

## Political Economy of Cash Transfers In Kenya

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\* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of [name of funder]

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## **Background and Acknowledgements**

Evidence on how cash transfers can reduce poverty remains a hot topic in both development and relief circles. Some development agencies have put cash transfers at the centre of their social protection strategies. However, cash transfers are far from a panacea, and questions around the appropriateness and feasibility of cash transfers in different contexts are important and urgent.

This paper is one of three commissioned studies on cost affordability and political economy of Cash Transfers - part of ODI's research study (2006–09) "Cash Transfers and their Role in Social Protection". The study aims to compare cash with other forms of transfers, identifying where cash transfers may be preferable, the preconditions for cash transfers to work well and how they may best be targeted and sequenced with other initiatives. The study explores a number of issues of interest to donors and governments, including which forms of targeting and delivery mechanisms are most appropriate. This project is co-funded by the Swiss Agency for Development and Cooperation (SDC) and the UK Department for International Development (DFID).

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## List of Acronyms

ASALs	Arid and Semi-Arid Lands
CDF	Constituency Development Fund
CPPS	Core Poverty Programmes
CSO	Community Service Organisation
CT	Cash Transfer
DFID	Department For International Development
ERS	Economic Recovery Strategy
FPE	Free Primary Education
FDSE	Free Day Secondary Education
KANU	Kenya African National Union
KIPPRA	Kenya Institute for Public Policy Research Analysis
KNBS	Kenya National Bureau of Statistics
Ksh	Kenya Shillings
LATF	Local Authorities Transfer Fund
NARC	National Rainbow Coalition
NESC	National Economic Social Council
NGO	Non-Governmental Organisation
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
ODM	Orange Democratic Movement
ODM-K	Orange Democratic Movement- Kenya
OVC	Orphans and Vulnerable Children
PNU	Party of National Unity
PWD	People with Disabilities
UNICEF	United Nations Children Education Fund

## Executive Summary

As a result of socio-economic and political challenges facing Kenya: 46% of the country's 38 million people are living below the poverty line; there are a rapidly growing number of orphans and vulnerable children - half of which have resulted from a HIV/AIDS pandemic which has hit the country in the last two decades; frequent droughts, and the recently unprecedented post-election violence following the disputed 2007 general elections, social protection programmes for the country's poor and vulnerable population have become increasingly important both economically and politically.

This study, using data and information obtained from government and donor representatives closely involved with Kenya's CT programmes and secondary data, examines Kenya's Social Protection Programmes with special focus on CT programmes.

Starting with a brief review of the prevailing poverty and economic conditions and challenges facing the country, the paper examines government attitude and attention towards Cash Transfer (CT) and non-cash social protection programmes; the evolution, coverage and other features of the existing CT programmes in the country; the roles of the government and development partners in the programmes; domestic and external influences in the establishment of the various social protection programmes; estimated costs of the required CT programmes and the affordability and sustainability of the programme in view of the prevailing economic conditions and capacities; and the political economy and the overall ownership of the implementation of CT programme in the country.

While Kenya has had a long history of implementation of non-cash transfer programmes, such as: food relief in the drought stricken areas; emergency and special programmes; school bursaries for needy children, and a wide range of other interventions, CTs are new, mainly in their pilot or early stages and have been in existence only in the last 5 years.

The existing CT programmes have a limited coverage of the targeted members in three programmes, viz the Orphans and Vulnerable Children (OVC), the Elderly and the Hunger Safety Net programme. With the on-going discussions to finalise the country's Policy on Social Protection and the Social Protection Strategy (2009-2012) and a large increase in government's financing of the CT programmes through national budget, the national coverage of these programmes is expected to rise substantially by 2012.

There are high prospects of enhancing and institutionalising CT and non-CT social protection programmes in the country's budgetary system in view of the broad political support the programmes have received from a wide spectrum of political actors in the country. The liberalisation of the country's political system in 1992 which ushered in a highly vibrant and competitive multi-party political environment, has favoured introduction and expansion of social protection initiatives, both cash and non-cash.

