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KENYA SOCIAL PROTECTION SECTOR REVIEW

JUNE 2012

KENYA VISION 2030

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Abbreviations and Acronyms

AE	Adult Equivalent
AGM	Annual General Meeting
AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
ALRMP	Arid Lands Resource Management Project
ASAL	Arid and Semi-arid Lands
ATM	Automated Teller Machine
CBO	Community-based Organisation
CBT	Community-based Targeting
CFW	Cash for Work
CP	Country Programme
CPI	Consumer Price Index
CS	Civil Service
CSO	Civil Society Organisation
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
DFID	Department for International Development
DHS	Demographic and Health Survey
DP	Development Partner
DR	Dependency Ratio
EAC	East African Community
EFT	Electronic Funds Transfer
EMOP	Emergency Operation
ERS	Economic Recovery Strategy
ESC	Economic, Social, and Cultural (Rights)
EWS	Early Warning Signal
FAO	Food and Agriculture Organisation
FBO	Faith-based Organisation
FFA	Food for Assets
FRA	Fiduciary Risk Assessment
GDP	Gross Domestic Product
GFD	General Food Distribution
GNP	Gross National Product
GoK	Government of Kenya
HGSM	Home Grown School Meals
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HSNP	Hunger Safety Net Programme
IA	Implementing Agency

ID	Identification
ILO	International Labour Organisation
IPC	Integrated Phase Classification
JICA	Japan International Cooperation Agency
KENAO	Kenya National Audit Office
KFSM	Kenya Food Security Meeting
KFSSG	Kenya Food Security Steering Group
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
KPIA	Kenya Poverty and Inequality Assessment
KRA	Kenya Revenue Authority
KYC	Know Your Customer
LSMS	Living Standards Measurement Survey
LOC	Location OVC Committees
M&E	Monitoring and Evaluation
MANGO	Management Accounting for Non-governmental Organisations
MCHN	Mother and Child Health and Nutrition
MDA	Ministries, Departments, and Agencies
MDG	Millennium Development Goal
MGCSD	Ministry of Gender, Children, and Social Development
MIS	Management Information System
MNO	Mobile Network Operator
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoMS	Ministry of Medical Services
MoNKL	Ministry of Northern Kenya and Other Arid Lands
MP	Member of Parliament
MTP	Medium-term Plan
MTR	Mid-term Report
MVC	Most Vulnerable Child
NAAIAP	National Accelerated Agricultural Input Access Programme
NACC	National Aids Control Council
NGO	Non-governmental Organisation
NHIF	National Hospital Insurance Fund
NIMES	National Integrated M&E Systems
NMK	*Njaa Marufuku* Kenya (“Kick out Hunger”)
NSA	Non-state Actor

NSPP	National Social Protection Policy
NSSF	National Social Security Fund
OBA	Output-based Aid
OECD	Organisation for Economic Cooperation and Development
OPCT	Older Persons Cash Transfer (Programme)
OPM	Oxford Policy Management
OVC	Orphans and Vulnerable Children
PCK	Postal Corporation of Kenya
PCRR	Programme Charter of Rights and Responsibilities
PDA	Personal Digital Assistant
PDM	Post-distribution Monitoring
PIN	Personal Identification Number
PLWHA	People Living with HIV/AIDS
PMT	Proxy Means Test
POS	Point of Sale
PPP	Purchasing Power Parity
PRRO	Protracted Relief and Recovery Operation
PRSP	Poverty Reduction Strategy Paper
PSP	Payment Service Provider
PWD	Persons Living with Disability
RBA	Retirement Benefit Authority
RHOBA	Reproductive Health–Output-based Aid
ROI	Return on Investment
SAGA	Semi-autonomous Government Agency
SFP	School Feeding Programme
SHI	Social Health Insurance
SMS	Short Messaging Service
SP	Social Protection
SPF	Social Policy Framework
SPR	Standard Project Report
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United Sates Agency for International Development
WFP	World Food Programme

Foreword

Since independence nearly forty years ago, the Government of Kenya has endeavoured to reduce levels of poverty and vulnerability among its people, as reflected in its development policies and plans. In August 2010, the people of Kenya adopted a new Constitution, which contains the Government's commitments to provide for vulnerable populations that are unable to meet their basic needs, including women, children, older persons and the youth. Similarly, the country's main development strategy, Kenya Vision 2030, contends that no society can gain social cohesion if significant sections of the population live in abject poverty. Reducing vulnerability and poverty is a key element of many social policies across government ministries in Kenya.

Increasingly, evidence shows that social protection instruments are effective in addressing poverty, vulnerability and risk. Kenya has been implementing various social protection programmes, but these programmes have been limited in scope and coverage. They have also been implemented by various ministries, agencies and development partners, which has often led to coordination challenges. As discussed in this report, the coverage and levels of investment in these programmes has increased in the recent past, but still remains well below the level of need in the country. Its varied implementation structures make it difficult to develop a comprehensive view of the state of social protection as a sector in Kenya.

Social protection is at an important juncture in Kenya. A National Social Protection Policy was drafted in 2011. It provides a framework to guide the design, implementation and national oversight of social protection programmes in the country. The second Mid Term Plan is currently being drafted and similarly, reforms have been initiated in key contributory schemes. In the civil service pension, the National Hospital Insurance Fund and the National Social Security Fund, strategies to expand coverage and improve governance systems and practices are being developed.

Despite these initiatives, understanding of the sector has been incomplete because there has been lack of a comprehensive analysis of how social protection programmes are addressing the vulnerability of the population across the lifecycle, as existing reviews have been focusing on safety nets or contributory schemes and not the sector as a whole. This Sector Review provides a detailed view of the social protection sector in Kenya, by analysing social security, social assistance and social health insurance programmes. It provides recent data on the amount of resources government and development partners spend on social protection and indeed to what extent these programmes reach the poor and vulnerable. In addition, the report provides an insight into the operations of these programmes, looking at how beneficiaries are selected, what measures are in place to ensure accountability, efficiency and effectiveness and how the performance of these programmes is monitored and evaluated. Importantly, the report provides a long term view of social protection in Kenya as well as how sustainability can be assured. The recommendations arising from this review are important and timely and will inform continued reform agenda for the sector.

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A Technical Committee drawn from various line ministries and representatives from academia, development partners, and civil society organisations guided the review process. A full list of the Technical Committee members can be found in Annex 5 of this report. Mr. Stephen Wainaina, Economic Planning Secretary at the Ministry of State for Planning, National Development, and Vision 2030, chaired the Technical Committee. Dr. Wainaina Gituro, Director of the Social and Political Pillar of Vision 2030 Delivery Secretariat, and Mr. Moses Ogola, Director for Economic Planning (Ministry of State for Planning, National Development, and Vision 2030), supported Mr. Wainaina and co-chaired the Technical Committee. Ms. Naomi Cheboi and Mr. Douglas Manyara (Ministry of State for Planning, National Development, and Vision 2030) provided support during the Technical Committee meetings.

The review was overseen by a Steering Committee of Permanent Secretaries from ministries involved in social protection including: Agriculture; Labour; Education; Gender, Children, and Social Development; Public Health and Sanitation; Medical Services; Special Programmes; Finance; and Northern Kenya and Other Arid Lands. Dr. Edward Sambili (CBS), the Permanent Secretary of the Ministry of State for Planning, National Development, and Vision 2030, chaired the Steering Committee.

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Executive Summary

The Context for Social Protection in Kenya

There is now broad consensus among policy makers that social protection is a powerful way to fight poverty and promote inclusive growth. This international consensus is most clearly articulated in the African Union's Social Policy Framework (SPF), which was endorsed by all African heads of state in 2009. The SPF explains that social protection includes "social security measures and furthering income security; and also the pursuit of an integrated policy approach that has a strong developmental focus, such as job creation..." The SPF commits governments to progressively realizing a minimum package of basic social protection that covers: essential health care and benefits for children, informal workers, the unemployed, the elderly, and people with disabilities. This approach is echoed in the United Nation's Social Protection Floor Initiative. Across Africa, social protection has become a mainstay in poverty reduction strategies and many countries have developed a social protection strategy.

These policy advances have been accompanied by increasing investments in social protection programmes in Africa. Governments (sometimes with support from development partners) have been investing in social protection programmes that have demonstrated a range of results. There is growing interest across Africa in safety nets, as a means of providing predictable social assistance to poor and vulnerable populations. The most popular safety nets are social cash transfers and public works. At the same time, many African countries are reforming their pension systems to provide greater protection against poverty in old age. For example, a number of countries (including Cape Verde, Ghana, Nigeria, Sierra Leone, and Zambia) have consolidated various formal schemes into one that covers all formal sector workers. African countries are also exploring means of extending health insurance across the population. Rwanda has achieved near universal coverage using community-based health insurance and targeted subsidies. Ghana is also making gains using a model based on social health insurance.

Evaluations of these programmes, including in Kenya, show that social protection directly reduces chronic poverty and vulnerability. In Kenya, an evaluation of the cash transfer programme for Orphans and Vulnerable Children (CT-OVC) found a significant impact on consumption, school enrolment, and health outcomes, with households using programme transfers primarily for food- and health-related spending. There has also been a modest impact on household productive assets. Similar results were reported for Kenya's Urban Food Subsidy programme and Food for Assets programme. Additionally, the CT-OVC programme appears to be having significant effects on the local economy, beyond the immediate impacts on programme beneficiaries, as the programme stimulates demand for locally produced goods and services. These impacts are leading to lower poverty rates among participating households, with potentially significant impacts on national poverty rates. In Rwanda, the government has attributed the decline in poverty from 57 percent in 2006 to 45 percent in 2011 to the Vision 2020 *Umurenge* Programme of public works and cash transfers, along with two other key development programmes.

Kenya has a long history of investing in social protection. Social protection in Kenya is defined 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 health care, social security, and social assistance."* However, the coverage of its social insurance schemes and safety net programmes has tended to be low and their effectiveness limited. The main form of safety net support offered to poor and vulnerable populations has been humanitarian relief (often in the form of food aid), which had been mobilized by the government and the international community in response to crises, such as drought and floods. In many parts of the country, most notably Turkana and other Arid and Semi-Arid Lands (ASAL), this type of response has become common, with emergency food relief being provided to poor populations on an annual basis. This suggests that this instrument had evolved into a regular response to chronic poverty and food insecurity. Concurrently, the long established National Health Insurance Fund (NHIF) and National Social Security Fund (NSSF) have provided coverage exclusively to formal sector workers, representing 8 percent of the population.

Despite these investments, together with a broad range of initiatives to promote poverty reduction and economic growth, poverty and vulnerability remain high in Kenya. In 2005/06 the rate of poverty was 47 percent, although poverty rates were markedly higher in rural (50 percent) as compared with urban areas (34 percent) and varied across provinces from a high of 74 percent in North Eastern to a low of 22 percent in Nairobi. Simulations show that in 2009 rates of poverty also tended to be higher among households with Orphans and Vulnerable Children (OVC) (54 percent), older people (53 percent), and people with disabilities (63 percent for children with disabilities and 53 percent for adults) than among the general population. Moreover, households living in ASALs or those living in communities with insufficient entrepreneurial activity and job creation have been found to be more vulnerable to poverty. Household size, household composition, human capital and other productive assets, and main sector of activity of the head of household have also been found to determine vulnerability to poverty. Such vulnerability is further illustrated by the fact that households in Kenya report experiencing a range of shocks that negatively impact on household well-being. Households use various coping mechanisms to respond to these shocks, although poor households often engage in activities, such as selling off assets, that have long-term negative implications for their well-being. This persistent poverty highlights the fact that social protection can play an important role in efforts to reduce poverty and promote human development in Kenya.

Current Social Protection Landscape in Kenya

From 2005 to 2010, social protection expenditure in Kenya rose from Ksh 33.4 billion to 57.1 billion, which was equivalent to 2.28 percent of Gross Domestic Product (GDP) in 2010. This overall growth in social protection spending was due to increases across the contributory programmes, the civil service pension, and safety nets. Spending on contributory programmes rose by roughly 53 percent between 2005 and 2010 as a result of increasing benefits being paid as membership numbers have risen, and, for the NHIF, higher benefits paid and greater operational costs; by 2010 this amounted to 0.48 percent of GDP. Similarly, the civil service pension expenditure increased yearly, which resulted in an overall increase of 70 percent between 2005 and 2010. By 2010, expenditure on the civil service pension was equivalent to 1 percent of GDP. At the same time, spending on safety nets doubled, rising from Ksh 11.9 billion in 2005 to Ksh 20.5 billion in 2010, which was equivalent to 0.80 percent of GDP. This was largely due to the relief and recovery response to the drought in 2008 and a rapid increase in spending on social cash transfer programmes from 2009. Overall, the average spending on the General Food Distribution (GFD) programme, which is classified as relief and recovery, amounted to 53.2 percent of all safety net spending between 2005 and 2010.

The government is the largest source of financing to social protection in Kenya (55 percent), followed by financing support from development partners (22 percent) and members of contributory schemes (22 percent). These sources of financing are segmented across the sector, however. Firstly, 88 percent of total government spending on social protection was channeled to the civil service pension, whereas the remaining government financing was allocated to safety nets, and within this, increasingly to social cash transfers. Secondly, development partner (bilateral and multilateral) funding was allocated entirely to safety nets, the majority of which went to relief and recovery programmes. As a result, safety nets have been largely financed by development partners (71 percent).

Increasing investments in social protection have resulted in growing coverage among the population. On average, these programmes (both contributory and safety net) covered 13 percent of the population annually during this six-year period, indicating a growing trend among contributory schemes (134 percent) and safety nets (35 percent). By the end of 2010, safety nets covered almost 14 percent of the population and, in spite of rapid growth, contributory schemes covered an estimated 1 percent.

Operationally, there have been a number of important advancements in the sector. Safety net programmes tend to be well targeted to poor counties and locations. However, the relative share of safety net beneficiaries in each programme location does not appear to be based on poverty rates. Safety net programmes currently use a range of methods to identify those households that meet the entrance criteria and thus are eligible to participate in the programme. Many programmes are assessing the effectiveness of these approaches. In the absence of rigorous comparisons between these methods, this review carried out simulations to estimate the relative effectiveness of the three most common targeting methods (categorical, community-based (CBT), and proxy means test (PMT)) in identifying poor households. The results suggest that CBT and targeting using PMT are somewhat more likely to reach poor households. Categorical targeting, on the other hand, can be easier for communities to understand and less costly in terms of the data requirements. Similarly, communities have expressed concerns with targeting that uses a PMT, equating the experience of being selected into the programme with luck or an act of God.

Social protection programmes are increasingly leveraging advances in information communication technology (ICT) to enhance efficiency and overall programme performance. A number of safety net programmes are using, or are looking to use, the agency banking network and smart card technology to make transfers to beneficiaries. This will significantly improve fiduciary oversight of the payment process. Others are experimenting with the use of mobile money (such as *M-Pesa*), which eliminates many of the costs that beneficiaries incur when collecting their payments. Contributory schemes are similarly looking to capitalize on these advances in order to streamline aspects of their payment systems. Such advances are promoting broader efficiency among social protection programmes, which are also beginning to experience economies of scale. This is evidenced by the fact that overhead costs are falling, although they remain high by international standards. Overhead costs for safety net programmes declined noticeably from 2005 to 2010, yet were, on average, equivalent to 39 percent of total expenditure. Non-transfer costs in contributory programmes have been very high, although there is some suggestion that they are declining. Currently, overhead costs average 51 percent.

Evidence shows that social protection programmes, particularly safety nets, have established relatively robust accountability mechanisms. These include a suite of measures to ensure fiduciary control and "upwards" accountability to management and

Parliamentarians. Many safety nets have also established strong systems to create "downwards" accountability to beneficiaries and communities. For most programmes, this is translated into the widespread use of community structures to monitor implementation progress and advocate for beneficiary rights, among others. While this strategy appears to be effective in many ways, it has raised questions about the sustainability of programmes that depend heavily on voluntary labour at local levels.

Despite these general advances in the social protection sector, progress is uneven across programmes (contributory as compared with safety nets and among safety net programmes) and among operational areas. Importantly, despite the often-cited need for robust evidence on programme impact to inform programme managers and policymakers, generally, monitoring and evaluation (M&E) of social protection programmes in Kenya is weak. In some cases, such information is collected but is not publically available. Where investments have been made in M&E, there is substantial evidence of social protection programmes achieving a range of impacts, including improving household consumption, school enrolment and health outcomes. There is also some evidence that these programmes contribute towards empowering vulnerable groups and stimulating markets. However, this information is restricted to a small subset of programmes and is not necessarily representative of the sector as a whole. More basic data on programme implementation is also often scarce, making it challenging to undertake a comprehensive assessment of the sector's performance. As a result, it is almost impossible for policymakers to gain an accurate picture of the population currently enrolled in these programmes. Furthermore, delays in payments persist, arising largely from the lengthy process of moving funds through government systems and to claim benefits from contributory schemes. Registration systems also tend to be manual, slow, and often prone to errors. Finally, the only social protection programmes with the capacity to scale up in response to crisis are those classified as relief and recovery: This in itself can undermine the ability of social protection programmes to provide effective support to chronically poor and vulnerable populations. Moving beyond the operational detail, the social protection sector is evolving.

First, among safety net programmes, movement has slowly shifted towards establishing predictable support to poor and vulnerable populations. This has been, most notably, in the steady expansion of social cash transfer programmes both in terms of geographic area and number of households covered. Despite this trend, safety nets remain dominated by relief and recovery programmes, particularly ad-hoc emergency food-based responses. In 2010, an estimated 35 percent of all safety net beneficiaries were receiving support from the GFD programme. While there is a long history of providing such support to poor populations in Kenya, international evidence suggests that the use of such emergency programmes to respond to chronic poverty tends to be inefficient. That is, emergency support saves lives but rarely halts the downward spiral into destitution as livelihoods are continually eroded. Importantly, the impact of emergency food aid in Kenya has never been evaluated.

Additionally, despite increasing coverage and investments in safety nets, coverage of safety net programmes remains low in comparison to the population in need. Safety nets cover only a fraction of the poor population (a maximum of 14 percent if resources were perfectly targeted to the poor) and vulnerable groups (this coverage ranges from an estimated 28 percent among poor households with OVCs to 0.38 percent among poor households with a member who is disabled). At the same time, the adequacy of support provided to households is questionable, as cash transfers are rarely adjusted for inflation, household size, or other factors and food support is often subject to delays.

Furthermore, safety net programmes are fragmented and uncoordinated. Safety nets in Kenya are currently comprised of over 19 programmes that tend to be small (with a median size of 120,000 beneficiaries), with emerging geographic overlap, and are implemented by over a dozen different agencies. This leads to a high degree of fragmentation in the sector, with missed opportunities for efficiency gains. Additionally, implementing agencies are often weak, with respect to implementation capacity. The duplication of efforts and parallel implementation structures do not optimize existing limited implementation capacity or support a coherent approach to capacity building across the sector.

Second, reforms are underway to address many of the weaknesses in social insurance schemes, while also extending coverage to the informal sector. Historically, the National Social Security Fund (NSSF) has had low rates of coverage and contributions. This, together with poor investment returns, results in low benefit levels for members. The Fund is currently structured as a provident fund, meaning that benefits are paid once (in a lump sum) upon retirement. Overhead costs are high and the Fund has not, until recently, been compliant with Retirement Benefit Authority (RBA) regulations concerning fund governance and asset management. In addition, levels of confidence in the Fund's ability to deliver on its mandate are low. However, the NSSF has started to implement reforms to address some of these issues, which include responding to the poor returns on investment, ensuring compliance with the RBA, specifically employing asset managers and custodians to oversee the Fund's assets, and reducing overhead costs, while also moving from a provident to pension fund.

The National Hospital Insurance Fund (NHIF) has the same range of weaknesses that threaten its long-term fiscal sustainability. Although low coverage also besets the NHIF, rapid increases have occurred since 2004 with figures now standing at almost 17 percent of the population. Contribution levels have not been changed since 1990 and are set on the basis of a worker's income, up to a predefined ceiling. The contributions from informal sector members are 50 percent of those of formal sector workers. A review of contribution rates suggests that many informal sector members are inactive and thus not contributing regularly. This, together with the fact that informal sector workers join on a voluntary basis, suggests some adverse selection into the Fund, with informal sector workers in need of health care participating. Indeed, in 2010, 33 percent of all benefits were paid to informal sector members, who paid only 5 percent of all contributions. Against this backdrop, the government is considering a range of reforms. One key proposal is to increase contribution rates, which would improve the financial sustainability of the NSSF and create opportunities to improve benefits.

Thirdly, the civil service pension dominates government financing to the social protection sector (and indeed, all financing to the sector). There is a bill currently before Parliament that would reform the civil service pension from its current structure as a pay-as-you-go defined benefit scheme that is financed from the government's general revenue to a fully funded defined contribution scheme with the government (as the employer) financing the equivalent of 15.5 percent of the workers' salaries and the employees contributing 7.5 percent of their salaries to the scheme. If passed, this bill would significantly increase the fiscal sustainability of the pension scheme and would reduce future fiscal liabilities.

Looking to the Future

The policy context for social protection in Kenya is changing. This is in response to international calls for greater access to social protection for citizens, such as by the African Union, and the constitutional commitment to extend social security to all as articulated in the Bill of Rights (2010). These trends have culminated in a National Social Protection Policy (NSPP). It proposes to extend social assistance to the various target populations, with the ultimate goal of providing universal access to the vulnerable throughout their lifecycle, and establish comprehensive social security arrangements that will extend legal coverage to all workers and their dependents, whether in the formal or informal sectors. The sections that follow consider a set of reform priorities that will assist in putting the vision of the NSPP into practice.

For this, there are four principle areas of reform:

Define the appropriate programme mix within safety nets. To progressively realize the constitutional right to social assistance for those in need, an appropriate mix of programmes will need to be defined based on the country's medium-term objectives and fiscal considerations. Yet, because safety net programmes currently have a range of different objectives and information on their relative effectiveness and impact is generally limited, it is difficult to determine the exact form safety nets should presently take in Kenya. Recognizing these limitations, certain parameters could guide the government's strategy to progressively realize the right to social assistance. These are:

a. *Progressively realizing access to safety nets for vulnerable groups.* Given current fiscal limitations, in the short term, the government will need to adopt a strategy to allocate resources to sub-groups within the vulnerable population. For example, while the cost of extending safety net support to all households with children under 18 years of age would cost 8.25 percent of GDP, refining the target group to only poor households with OVCs would reduce the cost to 0.39 percent of GDP. A number of factors could be considered in this process, including the relative poverty rates among different vulnerable groups and the productive benefits of investing in children.

b. *Improving the effectiveness of safety net support for households.* While much more work is required to detail such a reform agenda, based on the analysis in this review, the government could take short-term measures that would improve the effectiveness of safety nets. The government should consider reallocating resources from General Food Distribution (GFD) programme to a mechanism that provides predictable support to the chronically poor and food-insecure, such as the Hunger Safety Net Programme (HSNP). Given that, some social cash transfer programmes continue to experience difficulties in making regular, predictable payments to beneficiaries, these programmes – to provide effective support – will need to review their procedures to ensure timely payments.

Improve coordination among safety net programmes to reduce fragmentation and duplication. In the short term, greater coordination is needed among social cash transfer programmes as the basis for the provision of predictable support to poor and vulnerable populations. This should consist of a nation-wide strategy to scale up the coverage of programmes to avoid duplication and gaps. This would be followed by a set of actions to harmonize these programmes, including the adoption of a single registry, a common M&E framework, and sector-wide minimum standards for accountability. In the longer term, the aim would be to consolidate the programmes into a national safety net programme that uses common systems and structures. The NSSP proposes establishing the National Social Protection Council, which would coordinate and oversee the development, implementation, and integration of social protection strategies, programmes, and resources. A national safety net programme would support these objectives further by, for example, making better use of existing implementation capacity. It would also be well positioned to adopt and extend the best systems and procedure practices from the individual social cash transfer programmes across the country. Over time, these operational reforms could be extended to other safety net programmes. This consolidated approach could then be extended to respond to transitory needs by building the capacity to respond to crises into the national programme, coordinated with the Disaster Management Authority.

Increase financing to safety nets in the face of a tight fiscal environment. Simulations show that it is possible to progressively increase funding to safety nets in the current fiscal environment in order to achieve high rates of coverage among poor and vulnerable groups in the short to medium term. If economic growth continues at 6 percent per year, this will generate an estimated additional Ksh 100 billion in annual government revenue. If 5 percent of these resources were allocated to social cash transfers, comprehensive coverage of poor households with members who are vulnerable (i.e., OVCs, people over 60 years of age, the disabled or chronically ill, and People Living With HIV and AIDS (PLWHA)) could be achieved in nine years. In these scenarios, development partners' funding will continue to be needed in the short to medium term. There may also be scope to improve the effectiveness of safety net programmes by reorienting financing from the GFD. While this would not increase the overall funding to the sector, it would create efficiencies and improve the impact of these resources on poverty and human development in Kenya. Finally, there is a need to secure financing to respond to transitory needs among the vulnerable but not yet poor populations that are exposed to shocks. International experience suggests that contingent financing, channelled through established safety net programmes, can be an effective response. This approach could be integrated, for example, into the National Contingency Fund.

Expand contributory programme coverage to the non-formal sector and address problems of adequacy and financial sustainability. The NSSF and NHIF are the main vehicles to progress towards the Constitutional (2010) right to social insurance for all. These Funds are currently implementing a range of reforms that aim to improve their efficiency and effectiveness, while also extending coverage to the informal sector. For example, the reform of the NSSF into a pension fund will strengthen its ability to protect against poverty in old age. Reforms are similarly being considered to enable the realization of the country's social protection and health care financing goals. This has potential implications for the NHIF, with a draft Health Care Financing Strategy proposing to transform this Fund into a social health insurance scheme. Within this context, the priority actions for the NSSF include increasing the contribution levels and extending coverage, particularly to the informal sector, while continuing to bring down overhead costs. With regards to the NHIF, while the ongoing dialogue on health care financing may reorient this Fund, in the short term, significant changes are required to better protect the population from health shocks, including addressing its longer-term fiscal sustainability, increasing membership, and enhancing benefits. Within these broad areas of reform, concerted action is required to expand coverage among informal sector works and the poorest populations in the country.

Conclusion

The Kenya Social Protection Review is the first step in the longer-term agenda of moving towards an integrated social protection system. The review provides, for the first time, a benchmark for the social protection sector as a whole, comprehensively encompassing social assistance, social security, and health insurance. As a result, it has created a common platform by which stakeholders can consider progress within the sector and thereby engage in a more meaningful discussion. Its overall findings will help policymakers develop strategies for implementing the NSPP and, by extension, the government's second Medium-term Plan (MTP II) and the Kenyan Constitution.

Adopting a systems approach to social protection reinforces the fact that safety nets and social insurance should not be seen in isolation. These programmes work together to protect the population from a wide range of risks across the lifecycle. Because of this, to advance any part of the social protection sector, be it safety nets, social security, or health insurance, reforms in all areas need to progress – if not in tandem – at a similar pace. This means, for instance, that the government cannot lose sight of the need to reform the NSSF and NHIF as it extends coverage of safety net programmes. These reforms will benefit poor and vulnerable populations and, in the long term, reduce the need for safety nets as well-functioning social insurance schemes help to prevent households from ever falling into poverty.

Indeed, a systems approach highlights that complementary investments are needed to promote graduation from safety nets. International experience shows that combining safety net support with investments in livelihoods and employment can move households more rapidly out of poverty. Such complementary support can take multiple forms, from micro-finance loans for agricultural investments to job search assistance for unemployed men and women. The key is, however, to provide a suite of complementary services to a single family or individual, as it is the synergies between these investments that can enable livelihoods to improve to the point where households escape from poverty and regular safety net support is no longer required.

Chapter 1

Introduction

CHAPTER SUMMARY

- Social protection is increasingly seen by policymakers as a key means of reducing poverty and vulnerability in Kenya. There is, however, no comprehensive analysis of how social protection programmes are addressing the vulnerability of the population across the lifecycle.
- This Social Protection Sector Review aims to present a strategic view of 22 social programmes and ongoing reforms from a sector-wide perspective focusing specifically on the interactions, linkages and coordination among these programmes.
- In 2005/06, the poverty incidence was 46.6 percent, but was higher in rural areas (49.7 percent) than in urban areas (34.4 percent). Poverty rates among vulnerable groups (i.e. households with orphans) are consistently higher than the average rate.
- The policy context for social protection is increasingly robust. The new Constitution enshrines the right to social security and the National Social Protection Policy articulates a vision for progressively achieving this right.

1.1 Background and Objectives

1. **Social protection is at an important juncture in Kenya with the creation of a unified policy framework, the adoption of critical reforms, and growing investments in the sector.** An integrated National Social Protection Policy (NSPP) addressing safety nets and contributory programmes has recently been drafted and is expected to be endorsed by the Cabinet in the near future.[1] The government has initiated important reforms to the design and functions of the National Hospital Insurance Fund (NHIF), the National Social Security Fund (NSSF), and the civil service pension scheme to increase their efficiency, effectiveness, and sustainability. The government, with support from its development partners, has also been investing increasing resources in a number of safety net interventions to respond to chronic poverty and vulnerability, many of which were initiated in the past five years.

2. **Despite these advances, no comprehensive analysis has yet been undertaken of the social protection sector as a whole, with existing studies having confined themselves to looking only at safety nets or contributory schemes.** The review defines safety net programmes as non-contributory transfer programmes targeted to the poor or those vulnerable to falling into poverty. Contributory schemes refer to social security and social health insurance and are financed by employer and employee contributions. There

[1] *Annex 1 defines the key terms used in this review.*

is no comprehensive picture of how safety net programmes and contributory schemes are performing either individually or as a set of programmes to address the vulnerability of the Kenyan population throughout the lifecycle.

3. **This Social Protection Sector Review aims to fill this analytical gap by taking a strategic view of the entire social protection sector.** This will make it possible to identify and analyse the interactions, links, and coordination among the country's various social protection programmes. Specifically, this review has been designed to deepen the analysis of these programmes by considering them as a system rather than as individual projects or initiatives. The analysis builds upon previous work but provides both a broader perspective and a deeper analysis of specific areas of implementation. Moreover, by discussing the operational aspects of social protection programming, including targeting, payment systems, and delivery mechanisms, and the extent to which they are efficient and effective and optimise impact, the review constitutes a basis for making informed policy decisions about the future direction of the social protection sector.

4. **It is anticipated that the findings of this review will inform the NSSP,** and, once ratified, the implementation of this Policy. By extension, this will inform the government's second Medium-term Plan (MTP II) and implementation of the Kenyan Constitution.

1.2 Scope and Methodology of the Sector Review

5. **This review focuses on the main programmes in the social protection sector in terms of both their current scale and planned expansion.** In Kenya, social protection is defined in the draft NSPP as: "policies and actions, including legislative measures, which enhance the capacity and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare; enable income-earners and their dependants to maintain a reasonable level of income through decent work; and ensure access to affordable health care, essential services, and social transfers."[2] Drawing on this definition, the review analysed 22 social protection programmes, which were chosen for their size (in other words, the number of beneficiaries) and the need to ensure a balance between types of transfer, sectors (such as agriculture and education), and the contributory and non-contributory nature of the schemes. Other considerations included the types of beneficiaries who were targeted and the programmes' objectives. For example, some programmes aim to protect recipients from chronic poverty while others focus on risk management and preventing poverty. Within programme types, the objectives had important differences. For instance, within programmes designed to address chronic poverty or vulnerability, some beneficiaries face short-term poverty (unemployed young people) while others require longer-term support (older people and people with severe disabilities). Table 1.1 lists the programmes included in the review, with more details provided in Annex 2.

6. **The data analysed in this report came from several different sources, including a literature review, a "landscape survey" of programmes, and in-depth interviews with project implementers.** The literature review yielded initial data on individual projects and programmes as well as references and a context for identifying the themes of this report. The landscape survey collected data on the main social protection programmes in the country. The in-depth interviews collected detailed information from a smaller number of programmes in order to explore specific themes of the review. The landscape survey and in-depth interviews were the only primary data collection techniques used in this review. The secondary data comes from the National Housing and Population Census (1999 and 2009) and the Kenya Integrated Household Budget Survey (KIHBS)

[2] *This definition is taken from the draft National Social Protection Policy (2011).*

Table 1.1: Kenya's Social Protection Programmes

	Programme	Beneficiaries	Number of Beneficiaries	Funding Agency	Implementing Agency	Transfer Type
A. Non-contributory Programmes						
I. Agriculture						
1.	National Accelerated Agricultural Inputs Access Programme (NAAIAP)	Small-scale poor farmers	120,750 (2010)	Govt. of Kenya (GoK), WB	Ministry of Agriculture (MoA)	Farm inputs
2.	*Njaa Marufuku* Kenya (NMK) - Component 1 Farmers' Groups	Farmers' groups	12,180 (2010)	GoK	MOA	Cash
3.	Food and Agriculture Organisation (FAO) Farmer First Programme	Household members with HIV/AIDS, TB, and/or severe malnutrition	1,200 (2010)	FAO	-	Farm inputs
II. Education						
4.	Most Vulnerable Children (MVC)	Schools in poor areas	1,778,297 (2009)	GoK, DFID	Ministry of Education (MoE)	Cash
5.	Expanded School Feeding*	School-children	1,115,830 (2009)	GoK, WFP	World Food Programme (WFP)	Food
6.	Home Grown School Meals (HGSM)	Schools in marginalised areas	538,457 (2010)	GoK, JICA	MoE, WFP	Cash
7.	Regular School Feeding	Primary school children	803,669 (2010)	GoK, WFP	MoE, WFP	Food
8.	Secondary Education Bursary Fund	Vulnerable secondary school students	66,570 (2010)	GoK	MoE	Cash
III. Health and Nutrition						
9.	HIV/AIDS Nutrition Feeding	HIV clients on ART and OVCs in affected households	72,065 (2010)	WFP	Several implementing agencies	Food
10.	Health Voucher – OBA Scheme	Poor women in ASAL areas	59,982 (2010)	UNICEF, GoK	MoMS	Cash
11.	NMK Component 2	School-children	37,196 (2010)	GoK	MoA	Cash
IV. Social Cash Transfers						
12.	Hunger Safety Net Programme (HSNP), Phase 1 Pilot	Chronically food-insecure, extremely poor, and vulnerable people	289,480** (2010)	DFID	Min. for the Development of Northern Kenya and Arid Lands	Cash
13.	Cash Transfer for Orphans and Vulnerable Children (CT-OVC)	OVC	412,470 (2010)	UNICEF, DFID, WB, GoK	MGCSD	Cash
14.	Older Persons Cash Transfer (OPCT)	Older people	33,000 (2010)	GoK	MGCSD	Cash
15.	Disability Grants	People with disabilities and institutions serving people with disabilities	2,100 (2010)	GoK	MGCSD	Cash
16.	Urban Food Subsidy	Poor households in urban areas	5,150	Several donors	WFP, Oxfam, Concern	Cash

	Programme	Beneficiaries	Number of Beneficiaries	Funding Agency	Implementing Agency	Transfer Type
V. Relief and Recovery						
17.	General Food Distribution (GFD)*	Poor households and disaster victims	2,180,058 (2010)	GoK	Special Programmes, WFP	Food
18.	Supplementary Feeding (including Mother & Child Nutrition)*	Poor women and children	454,667 (2010)	GoK	WFP	Food
19.	Food/Cash for Assets*	Vulnerable communities	140,000 (2010)	Several donors	WFP, Ministry of Northern Kenya	Food or Cash
B. Contributory Programmes						
20.	National Hospital Insurance Fund (NHIF)	Formal and informal sector workers	367,886 (2010)	MoPHS	NHIF	Cash
21.	National Social Security Fund (NSSF)	Formal and informal sector workers	38,339 (2010)	Ministry of Labour	NSSF	Cash
C. Other						
22.	Civil Service Pension	Civil servants	209,384 (2010)	Ministry of Finance	-	Cash

Source: Authors (2011) and programme data.
Note: *These programmes are part of the WFP PRRO 2009-2013. **This figure is as of December 2010. It assumes an average household size of 5. An average household size of 7 is often used to report on HSNP beneficiary figures. A more current figure, as of the end of the 2012 fiscal year, and assuming a household size of 7, is 395,554. To ensure consistency across all chapters of this report, we have used the figure reported in the table.

(2005/06). Statistical data analysis and mapping, simulation modelling, and macroeconomic data calculations were then used to interpret and present these data. The statistical data analysis and mapping exercises also yielded datasets for assessing poverty and for carrying out other impact simulations (see Annex 4).

7. **There are some limitations to this review.** The review team encountered problems in collecting basic data on programme costs, expenditures, planned versus actual beneficiary numbers, and planned versus actual payments. There are several reasons for the limited availability of data. Some programmes do not collect key data (OPCT, MVC, NMK, NHIF, and NSSF). In other places, the most recent available data are not up to date. Finally, this review does not cover the range of small programmes implemented by non-governmental organisations (NGO) and faith-based organisations (FBO).[3]

8. **Following this introduction and a review of poverty, risk, and vulnerability in Kenya, the structure is as follows.** Chapter 2 reviews the budget and expenditure for social protection in Kenya since 2005, including a consideration of the longer-term financial sustainability of the sector. Chapter 3 then looks at how these resources are allocated in terms of the adequacy and coverage of the sector. Chapter 4 analyses how safety net programmes identify and target eligible households (or individuals). Chapter 5 assesses the systems that are currently used to transfer resources or payments to beneficiaries. Chapter 6 considers the mechanisms that social protection programmes use to hold decision-makers and implementers to account. This is followed in Chapter 7 by an assessment of the management information systems, including the monitoring and evaluation systems that are used to assess how well programmes perform in terms of meeting their objectives. Chapter 8 considers the effectiveness, efficiency, and impact of social protection programmes in Kenya. Chapter 9 discusses the political and institutional sustainability of the sector with a view to charting a way forward. The final chapter concludes.

[3] *Their response rate to the review team's requests for data was extremely low.*

1.3 Poverty, Risk, and Vulnerability in Kenya

9. **Poverty remains widespread in Kenya despite the government's efforts over the last four decades.** Although poverty declined between 2000 and 2005/6, poverty incidence at the end of that period was still high at 47 percent. The actual number of poor people, due to rising population figures, increased slightly during this period from 15.1 to 16.5 million. Poverty estimates indicate that 16.3 million Kenyans were food-poor in 2005/06, compared with 13.9 million in 1997.[4] An individual or household is described as being food-poor when all their nutritional needs cannot be met because of expenditure on other basic non-food essentials.

10. **However, poverty is not evenly or randomly distributed in the country.** Poverty rates were markedly higher in rural areas (49.7 percent) than in urban areas (34.4 percent) (see Table 1.2). It is occasioned and reinforced by various factors, including regional disparities in access to services and income-generating opportunities. Its distribution depends on the viability of the livelihood systems that households depend on and on the susceptibility of these livelihoods to economic, environmental, and security shocks. The social marginalisation of some communities continues to prevent them from having equal access to services, assets, and opportunities.

11. **National poverty figures camouflage significant regional differences.** Poverty incidence on the Coast and in the North Eastern Provinces is estimated to be 70 and 74 percent respectively, compared with 22 percent in Nairobi and 31 percent in the Central Province. The poverty gap for Turkana County is 70 percent compared with 2 percent in Kajiado. Map 1.1 shows the proportion of the population living below the poverty line in each county.[5] Rural and urban areas present different income-generation opportunities, with poverty rates being higher in rural areas than in urban areas because livelihoods tend to be heavily reliant on agriculture.[6] Although poverty incidence tends to be higher in rural areas than in urban areas, residents of informal settlements within cities experience higher levels of deprivation, sometimes far more than in rural areas. The Kenya Poverty and Inequality Assessment

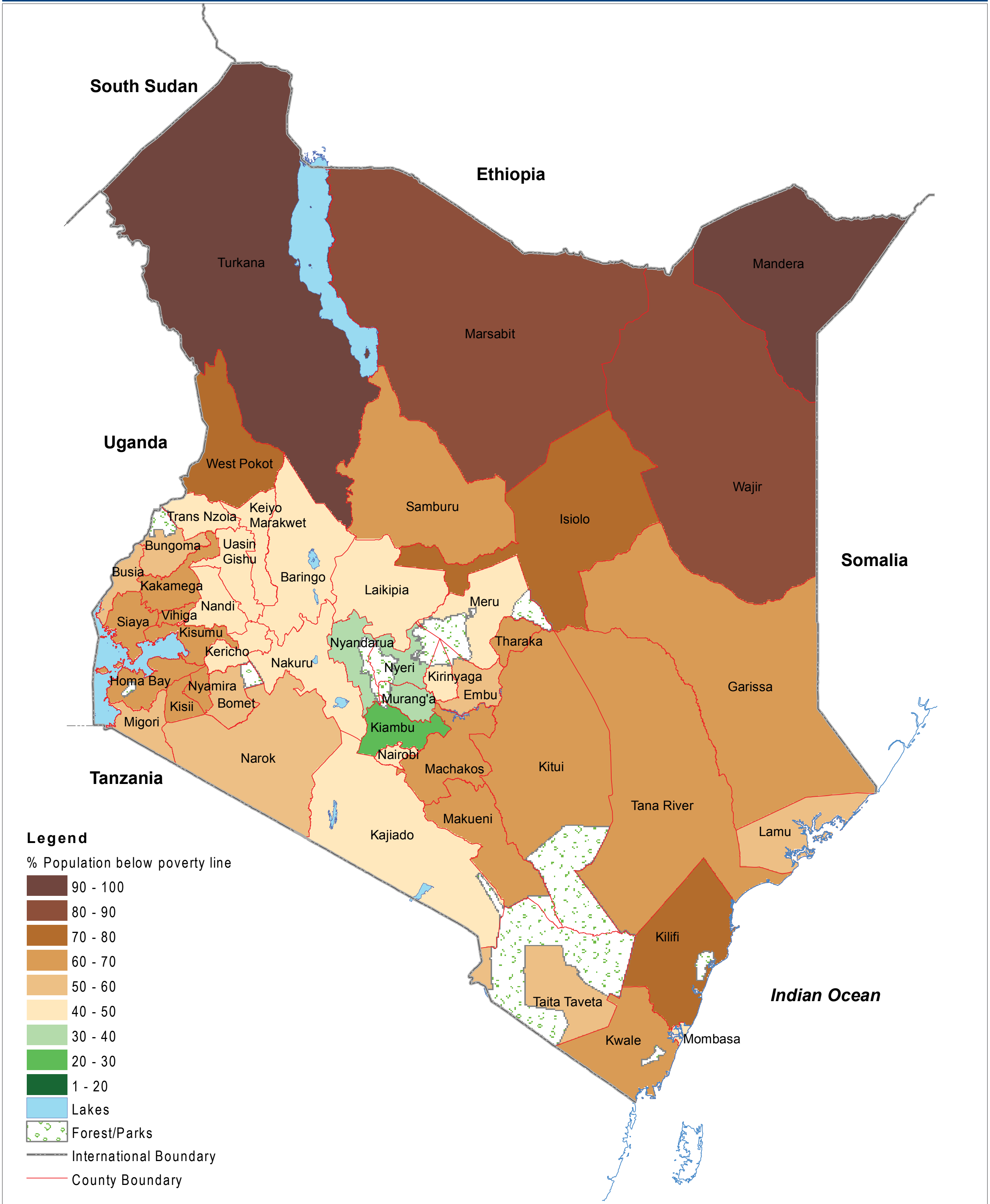
Table 1.2: Changes in Poverty Levels (percent), 1997-2005/06

	Headcount (P0)			Poverty Gap (P1)			Poverty Severity (P2)		
	1997	2005/06	Change	1997	2005/06	Change	1997	2005/06	Change
Absolute Poverty									
Rural	52.7	49.7	-3.0	19.0	17.8	-1.2	8.9	8.9	0.0
Urban	49.9	34.4	-15.4	15.8	11.7	-4.2	6.9	5.6	-1.3
Total	52.2	46.6	-5.6	18.5	16.6	-1.9	8.6	8.2	-0.3
Food Poverty									
Rural	50.2	47.2	-2.9	17.0	16.2	-0.8	7.6	7.9	0.3
Urban	37.8	40.4	2.6	10.2	13.0	2.8	3.7	6.1	2.4
Total	48.2	45.9	-2.4	16.0	15.6	-0.4	7.0	7.5	0.5

Source: Ndirangu (2010).
Notes: Headcount or poverty incidence is the share of the population whose income or consumption is below the poverty line, that is, the share of the population that cannot afford to buy a basic basket of goods. Poverty gap provides information regarding how far poor households are below the poverty line. This measure captures the mean aggregate income or consumption shortfall relative to the poverty line across the whole population. Poverty severity takes into account not only the distance separating the poor from the poverty line (the poverty gap), but also the inequality among the poor. That is, a higher weight is placed on those households who are further away from the poverty line.

[4] *This is based on the Kenya Integrated Household and Budget Survey (KIHBS 2005/06), which is the most recent survey available.*
[5] *This analysis is based on the county as the lowest administrative boundary because districts have been redrawn repeatedly while counties have remained relatively stable and are thus easer to define.*
[6] *KNBS 2007 and KPIA 2009.*

Map 1.1: Poverty by County



Sources: KIHBS (2005/06) and National Housing and Population Census (1999).

(KPIA) of 2009 showed that poverty incidence in informal settlements in Nairobi was about 63 percent in 2006, which was above the national average of 46.7 percent for the same period.

12. **Poverty has also tended to have a greater impact on those who cannot generate an income or access livelihoods independently,** including children, including orphans and vulnerable children (OVC), child-headed households, older people, and people with severe disabilities. Table 1.3 provides simulations on the present poverty rates among selected vulnerable groups in Kenya. This table shows that a high proportion of both children and adults with disabilities (PWD) live within households that fall below the absolute poverty line. The absolute poor are those who are unable to meet their basic needs, both food and non-food. Similarly, the levels of "hardcore" poverty are higher among people with disabilities (both children and adults). The hardcore poor are those who would be unable to meet their minimum food needs even if they spent all of their resources on food. OVCs are more likely to live in households that are below the absolute poverty line, as are children in general.

13. **Broadening the assessment of poverty to the multiple dimensions of deprivation takes into account other aspects of well-being.**[7] From 2004 to 2007, Kenya's Human Development Index rose from 0.523 to 0.541. There were similar improvements in gender-related human development trends. Two important measures of human development are education and health outcomes. In Kenya, the national literacy rate ranged from 98 percent in Nairobi Province to 32.5 percent in the North Eastern Province (as of 2005). Women's literacy levels were roughly 10 percent lower than those of men. About one-third of Kenyan children were chronically undernourished, with a higher prevalence in rural areas than in urban areas. Nutritional outcomes were found to be worse for male children than for female children.[8]

Table 1.3: Simulated Poverty Status of Selected Groups in Kenya, 2009

	Total	Absolute Poor		Hardcore Poor	
		Number	Percent of Total	Number	Percent of Total
Total Population	**38,610,097**	**19,026,671**	**49.3**	**8,308,177**	**21.5**
Children (0-18 years)	19,147,737*	10,252,805	53.5	4,636,046	24.2
Orphans and Vulnerable Children	3,612,679	1,953,418	54.1	933,734	25.8
Children with Disability	349,207	219,086	62.7	95,862	27.5
Total Adults	**19,441,274***	**8,732,179**	**44.9**	**3,671,305**	**18.9**
Adults with Disability***	981,105	563,519	57.4	278,978	28.4
Older Persons	1,332,273*	708,201	53.2	337,993	25.4
Chronically-ill Adults	1,947,484	879,093	45.1	340,743	17.5
Food-insecure	1,834,367**				

Source: Authors (2011), KIHBS (2005/2006) and National Census data (2009).
Notes: Hardcore poor is defined as when people who are unable to meet their minimum food needs even if they use up all of their expenditure on food. All figures, except where noted, were projected using KIHBS 2005/06 data. Figures were calculated using the proportions of poor in each category derived from KIHBS and applying them to the 2009 Census data, weighting for urban and rural. Two assumptions were made: The proportion of each category remained constant between 2005 and 2009, and the proportion of food-poor, absolute poor, and hardcore poor remained constant within each category between 2005 and 2009. *Taken from the 2009 Census. **Taken from the Kenyan Food Security Steering Group 2009, average number of people in rural areas during the 2009 long-rain and short-rain assessments in requiring food aid. ***Total number of people (adults and children) living with disability is 1,330,312 (taken from the 2009 Census). Of these 782,581 are absolute poor and 375,183 are hardcore poor. The figures in this table differ from those reported in later chapters, i.e. Tables 3.2 and 4.5, because later tables report on the number of households with members who are defined as vulnerable while this table reports on the number of vulnerable individuals. The data sources and methods used are otherwise the same.

[7] *This section draws on Ndirangu (2010).*
[8] *KIHBS 2005/06 as reported in Ndirangu (2010).*

14. **In Kenya, geography, household composition, and the macroeconomic environment contribute to vulnerability in a multitude of different ways.** An often-cited definition is that vulnerability "refers to exposure to contingencies and stress, and the difficulty of coping with them. Vulnerability has two sides: an external side of risks, shocks, and stresses to which an individual or household is subject; and an internal side which is defencelessness, meaning a lack of means to cope with damaging loss."[9] This draws attention to how the future well-being of households or individuals is shaped by their capacity to cope, the presence of risks, and the overall political, social, and economic context that conditions these risks and coping capacity. For instance, households living in semi-arid and arid lands (ASAL) or those living in communities with insufficient entrepreneurial activity and job creation have been found to be more vulnerable to poverty. Household size, household composition, human capital and other productive assets, and main sector of activity of the head of household have been found to determine vulnerability to poverty. Larger households with larger dependency ratios tend to be poorer. Households comprised of older people and children have a poverty incidence as high as about 61 percent. Half of the population in 2005/6 was under 20 years of age, and two-thirds of the poor came from this age group. The vulnerability–to–poverty ratio of female-headed households is about 14 percent compared with 5 percent of male-headed households. Female-headed households have a greater than 50 percent chance of falling into poverty (about 57.3 percent).[10] In contrast, households with members who have migrated for work are less likely to be poor unless they live in poor urban areas. Poverty incidence among migrant households was only 28 percent compared with 46.7 percent overall.[11]

15. **Households in Kenya report experiencing a range of shocks with different effects on their well-being.**[12] For instance, data from the KIHBS (2005/06) show that increases in food prices were the most common shock experienced by households during the study period (2000-2005). However, increases in food prices were not the most severe type of shock. Instead, households reported that a death in the family and drought were the most severe shocks that they had experienced. The study showed that, in relative terms, extremely poor households were 78 percent more likely to report experiencing a negative effect of a shock than their wealthier counterparts. Among adults facing unemployment, a slightly higher proportion of unemployed men are in chronic poverty than unemployed females.[13] Households used various coping mechanisms to respond to these shocks. The most frequently reported coping mechanism was to draw on household savings or to sell assets or produce. Importantly, the use of savings was concentrated among better-off households, while poor households were more likely to sell off their assets. Transfers from family and friends were an important response to death and illness-related shocks. Borrowing from informal or formal sources in response to shocks was limited, and few households reported receiving public support.

1.4 Policy, Regulatory, and Legislative Context

16. **There is now broad consensus among policymakers that social protection is a powerful way to fight poverty and promote inclusive growth.** This international consensus is most clearly articulated in the African Union's Social Policy Framework (SPF), which was endorsed by African heads of state in 2009. The SPF commits governments to progressively

[9] *Chambers (1989) as cited in Ndirangu (2010).*
[10] *Other studies have found that vulnerability to aggregate sources of risk does not differ between female-headed and male-headed households (Glewwe and Gillette 1998).*
[11] *Ndirangu (2010).*
[12] *This section draws on Ndirangu (2010).*
[13] *In many countries in Africa, the better-off groups are officially unemployed while poorer groups are underemployed or employed in family-based production.*

realizing a minimum package of basic social protection that covers: (i) essential health care and (ii) benefits for children, informal workers, the unemployed, the elderly, and people with disabilities. This approach is echoed in the United Nation's Social Protection Floor Initiative. Across Africa, social protection has become a mainstay in poverty reduction strategies, and many countries have developed a social protection strategy.

