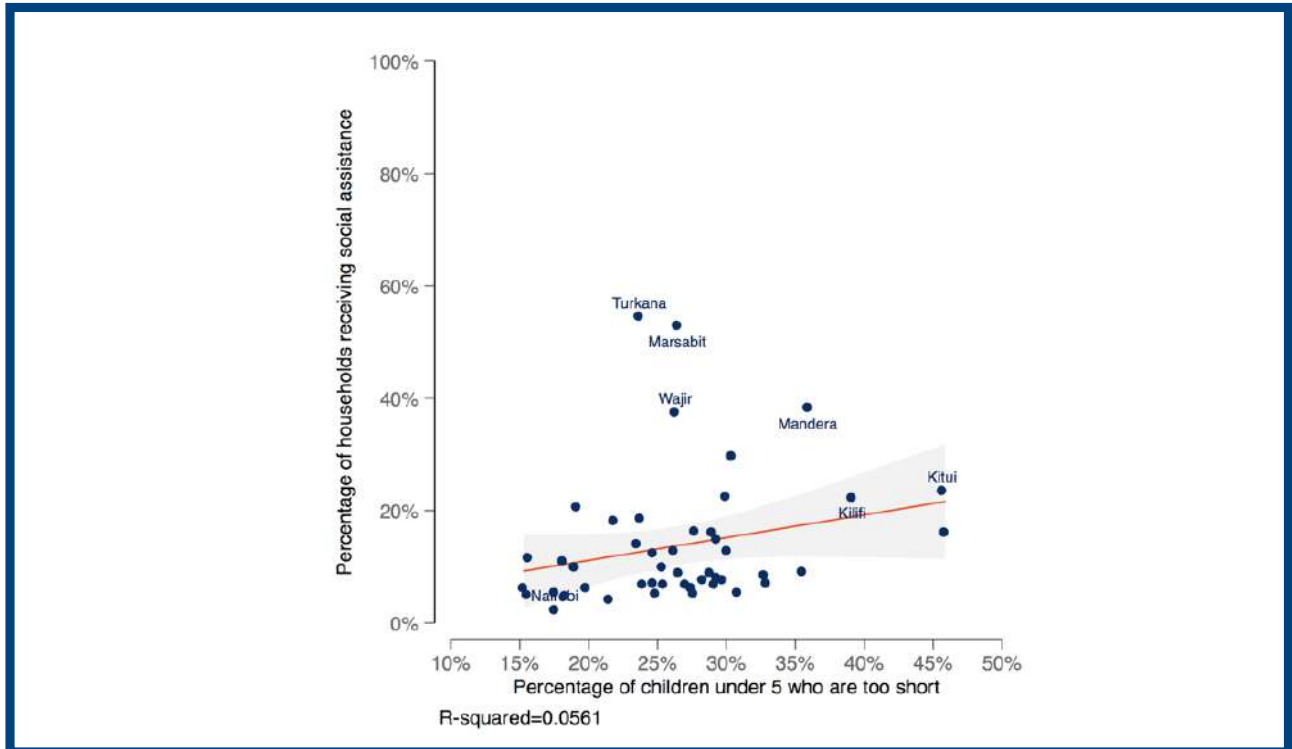
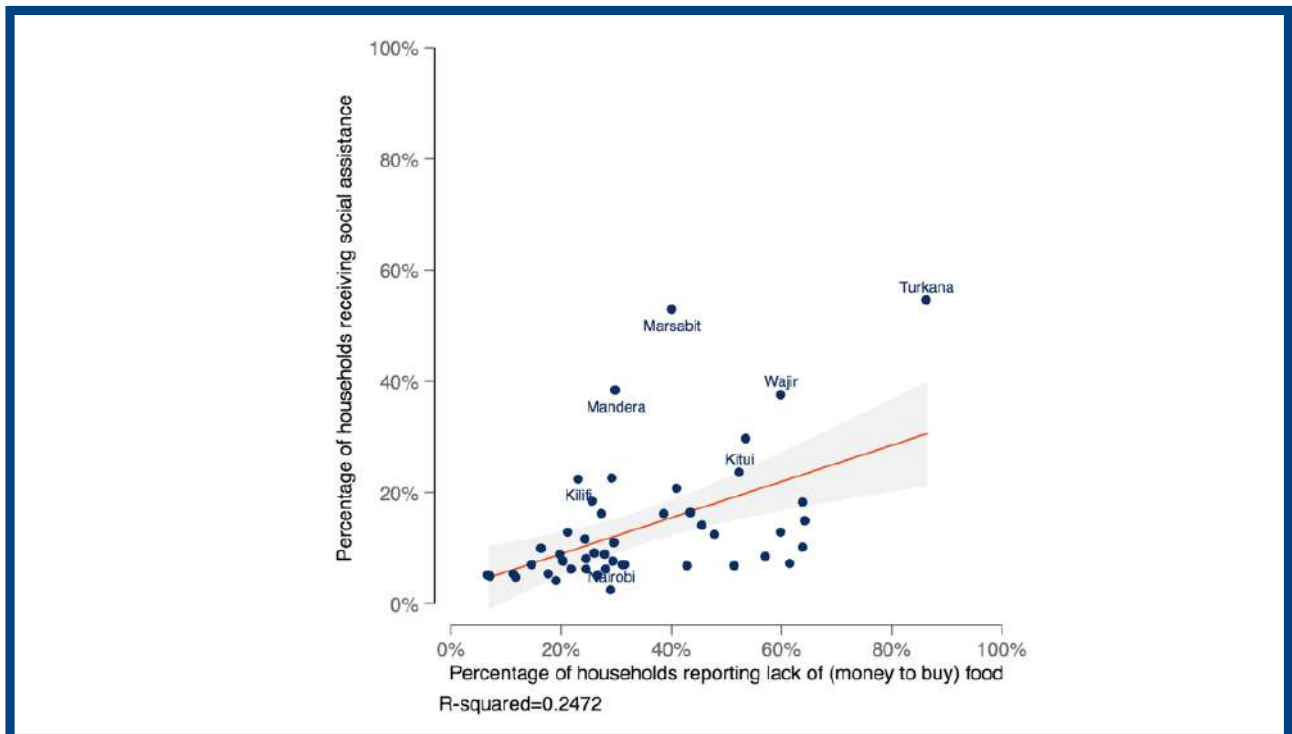