A number of donors, notably UNICEF, DFID, World Bank and SIDA played key technical and financial roles in the establishment of CT programmes in the country creating the perception that the programmes were donor driven and that the government was more in favour of non-cash interventions. With increasing government and public appreciation of CT programmes as an appropriate tool for reaching more effectively a special group of the population the extremely poor or hard-core poor, who cannot participate in productive economic activities, the government participation in financing the programmes has risen dramatically, in the last two years. The government is expected to shoulder the bulk of the required resources for these programmes in the coming years but with supplementary resources from willing development partners.

There is considerable consensus among the stakeholders that the CT programmes are affordable and sustainable even without external donors, so long as the programmes are expanded gradually, taking into account the capacity of the national economy to support the programmes at various

levels. The successful implementation of much larger non-cash social protection programmes such as the Free Primary Education for 8 million pupils and Free Day Secondary Education and the Constituency Development Fund are generally taken as good indicators of the ability of the country to sustain CT programmes as long as political will is there.

Most of the stakeholders were of the view the CT programmes are too socially and politically sensitive to be heavily dependent on external support which was often determined by exogenous factors beyond the government's control.

Kenya's draft National Social Protection Strategy, estimates that the country could escalate the Cash Transfer Programme nationally to cover all the extremely poor consisting of the People with Disabilities (PWD), Orphans and Vulnerable Children (OVC), and Households with Older Persons above 65 years, at a total cost of approximately Ksh 12 billion annually (about 3.3% of the national budget), at a monthly cash "transfer" of Ksh 1,000 per household.

## 1. Introduction

With an estimated 46% of the country's population of 38 million people currently living below poverty line, Kenya has faced increasingly volatile socio-political and economic challenges especially in the last decade in terms of poverty, unemployment and inequality. These have compelled the government to re-think its strategies with regard to social protection for the most vulnerable sections of the population. While these problems have manifested themselves in the economy in most of the post-independence period, the situation experienced a sharp deterioration during the last two decades of President Moi's 24 year reign as a result of prolonged periods of economic stagnation experienced in the 1980s and 1990s which raised the proportion of the country's population living below poverty line to 56% by end of 2002.

However, due to a number of anti-poverty measures taken by the new NARC leadership which took over from Moi at the end of 2002, such as more attention to the revival of the economy with special focus on key economic sectors like agriculture, tourism and infrastructure, as well as on employment creation, the proportion of the population living below poverty line was reduced from 56% in 2002 to 46% by end of 2007.

### 1.1 Urban and Rural Poverty

Despite the gains made in reduction of poverty levels between 2003 and 2004, poverty remains one of the main areas of concern in the country economically, socially as well as politically. Kenya's poverty estimates based on the 2005/06 Kenya Integrated Household and Budget survey (Kenya National Bureau of Statistics, 2007), the poverty headcount ratio for the urban population was 33.7% while that of the rural population stood at 49.1%, with the overall national poverty headcount ratio estimated at 46% of the population. The survey estimated an urban poverty line of Ksh 1,562, Ksh 2,913 for rural areas and Ksh 988 as the food poverty line. According to the Survey data about a fifth (19.1%) of the population was extremely poor or 'hard-core' poor with the respective levels for urban and rural areas at 8.3% and 21.9%.

According to the draft Social Protection Strategy paper, a household is said to be 'extremely poor' when 'its entire income is below food poverty line' (Republic of Kenya, 2009(b), p.25). This category is also often referred to as 'hard-core poor'. Data collected during the above Survey shows that hard-core poverty is concentrated more in Kenya's rural areas, and that the levels of poverty differ significantly between regions, provinces or districts with Coast and North-Eastern Provinces exhibiting higher levels of poverty.

### 1.2 Vulnerable Groups

The 2005/06 Kenya Integrated Household and Budget Survey data highlighted the most vulnerable groups in the country, and identified the relatively high vulnerability of the elderly population to poverty compared to other age groups, (Republic of Kenya, 2009 (b); p.5). Other categories of the population that have been identified as being more prone to poverty in all the country's seven provinces are the orphans and vulnerable children (OVC); People With Disabilities (PWD); the elderly; the urban poor and street families; people living with HIV/AIDs; victims of natural disasters such as floods and droughts; and internally displaced persons (IDPs); (Republic of Kenya, 2009 (b) p.6). The growing numbers within these categories of vulnerable groups has increased social, economic and political pressure to introduce various social protection programmes in the country including non-cash and cash transfer initiatives. Social protection programmes have gained greater recognition and importance in public expenditure than was the case in 1980s and 1990s.