17. **The 2010 Constitution of Kenya provides for basic rights to health, education, and decent livelihoods and is the legislative cornerstone for social protection in Kenya.** Articles relating to social protection within the Constitution include: Article 43 on Economic, Social, and Cultural (ESC) Rights; Article 53 on Children; Article 54 on Persons with Disability; Article 55 on Youth; Article 56 on Minorities and Marginalised Groups; and Article 57 on Older Members of Society. Other provisions relevant to social protection include Article 27(4), which spells out grounds against which discrimination is prohibited, such as gender and disability. Chapter 6 of the Constitution on leadership and integrity further seeks to ensure that public officers render services to Kenyans in a dedicated manner and uphold the ethos of equity and equality. Chapter 11 on devolution divides the country into 47 counties and specifies arrangements for devolved government to provide for the well-being of all populations throughout the country.

18. **Article 43(1) of the Constitution states, "Every person has a right to social security."** Article 43(3) elaborates further, stating, "The State shall provide appropriate social security to persons who are unable to support themselves and their dependants." In the Fourth Schedule, Part 1(14), the government commits to providing "consumer protection, including standards for social security and professional pension plans," which is critical to safeguarding the contributory aspects of social protection. Taken together, the Constitution thus offers a definition of social protection that includes safety nets, contributory schemes, social equity, and social services as defined in Annex 1 of this report.

19. **Kenya Vision 2030, the country's medium-term development strategy, contends that no society can achieve social cohesion if significant sections of the population live in abject poverty.** Vision 2030 has three pillars: economic, social, and political. It aims to provide a "high quality of life for all its citizens by the year 2030."[14] The social pillar seeks to build "a just and cohesive society with social equity in a clean and secure environment." Importantly, Vision 2030 refers to equity as a recurrent principle in its economic, social, and political programming. The strategy emphasises the need to invest in the arid and semi-arid counties, communities with a high incidence of poverty, unemployed young people, women, and all vulnerable groups. It also makes special provisions for Kenyans with various disabilities and previously marginalised communities. The Vision commits during the first five-year period (Medium-term Plan I: 2008-2012) "to increase opportunities all-round among women, youth, and all disadvantaged groups." One of the actions that it recommends for achieving this is the establishment of a "consolidated Social Protection Fund." This Fund, once fully operational, would be critical to the financing and sustainability of social protection in the country.[15]

20. **In 2010, a draft National Social Protection Policy (NSPP) was produced that aimed to create a coordinated national framework for social protection.** The draft Policy was developed on the premise that, because various ministries were engaged in social protection, a mechanism

[14] *Republic of Kenya (2007) Vision 2030, Government of Republic of Kenya, July 2007.*
[15] *It is important to note that the 2001 Poverty Reduction Strategy Paper (PRSP identified social protection as a way to reduce food insecurity in the country. Similarly, the fourth pillar of the 2003 Economic Recovery Strategy (ERS) was on investment in the human capital of the poor. Priority areas in the ERS included achieving 100 percent primary school enrolment and establishing a comprehensive national health insurance scheme.*

needed to be established to create harmony, promote synergy, and ensure accountability and sustainability among programmes. The draft Policy was presented to the Cabinet for discussion in May 2010, but the Cabinet requested further consultations between the key ministries responsible for implementing social protection initiatives before they would approve the draft Policy. In response, multi-sectoral Steering and Technical Committees were constituted in May 2011 to oversee the finalisation of the draft NSPP. These committees produced a second draft NSPP, which provides a broad-based framework to guide the design, implementation, and national oversight of social protection programmes in the country. It identifies policy objectives, synergies between safety nets and contributory schemes, and key areas requiring a coordinated approach. In addition, it provides for the creation of a National Social Protection Council, served by a Social Protection Secretariat. The draft NSPP (as of June 2012) is awaiting submission to the Cabinet.

1.4.1 Safety Nets

21. **Various sector-specific laws guide the implementation of interventions aimed at improving the welfare of the poor and vulnerable members of society.** There are various Acts and national strategies for the education sector (Education Act of 2007), health (HIV Prevention and Control Act of 2006), and agriculture (such as the Strategy for Revitalising Agriculture for 2004-2014). The common thread in these frameworks is the recognition of the greater needs of the poor than of the general population and the commitment of the government to meet these needs.

22. **Various policies and laws focus on specific vulnerable groups in the country.** They include the Children's Act (2001), the National Policy on Older Persons and Aging (2009), the National Policy on Youth (2006), the National Gender and Development Policy (2000), and the Persons with Disabilities Act (2003). The main focus of these policies and laws is the protection of the rights of the disadvantaged members of society and their ability to enjoy these rights.

23. **The marginalisation of certain parts of the country is recognised as a key driver of poverty.** This has led to policies and legislation aimed at redressing historical and present-day injustices and inequalities. For instance, the National Policy for the Sustainable Development of Arid and Semi-Arid Lands (2007) was developed in recognition of the fact that, despite being endowed with a wealth of physical, natural, human, and social capital resources, these areas have the highest levels of poverty in the country. Correcting these anomalies requires specific interventions that will raise the respective development levels to put them on a par with other parts of the country. The situation of the urban poor is also a key focus for development and constitutional interventions, as reflected in interventions led by the government such as slum upgrading.

24. **Previous analysis of safety nets in the country was an initial attempt at grasping the scope of such programmes.**[16] The review concluded that a wide range of diverse safety net interventions existed in Kenya, but that, in the absence of a coherent national strategy, they lacked the capacity to offer an integrated or systematic response to the needs of the poor. The review found that this uncoordinated range of interventions has been created in response to both domestic and donor pressures. The main aim of these programmes was the protection of "vulnerable groups," a vague aim which did not lead to a comprehensive, equitable, or efficient use of funds. While these repeated emergency efforts were the country's response to acute vulnerability, its response to chronic vulnerability was found to be piecemeal and geographically limited. The review observed that, while the ongoing and repeated distribution of food to

[16] *McCord (2006). This review was conducted by the government and UNICEF.*

poor families in ASALs was keeping people alive, it was not contributing to a sustained reduction in poverty. Thus, the review characterised these interventions as "a series of disparate and fragmented responses, with ongoing support to some vulnerable groups, while others remain outside the social safety net."

25. **A more recent review of safety nets was conducted as an input into the process of developing an urban food subsidy programme by the Government of Kenya (GoK).**[17] The review analysed 14 programmes that ranged from cash transfers (HSNP and CT-OVC) to in kind transfers (General Food Distribution (GFD) programme) and public works programmes (such as *Kazi Kwa Vijana*). The review found that the government was spending about 0.9 percent of its gross domestic product (GDP) on social protection, while almost 90 percent of the funding for these programmes came from development partners.

26. **This review covers 19 safety net programmes that operate in four sectors and cover a range of objectives** (Table 1.1 and Annex 2).[18] While these safety net programmes can be classified in various ways, for the purposes of this review, they are categorised by agriculture, education, social cash transfers, and relief and recovery. Even within these sectors, the programmes have a range of objectives. These include increasing access to inputs, skills, and other resources to improve agricultural productivity; providing school meals to improve educational outcomes or food consumption among children generally, or marginalised children specifically; preventing malnutrition among women; improving health and nutritional outcomes among women, children, and vulnerable groups, increasing adherence to HIV/AIDS treatment, and contributing to reducing infant and maternal mortality; promoting fostering and human capital development of orphans, improving the livelihoods of older persons and persons in informal settlements, supporting persons with severe disabilities, and reducing poverty among pastoralists in northern Kenya; and, meeting the immediate food needs, addressing high rates of malnutrition in pastoral areas, and assisting households to recover from drought. These programmes are implemented through ministries (including the Ministries of Agriculture, Education, and Health), the World Food Programme (WFP), and non-governmental organizations (NGO). Notably, a number are pilots aim to generate lessons, among others, on the provision of cash transfers as a response to chronic food insecurity, extreme poverty, and vulnerability and the possibility to graduate households into sustainable livelihoods.

1.4.2 Contributory Schemes

27. **A contributory scheme is funded by its members and, invariably, the laws in this sub-sector are developed with a view to protecting the contributors and/or beneficiaries.** The Employment Act of 2007 declares and defines the fundamental rights of employees, including the definition of basic conditions of employment and the regulation of the employment of children, among others. The Retirement Benefits Act of 2007 (amended in 2008) set up the Retirement Benefits Authority (RBA) to oversee the collection and administration of retirement benefits across the country. The RBA is charged with the "regulation, supervision, and promotion of retirement benefits schemes, [and] the development of the retirement benefits sector..."[19] The Pensions Act (revised 2009) provides for the administration and management of pensions so as to minimise the risk of employees' losing their savings.

28. **The National Hospital Insurance Fund (NHIF) provides coverage of inpatient hospital costs for both formal and informal sector workers and their dependents.** NHIF

[17] *Kiringai (2008).*
[18] *A total of 22 social protection programmes were covered by this review, of which 19 were classified as safety nets.*
[19] *Hakijamii Trust (2007).*

membership is compulsory for salaried workers, and it currently has about 2.7 million contributing members, who have about 7.5 million dependents. Informal sector workers and retirees can join the NHIF voluntarily, of which the Fund currently covers approximately 700,000. Also, an NHIF-sponsored indigent programme currently has about 5,000 members.[20] The Fund pays for the costs of bed and subsistence charges during the member's (or their dependent's) stay in hospital. The NHIF is important because it aims to protect the population from the negative effects of health shocks and catastrophic health expenditures; and it is consistent with the right to social security. There are ongoing reform efforts to align the NHIF more closely with the Constitution and ensure that health care coverage is extended to all Kenyans.

29. **The National Social Security Fund (NSSF) provides opportunities for employers and employees to make contributions during their working lives to ensure that they do not fall into poverty and vulnerability in old age.** NSSF members are eligible for age/retirement, survivor's disability, withdrawal,[21] and emigration benefits,[22] among others. This Fund provides a social protection function by protecting members against poverty in their old age. However, the NSSF has been criticised for inefficiencies as will be discussed in more detail later in this report. Despite these shortcomings, the NSSF is a mechanism for meeting the social security needs of formal and informal sector workers, including domestic workers.

30. **The Ministry of Labour conducted an assessment of social protection in 2010.** The report established, on the one hand, the importance of contributory schemes in preventing people from falling into poverty and on the other, the low coverage of these schemes, including the NSSF and the NHIF. It identified: (i) significant gaps in social protection coverage, particularly of informal economy workers and their families; (ii) a lack of access to both in kind and cash benefits for some of those who were covered; and (iii) inadequate benefit levels. In addition, some of the contingencies outlined in International Labour Organisation (ILO) Convention No. 102 (Minimum Standards of Social Security), such as unemployment, were completely absent from social protection policies and practices in the country.

1.4.3 Civil Service Pension

31. **The civil service pension scheme is the government's largest social protection programme, and is managed by the Pensions Department within the Ministry of Finance.** All permanent and pensionable civil servants are members of the scheme, as established under the Pensions Act (Cap 189) of the Laws of Kenya. Recipients can ask to receive one-quarter of the benefit as a lump sum while the rest is paid as a monthly pension of between Ksh 2,000 and 10,500 per month. The pension is paid to recipients upon their retirement at the age of 60, although they can opt for early retirement at 50. In its present form, the scheme is financed entirely from the national budget.[23] A bill seeking to reform the scheme is presently being discussed in Parliament. There are plans to reform the scheme, for example, by introducing a 15 percent contribution from the government employee and a 7.5 percent contribution from the employer.

[20] *Information conveyed to the consultant by the officials of the NHIF on June 22, 2011.*
[21] *Withdrawal Benefit: members get their savings plus interest at the age of 50 upon early retirement (from NSSF website: http://www.nssf.or.ke/our-benefits).*
[22] *They are paid when the claimant permanently leaves Kenya and is, essentially, a refund of the paid contributions.*
[23] *Civil servants who entered public service from 1971 onwards also participate in the Widows' and Children's Pension Scheme established under the Widows' and Children's Pensions Act (Cap 195).*

Chapter 2

Budgeting, Expenditure, and Financial Sustainability in the Social Protection Sector

CHAPTER SUMMARY

- Social protection spending has increased steadily from 2005 to 2010, amounting to Ksh 57.1 billion in 2010. This was equivalent to 2.28 percent of GDP.
- From 2005 to 2010, the majority of social protection spending has been on the civil service pension (48.4 percent). Spending on safety nets amounted to 30 percent of total social protection spending and that on contributory schemes was 22 percent.
- Spending on safety nets doubled during this period, totalling Ksh 20.5 billion in 2010. Spending on the GFD, which accounts for 53.2 percent of all safety net spending, has largely driven this increase.
- Government is the main financer of social protection in Kenya, although 88 percent of government financing is directed to the civil service pension. Development partner financing amounts to 71 percent of all resources to safety nets.
- Reforms are underway to improve the financial sustainability of the NHIF and NSSF and the civil service pension.
- Progressively increasing financing to safety nets could achieve comprehensive coverage of poor, vulnerable groups in nine years.

2.1 Levels of and Trends in Social Protection Spending

32. **Overall spending on social protection as a percentage of GDP has been largely steady over the past five years, although there have been notable annual fluctuations.**[24] As a percentage of GDP, social protection spending has varied between a high of 2.50 in 2009 and a low of 2.11 percent in 2008. These fluctuations have been driven by different spending patterns between safety nets, contributory programmes, and the civil service pension, as seen in Table 2.1.

33. **Levels of spending on social protection increased between 2005 and 2010, although this general trend masks significant variations among the sub-sectors.** In 2005, social protection expenditure amounted to Ksh 33.4 billion. By the end of the decade, this had increased to Ksh 57.1 billion. As seen in Figure 2.1, throughout this period, the civil service pension dominated total social protection spending. On average between 2005 and 2010, the civil service pension accounted for 48.4 percent of total social protection spending,

[24] *In this section, spending is equated with the actual expenditure recorded by the social protection programmes reviewed.*

Table 2.1: Spending on Social Protection Programmes, 2005-2010 (% of GDP)

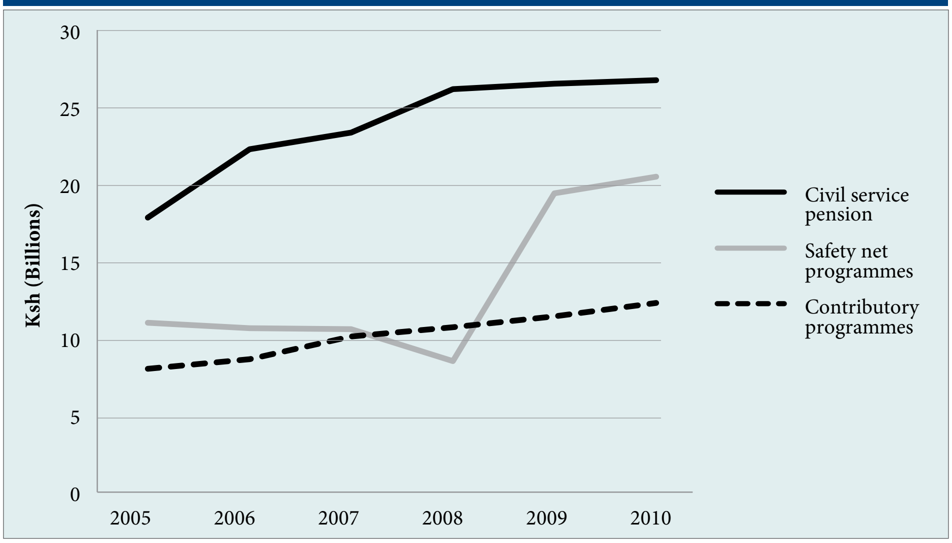
Sector	2005	2006	2007	2008	2009	2010
Safety Nets	0.78	0.65	0.58	0.40	0.82	0.80
Contributory Schemes	0.56	0.54	0.59	0.51	0.48	0.48
Civil Service Pension	1.00	1.10	1.30	1.20	1.20	1.00
Total	**2.34**	**2.29**	**2.47**	**2.11**	**2.50**	**2.28**

Source: Authors (2011).

spending on safety nets was equivalent to 30 percent, and that on contributory schemes was equivalent to 22 percent. The reason for these differences in spending can be attributed to variations in the coverage, level of benefits provided, and overhead costs of these different types of social protection programmes. Each of these issues is explored below and in detail in the subsequent chapters of this report.

34. **Spending on the safety net sector doubled during this period, rising from Ksh 11.9 billion in 2005 to Ksh 20.5 billion in 2010.** This overall increasing trend hides a sharp decline in safety net expenditure in 2008, when total safety net expenditure fell from Ksh 10.6 billion to Ksh 8.6 billion and then increased again to Ksh 19.4 billion. Throughout this period, as seen in Figure 2.2, spending on the General Food Distribution (GFD) programme, which is part of the relief and recovery sub-sector, accounted for a large proportion of overall spending on safety net programmes. Specifically, the GFD programme amounted to 53.2 percent of all safety net spending, on average, between 2005 and 2010. As a result, expenditure on the GFD programme has largely driven the pattern of safety net spending in the country. For example, the decline in safety net expenditure in 2008 was a result of a drop in spending on the GFD programme, even though spending on other safety net programmes actually increased. The subsequent increase in spending on the GFD programme, and relief and recovery programmes more generally, contributed to rising safety net spending in 2009 and 2010. This increase was mainly in response to the drought and food price rises in 2008. The launch of the Expanded School Feeding Programme also contributed to the rapid increase in safety net spending, and

Figure 2.1: Spending on Social Protection Programmes, 2005-2010



Source: Authors (2011).

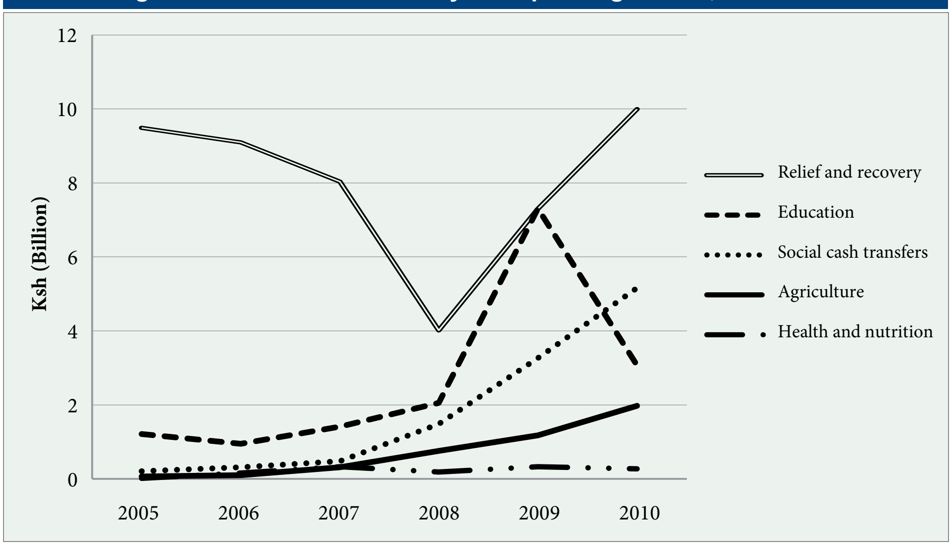
was similarly initiated in response to situation in 2008. This programme appears under the education sector in Figure 2.2.

35. **By the end of the decade, social cash transfers amounted to 25 percent of all safety net spending.** In 2005, investments in social cash transfers were negligible, but they increased rapidly over the next five years. This increase resulted from the scaling up of a number of pilots (CT-OVC programme) and the launch of new initiatives (Older Persons Cash Transfer programme (OPCT)). Concurrently, the Hunger Safety Net Programme (HSNP), which is funded by the UK Department for International Development (DFID) and launched in 2007, made its first cash payments in February 2009. This trend can be attributed to the growing evidence of the positive impact of cash transfers in Africa in general and in Kenya in particular and to the growing political consensus about the need to provide regular support to vulnerable populations. This point is discussed further in Chapter 9.

36. **While spending on safety nets has fluctuated since 2005, spending on the contributory schemes and the civil servants pension increased year-on-year during this period.** Spending on contributory programmes increased steadily, with an overall rise of roughly 53 percent between 2005 and 2010. The respective increase in expenditure is a result of increasing benefits being paid as membership numbers have risen and, for the NHIF, higher benefits paid and greater operational costs (discussed in subsequent sections). Similarly, the civil service pension received yearly increases in expenditure, which resulted in an overall increase of 70 percent between 2005 and 2010. This was due to the fact that pension benefits were increased twice and, given the way that the civil service pension is calculated, higher pensions arising from salary increases for some groups of civil servants.

37. **Social protection spending in Kenya, specifically spending on safety nets and social security, is low by international standards.** Table 2.2 shows spending on social assistance and (mostly contributory) social insurance programmes as a percentage of GDP in a selection of countries and regions for which data are available. Kenya lies very much at the lower end of the range, especially when it comes to safety nets. It is noted that much of this information is significantly out of date.

Figure 2.2: Variations in Safety Net Spending Trends, 2005-2010



Source: Authors (2011).

Table 2.2: Social Protection Spending in Kenya - International Comparisons

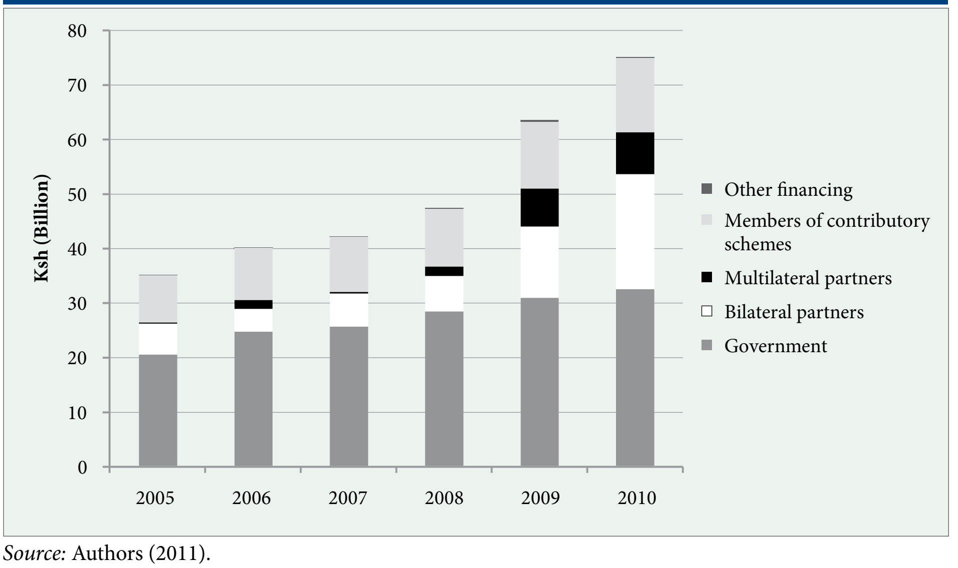
Country/Region	Year	Expenditure on Social Assistance (% of GDP)	Expenditure on Social Insurance (% of GDP)	Source
Countries				
Botswana	2004/05-2008/09	2.7-5.2	NA	Turner et al. (2010)
Ethiopia	2001/02	4.5	NA	Weigand and Grosh (2008)
Kenya	**2010**	**0.8**	**0.48**	**Table 2.1 above**
Madagascar	2002	0.9	1.2	Weigand and Grosh (2008)
Malawi	2003-2006	6.5	1.7	Slater and Tsoka (2007)
Mauritius	2001/02	5.3	4.2	Weigand and Grosh (2008)
Senegal	2004	0.2	0.9	Weigand and Grosh (2008)
South Africa	2002/03	3.2		Weigand and Grosh (2008)
Regions (No. of Countries)				
Sub-Saharan Africa (9)	Various	3.1	1.5	Weigand and Grosh (2008)
Latin America & Caribbean (25)	"	1.3	3.8	Weigand and Grosh (2008)
South Asia (5)	"	0.9	1.4	Weigand and Grosh (2008)

Source: Authors (2011) and sources cited above.

2.2 Sources of Financing for the Sector

38. **The government is the largest financer of the social protection sector, with support from a range of stakeholders.**[25] Figure 2.3 shows the sources of financing for the sector between 2005 and 2010. Throughout this period, government financing amounted to, on average, 55 percent of total social protection financing, although this ranged from 61 percent in 2007 to 43 percent in 2010. The next largest source of financing is members of contributory schemes, which was equivalent to 22 percent of total financing on average. Development partner (bilateral and multilateral) funding for social protection amounted to roughly 22 percent of all financing on average throughout this period, although

Figure 2.3: Sources of Financing for the Social Protection Sector, 2005-2010



Source: Authors (2011).

[25] *There were some data challenges involved in this second part of the analysis. The financing data available for some of the safety net programmes covered multi-year periods, with no specific budget allocation being given for each year. In such cases, the annual budget was calculated by dividing the total budget by the number of years covered by that budget.*

there was a notable increase between 2008 and 2010 when development partner funding increased from 17 to 38 percent.

39. **There are important variations, nevertheless, in how these sources of funds are allocated to the sub-sectors.** Government financing for social protection is largely directed to the civil service pension, with financing for the civil service pension amounting to 88 percent of total government spending on social protection on average between 2005 and 2010. The remaining government financing has been allocated to safety nets. More specifically, on average during this period, government funding for safety nets was allocated as follows: the education sector (37 percent), social cash transfers (27 percent), relief and recovery (27 percent), and agriculture (8 percent). The relative amount of financing allocated to these different sectors has changed over time. In 2005 and 2006, for example, over 57 percent of government financing was allocated to relief and recovery safety nets, but by the end of the decade, this had dropped to 19 percent. Conversely, while social cash transfers constituted 2 percent of government financing for safety nets in 2005, by 2010 this amounted to 43 percent, having become the largest recipient of government financing for safety nets. At the same time, government financing for safety nets in the education sector ranged from 50 to 31 percent of total government financing for safety nets.

40. **During this period, development partner funding has largely been allocated to relief and recovery.** In 2005, 91 percent of bilateral financing for safety nets in Kenya was allocated to relief and recovery. This proportion decreased to 58 percent in 2009 and then rose again in 2010 to 77 percent. On average during this period, 16 percent of bilateral resources were spent on safety net programmes in the education sector (ranging from 6 percent in 2006 to 35 percent in 2008) and 5 percent to social cash transfers, although the relative allocation to this second category has increased from 0 percent in 2007 to 10 percent in 2010. In contrast, multilateral funding, which was almost exclusively allocated to safety nets in 2005 and 2006, has been increasingly spent on relief and recovery programmes and safety nets in the agricultural sector. As a result, on average during this period, 61 percent of multilateral financing was allocated to relief and recovery, 15 percent to social cash transfers and agricultural safety nets respectively, and 9 percent to safety nets in the education sector.

41. **In 2010, the largest source of financing for safety nets was bilateral partners,** contributing 51 percent of total funding to the sub-sector compared with 20 and 28 percent from multilateral partners and the government, respectively.[26] If multilateral loans are considered as a government contribution to safety nets, the government's contribution increases to 48 percent. This is shown in Figure 2.4, together with the overall levels of financing to safety nets from 2005 to 2010.

42. **Financing for the contributory sector has increased steadily over the past five years** (see Table 2.3). Financing for contributory schemes comes from two sources – members'

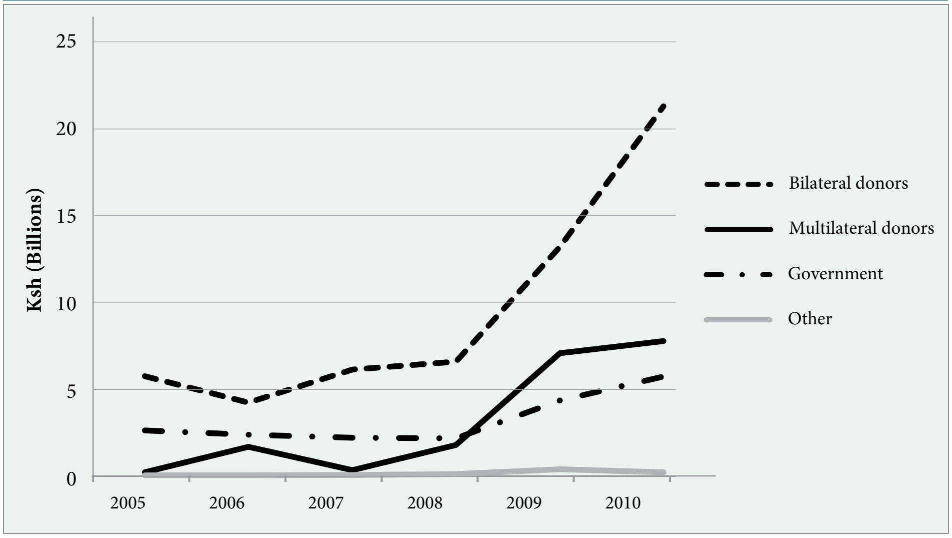
Table 2.3: Contributory Programmes: Financing and Members, 2005-2010

	Schemes	2005	2006	2007	2008	2009	2010
Financing (Ksh Billion)	NSSF	4.8	5.3	5.3	5.4	6.2	6.9
	NHIF	3.8	4.3	4.8	5.2	6.0	6.8
Number of Members	NSSF	38,339	38,339	37,472	39,654	35,292	38,339
	NHIF	135,359	165,073	201,308	243,219	303,863	367,886

Source: Authors (2011).

[26] *"Other financing" amounts to 1.1 percent of total financing for safety nets. This largely consists of private sector and grant-making institutions, such as the financing provided by the "Friends of WFP" to the PRRO.*

Figure 2.4: Sources of Financing for Safety Nets in Kenya, 2005-2010



Source: Authors (2011).

contributions and returns on investments. For the NSSF, it is the latter source that explains the increase in income despite a general lack of growth in membership; whereas in the case of the NHIF, the increase in its resources has been accompanied by a steep growth in membership. Both the NHIF and the NSSF are making efforts to extend their coverage to the informal sector, to streamline their collection mechanisms, and to strengthen their investment strategies in order to increase funding and improve equity in coverage. These reforms are discussed in more detail in Chapters 3 and 8.

2.3 Financial Sustainability in Social Protection Programmes

43. **Sustainable financing for the social protection sector remains a challenge, particularly in the context of high poverty incidence and fiscal constraints.** There is a need to significantly extend coverage of social protection programmes given the current low levels.[27] As existing social protection programmes are extended, the question of how to finance these initiatives over the long run becomes increasingly important. In order to understand the issues of financial sustainability in the sector, it is necessary to distinguish between contributory programmes, the civil service pension, and safety nets in terms of their financing, as the issues affecting sustainability differ markedly between these sub-sectors.

44. **The NHIF depends on investments and member contributions for its financing.** A recent report found that, the Fund's "financial position is currently characterised by rising payout caused by significant increases in informal sector membership, unchanging contribution levels, and increasing expectations from members....Its current asset base consists largely of fixed assets which cannot be easily liquidated."[28] Its contribution rates were last changed in 1990 and have not been increased in line with inflation or with the rising cost of medical care, including a 65 percent increase in bed charges in some hospitals over the last year.[29] Since 2006, benefit payouts increased faster than membership numbers (29 percent as compared with 13.5 percent). Notably, contributions from informal members are set at 50 percent of those for formal sector workers. Yet, informal sector workers draw on NHIF benefits more often than those from the formal sector: in 2010, 33

[27] *The adequacy of the coverage of programmes will be discussed in further detail in Chapter 3.*
[28] *Deloitte (2011).*
[29] *Estimates suggest that the cost of medical care has increased by nearly 35 percent in the past year. In response, private insurers have increased premiums by between 10 and 20 percent, whereas the NHIF contributions have not risen at all.*

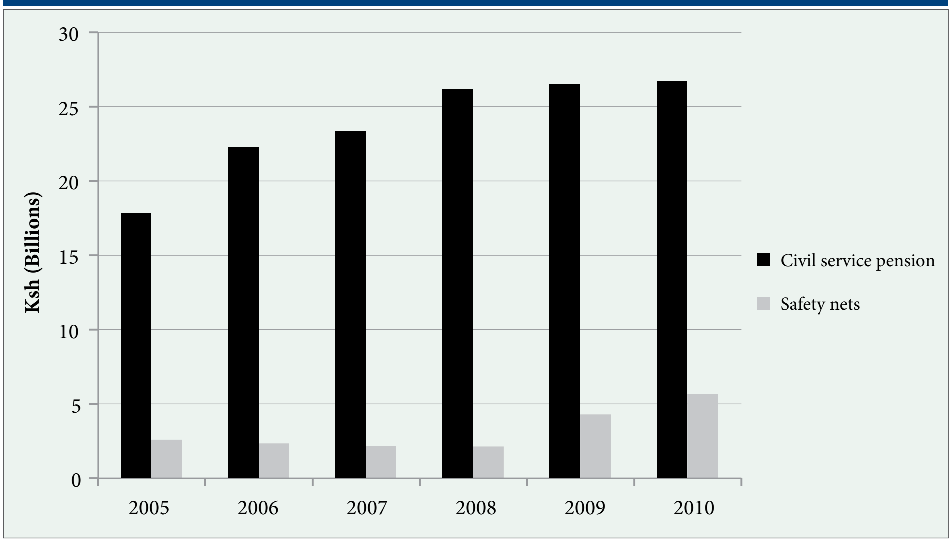
percent of all benefits were paid to informal sector members, who paid only 5 percent of all contributions. This has resulted in major challenges to ensure the financial sustainability of the NHIF. A number of reforms are now being implemented to address the longer-term financial sustainability of the Fund, by ensuring sufficient revenue and continuing to reduce operating expenditures.

45. **The NSSF is undertaking reforms to increase its efficiency and coverage.** In 2009, the administrative costs of the NSSF absorbed 77 percent of total contributions. The reforms that are underway aim to increase the returns to investments and to expand coverage, and include opening up membership to the self-employed and those in the informal economy.[30] Furthermore, the NSSF extended its coverage to – previously ineligible – small firms and companies with one to four employees. In order to strengthen the NSSF's investment portfolio, and to make it compliant with RBA regulations, six leading asset managers have been employed, and two custodians have been employed to oversee the Fund's assets.[31]

46. **The vast majority of government spending on social protection was allocated to the civil service pension,** as can be seen in Figure 2.5. This points to the important need to consider the fiscal sustainability of the civil service pension. As discussed in earlier sections, there is a bill currently before Parliament that would reform the civil service pension from its current structure as a pay-as-you-go defined benefit scheme that is financed from the government's general revenue to a fully funded defined contribution scheme with the government (as the employer) financing the equivalent of 15.5 percent of the workers' salaries and the employees contributing 7.5 percent of their salaries to the scheme. If passed, this bill would significantly increase the fiscal sustainability of the pension scheme and would reduce future fiscal liabilities.

47. **To achieve the constitutional mandate, as stipulated in the 2010 Bill of Rights, to provide social security to Kenya's poor and vulnerable citizens, spending on safety nets will need to increase.** While acknowledging the competing priorities for government revenue, as a point of comparison, public financing to safety nets

Figure 2.5: Government Spending on Civil Service Pensions and Safety Net Programmes, 2005-2010



Source: Authors (2011).

[30] *This is similar to the Retirement Benefits Authority (RBA) objective through the Mbao Pension Plan. The Mbao is a voluntary savings scheme intended to enable people in small and medium enterprises (SMEs) to save for retirement· It is called Mbao, because this is the Kiswahili word for Ksh 20 shillings, the minimum daily contribution that members make. http://www.rba.go.ke/component/content/article/81 (accessed November 8, 2011).*

[31] *More extensive reports have discussed how these measures would be sufficient to ensure the financial sustainability of the schemes (Deloitte 2011; ILO 2010a; and Olivier 2011a and 2011b).*

accounted for 0.6 percent of total government expenditure in 2010, as compared with 19.8 percent on education and 5.5 percent on health. Kenya's Vision 2030 recognises the importance of developing sustainable government financing mechanisms to meet the social protection needs of vulnerable groups. In its social pillar, Vision 2030 envisages the establishment of a "consolidated Social Protection Fund" as a vehicle for allocating government resources to protect OVC and older people.[32] The draft NSPP also endorsed the idea of this fund as a way to ensure regular, predictable, and long-term financing for social protection in Kenya. Although it has not yet been established, government financing for safety nets has increased in the aggregate over the past five years.

48. **Estimates suggest that progressively increasing financing to safety nets can achieve high rates of coverage in the short to medium term.** Given the current fiscal environment, any increase in public financing to safety nets is likely to be modest. Assuming economic growth of 6 percent going forward, this would generate Ksh 100 billion in additional revenue each year.[33] We assess the impact on safety net coverage if 5 percent of these additional resources are allocated to safety nets on an annual basis. For this, we assume that the transfer rate to households is set at Ksh 2,000 per month and that operational costs are equivalent to 20 percent of total programme costs. Based on the estimated number of households with members who are classified as vulnerable, and the current rates of poverty among these groups,[34] the results suggest that it would take between 1 and 17 years to cover all poor households from any one of several vulnerable groups, depending on how the target group was defined. These results are shown in Table 2.4.

49. **Simulations show that it would take nine years to move from existing rates to achieve**

Table 2.4: Estimated Time for Social Cash Transfers to Achieve Comprehensive Coverage of Selected Vulnerable Groups

Target Populations	Years to Achieve Comprehensive Coverage[1/]
All households with:	
One or more disabled or chronically ill member	5
One or more OVC	3
One or more over 60 years of age	11
One or more PLWHA	4
Children under 18 years of age	37
All absolute poor households with:	
One or more disabled or chronically ill member	2
One or more OVC	1
One or more over 60 years of age	5
One or more PLWHA	2
Children under 18 years of age	17
All absolute poor households with vulnerable (except children under 18)	**9**

Source: Authors' calculations based on programme data (2011).
Notes: 1/ These figures reflect the assumption that if the resources required to achieve comprehensive coverage are more than those available in a single year that, comprehensive coverage would only be achieved at the end of the next fiscal year, even if the additional resources required are very small. For this reason, the amount of time it would take to achieve comprehensive coverage among all absolute poor households with vulnerable members is less than the amount of time suggested by summing up the figure presented for each of the poor, vulnerable groups separately.

[32] *Kenya Vision 2030, page 115.*
[33] *These assumptions are derived from World Bank analytical work that estimated the elasticity of GDP on components of taxation. The Budget Review and Outlook paper for 2012 predicts that the year-on-year increase in revenue from 2011/12 to 2014/15 will be above this amount, averaging Ksh 140 billion per year. However, past experience suggests that the actual increase might be lower than these figures, as annual increases from 2005/06 to 2008/09 were closer to Ksh 70 billion per year.*
[34] *See Chapter 3 for a discussion of these groups, the estimated numbers among the population, and current safety net coverage rates.*

comprehensive coverage among all poor households with members who are vulnerable (i.e., OVCs, people over 60 years of age, disabled or chronically ill, and people living with HIV/AIDS (PLWHA)). Under the same assumptions, it would take one year to cover all poor households with OVCs or five years to cover all poor households with a member who is over 60 years of age. Achieving these rates of coverage among poor households for any one of these selected vulnerable groups would cost between 0.35 and 3.83 percent of GDP.[35] These scenarios are likely to overestimate the amount of resources required to reach multiple vulnerable groups, as significant overlaps are likely among households that, for example, include both members over the age of 60 years and OVCs or children under 18 years of age.

50. **These estimates assume continued economic growth and increasing public revenue.** To achieve the projected increase in coverage would amount to a doubling of the amount of public resources allocated annually to social cash transfers. This is deemed to be feasible given current fiscal space. Additionally, it is unlikely that the sector could absorb resources at a more rapid rate given the need to strengthen implementation capacity. At the same time, a range of factors will influence the size of the population in need of safety nets and thus the overall fiscal requirements of this sector. For example, the model does not consider population growth, which may increase the number of people and households requiring safety net support, or how economic growth will continue to pull people out of poverty, thereby reducing this population over time. Indeed, concerted investments in safety nets will improve the growth elasticity of poverty, meaning that a greater number of people will escape poverty as the economy grows than would otherwise be the case. In the longer run, this will gradually reduce the size of the population in need of predictable support and safety nets will become a safety net of "last resort".

51. **In these scenarios, development partner funding will continue to be needed in the short to medium term.** At present, development partners provide an estimated 71 percent of safety net financing. Government financing is unlikely to increase rapidly enough to both extend coverage to a greater population and replace development partner funding to the sector. While it may also be feasible to advocate for increased development partner funding in addition to greater public resources for safety nets, this has not been considered here because: (i) it is unlikely that safety net programmes could absorb resources at a more rapid rate given the need to strengthen implementation capacity, as noted above; and (ii) financing safety nets from general revenue will ensure the predictability of these programmes in the long run.

52. **The coverage of predictable support to households could be extended within the current resource envelop by reorienting emergency food resources that are being used to respond to chronic poverty.** The GFD is designed to respond to emergencies by providing households with much needed food aid. This emergency instrument is being used annually in some areas of the country, which suggests that it is providing consumption support to households that are chronically poor and food-insecure, rather than those affected by emergencies. International evidence shows that responding to chronic poverty and food insecurity is more effective through a predictable safety net than emergency food aid.[36] This is because, while food aid saves lives, it is not as effective at halting the erosion of livelihoods and the slide into deeper poverty. This response through the GFD to chronic food insecurity is estimated to be Ksh 5.1 billion per year; reallocating these resources would double current levels of financing on social cash transfers. Such a doubling of resources would, for example, achieve universal coverage among poor households with OVCs. While this would not increase the overall funding to the sector, it would improve the impact of these

[35] *See Chapter 3 for more information on these calculations.*
[36] *See for example World Bank (2010).*

resources on poverty and human development in Kenya.

53. **At the same time, there is scope to improve the effectiveness of the safety net response to shocks.** Currently, the only safety net programmes with the capacity to scale up in response to crises are those classified as relief and recovery. This undermines the effectiveness of safety net support in Kenya because shocks can negatively affect all poor households, including those already enroled in safety net programmes. If the level of regular safety net support is not increased to respond to a given shock, any gains in well-being accrued through the programme may be eroded. Moreover, responding to shocks through the emergency response system can be slow. This was witnessed in 2008/09, when the bulk of the emergency support for the 2008 drought response was delivered in 2009.[37]

54. **International experience provides good practice in improving how safety nets respond to shocks.** Increasingly, countries are scaling up established safety net programmes to respond to crises, and these are proving to be an effective means of protecting households from the negative effects of shocks.[38] This approach is also proven to be a faster, more effective, and cheaper means of delivering emergency assistance. International experience suggests different models for the requisite contingent financing. It can include future commitments from development partners, which is the model used in Ethiopia, or the use of weather-based indexes that trigger payouts from the international insurance market, as has been the case in Malawi.

55. **Finally, when safety nets and contributory programmes complement each other, this has implications in the long term for the financial sustainability of the social protection sector.** Safety nets can enable households to invest in productive activities and in human capital development that will increase their productivity and income. By increasing the employability of the poor and vulnerable and enabling them to obtain better and more productive work, safety nets promote participation in the labour market. Thus, beneficiaries become more self-reliant, rise out of poverty, and reduce their dependence on government-funded non-contributory safety nets. As the once-poor and vulnerable participate in the labour market, they can access and invest in contributory schemes. By becoming members of contributory schemes, new entrants into the labour market reduce the cost of their social protection by sharing it with their employer. They are also more likely, depending on their place within the labour market, to be able to afford to participate in voluntary personal contributions to a pension. In this way over the long term, the cost to the government of providing safety nets will diminish as the beneficiaries of safety nets graduate to contributory schemes. However, this requires contributory schemes to be well-designed and efficient with broad coverage and is likely to materialise only over the long run.

2.4 Conclusions and Recommendations

56. **The government and its development partners can make significant progress in reducing vulnerability and lifting people out of poverty by changing how they allocate their expenditure to social protection programmes.** At present, nearly half of all funding to safety net programmes is allocated each year to the General Food Distribution (GFD) programme. Analysis suggests that a large proportion of these resources are being used to tackle chronic poverty in addition to acute emergencies. International evidence increasingly shows that predictable safety nets, particularly social cash transfers, are more effective at addressing chronic poverty and food insecurity than the emergency system. Therefore, the government is more likely to realise scaled efficiencies and gains in poverty

[37] *This is discussed further in Chapter 3.*

[38] *Ethiopia, the Productive Safety Net Programme has a drought risk financing mechanism that is triggered by a weather index that is monitored through the early warning system. The fund is resourced by the government and its partners, and has successfully been deployed to respond to droughts in 2008, 2009, and 2011.*

reduction if resources were reallocated from the emergency response system to predictable safety nets.

57. **Establishing a contingency fund can enable a rapid scaling-up of safety net programmes in response to crisis.** Many countries are increasingly using their safety nets to respond quickly to emergencies. This type of response can ensure that households receive assistance *before* crises hit, thus providing recipients with a more predictable and timely source of revenue than is possible in the current emergency response system. To enable rapid response through established operational systems, a contingency fund is required. This kind of fund would ensure that a sufficient amount of resources would be readily available to provide assistance to large populations faced by shocks. The specific way in which the fund operated would be defined by the government and its partners in accordance with the existing disaster risk reduction and emergency response architecture, informed by international and regional good practice and linked with other institutions responsible for responding to drought, such as the National Drought Management Authority.

58. **Investments in safety nets should increase over time in line with the constitutional obligation for the government to extend social security to all.** Financing for the safety net sub-sector should be guided by a framework that considers all sources of funding with a view to ensuring the fiscal sustainability of safety net programmes in the long term. In the short to medium term, development partners will likely remain important sources of respective funding. Nevertheless, as ongoing reforms and economic growth create more fiscal space, the government should be able allocate increasing levels of its resources to safety nets. The analysis of this report suggests that with an additional Ksh 5 billion per year, it is feasible to achieve high rates of coverage among poor, vulnerable groups in the current fiscal context over the medium term. The commitment of the government to allocating more revenue, underpinned by legislation, will be a more reliable long-term solution than a continued reliance on external funding.

59. **The reforms being proposed to the contributory schemes, which include measures to extend coverage to the informal sector, should be implemented urgently and comprehensively.** This will not only ensure more equitable social protection coverage but will also yield additional financial resources as a result of the increase in members' contributions. Coupled with rigorous collection of contributions, better investment strategies, and the currently pursued governance arrangements, a more robust financial base for contributory programmes will materialize. These comprehensive reforms to contributory schemes are likely to be increase the effectiveness and sustainability of the social protection sector as a whole. When contributory schemes have been expanded and are functioning properly, to the outcome has generally been a reduction in the number of people who require safety net support. It is therefore recommended that further analyses be carried out of the adequacy (in the medium to long term) of the reforms proposed for, or presently being implemented in, the NSSF and the NHIF.

Chapter 3

Adequacy and Equity of Social Protection Programmes

CHAPTER SUMMARY

- Contributory and safety net programmes covered 13 percent of the population, on average, from 2005 to 2010.
- The average annual growth of contributory members from 2005 to 2010 was 18.5 percent. This increase was mainly driven by the NHIF.
- In 2010, safety net programmes reached almost 13.7 percent of the population. The GFD supported 40 percent of all safety net beneficiaries.
- The coverage of safety net programmes tends to be highly correlated with poverty rates at the county level.
- Currently, less than 7 percent of any vulnerable group is covered by safety nets, with the exception of OVCs, among which coverage is 28 percent.
- Increasing coverage to all poor people in selected vulnerable groups would cost between 0.35 and 3.83 percent of GDP.
- Among the safety net programmes reviewed, few programmes provide regular support to households over extended periods of time.
- In the majority of the safety net programmes, the value of the transfer is currently uniform for all households, regardless of their size, and cash benefits are rarely adjusted for inflation.

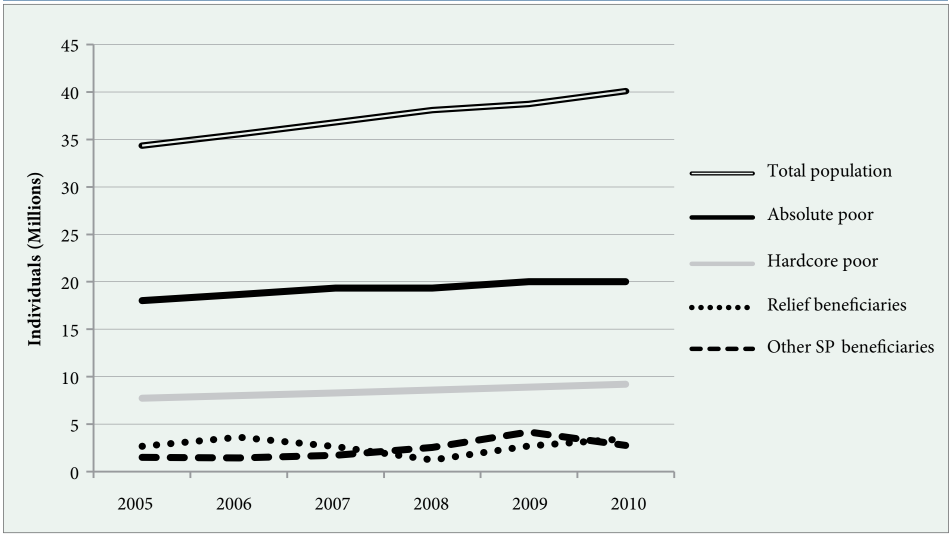
3.1 Coverage of Social Protection in Kenya

3.1.1 Trends and Patterns in Social Protection Coverage

60. **There has been an upward trend in the coverage of most social protection programmes in the last five years, but this has not translated into increased coverage of poor populations.** Most social protection programmes, particularly safety net programmes, aim to provide some level of support to poor and vulnerable populations (see Chapter 7 on Performance Management). For this reason, Figure 3.1 compares the trend in the number of absolute and hardcore poor from 2005 to 2010 with total population growth and the coverage of: (i) relief and recovery programmes, the Food for Assets (FFA) programme, and the Supplementary Feeding programme; and (ii) safety net and contributory programmes (excluding the civil service pension).[39] On average, these programmes (contributory, safety nets and relief and recovery programmes) covered 13 percent of the population annually

[39] *The categories used in this analysis are described in more detail in Table 1.1 and Annex 2.*

Figure 3.1: Recipients of Relief and Recovery and Other Social Protection Programmes Compared to Poverty Rates, 2005-2010



Source: Authors (2011).
Notes: Poverty rates are assumed to be constant over this period. With reference to Table 1.1, "Other SP Beneficiaries" are defined as all contributory and safety net programmes, except those in the relief and recovery sector, and without the civil service pension.

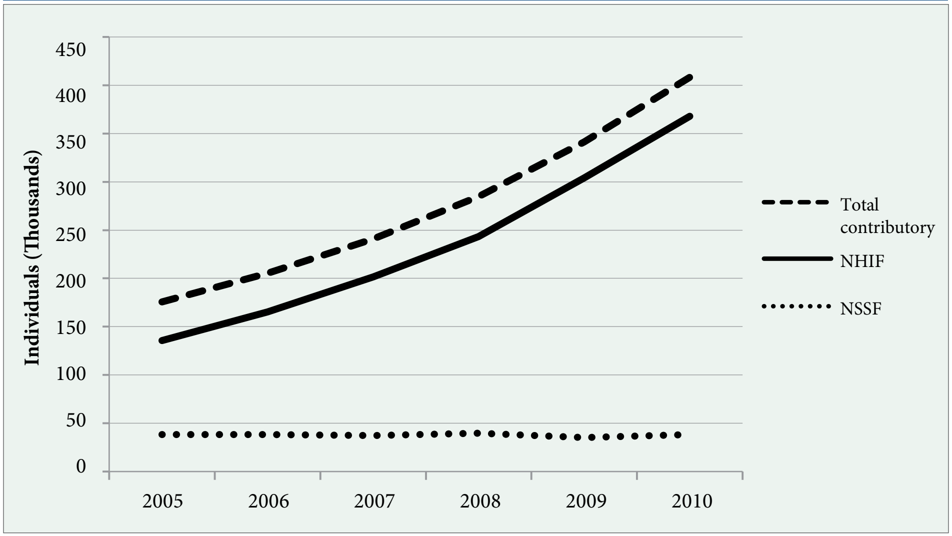
during this six-year period. According to KIHBS 2005/06 data, 46.6 percent of the population lived in absolute poverty and 22.5 percent lived in hardcore poverty.[40] As a result, if social protection programmes were perfectly targeted to the poorest individuals (the hardcore poor), only about one-quarter of the poor would be covered by these programmes, with no change in this proportion over time.