Figure A5.10: Scatter plot of relationship between geographical coverage and percentage of households reporting a lack of (money to buy) food at county level



ANNEX 6

LIST OF CONSULTATIONS

NAME	INSTITUTION	TITLE
Dr. Jane Kiringai	World Bank	Senior Economist
Christine Achieng Awiti	World Bank	Economist, Macroeconomics and Fiscal Management
Daniel Marks	DFID	Economist, Accountability & Results Team
Liz Drake	DFID	Snr Poverty, Hunger and Vulnerability Adviser
Anthony Njage	DFID	Senior Programme Officer, Poverty, Hunger and Vulnerability Team
Armando Morales	IMF	Resident Representative, African Department
James Maina	IMF	Economist
John Gachigi	SPS	Deputy Head of Department
Grace Bruno	SPS	Economist, M&E Department
Cecelia Mbaka	SPS	Head of Department
Stefanie Bitengo	SPS	Coordinator, Research, M&E
Charity Muriuki	MEACLSP	Head of Accounting
Peninah Njugunah	MEACLSP	Finance Department
Dr. Lydia Muriuki	MEACLSP	Secretary of Social Development
Stephen Cheruiyot	MoH, Policy, Planning and Health Financing Division	Economist
Josephine Muriuki	MoEACLSP	Social Development Department
Flavio Braidotti	Kimetrica International	Head of Training and Advisory Service
Elizabeth Kamau	Kimetrica International	Business Analyst
Mr. Sunya Orre	NDMA	Director of Technical Services
Naseer Khan	HSNP	Operations Manager
Winnie Mwasiaji	MEACLSP	Senior Assistant Director
Eng. Jasper Nkanya	Ministry of Agriculture, Livestock and Fisheries	Chief Agricultural Engineer
Paul Mwongera	Ministry of Education	Deputy Director, Basic Education