Kenya's draft Social Protection Strategy 2009-2012 argues that: "There is growing consensus that social protection does not have to be implemented at the expense of growth and that indeed social protection is able to enhance the long-term growth trajectory of the country and is an economically feasible and sustainable undertaking" (op. cit.). Factors cited to support this include arguments that

there is a strong link between social protection; expenditures and a country's development of human capital; that social protection expenditures facilitate reduction of inequality which may aggravate social and political tensions if not addressed; that provision of basic level income via social protection initiatives could promote labour market activities by the fact "individuals from poor households receiving cash transfers are more likely to look for work and to successfully find work compared to (poor) individuals not receiving such transfers", and that resources provided through social protection can empower poor individuals to undertake investment" (op. cit).

### **1.3 Poverty and Rising Political Pressure**

By the 2002 general elections issues of poverty, unemployment; inequality and the overall poor economic performance had for more than a decade pre-occupied the attention of many Kenyans, emerging as one of the main political agenda items during the general election campaigns. It was therefore not surprising that these issues featured a lot in the manifestos of the opposing political parties as well as the then ruling party Kanu, with promises that if elected the political parties and their leaders would focus on economic recovery and address the plight of the poor and vulnerable members of the society. During the 2002 campaign some of the local NGOs had formed pressure groups lobbying various political candidates to sign their commitment to embracing or supporting social protection policies and programmes.

Thus, when the NARC Government took over from Moi's Kanu government, there were high expectations that economic recovery and attention on the plight of the poor would receive high priority. The new Government led by President Kibaki, took its promises on economic recovery seriously and immediately drafted the Economic Recovery Strategy (ERS). To its credit, the country's real GDP growth rates rose from 0.6% in 2002 to 7.1% by end of 2007 in spite of a myriad of economic and political challenges.

The new government also introduced a number of key measures aimed at laying a foundation for reduction of poverty, unemployment and inequality. The introduction of a Free Primary Education (FPE) in 2003 and Free Day Secondary Education (FDSE) in 2008 were widely regarded as too ambitious in view of the limited capacity of the economy to shoulder such an enormous financial burden. The fact that these programmes were launched as promised, demonstrated the extent of the government's commitment to social welfare issues.

A wide range of other social protection measures targeting health, housing, food security and other special programmes were undertaken, under the Office of the President, Office of the Vice-President and a number of other ministries. Thus concern is demonstrated by a rapid increase in the Government's budgeted resources which rose from US\$ 390 million in 2002/03 to US\$ 637.5 and US\$ 1.18 billion in 2005/06 and 2006/07 respectively, (Allen, K. *et al*, UNICEF. 2007). Commenting on this, Allen, K. *et al* observe: "This trend shows that the current NARC Government which came to power in 2003, has been substantially increasing the allocation to poverty programmes", (Allen, K, *et al*, UNICEF, 2007).

### **1.4 Key Issues**

This report, based on information gathered from available secondary data and interviews with key informants from the Government, development partners and politicians and other stakeholders involved with cash transfer and other forms of social protection programmes in the country, examines a number of key issues relating to the current operations and future of the programmes in Kenya with special focus on affordability, sustainability, ownership, financing and political economy of the programme as well as the modalities of implementing the programme.



## 2. Overview of Social Protection Programmes in Kenya

As a result of the prevailing poverty, inequality, unemployment problems and rising political pressures following the change of Kenya's constitution which ended the single party rule in 1992 and introduced highly competitive multi-party politics, there has been unprecedented interest in social protection issues in the country. Government and political support for and adoption of, social protection measures are demonstrated by the large number of special protection programmes in existence today. The country is currently implementing a wide range of social protection programmes in form of CT and non-CT programmes, in collaboration with a large number of actors including government and non-government institutions, private sector and development partners.

While social insurance programmes such as NSSF and NHIF have been in existence for decades, a large number of others are more recent, especially after 2002 when the NARC government took over from the Moi regime after the 2002 general elections.