61. **Contributory schemes have grown faster than the population, and thus the proportion of the population that is covered increased substantially, albeit from a low level.**[41] The average annual growth of contributory members from 2005 to 2010 was 18.5 percent, which was faster than the average annual population growth rate of 4 percent. This increase in coverage was mainly driven by the NHIF, which has been expanding since 2005 with the aim of becoming a national social insurance scheme (Figure 3.2). The recent growth in the NHIF can be attributed to the fact that it has expanded its services, which has helped to increase compliance among those workers for whom contributions are mandatory (employees in the formal sector), and has made membership more attractive to those who can join voluntarily (anyone older than 18 and earning at least Ksh 1,000 per month).[42]

62. **The coverage of the NSSF has been increasing since late 2010.** This recent increase is not reflected in Figure 3.2, because it includes data only up to 2010. In 2009, Kenya had 2.1 million wage employees; of these, around 1.1 million were NSSF members. In November 2010, NSSF coverage was extended to employers with one to four employees, thus adding a further 100,000 members to the fund.[43] Also, there has been limited success in bringing self-employed workers onboard. Currently, the fund has around 57,000 self-employed members, which

[40] *The period 2005 to 2011 saw a major increase in food prices and modest per capita economic growth. In the absence of more recent data, we assumed that poverty rates have remained stable since 2005 and that the number of poor people has increased with population growth.*
[41] *This refers to the NHIF and NSSF. To better understand coverage in the contributory sector, we must distinguish between members and recipients. Members are all those who contribute to the programme (including some who should be contributing but are not) and those who have actually benefitted from a transfer in a specific year. For the NHIF, recipients include not only members but also a large number of dependents, which is the reason why NHIF numbers are much higher than those of the NSSF.*
[42] *In early 2012, NHIF coverage was extended to all civil servants.*
[43] *Information conveyed by the NSSF to the consultant on June 23, 2011.*

Figure 3.2: Recipients of Contributory Programmes, 2005-2010

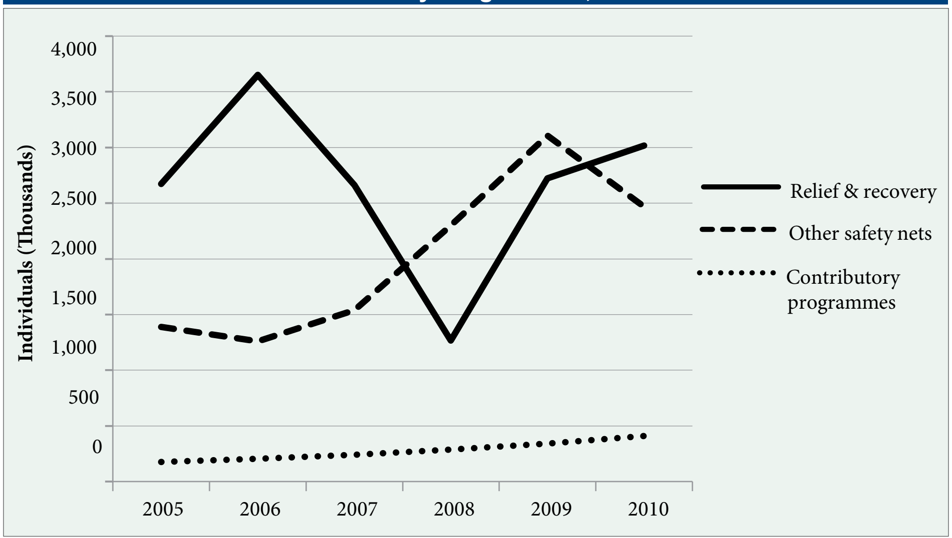


Source: Authors (2011).

is a fraction of the approximately 8.2 million workers in the informal economy.[44] Vision 2030 highlights the need for the NSSF to expand its mandate to meet the needs of, among others, the self-employed. The NSSF could look to existing schemes that provide pensions to workers in the informal sector. For example, the *Mbao* Pension Plan, based on a public–private partnership with the *Jua Kali* Association, aims to provide 100,000 workers with an individual voluntary pension plan.[45] The scheme falls under the supervision of the RBA and currently has 33,000 members.

63. **While safety nets have not grown as rapidly as contributory programmes, safety nets covered a much larger number of households**

Figure 3.3: Recipients of the Relief and Recovery, Other Safety Net, and Contributory Programmes, 2005-2010



Source: Authors (2011).

[44] *Of these, around 39,000 are males and 18,000 are females. See also ILO (2010a) pg 30.*

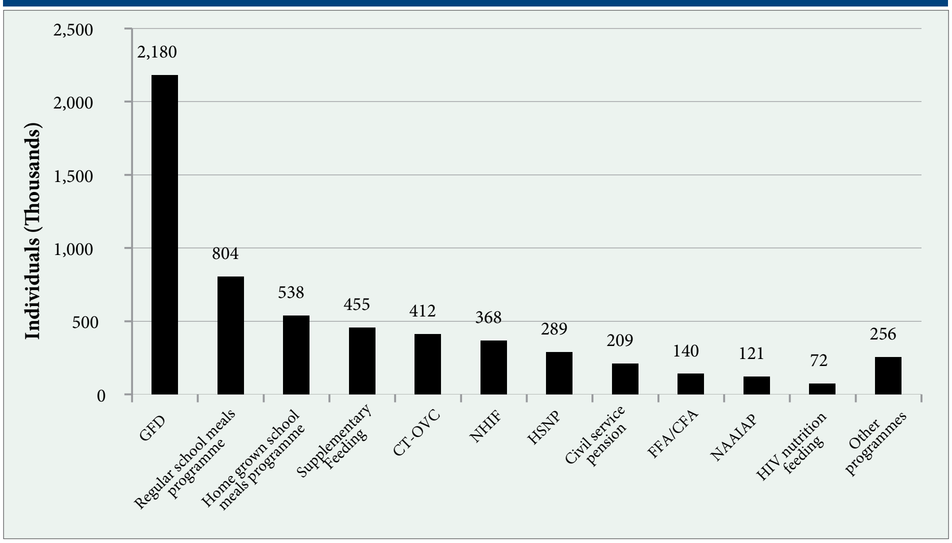
[45] *The Mbao Pension Scheme is a voluntary savings programme, registered with the Kenya Revenue Authority (KRA) and the Retirement Benefits Authority (RBA) under the official name of Blue Medium, Small and Micro Enterprises Jua Kali Individual Retirement Benefit Scheme.*

in 2010 than contributory programmes. This is seen in Figure 3.3. Within this general trend, the contributions of the GFD programme and other safety nets to the total coverage of safety net programmes have shifted over time. There has been a steadily increasing trend in the coverage of most safety nets, with a spike after 2008. The GFD, in contrast, experienced a large decline between 2005 and 2008, followed by a modest increase. The overall spike in safety net programming from 2008 to 2010 was driven by changes in the WFP Protracted Relief and Recovery Operation (PRRO), the creation of several new programmes like the Hunger Safety Net Programme (HSNP), the Food and Agriculture Organization (FAO) Farmer First Programme, Urban Food Subsidy Programme, and Home Grown School Meals (HGSM) Programme, as well as the expansion of existing ones (Cash Transfers for Orphans and Vulnerable Children (CT-OVC) Programme, Older Persons Cash Transfer (OPCT) Programme, and Disability Grants). Most of these programmes are expanding their coverage and thus continued growth is expected through 2012.[46]

64. **Among social protection programmes, the GFD currently accounts for the largest share of recipients.** As seen in Figure 3.4, this is equivalent to almost 40 percent of the total population covered by all selected social protection programmes in Kenya. The GFD, together with the Food for Assets/Cash for Assets programmes and the Supplementary Feeding programme, which are classified as relief and recovery programmes, account for almost half of all social protection beneficiaries. This is, in part, because these programmes have been used not only to address the high levels of vulnerability to shock, but increasingly to address chronic vulnerability as well.

65. **The size of safety net programmes has had an overall increase but the extent of this increase has varied among sectors.** Figure 3.5 shows the numbers of safety net recipients by sector. Beneficiaries of agriculture initiatives have been increasing, with a small dip in 2010 as a result of a reduction in the recipients of both the National Accelerated Agricultural Inputs Access Programme (NAAIAP) and the first component

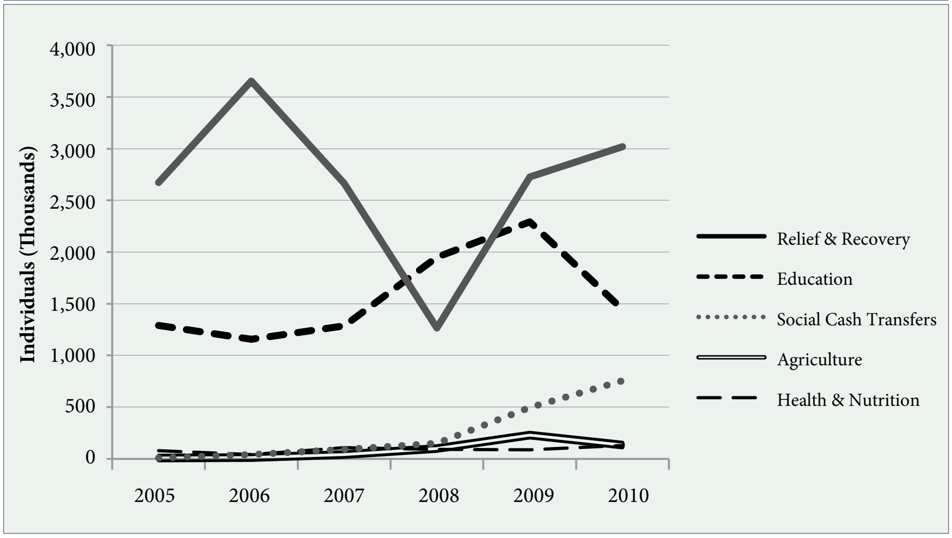
Figure 3.4: Number of Recipients in Largest Social Protection Programmes, 2010



Source: Authors (2011).
Note: The 10 smallest social protection programmes (in terms of number of beneficiaries) were combined into "other programmes."

[46] *Programmes that are currently being scaled up are the CT-OVC, HGSM, HIV/AIDS Nutrition Feeding, HSNP, OPCT, and Urban Food Subsidy Programme. Programmes that are planning to scale up are the WFP School Feeding Programme and Disability Grants. The PRRO can be scaled up or down according to need and based on the rain assessments, as is discussed in section 3.1.4.*

Figure 3.5: Recipients of Safety Nets by Sector, 2005-2010



Source: Authors (2011).
Notes: The categories used in this figure reflect the allocation of programmes across sectors as detailed in Table 1.1 and Annex 2.

of the *Njaa Marufuku* Kenya (NMK) – Support to Farmers' Groups. The reduction in recipients in the health sector in 2009 is explained by the decrease in recipients of the Output-based Aid (OBA) – health vouchers scheme. Transfers in the education sector cover the second largest number of beneficiaries (school-children) after the relief and recovery interventions. Those transfers peaked in 2009 due to the WFP Emergency School Feeding Programme, which built on the Regular School Feeding Programme (SFP) to expand the number of beneficiaries. This surge was not repeated in 2010, which explains the decline. Despite this downturn, the education sector continues to have the most safety net beneficiaries after relief and recovery activities.

3.1.2 Geographic Coverage and Equity

66. **In 2010, safety net schemes[47] in Kenya reached almost 13.7 percent of the population, but this coverage is highly variable among counties.[48]** This analysis is restricted to safety net programmes because the targeting of these schemes is deliberate. This is in contrast to the contributory schemes, which are self-targeted or implicitly target certain categories of employees. Within this analysis, apart from a few counties that are designated as ASALs and have high rates of coverage (specifically, Isiolo, Mandera, Marsabit, Turkana, and Wajir), there is also high variability in coverage among locations within the counties targeted by safety net programmes. Generally, the number of programme recipients in each location is not proportional to the location's total population or the total population of the poor. The evidence suggests that social safety net programmes tend to plan for a similar number of beneficiaries in each geographic area rather than making the beneficiaries proportional to the size of population in each area (see Chapter 4).

[47] *The non-contributory schemes analyzed here are the CT-OVC, HSNP, OPCT, PRRO, and SFP (listed under the Regular School Feeding Programme in Table 1.1 and Annex 2), for which data on the geographic distribution of recipients are available. Coverage ranges from a maximum of 64 percent of the population in Marsabit to zero in several counties in Western Kenya and the southern Rift Valley.*

[48] *Counties are geographical units envisioned by the 2010 Constitution of Kenya, along which devolved government will be created. As of the 2012 general elections, there will be 47 counties whose size and boundaries are based on the 47 legally recognized districts. Below the counties are divisions, locations, sub-locations, and villages. As of the 1999 Census, there were 2,427 locations and 6,612 sub-locations in Kenya.*

67. **The coverage of these safety net programmes tends to be highly correlated with poverty rates at the county level, even though poverty reduction may not be the programmes' main objective.** PRRO allocations at the county level are based on the Integrated Phase Classification (IPC)[49] of food insecurity; they are also indirectly correlated with absolute and hardcore poverty. The geographic coverage of all safety net programmes is thus closely associated with absolute and hardcore poverty rates. However, geographic coverage is not closely associated with the total *numbers* of hardcore or absolute poor people in each county. This reflects the finding above that beneficiary numbers are not correlated with the population rates of the counties.

68. **While some programmes are targeted to specific geographic areas, others aim for national coverage.** The SFP, PRRO, and HSNP are all targeted to ASAL areas, which have low population density and high rates of poverty. This is largely explained by the fact that the SFP and PRRO target drought-prone areas with an exclusive focus on the poor, lowland, and predominantly pastoral areas. The CT-OVC and OPCT are nation-wide programmes. Given the size of the programmes targeted to ASALs, the geographic coverage of safety net programmes in Kenya remains focused on ASALs. This means that overall, poor people living in non-ASAL counties are statistically much less likely to be included in a safety net programme than those living in the ASALs.

Rural versus Urban Coverage

69. **Rural locations are twice as likely to be covered by safety net programmes as peri-urban or urban locations.** This can be explained by the generally higher poverty rates in rural areas than in urban areas, although this fails to account for the substantial poor populations in urban slum areas. Table 3.1 shows some trends in the urban and rural coverage of individual safety net programmes. The rural focus in the overall allocation of safety nets is largely explained by the PRRO. Also, the recipients of the HSNP are slightly more likely to live in rural than urban areas, which reflects the fact that populations in the HSNP districts are mostly rural. In contrast, the coverage of the CT-OVC and OPCT is allocated equally between urban and rural households, while the SFP has a significantly urban focus. This last finding may reflect the fact that the schools rather than the residences of the school-children tend to be located in urban areas.

70. **It appears that contributory programmes cover both urban and rural areas.** In the analysis of KIHBS 2005/06 data, we found a high number of households containing one or more formal sector employees located in rural areas

Table 3.1: Safety Net Coverage of Urban and Rural Locations, 2010

Location Type	Percentage of Population Covered by Social Assistance Programmes		Percentage of Population That Is Poor	
	PRRO	Other*	Absolute	Food Poor
	Mean	Mean		
Rural	13.54	3.43	49.7	47.2
Urban/Peri-urban	6.10	3.83	34.4	40.4
All	13.08	3.46	46.6	45.9

Source: Authors' calculations based on KIHBS (2005/2006) and National Census 2009.
Note: * CT-OVC, HSNP, OPCT, and SFP.

[49] *The IPC is "a standardised scale that integrates food security, nutrition, and livelihood information into a clear statement about the nature and severity of a crisis and implications for strategic response. The use of a common scale that is comparable across countries makes it easier for donors, agencies, and governments to identify priorities for interventions before they become catastrophic." (Source: http://www.ipcinfo.org/).*

(39 percent of formal sector employees live in rural areas). Based on this finding, it is likely that contributory programmes (NHIF and NSSF) and the civil service pension do not necessarily have as large an urban bias as might have been assumed. More analysis is required, however, to substantiate this finding.

Geographic Overlaps

71. **Despite their limited national coverage, safety net programmes have significant geographic overlap in the coverage.** It is especially apparent in the case of: (i) the SFP and PRRO in the ASAL counties; (ii) the PRRO and HSNP in Mandera, Marsabit, Turkana, and Wajir; and (iii) the CT-OVC and OPCT in limited areas. At the location level, there is considerable geographic overlap, especially in the ASAL areas (Map 3.1). The extent of overlap is likely to increase as programmes expand their coverage.

72. **These overlaps among programmes do not necessarily imply that resources from multiple programmes are allocated to the same households at the expense of other households.** Unfortunately, it is not possible to assess how far the geographic overlap is actually a function of households being beneficiaries of multiple programmes, as safety net programmes do not collect systematic data on who is registered for which programmes. Nor do national datasets, such as the KIHBS, collect information on households' receipt of social transfers from various programmes. Furthermore, given that the coverage of safety nets is not yet widespread enough to reach all poor people in all areas of the country, it is likely that transfers are provided to different poor households. For example, in the four HSNP counties with the greatest programme overlap at the location level, coverage remains low in relation to the numbers of hardcore poor.

73. **Even where geographic overlap occurs among programmes, it may promote programme objectives.** There was a general opinion among the programme managers interviewed for this review that the interventions in ASALs complement rather than duplicate each other (Box 3.1). Indeed, there are strong arguments to be made for combining cash and in kind transfers in areas where food markets are poorly functioning. In other cases, steps have been taken to minimise possible duplication of effort. In 2008/09, for example, an *ad hoc* committee was created by the Ministry of Northern Kenya and Other Arid Lands (MoNKL) and the DFID to increase coordination among agencies during the initial implementation of the HSNP. The committee's main objective was to identify the target population and areas of activity to avoid or at least reduce the likelihood of recipients being registered in more than one safety net programme. However, the committee does not appear to have reached a satisfactory level of systematic coordination and the risk of efforts being duplicated and of recipients being double-targeted still seems to be high.

3.1.3 Coverage of Vulnerable Groups

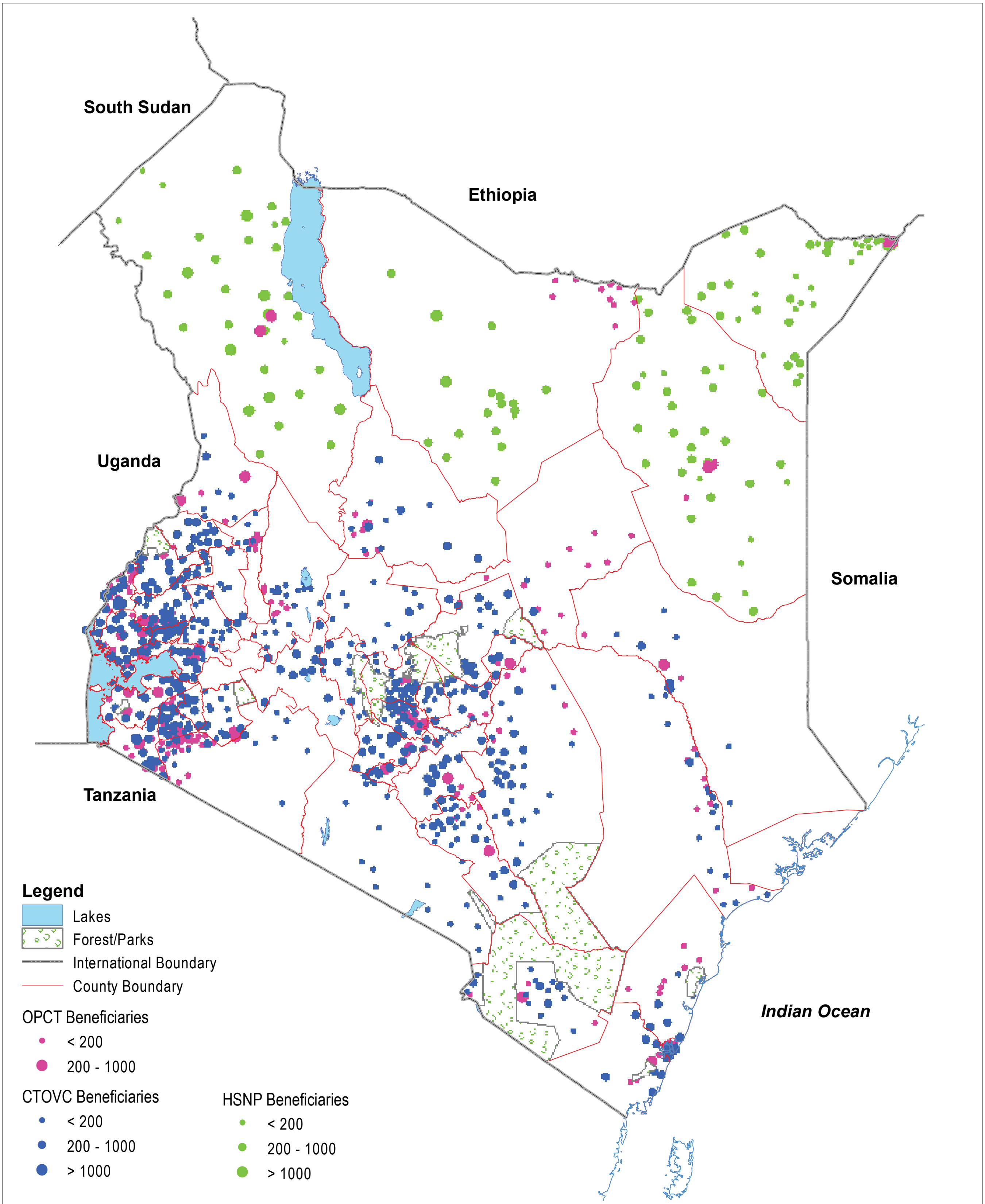
74. **A large number of households in Kenya include at least one member who falls into the vulnerable categories mentioned in the Constitution.**[50] Article 21:3 of the Constitution of Kenya asserts the duty of the government to meet the needs of particular vulnerable groups within society.[51] These vulnerable groups are: (i) *children;* (ii) *people with disabilities*, where disability is defined as a "physical, sensory, mental, or other impairment, including any visual, hearing, learning, or physical incapability, which impacts adversely on social, economic, or environmental participation;"[52] (iii) the *chronically ill*, including people living with HIV/AIDS; and (iv) *older people,* the definition of

[50] *While the categories listed in the Constitution do not cover all groups that can be considered to be vulnerable, it provides an important legal basis for this analysis.*

[51] *Article 21:3, "All State organs and all public officers have the duty to address the needs of vulnerable groups within society, including women, older members of society, and persons with disabilities, children, the youth, members of minority or marginalised communities, and members of particular ethnic, religious, or cultural communities."*

[52] *Persons With Disabilities Act, 2003, No. 14.*

Map 3.1: Geographic Coverage of Social Cash Transfer Programmes in Kenya, 2010



Source: Programme Administrative Data.

Box 3.1: Case Study of Cash in Turkana: Overlapping, Complementary, or Supplementary?

Turkana district has received emergency food assistance every year since 1985 and has been the location of various cash transfer pilots and interventions, including public works and at present, the Hunger Safety Net Programme (HSNP). Within this scenario, the likelihood of programme overlap is high. There are also examples of where such overlap was deliberately incorporated into programme design. In 2005 and 2006, Oxfam GB and World Food Programme (WFP) were working in Turkana with the Cash for Work (CFW) and General Food Distribution (GFD) programmes, respectively. The CFW was designed to target a subset of registered GFD recipients, who were receiving an extra cash grant from the CFW programme in exchange for work on community asset development.

An evaluation in 2006 found that some 12 percent of sample households had benefitted from the CFW but did not receive the GFD in the month prior to the survey. This suggests that the relief committees that were responsible for targeting the CFW programme included extremely poor households in the programme that had been (wrongly) excluded from the GFD. While this decision was in violation of the design of the CFW programme, in effect, it corrected for the exclusion errors in the GFD targeting. Also, the evaluation found that sharing of food transfers was high, with some 18.9 percent of the total value of food transfers being given away to other households. The net effect of these two processes was a significant increase in the overall number of extremely poor households that were covered by the two programmes. This illustrates how one programme can compensate for the exclusion errors of another. Of course, secondary distribution mechanisms within the community are not always as pro-poor and equitable as in this example. Where programme overlap occurs, all programmes should work together to ensure that information on the poorest and most vulnerable households is shared to reduce exclusion errors and to maximise the use of available resources.

whom varies across legislation and safety net programmes.[53] As seen in Chapter 1, simulations show that current poverty rates among these vulnerable groups tend to be higher than the poverty rate of the population in general, and thus the poor population within these groups is the focus of the sections that follow. Data from the KIHBS 2005/06 is the basis for the analysis.

75. **A key policy question is whether safety net programmes can or should cover the poor members of specific vulnerable groups in the long term or aim to cover all members of the group.** Since using the constitutional categories of vulnerability would imply that the majority of all Kenyans would be targeted, given fiscal constraints, an approach often adopted is to focus coverage on the poor within each of these categories. As most programmes currently use poverty or some proxy as criteria in beneficiary selection, this seems to be an accepted approach among policymakers and the review adopts this approach in assessing the adequacy of current coverage levels. In addition, the treatment of children needs careful consideration. The percentage of households with children under 18 years of age in Kenya is 72.9 percent. Given that these figures are so high, it is unlikely that the current fiscal space would be sufficient cover this whole category at this time. A categorization often used for identifying the most needy of this group is *orphans and vulnerable children* (OVC) defined as children who have lost one or both parents and/or are living in a household where at least one parent, caregiver, or child has been chronically ill for the last three months or more and/or who are living in a child-headed household. Again, this approach, along with that of poverty, is used in the review for assessing coverage.

[53] *The National Housing and Population Census (1999 and 2009) and other national statistics usually consider an "older person" to be anyone over the age of 60. The Hunger Safety Net Programme considers an "older person" to be anyone over the age of 55. The Older People Cash Transfer programme considers an "older person" to be those over the age of 65.*

76. **The total numbers of households belonging to specified vulnerable groups and living in absolute poverty was assessed to determine the safety net coverage of poor, vulnerable people.** Current selected programmes do not collect systematic comparable data on coverage of vulnerable groups. Therefore, where data were not available, estimates of coverage of vulnerable groups for specific programmes were generated based on the distribution of the vulnerable group within the national population.

77. **Table 3.2 compares these estimates with the current coverage of the safety net interventions.** Current safety net coverage rates range from a high of 27.8 percent of poor households with an OVC to a low of 0.38 percent of poor households with a member who is disabled. However, many of the programme implementers interviewed for this review believe that the actual coverage of vulnerable groups is higher than these estimates suggest. This is impossible to verify given the lack of beneficiary data disaggregated by category and vulnerability criteria.

78. **What coverage could be achieved if current resources were targeted to the poor within the vulnerable groups?** This is a hypothetical question as perfect poverty targeting is impossible. We calculate it as the total national current group coverage divided by the number of households in the group who are likely to be poor. More than half the poor households (55.22 percent) with OVCs could be targeted with existing resources (because it is the only group that is currently benefitting from a large programme). For other groups, coverage is low, and would be below 10 percent even under the assumption of perfect targeting, with the exception of households with children under 18 years of age (13.96 percent).

79. **Covering all poor people in the selected vulnerable groups would require a significant increase in safety net expenditure.** The cost of achieving maximum coverage of poor households that include a person with disabilities would cost Ksh 7.99 billion each year, assuming overhead is 20 percent of total programme costs and a constant benefit level of Ksh 2,000 every two months (the best case scenario in Table 3.3). Similarly, it would cost Ksh 8.95 billion to cover poor households with members who are OVCs and Ksh 21.71 billion to cover all poor households with members who are over 60 years of age. The total would amount to between 0.35 and 3.83 percent of GDP. Of course, the feasibility of expanding coverage will depend on more than financial resources alone. The capacity of sub-national governments for managing and implementing schemes remains limited, particularly for the large targeting and registration exercises that are required to expand safety nets. Moreover, significant fiduciary risks

Table 3.2: Coverage of Safety Nets among Absolute Poor Vulnerable Groups, 2010

Households inlude:	Percentage of Total Kenya Population	Percentage of Group Absolute Poor	Estimated Number of Absolute Poor HH	Current Group Coverage (HH)[1]	Coverage as Percentage of Group	Possible Coverage of Absolute Poor (%)[2]
Disabled	8.5	36.1	277,252	2,894	0.38	1.04
OVC	6.8	50.3	310,697	171,571	27.80	55.22
Over 60 years	6.7	41.8	255,707	21,587	3.52	8.44
PLWHA or Chronically Ill[3]	7.5	40.8	277,459	13,033	1.91	4.70
Children under 18 years	72.9	46.4	3,071,093	198,919	6.48	13.96

Sources: Group as percentage of total population, National Housing and Population Census (2009) and KIHBS (2005/06).
Note: These figures differ from those presented in Table 1.3 because these report the number or percent of households with members who fall into each of the categories described while Table 1.3 reports on the number of vulnerable individuals. [1]The coverage estimates include estimates from direct categorical targeting (in, for example, the OPCT, CT-OVC, and HSNP) as well as indirect estimates for programmes that do not explicitly target a particular vulnerable group but are likely to include members of each group. National averages have been used. [2]This assumes perfect targeting. [3]The source for these data is the National Aids Control Council.

Table 3.3: Estimated Cost of Achieving Coverage of Specified Vulnerable Groups, 2010 (Ksh Millions)

Households Including One or More Members Who Are:[2]	Coverage and Cost		Annual Cost of Covering Absolutely Poor Households in Selected Vulnerable Group[1]			Mid-Case as Percentage of GDP	Mid-Case as Percentage of GOK Expenditure
	Coverage	Approx. Cost[3]	Worst Case	Mid-Case	Best Case		
Disabled	2,894	38	9,648	8,817	7,985	0.35%	1.08
OVCs	171,571	2,230	10,812	9,880	8,948	0.39%	1.21
Over 60 years	21,587	281	26,238	23,976	21,714	0.94%	2.95
PLWHA or Chronically Ill	13,033	169	9,656	8,823	7,991	0.35%	1.08
Children under 18 years	198,919	2,592	106,823	97,614	88,405	3.83%	12.00

Source: Authors' (2011) calculations based on Ministry of Finance data.
Notes: [1]Assuming monthly transfers of Ksh 2,000 and an overhead of 45 percent (for the worst case) and 20 percent (for the best case). The mid-case is half way between these two scenarios. All three scenarios are based on the number of absolute poor households in the selected vulnerable groups. These figures are calculated from the KIHBS. All three scenarios also assume that resources are perfectly targeted to these households. [2]This column includes the actual numbers of people in each category directly targeted by programmes (using programme data) plus the proportion of PRRO beneficiaries according to national prevalence for each category. [3]Calculated multiplying the current average cost (2010) to reach a safety net beneficiary household (programme data) and the number of households in the group.

are associated with a large increase in programme financing, and the mechanisms that currently exist for managing these risks vary (these are further discussed in Chapter 6).

3.1.4 Scalability, Shocks, and Acute Food Insecurity

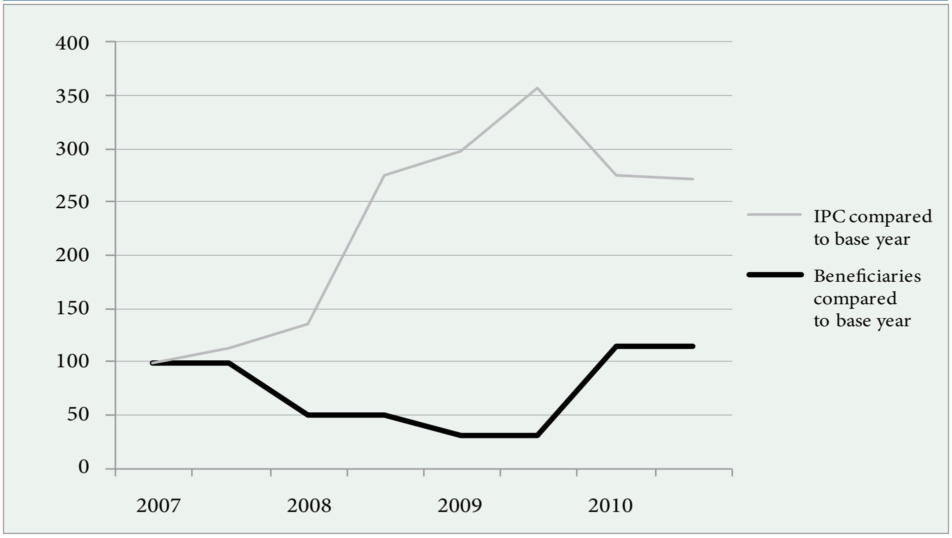
80. **A second critical dimension of scalability in Kenya is short-term responsiveness to shocks.** Many episodes of poverty or food insecurity for households are short-lived and caused by shocks (drought, floods, food price hikes, or politically incited violence). Few safety net programmes in Kenya are capable of responding rapidly and for short periods of time to such shocks, with the principal exception being the Protracted Relief and Recovery Operation (PRRO).[54] This section analyses the ability of the PRRO to respond to changes in local conditions during the seasonal assessment process.

81. **The analysis suggests that the PRRO is more effective at scaling up in response to immediate changes in food insecurity than in scaling down.** The review found that, in years when the PRRO was being scaled down, the Integrated Phase Classification (IPC) explains about 22 percent of inter-annual variation in allocations, with its previous short-rain and long-rain assessments contributing roughly 50 percent of the explained variation.[55] In years when it was scaled up, such as in 2009/10, the IPC had a stronger influence on PRRO coverage, explaining up to 35 percent of the variation, with the most recent assessment having a much stronger effect than the one before. The reason why the IPC explains a low percentage of variation in PRRO coverage may be because the inter-annual variability in the IPC is relatively high and because the Emergency Operation (EMOP) and PRRO numbers are low in those areas that are traditionally recipients of food aid (Marsabit, North Eastern, and Turkana). At the national level, a similar picture emerges (Figure 3.6) although it is not possible to assess this relationship.[56]

82. **When the PRRO has been scaled up in response to shocks, it has been mainly attributed to the availability of donor pledges than of the actual state of food insecurity.** Seasonal assessments act as a trigger to donors of a need to respond to food insecurity and other shocks. There is a relatively short time lag between

[54] *The HSNP is planning to provide a flexible payment to most communities in four districts in northern Kenya in order to respond to shocks.*
[55] *Longer time lags do not significantly explain annual variations.*
[56] *This is because the systematic use of the IPC only started in 2007, so there are too few observations to test this relationship.*

Figure 3.6: Average IPC and PRRO Recipient Numbers, 2007-2010



Source: Authors (2011).
Note: Base in 2007 = 100.

when the assessment is conducted and when preliminary results are released, but the donor pledging, procurement, and delivery process is slow. The 2010 response was particularly slow. The optimal time for local purchasing of food is immediately after the harvest, which is exactly the time when the assessment report is being compiled, which further complicates – and delays – food procurement.

3.2 Benefit Levels

3.2.1 Benefit Levels and Adequacy

83. **Among the safety net programmes reviewed, few programmes provide regular support to households over extended periods of time.** The level, frequency, and duration of the support provided by safety net programmes are determined by the programmes' objectives (see Chapter 7). As a result, any assessment of the adequacy of safety net benefits needs to be considered within this context. That said, safety net programmes can be categorised into three broad groups: (i) programmes that provide predictable, regular transfers for a limited or unlimited period of time;[57] (ii) those that provide one-off grants to individuals, households, or groups, paid in either one or two instalments;[58] and (iii) reimbursement schemes.[59] For those programmes that offer one-off grants, beneficiaries are eligible for only a single transfer (even if this payment is made in multiple instalments). This is because the single payment or transfer is designed to strengthen the households' or individuals' livelihoods. In contrast, predictable transfers are usually meant to address short-falls in consumption or other basic needs. Because of this, beneficiaries are targeted by the programmes for a specified period of time, during which they receive regular support (often in the form of monthly payments). The targeting cycles of the relief and recovery programmes are determined by the rain assessments; households targeted by these programmes then receive support for six months. In contrast, social cash transfers provide regular transfers to households as long as they meet the eligibility criteria. As a result, these households often receive support over many years. Moreover, among those programmes classified

[57] *These include the CT-OVC, HSNP, OPCT, Urban Food Subsidy Programme, and Disability Grant as well as the relief and recovery interventions (the GFD, FFA, and Supplementary Feeding programmes).*
[58] *Those include the FAO Farmer First Programme, NAAIAP, NMK, and Secondary Education Bursary Fund.*
[59] *The only reimbursement scheme in the analysis is represented by Health Voucher – OBA Scheme.*

as predictable, the security of entitlement differs. While in most cases (CT-OVC, HSNP, Urban Food Subsidy, and Disability Grants) the programmes compensate recipients for missed payment cycles,[60] in relief and recovery programmes this is not usually the case.

84. **The average value of the transfers provided by these different programmes varies from an estimated US$3 to US$15 per person per month.** As seen in Table 3.4, among the programmes that provide predictable transfers, the average value of an individual monthly transfer is around Ksh 387 per person per month, equivalent to US$4.42.[61] One-off transfers to households were Ksh 1,331 per person per month (US$15.21). Reimbursement schemes tend to provide individual transfers of an average of around Ksh 247 per person per month, equivalent to US$2.82. As noted above, these differences reflect the varying objectives of safety net programmes in Kenya.

85. **On average, the transfer values provided by predictable safety net programmes amount to 12-20 percent of the absolute poverty line in 2010.** For the purpose of this review, we have judged the adequacy of present benefits provided by predictable safety net programmes in the context of monetary poverty in Kenya. Generally, most households receiving safety net transfers have some resources of their own and when the average gap[62] is considered, the WFP food rations cover over 50 percent of the absolute poverty gap and 100 percent of the hardcore poverty gap.[63] The current cash transfer standard of Ksh 1,500 per month provided by the four most prominent cash transfer programmes covers about 35 percent of the absolute poverty gap and 70 percent of the average gap for hardcore poor households.[64] These findings are presented in Table 3.5. In contrast, the average value of benefits paid by the programmes that provide one-off benefits is much higher than these regular payments, as the benefit is meant for longer-term specific investments (for example, agricultural inputs like equipment and seeds or annual school fees).

86. **Overall, the value of the transfers provided by safety nets in Kenya tends to be a little higher than, but generally comparable to, those provided by safety nets in similar countries in Sub-Saharan Africa.** Table 3.6 shows the transfer rate (minimum and maximum to households) of cash transfers from selected countries in the region and whether or not the transfer value has been adjusted for

Table 3.4: Value of Safety Net Transfers, 2010

Average Monthly Household Value	Value of Household Transfer	Per Adult Equivalent Transfer Value	Per Adult Equivalent Transfer As Percentage of			
			Hardcore Poverty		Absolute Poverty	
	(Ksh)	(Ksh)	Line	Gap	Line	Gap
Predictable Transfers	15,452	387	21.5	72.2	12.2	36.0
One-off Transfers	53,103	1,331	73.9	248.1	42.0	123.7
Reimbursement Scheme	9,844	247	13.7	46.0	7.8	22.9

Source: Authors (2011) and KIHBS (2005/2006).

[60] *This refers to the delay of payments to the extent that they coincide with the next payment cycle or when insufficient resources mean that payments cannot be made according to the planning timetable.*
[61] *This is based on an exchange rate of Ksh 87.53 per US$1 as at mid-December 2011.*
[62] *The hardcore and absolute poverty gaps are the average gaps between total monthly household expenditure in adult equivalents (AE) and the absolute and food poverty lines also in AE for households under the poverty line. It can be interpreted as the average cost of getting poor households up to the poverty line.*
[63] *The WFP ration rates for all programmes are set at 50 or 75 percent of average household nutritional requirements for the main macronutrients (calories and protein).*
[64] *The 75 percent ration rate is used in areas that are judged to be the most food-insecure. The methods that are used in developing the minimum food basket are similar to those used in establishing the food poverty line in Kenya.*

Table 3.5: Value of Predictable Safety Net Food and Cash Transfers, 2010						
Average Monthly Household Value	Value of Household Transfer	Per Adult Equivalent Transfer Value	Per Adult Equivalent Transfer As Percentage of			
			Hardcore Poverty		Absolute Poverty	
	(Ksh)	(Ksh)	Line	Gap	Line	Gap
1,500 Ksh/month cash transfer1/	1,500	376	20.9	70.1	11.9	34.9
WFP 75% ration	2,545	638	35.4	118.9	20.1	59.3
WFP 50% ration	2,224	557	31.0	103.9	17.6	51.8

Source: Authors' (2011) calculations based on KIHBS (2005/2006).
Notes: 1/The Ksh 1,500 monthly rate was applied by the CT-OVC, OPCT, Disability Grants, and Urban Food Subsidy Programme.

inflation. In all cases, the programmes set the transfer value to finance a proportion of the cost of the food basket in the country.[65] As a result, in most countries, households are unable to subsist on safety net support alone. In the low-income and lower-middle income countries, the average benefit levels were US$8 to US$13 per month between 2005 and 2008 compared with current levels in Kenya of between US$15 to US$26. However, Kenyan benefit levels remain below those in the upper-middle income and high-income countries in Sub-Saharan Africa.

87. **The retirement benefits provided by the NSSF, based on the available evidence, are generally inadequate,** for the following reasons:

- The very low contribution levels, around 1.3 percent of average earnings (according to the International Labour Organisation (ILO)), which results in an income replacement rate [66] of 7.5 percent as opposed to the 40 percent benchmark internationally used by ILO for pension schemes.
- Problems with benefit payments and benefit conditions, which also negatively affect the equity and adequacy of benefits. For example, widow's benefits are terminated when they re-marry. Similarly, the Fund requires uninterrupted periods of contributions, which can discriminate against women who often exit the labour market temporarily to care for children.

Table 3.6: Transfer Rates and Adjustments to Safety Nets in the Region, 2010					
Country	Programme	Monthly Household Transfer in US$			GDP per Capita in PPP, 2010
		Min	Max	Adjusted for Inflation	
Malawi	*Mchinji* pilot social cash transfer scheme	4	15	No	871.72
Ethiopia	Productive safety net	3.7	7	Yes	1,041.05
Zambia	Social cash transfer scheme	10	15	No	1,562.01
Lesotho	Cash and food transfers pilot project	10	15.9	Yes	1,599.98
Malawi & Zambia	Food and cash transfers project	20	25	Yes	
Tanzania	Community-based conditional cash transfer	2.5	5	No	1,433.21
South Africa	Child support grant	35	35	Yes	10,570.30
Botswana	Orphan care benefit	68	106	Yes	13,890.90

Source: Authors' (2011) calculations based on programme data.
Note: Minimums and maximums are determined by either the adjustments to the transfer levels to household size (Ethiopia, Lesotho, Malawi, and Zambia), number of days worked (Ethiopia), geographic differences (Malawi and Zambia), or other household characteristics (Tanzania and Botswana).

[65] *During the period of the review, some of these programmes, including the CT-OVC, increased the value of the cash transfer to Ksh 2,000 per month in response to inflation and drought.*
[66] *The income replacement rate is the ratio of an individual's (or a given populations) (average) pension in a given time period and the (average) income in a given time period.*

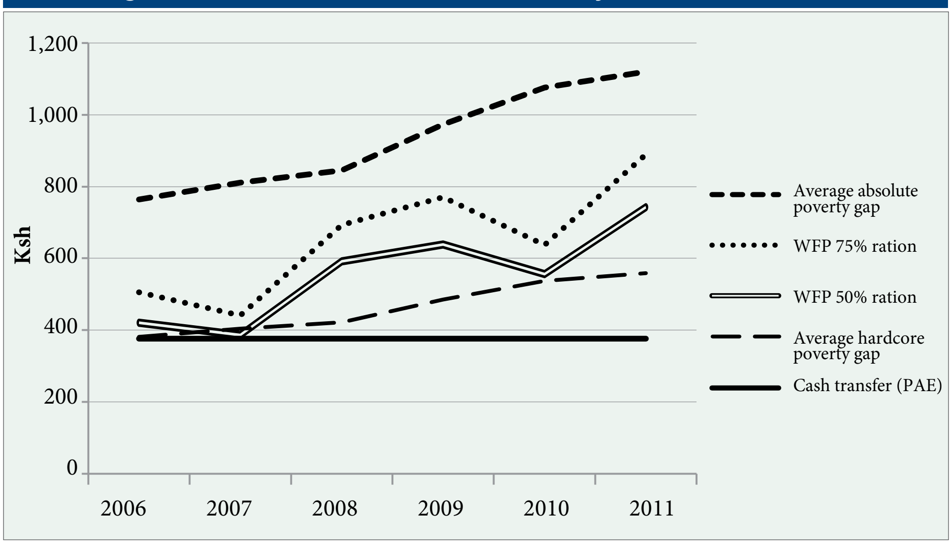
- As a providence fund, the NSSF pays a lump sum. The lump sum is invariably used within a short space of time, mostly on dependents rather than on the retired member, and provides inadequate protection against poverty.[67]

88. **The NHIF has generally low levels of reimbursement (benefits)**. Under the NHIF, in-patient care is fully funded in public hospitals (65 percent) and in some faith-based facilities and small private (for-profit) facilities (35 percent). Reimbursement is up to Ksh 396,000 per year and/or 280 in-patient days each year for the contributor and his or her dependents (spouse and children), and covers all diseases and maternity care. In other hospitals, only a portion of care is reimbursed. Benefits at private facilities include a flat daily payment rate that differs depending on the size and kind of services available at the hospital; it ranges from Ksh 400 to Ksh 1,800. The reimbursement often only compensates for a small fraction of the total cost of care, and people seeking care from private hospitals have to meet the remaining costs from their own resources, private health insurance, or their employer's medical schemes. Overall, according to the report on health care financing issued by the Kenyan government in 2009 (Ministry of Public Health and Sanitation and Medical Services 2009), only a "small proportion" of Kenyans have their health resources channelled through the NHIF, meaning that the Fund's capacity to mitigate health-related shocks for Kenyans is limited.

3.2.2 Adjusting Transfer Levels

89. **Rapid general price inflation has eroded the value of cash transfers in Kenya.** Figure 3.7 shows that in 2006 and 2007 a cash transfer of Ksh 1,500 per month would have largely filled the poverty gap for the average hardcore poor household. By mid-2011, the same transfer would have filled only 60 percent of this gap. Because food prices have risen relative to all prices included in the consumer price index (CPI), at least in the counties where food aid is distributed, the value of food rations has increased relative to poverty lines and poverty gaps during the same period. According to data collected for this review, only three of the cash transfer programmes (CT-OVC, HGSM, and HSNP) have adjusted the value of their transfers

Figure 3.7: Evolution in the Value of monthly Transfers, 2006-2011



Source: Authors' (2011) calculations based on KIHBS (2005/2006).

[67] *ILO (2010a), pp. 35-36.*

in response to inflation, albeit infrequently. Without regular inflation adjustments, the relative value of the cash transfers will over time become much less than that of in kind transfers.

90. **Kenya experiences large geographical variations in commodity prices, which generally reflect poor road conditions and high transport costs.**[68] For example, average retail prices in remote ASAL areas are often twice as high as those that prevail in surplus-producing counties. Table 3.7 presents the retail market values of a typical 50 percent WFP ration basket.[69] Since maize, pulses, and vegetable oil account for a large proportion of the national diet and for over 30 percent of households' food expenditure, regional price differences for the main staples translate directly into differences in purchasing power of cash transfers. That is, households in ASAL areas would be able to purchase less food from local markets with a given level of cash benefit from a safety net programme than would households in other areas of the country. This points to the need to consider the benefit levels (and, indeed, transfer type) carefully for different geographic regions to ensure equity across the country.

91. **In the majority of the safety net programmes, the value of the transfer is currently uniform for all households, regardless of their size.**[70] However, while this may be administratively easier to deliver than varying the transfer according to household size, it dilutes the positive impact of these transfers on larger households. For example, the 2010 CT-OVC Evaluation found that the programme had a greater positive effect on smaller households than on larger households.[71] Yet mean per adult equivalent expenditure was lower in larger households than in smaller households (Table 3.8), suggesting that the transfer value may not need to increase by the same amount for each additional family member. Moreover, household size is dependent on how the household unit is defined. Concerns have been raised, though no firm evidence produced, that varying the transfer according to household size might create an incentive for households to increase the number of their members in order to secure additional resources. Despite these risks, the issue deserves to be considered by policymakers: Poor households are larger, on average, than non-poor households, making a flat household benefit, on average, regressive for the target population.

Table 3.7: Value of 50% Food Ration in Selected Counties, 2006-2010 (Ksh)

	2006	2007	2008	2009	2010
Kitui	1,419	969	1,844	2,127	1,341
Mandera	1,876	2,093	2,478	2,606	2,907
Marsabit	1,553	1,332	2,200	2,795	2,447
Mombasa	2,233	2,043	3,195	3,328	2,660
Mwingi	1,397	1,034	1,896	2,071	1,609
Nairobi	1,455	1,345	2,014	2,282	1,931
Turkana	2,005	2,241	3,148	3,012	3,199
Uasin Gishu	1,163	1,148	1,600	2,036	1,511
National	**1,677**	**1,543**	**2,364**	**2,548**	**2,224**

Source: World Food Programme (WFP) and Arid Lands Resource Management Project (ALRMP) monthly retail prices of commodities (2006-2010).

[68] *Between 2005 and 2011, maize and pulse markets operated with a minimum of movement restrictions and with no price controls, so price differences cannot be directly attributed to policies.*
[69] *This is based on the following GFD daily ration rates: 354 grams of maize, 60 grams of pulses, and 20 grams of vegetable oil.*
[70] *For example, the Urban Food Subsidy Programme, PRRO, and CT-OVC.*
[71] *Ward et al. (2009) found that the programme had a significant impact on the smaller households but did not have a statistically significant impact on larger households.*

Table 3.8: Household Size and Poverty, 2005/06

Household Size Grouping	Monthly Expenditure per Adult Equivalent	Absolute Poor	Hardcore Poor
	Mean (Ksh)	%	%
Small: under four members	5,755	21.4	6.4
Medium: between four and six members	3,314	41.5	15.3
Large: over six members	2,021	61.4	30.2

Source: KIHBS (2005/06).

92. **Estimates suggest that the poverty impact of having an equal transfer value for each household member depends on the type of households that is targeted.** Older people tend to live in smaller households and, as a result, scaling the transfer to household size would improve poverty outcomes among this group but only by roughly 0.6 percent. For households containing chronically ill people or members with disabilities, scaling the transfer to household size would improve the effect on the poverty headcount and the poverty gap by 2 and 2.5 percent respectively. Households with one or more OVC are statistically larger than households with no OVCs (by 0.6 members) and, therefore, scaling the transfer to household size would improve the poverty reduction performance of the current CT-OVC programme by around 3 percent. That is to say, it would reduce the headcount poverty rate in the target group by an additional 3 percent. In comparison, targeting the poor would reduce key national poverty indicators by an additional 3.2 to 3.5 percent. For national programmes, this is a significant gain, and in most cases would seem to justify the costs and inconvenience of providing different levels of transfer to different households.

3.3 Conclusions and Recommendations

93. **Within the context of the Constitution and the draft National Social Protection Policy, it is important to ensure that geographic gaps in the coverage of vulnerable populations are progressively narrowed as resources become available and implementation capacity expands.** There is a trade-off between spreading resources and capacity thinly (as in, for example, the OPCT and CT-OVC) and adopting a narrower geographic focus with more intensive coverage (as in the HSNP). Both approaches can be justified, but in order to ensure that the most vulnerable people are reached, there is an evident need for policymakers to take a coordinated national approach to geographic coverage. In this regard, a national plan to expand the geographic coverage of safety net programmes should be developed to incorporate the fact that some programmes cover specific geographic areas (such as ASALs and urban slums), while others are national, covering specific vulnerable groups (CT-OVC and OPCT). For this, the national plan should include: (i) a comprehensive definition of vulnerable groups, improving the current categories and criteria to ensure that all people in need are captured; (ii) the systematic recording of beneficiary characteristics in the programmes' management information systems (MIS) to better determine the coverage of specific vulnerable groups; and (iii) using national datasets, such as the KIHBS, to collect information on the receipt of social transfers by source/programme to enable more accurate assessments of coverage.