Boniface Ouko	Ministry of Education	Senior Education Officer
Kenyatta Maitha	HelpAge International	Kenya Country Director
George Kamau	HelpAge International	HSNP SPR Programme Manager
Evans Ombui	NSSF	Regional Manager
Richard Rori	NSSF	Public Relations Officer
Lazarus Keizi	RBA	Economist
Hellen Magutu Amakobe	ILO	Focal Point, HIV and AIDS/Social Protection
Simon Mwangi	WFP	Programme Support
Sidney Achia	SAU	MIS and Payments, SAU
Charles Songok	WFP	Programme Policy Officer
Francis Muteti	Treasury	Principal Economist
Fardosa Abdi	NHIF	Ag. Manager Program and Scheme
Allan Waititu	Equity Bank	Director, Special Projects
Saralyn Githinji	Equity Bank	Project Manager
Boniface Ichwaa	Equity Bank	Project Manager
Samuel Obara	APSP	Programme Manager
Helen Mudora	APSP	Programme Agent
Etsuko Teranishi Inoue	IOM	Programme Manager
David Lukiri	IOM	Regional Advisor
Plounne Oyunge	FSD Kenya	Programme Manager
Milkah Chebii	FSD Kenya/Seconded to SPS	Economist
Dr. Eldah Onsomu	KIPPRA	Head, Social Sector Division
Consolata Kassan	SAU	Targeting
Franklin Makhulu	SAU	MIS and Payments
Martin Kariuki	SAU	C&G
Lilian Karinga	SAU	C&G
Peterson Ndigwa	SAU	Targeting
Isabella Samora Tabu	SAU	Targeting
Andrew Too	SAU	Targeting
Sidney Achia	SAU	MIS and Payments
Dr. Sam Nyaoke	Kenya Commercial Bank (KCB)	Head, Transactional Banking and Cash Management
Dennis Olola	Kenya Commercial Bank (KCB)	Corporate Relationship Manager
Tina Mungutana	Social Development Department	Social Development Officer
Rosabel Githinji	NCPWD	Programme Manager
Mohamed Hussein Gabbow	NCPWD	Executive Director
Ric Goodman	HSNP	Team Leader
Peter Thirikwa	HSNP	MIS Specialist
Daniel Musembi	MoEACLSP	Children's Services
Vincent Matioli	State Department for Special Programmes, MoDP	Deputy Secretary, Relief and Rehabilitation
Josephine Mwangi	Embassy of Sweden	Programme Manager
Mary Mertens	USAID	Regional Food for Peace Advisor
George Kamau	Helpage International	Manager, Hunger Safety Net Programme

Jeniffer Wasianga	USAID	OVC Specialist
Gregg Wertz	USAID	Senior Youth and Workforce Development Adviser
Solomon Ngari	DFAT	Senior Program Manager
Grace Nyarango	National Treasury	Pensions Department
Alice kwamboka	National Treasury	Pensions Department
Michael Obonyo	Treasury, Pensions Department	Public Relations Officer

ANNEX 7

LIST OF CONSULTANTS INVOLVED IN THE SECTOR REVIEW

Consultant	Position
Stephen Kidd	Team Leader and Senior Social Protection Specialist
Matthew Greenslade	Senior Economist and Social Protection Specialist
Bjorn Gelders	Senior Economist and Social Protection Specialist
Alexandra Barrantes	Senior Social Protection Specialist
Richard Chirchir	Senior MIS Specialist
John Woodall	Senior Social Insurance Specialist
Krystle Kabare	Social Protection Specialist
Dilola Bailey-Athias	Economist
Anh Tran	Researcher
Heiner Salomon	Researcher
Anthony Land	Facilitator

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All correspondence should be addressed to:

The Principal Secretary, State Department for Social Protection
Social Security House, Eastern Wing, Block 'A', 6th Floor
Bishops Road
P.O. Box 40326 – 00100
Nairobi, Kenya
Email: ps@socialprotection.go.ke/info@socialprotection.go.ke