The nature and design of the existing programmes reflect the specific purpose for which a programme was established and the nature of agreement between the key donor financier and the government.

CT programmes are some of the latest and smallest among the country's social protection programmes. Social protection programmes whose funding is institutionalised in the annual national budget include:

**Core Poverty Programmes (CPPSs):** These are non-cash programmes aimed at enabling the poor to easily access infrastructural and social services such as education and health especially in the rural areas, enhancing the capacity of the poor to participate in productive activities and improving governance and security. For a number of years now, a large amount of financial resources have been channelled to social sectors in the context of CPPs. In 2006/07 for instance, a large sum of Ksh 175 billion was budgeted for this purpose.

However, the CPP programme has suffered from problems of under-expenditure, poor targeting misuse of resources and poor implementation and monitoring of the budget resources availed to the programme. Acknowledging these shortcomings, the government has attempted to create new structures and management systems that would raise the efficiency and effectiveness of the devolved resources for various Core Poverty Projects (Republic of Kenya, 2009, p.8)

The implementation of Free Primary Education in 2003 and Free Day Secondary Education in 2007 are among the largest social protection interventions by the government in the last six years.

Free Primary Education, the top priority of the new government in 2003, was aimed at addressing poverty, inequality, unemployment and other problems afflicting the country's youth. Initiated by the government, the programme is largely funded through the national budget, with contributions by a number of development partners.

Other social protection programmes supported mainly by the government include the Arid and Semi Arid Lands (ASAL) Programme targeting socio-economic development and poverty reduction among mainly poor pastoralist areas, slum upgrading and low cost housing schemes targeting slum populations especially in the urban areas; the Constituency Development Fund (CDF) which is aimed at devolving development funds to finance grassroots infrastructural projects and health and education services at the constituency level; and social insurance mainly in the form of National Social Security Fund (NSSF) and National Hospital Insurance Fund (NHIF), and a wide range of pension schemes; three cash transfer programmes, i.e. Orphans and Vulnerable Children(OVC), Hunger Safety Net and the Elderly CT programme; in-kind transfer programmes including Emergency Food Aid, School Feeding, Free Primary and Secondary Education, Emergency Pastoralist Support programmes, Hospital fee waivers, voucher schemes for health

services, non-state actors' social protection interventions such as World Aid, Action aid, Save the Children, etc, as well as various community and family safety net systems.

## **2.1 Evolution of Cash Transfer (CT) Programmes in Kenya**

There are currently three CT programmes being implemented in Kenya with close collaboration between the Government and a group of key Development Partners, especially UNICEF, DFID and the World Bank. The Government is taking an increasingly key role in the implementation and funding of these programme, with the Development Partners taking lead in the provision of technical expertise and financing. The Government's share of the financial resources made available for the implementation of the CT programmes has increased from a low level when the programmes were initiated to a point where its contribution currently is virtually equal to that of the donors.

This sharp increase has led some of the people interviewed to predict that the Government's share was likely to overshadow that of the donors in the coming few years. Budget allocation to CT-OVC programme has, for instance, increased almost 12-fold between 2005/06 and 2008/09, from US\$ 800,000 to over US\$ 9 million respectively.

The three Cash Transfer Programmes are briefly reviewed below:-

### **2.1.1 The Orphans and Vulnerable Children (OVC) Cash Transfer Programme**

This is currently the largest CT programme in the country. The number of orphans and vulnerable children has emerged as a major social crisis in the last two decades. Traditional social protection mechanisms, in the face of rapidly increasing numbers of destitute or vulnerable children, have struggled. Kenya has an estimated 2.4 million orphans and vulnerable children half of which have resulted from death of parents due to HIV and AIDS crisis (see Table 1) that has heavily afflicted both the country's rural and urban areas.

A large majority of the orphans live in extreme poverty with relatives or guardians with limited means. Evidence from various parts of the country show that poor, elderly grandparents have emerged as the most important category of caretakers for the orphans in the country. There are also an alarming large number of households which are headed by a child, as a result of death of parents, with no relatives or other guardians willing and able to take care of the orphaned children.