94. **The social protection system should collectively provide an adequate level of support throughout the lifecycle and address a broad range of needs.** In order for the existing fragmented programmes to achieve this goal, current contributory schemes and safety nets would need to not only be scaled up but also made more efficient and effective. Second, the objectives of the various programmes in

relation to prevailing needs and their mix within the broader system would need to be properly defined. Collectively, these programmes should be reformed in order to provide adequate levels of benefits that meet a broad range of social protection objectives. For example, contributory programmes could be restructured to provide unemployment insurance to protect individuals during periods of unemployment. Unused balances could then be transferred to an old age pension scheme. Similarly, more cash transfers could be provided to eligible populations in areas that are characterised by chronic food poverty. In order to create an optimal mix of programmes and use marginal resources more efficiently, there is a need to define what constitutes an adequate level of benefits for Kenyan citizens.

95. **Clear guidelines are needed on how to adjust the value of cash benefits to take account of inflation and other factors.** While providing variable transfer rates (according to household size, across geographic areas, or adjusted for inflation) can be complex, technological innovations (the widespread use of mobile phones and computer modelling) and sector-wide harmonisation may provide solutions to these challenges. The introduction of these new technologies may involve high adjustment costs, yet the analysis above suggests that flat rates are detrimental to the adequacy and equity of social protection in Kenya. Moreover, mobile technologies have been used – with good results – in countries with much less implementation capacity than Kenya. Additionally, having a common methodology to set transfer levels across all programmes could make implementation easier. A well-defined system should be in place for all programmes to adjust their transfer values taking into account their different objectives and their geographic focus. The implementation of such a system would require careful communication among all stakeholders and a transparent process linking transfer rates and programme objectives with agreed indicators and data sources. Adjusting the transfer value to the market price of wheat measured in a particular market is just one of many examples.

Chapter 4

Targeting and Registration

CHAPTER SUMMARY

- The geographic allocation of safety net resources is strongly correlated with poverty. While the selection of locations is also highly correlated with poverty, the poorest locations do not necessarily receive more resources to cover their greater number of poor households than less poor locations.
- Simulations reveal that a national safety net programme would have a greater impact on poverty if it allocated resources to counties based on poverty criteria and not on population levels.
- Nearly half of safety net programmes use some type of community-based targeting to identify eligible households, making it the most common targeting method in Kenya. This is followed by use of categorical targeting, then a mixture of methods, and proxy means tests.
- Simulations show that targeting using CBT and PMT are somewhat more likely to reach poor households but these differences are relatively small. Categorical targeting, on the other hand, can be easier for communities to understand and less costly in terms of the data requirements.
- Evidence shows that current beneficiary registration methods are diverse and often subject to delays and errors that undermine the effectiveness of programmes.

4.1 Geographic Targeting

96. **Safety nets in Kenya generally aim to allocate resources to areas that are poor and/or food-insecure.**[72] Table 4.1 shows the different criteria that safety net programmes use to identify the geographic areas that are eligible to receive programme resources.[73] Of the eligibility criteria, the most common (39.1 percent) is the level of poverty, followed by levels of food insecurity (30.4 percent). Almost half of the programmes use multiple criteria for determining the eligibility of geographic areas, which is common in most countries.

97. **The geographic allocation of safety net resources is strongly correlated with poverty across counties nation-wide.** This is probably because the programmes deliberately choose to target poorer counties, which is consistent with the information presented in Table 4.1. When only programme counties are considered, the SFP, OPCT, and CT-OVC are still strongly correlated with measures of poverty.[74] In other words, these programmes allocate more resources to poorer counties than to counties that are less poor. Similarly, the allocation of PRRO resources to counties is highly correlated with food insecurity.

[72] *This chapter considers the social protection programmes that are explicitly targeted to individuals or households and not those that are self-targeting. Because of this, the section focuses exclusively on safety net schemes and does not consider the targeting of contributory schemes.*
[73] *The geographic coverage of a programme is determined by: (i) the programme's objectives and (ii) available resources.*
[74] *The HSNP only targets four counties, so there are too few observations to assess resource allocations among these counties.*

Table 4.1: Criteria Used by Safety Net Programmes to Determine Geographic Eligibility, 2011

Geographic Targeting Criteria	Number of Programmes Using Criteria	Percentage of Total Programmes Using Criteria*
Levels of poverty**	9	39.1
Levels of food insecurity	7	30.4
Levels of HIV/AIDS/TB, malnutrition	5	21.7
Inequality	1	4.4
Number of OVC	2	8.7
None (all counties)	4	17.4
Other	4	17.4

Source: Authors (2011).
Note: *Total can be more than 100 percent as programmes indicated multiple methods. Geographic targeting is generally carried out at the district level or below. **The percentage of the population in the location or county that is below a specific monetary poverty level.

98. **While the selection of locations is highly correlated with poverty, there is little evidence that the relative share of beneficiaries in each location is based on poverty rates.** In other words, while poorer locations are more likely to receive assistance from safety net programmes than those that are less poor, within those locations that are selected for the programme, the poorest locations do not necessarily receive more resources to cover their greater number of poor households than less poor locations. The coverage of the SFP appears to be negatively correlated with poverty, meaning that better-off areas are also covered by the programme. This may be due to the fact that coverage is determined by the geographic location of primary schools and not the residence of the children who attend the schools and are the recipients of the feeding programmes.

99. **Given the continuing debate about whether to allocate safety net resources equally across geographic locations or based on poverty rates, it is useful to consider the impact that different methods for selecting geographic areas can have on poverty.** As seen in Table 4.2, a national safety net programme would have a greater impact on poverty if it allocated resources to counties based on poverty criteria and not on population levels, but this impact

Table 4.2: Comparison of Geographic Targeting Methods, 2005/06

Geographic Targeting Allocation Proportional to:	Household Targeting	Percentage Reduction in the Poverty Headcount Post-Intervention		Percentage Reduction in Poverty Gap Post-intervention	
		Hardcore	Absolute	Hardcore	Absolute
Numbers of absolute poor	Random	15.6	8.5	12.8	12.7
	Perfect	46.4	9.6	31.1	30.4
Percentage of population absolute poor	Random	17.0	8.6	14.1	14.1
	Perfect	44.6	11.8	29.6	29.2
Share of national population	Random	13.9	7.7	10.9	11.1
	Perfect	43.7	10.1	29.6	29.1

Source: Authors' (2011) calculations based on KIHBS (2005/2006).
Notes: Number of poor: The total allocation is divided up between counties according to the county's share of the total national numbers of absolute poor. Relative poverty: The total allocation is divided up proportionally according to the absolute poverty rate of the county divided by the absolute poverty rate of the country as a whole, from the KIHBS 2005/06 data. Proportional to population: Resources are allocated according to a county's share of the total population. The methods for allocating resources to households are defined as follows: (i) perfect targeting, in which household selection is exactly prioritised according to the household's poverty level; and (ii) random targeting, in which the probability of a household being selected within a county depends only on the county-level allocation (this is the equivalent of assuming that categorical methods are used). Households are allocated a standard monthly transfer of Ksh 1,500.

is strongly dependent on the method used to target households. For example, assuming that households are randomly selected to participate in the programme, a programme that is targeted based on the county's share of the national population would reduce the hardcore poverty headcount by 13.9 percent and that of the absolute poor by 7.7 percent. In comparison, a programme that targets resources based on absolute poverty rates at the county level would result in a 17.0 percent reduction in hardcore poverty and 8.6 percent in the absolute poverty headcount. However, when household targeting is perfectly correlated with poverty, none of the geographic targeting criteria appears to be superior in terms of poverty reduction. This is probably due to the fact that many households are living below the hardcore and absolute poverty lines in all counties of Kenya. When households are perfectly targeted and the safety net budget is limited, transfers will contribute to filling the poverty gap in all counties.

4.2 Household and Individual Targeting

100. **The criteria used to identify eligible households tend to vary among programmes and sometimes across locations.** As seen in Table 4.3, most programmes (92 percent) use more than one criterion to select beneficiaries. Those used most often are income level (52 percent of programmes), HIV/AIDS/TB status (48 percent), and female marital status (39 percent). These targeting criteria reflect the specific objectives of the different programmes (see Chapter 7), and can be applied differently across programmes or geographic areas of the same programme. For example, a recent evaluation of the Urban Food Subsidy programme found that the various criteria were given prominence depending on the location in question.[75] How the beneficiaries are defined also affects outcomes: the HSNP defines older people as those over 55 years of age, whereas the OPCT targets people over 60 years of age.

101. **Safety net programmes use a range of methods to identify those households that meet the criteria and thus are eligible to participate in the programme.** Table 4.4 shows the extent to which the various methods are being used in Kenya. Nearly half (45 percent) of the safety net programmes use some type of community-based targeting (CBT) scheme, making it the most common means of targeting beneficiaries. This is followed by a mix of

Table 4.3: Eligibility Criteria Used to Identify Beneficiaries of Safety Net Programmes, 2011

Criteria	Number of Programmes Citing Use of Criteria in Targeting
Income-related measures	12
HIV/AIDS/TB	11
Female marital status	9
Small-scale business	7
Number of meals consumed per day	6
Old age	5
Households including OVC	5
Source of food	5
Woman-headed	4
Child-headed	2
Households including the disabled	1

Source: Authors (2011).

[75] *MacAusland and Schofield (2011), pg. 4.*

Table 4.4: Targeting Methods Used to Select Beneficiaries – Households or Individuals, 2011

Targeting Method	Total	
	Number	Percent
Community-based Targeting (CBT)*	9	45.0
Mixed**	4	20.0
Categorical	3	15.0
Proxy Means Test (PMT)	2	10.0
Total	20	100.0

Source: Authors (2011).
Notes: *All programmes using CBT methods target the most vulnerable (defined in such different ways as being poor or food-insecure) **Mixed methods are mainly CBT and PMT (CT-OVC) plus categorical and dependency ratio in the HSNP. Other programmes using the mixed method are the Urban Food Subsidy Programme and Health Voucher – OBA Scheme.

methods, categorical targeting, and proxy means test (PMT). The HSNP has piloted the use of a dependency ratio targeting method in which beneficiary households are selected based on the proportion of dependents to able-bodied household members.[76] However, it was found not to be substantially more pro-poor than the other targeting methods being tested and is going to be terminated.

102. **Targeting methods are usually piloted and then evaluated before being scaled up, drawing attention to the important feedback loop from evaluation to design.** The CT-OVC programme modified its targeting methods following the baseline evaluation report.[77] The original two-step approach consisting of a mix of CBT and a poverty scorecard, captured non-poor recipients, with 13 percent even coming from the top quintile (inclusion errors), performed only marginally better than random selection, and did not reach about 43 percent of the poorest households (exclusion errors). Modifications were made to the CT-OVC's targeting process as a result, most notably with the poverty scorecard being replaced with a more conventional PMT.[78] The HSNP uses three targeting methods: CBT, categorical targeting (based on age), and the dependency ratio. An evaluation is currently being carried out to identify the method that will be applied programme-wide, and, as noted above, targeting based on the dependency ratio has been dropped.[79] The WFP Emergency Operation (EMOP) introduced CBT as a pilot in 1999 and then permanently adopted it in 2002. It was conceived as a response to the inefficiencies and confusion created by the double targeting and distribution by the government on one side and the WFP on the other side, and in the context of widespread accusations of leakage in the previous system, which relied on local officials to select households that they considered to be needy. The methods underwent a significant revision in 2004, and the CBT and distribution guidelines are periodically upgraded. Each of the main approaches to targeting is considered in the sections that follow.

4.2.1 Categorical Targeting

103. **While categorical targeting is generally assumed to be the easiest method to apply, in practice selecting beneficiaries based on apparently straightforward categories may not always be a given.** Categorical targeting entails collecting and recording data on specific and easily observable characteristics of individuals and households (for example, the civil status,

[76] *Dependent members are defined as children aged 17 and under, older people aged 55 and above, and disabled people aged 18 to 54 years of age.*
[77] *Hurrell et al. (2008).*
[78] *Cosgrove et al. (2011).*
[79] *Calder et al. (2011).*

disability, age, and gender of household members). Community groups or local officials are then asked to verify whether these data are correct. The corroborated data are analysed to identify households that qualify for the programme. A key advantage of the method is simplicity, although in practice apparently straightforward variables like age can be difficult to observe and verify given the patchy nature of civil registration and the limited use of identification (ID) in Kenya. For example, a review found that HSNP managers had encountered older people with identity cards that gave their ages as younger than they actually were. As a result, these older persons were excluded from the programme. In contrast, the report also found that the "vetting committees had worked reasonably well in ensuring that challenges relating to determining age were not a barrier to access."[80] OPCT implementers mentioned similar problems during discussions with the review team. The CT-OVC evaluation report concluded that the category of orphanhood is not easy to identify, even though the programme documents contain a well-articulated definition.[81] Indeed, a 2010 assessment of the CT-OVC programme found significant disagreements about what constituted eligibility for the programme among members of location OVC committees in the two districts surveyed. Some members were aware that the disability or chronic illness status of the caregiver was a criterion for inclusion in the programme and some were not.

104. **An important policy question is whether targeting safety net resources to specific sub-groups of the population tends to include more poor households than a scheme that targets the general population.** As seen in Table 4.5, some of the categories that are used to allocate safety net resources to households do include a proportionally higher number of poor people than the general population. For instance, using the CT-OVC definition of households including an OVC as a targeting criterion significantly increases the likelihood that absolute and hardcore poor households will be selected. This is also the case if households with children under 18 years of age were selected. Households including older people (those over 60 years of age) are moderately more likely to be poor than the population as a whole. Although some population categories (like the OVCs as defined by the CT-OVC programme) are more likely to be poor, the relationship between poverty and the official "vulnerable" categories is complex. If social safety nets specifically seek to target the poor, then categorical criteria will have to be used in combination with other methods for identifying poor households.

Table 4.5: Poverty Statistics for Selected Categorical Household Indicators, 2005/06

Household Targeting Category	Percentage of Group		Mean (Ksh)	
	Absolute Poor	Hardcore Poor	Total Exp Per Month Per Adult Equivalent	Absolute Poverty Gap
One or more person(s) with a disability	36.1	14.3	3,099	240
One or more OVC*	50.3	24.2	2,787	395
One or more person over 60 years of age	41.8	18.0	3,044	267
Children under 18 years of age	46.4	19.5	2,978	486

Source: KIHBS 2005/06.
Notes: These figures differ from those presented in Table 1.3 because this table reports the number or percent of households with members who fall into each of the categories described while Table 1.3 reports on the number or percent of vulnerable individuals. *CT-OVC definition: The CT-OVC programme's target population is households with at least one orphan or other vulnerable child (OVC). A child under 18 years of age is defined as an OVC if they are: (i) an orphan (single, with one parent dead, or double, with both dead); (ii) chronically ill; or (iii) looked after by a care-giver who is chronically ill.

[80] *Cosgrove et al. (2011).*
[81] *Hurrel et al. (2009).*

4.2.2 Proxy Means Tests and Wealth Indicators

105. **The effectiveness of a proxy means test (PMT) depends on the circumstances in which it is applied.** The method entails collecting household-level data on several indicators that are deemed to be closely associated with poverty. These might relate to the household's human capital (such as education and literacy levels) or physical assets (such as the structure of the home or access to utilities). These household data are then usually verified through official home visits by programme officials. The completed and verified household data are entered into a computer, which calculates the PMT score for the household based on the weights that have been applied to each proxy indicator. If the score is lower that the programme cut-off, then the household is selected.

106. **Collecting the data required for the PMT can be more difficult than recording and verifying categorical criteria.** This is because it necessarily entails home visits, and information is collected on a greater number of variables, which creates more scope for falsifying information. Collecting data on observable assets and other aspects of household well-being can create incentives for households to misrepresent their wealth (including livestock, other productive assets, and consumer durables) in an attempt to be included in the programme. Because of this, PMTs are often described as being more suitable for countries with reasonably high administrative capacity.[82]

107. **There can be challenges associated with identifying the proxy indicators that are used to identify eligible and ineligible households.** For example, an evaluation of Concern International's Korogocho emergency and food security cash transfer initiative indicated that "the reliance on observation to implement the targeting criteria was problematic because observed wealth may not be a good proxy for poverty, unless accurately calculated."[83] Similarly, evaluations in Turkana found a very weak correlation between asset wealth and current expenditure.[84] The method also depends on the accuracy of national household survey data, which may be questionable.[85] Estimates suggest that in a number of countries where the PMT has been used (Bangladesh, Indonesia, Rwanda, and Sri Lanka), exclusion errors may be very high – between 44 and 55 percent when 20 percent of the population is covered and between 57 and 71 percent when 10 percent is covered.[86]

108. **The PMT methodology used in the CT-OVC programme in Kenya was also found to have significant in-built targeting errors.** These were derived from the regressions used to identify potential proxies that are correlated with consumption. At a coverage rate of 10 percent of OVCs, minimum exclusion errors in rural areas would be around 59 percent while at 20 percent, coverage they would be 50 percent. As a result, communities tend to regard the selection of beneficiaries as arbitrary ("a lottery").[87]

109. **Estimates derived using a theoretical PMT were found to have correctly predicted which households were poor in many cases, but also resulted in large exclusion errors.** These results can be seen in Table 4.6. The theoretical PMT correctly predicted which households were in absolute poverty in 70 percent of cases and which were hardcore poor in 80 percent of cases. However, as a predictor of hardcore poverty, the method generates significant exclusion errors (60 percent as opposed to 38 percent in the case of absolute poverty): In other words, the

[82] *Grosh et al. (2008).*
[83] *MacAusland and Schofield (2011), pg. 42.*
[84] *Oxfam Great Britain Cash for Work.*
[85] *See, for example, Kidd, S. and E. Wylde (2011). Frequent household survey errors identified by this report include: static analysis of dynamic realities (in other words, households are dynamic and surveys do not consider this); exclusion of certain household types and members (such as migrants); misrepresentation of certain types of households (such as, those with people with disabilities); inclusion of inaccurate information provided by respondents; and insufficient caution in presenting results when samples are small.*
[86] *Kidd, S. and E. Wylde (2011).*
[87] *Calder et al. (2011).*

PMT wrongly classified many hardcore poor households as non-poor. In terms of inclusion errors (the selection of households that do not meet the eligibility criteria), using the PMT yielded 24 percent errors for absolute poverty and 12 percent for the hardcore poor.

110. **However, whether the theoretical targeting success of a PMT can be realised depends on a number of factors that may be difficult to achieve in practice.** First, this method assumes that non-poor households will not engage in asset-stripping or other strategic behaviour in order to qualify for the programme. Second, it assumes that the implementing agency is able to accurately observe and record each of the proxy indicators. Judging from the observational errors that were recorded in the CT-OVC, in practice the PMT may fall far short of the theoretical predictive success presented in Table 4.6.

4.2.3 Community-based Targeting

111. **Community-based targeting is the most common targeting method used in safety net programmes in Kenya.** It is based on the belief that local people have more knowledge about poverty and well-being within their community than government officials or people from outside the community do. CBT can be used in two ways. In the first, community knowledge is used to verify whether a household or individual fits externally defined targeting criteria and, in the second, the community determines the eligibility criteria and actually selects households that meet the criteria.[88] In the PRRO in Kenya, for example, communities appear to be largely free to define the criteria and apply the weights used for selecting the programme's beneficiaries, although project implementers provide them with guidance on how this should be done.[89] The community is represented by an elected relief committee, which is responsible for selecting the households to be included in the programme based on WFP guidelines. During a *baraza* (public community meeting), the relief committee presents an initial beneficiary list to those in attendance and explains the reasons for including each household on the list, which is then debated by all those at the meeting. After listening to the discussion, the relief committee makes the final decision. The committee members see this process as very contentious. When asked, the relief committee members often acknowledged pressure to include households on the beneficiary rolls for numerous reasons that are unrelated to their poverty status. In these situations, relief committee members sometimes suggest to their fellow community

Table 4.6: PMT Performance on KIHBS Sample, Absolute and Hardcore Poverty, 2005/06

		Is the Household Poor?		Percentage Correct
		No	Yes	
Does the PMT predict that the household is Absolute Poor?	No	5,353	1,725	75.6
	Yes	2,039	3,377	62.4
	Overall Correct			69.9
Does the PMT predict that household is Hardcore Poor?	No	9,171	1,259	87.9
	Yes	1,250	814	39.4
	Overall Correct			79.9

Source: KIHBS (2005/06).

[88] *CBT in its purest form assumes that communities have a better notion of what it means to be "poor" or "hungry" than programme administrators, which is a view that accepts that these definitions can be considerably broader than the familiar money metrics of income or expenditure. In its second application, CBT benefits from community members' mutual knowledge of key markers of well-being, but these markers may be set by the government or the social protection agency.*

[89] *The review focuses on the PRRO because, at the time of writing, it had the strongest evidence base on how the CBT functions. A review of targeting in the HSNP will be released shortly, but the report was not available to the review team.*

members that there are not enough resources to cover all of the households proposed for inclusion in the programme as a pretext to drop households from the beneficiary rolls, carefully shifting responsibility for the decision onto the WFP. (Chapter 6 discusses the use of community structures in safety net programmes in more detail).

112. **The available evidence suggests that CBT is not necessarily effective in selecting the poor, at least in terms of any conventional definition of "poor."** A 2009 evaluation report of the PRRO found that, in the first quarter of 2006, post-distribution monitoring (PDM) rated the targeting outcomes of CBT in the programme at an average of 63 percent.[90] This score indicates that 63 percent of households receiving benefits qualified for those benefits using the WFP's food poverty score calculation. WFP-Kenya considers 70 percent inclusion to be reasonable when targeting.[91] The PRRO came under criticism for its low rate, which was attributed to the PDM measurement techniques. However, CBT makes strong assumptions about the accuracy of community members' knowledge and the ability of elected groups to allocate resources without being influenced by local power and patronage structures.

113. **Different perceptions of poverty can cause CBT to perform poorly in terms of the conventional money metrics of poverty.** A recent study[92] conducted in Makueni District in Kenya, explored how households in a small and tightly knit community were targeted using CBT in the PRRO. The study compared households' own perceptions of their poverty status with how other community members viewed their poverty status and how their poverty status would be evaluated using expenditure-based poverty measures. The study found a strong correlation between households' perceptions of their own poverty ranking and how other community members rank them. The criteria that the community uses for ranking were similar to those used in CBT so the resulting rankings were correlated. This implies that the CBT process in the community was not strongly biased. However, the study also found no relationship between "external" measures of poverty (PMT and the poverty line) and the community's definitions of poverty. The relief committee considered a range of indicators in assessing poverty that are not captured in the expenditure or wealth indices that are used in KIHBS or the Living Standards Measurement Surveys (LSMS). Therefore, it seems that the "errors" of CBT are not necessarily because relief committees are biased or make inaccurate observations but because they take a broader view of what constitutes poverty (one that may be closer to the concept of "capabilities")[93] than the money metric with which it is usually evaluated. Importantly, in the community where the study was conducted, the relief committee was made up entirely of women, which may explain why variables related to the health and education of family members featured more strongly in the committee's targeting criteria than economic variables such as employment.

114. **In the case of the HSNP, a recent review found that the CBT method performed quite well in terms of identifying the poorest households.** However, the review has noted that, while it is relatively simple for community members to identify the most destitute households, it is more challenging for them to identify the most deserving poor households that are not destitute, since such households comprise the majority of communities and distinguishing one from the other is difficult. There are concerns that households that do not participate in meetings are less likely to be included unless they are clearly destitute.

[90] *WFP (2009), pg. 25.*
[91] *WFP (2009).*
[92] *Simon (2011).*
[93] *See, for example, Sen (1997).*

4.2.4 Comparison of Different Targeting Methods

115. **Targeting entails a trade-off between the cost and accuracy of selecting safety net beneficiaries.** The costs of each targeting method differ, ranging from the relatively inexpensive categorical method through to the more expensive PMT.[94] Very little information is available on the relative costs of different targeting methods in Kenya, either in terms of administrative costs or opportunity costs, so it is not possible to make a full quantitative analysis of the trade-offs.[95] However, a recent qualitative review of the three targeting methodologies tested in the HSNP attempted to compare their results in terms of how effective each methodology was in reaching the poorest in the region and in excluding the richest (even if they are poor by national standards, as the HSNP works in ASAL counties where the majority of people live below the poverty line). The review found that:

i. Community-based targeting (CBT) appears to be relatively effective in reaching those recognised by communities as being the poorest and most vulnerable. However, among the rest of the poor, its selection appears to be more arbitrary, and it acts, essentially, as a rationing mechanism, selecting some poor households from among a broader number of poor who, due to a quota system, are excluded.

ii. The dependency ratio (DR) mechanism has the highest coverage and, as a result, includes a large number of poor households but also some that are less poor. Poor households with a low dependency ratio are excluded.

iii. The social pension is effective in reaching poor households with older residents but, by design, excludes other poor households, except indirectly if the recipient households share their benefits with their neighbours.[96]

116. **In order to develop a quantitative comparison of the different targeting measures, the review simulated their relative effectiveness in reducing poverty.** To this end, the output provides policymakers with a salient toolkit to measure and compare the different methods, facilitating decision-making.[97] Table 4.7 shows the predicted change in the absolute poverty headcount, poverty gap, and food poverty gap for each of the different targeting criteria.

117. **It appears that large differences in poverty reduction will not be achieved through the use of one targeting method or another, though some variations are noteworthy.** First, the categorical methods have roughly the same impact on headcount poverty as random targeting. Of the categorical targeting methods, the one that targets households with children under 18 years of age has the largest impact on both the poverty headcount and the poverty gap. Secondly, generally, the PMT performs better than categorical methods, although it is less effective at reducing the absolute poverty gap or the food poverty gap than categorical methods targeting households with children under 18 years of age. Across methods, CBT appears to perform best on all three indicators of poverty.[98] This analysis suggests that the available evidence is too weak to support any claim that one approach is inherently superior to another. In this respect, Kenya's method of testing a large number of targeting approaches makes it an ideal setting in the future for a complete evaluation of the costs and benefits of the different options. Moreover, international evidence shows that

[94] *These differences in cost can have implications for the effectiveness of targeting as, for a fixed budget, the more resources that are spent on targeting, the lower the coverage of the programme, which can result in higher exclusion errors.*

[95] *None of the programmes reviewed has a specific budget breakdown for targeting and hence no data are available on the actual costs of different targeting methods.*

[96] *Cosgrove et al. (2011). In response to this last point, the report recommends that other categorical targeting methods be adopted in areas implementing the social pension.*

[97] *We use a simulation here because there is no quantitative assessment of the relative costs and benefits of different targeting methods in Kenya.*

[98] *Notably, a recent study found that giving just US$12 a month to everyone over 60 would reduce poverty by 11 percent and lift 1.5 million people out of poverty.*

Table 4.7: Results from Targeting Simulation Model

Household Targeting Criteria	Monetary Poverty Measure *Percentage of Reduction* Absolute Poverty Headcount	Absolute Poverty Gap	Food Poverty Gap
Categorical Targeting			
People living with a disability	8.60	12.22	13.11
OVCs	8.00	13.93	14.30
People over 60 years of age	8.86	15.25	15.06
Children under 18 years of age	9.07	15.70	16.21
Proxy Means Targeting (PMT)*	9.28	15.41	15.71
Community-based Targeting (CBT)**	10.04	18.33	18.19
Perfect Targeting	9.64	30.44	31.09
Random Targeting	8.26	12.89	12.91

Source: KIHBS 2005/06.
Notes: County allocations are based on the numbers of poor in the county for each household selection method, so differences in impact are attributable to the household selection method. The model then selects households based on their characteristics, assigns a transfer, and recalculates poverty scores. *With allowance for 10 percent measurement error. **Assumes that the CBT ranking explains 60-65 percent of the variation in household expenditure levels, based on the WFP PDM findings reported above.

the targeting outcomes are influenced more by the quality of implementation than the choice of targeting methods, although using a mix of methods can make targeting more effective.[99] Additionally, given the dynamic nature of poverty, programme targeting will need to be updated frequently (usually called retargeting) as households move in and out of the identified eligibility criteria.

118. **It is useful to compare the findings with the views of communities about the effectiveness of the different methods.** Among communities participating in the CT-OVC, many people interviewed attributed being selected by the PMT to fate, God, luck – or the "computer" in Nairobi. Some community members felt that many more households – some "more deserving" –were not covered by the programme but should have been. The limited transparency of the targeting methodology also meant that communities found it difficult to complain about the results. Categorical targeting and CBT seem to be easier for the communities to understand and accept than other methods. This is, at least partially, because categories are usually based on a very straightforward criterion. However, communities may express discontent if the most "deserving" households do not meet the eligibility criteria. For example, the HSNP social pension, while generally well accepted within the communities, created some unhappiness. This was because the programme was described as an anti-poverty programme but was then targeted only to the elderly, excluding poor households without older people. Similarly, CBT can create a sense of ownership and understanding among communities, although this varies among communities and depends greatly on the exact methods used.

119. **The views of communities point to broader political economy questions that arise from targeting.** While the nature of these debates is unique to each country, broad themes tend to emerge. Programmes that are universal, or that at least benefit a large proportion of the population including the middle class, may enjoy higher levels of political support than those that are narrowly targeted. This is because a greater number of voters benefit from a specific programme. Conversely, programmes that target

[99] *Coady et al. (2002a).*

older persons or children, even if they constitute a small proportion of the overall population, can create support from these programmes across classes. However, there are those who are concerned that social protection programmes, particularly safety nets, promote dependency and distort the labour markets or should only be targeted to those who are seen as "deserving" such as veterans or orphans. This view, together with a desire to minimise a country's long-term fiscal liabilities, can lead policymakers to design programmes that are limited in size and duration. The question of the political sustainability of social protection in Kenya is taken up in Chapter 9.

4.3 Registration of Beneficiaries

4.3.1 Registration Methods

120. **The evidence shows that a wide variety of registration methods are currently used in Kenya's safety net programmes and that they are often prone to delays and errors that undermine the effectiveness of the programmes.** Only the HSNP has a relatively effective system for registration that allows quick updating and retrieval of recipient information. In contrast, the PRRO registration systems are largely paper-based and do not systematically record data on individuals or households at the time of registration. The OPCT lacks an efficient real-time system, and the CT-OVC system involves time lags and, according to the operational assessment, considerable data recording errors and loss of records as a result of the large volumes of paper flowing between the counties and the programme management unit. Routine updates of recipients' registration status (for example, when an OVC turns 18 and is no longer eligible) are not reflected in the database or are only recorded after a long delay. Such delays can create targeting errors, as individuals or households who are no longer eligible for the programme continue to receive resources. The SFP registration records are based on school lists (which are often inaccurate) and enrolment records (which are rarely up to date or accurate). Without consistent and verifiable digital records, allocations can be inaccurate. Routine registration errors compound targeting errors, making it less likely that those eligible will be supported.

4.3.2 Identity and Verification

121. **The verification of identity is becoming critically important as the risk of overlap between programmes increases** (see Chapter 3). In several of the areas where safety nets operate and where populations are mobile (North Eastern, Turkana, and urban slums), there is a risk of recipients being registered several times for the same programme at different locations. Likewise, systems need to be flexible enough to recognise the identity of one or more people from the same household to enable different members to pick up rations or payments on different occasions.

122. **Most of the programmes that we analysed (65 percent) use Kenyan national identity cards (IDs) to verify the beneficiaries' identities.** This method is generally advantageous as it encourages civil registration (as the CT-OVC evaluation found), prevents people from double-dipping, and, in the long term, may help beneficiaries to graduate from assistance by giving them access to financial services (a valid ID card is a condition for opening a bank account). Yet, the cost of obtaining IDs may exclude some of the most vulnerable. Also, national IDs are only available to Kenyan citizens and, thus, exclude internally displaced persons and refugees, who may otherwise be eligible for various types of support. For this reason, some programmes (including HGSM, NMK, OPCT, and Urban Food Subsidy Programme) also rely on alternative methods such as community identification and verification to ensure the comprehensive coverage of those in need. Technology is also changing the landscape. An innovative solution recently introduced in Kenya is the biometric smart card, debuted as part of the HSNP and now also used by the Cash for Assets programme. This kind of technology

is becoming more affordable and accessible, but certain functions (such as controlling multiple registrations) can be complex, especially when several programmes – even using the same technology – are involved.

4.3.3 Data Sharing

123. **The sharing of data among programmes is important not only to monitor registration but also to show exactly who is covered by the individual programmes and by the sector as a whole.** As mentioned in Chapter 3, the lack of consistent registration data makes it impossible to arrive at more than a rough approximation of how many people are covered by safety net programmes and, in particular, how many vulnerable groups are included. Kenya's safety net programmes have stand-alone management information systems (MIS) meaning, they function individually with no capacity to interact with each other (see Chapter 7). To date, to avoid beneficiaries accessing two programmes, county-level officials share the names of beneficiaries with each other on paper. As the programmes grow, this arrangement will become unsustainable, which is one of many reasons why it is important to develop harmonised registration systems and common protocols for capturing and sharing data.

4.4 Conclusions and Recommendations

124. **Targeting could be improved by fine-tuning geographic targeting by adjusting the location-level allocations to reflect relative numbers of poor or food-insecure individuals or households.** For safety nets in Kenya, there is evidence that poverty and food security information is used for geographic targeting, at least in the selection of counties and locations. The main safety nets have maintained a technical approach to geographic resource allocation and have resisted political pressures to spread resources thinly. As a result, resources are generally focused on those areas that are the poorest or most food-insecure according to national statistics and the seasonal assessments. Refining and updating the small area poverty estimates, based on the latest census data, would be timely as these improvements in targeting will only be realised if poverty data are reliable.

125. **Regarding household-level targeting, with the Constitution having explicitly emphasised vulnerable groups, clear definitions of these groups need to be agreed at the national level and consistently applied across programmes.** Establishing a common age-based definition for older people or a definition of orphans and vulnerable children would, for instance, reduce confusion about how to identify certain categories of beneficiaries. Given the sheer numbers of those defined as "vulnerable" by the Constitution and given the country's constrained resources, it is not possible for any programme to cover all of these groups. The government will need to identify an appropriate means of extending coverage within the current fiscal context.

126. **Kenya offers the ideal context to empirically compare targeting methods, given its history of implementing all of the main methodologies.** This empirical analysis should make a comprehensive assessment of the effectiveness of the different targeting methodologies, considering the administrative complexity of using each method, the acceptability of each method to communities, and any impact on community cohesion (social costs), as well as the respective incentives and political costs. The analysis should also include an exhaustive costing study to estimate the fixed and per beneficiary costs (as well as other opportunity costs) of the options. This would make it possible to more precisely quantify the trade-offs and thus lead to better correlating methods with programmes and circumstances. At the same time, the available evidence as well as the analytical work undertaken for this review suggests that, no one targeting method is strongly superior to another and that, theoretically the results from different targeting methods are likely to be broadly comparable.

The real difference in outcomes will come from how well each is implemented.

127. **There is considerable scope for strengthening the beneficiary registration systems of specific programmes and of the sector as a whole.** With the exception of the HSNP, registration systems do not make optimal use of available technology. They also tend to be cumbersome and entail lengthy and error-prone paper-based processes. There is a clear need to test and evaluate hardware and software for field-based data gathering, registration, and carding, with near real-time controls for fraud and double registration. It would make sense to develop MISs that can be shared by multiple programmes to reduce the costs of establishing such systems. A common registry is desirable, whether or not it is linked to a shared technology platform for capturing field data. This registry would not necessarily involve a single database but could be achieved by devising a set of data-sharing protocols that would make it possible to compare different databases. These common registration systems could be supported by shared equipment such as programme identification cards. Additionally, linking a common registry with the Integrated Population Registration System (IPRS) would create additional scope for verifying the eligibility of programme beneficiaries.

Chapter 5

Finance and Transfer Systems

CHAPTER SUMMARY

- Government and development partner funding that is allocated directly to the implementing agencies (IA) of safety net programmes takes, on average, 19 days to reach the IA. It took an estimated 51 days for development partner funds to move through the government's Exchequer system to the IA.
- These differing timelines in the flow of funds to safety net programmes can delay payments to beneficiaries.
- Safety net programmes use a range of mechanisms to provide support to beneficiaries. Programmes are increasingly leveraging advances in technology to improve the delivery of cash transfers.
- Ongoing reforms to the NHIF and NSSF are expected to improve the predictability (and speed) of payments, but further work in this area is required to support their envisioned expansion and conversion of the NSSF from a provident to pension fund.

5.1 Safety Net Programmes

5.1.1 Flow of Funds to Safety Net Programmes

128. **The source of financing for safety net programmes determines the procedures to move resources into programme accounts, that is, the flow of funds.** Funding stems from three sources: (i) the government; (ii) development partners (DP); and (iii) development partners through government systems. The budgets of government-financed safety nets are integrated into the recurrent[100] or development[101] budgets of ministries and sectors. Every stream of public revenue flows into the Exchequer's Consolidated Fund from which it is then channelled to the Exchequer accounts of each implementing line ministry. Development partner funding is channelled through the government development budget and is subsequently disbursed to programmes as: (i) revenue, which is funded through the Exchequer system; or (ii) Appropriations in Aid (AIA), which consist of goods and services that are paid for directly by the development partner. Development partners also transfer funding directly to non-governmental organisations (NGO), community-based organizations (CBO), and civil society organisations (CSO). Of these,

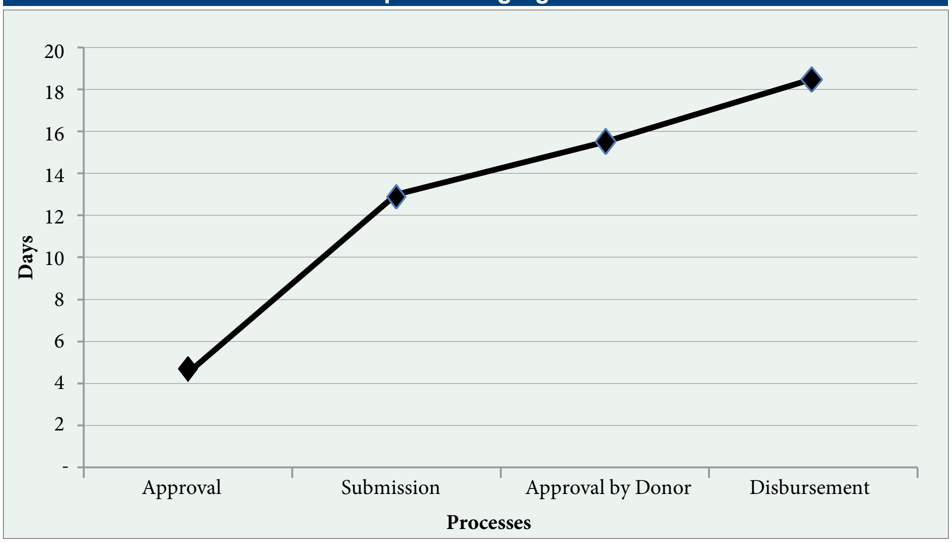
[100] *This is expenditure on goods and services that does not result in the creation or acquisition of fixed assets (new or second-hand). This type of expenditure is of recurring type and is incurred year-after-year.*
[101] *Capital expenditures are used to purchase or build durable assets. They are a non-recurring or one-off type of expenditures in the form of capital investments.*

only the funding given directly to NGOs, CBOs, and CSOs by the development partners is not declared as part of the government's budget.

129. **The government and development partner funding that is allocated directly to the implementing agencies appears to be relatively predictable, even though disbursement delays do occur.** Under the system of direct government funding to safety net programmes, the funds are made available to the safety net programmes as part of the ministerial quarterly disbursements according to the provisions of the government's approved budgets and subject to the availability of funds. Available evidence indicates that some government-funded safety net programmes (NMK, OPCT, Disability Grants, and Secondary Education Bursary Fund) receive financing regularly and on a timely basis. This is not the case for all programmes, however, with delays being noted particularly with regard to the CT-OVC programme. The second flow of funds involves the movement of funds from the development partner (DP) directly to the implementing agencies (IA), which include line ministries, NGOs, CBOs, CSOs, and contracted private institutions. Figure 5.1 shows the steps in this process and illustrates that, on average, it takes 19 days to move safety net resources from the DP to the IA. This is because the process to transfer the funds is not automated.

130. **In contrast, the flow of DP funds through the government Exchequer system from the Consolidated Fund to the IA takes an average of 51 working days.**[102] Figure 5.2 shows that it takes an average of 20 working days to move the funds from the DPs to the Consolidated Fund (32 percent of the total period), while it takes, on average, 31 working days (68 percent of the total

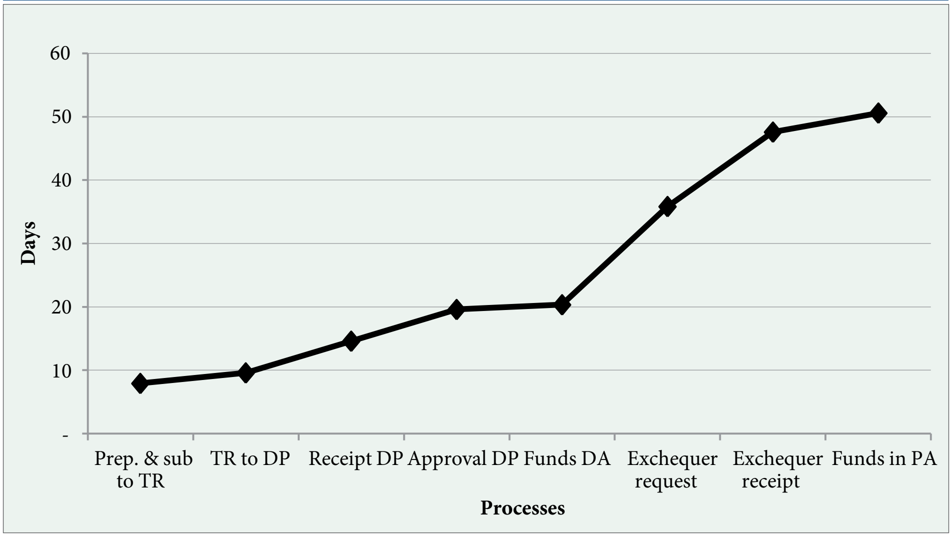
Figure 5.1: Flow of Funds from Development Partners Directly to Implementing Agencies



Source: Authors (2011).
Notes: This is an average based on two projects: Kenya Youth Empowerment Programme's (KYEP) Kenya Private Sector Alliance (KEPSA) Grant and the Hunger Safety Net Programme (HSNP) where funding is channeled directly from the development partner (DP) to the implementing agencies (IA). The KYEP KESPA Grant is financed by the World Bank and the HSNP by the DFID. The key steps include: (i) IA internal approval; (ii) approved request submitted to the DP; (iii) DP approves; and (iv) DP disburses the funds to the IA.

[102] *This is the average timeline (working days) based on the CT-OVC and the three components of KYEP over a period of two years and one year respectively. The key steps involved in this process are: (i) the implementing agency (IA) submits a funding request to Treasury (Prep and sub to TR); (ii) the Treasury reviews and approves the request (TR to DP) (iii) the Treasury transmits request to the development partner (Receipt by DP); (iv) the development partner reviews and approves the request (Approval by DP); (v) the development partner disburses funds into a designated in-shore or off-shore account managed by the Treasury (Funds DA); (vi) the implementing agency files a request for the release of the funds (Exchequer Request); (vii) the Treasury releases the Exchequer and funds are transferred to the implementing agency's Exchequer account (Exchequer Release); and finally (viii) the implementing agency transfers the funds from the Exchequer Account to the programme's account (Funds in PA).*

Figure 5.2: Flow of Funds from Development Partners through Exchequer System to Implementing Agencies



Source: Authors (2011).
Notes: Average timeline (working days) based on World Bank financing to the CT-OVC and the Kenya Youth Empowerment Programme (KYEP). This is the average timeline (working days) based on the CT-OVC and KYEP over a period of two years and one year respectively. The key steps involved in this process are: (i) the implementing agency (IA) submits a funding request to Treasury (Prep and sub to TR); (ii) the Treasury reviews and approves the request, which is sent to the development partner (TR to DP) (iii) the Treasury transmits request to the development partner (Receipt by DP); (iv) the development partner reviews and approves the request (Approval by DP); (v) the development partner disburses funds into a designated in-shore or off-shore account managed by the Treasury (Funds DA); (vi) the implementing agency files a request for the release of the funds (Exchequer Request); (vii) the Treasury releases the Exchequer and funds are transferred to the implementing agency's Exchequer account (Exchequer Release); and finally (viii) the implementing agency transfers the funds from the Exchequer Account to the programme's account (Funds in PA).

period) to move the funds from the Consolidated Fund to the IA. The Ministry of Finance in consultation with development partners is in the process of closing off-shore accounts and replacing them with on-shore foreign currency denominated accounts, thereby eliminating the movement of funds from off-shore to on-shore accounts each time a request is filed. In addition, discussions are ongoing to allow the direct transfer of funds from the Consolidated Fund to a programme's account.[103] This will eliminate the need to route the funds through the implementing agency's Exchequer account. This review established that there were delays occasioned by a lack of coordination between the government and the development partners. For example, in 2009 the CT-OVC Trust Fund received funds but was not able to disburse any funds to beneficiaries for almost one year as the funds flow channel was changed halfway through the government's financial year without a proper amendment to the Finance Bill.

131. **These differing timelines for the flow of funds to safety net programmes has implications for the predictability of payments to beneficiaries.** The implications of these differing timelines is seen most clearly when considering the average payment cycle for social cash transfer programmes, which is usually 60 days with bi-monthly payments to beneficiaries.[104] For example, in the HSNP and the CT-OVC, payments to beneficiaries are generally made according to this 60-day payment cycle when funds are disbursed from the development partner (DP) through the payment

[103] *In this case, the Treasury provides an Exchequer notification to the implementing agency to recognise the transaction in their books.*
[104] *The payment cycle starts when the list of beneficiaries and the amount they are to be paid is generated by the programme's MIS. This information is then communicated to the payment service provider, which pays the beneficiaries. The payment cycle ends with the reconciliation of the amounts paid with the original list generated by the MIS.*

service provider (PSP) to the beneficiaries.[105] In contrast, using government systems can create delays, as has happened in the case of the CT-OVC programme. On average, payments funded by the government were made to beneficiaries 28 days after the planned payment date; those funded by DPs through government systems were made 17 days late; and those where DP funding is directly transferred to the PSP through the AIA were 15 days late. The delays in the payments funded by the government were caused, in part, by delays in the implementing agency (IA) filing requests to the Treasury and in the release of funds from the Exchequer. These delays are further compounded by the classification of the cash transfers as general expenditure, in the sense that they do not receive priority in terms of government disbursements. As with other expenditures of this type, a specific request has to be made for each disbursement. Delays that were common to all payments arose from the fact that the reconciliation of the paid transfer amounts with the expected amounts was done manually and the need for one payment cycle to be completed before the subsequent payment cycle can begin. The negative impact of such delays in payments on beneficiaries is discussed in Chapter 8.

132. **The delay in the flow of funds from the Exchequer to the beneficiaries also raises concerns about the ability of the government's current safety net system to respond to rapid-onset crises.** A number of ongoing initiatives aim to increase the country's ability to respond to shocks, including developing the ability of established safety nets to scale up rapidly.[106] However, for this type of response capacity to be effective, it will require that funds flow quickly through the government system, whether the source of funds is the government or its development partners. In Kenya at the moment, this flow tends to be slow and, at times, unpredictable. Moreover, as will be seen from the discussion below, the capacity of the payment service provider has a bearing on the regularity, predictability, and accessibility of cash and other transfers during crisis situations.

5.1.2 Payment and Delivery Channels

133. **Safety net programmes use a range of mechanisms to transfer payments to beneficiaries.** The value of safety net benefits delivered through the various mechanisms has evolved over time. Cash payments are transferred to beneficiaries through: (i) government district treasuries; (ii) state corporations (post office); (iii) commercial banks; (iv) e-wallets (banking agents or mobile network operators (MNOs)); (v) NGOs, CBOs, and CSOs that generally transfer food; and (vi) intermediaries that are used to deliver voucher-based inputs and services.[107] Between 2005 and 2010, a total of Ksh 17.8 billion was channelled to beneficiaries through these different delivery models. Of this, 41 percent was delivered through food aid mechanisms, 29 percent through banks, 11 percent through district treasuries, 10 percent through the post office, 6 percent as disbursed through agents, and 4 percent through e-wallet.[108] E-wallets include mobile network platforms and the agency model that uses smartcards. The relative proportions, nevertheless, have varied (Figure 5.3). Between 2005 and 2008, food distributions declined steadily but reversed in 2008 and 2009 in response to the post-election violence and food shortages. The value of

[105] *The payment service provider is the organisation that makes payments to beneficiaries. For example, in the HSNP, this is the Equity Bank and in the CT-OVC, it is the post office (with a planned move to the Equity Bank in 25 districts). This is discussed in detail in the next section.*

[106] *An existing drought management initiative aims to support, strengthen, and institutionalise existing drought management mechanisms to develop more effective and timely responses. The initiative focuses on the following key activities: supporting the government in creating a National Drought Contingency Fund; strengthening the coordination of the drought management systems; enhancing the efficiency of the Early Warning System (EWS) and contingency planning; and fostering the formulation and adoption of policies related to drought management that link relief, rehabilitation, and development.*

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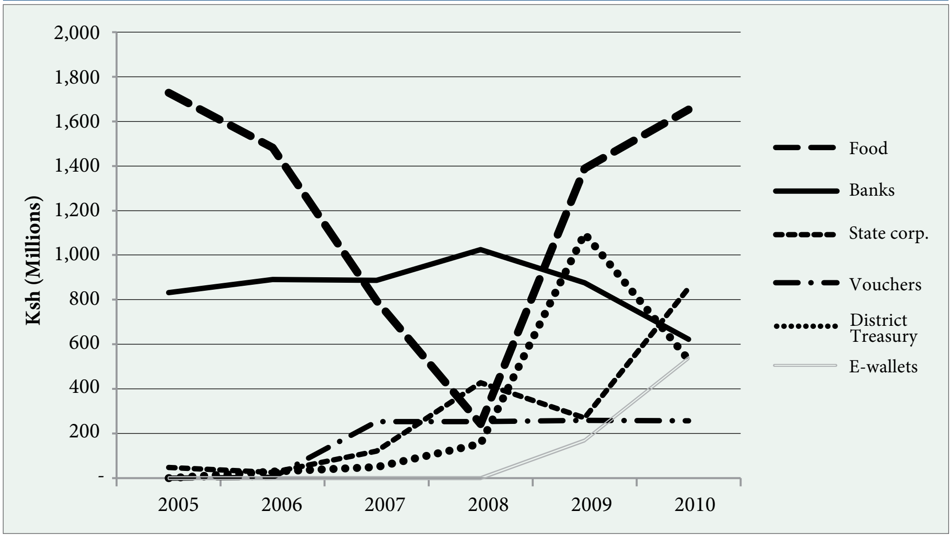
[108] *This is an encrypted storage medium that holds financial information that can be used to complete electronic transactions.*

Figure 5.3: Value of Benefits Transferred through Various Delivery Channels, 2005-2010



Source: Authors (2011).
Note: "Value of benefit" refers to the monetary value in Kenya shillings equivalent.

safety net benefits transferred through banks remained steady between 2005 and 2008 and declined after 2008 following the phasing out of the Most Vulnerable Child (MVC) programme. The strengths and weakness of each of these mechanisms is considered in turn below.

134. **District treasuries have mainly been used to disburse government-funded cash transfers.** This channel has been used by the CT-OVC and OPCT. The funds are disbursed directly from the implementing line ministries to the district treasuries through the Authority to Incur Expenditure (AIE)[109] system. Funds received at the district offices are placed under the custody of the district accountant, who is required to disburse the funds in cash directly to the beneficiaries and then account for the funds by filing routine reports to the accounting officers in the respective line ministries. Payments to the beneficiaries are based on a payroll prepared by the programme management units, which is, in turn, validated by agreed identification documents, such as a national ID or programme card (Table 5.1).

135. **The Postal Corporation of Kenya (PCK) has been making cash payments for a number of safety net programmes.** The PCK has been contracted to provide cash transfers for the OPCT, PWD, and CT-OVC programmes. The PCK has over 500 payment points across the country. As with the district treasury model, payments to beneficiaries are made on the basis of a prepared payroll and agreed ID documents (Table 5.2).

136. **Banks have primarily been used as an intermediary payment service provider to channel funds from donors to project beneficiaries,** as has been the case in the MVC, NMK (Component 1), and Secondary Education Bursary Fund. This is done as a direct account-to-account transfer from donors to the beneficiaries. Subsequently, the beneficiaries access the funds through existing branch networks, checks, automated teller machines (ATM), or banking agents (Table 5.3).

137. **The use of E-wallets refers to (a) the "agency banking model" in which a biometric**

[109] *Authority provided by law to incur financial obligations and expenditure (other than borrowing authority).*

Table 5.1: District Treasury Model - Strengths, Weaknesses, and Recommendations

Strengths	Weaknesses
• End-to-end payment process is maintained within the government systems, which results in clear lines of accountability and reporting. • Some physical security, as most payments are made within the confines of the government's district facilities.	• Entirely manual process, which is a major constraint to timely and accurate reconciliation and reporting. • Weak beneficiary identification process.* • Weak internal controls due to a lack of independent beneficiary verification. • A high physical security risk to persons handling cash, due to the large amount of cash involved. • In many cases, beneficiaries have to travel long distances to collect their payments. • District treasuries do not have the resources (office space, human capital, and cash handling equipment) to make large numbers of cash payments, which can result in long queuing times for beneficiaries.
Recommendations	
• Due to the volume of transactions and the risks involved, the government should make a deliberate effort to ensure that this function is outsourced to appropriate institutions with specialised competency. This would allow government officers to focus on supervision and on the core programme management functions, while reducing the fiduciary risk associated with this delivery system.	

Source: Authors (2011).
Note: *National and programme identification cards are used as opposed to robust authentication mechanism such as biometric details and electronic personal identification numbers (PIN).

smart-card is used and (b) mobile network platforms, as detailed below.

i. **The agency banking model is currently used by the HSNP and on a pilot basis by WFP-supported programmes in Northern Kenya.** It is also being rolled out to parts of the CT-OVC programme. The agency banking model was introduced in Kenya through the Banking Act Amendment of 2009, whereby banks are authorised to appoint agents to provide limited banking services such as deposit-taking and withdrawal services. Banking agents are usually equipped with a combination of POS, card-readers, mobile telephones, and bar-code scanners for bill payment transactions. They

Table 5.2: State Corporations (PCK Model) - Strengths, Weaknesses, and Recommendations

Strengths	Weaknesses
• Network of branches country-wide. • Considerable capacity and experience in agency cash collection and payments. • A state corporation, which enjoys government support and therefore has enhanced solvency.	• Beneficiary ID process is weak, as national or programme IDs are used. • The PCK is unable to store value to enhance planning and savings. • Entirely manual process, which is a major constraint to timely and accurate reconciliation and reporting. • While a more comprehensive network than the district treasury model, it can lead to long travel times for beneficiaries in remote areas.
Recommendations	
• Invest in technology that promotes store-of-value* and is more convenient for beneficiaries. • Develop a stringent beneficiary identification and authentication mechanism such as one that uses biometric details by investing in point of sale (POS) devices.	

Source: Authors (2011).
Note: *This is the ability to store transfer value in electronic cards and provides flexibility for beneficiaries to withdraw funds at their convenience, rather than during pre-defined collection times only.

Table 5.3: Using Banks to Transfer Benefits - Strengths, Weaknesses, and Recommendations

Strengths	Weaknesses
• Strong regulatory control over banks by the Central Bank of Kenya. • Extensive financial experience and competence. • Offer an efficient and effective payment channel supported by robust technology. • Highly liquid in terms of the availability of funds. • A secure payment environment. • Bank accounts can enable beneficiaries to save. • Other value added such as financial literacy training.	• In some cases, banks do not give high priority to "social payments" compared to their higher-revenue clients, leading to poor service and delayed payments. • Registration process has stringent requirements* and can present a major challenge, particularly to beneficiaries who are minors. • Some banks have an inadequate or limited branch network.
Recommendations	
• Establish a dedicated department within each banking institution supported by skilled human capital and adequate infrastructure. • Expand coverage of banking services to promote greater financial inclusion.	

Source: Authors (2011).
Note: * Know Your Customer (KYC) requires banks to take steps to ensure they know their customers' details, through documenting their National ID card number and physical locations, for example, by reviewing their utility bills and/or land title deed reference numbers.

may also have personal identification number (PIN) pads and personal computers (PCs) that connect with the bank's server using a personal dial-up or other data connection. Clients of the agent use a magnetic stripe card or their mobile phone to access their bank account or e-wallet, respectively. Customers are typically identified by a PIN but can also be identified using biometric information such as fingerprints or photographs. Banking agents verify, authorise, and settle disputes over transactions as well as synchronise and update the transactions remotely with the appointing bank's central database. The smartcards used in the HSNP occasionally have faulty memories, and sometimes the smartcards are damaged, meaning that the POS machine is unable to identify the fingerprint of the beneficiary or recipient; this is rare (Table 5.4).

Table 5.4: Agency Banking Model - Strengths, Weaknesses, and Recommendations

Strengths	Weaknesses
• Well regulated by the Central Bank of Kenya. • Agents have extensive support and supervision from the Commercial Bank. • Use effective payment technology provided by the commercial banks. • Access to liquidity via the local branches of commercial banks. • Proximity to the beneficiaries makes them accessible. • Agent is known to the beneficiaries (usually a local trader).	• Agent recruitment and vetting process is bureaucratic. • Agents have erratic hours of operation. • Agents may not always have sufficient cash to pay beneficiaries. • Registration process with its stringent requirements can present a major challenge, particularly to beneficiaries who are minors.
Recommendations	
• Establish a dedicated agency banking department within each banking institution. • Ensure regulator enforces the non-exclusivity of the agents to promote the use of the same agents by different banking institutions.	

Source: Authors (2011).

ii. **Mobile telephones are used to make payments in the Urban Food Subsidy Programme.** The mobile telephone transfer system is a relatively new technology, particularly in the safety net sector. Launched in 2003, *M-Pesa* is Safaricom's mobile transfer service. Its network coverage is widening and usage is increasing among the general public, yet the model is underused in safety net programmes. This is perhaps due to the relatively limited geographical coverage of the mobile network in Kenya,[110] particularly in the North, North Eastern, Eastern, and Coast Provinces. Given the potential for mobile technology to deliver effective, secure, and timely cash transfers, it is important to explore ways to expedite its take-up. That being said, the use of mobile phones to receive, hold, and store money for a beneficiary can be problematic as SIM cards can be borrowed or lost. In some cases, the phones themselves have broken or stopped working (Table 5.5).

138. **Food assistance is provided in response to food insecurity and drought-related emergencies.** Food distribution channels have been used in Kenya since pre-independence to respond to drought and famine. Many of the WFP programmes use these channels, although the WFP is exploring the possibility of providing benefits in cash rather than in food. The food distribution channel requires a well-coordinated supply chain and effective delivery management (Table 5.6).

139. **Vouchers have primarily been used to help beneficiaries acquire agricultural farm inputs and access health care services,** which are provided through a network of accredited service providers. This channel remains largely underused due to the complex nature of the accreditation process and because the implementation process requires close monitoring to prevent fraud. Two examples of programmes that use this channel are the Health Voucher – OBA Scheme, which uses vouchers to provide health care services, and the National Agriculture Accelerated Input Access Programme (NAAIAP) (Table 5.7).

5.2 Contributory Schemes

140. **A general increase in membership contributions of the NSSF has occurred during the period under review.** It can be explained partly by increased membership, better compliance as a result of the allocation of specific territories to compliance inspectors, and the increased use of innovative tools such as *M-Pesa* and electronic payments. The membership contribution can be made in two main ways,

Table 5.5: Mobile Telephones - Strengths, Weaknesses, and Recommendations

Strengths	Weaknesses
• Instantaneous transfer. • Convenient, secure, and flexible. • Deepens the access of the poor to financial services. • Increases coverage and lowers costs, as immediacy replaces beneficiary travel time to specific locations.	• Requires mobile telephone coverage and an agent to provide the cash payout. • Requires beneficiaries to invest in a handset and a SIM card. • Requires minimum level of literacy. • Requires prior registration, which can be a major challenge for beneficiaries, particularly for minors.
Recommendations	
• Increase geographical coverage. • Establish ways of reducing the costs of the handsets and the SIM cards.	

Source: Authors (2011).

[110] *The Communications Commission of Keya (CCK) Operator's Compliance Returns shows the mobile telephone network penetration was approximately 63 percent as at end of 2010.*

Table 5.6: Food Assistance Delivery Channel - Strengths, Weaknesses, and recommendations

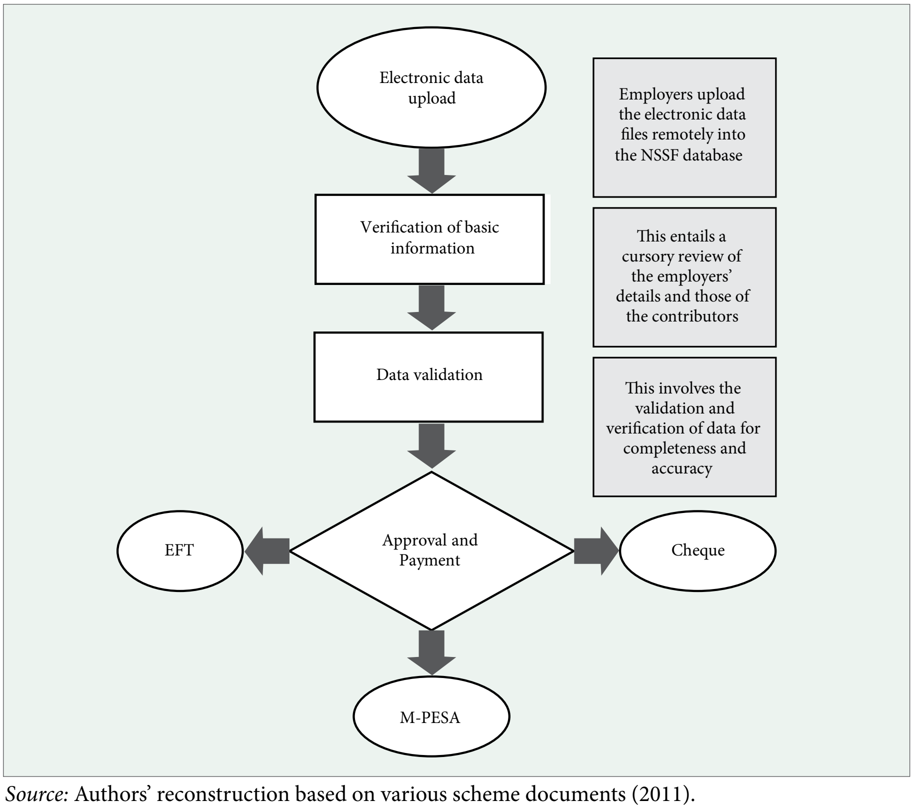
Strengths	Weaknesses
• Ensures that beneficiaries are able to meet immediate food needs in areas where food markets are not functioning.	• Time lag, often significant, between identifying need and delivering food. • Distribution tends to be slow and inefficient. • Significant risk of theft and pilferage. • Inappropriate food types and rations are provided, which in turn are sold by beneficiaries. • Limited shelf life of food. • Complexities associated with the procurement and distribution chain for food.
Recommendations	
• Consider carrying out a detailed analysis to compare the provision of food with cash transfers, particularly with respect to costs and benefits and to beneficiary culture and preferences.	

Source: Authors (2011).

either online or manually via predesigned contribution forms. The online contribution process is outlined in Figure 5.4.

141. **Between 2005 and 2010, the NSSF paid out, on average, 38,000 claims per year ranging from Ksh 50,000 to Ksh 200,000.** Claims above Ksh 2,500 are paid using cheque and electronic funds transfer (EFT), while those below this amount are paid in cash. Overall, the number of claims settled year-on-year has remained fairly constant because: (i) the NSSF settles claims on a lump sum basis; and (ii) the number of retirees is more or less constant each year, at least for the period under review, with current increases in membership only translating into a higher number of claims when those members retire. It takes the NSSF between 8 and 30 days to process

Figure 5.4: Collection Process for NSSF Membership Contributions



Source: Authors' reconstruction based on various scheme documents (2011).

Table 5.7: Voucher System - Strengths, Weaknesses, and Recommendations

Strengths	Weaknesses
• Benefit is specified for a particular purpose. • Easy to monitor the use of vouchers and evaluate their impact. • Minimises the risk of misuse of benefits. • Enables programmes to negotiate preferential rates with service providers.	• Most voucher schemes require beneficiaries to deal only with pre-selected service providers. • Pre-determined voucher pricing may not be attractive to the providers, and this may compromise the quality of the service or inputs.
Recommendations	
• Expand this channel and establish links with the leading service providers so that they are able to provide goods and services when vouchers are redeemed.	

Source: Authors (2011).

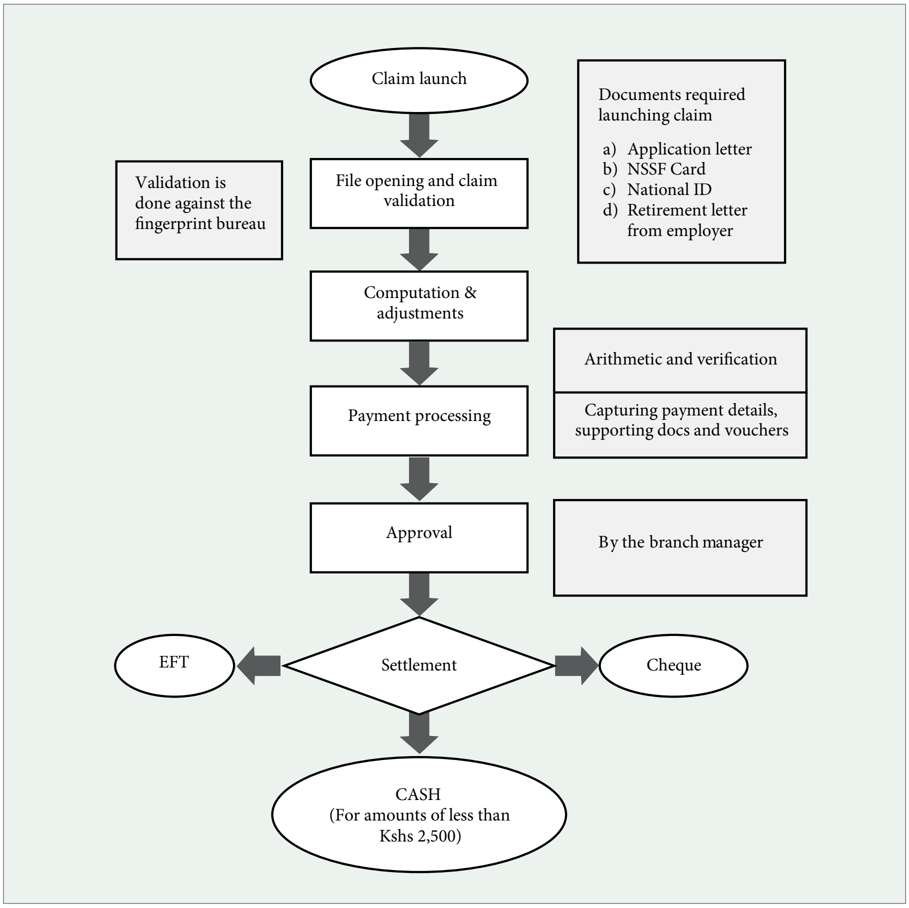
a claim, a large part of which is accounted for by the verification and validation of the claims.

142. **However, the NSSF now faces a number of challenges that reduce the Fund's liquidity.** These include a large balance (in excess of Ksh 300 million) in the suspense account where membership contributions that cannot be matched with respective contributors are deposited, thus significantly underestimating the membership contributions accounts. Other challenges include extended periods of time between when contributors retire and when they lodge their claims with no indication of when these claims will be filed, a large number of inactive members who are not consistent contributors, inadequate staffing in the enforcement office leading to a decline in contribution compliance, a lack of adequate and proper documentation of the Fund's real estate assets, and a possible loss of the Fund's land due to its illegal acquisition by land speculators, which may have a significant effect on the Fund's balance sheet position. The main steps involved in processing claims are outlined in Figure 5.5. Notably, the reform of the NSSF that will turn it from a provident fund into a pension scheme is expected to increase the number of payments from 38,000 per year to approximately 120,000.[111]

143. **In the case of the NHIF, claims are submitted by the providers or by individual members for reimbursement directly to the Fund after the beneficiaries have been discharged from the hospital.** The claims are examined by the Fund to ensure they are valid before they are paid. Sometimes a claim is rejected, and the Fund asks the hospital or the member to send in any missing documents or to address any problems that have been identified. The Fund aims to pay claims through the EFT within 14 days of receiving the claim from the hospital. Members who opt to pay their bills with the hospital directly can then manually fill in a claim form and take it to the nearest NHIF branch office for reimbursement. The claim is then processed and, if approved, the payment is deposited directly into the accounts of the beneficiary via the bank EFT system. Figure 5.6 presents an overview of the NHIF claims settlement process. However, the Fund faces a number of challenges with regard to the payment of claims. These include the lengthy process involved in confirming the eligibility of beneficiaries upon their admission to the hospital facilities and the lack of a clear process for confirming the identity of beneficiaries before making the payment.

[111] *The proposed Transformation Bill will ensure that every Kenyan with an income will contribute a percentage of their gross salary earnings in return for which they will be guaranteed basic compensation in case of permanent disability. Basic assistance will be given to their dependants in case of death; and they will receive a monthly pension for life upon retirement.*

Figure 5.5: The NSSF Claims Processing System



Source: Authors' reconstruction based on various scheme documents (2011).

5.3 Conclusions and Recommendations

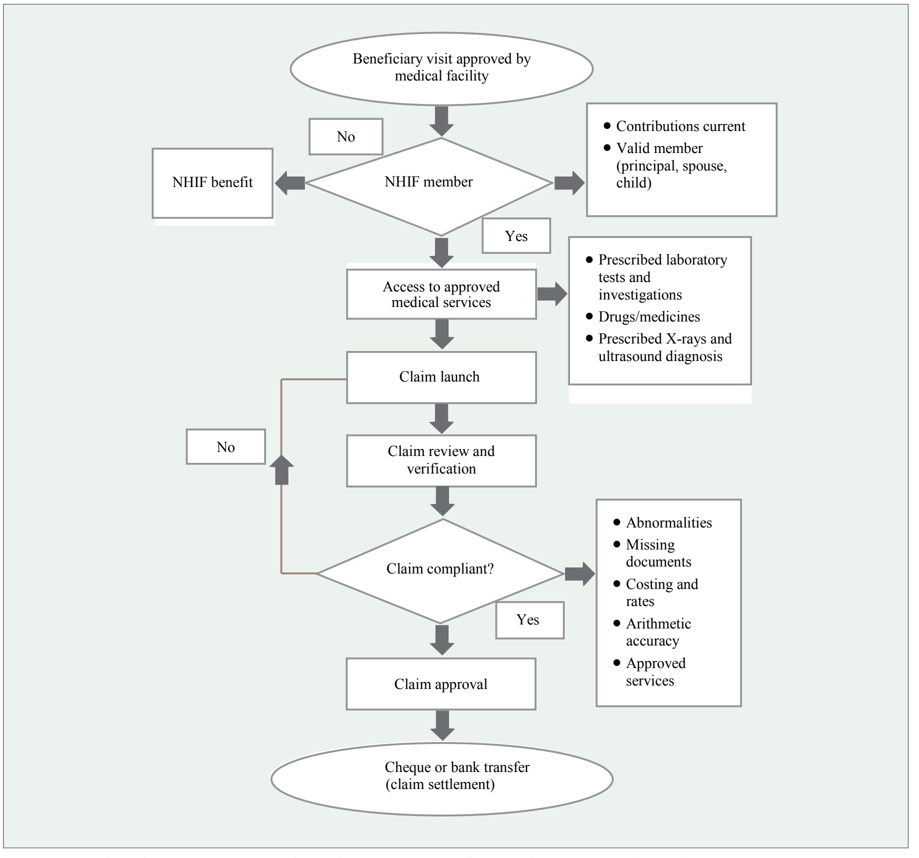
144. **The flow of funds to safety net programmes through government systems can be slow and unpredictable, thus undermining predictable support to poor and vulnerable households.** [112]As the government expands the coverage of safety nets, there is an urgent need to address these weaknesses. To this end, three reforms should be considered:

i. Explore the value and feasibility of reclassifying safety net expenditures as personnel emoluments rather than general expenses in the national budget. The delay in the flow of funds through government systems to safety nets is caused by the fact that even though government funding is budgeted for, it can only be transferred on request and subject to availability of the funds. Reclassifying safety net expenditure as personnel emoluments would reduce these delays. This is because personnel emoluments are predictable as they are prioritised government expenses that are honoured in a timely and predictable manner.

ii. Enhance budget coordination and awareness among the concerned government departments and development partners. This would ensure that the government's financial management, budgeting procedures, and timelines are appreciated and understood by

[112] *This problem is not unique to Kenya. For similar reasons, payments through the government disbursement system for Ghana's LEAP programme, which in principle take place every two months, have so far been seriously irregular and delayed by up to six months in some cases.*

Figure 5.6: Processing of NHIF Claims



Source: Authors' reconstruction based on various scheme documents (2011).

all. It would also facilitate proper planning and the allocation of adequate resources to the social protection programmes.

iii. Adopt innovative reconciliation and approval processes to reduce the delays caused by the manual processes both in the flow of funds to programmes and in the payment cycle to beneficiaries. Specifically, the flow of funds to programmes should, on average, take no more than 22 days regardless of the source of funds. Automation of the reconciliation process supported by appropriate technology will greatly enhance the timeliness and efficiency of payments.

145. **While the type of safety net benefit provided reflects each programme's objectives, there is a need to explore the feasibility of a general shift towards cash transfers in the safety net sector to leverage the relative efficiency of these payment mechanisms.** Safety net and contributory programmes use a number of different channels to deliver payments to beneficiaries. The assessment of the current delivery channels suggests that cash payments made through banks, agency networks, or mobile phones are significantly more secure, faster, and more cost-effective than the other payment systems, including those used for food or vouchers. Furthermore, policymakers in the sector should define minimum standards for social protection payments and transfer mechanisms including, for example, minimum fiduciary controls and standards of accessibility for beneficiaries.

146. **For the government to establish safety nets that can be scaled up quickly in response to rapid-onset crisis, a number of reforms to the**

payment system will be required. The typical processes and phases of the funds flow and the reconciliation processes need to be streamlined in order to ensure that funds flow much more quickly through the government system. Additionally, payment systems need to be able to distribute a greater volume of resources to more beneficiaries in a shorter period of time. Therefore, they need to use flexible payment mechanisms, such as smartcards and e-wallets, through which a variety of benefits can be quickly transferred to beneficiaries using a single instrument.

147. **Given the proposed reforms to the contributory programmes and their potential expanded coverage, the systems and structures necessary to manage the anticipated increase in volume of payments need to be developed.** With the NSSF converting from a provident fund to a pension scheme, it is exploring the possibility of setting up a pension payment department with the necessary infrastructure to make numerous payments on a regular basis. In addition, the Fund needs to develop a payment platform to effectively support the payment of a high number of small value benefits at low cost as well as a mechanism and incentives for compliance and penalties for non-payment of membership contributions. Similarly, the NHIF should adopt such innovations as the electronic submission of claims as well as electronic payments to transfer benefits to recipients as rapidly and efficiently as possible. Investing in an electronic platform that will automate the identification of beneficiaries (using biometrics for example), thus reducing the need for manual verification, and will ensure that more timely payouts can be made.

Chapter 6

Accountability in Social Protection

CHAPTER SUMMARY

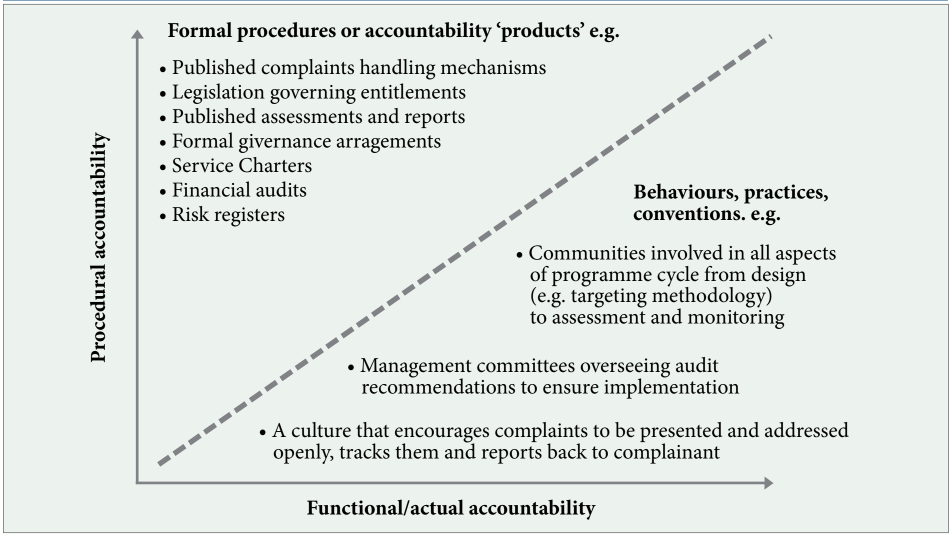
- Since the adoption of the Constitution in 2010, Kenya has had a robust rights-based legislative framework that can be applied to the social protection sector.
- Responsibility for social protection is currently fragmented with little coordination among the relevant institutions, which limits accountability in the sector.
- Some programmes are using technology to create robust controls over the payment process, although technology will not eliminate all risks.
- Most safety nets achieve a basic level of accountability by involving local community members, but the demands that this puts on these individuals has not been formally recognised.
- Almost all of Kenya's social protection programmes give beneficiaries information on their entitlements, rights, and responsibilities and on how to report any complaints. Few programmes have incentives for programme staff to administer these mechanisms.

6.1 Upwards Accountability in Social Protection

148. **This section assesses the systems and procedures that promote upwards accountability,** that is, accountability of programme implementers to programme managers, policymakers, and members of Parliament. More specifically, upwards accountability consists of governance, risk management, and financial accountability from an institutional and procedural perspective. The second section assesses the means by which downwards accountability is promoted. Downwards accountability (also called "demand-side" accountability) is the government's accountability to the beneficiaries and their communities.

149. **The existence of procedural accountability mechanisms is an important foundation for increasing accountability, but it is not sufficient.** Figure 6.1 shows the relationship between procedural and functional accountability. Procedural accountability consists of the laws and regulations that make formal accountability possible. Functional accountability consists of the behaviour, practices, and conventions that promote a culture of accountability. Figure 6.1 makes it clear that the way in which procedures are applied and practised determines their effectiveness in achieving either upwards or downwards accountability. A combination of formal procedures and functional behaviour and norms that are conducive to promoting accountability is what is needed to strengthen accountability in practice.

Figure 6.1: Procedural and Functional Accountability



Source: Authors (2011).

150. **The Kenyan Constitution (2010) provides its citizens with essential social guarantees through the Bill of Rights, including the right to social protection.** As discussed in Chapter 1, social security is now a constitutional right for all citizens. This has created a strong legal foundation for social protection policy and programmes. It also complements existing legislation that protects vulnerable groups. This basis for social protection in the Constitution and other legislation can be an effective first step in making the government accountable to beneficiaries and communities.[113] It has proven to be a powerful way to extend the coverage of social protection to vulnerable groups in countries in southern Africa and India.[114]

151. **Despite this robust legislative framework for social protection in Kenya, the current institutional arrangements for social protection are diffuse and are not well-coordinated.** Formal social protection interventions have proliferated since 2008/09 as a response by the government and donors to the increasing vulnerability of poor communities to food insecurity and other humanitarian shocks as well as the desire to achieve the Millennium Development Goals (MDG). Currently, social protection in Kenya is provided by more than 22 programmes and schemes managed by numerous ministries, departments and agencies (MDA), donors, and implementing agencies. Some of these programmes, including one for people with severe disabilities, are implemented by semi-autonomous government agencies (SAGA), which are perceived to be more professional and transparent than line ministries and thus may deliver services more effectively. Some of these MDAs and SAGAs may cease to exist once the Constitution is put into operation. Also, the Constitution mandates the devolution of many responsibilities from the central government to the county governments, which will also affect the institutional arrangements and governance for social protection. This fragmentation and uncertainty about the responsibility for and the

[113] *ODI and IDS (2010), Devereux (2011), and Vij (2011).*

[114] *Examples include the Lesotho Old Age Pension Act of 2005. Also, the Swaziland Pensions Act was the result of "an unprecedented moment of Parliamentary activism" (Ellis et al., 2009). When pensioner beneficiaries were denied payments, protests led to Parliamentary debate and a technical team was assembled to resolve the issue. A third example is the National Rural Employment Guarantee Act in India. This scheme has had unprecedented success in achieving a high level of participation and in enshrining in law a requirement that at least one-third of beneficiaries should be women and that low caste and tribal populations should be included.*

coordination of social protection programmes under the new constitutional arrangements will have implications for how social protection service providers are held accountable to the Kenyan population.

152. **Within the current institutional framework, the governance of social protection programmes reflects the governance or regulatory frameworks that exist within the responsible ministries.** For instance, the regulatory arrangements for the NSSF are governed by the Retirement Benefits Authority, which is a SAGA under the Ministry of Finance. The health insurance scheme, the NHIF, is governed within the Ministry of Health and is not subject to any independent regulatory body. Unlike contributory programmes, safety nets are not subject to a regulatory body. This means that social protection programmes are subject to a range of different standards and regulations.

153. **However, Kenya's draft National Social Protection Policy (NSPP) aims to streamline and strengthen the institutional arrangements for social protection.** The draft policy proposes that the social protection Secretariat, which is presently housed in the Ministry of Gender, Children, and Social Development (MGCSD), be elevated to the status of a National Social Protection Council to oversee the implementation of social protection programmes in Kenya. The Secretariat should be resourced and empowered to coordinate the implementation of the new policy. The policy also aims to establish a regulatory structure for social assistance.

154. **Donor-funded social protection programmes tend to have stronger governance arrangements and are subject to a higher level of scrutiny than those funded by the government.** This includes the systematic use of fiduciary risk assessment, electronic authentication of beneficiaries, and dedicated support to strengthen accountability mechanisms, such as airing grievances and responding to appeals. However, schemes that are funded solely by donors do not give citizens the same recourse as those that are funded by the government. This is because donor-funded programmes are financed by agencies that are directly accountable to taxpayers in a foreign country rather than to Kenyan citizens. Ensuring that social protection programmes are "on-budget" (in the sense of being formally part of the government budget) and subject to established accountability mechanisms can increase the degree of direct accountability between providers and beneficiaries.[115] When a programme is not "on-budget," as is the case with the HSNP, then structures that help citizens to exercise their rights within the programme, such as the HSNP's Rights Component, should be created to ensure that citizens can hold project implementers directly accountable. Furthermore, a lack of clarity about the roles and responsibilities of implementers of programmes at different levels of government and management is not uncommon. In the PRRO programme, there have been difficulties with the performance management of different partners and also with the selection and procurement of cooperating partners.[116]

155. **Social protection programmes involve an inherent fiduciary risk[117] because of the high volumes of small transfers that they make to a large number of individuals and groups.** Of the 22 social protection programmes that the team reviewed, 14 reported undertaking a risk assessment. However, most programmes identified the monitoring and evaluation system as their only risk management mechanism.

[115] *Devereux (2011).*
[116] *Kimetrica (April 2010). This includes: inadequate explanation of procedures – particularly for dispute resolution, renewal of partnership agreements, termination of agreements, joint performance monitoring, and handling issues of malpractice.*
[117] *The DFID defines fiduciary risk as the risk that funds are not used for their intended purpose, do not achieve value for money, or are not properly accounted for.*

A particularly useful monitoring tool is the unscheduled spot check.[118] The Health Voucher – OBA Scheme assesses risk through the use of interim audits and end of year audits, and the FFA programme mitigates risk using a risk register.[119] A few are audited by the Kenya National Audit Office (KENAO), but only the FFA and CT-OVC programmes have a risk register and only the HSNP and the CT-OVC have a fiduciary risk mechanism. A more thorough and systematic approach to risk management would be to use fiduciary risk assessments (FRA). In this approach, a baseline assessment is carried out at the start of a programme and is repeated every three to five years. In the intervening years, the programme is expected to produce a statement of progress. The DFID FRA tool has been used to assess risk for the HSNP and CT-OVC. Fiduciary risk is, however, best mitigated at the design phase when adequate controls can be built into the programme.

156. **Using technology to create robust controls over the payment process will not, however, eliminate all risks.** The competing needs to ensure secure transfers while increasing the access of beneficiaries to payment service providers could limit the effectiveness of these technologies. For example, in the HSNP, individuals targeted by the programme are required to produce a national ID and provide photographs of themselves before they can be registered with the programme. However, because many citizens in ASALs have no national ID, to ensure that these people are not excluded from the programme, other people who are designated as "recipients" are allowed to enrol on behalf of the targeted individuals and are thus able to collect the cash payment for them. While this system is designed to take advantage of existing social capital in communities, there have been reported disputes between these recipients and the actual beneficiaries.

157. **Audits continue to be an important mechanism for ensuring that programme funds are used for the purposes for which they were intended.** Most social protection programmes in Kenya are subject to an external audit, although not all programmes are given a full audit by KENAO. For example, the OPCT does not appear to have either a full external or full internal audit.[120] KENAO audits any programme funded by the government as part of its audit of the relevant ministry. Donor-funded programmes have inbuilt external and internal financial audit procedures, and where a programme is co-funded by donors and the government jointly, KENAO will give it priority treatment. However, the findings and recommendations of the internal and external audits are not always fed back into the programme cycle and managed systematically.[121] The CT-OVC is an exception, in that the programme appears to systematically follow up on the findings of its audits.

6.2 Downwards Accountability in Social Protection

158. **Social protection programmes use a range of instruments to promote downwards accountability.** The Management Accounting for NGOs (MANGO)[122] tool has an "Accountability to Beneficiaries" checklist, which was designed for humanitarian crises but is applicable to safety net programmes as well. The checklist includes four main elements: (i) providing information, (ii) representing the vulnerable, (iii) involving people in decision-making, and (iv) having a

[118] *Food distribution checks for the FFA programme are carried out by World Vision and the Red Cross, whereas Kimetrica conducts external process monitoring for the CT-OVC. The CT-OVC has also conducted several internal spot checks. The OPCT programme reported that, while significant scaling up of the programme in terms of numbers of beneficiaries occurred, they did not have adequate resources for a systematic schedule of spot checks because of the need to fund vehicles to make the necessary field visits.*

[119] *A risk register is a documentary means of capturing risks and typically categorises each risk according to the probability of it occurring and the likely extent of its impact. It usually also assigns a "risk owner" to each risk, who is a named individual responsible for ongoing monitoring and management of that risk.*

[120] *The staff of the OPCT programme Secretariat is aware of the risks involved in the lack of a programme system and admit to having been preoccupied with the scaling up of the programme.*

[121] *Audits and recommendations are made public through the Auditor General's Annual Report, which is presented to Parliament. Programme-level audits do not seem to be published.*

[122] *MANGO (2010).*

complaints procedure. These are listed in Table 6.1 in the left-hand column. The two right-hand columns respectively describe what good practice might look like for each element and summarise the extent to which each element exists in the Kenyan social protection sector. Despite the fact that many programmes are using a large number of different instruments, it is not clear that they have all strengthened downwards accountability in equal measure.

Table 6.1: Assessment of Downwards Accountability in SP Programmes

Elements of Beneficiary Accountability	Examples of Good Practice	Kenyan Social Protection Examples
1. Providing information	• Information is clear, with no jargon, and is presented by programme staff to public meetings. • Information about the programme is prominently displayed in different languages. • It includes reports on programme progress and implementation, including financial reports. • It provides information on opportunities for complaints.	• Transfer programmes (OPCT, CT-OVC, and HSNP) use public barazas to explain how the programme works. • Service charters are displayed in ministries and chiefs' offices. Complaints processes are set out in these charters (Ministries of Public Health and Sanitation and Medical Services). • Financial audit reports are available in Parliament and via KENAO. • The RBA Act requires pension schemes to hold AGMs to give members the opportunity to hold management to account.
2. Representing the vulnerable	• Process for identifying the vulnerable is written up.* • Identification of the vulnerable is transparent. • Transparent selection of those representing the vulnerable. • Programme is designed to allow the vulnerable to participate.	• Representative committees ensure that the vulnerable receive their entitlements and assist them in the application process (GFD, CT-OVC, and HSNP). • The NSSF has a Board of Trustees that includes representatives of employers, workers, and the government.
3. Involving people in decision-making	• This measures the degree to which beneficiaries take the lead in decision-making, have an influence, or are just passive recipients of programme interventions. Best practice would have communities taking the lead in: a) Planning interventions (identifying needs, setting goals). b) Monitoring and adapting interventions (reviewing expenditure, assessing impact).	• Barazas give communities the opportunity to verify the choice of beneficiaries. They often reject some of those targeted and replace them with others whom they consider to be more vulnerable. • In the HSNP, rights committees are selected from the community to represent beneficiaries. • In Food for Assets, barazas have helped to design agricultural interventions.
4. Having a complaints procedure	• A written complaints policy exists. • A person is nominated to deal with complaints. • Complaints are addressed in timely way, as per the published procedure. • Redress where appropriate. • Appeals process. • Register of complaints.	• The HSNP and CT-OVC have written complaints policies. The HSNP has created a version designed for people with low levels of literacy. • No programmes seem to keep registers of complaints, but the HSNP documents them in its regular programme reporting to stakeholders.

Source: MANGO, Authors (2011).
Notes: *A step-by-step guide for field workers that sets out how they should approach villagers and how they should identify the poorest households. The point here is that it is written up and transparent, in other words, in a published process chart or an explanatory leaflet.

159. **Most safety nets achieve a basic level of accountability by involving local communities in selecting beneficiaries.** The targeting methodologies used by safety net programmes in Kenya vary, but most programmes have a degree of community involvement in the selection of beneficiaries, whether through *barazas* or by choosing community representatives to identify the most vulnerable community members. In some instances, NGOs oversee and manage this community targeting. Many programmes have a community committee, whose tasks include helping to target beneficiaries. Other programmes involve communities throughout the programme cycle, as described in Table 6.2. A number of programmes have established community-based committees to help manage the programme on the ground. For example, the HSNP rights committees are involved with the ongoing operation of the cash transfer. The committees seem to function effectively as a conduit between the programme and the communities. Likewise, the relief committees of the Food for Assets programme are reported to be succeeding in securing the best programme outcomes for the communities that they are serving. However, this is not uniformly the case in all programmes, as some experiences with the location OVC committees in CT-OVC have shown.

160. **Despite the positive role that these committees play in programme implementation,** the demands that these responsibilities put on individuals have not been formally recognised. While the HSNP rights committees, in particular, could play a wider role in extending democratic accountability beyond the scope of the HSNP, serving as a volunteer on such a committee can be burdensome. In the case of one rights committee in Kakuma, all six women members decided to leave because of the opportunity costs that they had incurred in relation to their household duties and other productive work. They described their role as being on call constantly and said that they had experienced pressure from both beneficiaries who were having difficulties (with faulty smartcards that were not returned for several months) and from aggrieved non-beneficiaries. The participants felt that they should receive some remuneration for their efforts in addition to the informal arrangement of giving them a meal allowance of Ksh 250 per meeting or session that they attended for the programme. This point is revisited in section 8.3.2.2.

161. **There are several examples of complaints mechanisms that set out the rights and responsibilities of beneficiaries.** Each ministry has large display stands publicising their service charters (Box 6.1) as well as complaints boxes at reception offices.[123] Senior officials report that administrators at all levels display complaints processes and service charters. Some of the programmes reviewed here have produced and distributed service charters to programme beneficiaries and to the communities in which

Table 6.2: Examples of Community Participation in Safety Net Programme Cycle

Stage of Programme Cycle	Mechanisms Used To Involve Communities
Design	*Barazas* or community committees design interventions. Information provided to communities, often through *barazas.*
Implementation	*Barazas* select beneficiaries. Rights committees resolve disputes. Ongoing provision of information to communities.
Monitoring	Spot checks by community members. Surveys of beneficiaries.
Evaluation and Review	Community plays a role in assessments and social audits. Financial reports are shared with the community.

Source: Authors (2011).

[123] *It is an obligatory part of the public sector reform that all ministries must display service charters.*

Box 6.1: Safety Net Programme Service Charters

The CT-OVC has a Family Booklet and a Service Charter setting out eligibility criteria and a clear processes for complaints. A complainant may be filed through a choice of methods: writing or emailing the ministry, calling or sending an SMS (a text) to a toll-free number, or in person with a district children's officer, district commissioner, location OVC committee (LOC), or staff at health clinics or schools.

The HSNP has a Programme Charter of Rights and Responsibilities (PCRR) and a Citizen Service Charter, of which the rights committee members have copies and about which they educate their communities through *barazas*. The PCRR considers not just the rights and responsibilities of the beneficiaries but also the wider community. There are also complaints forms but in practice these do not seem to be used. Instead, the Chairperson of the rights committee writes to the field monitor categorising the nature of the problem or issue.

Complaints Committees for WFP programmes are made up of elders and opinion leaders, but these are neither well developed nor fully formalised.

they live. The HSNP Secretariat reported dealing with 4,000 complaints during the pilot phase. Some of these were resolved simply by explaining the eligibility criteria to complainants, but others were referred up from the community level and the county level, after which many households were then included in the programme on appeal. At the sub-location level, communities say there is little room for appeal because the HSNP is a pilot programme with fixed eligibility criteria, of which they are well aware. For example, only those people who were aged 55 years and above at the start of the programme were eligible for the transfer in the social pension arm of the programme, meaning that those who turned 55 since the programme started are not eligible.

162. **An "enabling environment" for handling complaints effectively is lacking.** The existing mechanisms for receiving and dealing with complaints do not suffice in creating a culture of systematic feedback. If programme staff do not have incentives to use the mechanisms or systems (such as MIS, databases, and tracking tools) or if they lack the skills to do so, then there is a risk that the complaint mechanisms will fail to meet raised expectations and engender cynicism. One limitation of the complaints mechanisms related to Kenya's social protection programmes was that none specified a response time or set out what the complainant could expect from the process, including compensation. There is also a paucity of centralised information on the volume and nature of complaints and on the tracking and resolution of complaints.

163. **The institutional and cultural context in which these complaints mechanisms operate also needs to be considered.** For example, if a chief misappropriates relief food and then requires the intended recipients to pay to receive it,[124] the community is unlikely to protest because they are dependent on the chief for survival. Also, for accountability mechanisms to be effective, an organisation needs to have real commitment to responding to complaints within an agreed timeframe. Programme staff needs to encourage feedback, whether positive or critical, from beneficiaries and to be committed to learning from that feedback.

6.3 Conclusions and Recommendations

164. **Accountability in the social protection sector would increase if the formulation and delivery of social protection programmes were better coordinated.** The current institutional arrangements for social protection need to be clarified and streamlined with the aim of making one institution responsible and accountable

[124] *In August 2011, a chief in Turkana West was reported to be selling relief food that was intended for the poorest communities in the district.*

for the effective delivery of social protection. The coordination structure provided for in the draft NSPP, if implemented, would create this central institutional function and contribute to increasing accountability. The provision of social protection will also need to be adapted to fit the new county level of local government. Once the institutional functions, processes, and skills are in place, the function of information and citizen service charters will be more successful.

165. **Social protection schemes should be governed by sector-wide minimum standards based on recognised accountability tools.** Accountability criteria based on proven regional and international experience should be developed and minimum standards of compliance agreed by all programmes. This does not mean that the same tools should be used by all programmes, rather that broad standards such as undertaking regular external audits, producing periodic progress reports, developing risk registers, and establishing oversight and governance structures, should be agreed. A key element of such standards should be measures to promote transparency like the use of communication strategies to inform communities of how programmes are performing and giving beneficiaries information about the complaints, appeals, and grievance process. Sufficient resources should be allocated by each programme in order to meet these standards.

166. **The use of community structures, such as the rights committees used in the HSNP, should be established in all safety net programmes.** These should be made up of community representatives who are elected by the communities themselves, with clear roles and responsibilities in relation to beneficiary targeting and selection and dispute resolution. Community representatives should be involved in the programme's design and in discussions about the programme's objectives as well as in monitoring and evaluation. However, it is not sustainable to expect local people to perform all of these services as unremunerated volunteers. They need to be given a fair level of financial compensation in the form of stipends in return for their commitment. In the medium to longer term, the duplication in programmes' use of community structures could progressively be reduced. The same committees could be used to raise awareness among communities of their rights and to collect complaints and grievances from all social protection programmes in a given locality. This committee should be aligned to the county-level social protection committees proposed in the draft NSPP.

Chapter 7

Performance Management

CHAPTER SUMMARY

- Social protection programmes allocate between 0.3 and 7 percent of their budget to monitoring and evaluation costs.
- Few programmes have complete and operational MISs and M&E systems.
- Most safety net programmes use the same broad performance indicators and aim to achieve a similar range of objectives. But whether and how these objectives are measured is not standard.
- While a few programmes have well-advanced MISs, data collection, processing, and reporting in other programmes is patchy and inefficient.
- Neither the NSSF nor the NHIF collects comprehensive performance information that can be used in policymaking.

7.1 Expenditure on MIS and M&E

167. **In the Kenyan social protection sector, expenditures on M&E and MIS vary widely from programme to programme.** Management information systems (MIS) are the procedures, processes, and routines that meet the information needs of the programme management team. Monitoring and evaluation (M&E), a subset of MIS,[125] involves the regular collection and analysis of data to assess the relevance of a programme's objectives, efficiency, effectiveness, impact, and sustainability. Some programmes have sophisticated systems that require extensive funding whereas others spend almost nothing. Despite the many arguments that can be made in favour of the value of M&E (for example, the ability to demonstrate results and promote transparency and accountability), it remains challenging to persuade programmes to allocate the necessary resources at the outset to design and maintain an MIS and M&E system. This problem is by no means unique to Kenya or to social protection programmes. While a recommended international benchmark for M&E allocation is 10 to 12 percent of total programme costs[126] depending on the scale of the programme, most social protection programmes in Kenya allocate much less (Table 7.1). The available data are very scarce and often very general and make it difficult to carry out a precise analysis of how funds are actually spent.

168. **As a result, few programmes have a complete and operational MIS and M&E system.** Of the programmes reviewed, nearly all (96 percent) have developed some type of indicator framework to be used for monitoring and evaluation and most (91 percent) indicated that they conduct ongoing monitoring activities. However, only 61 percent of programmes have

[125] *In addition to M&E functions, MIS also collect and store data for use in targeting, payments, and other programme functions.*
[126] *USAID M&E Fundamentals online course is available at: pdf.usaid.gov/pdf_docs/ PNADJ235.pdf.*

Table 7.1: Contribution of M&E Costs to Total Programme Costs, Selected Programmes

Programme*	Percentage of Budget
OPCT	0.30
Urban Food Subsidy Programme	7.10**
Secondary Education Bursary Fund	1.00
PRRO	1.00
CT-OVC	2.00***
NMK	2.00
HSNP	4.86
RHOBA	5.00
FAO Farmer First Programme	7.00
Average	2.58

Source: Authors (2011).
*Notes: *Most of the data on M&E costs come from interviews with M&E staff rather than budgets, and are therefore estimates. **Oxfam/Concern component, SIDA budget. The data are from the Financial Report to SIDA.*

a planned or ongoing impact evaluation and 39 percent have no M&E reports for public consumption. Similarly, the programmes collect only a limited range of data. While 65 percent of programmes collect data on registration and enrolment, only 26 percent systematically track information on transfers to beneficiaries. Some 57 percent reported having some type of independent spot check monitoring process. Few programmes (22 percent) monitor graduation or exit through their MIS, and even fewer (17 percent) track complaints and grievances in a systematic way, including how complaints are followed up (see Chapters 6 for further discussion on this last point).

7.2 Performance Indicators

169. **The review showed a high degree of consistency in the broad choice of performance indicators by Kenya's safety net programmes.** This is important because a well-defined set of performance indicators is a key building block of a coherent and comprehensive MIS with an M&E system. It is notable that, while most programmes (88.1 percent) reported having some type of M&E framework, only 16.7 percent were able to provide the review team with a logical framework (logframe) or even a simple list of performance indicators. Furthermore, while most programmes have an overall objective that they want to achieve and some even have hierarchically organised specific objectives (outcomes and outputs), few quantify those intended results using measurable indicators with targets or systematically track the progress of those indicators against targets. Nevertheless, it is still possible to identify the broad areas where most programmes aim to have an impact.

170. **All safety net programmes seek to achieve a very similar range of objectives though whether and how the achievement of these objectives is measured is not standard.** Food consumption and food security objectives are very common goals among programmes.[127] Expenditure is usually measured too, although the methods for assessing both food consumption and total expenditure differ widely among the evaluations, making it difficult to get a sector-wide picture of how programmes affect household consumption or expenditure or to compare these findings with national and sub-national expenditure and poverty data. Data on school attendance patterns (among both boys and girls) are commonly collected, though definitions of attendance, the recall period, and

[127] *Caloric increases and broad food consumption changes are usually measured. Related food security indicators (dietary diversity scores and meal frequencies) are included in most evaluations.*

methods for understanding the reasons for absence are not recorded consistently across all evaluations. Health and nutrition indicators are usually included in programme evaluations, with health-seeking behaviour, under-5 weight/height/age, and illness histories being the most common indicators. Anthropometric data are defined and analysed in a similar way in all the evaluations, although the sampling methods vary. Certainly, most safety nets (past and present) intend to achieve a similar set of outcomes and impact as Table 7.2 shows. The list is not comprehensive given the shortcomings of the indicator frameworks, but many common objectives can be noted.

171. **Contributory schemes have specific needs for performance indicators that are relatively standardised.** At the operational level, these include monitoring the members' contributions, the compliance of participating individuals and employers (including ensuring that all formal sector employers pay their contributions), and the performance of funds and investments. There is also broad consensus on some of the key higher-level (outcome and impact) indicators for social security in Africa.[128] International expectations that social security systems should include mechanisms for monitoring client satisfaction and feedback on the quality of services as well as systems for handling complaints and grievances is increasing, as well.

172. **The NSSF and NHIF do not appear to collect comprehensive information for measuring performance and informing decision-makers.** The monitoring frameworks of both Funds are not public and therefore a detailed assessment cannot be done, but the review team's interviews with staff of the Funds revealed that their M&E frameworks are seen to be weak.[129] This has been attributed to the lack of a social security national policy, as well as the absence of a clear regulatory framework for the reporting of health information in Kenya. As a result, no clear performance indicators or data collection requirements have been set out, and information storage systems have not

Table 7.2: Intended Impact of Selected Programmes

Intended Impact	OVC-CT	HSNP*	PRRO	WFP CP	Urban Food Subsidy	NMK	OPCT
Increased food security/access to food	✓		✓	✓	✓	✓	
Better health and nutrition (including reduction of malnutrition of children under 5)	✓		✓	✓		✓	
More household assets	✓	✓	✓		✓		
Reduced poverty		✓				✓	✓
Increased school enrolment, attendance, completion rates	✓		✓	✓			
Better coping strategies			✓		✓	✓	
Lower food market prices	✓		✓		✓		
Prevention of acute food insecurity			✓		✓		
Reduced mortality and morbidity	✓						
Greater resilience through disaster preparedness and mitigation measures			✓				
More birth registration and identity cards	✓						

Source: Authors (2011).
Note: The HSNP does not have a programme logframe but is included in the broader logical framework for DFID's social development activities.

[128] *See, for example, Dixon (2000).*
[129] *The review team members were unable to meet any specialised M&E staff (although the NSSF has a dedicated M&E department), but their interviews with non-M&E staff at the NSSF, NHIF, and RBA revealed that current M&E frameworks are generally considered to be weak, although all interviewees emphasized the importance of strong M&E systems.*

been systematically developed to measure the indicators. However, this is changing with the introduction of performance contracting. Also, the Ministry of Health has recently introduced a set of indicators to be used at the county level[130] and in NHIF operations at local level. These indicators are monitored annually through national summits.