**Table 1: Trends in the estimated number of orphans in Kenya**

	1985	1990	1995	2000	2005	2008
<b>Maternal Orphans</b>						
AIDS	0	1,196	72,965	362,539	635,208	655,358
Non-AIDS	583,738	595,451	577,670	533,335	481,997	460,692
Total	583,738	596,647	650,635	895,873	1,117,205	1,116,051
<b>Paternal Orphans</b>						
AIDS	0	2,394	71,893	263,755	416,777	430,300
Non-AIDS	908,512	896,738	829,476	776,433	736,198	727,110
Total	908,512	899,132	901,369	1,040,188	1,152,975	1,157,410
<b>Dual Orphans</b>						
AIDS	0	1,011	61,919	234,514	351,473	326,347
Non-AIDS	240,372	204,910	163,598	131,380	105,585	94,975
Total	240,372	205,921	225,517	365,894	457,058	421,322
Total Orphans	1,251,878	1,289,858	1,326,487	1,570,168	1,813,122	1,852,139
<b>All AIDS Orphans</b>	-	2,785	91,487	427,392	755,800	813,730

Source: Takona and Stover, estimates based on ANC data and DHS 2003

N.B. Table is adopted from Pearson, R. and Alviar, C. "The Evolution of the Government

Of Kenya Cash Transfer Programme for Vulnerable Children between 2002 and 2006 and prospects for nationwide scale-up." UNICEF, Kenya.

As a result of this socially and politically volatile social crisis arising from this rapidly increasing number of OVC, the Ministry of Home Affairs under Kenya’s former Vice-President Hon. Moody Awori, under whose mandate children affairs fell under, felt concerned and sought advice and assistance from UNICEF office, Nairobi. This set off a series of discussions with UNICEF and a number of other donors to explore possible options. While there have been questions raised over whether the decision to start Kenya’s OVC-CT programme was an initiative of the Government or the result of pressure from some development partners, government officials interviewed argued that the Ministry of Home Affairs through the former Vice-President, took the initial step of consulting the UNICEF in Nairobi which then took a leading technical, advisory and financing roles without which the OVC-CT programme would not have taken off when it did.

Kenya’s OVC-CT programme started as a pre-pilot project at the end of 2004 covering 500 OVC households in three districts (Kisumu, Garissa, Kwale) .This pre-pilot phase was aimed at providing lessons on a number of aspects of the planned programme such as targeting, selection procedures and estimation of implementation costs, according to interviews with representatives of some of donor institutions which have been involved in the process of establishing the OVC-CT programme.

The programme was substantially expanded during its phase II which started in June 2006. The new phase was designed to cover 30,000 OVC in seven districts. This phase was also used to test the impact and challenges of introducing conditional cash transfers (CCT) in a few districts, as well as the possibility of using the country’s Post Office network as a system for transferring the money to the selected OVC beneficiaries.

The third phase was launched in 2008 with a target of reaching 300,000 OVC by 2011. The government’s objective is to have at least 30% of the hard-core poor and most vulnerable OVC in a phased escalation of the programme covering at least 10 districts annually, eventually bringing a total of 50 districts under the programme when it reaches its target of reaching 30% of the hard-core poor in the country by 2012.

By mid 2009, the OVC-CT programme was already in 47 districts and was moving at a pace faster than initially planned both in terms of districts covered as well as government’s contribution to the programme which has experienced a dramatic increase from US\$800,000 in 2005 to US \$9 million in 2009. According to a senior programme officer working with OVC-CT programme in one of the donor organisations, the rapid increase in the government contributions was one of the main factors behind the rapid expansion of the programme in the last two years.

**Table 2: The scale up of Kenya’s OVC-CT Programme (2005-2010)**

Scale-up						
	2005	2006	2007	2008	2009	2010
Household coverage	500	3,000	12,500	25,000	70,000	100,000
District coverage	3	17	37	37	47	47
Partners	GOK, Sida, UNICEF	GOK, Sida, UNICEF	GOK, Sida, UNICEF, DFID	GOK, Sida, UNICEF, DFID, Danida	GOK, Sida, UNICEF, DFID, Danida, World Bank	GOK, Sida, UNICEF, DFID, Danida, World Bank

Source: UNICEF, Kenya

According to a senior government official associated with the programme, the target is to reach at least 2,000 OVC households in each of the targeted 50 districts which would help to reach the target of 100,000 OVC households. The officer indicated that an OVC household is assumed to have 3-4 OVCs. Thus, by reaching 100,000 households it is estimated that the targets of reaching at least 300,000 orphaned and vulnerable children and at least 30% of the hard-core or 'extremely poor' and vulnerable children in the country will have been achieved.