173. **The NSSF and NHIF do collect limited information on some aspects of their performance.** For example, the NSSF publicly reports on its investment performance though, in the absence of any targets, there is no way to know if the investments are performing up to their potential. However, other NSSF and NHIF reports contain only qualitative information. There is little evidence that they systematically collect or analyse data on efficiency, and, although complaints boxes are available in all offices, none of the interviewees from the NHIF or the NSSF was able to explain whether or how the data are used. The NSSF claims that they do collect comprehensive performance-related data (given that they subscribe to the performance management contract system) and that they submit regular reports to the Office of the Prime Minister, but these reports are not accessible to the public.

7.3 Data Collection and Storage

174. **With a few exceptions, systems for data collection, processing, and reporting are patchy and inefficient.** A recent study[131] analysed the MIS used by the HSNP, CT-OVC, and WFP (for the Urban Food Subsidy pilot in Mathare). These systems are the most advanced in Kenya and set a benchmark for all other programmes. Even these programmes, which have a strong MIS with M&E components, have faced considerable data management issues including inconsistent tracking of performance over time (PRRO), extremely lengthy lags between the collection of evaluation data and the publication of a report (CT-OVC and HSNP), data entry backlogs (CT-OVC), data systems with highly constrained reporting capabilities (CT-OVC and PRRO), and data losses. Despite these problems, these data collection systems are more sophisticated than those of most of Kenya's safety net programmes, which are mostly manual and make little use of the available technology (Table 7.3). This is a major impediment to effective

Table 7.3: Data Collection and Storage in Selected Programmes

Programme	Frequency of Data Collection	How Data Are Stored	How Field Data Are Captured
Secondary Education Bursary Fund	Annual	Microsoft Word	Paper
OPCT	Bi-monthly	Paper files Microsoft Word Microsoft Excel	Paper
WFP – PRRO	Implementation: monthly Operational: monthly Impact: annually	Access database SQL server (new system partially operational) Paper	PDA Paper
NMK	Annually		Paper
FAO	Operational: quarterly Impact: bi-annually	Electronic documents from partners, stored in central database in FAO country office	Paper

Source: Authors (2011).

[130] *Kenya Health Standards and Master Checklist for Health Services and Systems Monitoring and Evaluation.*
[131] *Chirchir and Kidd (2011).*

M&E. In particular, it takes at least two weeks for paper-based systems to produce information on beneficiaries or costs, while those using fully automated MIS should be able to respond in less than one day (Table 7.4).

175. **While a lack of resources is a genuine reason why most M&E systems are inadequate, a deeper cause may be a lack of sufficient demand for information.**[132] As a result, information is inconsistent and not comparable across programmes and little effort is being made to strengthen the systems. While some programmes struggle to collect any information on their implementation and compliance, others, notably the post-distribution monitoring system for the PRRO and the monitoring of the CT-OVC, suffer from information overload and are unable to keep up with routine data management. Given the poor performance of many current systems, it is understandable why decision-makers are unable to see any value in making additional MIS investments. Nevertheless, those systems that do provide information to decision-makers in a format and at the frequency and level of aggregation do attract investment. A solution to the impasse is to ensure that, when MIS are designed, more emphasis is placed on building up their capacity to provide decision-makers with information "at their fingertips." The PRRO and HSNP use online technology together with well-designed synthesis reports and reporting protocols that are strongly enforced by project managers to achieve this.

7.4 Information Dissemination and Reporting

176. **Given that social protection programmes are globally relevant, an argument is to be made for ensuring that key reports and results shoul**d be broadly disseminated. Table 7.5 assesses the review documents that have been produced by selected social protection programmes since 2010 and the efforts that they made, if any, to disseminate the documents. It is surprising how few documents are made publicly available.

177. **A broad dissemination strategy would entail ensuring that MIS reports, particularly M&E information, are designed for a more general audience, seemingly not the case currently.** Monitoring and evaluation reports tend to be in English, often use technical language, and assume an advanced knowledge of social protection policy issues, economic concepts, and statistical techniques. Summary

Table 7.4: Average Time to Retrieve and Report on Different Programme Aspects

Programme	Average Number of Days to Collect Information on Beneficiaries and Programme Costs
Secondary Education Bursary Fund	28
HSNP	< 1
PRRO	<1
NMK	30
FAO Farmer First Programme*	15
CT-OVC	<1

Source: Authors (2011).
Note: These average times were reported by staff members in response to the question on how long it would take them to provide management with an answer to a query on beneficiaries or costs. *Information is collected by FAO partners in the field and consolidated quarterly by FAO staff. Information is immediately entered in the FAO database once received, but they have reported frequent delays in getting the information from partners and/or in getting the information in the right format. For this reason, it can take up to 15 days to get updated information after the quarterly deadlines for data submission.

[132] *During interviews, various MIS and programme staff acknowledged the weaknesses in their MIS, expressing frustration with the lack of resources and strains on capacity. The feeling, though, is that decision-makers and the general public are also not requesting information strongly enough or are themselves not clear on what type of information they require.*

Table 7.5: How Available Are M&E Reports for Social Protection Programmes?

Programme	Name of Document	Circulated to Partners?	Available to Public?	Available on Web?
HSNP	A qualitative review of targeting methodologies in the Kenya Hunger Safety Net Programme (HSNP)	In progress	No	No
	Operational reports	Yes	No	Yes but requires login
PRRO	Post-distribution monitoring report	Yes	No	No
	Mid-term evaluation	Yes	No	No
	FFA evaluation	In progress	No	No
	Lead agency assessment	No	No	No
	Gender evaluation	Yes	No	No
	Urban cash transfer review	Yes	No	No
CT-OVC	Operations manual: Cash transfer programme for OVC*	Yes	No	No
	2010 impact evaluation**	Yes	No	No
	Baseline evaluation	Yes	No	No
	Operational assessment	Yes	No	No
SFP	Annual Evaluation Report 2010	Yes	Yes	Yes
	Impact Evaluation of WFP School Feeding Programmes in Kenya (1999-2008): A Mixed-methods approach	Yes	Yes	Yes
Health Voucher – OBA Scheme	Final Kenya voucher report by Abt Associates, RH-OBA internal evaluation report Kenya, RH-OBA MTR report	Yes	Yes	Yes
Urban Food Subsidy Programme	Evaluation of Concern Kenya's Korogocho Emergency and Food Security Cash Transfer Initiative	Yes	Yes	Yes
Secondary Education Bursary Fund	National Constituency Bursary Fund monitoring report	Yes	Partially	No
OPCT	None	No	No	No
Health Voucher – OBA Scheme	Steering committee report	No	No	No
NMK	M&E reports	Yes	On request	No
	Success stories	Yes	Yes	Yes
	Back to office reports of field activities	Yes	On request	No
NSSF	Bi-annual investment report to RBA	Yes	Yes	Yes
	Annual Statement on Accounts to RBA	Yes	Yes	Yes
	Quarterly and Annual Reports and members' contributions statements to the performance contracting office in the Office of the Prime Minister	Yes	No	No

Source: Literature review undertaken for the current report (2005-2010).
Notes: *Ayala Consulting Co/Republic of Kenya, Office of the Vice President and Ministry of Home Affairs, October 2007 **Undertaken by independent consulting firm, Oxford Policy Management (OPM).

versions of evaluations do not seem to be available in either English or Swahili. It is far from clear that reports are appropriate for a broader audience or that there have been any deliberate efforts to share their findings through the media. This runs counter to the argument that expenditure on evaluations is beneficial as it increases public awareness of social protection. However, some products tailored to a broader audience, including the WFP's Standard Project Reports, are short, clearly written, jargon-free, and accessible to the general reader.

178. **It seems that MIS and M&E information rarely influences decision-making.** There are a few examples of how results have been used to inform the project and a few more examples of how M&E information has resulted in changes being made to the programme's design.[133] And, there is some encouraging evidence that M&E data are being used to inform policy. For instance, the CT-OVC evaluation report mentioned that some changes in targeting have been made in response to data collected as part of the M&E process,[134] and the same impact evaluation was the basis for the decision to increase the transfer value from Ksh 1,500 to 2,000 per month. In contrast, that M&E findings are systematically being acted upon is not clear, as no formal procedures exist for following up on external monitoring of the CT-OVC or for closing cases of complaints and grievances. Although the WFP included extensive monitoring systems in the PRRO, it does not track the issues that are raised in the monthly monitoring brief. On the other hand, it does have relatively well-defined procedures for following up on the findings of the School Feeding Programme monitoring. Most programmes would benefit from adopting a system for reviewing and following up on complaints and grievances and M&E findings.

7.5 Conclusions and Recommendations

179. **Because of the high costs associated with setting up and maintaining an MIS and because all social protection programmes have the same basic requirements, it would make sense for certain key MIS components to be shared by all programmes in the sector.** The social protection sector in Kenya has accumulated a wealth of experience in the design and implementation of an "ideal" MIS with M&E components, including fully electronic biometric registration and carding systems, external monitoring and risk assessment, and formal baseline and impact assessments that use quasi-experimental designs. The primary problem is that the best practices are limited to specific programmes and, at the sector level, there are many gaps, particularly in the government programmes. Moreover, few end-users (decision-makers) demand or make use of information generated by individual programmes so the investment has so far been of only limited use. All the MIS used in Kenya have been designed from scratch or are highly customised versions of software used elsewhere. Sharing the technology for those components that are widely used (such as the gathering of targeting and registration data, recording payments, and reporting beneficiary feedback or Citizen's Report Cards) among many or all social protection programmes would greatly reduce both fixed and recurrent costs in the sector as a whole.

180. **The fact that safety net programmes have many aspects in common suggests a strong case for harmonising the indicators used to monitor them, especially given the constrained budgets and limited capacity for designing and maintaining M&E systems.** This harmonisation can be realised at three levels:

i. Developing a common sector-wide M&E framework. The sector as a whole would benefit from a framework that applies to all programmes and includes common implementation and performance indicators and a standard methodology for collecting and reporting on those indicators. This would

[133] *The HSNP, FAO Farmer First Programme, CT-OVC, and Health Voucher – OBA Scheme.*
[134] *Ward et al. (2009) p. 20, "In response to this analysis (as presented in the baseline evaluation report), the program[me] has re-assessed the poverty targeting criteria that it uses for the screening process and has introduced a more sophisticated proxy means test approach."*

result in a significant reduction in M&E design costs for those programmes that do not already have coherent M&E systems. If well-conceived, this coordinated framework would eliminate redundancies, save costs, make monitoring more efficient, and ultimately make it easier for programmes to identify and correct for any problems in a timely fashion.

ii. Reporting sector indicators to the government's national monitoring system. Ideally, the harmonised social protection M&E system would report indicators to the National Integrated M&E System (NIMES).[135] All programmes would provide standard reports on a few key basic sector-specific indicators within an agreed timeframe. In the long run, there is value in finding a way to share all of the data from each programme in a sector-wide database that could be automatically updated.

iii. Coordinating the monitoring indicators of development partners. It would also be helpful for the key external social protection donors to agree on common indicators for the harmonised M&E system, which would be in line with the agreements reached in the Paris Declaration and Accra Agenda on aid harmonisation.

181. **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.

182. **To increase the public's access to documents and data, a sector-wide website and/or public library should be established to disseminate information on the activities and results of social protection programmes.** In 2011, Kenya started an Open Data initiative[136] by creating a web platform on which all public information is posted and made accessible to everybody – the first country in Africa to do so. The website includes data from the National Housing and Population Census, Ministry of Education, Ministry of Health, Constituency Development Fund projects, and many more; a specific section for social protection could be easily added. Alternatively, other existing government websites could be used for this purpose. In the first instance, this report and its source data will be made available on the Ministry of Planning's website.

[135] *http://www.monitoring.go.ke/index.php?option=com_content&view=article&id=19:the-national-integrated-monitoring-and-evaluation-system-nimes&catid=5:innerhome&Itemid=16.*
[136] *www.opendata.co.ke.*

Chapter 8

Effectiveness, Efficiency, and Impact

CHAPTER SUMMARY

- For those programmes with available data, basic performance indicators seem to have been met.
- Based on available evidence, safety net programmes appear to have a range of positive impacts on households' consumption, education, and health outcomes, among others.
- Non-transfer costs for safety net programmes were about 40 percent of total expenditure in 2010. Non-transfer costs for contributory schemes were 51 percent in 2010.
- Opportunity costs incurred by beneficiaries in accessing safety nets appear to be fairly low. The opportunity costs associated with contributory schemes may be higher as a result of inefficiencies in paying beneficiaries and in registering employers.

8.1 Effectiveness of Social Protection Programmes

183. **Kenya's social protection programmes appear to have largely met their targets for beneficiary numbers and payments, but this analysis is limited to the small number of programmes that have available data.** One basic indicator of programme efficiency is the comparison of the planned number of programme beneficiaries with the number that was actually covered. A second indicator is a comparison of planned and actual transfers[137] over time. Actual beneficiaries of the PRRO, School Feeding Programme, and Support to People Living with HIV/AIDS (PLWHA)[138] have been close to the planned levels since 2008, with some significant differences among activities. Table 8.1 shows the planned and actual beneficiary figures for the different activities supported through the WFP emergency operations or EMOPS (2005-2007), the current PRRO (2009-2010), and the WFP Country Programme.[139] The table indicates that actual beneficiary numbers of the GFD programme are close to the planned figures, with the difference mainly being due to the shift from relief and recovery activities (General Food Distribution) to more recovery-focused activities (Food for Assets). The low target completion rates for the Mother and Child Health and Nutrition (MCHN) and School Feeding Programmes (SFP) reflect inadequate support structures on the ground and strategic decisions by policymakers to focus resources elsewhere,

[137] *Throughout this section, the terms "transfers" and "payments" are used interchangeably. These terms are used to refer to those made both in cash and in-kind.*
[138] *This refers to the WFP PRRO HIV/AIDs Nutrition Feeding programme.*
[139] *Data are available for the PRRO and WFP Country Programme for Kenya (primarily the SFP and Support to PLWHA) as a whole through the Standard Project Report produced by the WFP, which compares planned and actual figures by activity.*

Table 8.1: Planned and Actual Beneficiaries of the World Food Program's EMOP/PRRO and Country Programme Activities, 2008-2010 (Thousands)

	2008			2009			2010		
	Plan	**Actual**	**Diff**	**Plan**	**Actual**	**Diff**	**Plan**	**Actual**	**Diff**
GFD	959	942	-2%	2,150	2,031	-6%	2,427	2,180	-10%
FFA	390	220	-44%	420	588	40%	420	840	100%
Supp. feeding	73	63	-14%	174	90	-48%	365*	455	25%
MCHN	27	41	51%	125	16	-87%	183	16**	-91%
All above activities	1,449	1,266	-13%	2,869	2,725	95%	3,395	3,491	3%
Support to PLWHA	73	62	-15%	175	78	5%	73	72	-2%
SFP	1,160	1,212	4%	771	862	12%	721	804	12%
All above activities	1,233	1,274	3%	946	940	99%	794	876	10%

Source: Authors (2011).
Notes: The figures in this table have been taken from WFP Standard Project Reports for the EMOP/PRRO (for the FFA, GFD, MCHN, and Supplementary Feeding programmes) and the Country Programme (for the HIV/AIDS Nutrition Feeding and Regular School Feeding programmes), which also contain detailed explanations of the differences between plans and actual results. *In 2010, the WFP carried out a "blanket" supplementary feeding for the prevention of child malnutrition. The figures presented here include the beneficiaries of both the prevention and the treatment supplementary feeding, which explains the increase from 2009. **The difference covered under the blanket supplementary feeding.

based on what other organisations were doing at the time of implementation. The SFP has consistently exceeded targets and, according to a recent evaluation, has largely ensured continuity of feeding. This suggests that the differences between the planned and actual beneficiary numbers for some of these activities are due to the flexibility within programmes to respond to emerging situations. After a slow start, the HSNP seems to have met its disbursement targets.

184. **A similar analysis could not be carried out on the other social protection programmes because of a lack of data.** Most programmes, other than those discussed above, were unable to provide us with detailed figures on the planned numbers of beneficiaries, either because these are expressed as multi-year targets without an annual breakdown or because the number is decided yearly based on the actual funding received. For example, the number of beneficiaries covered by government-funded programmes is determined only after the final budgetary allocation is made to the programme, which often differs from the amount requested. In the case of contributory schemes, beneficiary numbers are equated with current contributors rather than assessments of the number of retirees (NSSF) or health claims (NHIF). Similarly, insufficient data preclude conducting a systematic comparison of planned and actual transfers over time.[140]

185. **Disbursement rates for social protection programmes are generally high.** Table 8.2

Table 8.2: Expenditures versus Total Financing of Safety Net Programmes, 2005-2010 (Ksh Millions)

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Actual expenditure	1,045	1,392	1,901	3,682	6,217	8,630
Total financing	1,054	1,496	1,929	3,797	6,483	9,055
Expenditure/financing	99%	93%	99%	97%	96%	95%

Source: Authors (2011).
Note: The WFP activities have been removed from the calculations as they account for contributions received on a cumulative programme basis and annual calculations would have required a very high level of approximation. These activities include: the FFA, GFD, MCHN, Supplementary Feeding and Expanded School Feeding programmes as part of EMOP/PRRO, and Regular School Feeding and HIV/Aids Nutrition Feeding programmes as part of the Country Programme.

[140] *Comparing budgets and expenditures over time is also complicated by the fact that programmes have different time horizons (some annual and some multiple-year) and accounting years (some fiscal and some calendar).*

compares total financing for selected safety net programmes with actual expenditure for the period 2005-2010. The volume of unspent funds at the end of each year has generally been very low since 2005, suggesting that disbursement rates have kept pace with expansion in funding to these programmes over time (see Chapter 3).

186. **While disbursement rates have been high, social protection payments have tended to be erratic.** In general, the data show frequent delays, as analysed in greater detail in Chapter 5. Delays in payments undermine recipients' ability to use the transfer as collateral, increase the risk of defaulting on their loans, and increase the likelihood of having to spend all their resources on short-term consumption.[141] Emergency assistance is specifically designed to be provided in times of severe hardship so any delays in delivery can be highly detrimental. When more than one transfer cycle is combined because of missed payments, this creates confusion both for the provider of the transfer and for the recipient, while cancelling late payments undermines the security of social protection entitlements. Providing transfers erratically also means that the capacity of the payment provider is used inefficiently, and the potential for fraud or abuse is increased as the administration of the programme becomes more irregular.

187. **Delays in transfers to recipients have several different causes.** Delays in getting the first payment to beneficiaries in some programmes was due to the programme having a slower than expected start or experiencing hitches when expanding its operations. Table 8.3 summarises the main causes of delays for the various programmes. It is worth noting that few of these delays have been due to problems with the programme's payment providers or food distribution partners. Unfortunately, in all of the cases of slow start up, beneficiaries were informed that they would receive a transfer on a certain date and then had to wait several months before actually receiving the transfer.

188. **Some programmes have established mechanisms to mitigate the impact of these delays on beneficiaries.** The cash transfer programmes, such as the CT-OVC and Urban Food Subsidy Programme, have compensated for delayed payments by doubling the amount paid to beneficiaries in the following cycle. However, this is not done with emergency support. When the programme misses distribution cycles or payments, beneficiaries are not compensated but must wait to receive the next scheduled payment. In part, this is because emergency food aid is not an "entitlement" and instead is driven by availability of resources, but the missed transfers are also often caused by difficulties with transport and storage. A recent review found that in 2011 the PRRO food pipeline was seriously compromised and a number of distribution cycles were missed.[142] While the FFA activity included a cash compensation mechanism to replace food aid in those situations, this was not the case in the GFD programme, meaning that recipients were deprived of food aid for that distribution cycle. Despite those delays, a number of audits, independent impact evaluations, and spot checks have shown that transfers through safety nets do reach the intended beneficiaries.[143]

8.2 Programme Impact Compared to Objectives

189. **This section assesses the effectiveness of programmes in meeting their intended objectives.** Given the wide range of objectives of social protection programmes, we do not attempt to compare each programme's performance against a set of common, sector-wide performance indicators. Furthermore, our analysis is necessarily partial for several reasons.

[141] *Recipients of Ghana's LEAP programme reported that transfers were so irregular and delayed that they were of little use in stabilising household consumption, which was the programme's objective. They often had to use them instead for one-off investments in medicine or small enterprises.*
[142] *PRRO 10666.0 Mid-term Review, Kimetrica (2011).*
[143] *CT-OVC impact evaluation (2009) and spot checks (2010); Urban CT evaluation in Korogocho (2011); PRRO Mid-term Review (2011); evaluation of WFP EMOP and Country programme 2004-2008. Kimetrica also conducted focus group discussions in 2011 with beneficiaries of the PRRO, CT-OVC, and Urban Cash Transfer.*

Table 8.3: Main Causes of Delays in Transfers

Type of Delay	Causes	Examples
Start up or expansion	Partner disagreement	• HSNP: initial disagreement on how to translate the design into implementation in the counties. Roles and responsibilities of partners detailed in the TOR with DIFD were not clear and were agreed through consensus between implementing partners though coordination meeting chaired by the HSNP Secretariat. • PRRO: contractual issues with the selection of an implementing partner.
	Lack of funding or late funding	• Urban Food Subsidy Programme: GoK funds initially committed did not materialise and implementers had to find an alternative funding sources. • CT-OVC: delays in payments when changes needed to be made in the MIS (such as during programme expansion and registration of new beneficiaries), as the financial information system is not fully integrated into the MIS. As a consequence, data on finance and reconciliation is gathered offline, which is time-consuming.
	Introduction of new technology	• HSNP: the smart card system for the electronic transfer of cash required the creation of a network of shops using POS devices and fingerprint scanners.
	Lengthy/complex targeting and registration processes	• Urban Food Subsidy Programme: the selection and verification processes in Mathare were lengthy. • CT-OVC: rollout in Makueni delayed by 8 months in 2010 because of inefficient paper flows between the district and HQ. • NHIF/NSSF: lengthy and not very transparent procedures in registration (both for individuals and employers); inadequate structures and lack of offices.
Distribution and Payment	Funding bottlenecks	• PRRO: erratic food pipeline, limited options for local procurement in 2010/11, transport problems related to poor infrastructure. • CT-OVC: financial and beneficiary information not integrated, bottlenecks in the allocations to districts.
	Bureaucracy and approvals	• NHIF*: lengthy periods waiting for payments to be approved. • OPCT: lengthy approval processes that delay payments to beneficiaries.

Source: Authors (2011).
Note: * The wait time for the NSSF is reported to have been reduced significantly to approximately six days after the submission of correct claim documentation.

Few programmes have recorded their objectives in a coherent logical framework (logframe) or set quantitative impact targets, hardly any impact evaluations have been done,[144] and there are no agreed indicators or measurement procedures for the sector as a whole, as was discussed in more detail in Chapter 7. Within these limitations, in this section we compare the available evidence on programme results with the available information on their objectives.

190. **Despite these limitations, available evidence suggests that safety net programmes are improving household consumption and**

[144] *In Kenya, the CT-OVC programme is the only one to carry out a comprehensive, large-sample quantitative impact evaluation comparing control and treatment groups. The HSNP is also undergoing a rigorous impact evaluation, but the results are not yet available.*

food security. The 2009 impact evaluation of the CT-OVC found that the programme had had a significant positive impact on household consumption, although this impact was much greater on small households (with fewer than four members) than on large households. This is supported by the finding that beneficiary households reported having greater dietary diversity than control households. Notably, the impact evaluation reported a 13 percentage point reduction in the proportion of households living below US$1 per day. The Urban Food Subsidy Programme similarly found that beneficiary households had increased the number of meals they ate each day (2.53 compared with 1.61 as reported in the baseline). The impact of the programme on household consumption again varied by household size, with a greater impact on small households. The proportion of households participating in the Urban Food Subsidy Programme that were classified as food-insecure decreased by 23.7 percent from the baseline. A recent review of the Food for Assets programme found that food and nutrition security among beneficiary households had increased. Farmers are able to grow different types of crops, and, in good rainfall years, thanks to the current activities of the FFA programme, they can produce enough food to feed a household per season (four to six months), thus reducing their need for relief food. Moreover, these reviews showed that households use their safety net transfers to meet their household food and non-food needs and not on "frivolous" items or activities.

191. **There is some evidence that safety net programmes have increased school enrolment and improved health outcomes.** Among households participating in the CT-OVC programme, enrolment in secondary school increased by 6 percent as compared to control areas, although there were no similar effects on primary enrolment. Other than these positive outcomes, safety nets seem to have benefitted children in other ways. For example, the CT-OVC programme resulted in a 3 percent reduction in child labour and a reduction of four hours per week in the time that children spent on unpaid work. The 2011 evaluation of the CT-OVC programme found that programme beneficiaries between 15 and 21 years of age were 7 percentage points less likely to have had sex (indicating a postponement of sexual debut) as well as significantly less likely to have unprotected sex. In terms of psychosocial status, the research shows that the programme significantly reduces depressive symptoms and that these effects are stronger for 15-19 age groups. For the first time, the study also found impacts on young child (0-5 years of age) health, including a reduction in diarrhoea, a 12 percentage point increase in measles vaccination, and a 10 percentage point increase in those seeking preventative health care.

192. **There are some indications that safety nets can help to empower vulnerable groups.** The evaluation of the CT-OVC programme found that roughly 92 percent of caregivers, the majority of whom are female, decided how to use the transfer alone or in consultation with other adults in the household. Female caregivers reported that this gave them a feeling of empowerment. At the same time, there was a substantial increase in the proportion of children (from 0 to 17 years of age) in beneficiary households who had a birth certificate or registration form. The review of the FFA programme found that beneficiary communities reported a shift from a culture of food aid dependency to the active creation of assets to build food security and sustainable livelihoods. This creates a multiplier effect, as it becomes clear to many communities that the livelihoods of people under the FFA programme are better than those of their neighbours. As a result, more communities request to be targeted for the FFA instead of the GFD programme, and in some cases neighbouring communities were even reported to be replicating FFA projects and activities on their own.

193. **In terms of other meso-level outcomes, there is some suggestion that safety nets**

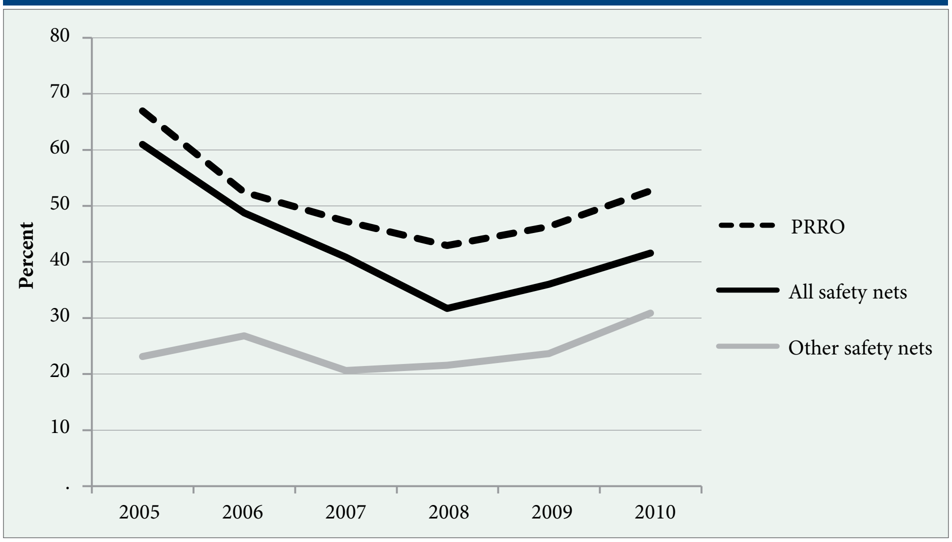
enhance demand for food and other products in local markets. This finding was tempered by the fact that some beneficiaries, such as those participating in the CT-OVC programme, reported that prices in local markets would increase during the time that payments were made. The evaluations of the CT-OVC and the Urban Food Subsidy programme found that there was also an increase in the availability of credit to beneficiaries.

8.3 Efficiency of Social Protection Programmes

8.3.1 Transfer Efficiency and Overhead Costs

194. **Overhead costs vary between safety net programmes but are generally declining, after allowing for fixed set-up costs.**[145] The overhead or non-transfer costs of safety net programmes typically include staff salaries, rent, operational costs, logistics, and communication. These non-transfer costs, which are the difference between total programme expenditure and the total value of transfers to beneficiaries, were equivalent, on average, to 39 percent of total expenditure from 2005 to 2010, although a noticeable decline occurred between 2005 and 2008 (see Figure 8.1). This decline was mainly due to reductions in the non-transfer costs of the PRRO and CT-OVC as these programmes concluded the process of establishing their MIS and payment mechanisms. As can be seen in Figure 8.1, non-transfer costs then increased after 2008. This increase was partly related to the high costs of setting up the HSNP and the OPCT, but the main reason for this increase was general price inflation and the increased costs involved in transporting food aid.[146] Nevertheless, the figure shows a general decreasing trend in non-transfer costs, which suggests that programmes are realising economies of scale, and draws attention to how non-transfer costs include both start-up costs and running costs. This is further reinforced by the experience of the CT-OVC programme, the non-transfer costs of which

Figure 8.1: Non-transfer Expenditure Ratios of Safety Net Programmes, 2005-2010



Source: Authors (2011).
Notes: The average is weighted to reflect the scale of the programmes. Non-transfer costs include: administrative costs, (staff, rent, office-running costs); logistical costs (delivery and distribution costs of cash and/or commodities); and capital inputs for public works programmes. Some non-transfer expenditure (such as the purchase of inputs for the FFA programme and training provided to beneficiaries) does have a direct positive impact on the target group. As a result, the value of the transfer may understate the full benefit of the programmes to beneficiaries.

[145] *From the available data, it was not possible to arrive at a fully comparable measure of overhead costs for all programmes (both safety nets and contributory). This is because definitions and reporting standards vary and few of the programmes were able to provide detailed breakdowns of their budgets or their actual expenditures. Our analysis is primarily based on total expenditure as compared with expenditure on transfers to the beneficiaries, including NSSF lump sum payments and NHIF reimbursements.*

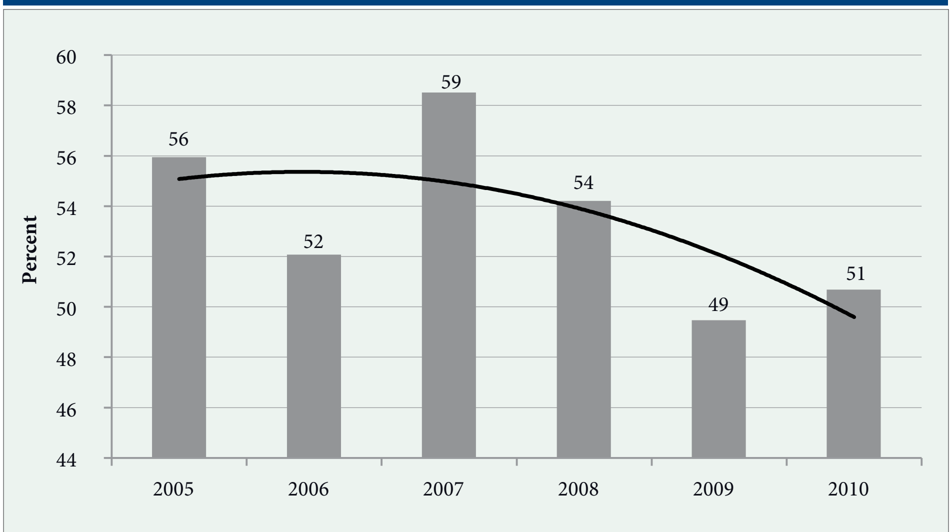
[146] *Inflation drives up the proportion of expenditure on non-transfer costs for two reasons: (i) inflation increases the prices of goods and often staff salaries; and (ii) the nominal value of the cash transfers was not corrected for inflation during this period (see Chapter 3).*

declined from 86 percent in 2005 to 33 percent in 2010 as the scale of the programme increased and the government took on a more prominent role in the programme's implementation.

195. **Throughout this period (2005 to 2010), the non-transfer costs of the PRRO as a proportion of total expenditure were consistently higher than the average of other Kenyan safety nets.** This primarily reflects the fact that, food is more expensive to transfer than cash but is also that, the PRRO is heavily concentrated in ASAL areas where logistical costs are high. Fixed costs, staffing levels, and other non-logistics overhead remained relatively stable over this period. As a result, most of the difference in non-transfer costs between the PRRO and other safety net programmes is explained by changing prices rather than changes in the efficiency of the different delivery models.

196. **Non-transfer costs in contributory programmes have been very high, although there is some suggestion that they are declining.**[147] Figure 8.2 shows the non-transfer costs for the contributory programmes, which are higher than those for all safety net programmes, excluding the PRRO. The NSSF spent, on average, 57 percent of its total expenditure on non-transfer costs each year between 2005 and 2010, with a downward trend over this period.[148] The NSSF attributes this reduction in its overhead costs from 2007 onwards to its introduction of performance contracting in 2005. Despite these gains, its performance has generally involved much mismanagement of funds and inefficiency.[149] For this reason, the government has recently made some major changes in the Fund's management, including the introduction of fund managers, custodians, and administrators in accordance with the requirements of the RBA Act. This may reduce inefficiencies in the scheme's administration. While there are no international standards for non-transfer costs in social security schemes, on average, costs tend to be around 27 percent in countries in Latin America and 3.2 percent in OECD countries.[150] In comparison, the non-

Figure 8.2: Overhead Ratios of Contributory Programmes, 2005-2010



Source: Authors (2011).

[147] *Contributory programmes have a much longer history than safety nets and so the argument about the high costs of establishing such schemes is not relevant here.*

[148] *These estimates may understate NSSF support costs. In comparison, the ILO notes that the NSSF's administrative costs were double the amount paid to beneficiaries, amounting to 78 percent of the contribution income (ILO 2010a).*

[149] *Olivier (2011b).*

[150] *Mitchell (1998). In Latin America, overhead on social pension schemes range from 5.8 to 120 percent (Mexico) with a mean of 27 percent and very high variation. OECD countries, in contrast, spend on average 3.2 percent of their total expenditures on administrative costs with little variation.*

transfer costs of the NHIF have declined from 56 percent of total expenditure in 2005 to 44 percent in 2010. Although reforms are currently being discussed that should further reduce these costs, progress towards streamlining the organisation and reducing waste has been slow.

197. **Among contributory schemes, a second measure of efficiency is returns on investment (ROI).** For the NHIF (the only programme for which ROI data are available), the returns appear to be low. The latest publicly quoted NHIF figures for 2011 suggest an ROI of only 3.5 percent.[151] With inflation rates of around 15 percent, this suggests a net real depreciation of asset value. This low rate of return reflects the heavy property bias of the investment portfolio and low returns on property (and the NHIF itself occupies prime property). A recent analysis recommends shifting the portfolio towards more income-earning assets such as equity and bonds.[152] For 2009, the ROI for the NSSF is estimated to have been 14.3 percent, which is reasonable given the limited economic growth that year.

198. **Benchmarking the cost–efficiency performance of safety net programmes in Kenya against that of other countries is difficult.** First, data are available only for a limited number of programmes in Kenya, including a large number of pilots, which tend to have relatively high overhead costs because of lack of economies of scale and start-up costs. Second, as noted in Hodges et al. (2011), international comparisons need to be treated with considerable caution due not only to different programme contexts and stages of maturity, but also a general weakness in the quantity and quality of available data and a lack of clarity concerning measurement approaches and what non-transfer costs have been included. Available data for a number of African social transfer schemes is presented in Table 8.4, showing a wide range of non-transfer expenditure ratios within each scheme type, calculated using the estimated value of transfers in local markets at the point of delivery. Food transfers appear to be generally less cost-efficient than those involving cash or farm inputs, as might be expected given their bulky nature and higher logistical costs. Public works programmes, for which non-transfer costs include the creation of assets which are nevertheless not included on the "value" side of the cost-efficiency comparison, have the lowest apparent cost-efficiency of all types. These data suggest that the cost-efficiency of the Kenyan safety nets is broadly on a par with that of social transfer programmes elsewhere in Africa. Noting these limitations, the World Bank has suggested that administrative costs for well-executed cash or near-cash programmes cluster in the range of 8-15 percent of total costs, although these costs tend to be higher for food than non-food programmes, as explained above.[153]

8.3.2 Opportunity Costs

199. **The financial cost estimates used to measure transfer efficiency understate the total costs because off-budget opportunity costs, such as those incurred by beneficiaries and community committees, are not considered.**[154] For this reason, we also examined opportunity costs, which can be defined as the value of activities that beneficiaries or community members forgo in order to participate in the programmes. This measure is particularly relevant to safety net programmes, which tend to rely heavily on communities for programme implementation.

[151] *Interview with the NHIF CEO R. Kerich, published in Business Daily on 23/10/2011.*

[152] *Deloitte (2011). Another indicator of efficiency is the amount of central government funding that is required to keep these schemes afloat. Neither the NSSF nor the NHIF has received central government funding in recent years: they are entirely funded from contributions, returns on assets, and other income.*

[153] *Grosh et al. (2008).*

[154] *Solely, the PRRO systematically collects data on beneficiary opportunity costs during food distribution. The only comprehensive social protection costing work done to date (Ward et al. 2010) does not attempt to estimate the full costs (financial plus opportunity) of the programme.*

Table 8.4: International Comparisons of Cost-efficiency Performance

Programme	Year	Non-transfer Expenditure Ratio	Determining Factors	Source
Cash and Near-cash Transfers				
LEAP programme, Ghana	2008-10	50%	Thinly spread nation-wide pilot, complex CBT + PMT targeting, severe payment delays.	White (2011)
Old Age Pension, Lesotho	2007	2%	Admin. fee charged by post office. True costs unknown.	Ellis et al. (2009)
Food Subsidy Programme, Mozambique	2007	35%	Thinly spread, costly logistics, complex targeting, small transfer.	“
Dowa Emergency CT, Malawi	2006/07	24-34%	Increased as transfer reduced due to falling maize price.	“
Kalomo Social CT, Zambia	2006/07	15-17%	Excludes unknown government administration costs.	“
Dedza Safety Nets Pilot, Malawi	2001/02	39%	Small pilot, high management costs.	White and McCord (2005)
Farm Input Transfers				
Input Trade Fairs, Mozambique	2006/07	20-22%	Excludes government logistics costs.	Ellis et al. (2009)
Food Security Packs, Zambia	2003/04	40%	Small packs, thinly spread nation-wide.	“
Fertiliser Support Prog., Zambia	2002-04	14%	Subsidy scheme. Large volumes sold to coops.	“
Targeted Input Prog., Malawi	2003/04	13%	Larger packs, efficient distribution, high market prices during delivery.	White and McCord (2005)
Starter Packs, Malawi	1999/00	32%	Near universal coverage, but small packs, local market value declining.	“
Food Transfers				
Lesotho School Feeding	2004-07	15%	WFP budget figures.	“
WFP Country Programme, Zambia	2005	54%	WFP budget figures.	“
WFP PRRO, Zambia	2005	66%	WFP budget figures.	“
WFP Country Programme, Malawi	2004	48%	WFP budget figures.	“
Public Works Programmes				
MASAF I & II, Malawi (cash)	1995-2003	60%	Standard MASAF planning guideline. No data on actual costs.	Ellis et al. (2009)
MASAF III, Malawi (cash)	2004/05	73%	High costs of asset creation, low wages (US$10-20/month, 2-3 months/year).	White and McCord (2005)
EU/government public works, Malawi (cash)	2001/02-2004/05	82% average		
I-LIFE programme, Malawi (food)	2005	88%	Used costly PL480 food imports.	“
E. Province Feeder Roads Programme, Zambia (cash)	1999-01	80% average	High non-transfer costs reflect costs of asset creation. Scheme-level data quality average.	“
ZAMSIF Emergency Relief Credit, Zambia (cash)	2004/05	86%		“
PUSH (Project Urban Self-Help), Zambia (food)	2004-05	37% average	Non-construction based activities with lower management and material costs.	“

Source: Authors (2011) and sources as cited above.

Opportunity Costs for Beneficiaries

200. **From the limited evidence available, the average opportunity costs borne by beneficiaries are relatively low for safety nets, yet variance among programmes is high.**[155] Assessments show that the opportunity costs for safety net beneficiaries varies according to the distance that they need to travel to reach the service providers. For example, the average amount of time that beneficiaries spent walking to the enrolment sites for the CT-OVC programme was roughly 45 minutes in Makueni and just less than 1.5 hours in Kwale.[156] Even in ASAL areas, the average time it took beneficiaries to walk to distribution or payment points were not as long as might be expected. In Turkana and Mwingi, average walking time to GFD distribution sites was around 45 minutes each way, while the average walking time to food and cash distribution centres managed by Oxfam GB was 32 minutes.[157] That being said, these averages mask great variation in distances travelled, with some people walking for as much as 7 hours one way in Turkana and 9.6 hours in Garissa.

201. **The type of transfer and how it is paid both influence the opportunity costs involved in collecting transfers.** The average amount of time that individuals have to wait to receive food from the GFD programme is 103 minutes, although beneficiaries have waited over 7 hours. The amount of time that CT-OVC beneficiaries waited for payments was 4.4 hours in Garissa and they had to wait up to 2 hours to be enrolled in Makueni.[158] The evaluation of Oxfam GB Cash for Work programme in Turkana found that the average waiting time for the GFD programme was more than 10 times longer than that for a cash transfer that was administered in the same geographic area and using the same structures (5 hours compared with 35 minutes).[159] Similarly, payments made through *M-Pesa* (Safaricom's mobile transfer service) by the Urban Food Subsidy Programme were very quick while those made through a microfinance provider were uncertain and involved waiting up to 5 hours.

202. **The documents required from beneficiaries to prove their eligibility and verify their identity can also be associated with significant opportunity costs.** As we saw in Chapter 4, this represented a constraint for a number of programmes, as numerous beneficiaries do not have a national ID. Despite being a compulsory document that is issued free of charge, many people still cannot afford to get one because of the long travelling costs, high ID replacement costs (Ksh 300), and possible informal payments involved. Moreover, because of these constraints to acquiring an ID, community members often lend their IDs to neighbours, which, apart from constituting fraud, also prevents them from being covered by a programme.

203. **Opportunity costs related to registration and payment do not exceed an estimated 16 percent of the value of the transfers, although some variation occurs among programmes.** Recipients' opportunity costs range between 2.5 and 16 percent of the value of the transfer (see Annex 4 for details). Our analysis suggests that, while opportunity costs have a significant effect on overall programme efficiency, they do not deter recipients from participating in these programmes. This finding is supported by the fact that, among GFD beneficiaries in Mwingi and Turkana, nearly 50 percent reported that they did not forego any specified activity to collect their food rations and only 2.6 percent of households reported foregoing paid work. A survey of households participating in the CT-OVC programme in eight districts found that

[155] *Beneficiary costs include travel and waiting times for the targeting, registration, and payment processes. They also include the less tangible costs and disadvantages like discomfort or insecurity at the point of distribution.*
[156] *CT-OVC Operational Assessment (2010).*
[157] *WFP PRRO Post-distribution Monitoring (PDM) data provided by the WFP for June 2011 for 383 recipients of GFD. Almost all (99 percent) beneficiaries walk to the distribution site (Kimetrica 2007).*
[158] *CT-OVC Operational Assessment (2010).*
[159] *The average length of time that CT-OVC beneficiaries waited for their payments from the district treasury was 1.5 to 2 hours, whereas for those who received payments through the post office, the average waiting time was around 30 minutes.*

95.4 percent strongly agreed that "waiting for and receiving payments was worth the sacrifice of other activities."[160]

204. **The opportunity costs associated with the NSSF and NHIF are likely to be high, as a result of inefficiencies in paying beneficiaries and in registering employers.** Opportunity costs for recipients of the NSSF are likely to be relatively low because payments are made only once in the form of a lump sum. Claiming the NSSF payment, however, is widely reputed to be an extremely arduous and time-consuming process; arrears and wait times have decreased since the early 2000s.[161] Processing claims through the NHIF is also reported to be time-consuming, despite the fact that the NHIF strives to pay claims within 14 working days upon receiving them from the hospital.[162] For employers, the fixed costs of registering with the NHIF and NSSF and the recurrent costs of processing contributions can be cumbersome and time-consuming, as is the monthly payment process, which still uses cheques to make payments.[163]

Opportunity Costs for Voluntary Community Workers

205. **Most safety net programmes depend on community volunteers for some local-level programme administration.** Communities play an important role in the targeting, management, and oversight of the CT-OVC and GFD programmes through the location OVC committees (LOCs) and the relief committees respectively. In most cases, these community volunteers are largely uncompensated, but some receive an allowance to cover the cost of their transport and use of their mobile phones (CT-OVC programme). As a result, many volunteers report feeling that their contribution to the programme is not recognised, and some stated that their workload was excessive and that they had to prioritise the community work over their households. Some rights committee members have described how they come under pressure to include household members who might not otherwise qualify for the programme and that the community "curses them" when things go wrong in the distribution process. In most cases, community volunteers have expressed the desire to be provided with further training and "diplomas" as well as uniforms to enhance their status within their communities.

206. **There is some evidence that not compensating local volunteers undermines the efficiency and sustainability of local-level structures.** A series of reviews of the CT-OVC programme showed that the effectiveness of the LOCs may diminish over time or after key processes are completed. Ward et al. (2010) raised this issue in relation to the case management of the CT-OVC and suggested that, after the targeting process is complete, the level of effort of LOC members diminishes. According to 2010 monitoring reports, in some districts, LOC members did not know one another, suggesting that the structure breaks down after some time. There are also some indications that volunteers may seek to cover their costs by extorting informal fees from beneficiaries.

8.4 Conclusions and Recommendations

207. **Social protection programmes should begin to collect uniform data to make it possible to measure the efficiency of the programmes and the performance of the sector as whole.** Generally, social protection programmes do not collect sufficient data to enable a thorough analysis of their efficiency. As a result, programme managers do not have the necessary information to take steps to address inefficiencies as and when they arise. Many of the required information improvements relate to

[160] *The main exceptions were in Garissa, where several respondents were unsure or disagreed with the statement, which probably reflects the high transport and other costs noted above.*
[161] *The latest estimates from the NSSF suggest that, on average, the waiting time for payment following the submission of correct claim forms is 6 days. This has been reduced from 15 days in 2008 and 10 days in 2009 and 2010.*
[162] *IPAR (2005).*
[163] *ISSA (2008).*

routine reporting and financial data management and do not require major additional investments in M&E or MIS. In the sector as a whole, the evidence base would be greatly strengthened by introducing:

i. Common norms for defining and measuring overhead and cost categories and especially for results-based costing of the key programme components (targeting, registration, and payments).

ii. Standard impact performance indicators that are consistently defined and measured across programmes and preferably consistent with Kenya National Bureau of Statistics (KNBS) methods.

iii. Full costing studies for selected programmes that estimate the financial and opportunity costs of each programme component to provide a clear basis for identifying cost-efficient practices.

iv. Systematic performance measurement for all programmes, especially the government programmes that currently lack evaluation systems.

208. **There is an opportunity to exploit economies of scale by expanding the coverage of existing social protection programmes to eligible populations rather than establishing new projects.** Similarly, there appears to be scope to increase programme efficiency by harmonising core operational systems, such as MIS and payments systems, so that programmes can benefit from existing investments in infrastructure and procedures. This should include, for instance, agreed levels of compensation for community members who are elected to local committees. This remuneration need not necessarily entail cash wages, but at a minimum, should consist of full reimbursement of any out-of-pocket expenses.

209. **The payment systems of all social protection programmes should be reformed to reduce the opportunity costs for beneficiaries (and for employers, in the case of contributory schemes).** Acceptable maximum wait times should be set and enforced within and across programmes, for instance, through service charters or performance norms.

Chapter 9

Institutional and Political Sustainability of Social Protection in Kenya

CHAPTER SUMMARY

- The development of the NSPP is a step closer to establishing social protection as a distinct and coordinated sector within the country's national development framework.
- Public capacity is insufficient to manage a coordinated and harmonised social protection system; concerted efforts have been made to build the needed capacity.
- The recognition of social protection measures as a right in the Constitution (2010) is a basis for holding the government to account. Civil society groups have an important role to play in ensuring that social protection remains high on the political agenda.
- Some of Kenya's safety nets exist as a result of the personal interest taken in them by political leaders. However, political leaders are often concerned that safety nets will create "dependency" even though there is no strong evidence internationally to support this view.

9.1 Institutional Sustainability

210. **The Constitution guarantees all Kenyans their Economic, Social, and Cultural (ESC) Rights, including basic rights to health, education, food, and decent livelihoods.** As noted in Chapter 1, the Constitution explicitly asserts the right "of every person… to social security" and binds the state in Article 43(3) to "provide appropriate social security to persons who are unable to support themselves and their dependants." It recognises that these rights will have to be met gradually (it refers to "progressive realisation"), which has implications for how the social protection system can be enhanced to cover all deserving people and groups over time.

211. **The key challenge with the various policies and legal frameworks that guide safety net provision is the lack of alignment with the changing social, political, and economic context in Kenya.** A range of legislation focuses on specific vulnerable groups and marginalised areas. The fact that the impetus to draft the various legal frameworks is driven by specific sectors and actors tends to limit the capacity and/or willingness of sectoral policymakers to cross-reference legislation in other sectors. For instance, the poverty among older people and the vulnerability of children is linked closely, yet some of the connections are not sufficiently recognised in current legislation. Of the frameworks reviewed in this report, those with design flaws should be rectified. The draft NSPP recognises the need to harmonise existing policies and frameworks to achieve coherent social protection programming.

212. **The implementation of safety nets, mainly through government ministries (including the Ministries of Education, Agriculture, and Gender, Children, and Social Development)** is in line with the government's focus on meeting national and global development goals like the Kenya Vision 2030, the Millennium Development Goals, the African Union's Social Policy Framework, and the East Africa Community Social Development Policy Framework, as well as other sector-specific goals. For instance, the *Njaa Marufuku* Kenya programme, implemented by the Ministry of Agriculture, aims to achieve one of the country's key national development goals namely, eradicating poverty and hunger (Box 9.1). Another example is the School Feeding Programme, implemented by the Ministry of Education, which aims to achieve national and international education goals regarding children in need.

213. **Previous assessments have shown insufficient capacity in the ministries and other government agencies to implement a coordinated and harmonised social protection system.** The assessments identified capacity gaps related to the lack of sufficient staffing and infrastructure and the fragmented nature of current programme delivery. An independent assessment in 2010 found that the existing Secretariat was not receiving enough resources to effectively deliver programmes and spearhead the drafting of a national policy.[164] Similarly, a report by a Technical Advisor to the interim Secretariat (2011) identified poor cross-governmental engagement and support for a central social protection institution as key areas in which capacity was lacking.[165] Both of these assessments stressed the need for political support from other ministries as well as technical and financial support from development partners to build the institutional capacity of a central unit to coordinate national social protection interventions, partly by integrating their management and information systems.

214. **The development of the National Social Protection Policy (NSPP) is a key measure of the institutionalisation of social protection in the country's national development framework.**[166] The draft NSPP establishes a national coordination mechanism, the National Social Protection Council, with a Secretariat to support it at the national level. The Council will be seated in the ministry-designate for social protection and will provide guidance to social protection implementers by setting standards for the implementation of social protection at the national and local levels.[167] It is possible that the NSPP might influence party manifestos and

Box 9.1: The Njaa Marufuku Programme

The *Njaa Marufuku* Kenya (NMK) aims to empower community groups by building capacity and providing small grants to scale up agricultural activities that focus on hunger, poverty reduction, and income generation. It was initiated in 2005 by the Ministry of Agriculture with support from the FAO and the MDG Centre. The NMK was designed as an overall strategic framework for a ten-year action plan to eradicate hunger in Kenya, and was also formulated to accelerate the fulfilment of MDG 1 – reducing by half the number of extremely poor and hungry people in the country by the year 2015. The Ministry of Agriculture is the focal point for implementing the NMK. Since its inception, NMK has reached 12,180 beneficiaries.

[164] *MGCSD (2010).*
[165] *Cosgrove (2011).*
[166] *The lack of a social protection national framework has contributed to the fragmentation of social protection interventions, which has led to a lack of coherence in such areas as targeting, delivery mechanisms, payment systems and levels, and monitoring and evaluation.*
[167] *The Constitution proposes a maximum of 24 government ministries; currently 40 exist. This drastic reduction will have implications for the hosting of the Social Protection Council and its Secretariat.*

government plans, thereby widening its political support.[168]

215. **The National Social Protection Council and Secretariat would be designed to increase coordination among social protection programmes to ensure that beneficiaries are able to access the range and combination of programmes and services that they require.** Presently, the programmes implemented by the various ministries and even those implemented by the same ministry are not designed or implemented to complement one another. Complementarity would increase the impact of the individual programmes and reduce the duplication and inefficient use of resources. While insufficient data exist on the possible links between programmes, this review reveals that they often complement each other unintentionally rather than by design. This once again points to the need for better coordination between social protection programmes and across ministries and institutions. Box 9.2 describes efforts by the HSNP in this regard.

216. **The NSSF and NHIF have operated as semi-autonomous government agencies since being established by Acts of Parliament in 1965.** The two institutions have however been plagued by a host of challenges, including inadequate coverage, mismanagement of resources, and governance challenges related to the fact that Kenya has international and regional obligations and standards that it must meet. As a member of the East Africa Community (EAC), Kenya has an obligation to provide social protection not only to its own population but also to immigrants from the region as stipulated in the EAC protocol.

217. **With regard to safety nets, institutional sustainability is determined to some extent by how they are financed and who champions the programme(s).** In Kenya safety nets fall into three broad categories: (i) donor-initiated programmes with government support; (ii) government-driven programmes with donor support; and (iii) government-driven programmes with no donor support. However, programmes can sometimes change from one category to another. The design of the existing safety nets reflects the specific purpose for which they were established and the nature of the agreement that was reached between the government and its key financiers.

218. **The donor-initiated programmes with government support are implemented as partnerships, with the donors driving the agenda in terms of project design and funding.** The degree of government involvement varies from mere official endorsement to the designation of relevant line ministry staff from the centre down to the project level with responsibility for day-to-day implementation. Traditional authorities and community-level structures[169] may play a part in implementing these kinds of programmes, particularly when it comes to identifying and selecting eligible beneficiaries. The programmes tend to be short term and often pilot in nature, with the aim of generating evidence to inform social protection

Box 9.2: Maximising Links between the HSNP and Other Social Services

The Hunger Safety Net Programme (HSNP) is designed to link its beneficiaries with other services. Some of these links have been implemented while others are still in the pipeline, and include: (i) helping beneficiaries to purchase livestock insurance with a portion of their cash transfers (Marsabit); (ii) facilitating access to financial literacy training that enhances savings and increases access to credit as part of the payment services provided through Equity Bank; and (iii) using smart cards that will also prove the eligibility of recipients to receive vouchers for food and health services.

[168] *Devereux and White (2010).*
[169] *For example, community-based programme committees and clan structures.*

policies and programmes. Several safety nets in Kenya fall into this category, including the HSNP, Health Voucher – OBA, and the HIV/AIDS Nutrition Feeding programme.

219. **Government-led safety nets with donor support are programmes initiated and managed by the government in partnership with donors.** For example, the government initiated the CT-OVC programme as a pre-pilot in 2004. The programme has substantially expanded in the last seven years with the formation of a fully-fledged Children's Secretariat. Donor partners, mainly UNICEF, DFID, SIDA, and the World Bank have since joined the government in providing financial and technical support, and efforts have been made to build the capacity of government staff to run the programme in the long term.

220. **Government-run safety nets with no donor support are those initiated and implemented by the government alone.** A good example in Kenya is the Older Persons Cash Transfer (OPCT) programme, which was initiated by the government in 2004 as a pilot covering three districts. The government scaled up the programme in 2010 to cover 33,000 households in 44 districts. In FY2011/12, the government allocated Ksh 1 billion to the programme, with the aim of expanding coverage to about 48,000 households. The MCGSD is implementing the programme.

221. **Safety nets, developed as pilots by either the government or development partners, are important for building an evidence base and building local capacity for implementation.** The CT-OVC and OPCT were both initiated as pilot projects by the government and have since been scaled up. For many programmes, scaling up remains a challenge. In their review of social protection programmes in six southern Africa countries, Devereux and White (2010) observed that the programmes that emerge from domestic political agendas in response to locally identified needs are more likely to succeed in terms of coverage, fiscal sustainability, political institutionalisation, and impact than those interventions that are initiated from outside the country. This is a key issue for the sustainability of safety nets in Kenya.

222. **In the case of those safety nets that are supported by development partners with the intention of eventually handing them over to the government, it is critical that the government's capacity be strengthened before the handover.** The transition period should be long enough to ensure that the necessary expertise and other resources are transferred to the government. For government-sponsored programmes (OPCT), there is a need to ensure that the institutions running the interventions have the capacity to scale them up and to sustain them over the long term. The efficient use of resources is a key concern for the sustainability of such programmes (as discussed in Chapter 2). If government-funded programmes are scaled up rapidly in the absence of proper MIS and M&E systems, they are liable to fail, thus putting their long-term sustainability in doubt. Any suspicion or reports of inefficient use of resources could negatively affect the implementation of the programmes and their sustainability.

223. **Concerted efforts have been made by the government and its development partners to build the capacity of personnel to manage social protection programmes in Kenya.** For instance, with DFID funding, over 30 civil servants have been trained in the design and implementation of social protection programmes. Other social protection implementers have received on-the-job training on specific aspects of their programmes. However, the country still relies on international consultants in critical areas such as design, targeting, payment systems, and M&E. Efforts should be made to build the capacity of nationals and to progressively wean programmes off their dependency on external expertise. This will strengthen the sustainability because civil servants are more likely than international consultants to stay in the sector over the long term.

9.2 Political Sustainability

224. **The recognition of social protection[170] measures as a right in the Constitution is a basis for individuals, groups, and communities to hold the government to account, including by taking legal action if they feel aggrieved.** Social protection stakeholders including CSOs and the public should be aware of the provisions of the Constitution as it relates to social protection in order to be able to ensure that government meets its obligations. Such community actions are what led to the scaling up of social security measures in South Africa.[171]

225. **Civil society groups have an important role to play in ensuring that social protection remains high on the political agenda.** Such CSOs as the Kenyan Red Cross Society, World Vision, and ActionAid have played and continue to play a pivotal role in providing safety nets in the country. Representatives from CS lobbied successfully for the inclusion of social protection provisions in the Constitution (2010), and CSOs will need to continue to hold the government and other social protection implementers accountable to the citizens. The Kenya Social Protection Platform[172] does not yet influence the national social protection agenda and convincing both the public and the politicians of the need for and potential of social protection programmes. As indicated in Chapter 7, the regular collection and dissemination of good quality data, particularly regarding impact, would provide the evidence needed to lobby effectively.

226. **Political leaders are often concerned that safety nets have the potential to create "dependency" among the poor and vulnerable.** Despite the fact that no international evidence supports this position, some policymakers are concerned that social protection, particularly safety nets, are handouts that make it unlikely that poor people will invest in their livelihoods and seek to rise out of poverty.[173] At the same time – and partially in response to this concern – safety net policymakers are increasingly engaging with the concept of graduation. This is a process by which beneficiaries' well-being improves to the point where they are no longer poor or vulnerable and can "graduate" from the programme.[174] Graduation strategies and exit criteria, when properly supported and enforced, can over time reduce the size of the population in need of support from safety nets (Box 9.3 for Kenya's experience).[175] However, not all beneficiaries can graduate from safety net programmes. It is unlikely that poor older people would graduate from a safety net programme in the same way that young, able-bodied people.

227. **Despite the concerns of some politicians, safety net programmes have received considerable support from a wide spectrum of political actors in Kenya.** Ikiara (2009) noted that the global financial crisis of 2008, compounded in Kenya by the food crisis and the post-election violence, made decision-makers more conscious of the plight of the poor and vulnerable. Evidence in Kenya shows that decision-makers and other key stakeholders perceive the extremely poor as a special group who are unable to participate

[170] *The Constitution uses the broader term "social security" to refer to social assistance, contributory programmes, and other legislation that protects workers.*
[171] *Liebenberg (2001) and Wickeri (2004). For such collective action to be effective, civil society and rights-based organisations and unions need to advocate on behalf of their cause and to mobilise public opinion.*
[172] *The Platform is an independent coalition of civil society organisations that advocates for the adoption of national social protection policies and strategies and the protection of rights of the poor and vulnerable through social protection instruments.*
[173] *See the Regional Hunger and Vulnerability Programme (2010) and Shephard et al. (2011), for example.*
[174] *However, as yet, very few programmes include a graduation mechanism. Representatives of the 22 programmes evaluated in this review indicated that they had graduation and exit strategies, but only 5 had implemented these measures: NAAIAP, NMK Farmers' Groups – Component 1, Urban Food Subsidy Programme implemented by Oxfam/Concern, and WFP PRRO and Urban Food Subsidy Programme.*
[175] *Graduation strategies tend to aim to build the skills and capacity of beneficiaries and their households to generate income and to build their human capital to improve their welfare and reduce poverty in the long term. Adopting a lifecycle approach would help to ensure that the needs of individuals are taken care of at the different stages of their lives, leading to a higher likelihood of graduating them from social protection programmes (Aboderin 2010).*

Box 9.3: Graduation and Exit from Safety Net Programmes in Kenya

The graduation and exit measures adopted by safety nets vary depending on the design, target population, duration, and funding levels of the programme. The PRRO (including the FFA, GFD, MCH, Supplementary Feeding, and Expanded School Feeding programmes) has, for each activity, a predetermined number of beneficiaries who exit the programme after every cycle and who do or do not re-enter the new phase based on the results of the rain assessment. The main difference between the PRRO and FFA is that in the latter the assets created (including provision for water collection, storage tanks, and greenhouses) are expected to enhance the capacity of the households to counter the effects of the next drought. Therefore, it can be expected that the beneficiary households will not need to receive support during the subsequent round of food distribution unless other confounding factors such as drought or floods erode their asset base.

Several examples illustrate of how designing exit strategies during the planning stage would increase the capacity of programmes to help their beneficiaries to exit once they meet the set criteria. If programmes helped their young beneficiaries to access the Youth Enterprise Development Fund, this would increase their capacity to generate income and help them to graduate from safety nets. Anecdotal evidence from the CT-OVC shows that some beneficiary households have been able to save and invest their transfers (mainly in petty trade). For some CT-OVC beneficiary households, having access to predictable cash transfers has helped women to participate in merry-go-round schemes and table banking. If further support were given to such groups in the form of capital investment, skills-based training, and market access, their exit from safety nets would be accelerated.

The management and supervision of exit strategies has associated costs and remains a key challenge for many of the social protection programmes reviewed (the challenges concerning M&E were discussed in detail in Chapter 7). Enforcing exit measures increases programme overhead while at the same time limiting absorption capacity. Building links would help to ensure that the beneficiaries have access to the necessary tools to gradually work towards exiting certain types of support or graduating into different support schemes. For this transition to happen, synergies need to be forged between the various social protection programmes.

effectively in productive economic activities and who are therefore in need of programmes that can empower them and vest them with some degree of dignity.[176]

228. **Some of Kenya's safety nets exist as a result of the personal interest taken in them by political leaders.** The CT-OVC was championed by the then Vice-President Honourable Moody Awori and was expanded as a result of subsequent interest by other political leaders and civil servants.[177] The Urban Food Subsidy Programme can be traced back to the efforts by the Prime Minister, Honorable Raila Odinga, following the 2008 triple crisis (global economic downturn, post-election violence, and food crisis). In addition, the fact that the current Vice-President, the Honourable Kalonzo Musyoka, is championing the rights of people with disabilities has helped to leverage more support for measures to protect them. A universal social pension for older people has been the subject of recent Parliamentary debate. A member of Parliament (MP)[178] introduced a motion to "urge the government to create a scheme to pay any person who is over 60 years [old] and is not in receipt of a pension or benefit from any organisation or state agency an amount of not less than Ksh 2,000 per month to enable them live in dignity and respect." This motion received overwhelming support from other Parliamentarians and, if passed, will further commit the government to providing such pensions over the long term. The involvement

[176] *Ikiara (2009).*
[177] *Alviar and Pearson (2009) noted that the greatest impetus to the scaling up of the OVC-CT came from visits by politicians and senior civil servants to beneficiary households in the pre-pilot areas.*
[178] *The motion was tabled by MP John Mbadi (Gwassi) as reported in the National Assembly Official Report, Wednesday, June 15, 2011.*

of Parliamentary committees and caucuses in discussions on social protection in general or targeted to a particular group has influenced the financing of safety nets. In general, political champions of social protection have a role to play in ensuring that programmes continue to receive political interest and commitment. However, one of the fears that may affect their political attractiveness is that, once a social protection programme has been established, abolishing it can become very difficult both socially and politically, especially when communities are aware that they have a right to social protection. This may make policymakers more cautious about introducing new programmes, but it increases their sustainability once introduced.

9.3 Conclusions and Recommendations

229. **The key to ensuring the sustainability of safety nets is to strengthen government institutions.** The expansion of safety net interventions, for instance, should be carefully and deliberately designed to take into account the government's capacity and ability to take over when the donor financing period comes to an end. It is also important for development partners to commit to providing support for an agreed period to ensure that transfers (both in kind and in cash) are provided on a predictable schedule on which the beneficiaries can rely. However, if government capacity and systems are not adequate, donors may be reluctant to work with them and may prefer to work directly with non-state actors (NSA). It is therefore important for the long-term sustainability of the social protection system that the government and its development partners build the capacity and expertise of social protection implementers in design and implementation. What is similarly important is that the implications of decentralisation for the delivery of safety nets and contributory programmes be analysed in detail. There is need for a clear understanding of the capacity that will be available at the various levels of government and whether this will be sufficient to deliver, effectively and efficiently, a consolidated social protection programme. The proposal, made in other chapters of this review, to consolidate existing programmes to reduced inefficiencies will also allow the government to deploy its currently limited capacity more effectively.

230. **There is need to mobilise more political support and public interest in scaling up social protection programmes, both safety nets and contributory schemes.** Social protection programmes can only be sustained if there is the political will to do so. However, much of the limited political support has been exercised on behalf of safety nets rather than of the broader social protection sector. Therefore, it will be necessary for policymakers to think of these programmes collectively as a sector and to initiate and support the reforms necessary to make the sector more coherent and integrated.

231. **Civil Society Organisations have a critical role to play in holding the government and other implementers of social protection accountable to the people of Kenya.** Using the constitutional mandate to provide for vulnerable and poor people and other citizens eligible for social protection, CSOs should work to educate the public about the need for social protection and encourage dialogue on the need for increased coverage, better management, and more transparency in the design and implementation of social protection programmes.

Chapter 10

Moving Forward: A Framework for Reforming the Social Protection Sector

CHAPTER SUMMARY

- The analysis in this Review suggests a set of reform priorities that are consistent with the National Social Protection Policy. These are:
  - Define the appropriate programme mix within safety nets;
  - Improve coordination among safety net programmes to reduce fragmentation and duplication;
  - Increase financing to safety nets in the face of a tight fiscal environment;
  - Expand contributory programme coverage to the informal sector while also addressing problems of adequacy and financial sustainability.
- These areas of reform – and the findings of the Review more generally – will guide policymakers in the implementation of the NSPP, the government's second Medium-term Plan (MTP II) and the Kenyan Constitution.

232. **The policy context for social protection in Kenya is changing.** This is in response to international calls for greater access to social protection for citizens, such as by the African Union, and the constitutional commitment to extend social security to all as articulated in the Bill of Rights (2010). These trends have culminated in a National Social Protection Policy (NSPP), which proposes to extend social assistance (safety nets) to the various target populations, with the ultimate goal of providing universal access to the vulnerable throughout their lifecycle, and establish comprehensive social security arrangements that will extend legal coverage to all workers and their dependents, whether in the formal or informal sectors.

233. **The sections that follow consider a set of reform priorities that will assist in meeting the Constitution's goal of progressively realizing the right to social security.** These are consistent with the directions detailed in the NSPP and are informed by the analysis in this review. Indeed, these reforms aim to elaborate how the Policy can be put into operation to scale up coverage of social protection programmes, while addressing the current operational weaknesses in the sector that have been identified in the previous chapters.

234. **For this, there are four principle areas of reform.** These are: (i) define the appropriate programme mix within safety nets; (ii) improve coordination among safety net programmes to reduce fragmentation and duplication; (iii) increase financing to safety nets in the face of a tight fiscal environment; and (iv) expand contributory programme coverage to the informal sector while also addressing problems of adequacy and financial sustainability.

Importantly, these reforms are mutually reinforcing and, in many cases, progress in one area of reform will contribute towards progress in the other three areas. Each reform area is discussed in turn below.

10.1 Define the Appropriate Programme Mix within Safety Nets

235. **Article 43(3) of the Constitution (2010) states, "The State shall provide appropriate social security to persons who are unable to support themselves and their dependants."** To progressively realize this right to safety nets for those in need, an appropriate mix of programmes will need to be defined based on the country's medium-term objectives and fiscal considerations. Yet, because safety net programmes currently have a range of different objectives and the information is generally limited on their relative effectiveness and impact in terms of delivering on the country's stated policy goals, it is difficult to determine the exact form safety nets should take in Kenya. Recognizing these limitations, there are some parameters that could guide government's strategy to progressively realize the right to social assistance. These are detailed below.

10.1.1 Progressively realizing access to safety nets for vulnerable groups

236. **Given current fiscal limitations, in the short term, the government will need to adopt a strategy to allocate resources to sub-groups within the vulnerable population.** While there are numerous ways of allocating such limited resources, following the objectives of the Constitution, the most appropriate way would be to define "sub-groups" within the vulnerable population that would be targeted on a priority basis. This is because, at present, there is no indication in the Constitution or other legislation that one vulnerable group should be prioritised over another. For example, while the cost of extending safety net support to all households with children under 18 years of age would cost 8.25 percent of GDP. Refining the target group to only poor households with children under 18 years of age would reduce the cost to 3.83 percent of GDP, refining the target group further to only poor households with OVCs would reduce the cost to 0.39 percent of GDP. Similarly, targeting all households with members who are over 60 years of age would cost 2.25 percent of GDP, while limiting coverage to only poor households with members over 60 years of age would cost 0.94 percent of GDP.

237. **A number of factors could be considered by the government in this process of progressively extending coverage across vulnerable groups.** To start with, on average, of all vulnerable groups, OVCs are the most likely to live in households that are poor (50 percent of households with OVCs are poor), followed by households with children under 18 years of age (46 percent), and then by households with people over 60 years of age (42 percent). Simulation shows that large differences in poverty reduction are unlikely to be achieved by targeting one group rather than another. Yet, while the current poverty impact may be comparable from investing in these different groups, experience shows that investing in children has longer-term benefits for the children themselves, their households and communities in addition to the immediate safety net benefits that arise from consumption support. Such productive benefits can enable investments in human capital that contribute to improved livelihoods among households and greater economic growth. Moving beyond the question of how to progressively target vulnerable groups, the analysis has shown that clear definitions of all vulnerable groups are required to ensure consistency across safety net programmes, particularly with regards to targeting. For this, definitions need to be agreed to at the national level and then consistently applied across all programmes.

238. **In addition, safety net programmes tend to allocate resources geographically before targeting them to households** (either categorically targeting vulnerable groups or

identifying those households that are poor). The analysis shows that, generally, safety net programmes allocate resources to poor counties and locations. Indeed, poorer counties tend to receive proportionally more resources than less poor counties in recognition of the fact that they have a greater number of poor people. This is not the case, however, for locations, which tend to receive an equal amount of resources regardless of their level of poverty. Allocating proportionally greater levels of resources to poorer counties would better ensure that the poorest households benefit from social assistance resources, thereby reducing errors of exclusion. Such an allocation could be done by revising and improving the small area poverty estimates, based on the 2009 Census. This should be done in the short term to inform the scale-up strategy discussed in paragraph 243.

10.1.2 Improving the effectiveness of safety net support for households

239. **While the above analysis suggests how the government could progressively expand safety net support to poor and vulnerable populations in Kenya, it does not consider the type of support the government should extend.** Much more work is required to detail such a reform agenda, yet based on the analysis in this review, the government could take some short-term measures to improve the effectiveness of safety nets.

240. **The GFD programme continues to dominate safety net spending in Kenya, amounting to 53.2 percent of all safety net spending.** As discussed above, while this is an important means of responding to emergencies, in Kenya some of these resources are being used to provide regular support in the form of food aid to populations that are chronically poor, such as those in the ASALs. As a result, the government could consider reallocating resources from GFD to a mechanism that provides predictable support to these groups. This could be done, for example, by expanding the coverage of the Hunger Safety Net Programme, which targets poor and vulnerable populations in ASALs. Such an approach would capitalize on existing implementation capacity and experience, while avoiding further fragmentation and duplication among programmes (see section 10.2 below). This would also harness the efficiencies of providing support through a predictable safety net as compared with the emergency system, while making payments in cash would provide households with the flexibility to better meet their daily needs. Regardless of the delivery mechanism used, there is a strong need to ensure robust monitoring and evaluation to determine the impact such predictable support will have on the target population and to ensure continued improvements in programme design and delivery.

241. **Much safety net spending is also allocated to school feeding programmes, which international evidence shows do not tend to provide effective safety net support, although they enhance school enrolment.** Because of this, where these programmes are being implemented with the aim of providing safety net support to households, there may be scope to reorient these resources to social cash transfers that would result in a greater impact for children and families. But there are also important education benefits to school feeding programmes that should not be overlooked and, indeed, depending on the objectives of the programme, should in some cases be prioritised.

242. **However, some social cash transfer programmes continue to experience difficulties in making regular, predictable payments to beneficiaries.** To provide effective support, these programmes will need to review their procedures to ensure that payments are being made on time. Most importantly, for those programmes implemented through government systems, reclassifying safety net expenditures as personnel emoluments rather than general expenses in the national budget would reduce the delays currently experienced in the flow of funds to these programmes. Significant efficiencies

also can be gained by making payments in cash because cash payments are able to leverage advances in technology in a way that in kind payments cannot. Additionally, clear guidelines on how to adjust the value of safety net cash benefits in response to inflation and household size, among other factors, are required to ensure that these programmes achieve their intended impact. While providing variable transfer rates can be complex, technological advances are making such an approach increasingly feasible and the benefits, in terms of the positive impacts on households, can be significant.

10.2 Improve Coordination among Social Assistance Programmes to Reduce Fragmentation and Duplication

243. **In the short term, there is a need for greater coordination among social cash transfer programmes as the basis for the provision of predictable safety nets to poor and vulnerable populations.** This should consist of a nation-wide strategy to scale up the coverage of programmes to avoid duplication and gaps. Such a national plan should aim to ensure equity in the provision of safety net programmes and respond to the fact that some programmes currently cover specific geographic areas (i.e., ASALs or urban slums), while others aim to have national coverage, focusing on specific vulnerable groups (i.e., OVCs and older persons).

244. **This should be followed by a set of actions to harmonize these programmes.** These would include the adoption of a single registry, a common M&E framework, and sector-wide minimum standards for accountability. As the analysis in this review shows, these three steps are relatively straight forward because of: (i) the advanced state of some programme's MIS that can be easily extended to other programmes; (ii) the fact that many programmes collect data on a common set of indicators; and (iii) best practices in accountability already exist and can be rolled out across safety net programmes. The proposed single registry could take various forms and would not necessarily involve a single database. It could, for example, consist of a set of data-sharing protocols that would make it possible to compare data across different databases. Regardless of its exact form, the single registry would address some key operational weaknesses in the sector, in addition to promoting harmonization. Operationally, a single registry would significantly strengthen beneficiary registration systems that would, among other benefits, reduce scope for fraud and corruption.

245. **In the longer term, the aim should be to consolidate these programmes into a national safety net programme that uses common systems and structures.** The National Social Protection Policy (NSPP) proposes to establish the National Social Protection Council that would coordinate and oversee the development, implementation, and integration of social protection strategies, programmes, and resources. A national safety net programme would support these objectives further by, for example, making better use of existing implementation capacity. Such an approach would enable a more coordinated, nation-wide approach to capacity building and would provide scope to reduce duplication and overlap. This could be achieved, for example, by rationalizing the Secretariats and lower-level structures that currently implement the cash transfer programmes managed by the Ministry of Gender, Children and Social Development. Importantly, adopting a consolidated institutional arrangement would significantly improve accountability in the sector and simultaneously serve to leverage the comparative advantage of the private sector in Kenya by outsourcing the delivery of payments. A national programme would also be well positioned to adopt the best practices from the individual social cash transfer programmes while extending these systems and procedures across the country. Over time, these operational reforms can be extended to other safety net programmes.

246. **This consolidated approach could then be extended to respond to transitory needs by building into the national programme the capacity to respond to crises.** International experience increasingly shows that scaling up established safety net programmes is an effective means of protecting households from the negative effects of shocks. This approach is also proven to be a faster, more effective, and cheaper means of delivering emergency assistance. To scale up an existing programme quickly and effectively, a number of systems need to be established in advance: (i) targeting and payment systems that can quickly extend the coverage of the programme to a greater number of people; (ii) a means of "triggering" the scale up through an early warning system, for example; and (iii) and robust links with the emergency response system. Any reform in this area needs to be undertaken in a manner that builds on the experience of the National Disaster Management Authority and broader emergency response system.

10.3 Increase Financing to Safety Net Programmes in the Face of a Tight Fiscal Environment

247. **Progressively increasing funding to safety nets, given available fiscal space, can achieve high rates of coverage among poor and vulnerable groups.** The need for greater resources for safety nets to expand coverage is recognized in the draft NSSP and Vision 2030. While acknowledging the competing priorities for government revenue, as a point of comparison, public financing to safety nets accounts for 0.6 percent of total government expenditure, as compared with 19.8 percent on education and 5.5 percent on health. If economic growth continues at 6 percent per year, this will generate an estimated additional Ksh 100 billion in annual government revenue. If a small proportion of this increasing fiscal space were allocated to safety nets, as described under 10.1 , substantial increases in coverage could be achieved in the short term. More specifically, if 5 percent of these resources were allocated to social cash transfers, comprehensive coverage of poor households with members who are vulnerable (i.e., OVCs, people over 60 years of age, the disabled or chronically ill, and People Living With HIV and AIDS) could be achieved in nine years. An annual increase of this magnitude would lead to comprehensive coverage of poor households with OVCs in one year or provide support to all poor households with members over 60 years of age in five years. These estimates may overstate the resources required to achieve high rates of coverage among multiple vulnerable groups because households with OVCs are likely also to have members who are over 60 years of age, for instance.

248. **In these scenarios, development partner funding will continue to be needed in the short to medium term.** At present, development partners provide an estimated 71 percent of safety net financing. Government financing is unlikely to increase rapidly enough to both extend safety net coverage to a greater population and replace development partner funding to the sector. While advocating may be feasible for increased development partner funding in addition to greater public resources for safety nets, this has not been considered here because: (i) it is unlikely that safety net programmes could absorb resources at a more rapid rate given the need to strengthen implementation capacity and (ii) financing safety nets from general revenues will ensure the predictability of these programmes in the long run. Despite this, development partner financing may continue to be useful in helping to strengthen implementation systems. Should development partners continue to be an important source of financing to safety nets, a long-term strategy to transition to greater amounts of government financing would be needed.

249. **There may also be scope to improve the effectiveness of safety net programmes by reorienting financing from the General Food Distribution (GFD that is currently being used to respond to chronic food insecurity**

and poverty. The overall funding to the sector would not increase, yet it would improve the impact of these resources on poverty and human development. The response through the GFD to chronic food insecurity is estimated to be Ksh. 5.1 billion per year; reallocating these resources would double current levels of financing on social cash transfers. The doubling of resources would, for example, achieve comprehensive coverage among poor households with OVCs.

250. **There is also a need to secure financing to respond to transitory needs among the vulnerable but not yet poor populations that are exposed to shocks.** Paragraph 245 described the institutional response required to extend a consolidated national safety net programme to transitory needs. A component is securing contingent financing that can be mobilized quickly to enable a rapid scale-up of an existing programme. International experience suggests different models for such contingent financing, ranging from future commitments from development partners (the model used in Ethiopia) to the use of weather-based indexes that trigger payouts from the international insurance market (a model that has been tried in Malawi). Should this mechanism be established in Kenya, there are strong indications that development partners would be willing to channel emergency resources through this system or to (partially) finance the cost of the insurance premiums, as is already underway with the National Contingency Fund.

10.4 Expand Contributory Programme Coverage to the Non-Formal Sector while also Addressing Problems of Adequacy and Financial Sustainability

251. **The NSSF and NHIF are currently the main vehicles to progress towards the Constitutional (2010) right to social insurance for all.** Currently, these two Funds provide limited benefits to a small proportion of the population, mainly formal sector workers. The reform of the NSSF into a pension fund will strengthen its ability to protect against poverty in old age. The NSPP describes how the NSSF will be extended to include maternity benefits that will reduce the vulnerability of female workers. Reforms are similarly being considered to enable the realization of the country's social protection and health care financing goals. This has potential implications for the NHIF, with a draft Health Care Financing Strategy proposing to transform the Fund into a social health insurance scheme. Finally, the NSPP envisions additional measures to strengthen the social security response to unemployment and loss of income from illness, injury, and disability.

252. **Going forward, the priority actions for the NSSF include increasing the contribution levels and extending coverage while continuing to bring down overhead costs.** In the short term, the NSSF could realize administrative efficiencies by adopting more modern and streamlined collection and payment systems. Enhancing confidence in the Fund through such reforms will contribute towards increasing coverage. Yet concerted outreach to the informal sector is also needed. International experience suggests that to effectively respond to the needs of informal sector workers, the NSSF will likely need to adopt flexible, voluntary savings schemes for this population. The *Mbao* Pension Plan, based on a public–private partnership with the Jua Kali Association, aims to provide 100,000 workers with an individual voluntary pension plan. The scheme falls under the supervision of the RBA and currently covers 33,000 members.

253. **While the ongoing dialogue on health care financing may reorient the NHIF, in the short term, significant changes in the NHIF are required to better protect the population from health shocks.** These include measures to: (i) address the longer-term financial sustainability of the Fund, by ensuring sufficient revenue, through increased contributions and higher returns on investments, and continuing to reduce operating expenditures; (ii) continue to increase membership both in terms of overall

coverage and encouraging more "active" membership, particularly among members in the informal sector; and (iii) enhance benefits to members by changing the way it contracts services from health providers. To realize the aim of continued membership growth, the Fund will need to focus on the informal sector, as the formal sector's compliance rate is estimated to be close to 100 percent. Reaching informal sector workers includes a number of challenges: designing appropriate products, effectively marketing and distributing these products, efficiently collecting contributions, and addressing gaps in health services in rural areas. Even if these challenges are addressed, reaching the very poorest will require additional measures. This is recognized in a draft Health Care Financing Strategy, which proposes an Equity and Access Fund to subsidize the cost of health insurance to the poorest citizens.

10.5 Conclusion

254. **The Kenya Social Protection Review is the first step in the longer-term agenda of moving towards an integrated social protection system.** The review provides, for the first time, a benchmark for the social protection sector as a whole, comprehensively encompassing social assistance, social security, and health insurances. It has created a common platform by which stakeholders can consider progress within the sector and thereby engage in a more meaningful discussion. The findings of this review will support policymakers in the development of strategies for implementing the NSPP and, by extension, the government's second Medium-term Plan (MTP II) and the Kenyan Constitution.

255. **Adopting a systems approach to social protection reinforces the fact that social assistance and social insurance should not be seen in isolation.** These programmes work together to protect the population from a wide range of risks across the lifecycle. Because of this, to advance any part of the social protection sector, be it safety nets, social security, or health insurance, reforms in all areas need to progress – if not in tandem – at a similar pace. This means that the government cannot lose sight of the need to reform the NSSF and NHIF as it extends coverage of safety net programmes: These reforms will benefit poor and vulnerable populations and, in the long term, reduce the need for safety nets as well-functioning social insurance schemes help to prevent households from ever falling into poverty. Additionally, a number of operational reforms could be considered by the government in the medium term to improve the efficiency of the social protection sector. These include sharing administrative systems between the NHIF and the NSSF on the one hand, and between safety nets and the contributory schemes on the other hand, such as adopting a common targeting system. This could potentially reduce administrative overhead and increase the effectiveness of targeting, yielding broader and longer lasting impact for the population as a whole.

256. **A systems approach also highlights that complementary investments are needed to promote graduation from safety net programmes.** Safety nets can enable households to invest in productive assets and in human capital that can break the intergenerational transmission of poverty. International experience shows that combining safety net support with investments in livelihoods and employment can move households more rapidly out of poverty. Such complementary support can take multiple forms, from micro-finance loans for agricultural investments to job search assistance for unemployed men and women. The key is, however, to provide a suite of complementary services to a single family or individual, as the synergies between these investments can enable livelihoods to improve to the point where households escape from poverty and regular safety net support is no longer required.

Annexes and References

Annex 1: Definition of Terms

This section defines the key terms used in this report. It should be noted that different institutions and individuals can sometimes use the same terms in different ways.

Absolute Poor: People who are unable to meet their basic needs, both food and non-food. KIHBS (2005/06) defines the overall poverty lines for rural and urban Kenya: for 2005/06 these were Ksh 1,562 and Ksh 2,913 respectively.

Food-poor: People who are unable to meet their minimum food needs. KIHBS (2005/06) defines food poverty lines in monthly adult equivalent terms as Ksh 988 and Ksh 1,474 for rural and urban Kenyans respectively.

Hardcore Poor: People who are unable to meet their minimum food needs even if they use up all of their expenditure on food.

Landscape survey: A questionnaire developed to collect detailed data on the main social protection programmes in the country.

Risk: The probability associated with the occurrence of an event that can adversely affect welfare. It can also be described in terms of a balance between probability and magnitude. Probability can be expressed in terms of probable frequency with which a shock occurs to an individual, household, or community. [179]

Safety nets or social assistance: These can be either formal or informal. Formal safety nets are those that legally guarantee individuals access to economic or social support, whereas informal safety nets provide livelihood support to individuals to help them rise up to or remain above the designated minimum standard of living but with no legal guarantee.[180] Social assistance can be defined as non-contributory transfers to those deemed eligible by society on the basis of their vulnerability or poverty. In Kenya, this term is used to refer to non-contributory transfer programmes aimed at preventing the poor or those vulnerable to shocks from falling below a certain poverty level.

Shock: A loss that affects the capacity of a household to cope with its daily demands. Idiosyncratic shocks are those that occur when only one or a few individuals or households in a community suffer losses, whereas covariate shocks affect a large number of households, entire communities, regions within a country, or several countries.[181] Some of these shocks can result from acts of nature (floods, droughts, or disease) whereas others are caused by human activity (environmental degradation or ethnic conflict).

Social cash transfer: Programmes that transfer cash to eligible people or households, including child grants, social pensions, conditional and unconditional cash transfers, and social pension programmes. Payments are often based on economic criteria aimed at providing minimum social protection or smoothing consumption for people excluded from formal social protection systems.

Social equity: Measures put in place to protect people against discrimination or abuse. This requires setting and enforcing minimum standards in the workplace and legislation on and enforcement of

[179] *Devereux (2001).*
[180] *Paitoonpong et al. (2008).*
[181] *Ndirangu (2010).*

a broader set of rights issues (for example, land rights, racial discrimination, and gender equality). The role played by social equity instruments in each country depends critically on the specific social and economic context. This is an area that has not been a major focus of social protection in Kenya.

Social health insurance: Social health insurance (SHI) is a form of financing and managing of health care based on risk pooling. SHI pools both the health risks of the people on the one hand and the contributions of individuals, households, enterprises, and the government on the other.

Thus, it protects people against financial and health burdens and is a relatively fair method of financing health care.

Social insurance: Benefits or services extended to individuals and households in return for contributions that they make to an insurance scheme or as non-contributory transfers. These services typically include retirement pensions, disability insurance, survivor benefits, and unemployment benefits. The programmes can be either contributory or non-contributory. The former are financed, in large part, by earnings-related contributions from employers and/or employees; the latter are financed from the general budget. Eligibility for benefits under contributory programmes is usually limited to those who have made a minimum number of contributions.

Social pension: A non-contributory cash transfer to older persons in order to reduce old-age poverty and vulnerability. The social pension is usually provided by the state.

Social protection floor: A set of basic social rights, services, and facilities that the global citizen should enjoy. The term "social floor" corresponds in many ways to the existing notion of the "core obligation" to ensure the realisation of, at the very least, minimum essential levels of rights embodied in human rights treaties. This concept was adopted in the form of The Social Protection Floor Initiative by the United Nations System Chief Executives Board in April 2009 as one of the nine key initiatives to address the global financial crisis. The International Labour Organisation and the World Health Organisation are leading this initiative.[182]

Social protection: Broadly considered to be a set of all initiatives, both formal and informal, that provide *social assistance* to extremely poor individuals and households, *social services* to groups who need special care or who would otherwise be denied access to basic services, *social security and health insurance* to protect people against the risks and consequences of livelihood shocks through earnings-related contributions and benefits, and *social equity* to protect people against social risks such as discrimination or abuse.

In Kenya, social protection is defined in the National Social Protection Policy 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; enable income-earners and their dependants to maintain a reasonable level of income through decent work; and ensure access to affordable health care, essential services, and social transfers.

Social security: Public provision for the economic security and social welfare of all individuals and their families, especially in the case of income losses due to unemployment, work injury, maternity, sickness, old age, and death. The term encompasses not only social insurance but also health and welfare services and various income maintenance programmes designed to improve the recipient's

[182] *ILO/ WHO (2010).*

welfare through public services. The ILO defines social security more broadly to encompass all measures providing benefits, whether in cash or in kind, to protect the population.[183]

Targeting: Targeting is a process to identify individuals or households that are eligible for a programme according to a specified criteria.

Transfer efficiency: The efficiency of a transfer is its value compared to the total cost of the intervention. A programme's overall transfer efficiency reflects the efficiency of each constituent operational process (targeting and registration or payments).

Transfer: The transfer of income, goods, and/or services by the government, non-governmental organisation, or non-state actor to individuals, households, or social groups so that their standard of living is improved.

Vulnerability: Chambers (1989) defines vulnerability as "exposure to contingencies and stress, and difficulty in coping with them." Vulnerability has two sides: an external side consisting of the risks, shocks, and stresses to which an individual or household is subject and an internal side which is defencelessness, meaning a lack of means to cope without damaging loss. The World Bank's World Development Report (2000/01) defines vulnerability as "the likelihood that a shock will result in a decline in well-being." In this review, the term vulnerability is considered as "the likelihood of suffering from future deteriorations in standard of living, which may result in socially unacceptable outcomes such as the state of poverty, or inability to meet basic needs such as food" (Ndirangu 2010).

[183] *ILO (2010b).*

Annex 2: Social Protection Programmes Reviewed

	Programme	Programme Synopsis	Beneficiaries	Number of Beneficiaries (2010)	Funding Agency	Implementing Agency	Type of Transfer
	A. Non-Contributory Programmes						
1.	National Accelerated Agricultural Inputs Access Programme (NAAIAP)	*Objective:* To increase access to and the affordability of key inputs to smallholder farmers. *Activities:* Provides poor and vulnerable farmers across the country with affordable farm inputs and credit, while building markets.	Small-scale poor farmers	120,750	GoK, WB	Min. of Agriculture	Farm inputs
2.	NMK - Component 1 Farmers' Groups	*Objective:* To empower community groups through capacity building and the provision of small grants for scaling up agricultural activities that reduce hunger and poverty and generate income. The grants are also meant to assist in building individual skills and social capital of groups. The groups are expected to generate income and develop a revolving fund to benefit the group members and the community in general. *Activities:* Provision of small grants to farmers' groups.	Farmers' groups	12,180	GoK	MOA	Cash
3.	FAO Farmer First Programme	*Objective:* To build the agricultural skills of the target communities and to provide a forum for the discussion of life issues, largely HIV/AIDS awareness mitigation plans for individuals and communities. *Activities:* Provision of agricultural inputs (seeds, fertilisers, water, and harvesting equipment) and training of community facilitators to raise awareness of HIV/AIDS mitigation strategies.	Household members living with HIV/AIDS, TB, and/or severe malnutrition.	1,200	FAO		Farm inputs

Annex 2: Social Protection Programmes Reviewed

	Programme	Programme Synopsis	Beneficiaries	Number of Beneficiaries (2010)	Funding agency	Implementing agency	Type of transfer
4.	Most Vulnerable Children (MVC)	*Objective:* To act as a catalyst for mobilising leadership and resources from the community to provide care and support to MVC. The programme has three central objectives: (i) retention (ensure that MVC currently enrolled in school stay in school), (ii) return (ensure that MVC who have dropped out return to school), and (iii) enrol (ensure that MVC who have never been to school are enrolled). *Activities:* Provision of meals to children in schools.	Schools in poor areas	1,778,297	GoK, DFID	MOE	School feeding
5.	Expanded School Feeding Programme (PRRO 2009-2013)	*Objective:* To empower community groups through capacity building and the provision of small grants for scaling up agricultural activities that reduce hunger and poverty and generate income. The grants are also meant to assist in building individual skills and social capital of groups. The groups are expected to generate income and develop a revolving fund to benefit the group members and the community in general. *Activities:* Provision of small grants to farmers' groups.	School-children	1,115,830	GoK, WFP	WFP	Food
6.	FAO Farmer First Programme	*Objective:* To increase school enrolment, stabilise school attendance, and increase progression and completion rates in primary schools. The schools also act as critical safety nets for chronically food-insecure communities. *Activities:* Provision of food produced and purchased within the country to vulnerable school children.	Schools in marginalised areas	538,457	GoK, JICA	MOE,WFP	School feeding
7.	Regular School Feeding Programme	*Objective:* To support the government in achieving MDG 2 and the goal of education for all. It addresses the WFP's Enabling Development Policy priority 2 "Enabling poor households to invest in human capital through education and training". *Activities:* Provision of meals to school children.	Primary school-children	803,669	GoK, WFP	MOE	Food

Annex 2: Social Protection Programmes Reviewed

8.	Secondary Education Bursary Fund	*Objective:* Part of the GoK commitment to the realisation of universal access to basic education and training, particularly for disadvantaged and vulnerable groups in society. *Activities:* Allocation of bursary funds for vulnerable school children.	Vulnerable secondary school students	66,570			
9.	HIV/AIDS Nutrition Feeding	*Objective:* To increase adherence to HIV/AIDS treatment, improve health and nutritional status, increase enrolment of OVC (boys and girls), increase school attendance of OVC (boys and girls), and increase access to HIV services for transport workers along the northern corridor. Activities: Feeding programme.	HIV clients on ART and OVCs in affected households	72,065	WFP	Several implementing agencies	Food
10.	Health Voucher–OBA Scheme	*Objectives:* To offer quality reproductive health care services to economically disadvantaged populations by means of a voucher system. The programme aims to contribute to a reduction of both maternal and infant mortality rates. *Activities:* Provision of a safe motherhood package of antenatal services and attended delivery by qualified health workers, long-term family planning methods, and gender-based violence recovery services at accredited facilities. The safe motherhood voucher cost to clients is Ksh 200 (US$2.70) and the Family Planning voucher is Ksh 100 (US$1.35), while the service providers are reimbursed up to a maximum of Ksh 20,000 for complicated deliveries.	Poor women in six zones in Kenya	59,982	KfW, GoK	Ministry of Public Health and Sanitation	Cash
11.	NMK (Component 2)	*Objective:* To improve the health and nutrition status of vulnerable people and school-children. Activities: The component addresses issues of nutrition since poverty reduction must also include commensurate improvements in nutrition. The component also supports the community-based School Meals Programme, which targets pupils from poor homes with the aim of improving their nutrition, increasing their class attendance, and improving their academic performance.	School-children	37,196	GoK	MOA	Cash

Annex 2: Social Protection Programmes Reviewed

	Programme	Programme Synopsis	Beneficiaries	Number of Beneficiaries (2010)	Funding agency	Implementing agency	Type of transfer
12.	Cash Transfer for Orphans & Vulnerable Children (CT-OVC)	*Objective:* To encourage fostering and retention of orphans within their families and communities and to promote their human capital development through better school enrolment and attendance and better health centre attendance. *Activities:* Cash transfer to OVC.	OVC	412,470	UNICEF, DFID, WB, GoK	Children's Secretariat, OVC Secretariat, MGCSD	Cash
13.	Older Persons Cash Transfer (OPCT)	*Objective:* To strengthen the capacity of older people and improve their livelihoods while alleviating poverty through sustainable social protection mechanisms. *Activities:* Regular and predictable cash transfers to vulnerable older people in identified households. It targets extremely poor households that include a member aged 65 or older who is not already receiving a pension.	Older people	33,000	GoK	Dept. of Gender (MGCSD)	Cash
14.	Disability Grants	*Objectives:* To provide support to people with severe disabilities who are unable to look after themselves and require constant attention of caregivers. Beneficiaries include those who need permanent care, which includes but is not limited to feeding, hygienic care, and require protection from themselves, others, and the environment. *Activities:* Cash transfer.	People with disabilities and institutions serving people with disabilities	2,100	GoK	MGCSD	Cash
15.	Urban Food Subsidy	*Objective:* To improve the livelihood security of the most vulnerable residents of urban informal settlements in response to the cumulative shocks and stresses. Specifically, the objectives are to increase access to food for the most vulnerable households in selected informal settlements and to develop longer-term food and income security initiatives. *Activities:* Cash transfer.	Poor households in urban areas	5,150	WFP, Oxfam, Concern	WFP, Oxfam, Concern	Cash

Annex 2: Social Protection Programmes Reviewed

16.	Hunger Safety Net Programme (HSNP)	Objective: To reduce poverty among pastoralist peoples in northern Kenya. In the pilot phase, three targeting methodologies have been tested namely, community-based targeting (CBT), a dependency ratio methodology, and a social pension. *Activities:* Cash transfer, financial extension services.	Chronically food-insecure people in Mandera, Wajir, Marsabit, and Turkana	289,480	DfID	Min. for the Development of Northern Kenya and Arid Lands	Cash
17.	General Relief Food Distribution (PRRO 2009-2013)	*Objective:* To cover immediate food needs that are not met through other government sources or through the HSNP. *Activities:* The provision of food rations to people affected by severe and temporary seasonal food shortages and those unable to participate in Food for Assets (FFA) activities, for example, PLHIV, the elderly, and OVC.	Poor households and disaster victims	2,180,058	GoK	Special Programmes, WFP	Food
18.	Supplementary Feeding (PRRO 2009-2013)	*Objective:* To address persistently high rates of acute malnutrition and to complement preparedness interventions in pastoralist areas. *Activities:* In and around urban and peri-urban areas in arid counties, UNICEF, WFP, and partners screen beneficiaries and provide a protection ration for those families found to be food-insecure.	Poor women and children	454,667	GoK	WFP	Food
19.	Food for Assets/ Cash for Assets (PRRO 2009-2013)	*Objective:* To create household and community assets for people recovering from drought to enhance their resilience to shocks. *Activities:* Food assistance, or a combination of food-based and cash-based interventions, target vulnerable households recovering from emergencies. The FFA target group is distinguished from the GFD target group in that all the households have an active member who can participate in the asset creation.	Vulnerable communities	140,000	Several donors	WFP, Ministry of Northern Kenya	Food or Cash

Annex 2: Social Protection Programmes Reviewed

	Programme	Programme Synopsis	Beneficiaries	Number of Beneficiaries (2010)	Funding agency	Implementing agency	Type of transfer
B. CONTRIBUTORY PROGRAMMES							
20.	National Hospital Insurance Fund (NHIF)	*Objective:* To provide health insurance to its members, that is, people who have an income and therefore can make a financial contribution, either voluntarily or involuntarily. *Activities:* These include registering members, collecting contributions, and pooling resources. The schemes purchase services by contracting the provision of health care services (including medicines) from selected public and private providers. They also make payments of claims and make payments to providers.	Formal and informal sectors' workers	367,886	MoMS	NHIF	Cash
21.	National Social Security Fund (NSSF)	*Objectives:* To provide quality basic social security to members through registration, collection of contributions, and timely payment of benefits. *Activities:* The provision of age or retirement, survivors', invalidity, withdrawal, emigration*, and other benefits.	Formal and informal sectors' workers	38,339	MoL	NSSF	Cash
C. OTHER							
22.	Civil service pension	*Objective:* To provide retirement pensions exclusively to public service employees. Created by Act of Parliament (1942). Non-contributory and not funded by employees (part of GoK budget). *Activities:* Pension benefit payments.	Civil servants	209,384	MoF	-	Cash

Source: Authors (2011).
Note: * The NSSF Emigration Grant covers those Kenyans who are leaving the country for good (http://www.nssf.or.ke/our-benefits).

Annex 3: Beneficiaries, Financing, Expenditure, and Value of Transfers

At the time of the review, all the programmes listed here were operational with the exception of the Most Vulnerable Children (MVC) programme, which closed in 2009.

Annex Table 3.1: Beneficiaries by Sector

	2005	2006	2007	2008	2009	2010
TOTAL CONTRIBUTORY[1]	173,698	203,412	238,780	282,873	339,155	406,225
NSSF	38,339	38,339	37,472	39,654	35,292	38,339
NHIF	135,359	165,073	201,308	243,219	303,863	367,886
TOTAL SAFETY NETS	**4,061,829**	**4,912,742**	**4,202,783**	**3,565,711**	**5,831,753**	**5,487,407**
SUB-TOTAL AGRICULTURE	9,180	13,685	44,357	102,090	231,141	134,130
NAAIAP	0	0	35,500	92,000	177,250	120,750
NMK Component 1	9,180	13,685	8,857	9,690	53,771	12,180
FAO Farmer First Programme	0	0	0	400	120	1,200
SUB-TOTAL HEALTH & NUTRITION	80,078	44,503	112,777	96,464	89,242	132,047
Health Voucher – OBA Scheme	0	2,888	49,895	34,518	10,770	59,982
HIV/AIDS Nutrition Feeding	80,078	41,615	62,882	61,946	78,472	72,065
SUB-TOTAL EDUCATION	1,288,148	1,156,336	1,287,222	1,949,810	2,290,359	1,445,892
Regular School Feeding	1,281,584	1,136,644	1,245,342	1,211,824	862,248[2]	803,669
MVC			20,000	650,200	550,000	0
Home Grown School Meals (HGSM)	0	0	0	0	538,457	538,457
Secondary Education Bursary Fund	0	0	0	61,530	55,440	66,570
NMK Component 2	6,564	19,692	21,880	26,256	30,632	37,196
Expanded School Feeding Programme[2]	0	0	0	0	1,115,830	0
SUB-TOTAL SOCIAL CASH TRANSFERS	9,900	44,024	94,167	151,806	495,841	755,280
CT-OVC	9,900	43,824	94,067	151,506	271,824	412,470
Hunger Safety Net Programme (HSNP)	0	0	0	0	154,402	289,480
Older Persons Cash Transfer (OPCT) Programme	0	200	100	300	32,115	33,000
Urban Food Subsidy Programme	0	0	0	0	37,500	18,230
Disability Grant	0	0	0	0	0	2,100
SUB-TOTAL RELIEF & RECOVERY	2,674,523	3,654,194	2,664,260	1,265,541	2,725,170	3,020,058
Supplementary Feeding including MCH (PRRO)[3]	160,510	69,166	49,955	103,899	105,437	586,516[3]
General Food Distribution (GFD)[4]	2,123,533	3,349,270	2,368,857	941,898	2,031,265	2,180,058
Food for Assets/Cash for Assets[5]	390,480	235,758	245,448	219,744	588,468	840,000

Notes: [1]NSSF missing data for 2005 has been replaced with the average annual trend 2006-2010 and NHIF missing data for 2005 and 2006 with the average annual trend 2007-2010. [2]The current WFP Country Programme 10668.0 has lower numbers than the previous – integrated by the Home Grown School Meals (MoE). Also note that the PRRO 10666.0 has the ESFP tool in it. [3]Earlier plans to carry out four months of supplementary feeding in 2009 were delayed and distribution commenced in January to ensure implementation during the most critical period in early 2010. [4]In 2006, the "WFP massively scaled up its operation from 1.2 million people in January up to 3.6 million people…between February and August 2006" (EMOP 10374.0 2006 SPR). [5]FFA/CFA before 2009 was just a pilot in the EMOPs. With the PRRO 10666.0 it became the core of the recovery component of the WFP. The FFA figures used here are the official number of FFA participants from WFP Standard Project Reports multiplied by 5, which is the average household size used by the WFP to calculate rations.

Annex Table 3.2: Financing by Programme Sector

Sector	2005	2006	2007	2008	2009	2010
AGRICULTURE						
Total GoK	62,778,726	90,558,650	328,176,785	350,125,000	351,897,550	372,500,000
Total Bilateral	0	0	0	30,222,724	37,748,660	74,807,510
Total Multilateral	0	0	0	389,000,000	798,000,000	1,591,000,000
Sub-total Agriculture	**62,778,726**	**90,558,650**	**328,176,785**	**769,347,724**	**1,187,646,210**	**2,038,307,510**
HEALTH & NUTRITION						
Total GoK	5,770,465	5,560,166	10,092,417	8,629,474	10,000,000	43,013,268
Total Bilateral	14,351,237	248,007,643	254,110,872	269,005,101	436,817,951	555,498,174
Total Multilateral	0	0	0	0	575,873	609,430
Total Other Sources	1,232,400	1,492,047	1,970,145	4,168,333	27,134,723	12,208,255
Sub-total Health & Nutrition	**21,354,102**	**255,059,856**	**266,173,435**	**281,802,908**	**474,528,547**	**611,329,127**
EDUCATION						
Total GoK	979,746,845	881,163,149	1,031,860,910	1,086,269,385	1,480,035,832	1,778,402,585
Total Bilateral	487,942,049	230,175,786	483,326,169	1,069,222,415	4,598,233,358	2,097,962,327
Total Multilateral	0	0	0	0	1,640,019,415	7,008,442
Total Other Sources	41,901,614	34,317,084	59,104,364	100,039,987	312,049,313	140,394,937
Sub-total Education	**1,509,590,508**	**1,145,656,019**	**1,574,291,443**	**2,255,531,787**	**8,030,337,918**	**4,023,768,291**
SOCIAL CASH TRANSFERS						
Total GoK	48,000,000	56,000,000	170,200,000	583,000,000	1,939,000,000	2,473,509,631
Total Bilateral	0	0	0	323,729,500	363,698,660	2,145,889,136
Total Multilateral	160,000,000	262,000,000	312,000,000	579,000,000	919,000,000	574,805,707
Total Other Sources	0	0	0	0	40268225.91	53019553.09
Sub-total Social Cash Transfers	**208,000,000**	**318,000,000**	**482,200,000**	**1,485,729,500**	**3,261,966,886**	**5,247,224,026**
RELIEF & RECOVERY						
Total GoK	1,510,824,784	1,359,370,007	681,288,403	163,682,222	565,331,691	1,060,472,369
Total Bilateral	5,171,211,136	3,694,231,306	5,326,134,040	4,812,014,086	7,628,458,655	16,211,065,477
Total Multilateral	37,301,000	1,392,399,227	0	777,679,087	3,634,230,840	5,508,756,733
Sub-total Relief & Recovery	**6,719,336,919**	**6,446,000,541**	**6,007,422,443**	**5,753,375,395**	**11,828,021,187**	**22,780,294,578**

Annex Table 3.3: Financing by Programme (Ksh)

Sector/Programme	2005	2006	2007	2008	2009	2010
AGRICULTURE	62,778,726	90,558,650	328,176,785	769,347,724	1,187,646,210	2,038,307,510
NAAIAP	0	0	250,000,000	649,180,000	1,048,000,000	1,841,000,000
Government of Kenya			250,000,000	250,000,000	250,000,000	250,000,000
Multilateral Donors				389,000,000	798,000,000	1,591,000,000
Bilateral Donors				10,180,000		
NMK Component 1	62,778,726	90,558,650	78,176,785	100,125,000	101,897,550	122,500,000
Government of Kenya	62,778,726	90,558,650	78,176,785	100,125,000	101,897,550	122,500,000
FAO Farmer First Programme	0			20,042,724	37,748,660	74,807,510
Bilateral Donors				20,042,724	37,748,660	74,807,510
HEALTH	21,354,102	255,059,856	266,173,435	281,802,908	474,528,547	611,329,127
MCH PRRO	0	0	0	0	**0**	**0**
Government of Kenya	0	0	0	0	0	0
Multilateral Donors	0	0	0	0	0	0
Bilateral Donors	0	0	0	0	0	0
Health Voucher – OBA	0	242,000,000	242,000,000	242,000,000	382,066,667	382,066,667
Government of Kenya		4,000,000	4,000,000	4,000,000	10,000,000	9,000,000
Bilateral Donors		238,000,000	238,000,000	238,000,000	**372,066,667**	**373,066,667**
HIV/AIDS Budget	21,354,102	13,059,856	24,173,435	39,802,908	92,461,880	229,262,460
Government of Kenya	5,770,465	1,560,166	6,092,417	4,629,474	0	34,013,268
Multilateral Donors	0	0	0	0	575,873	609,430
Bilateral Donors	14,351,237	10,007,643	16,110,872	31,005,101	64,751,284	182,431,507
Private	1,232,400	1,492,047	1,970,145	4,168,333	27,134,723	12,208,255
EDUCATION	1,509,590,508	1,145,656,019	1,574,291,443	2,255,531,787	**8,030,337,918**	**4,023,768,291**
Regular School Feeding	726,039,463	300,376,694	725,203,050	955,269,787	1,063,311,615	2,636,518,291
Government of Kenya	196,195,800	35,883,824	182,772,517	111,107,385	0	391,152,585
Multilateral Donors	0	0	0	0	6,622,535	7,008,442
Bilateral Donors	487,942,049	230,175,786	483,326,169	744,122,415	744,639,767	2,097,962,327
Private	41,901,614	34,317,084	59,104,364	100,039,987	312,049,313	140,394,937

Annex Table 3.3: Financing by Programme (Ksh)

Sector/Programme	2005	2006	2007	2008	2009	2010
Most Vulnerable Children	0	0	10,000,000	650,200,000	550,000,000	0
Government of Kenya			10,000,000	325,100,000	275,000,000	
Bilateral Donors				325,100,000	275,000,000	
Home Grown School Meals	0				550,000,000	826,000,000
Government of Kenya					400,000,000	826,000,000
Bilateral Donors					150,000,000	
Secondary Education Bursary Fund	770,000,000	800,000,000	800,000,000	600,000,000	500,000,000	500,000,000
Government of Kenya	770,000,000	800,000,000	800,000,000	600,000,000	500,000,000	500,000,000
NMK 2	13,551,045	45,279,325	39,088,393	50,062,000	50,948,775	61,250,000
Government of Kenya	13,551,045	45,279,325	39,088,393	50,062,000	50,948,775	61,250,000
Expanded School Feeding Programme	0	0	0	0	5,316,077,528	0
Government of Kenya					254,087,057	
Multilateral Donors					1,633,396,880	
Bilateral Donors					3,428,593,591	
SOCIAL CASH TRANSFERS	208,000,000	318,000,000	482,030,000	1,485,729,500	3,262,492,886	5,247,391,026
CT-OVC Budget	208,000,000	318,000,000	480,830,000	1,158,000,000	2,308,526,000	2,805,167,000
Government of Kenya	48,000,000	56,000,000	169,000,000	579,000,000	816,000,000	828,000,000
Government of Kenya loans	0	0	0	0	573,000,000	1,056,000,000
Multilateral Donors	160,000,000	262,000,000	312,000,000	579,000,000	919,000,000	415,000,000
Bilateral Donors	0	0	0	0	0	506,000,000
Hunger Safety Net Programme (HSNP)				323,729,500	320,227,875	1,331,250,000
Bilateral Donors				323,729,500	320,227,875	1,331,250,000
Older Persons Cash Transfer Programme (OPCT)			1,200,000	4,000,000	550,000,000	530,000,000
Government of Kenya			1,200,000	4,000,000	550,000,000	530,000,000
Urban CT (WFP + OXFAM/ CONCERN)					83,739,011	555,974,026
Government of Kenya						34,509,631

Annex Table 3.3: Financing by Programme (Ksh)

Programme	2005	2006	2007	2008	2009	2010
Bilateral Donors					43,470,785	308,639,136
Other					40,268,226	53,019,553
Multilateral Donors						159,805,707
Disability Grant						25,000,000
Government of Kenya						25,000,000
RELIEF AND RECOVERY	6,719,336,919	6,446,000,541	6,007,422,443	5,753,375,395	11,828,021,187	22,780,294,578
Supplementary Feeding	424,165,610	95,416,861	103,112,293	340,967,577	426,975,600	3,606,889,555
Government of Kenya	95,372,493	20,122,061	11,693,735	9,467,950	20,407,711	172,907,274
Multilateral Donors	2,354,667	20,610,976	0	44,983,667	131,190,828	774,279,207
Bilateral Donors	326,438,450	54,683,823	91,418,557	286,515,961	275,377,061	2,659,703,074
GFD	6,074,068,359	6,243,808,069	5,785,505,954	5,129,397,051	10,858,427,684	17,036,262,724
Government of Kenya	1,365,737,888	1,316,730,485	656,121,348	142,432,526	518,989,033	784,485,679
Multilateral Donors	33,718,926	1,348,723,674	0	676,718,557	3,336,317,389	4,184,628,085
Bilateral Donors	4,674,611,545	3,578,353,910	5,129,384,606	4,310,245,969	7,003,121,261	12,067,148,960
Food for Assets/Cash for Assets	186,152,214	73,251,171	99,910,411	58,164,185	467,266,745	1,053,987,152
Government of Kenya	41,855,823	15,447,632	11,330,617	5,538,231	22,333,465	53,202,309
Multilateral Donors	1,033,385	15,822,970	0	26,312,977	143,570,525	283,793,257
Bilateral Donors	143,263,005	41,980,569	88,579,794	26,312,977	301,362,754	716,991,586
MCH PRRO	34,950,736	33,524,440	18,893,785	224,846,582	75,351,158	1,083,155,148
Government of Kenya	7,858,579	7,069,828	2,142,702	6,243,515	3,601,481	49,877,107
Multilateral Donors	194,022	7,241,607	0	29,663,887	23,152,098	266,056,184
Bilateral Donors	26,898,136	19,213,004	16,751,083	188,939,180	48,597,579	767,221,857

Source: Authors (2011).

Annex Table 3.4: Financing by Source of Funds and by Type of Programme (Ksh)

Programme	2005	2006	2007	2008	2009	2010
1. GFD[1]						
Total GoK	1,365,737,888	1,316,730,485	656,121,348	142,432,526	518,989,033	784,485,679
Total Bilateral	4,674,611,545	3,578,353,910	5,129,384,606	4,310,245,969	7,003,121,261	12,067,148,960
Total Multilateral	33,718,926	1,348,723,674	0	676,718,557	3,336,317,389	4,184,628,085
SUB-TOTAL 1: FINANCING GFD	6,074,068,359	6,243,808,069	5,785,505,954	5,129,397,051	10,858,427,684	17,036,262,724
2. OTHER SAFETY NETS[2]						
Total GoK	1,227,831,886	1,030,642,162	1,526,408,774	1,999,211,555	3,776,327,265	4,882,162,174
Total Bilateral[3]	998,892,876	594,060,825	934,186,475	2,193,947,857	6,061,836,023	9,018,073,663
Total Multilateral	163,582,074	305,675,553	312,000,000	1,068,960,531	3,655,508,739	3,497,552,227
Other Financing[4]	43,134,015	35,809,131	61,074,510	104,208,320	379,452,262	205,622,746
SUB-TOTAL 2: FINANCING other Safety Nets	2,433,440,851	1,966,187,672	2,833,669,759	5,366,328,262	13,873,124,288	17,603,410,809
TOTAL FINANCING ALL SAFETY NETS	8,507,509,210	8,209,995,741	8,619,175,713	10,495,725,313	24,731,551,972	34,639,673,533
3. CONTRIBUTORY PROGRAMMES						
NSSF	4,826,672,824	5,289,671,015	5,338,094,395	5,422,158,941	6,168,073,392	6,855,109,918
NHIF	3,828,994,751	4,292,157,795	4,811,345,988	5,199,096,663	6,017,001,717	6,785,184,242
SUB-TOTAL 3: FINANCING Contributory	8,655,667,575	9,581,828,810	10,149,440,383	10,621,255,604	12,185,075,109	13,640,294,160
4. CIVIL SERVICE PENSION						
GoK	17,820,000,000	22,250,000,000	23,340,000,000	26,160,000,000	26,510,000,000	26,730,000,000
5. SAFETY NETS, CONTRIBUTORY PROGS, and CIVIL SERVICE PENSION						
Total GoK	20,413,569,774	24,597,372,647	25,522,530,122	28,301,644,081	30,805,316,298	32,396,647,853
Total Bilateral	5,673,504,421	4,172,414,735	6,063,571,081	6,504,193,825	13,064,957,284	21,085,222,623
Total Multilateral	197,301,000	1,654,399,227	312,000,000	1,745,679,087	6,991,826,128	7,682,180,311
Total Contributory	8,655,667,575	9,581,828,810	10,149,440,383	10,621,255,604	12,185,075,109	13,640,294,160
Other Financing	43,134,015	35,809,131	61,074,510	104,208,320	379,452,262	205,622,746
Total Financing Safety Nets, Contributory Progs & Civil Service Pension	34,983,176,785	40,041,824,551	42,108,616,096	47,276,980,917	63,426,627,081	75,009,967,693

Source: Authors (2011).
Notes: [1]The WFP defines "multilateral contributions" as those where the WFP determines the country and activity and how the contribution will be used (can be directed or not). In our definition, multilateral contributions are those from multilateral third sources (such as Central Emergency Response Fund - CERF, United Nations (UN) agencies and funds, and the World Bank). [2]DFID staff provided the HSNP financing and expenditure figures. The HSNP transfer figures have been calculated from the DFID spreadsheet "HSNP Costs and CT Value." The figures refer to fiscal years, while the beneficiaries' figures provided by DFID staff (Table 3.1) refer to calendar years. [3]For the MVC programmes, the MoE provided total figures (no breakdown of sources of funds). The DFID provided figures on their contributions to the programme. It is assumed here that the difference was provided by the GOK. [4]Other financing mainly consists of private donations to the WFP Country Programme (for example, from Friends of the WFP). It also includes NGOs (Oxfam/Concern) and private sector financing (Safaricom, Telkom) to the Urban Food Subsidy Programme.

Annex Table 3.5: Financing, Expenditures, and Transfers by Type of Programmee

Programme	2005	2006	2007	2008	2009	2010
1. GFD						
Total Financing	6,074,068,359	6,243,808,069	5,785,505,954	5,129,397,051	10,858,427,684	17,036,262,724
Total Expenditure	8,575,155,331	8,814,787,862	7,740,104,526	3,492,472,625	6,701,354,571	7,496,815,507
Value of Transfers[1/]	2,834,637,954	7,096,470,155	4,083,886,556	1,992,594,993	3,597,854,979	3,544,904,658
2. OTHER SAFETY NETS[2/]						
Total Financing	2,433,440,851	1,966,187,672	2,833,669,759	5,366,328,262	13,873,124,288	17,603,410,809
Total Expenditure[3/]	2,404,364,305	1,807,301,983	2,833,498,749	5,001,384,215	12,676,451,196	12,969,768,589
Value of Transfers[4/]	1,449,014,872	1,343,351,736	2,168,983,224	3,793,777,807	8,792,832,829	8,393,515,821
3. ALL SAFETY NETS (1 +2)						
Total Financing	8,507,509,210	8,209,995,741	8,619,175,713	10,495,725,313	24,731,551,972	34,639,673,533
Total Expenditure	10,979,519,635	10,622,089,845	10,573,603,276	8,493,856,840	19,377,805,767	20,466,584,096
Value of Transfers	4,283,652,826	8,439,821,891	6,252,869,781	5,786,372,800	12,390,687,808	11,938,420,479
4. CONTRIBUTORY PROGRAMMES[5/]						
Total Financing[6/]	8,655,667,575	9,581,828,810	10,149,440,383	10,621,255,604	12,185,075,109	13,640,294,160
Total Expenditure	7,992,296,252	8,607,211,691	10,090,747,552	10,699,777,344	11,397,133,611	12,270,384,624
Value of Transfers	3,521,531,418	4,124,769,534	4,187,130,984	4,899,376,591	5,759,043,663	6,051,594,679
5. Civil Service Pension						
Total Financing	17,820,000,000	22,250,000,000	23,340,000,000	26,160,000,000	26,510,000,000	26,730,000,000
Total Expenditure	14,390,000,000	17,720,000,000	23,110,000,000	25,220,000,000	27,310,000,000	24,410,000,000
Value of Transfers	14,390,000,000	17,720,000,000	23,110,000,000	25,220,000,000	27,310,000,000	24,410,000,000
6. SAFETY NETS, CONTRIBUTORY PROGRAMMES, AND CIVIL SERVICE PENSION (3+4+5)						
Total Financing	34,983,176,785	40,041,824,551	42,108,616,096	47,276,980,917	63,426,627,081	75,009,967,693
Total Expenditure	33,361,815,887	36,949,301,536	43,774,350,828	44,413,634,184	58,084,939,378	57,146,968,720
Value of Transfers	22,195,184,244	30,284,591,425	33,550,000,765	35,905,749,391	45,459,731,471	42,400,015,158

Source: Authors (2011).

Notes: [1]WFP figures are approximations based on WFP annual Standard Project Reports: WFP corporately provides official financial data (expenditures, contributions received) by project and not by activity, thus the figures in the tables are extrapolations and estimations in each table based on project data. Documents used as sources of WFP data are budget documents (current PRRO and CP) and SPRs. SPRs provide information on the specific calendar year. The budget is presented as the global budget for the entire programme. It has been calculated as the last/latest approved budget divided for number of years of implementation of the programme (months used when a programme was not covering the entire year). For this reason, in some years budgets are lower than expenditures. This has to be summed to the fact that for one programme (MVC) we have expenditures and not budget and for the contributory programmes budgets are slightly lower than expenditures. The share of each activity has been calculated based on the number of beneficiaries. Transfers are calculated as the total value of commodities only for all food aid programmes. Delivery and distribution costs are NOT included in the values considered here. [2] DFID staff provided the HSNP financing and expenditure figures. The HSNP transfer figures have been calculated from the DFID spreadsheet "HSNP Costs and CT Value." The figures refer to fiscal years, while the beneficiaries' figures provided by DFID staff (Tables 7-9) refer to calendar years. [3]The expenditure of the Health Voucher – OBA Scheme 2010 was missing and has been calculated based on the average annual growth of expenditures 2006-2009. [4]The financing includes both contributions and other incomes from investments. [5]The transfer value of the Health Voucher – OBA Scheme 2007 was much lower than the values for 2006 and 2008. To avoid any distortion of the results, we have recalculated the value interpolating the 2006 and 2008 transfers-to-expenditures ratio. Also, we calculated the missing value of transfers for 2010 using average annual increases in transfers 2006-2009. [6]NHIF figures were provided for the period 2007-2010 while the NSSF was missing the expenditures of 2010. We used average annual growth to calculate the missing values. It has to be noted that the average growth in number of beneficiaries for the same years was slightly higher.

Annex Table 3.6: NSSF and NHIF Contributors and Members

	2005	2006	2007	2008	2009	2010
Members[1]						
NSSF	3,448,646	3,638,746	3,858,939	4,062,838	4,329,964	4,639,222
NHIF	2,001,604	2,201,764	2,497,179	2,843,966	3,236,891	3,305,235
Total Members	**5,450,250**	**5,840,510**	**6,356,118**	**6,906,804**	**7,566,855**	**7,944,457**
Beneficiaries						
NSSF[2]	38,339	38,339	37,472	39,654	35,292	38,339
NHIF[3]	135,359	165,073	201,308	243,219	303,863	367,886
Total Beneficiaries	**0**	**38,339**	**238,780**	**282,873**	**339,155**	**406,225**

Notes: [1]Includes both active and inactive members. [2]NSSF 2005 beneficiary numbers were not provided. They were calculated as indicated in Annex 4. [3]NHIF 2005 and 2006 beneficiary numbers were not provided. They were calculated as indicated in Annex 4.

Annex 4: Methodology and Data Sources

Introduction

This annex explains the primary data collection and analysis methods and data sources used in the sector review. We focus on analytical methods used that may be unfamiliar to some readers.

The main sources of data used for the review, described in more detail below, were:

- Kenya Integrated Household Budget Survey (KIHBS) 2005/06
- Small area poverty estimates produced by the Kenya National Bureau of Statistics (KNBS)
- A landscape survey including the main details of the key 20 to 30 programmes in Kenya
- A review of programme and policy documentation
- Disaggregated beneficiary data from five programmes (CT-OVC, HSNP, OPCT, PRRO, and SFP)
- A macroeconomic data review focused on public expenditure and finances.

The primary analytical techniques used were:

- Statistical data analysis focusing on the large national datasets
- Mapping of programme coverage and poverty
- In-depth case studies considering specific aspects of programmes in more detail
- Simulation modeling (described in more detail below).

Data Sources and Collection Tools

The first step for the technical committee was to reach an agreement on the definition of the social protection sector for the purpose of this review. The committee agreed to define social protection as: "policies and actions, including legislative measures, which enhance the capacity and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare; enable income-earners and their dependants to maintain a reasonable level of income through decent work; and ensure access to affordable health care, essential services, and social transfers." This definition is in line with what is contained in the draft National Social Protection Policy (NSPP). This definition was used as the basis for selecting the programmes to be analysed. Programme data for the period between 2005 and 2011 was reviewed. Given the large number of small programmes run by non-state actors and faith-based organisations, it was decided to limit the analysis to programmes with over 1,000 recipients. Programmes below that scale were included only if they had particular design characteristics that might be interesting or relevant for national policy.

To identify all relevant programmes with those criteria, the team designed a short e-survey, whose aim was to identify interventions that might not usually be considered in the literature but that might be interesting for some unique design features. The web link for the e-survey was sent to a list of over 500 organisations, using the database of the Kenya NGO bureau available online, and was cleaned and updated with existing contacts. The response rate was very low (10 responses) and for this reason it was also shared with the members of the Health NGO Network. Their response rate was also too low to get any useful data, and therefore the exercise was dropped.

The programmes were therefore selected by a brainstorming exercise done by the members of the technical committee. Two programmes of the original list had to be dropped for lack of information – *Kazi Kwa Vijana* and the National Aids and STD Control Programme – and one was separately considered as a special programme (civil service pension). The final number of social protection programmes identified was 22, of which 19 are safety nets. For a complete list and description, see Annex 2.

For each programme, the review team conducted a thorough data collection process. The data came from three different sources:

1. Some of them were secondary data that we were able to collect from programme implementers (government ministries and other public entities, United Nations agencies, and non-governmental organisations) and donors.
2. A landscape survey was designed by the Kimetrica team and approved by the technical committee to gather information on programme design, coverage, and financing for the selected programmes. It was implemented through face-to-face and telephone interviews. Once data were collected, respondents were asked to validate the information before it was used in the analysis that underpins this report.
3. In-depth interviews with some of the landscape survey respondents to get more detailed information on specific aspects of some programmes (such as the HSNP and its targeting and M&E methodologies).

Extensive adjustments were needed to make the data comparable across programmes. For instance, for programmes using fiscal years, we used 2005/06 figures for 2005, 2006/07 for 2006, and so on. Also, for programmes using US dollars, we use average annual exchange rates. HSNP figures in British pounds were converted to Kenya shillings at the average 2008-2011 rate of 125, provided by the DFID. Not all programmes started in 2005.

WFP data was mainly derived from the official standard project reports (SPR) published annually for the two programmes (the PRRO and the Country Programme). In WFP terminology, programmes are divided into activities such as the General Food Distribution, School Feeding Programme, or Food for Assets. The SPRs report data (expenditures and contributions received) by programme and not by specific activity, so the review team worked with the WFP to arrive at breakdowns by activity based on the actual numbers of beneficiaries (these figures are reported by activity in the SPRs).

Other smaller adjustments include:

- The expenditures of the Health Voucher – OBA Scheme 2010 were missing and the transfer value for 2007 was much lower than the values for 2006 and 2008. The expenditures for 2010 have been calculated based on the average annual growth of expenditures 2006-2009 and we have recalculated the 2007 transfer value interpolating the 2006 and 2008 transfers/expenditures ratio.
- The expenditure figures of both the NSSF and the NHIF are sometimes slightly higher than the total of contributions received plus other incomes. It has to be noted that we used as the NSSF budget the sum of contributions plus other incomes instead of the official budget provided, which was around 50 percent of actual expenditures.
- NSSF missing beneficiary data for 2005 has been replaced with the average annual trend 2006-2010 and NHIF missing data for 2005 and 2006 with the average annual trend 2007-2010.
- The FFA figures used here are the official number of FFA participants from SPRs multiplied by six, which is the average household size used by the WFP to calculate rations.

Finally, where primary data were not available, estimates were used from secondary data sources. For example, to understand coverage of vulnerable groups for which disaggregated data are not available, we estimated the percentage of households in the population belonging to each category using KIHBS, Demographic and Health Survey, and National Aids Control Council data. We derived estimates of absolute and hardcore poverty within the groups from KIHBS data. The data correlating the People Living with HIV and AIDS (PLWHA) programme and poverty are weak so in our analysis we assumed that households including one or more PLWHA are statistically similar to the general population.

Poverty Definitions and Measures

Poverty is referenced throughout the document, and this section explains how the concept is used in this report. Poverty can be measured in a number of different ways. It is defined by the World Bank as "not having enough today in some dimension of well-being." It can be measured by different monetary indicators such as income or consumption. Broader concepts of poverty include non-monetary categories or categories that are difficult to express in monetary terms, such as "ability to function in society." This report sticks to monetary measures, simply because these offer the possibility of applying a consistently defined method and one that is broadly supported by available data in Kenya. This is not to deny that the conventional monetary measures might lead to household poverty classifications that are very divergent from the community's or households' own perception, as Simon (2011) found in her study of targeting in Kenya.

Once an income, consumption, or non-monetary measure is defined at the household or individual level, the next step is to define one or more poverty lines. Poverty lines are cut-off points separating the poor from the non-poor. They can be monetary (for example, a certain level of consumption or income) or non-monetary (for example, a certain level of literacy). The monetary poverty metric compares household expenditure per adult equivalent with an absolute and a food poverty line. Poverty is understood as the shortfall in expenditures from an agreed-upon threshold (Deaton and Zaidi 1999 and Ravallion 1998).

The analysis is summarised in a poverty indicator. Many alternative indicators have been proposed. This review focused on the two most common – the poverty headcount and the poverty gap. The "poverty headcount" measures the frequency of poor (or "poverty incidence") by counting the total number of households living below the poverty line compared to the population as a whole. A household is considered to be "non-poor" if it has adult equivalent household expenditures above the standard poverty line threshold. A household is considered to be "absolute poor" if its full adult equivalent expenditure falls below the standard national poverty line but above the standard food poverty line. A household is flagged as "hardcore" poor when its adult equivalent expenditure falls below the food poverty line.

Since the headcount does not capture the depth or severity of the problem (how poor are the households living below the line), the "poverty gap" is also used (Sen 1995 and 1997, and Besley and Kanbur 1990). This captures how far, on average, households fall below the poverty line. As Sen (1993) and others have pointed out, if the headcount is seen as the "gold standard," policymakers have an incentive to focus on the upper echelons of the poor (who can be moved above the line at the least cost). If programmes aim to reduce the most extreme deprivation, then a gap measure is far more appropriate. This report shows how the choice of indicator strongly influences our understanding of the impact and targeting performance of different programme designs in Kenya.

For the purpose of this report, monetary poverty was considered using expenditure levels from the KIHBS data (2005/06) to calculate consumption. In terms of indicators, the review used both the poverty headcount and the poverty gap. The KIHBS 2005/06 is the most recent dataset available in Kenya, but it dates back to six years ago and major socioeconomic changes have occurred in the country since then. This has to be taken into account when reading through the document. The poverty lines identified in the KIHBS data have been updated for inflation (calculated through the Consumer Price Index (CPI)) for the years that we considered in this review.

Food Insecurity

Several of the main safety net programmes in Kenya (particularly the PRRO and the HSNP) explicitly address food insecurity rather than poverty. Food insecurity is evaluated through rapid seasonal assessments that take place shortly after the short-rain and the long-rain seasons. The Government of Kenya implements the Integrated Phase Classification (IPC) as part of its ongoing national food security information system. The Kenyan FSIS includes the Arid Lands Resource Management Project (ALRMP) Early Warning System within the Office of the President. This institutional structure provides advanced information collection and early warning analysis and produces regular food security outlook bulletins and food security assessments. The IPC was introduced in 2007 to complement these existing structures and fulfil a number of shortcomings recognised by stakeholders. In Kenya, the IPC is primarily implemented through the following institutional structures:

- Kenya Food Security Meeting (KFSM), the main coordination body with high-level national representatives with an interest in food security
- Kenya Food Security Steering Group (KFSSG), a restricted group of stakeholders which acts as a technical think tank and advisory body to all relevant stakeholders on issues of drought management and food security
- Data and Information Subcommittee of the KFSSG, which focuses on improving the quality, quantity, and timeliness of food security and disaster management information through increased data sharing, coordinated investments in developing capacity and systems, and through continuous improvements in methodologies and techniques.

Data from multiple indicators are synthesised in a unique index at the sub-location level – the Integrated Phase Classification (IPC). This is a rating valued between 1 and 5, where 5 is indicative of famine conditions. For an explanation of the method, see IPC Global Partners (2008 (http://www.ipcinfo.org/tech.php; http://www.ipcinfo.org/country_kenya.php). It is understood to be a rating of acute food insecurity conditions. At county and location levels, the average IPC over time is highly correlated with poverty measures derived from the KIHBS data, with a Pearson Correlation Coefficient of 0.62 and 0.66 respectively, both with two-tailed significance of 0.01. This means that programmes that target food-insecure populations are also likely to be pro-poor, and this is certainly the case with the PRRO and the HSNP. Whether the strong correlation reflects the use of poverty estimates in building the IPC or the inherently close relationship between poverty and vulnerability to acute food insecurity could not be determined by the review team.

Coverage and Geo-Targeting Analysis

Coverage and Poverty / Food Insecurity Correlations

For the purposes of this report, geographic programme coverage is defined as the percentage of the total population of a given geographic unit that is receiving resources from the programme. Disaggregated data on recipient numbers are scarce, but location-level estimates of recipient numbers were available from the PRRO (all activities), the HSNP, the OPCT, and the CT-OVC. We used GIS methods to estimate the coverage of the School Feeding Programme based on school level data on recipient numbers and on school coordinates.

What drives the geographic coverage of these large programmes in Kenya? To answer this question, we explored the relationship between poverty measures, the IPC, and coverage. We explored the question at both the county and location levels. County-level estimates of poverty were estimated from the KIHBS data, using the new county definitions. The average IPC was recalculated at the county level too. We then used simple correlation models and more complex lagged regression models to explore the relationship between these indicators and county-level coverage for each of the main programmes. Lagged models were used to test how quickly the IPC was reflected in revised coverage figures: how responsive is the geographic allocation to changes in the IPC?

The same tests were run on the location-level data. Although KIHBS data are only representative at the district level or above (in other words, the county, provincial, or national levels), estimates of location-level poverty are available from a small area poverty estimation[184] exercise that was undertaken using the KIHBS 2005/06 dataset and the 1999 National Housing and Population Census data. The small area estimates are produced and shared by the KNBS and are an official and publicly available source of information.

This allowed the team to test whether poverty or IPC measures were used to fine-tune targeting below the district level. We found that there is evidence of fine-tuning: poorer and high IPC locations are more likely to be selected (in other words, to have more than zero recipients). However, within the selected locations on all programmes, there is no statistical evidence that differences in poverty or in IPC between the selected locations are reflected in differences in coverage. This holds true for the PRRO. Differences in programme coverage between the divisions that are selected for inclusion are only weakly influenced by their IPC scores.

Coverage of the Poor in Vulnerable Groups

This section explains how the team measured the coverage of the poor in vulnerable group categories. Most of the basic vulnerable group categories can be identified in the KIHBS dataset, making it relatively straightforward to flag households that include individuals belonging to a vulnerable category. The vulnerable categories we looked at are those indicated in the Constitution and for whom characteristics were indicated in the KIHBS database: disabled and chronically ill people, OVCs, PLWHAs, and people over 60 years of age. A key question for analysis is how membership of a vulnerable category influences poverty. Are households that fall into the vulnerable category necessarily

Annex Table 4.1: Safety Net Coverage of Absolute Poor Vulnerable Groups, 2010

Households Including One or More Member Who Is:	As Percent of Total Kenya Population	Percent of Group Absolute Poor	Estimated Number of Absolute Poor Households (2010)	Current Group Coverage (Households)[1/]	Coverage as Percent of Group	Possible Coverage of Absolute Poor (%)[2/]
Disabled	8.5	36.1	277,252	2,894	0.38	1.04
OVC	6.8	50.3	310,697	171,571	27.80	55.22
Over 60 years of age	6.7	41.8	255,707	21,587	3.52	8.44
PLWHA or chronically ill	7.5	40.8	277,459	13,033	1.91	4.70
Children under 18 years of age	72.9	46.4	3,071,093	198,919	6.48	13.96

Sources: Group as percentage of total population, National Housing and Population Census (2009) and KIHBS (2005/06).
Note: These figures differ from those presented in Table 1.3 because these report the number or percent of households with members who fall into each of the categories described while Table 1.3 reports on individuals. [1/]The coverage estimates include estimates from direct categorical targeting (in, for example, the OPCT, CT-OVC, and HSNP) as well as indirect estimates for programmes that do not explicitly target a particular vulnerable group but are likely to include members of each group. National averages have been used. [2/]This assumes perfect targeting.

[184] *Small area poverty estimates are estimation techniques that make it possible to produce a census enumeration level poverty map, demonstrating that "unbiased estimates of poverty can be derived for small areas by combining the richness of household surveys with the depth in coverage of censuses" (Hentschel et al. 1998). Whereas survey data alone produce estimates that are representative nationally for hundreds of thousands of households, small area estimation generates estimates of a sub-national nature at a much finer resolution (in other words, lower administrative levels), with comparable levels of statistical precision (Elbers et al. 2003).*

poor? And what is the coverage of the poor within these categories?

A key policy question is whether safety net programmes can or should cover the poor members of specific vulnerable groups in the long term or aim to cover all members of the group. Since using the Constitution categories of vulnerable would imply that the majority of all Kenyans would be targeted, it is important to assess poverty within these groups.

To assess whether the selected safety nets are covering poor people within the vulnerable categories identified, the team estimated the total numbers of households belonging to the specified vulnerable groups and living in absolute poverty using the KIHBS data. Unfortunately, as pointed out in the main report, current programmes do not collect systematic data on the coverage of vulnerable groups. Where data were not available, we came up with estimates based on the vulnerable group breakdown at national level.

Annex Table 4.0.1 compares these estimates with the current coverage of the safety net interventions. What coverage could be achieved if current resources were targeted to the poor within the vulnerable groups? This is a hypothetical question because perfect poverty targeting is impossible. We calculated it as the total national current group coverage divided by the number of households in the group who are likely to be poor. More than half the poor and vulnerable OVCs could be targeted with existing resources (because it is the only group that is currently benefitting from a large programme). For other groups, coverage is low and would be under 10 percent even under the assumption of perfect targeting.

Assessment of Costs and Benefit Levels

Financial and Overhead Costs

Financial costs were derived from the information that we received from each programme. As mentioned above, a few adjustments were made to ensure a consistent Kenya shilling series expressed in calendar years. While most programmes were able to provide relatively comprehensive data on overall total annual expenditure, they were not able to provide costs by programme component (such as M&E systems, targeting, or payment systems) so it was not possible to compare the cost-efficiency or effectiveness of specific components. Moreover, most programmes require extensive use of national and district-level public officials whose time is not explicitly accounted for or compensated by the programme budget. On-budget costs are therefore likely to under-estimate the actual programme costs.

Overhead is an important measure of efficiency. Overhead costs are generally taken to include the operating expenses of a project, such as the costs of rent, utilities, and taxes. They are contrasted with the transfer value, which is the amount of value that a programme actually transfers to the final recipient. Evidently, the larger the proportion of total expenditure that is actually transferred, the greater is the coverage and impact of the programme.

It was very difficult for this review to collect reliable information on overhead from the programmes for a number of reasons:

- The unwillingness of implementers to disclose information
- The different ways used to calculate and define overhead
- Protocol issues which made it difficult to access the data.

Therefore, instead of using overhead costs as defined above, we estimated the non-transfer costs by calculating the difference between the total annual expenditure of programmes and the total annual value of transfers. This method is relatively straightforward for cash transfers. For in kind programmes, the logistics costs of delivering food are significant and were not included in the transfer value calculations. In kind transfer costs were calculated based on the commodity cost (in other words, the purchase price) of the commodities. In most cases, purchase prices were considerably lower than the value of the commodities to the recipient (in local market terms) because the WFP usually purchases from surplus markets and distributes in deficit markets. So it should be noted that the method can under-estimate the transfer efficiency (and over-estimate the overhead ratio) for in kind programmes.

Opportunity Costs

Opportunity cost is defined as the value of the next-highest-valued alternative use of that resource. If, for example, beneficiaries spend time and money going to collect a food ration, then they cannot spend that time working in their farm, and they cannot spend the money on something else. Therefore, the opportunity cost for these beneficiaries is the money that they spent to reach the final delivery point plus the missed earnings from not being able to work on the farm.

Opportunity costs are rarely estimated, although they can play a very important role in and affect the impact of a project. Indeed, if beneficiaries consider that the opportunity costs of participating in a programme are too high – even if no financial costs are involved – they may choose to drop out. For example, if they consider that the value of the food ration does not compensate them for the effort of walking a long distance to the final delivery point and missing one day of work, they will decide not to get the food ration.

The existing programmes do not systematically calculate opportunity costs. In the absence of relevant comparative evidence on opportunity costs, the review team developed a simple model to estimate them, starting from quantitative data on waiting times as well as on data derived from focus group discussions conducted with beneficiaries. The model estimates the total opportunity cost incurred by a typical beneficiary household participating in a one-year cash transfer programme. The model yielded rough quantifications of the opportunity costs compared to the value of the transfer to the beneficiary and therefore shed light on whether programme participation was worthwhile.

Annex Table 4.2: Opportunity Cost Simulation

Households Including One or More Member Who Is:	Minimum Value	Maximum Value	Mean
Targeting and enrolment travel in minutes	60	180	120
Targeting and enrolment wait in minutes	60	480	270
Payment travel time 2-way x12 in minutes	720	2160	1,440
Payment wait time x12 in minutes	30	180	105
Shadow Wage / hour	4.0	46	25
Total opportunity cost of T&E Ksh	8.0	508.3	258
Total opportunity cost of payment Ksh	50	1,802	926
Total opportunity cost	58	2,310	1,184
Annual value of transfer (x12)	14,400	30,000	22,200
Opportunity cost as % of value of transfer	2.5	16	9
Labour market assumptions			
Rural hired labour wage rate Ksh	80	370	225
Rural occupation rate	40	100	70
Shadow daily wage	32	370	201

The main challenge in building the model was to compute a meaningful "shadow wage" rate for valuing time. As Annex Table 4.0.2: Opportunity Cost Simulation shows, adults who walk to or wait at payment points are not necessarily forgoing wage or farm labour opportunities. Using the prevailing agricultural wage rate to estimate opportunity costs would overstate the value of time. The model is based on the prevailing rural wage rates and best- and worst-case assumptions about rural under-employment. We estimated the minimum and maximum total value of the transfer based on current price valuations of in kind transfers (see Chapter 3). Importantly, both the minimum and maximum estimates are based on very strong assumptions so they represent the outer plausible limits.

Estimation of Benefit Levels

The analysis of benefit levels sheds light on how far transfers can be expected to lift households out of poverty. Therefore, it is instructive to compare benefit levels with the national poverty lines. Our assessment of the benefit level was based on the nominal value of the cash transfer for the main cash transfer programmes[185] in Kenya shillings and the imputed value of the WFP's standard food rations. To ensure comparability, transfers were converted into monthly equivalents.

To calculate the value of in kind transfers, we used annual averages of market retail price data for key commodities (maize, beans, and vegetable oil) in the main markets reached by safety net programmes (Nairobi, Turkana, Marsabit, Mandera, Kitui, Mwingi, and Mombasa). A weighted price index was created that reflected the relative share of WFP recipients in the counties served by the programmes (the PRRO, SFP, and HIV/AIDS Support). The price data were provided by the WFP (main markets, based on Ministry of Agriculture data) and by the ALRMP (for ASAL markets) and were collected on a monthly basis for maize and pulses. The values therefore reflect the average market value of the transfer to PRRO beneficiaries if they were to resell the entire ration, which is the usual benchmark for a cash/in kind comparison. Note that the actual price received for the sale of the rations may be considerably lower than the prevailing retail market price for the commodity, especially in the immediate aftermath of a large food aid distribution. The transfers so calculated were then converted into adult equivalents for calorie requirements and compared with the average national absolute and food poverty lines extrapolated for 2010. The extrapolation was based on the 2005 poverty lines adjusted for inflation based on the official Consumer Price Index (CPI) estimates.

Annex Table 4.3: Proxy Means Test Performance on KIHBS Sample, Absolute and Hard-core Poverty

Absolute Household Poverty		Does Model Predict Household Is Absolute Poor?		Percent Correct
		No	Yes	
Is the Household Absolute Poor?	No	5,353	1,725	75.6
	Yes	2,039	3,377	62.4
	Overall Correct	5,353	3,377	69.9
Hardcore Household Poverty		**Does Model Predict Household Is Hardcore Poor**		**Percent Correct**
		No	**Yes**	
Is the Household Hardcore Poor?	No	9,171	1,259	87.9
	Yes	1,250	814	39.4
	Overall Correct	9,171	814	79.9

[185] *The CT-OVC, Disability Grant, HSNP, OPCT, and Urban Food Subsidy Programme.*

The Simulation Model

What the Model Does

We used the simulation model to calculate the likely effect possible design changes would have on poverty reduction, using gap and headcount measures of (expenditure-based) poverty. It was built as an MS Access database with Visual Basic simulation code. The simulation used the raw KIHBS data as well as summary data from the 2010/11 Census. The results show how differences in the targeting method and other project parameters modify the impact on poverty for recipients of a hypothetical national programme.

The software tool allows the user to modify any of the following basic programme design parameters:

- Total budget: users can manually input the total budget of the programme that they want to test.
- Overhead rates: users can define different overhead levels.
- Transfer rates: users can manually define the transfer rate, as well as its frequency.
- Household scaling: users can select a fixed transfer for all households or one that can be scaled to household size.
- Geographic targeting method (see below).
- Household targeting method: the options include all the main categorical methods, PMT, and CBT. Random targeting and "perfect" targeting based on household expenditure are also included as benchmarks.

The simulation model yields ballpark estimates of the impact on the conventional poverty measures defined above. It provides a general understanding of how design changes affect poverty impact and can be used to understand how programmes might perform if they were expanded to a nation-wide scale. The simulation is only as accurate as the data that are being used to build it. As noted, the KIHBS poverty data are out of date, and the overhead calculations are based on some questionable data and understate opportunity and off-budget costs. Simulation models are no substitute for formal programme-level evaluations but can provide an approximate picture of what impact existing programmes might have if they were implemented on a national scale.

Annex Table 4.4: Simulation of Change in Selected Poverty Indicators by Household Targeting Criterion

Household Targeting Criteria	Monetary Poverty Measure		
	Percentage of Reduction		
	Absolute Poverty Headcount	**Absolute Poverty Gap**	**Food Poverty Gap**
Categorical Targeting			
People living with a disability	8.60	12.22	13.11
OVCs	8.00	13.93	14.30
People over 60 years of age	8.86	15.25	15.06
Children under 18 years of age	9.07	15.70	16.21
Proxy Means Targeting (PMT)*	9.28	15.41	15.71
Community-based Targeting (CBT)**	10.04	18.33	18.19
Perfect Targeting	9.64	30.44	31.09
Random Targeting	8.26	12.89	12.91

Source: KIHBS 2005/06.
Notes: County allocations are based on the numbers of poor in the county for each household selection method, so differences in impact are attributable to the household selection method. The model then selects households based on their characteristics, assigns a transfer, and recalculates poverty scores. *With allowance for 10 percent measurement error. **Assumes that the CBT ranking explains 60-65 percent of the variation in household expenditure levels, based on the WFP PDM findings reported above.

Fixed Cost Model Assumptions

For a given, fixed, and user-defined total budget, the model estimates the maximum potential coverage of beneficiaries. The model works in the following way:

1. The funds available for transfers are calculated as the difference between the total fixed (user-defined) budget and the overhead rate (also user-defined) of the same total budget.
2. To calculate the total coverage, the funds available for transfers are divided for the transfer rate (also user-defined).

The formulas are as follows:

$$FT = B \times (1 - R)$$
$$Coverage = FT \div TR$$

Where ***FT*** = funds available for transfer, ***B*** = total budget, OR = overhead rate, and ***TR*** = transfer rate.

The model used in this review was built using parameters that are similar to the actual value of the sum of the largest Kenyan programmes, which is equivalent to simulating the effect of pooling all resources into one single national programme. The overhead rate was calculated using the average rate of non-transfer costs for 2010 weighted to reflect the relative scale of the programme. The opportunity costs of beneficiaries were not included in the model since the model is based on budgeted programme resources rather than total resources.

In order to assess the impact on beneficiaries' lives of social protection programmes, the team simulated the effects of a transfer on each household member (that is, perfectly scaled to household size) compared with a transfer of Ksh 1,500 per month for all households. The team applied the model to a national programme of Ksh 45-50 billion and considered each of the types of household currently targeted by safety net programmes in Kenya (described in Annex 2).

Simulating Targeting Effects

The simulation model assessed how different targeting methods (categorical, PMT, and CBT) compare with random and perfect targeting. "Perfect" targeting is a hypothetical benchmark where household expenditure is perfectly observed and selection is prioritised based only according to a household's distance from the poverty line. We also considered random targeting, which is equivalent to assuming no targeting or allocation bias.

Since the model is based on all of the households in the 2005/06 KIHBS national household survey sample dataset with no consideration of the relative costs, the results are likely to be skewed towards the more costly and information-intensive methods. A more realistic model would account for the fact that each targeting method is associated with different overhead (and therefore the resources actually available for transfer differ). Unfortunately, there is little or no data on the costs of different targeting methods. Note also that for simplicity the model assumes that categorical variables are perfectly observed (although the main report presents evidence of inaccurate observation and recording).

The starting point for the simulation model was the KIHBS 2005/06 database. Households in the database were first tagged by county (with a KNBS-approved matching list of 1995 districts and current counties) and by type of targeting. To determine the effectiveness of geographic targeting methods, we considered the poverty impact of a hypothetical national safety net using different criteria for geographic targeting.

The simulation model considered the following three methods for targeting counties:

(i) Number of poor: the total allocation is divided up between counties according to the county's share of the total national numbers of absolute poor

(ii) Relative poverty: the total allocation is divided up proportionally according to the absolute poverty rate of the county divided by the absolute poverty rate of the country as a whole from the KIHBS data

(iii) Proportional to population: resources are allocated according to a county's share of the total population.[186]

For a given budget and overhead and transfer rate (we worked with a rate of Ksh 1,500 per month), the simulation programme estimates how many people can be covered nationally and then calculates the county level coverage based on the selected rule. It then calculates the county allocation.

The simulation model then selects households according to the chosen household targeting method. For categorical targeting, households were tagged according to whether they met basic categorical criteria for targeting in the main safety net programmes, in other words if the household:

(i) Includes one or more OVC
(ii) Includes one or more person over the age of 60
(iii) Includes chronically ill people or people living with HIV/AIDS

Households meeting the criteria within a county are then randomly sorted. The model then selects households from the county that meet the criterion. If the county allocation is less than the total number of eligible households, then the model selects a random sub-sample of the eligible households. If the county allocation is greater than the total number of eligible households, the model selects all eligible households plus a random sub-sample of non-eligible households to make up the difference.

Community-based targeting was simulated using the reported relationship between community rankings and expenditure-based poverty rankings based on data from the WFP and Simon (2011). The model simulates the effect of observing household expenditure with an accuracy of 60-65 percent.

Proxy means testing (PMT) was also simulated. Various PMT formulations were also tested by regressing observable household characteristics onto household per adult equivalent expenditure and then progressively replacing explanatory variables in order to maximise the explained variation (R2). A secondary criterion for the inclusion of parameters was that they should be significant for sub-groups of households (ASAL and non-ASAL and urban and rural). This test was included as it is assumed that a national PMT should be applied uniformly across geographic areas in the interests of fairness and comparability. Programmes may decide to vary the weights applied to specific proxies according to geographic location in order to improve the fit (for example, between urban and rural populations). However, for simplicity, we applied a fixed weight model to the entire population. In fact, the final PMT specification performed reasonably well for urban and rural and ASAL and non-ASAL sub-samples. In all geographical instances the parameters remain significant (the regression was run independently for each of geographic sub-category). A third criterion for proxy selection was that there should be an identifiable reason why the explanatory variable is correlated with poverty. The PMT should make sense.

The test results are reported in the main report. The PMT was not strong in predicting hardcore poor households as there is high variation in terms of asset possession among the poorest groups. These results are seen in Annex Table 4.0.3 below.

In the simulation model, each household in the KIHBS dataset was given a PMT score based on a selection of household assets and access to utilities. The model "selects" households according to how low its PMT is. Hence, if there

[186] *This might be the case, for example, if each county's influence on the allocation process were proportional to the number of voters living in the county.*

are resources available to cover a transfer to 30 percent of the county population, the model selects the 30 percent of households in that county with the lowest PMT score.

For the purposes of benchmarking and comparison, the model also assesses perfect targeting, in which household selection is exactly prioritised according to the household's poverty level, and random targeting, in which the probability of a household being selected within a county depends only on the county-level allocation and is completely independent of household-specific characteristics.

Impact Simulation

The simulation model assumes that expenditure patterns from the transfer largely reflect general expenditure patterns (in other words, people do not treat the transfer as a windfall but as regular income). Using this assumption, the impact of the transfer can be estimated from the general demand parameters that were derived from the KIHBS dataset. The assumption is consistent with the theoretical position that predictable cash transfers should not distort expenditure patterns. Having allocated a transfer to each household, the model then calculates the incremental food and total expenditure at the household level.

The post-transfer household expenditure estimates are then used to calculate adult equivalent expenditure for food and non-food items. Household food and total expenditure in adult equivalents is then compared to the poverty line, and the model estimates the post-transfer poverty headcounts and gaps (absolute and hardcore).

The model results (poverty estimates) are then compared for different combinations of policy options. For example, using a fixed budget model and geographic targeting based on the relative numbers of absolute poor in a county, we simulated the effect of a 12-monthly cash transfer of Ksh 2,000, assuming operational costs amounted to 20 or 40 percent of total programme costs. The results of the simulation are in Annex Table 4.0.4.

One interesting aspect of the simulation findings is that the choice of poverty indicator has a strong influence on our conclusions about the relative impact of each targeting method. Note that in the theoretical case of "perfect" targeting where a programme accurately selects households for the programme starting with the worst off and moving upwards, perfect targeting does not have a significantly larger impact on the headcount than other alternatives. However, it has a much bigger impact on the gap. The reason for this is that with a transfer of Ksh 2,000, the poorest households, and particularly large poor households, are not lifted out of poverty; expenditure is still below the line even after the transfer although their poverty gap is reduced. This finding cautions against using the headcount measure in isolation for impact analysis.

The simulation model also includes the option to scale the transfer to reflect household size. It compares a flat transfer (the same transfer value for all households) with one that is proportional to household size. The model ensures "adding up" consistency (in other words, with scaling the total transfer allocation is always equal to the available resources). Using this, the team was able to compare the impact of scaled transfers with flat household rations or transfers. We found that the incremental impact of scaling on poverty reduction depends, critically, on the choice of targeting method used. This is because the relationship between household size and per adult equivalent expenditure varies between categories of household.

Given the inadequacies of the input data and the necessity of making heavy assumptions, the simulation model results cannot be taken as reliable predictions of how scaled-up programmes might perform. However, the model was able to illustrate some important considerations relating to how impact is measured and to flag issues that require further examination.

Annex 5: Technical Committee Members

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