It should be noted that the original target of covering 50 districts was based on the then 73 administrative districts in the country. With increased political pressure for devolution of administration and economic resources to address real and perceived regional inequalities, Kenya's President has created many more districts in the last three years, raising the number from 73 to 254 districts. Thus the 47 districts covered so far refer to the old larger administrative districts, many of which have been split into three or more districts based on population and other considerations. It can thus be assumed that the targeted geographical coverage of OVC-CT programme is approximately 64% of the 254 districts, with the selection of the districts incorporated in the programme pegged on their poverty status based on KNBS data.

### 2.1.2 Modalities

The OVC-CT programme is guided by 3 main objectives:

- a) Establishing a social protection mechanism that makes regular, predictable cash transfers to households that take care of orphans and vulnerable children
- b) Creating an incentive system for taking care of OVC through fostering and retention of OVC within families and communities.
- c) Helping to promote human capital development of OVC to help as many of them as possible to break out of the poverty cycle and dependency.

The programme's operations manual shows that beneficiaries are selected through a fairly participatory targeting process involving the Government, donors and the communities from which the beneficiaries are drawn from.

The process includes:

- Selection of the geographical areas to be included in the programme is based on poverty status as regularly compiled by the Kenya National Bureau of Statistics (KNBS) and OVC prevalence. All parts of the selected districts are eligible. However the selection of actual households depends on the overall number of beneficiaries allocated to the district and the assessed level of poverty or vulnerability as determined by the community representatives, NGOs working in the district and the government officials, guided as much as possible by the KNBS data available. By mid 2009 approximately 64% of the districts were covered.
- Once the district is selected, a community based participatory method is used to identify beneficiary households as well as compiling the required data.
- The collected data is entered into the Management Information System which has been developed in collaboration with development partners led by UNICEF
- Once potential beneficiary households have been identified and data obtained, eligible households are selected using agreed ranking criteria.
- The identified beneficiary households are then validated through public or community meetings

The eligibility criteria used to select beneficiary households is as follows:

- a) The household must be poor; have orphans or vulnerable child/children.
- b) To be an OVC, child must have lost one or both parents; the child must be living in a household in which at least one of the parents, caregiver or child has been chronically ill for

three or more months before the selection is done; and the child lives in a household headed by a child less than 18 years old.

### **2.1.3 Cash Transfer Mechanism**

The money is paid per household at the rate of 1500/= per month. Thus, if there are 1, 2 or more orphans in the household, they receive the same amount –Ksh1500 per month. The programme prefers to pay every 2 months partly because the monthly figure is too small for effective budgeting by the beneficiary households and partly because it is more cost effective in terms of time and administrative costs.

The money is paid to the care giver who may be the guardian or a child in case of child-headed households. Kenya's Post Office network has become the main system of transferring the cash to the beneficiaries.

The children covered range from less than 1 to 18 years. When a child reaches 18 he/she is removed from the programme and are expected to fend for themselves. An officer dealing with CT programmes said "Even where CT is not conditional, the expectation from the programme is that the cash will assist in healthcare especially immunisation and in education i.e. uniforms, books etc.

### **2.1.4 Conditional Cash Transfers**

According to government officials and UNICEF staff involved in the programme, the issue of whether to attach conditions to the transfers is under discussion, with on-going pilot cases in some selected areas. "The programme is testing processes for imposing developmental conditions and will compare their impact against a programme without conditions," observed a UNICEF official closely involved in the process. A senior Government official argued that the conditions being imposed are largely aimed at ensuring that the underlying developmental benefits from the programme are maximised. The main conditions are:

- a) all young children under the programme undergo a prescribed immunization programme and
- b) the beneficiaries must attend schools regularly.

Most of those interviewed were supportive of a CT programme with these developmental conditions.

While the country's social protection strategy for the period 2009-2012 acknowledges that imposing conditionalities may be difficult to implement and that it requires a well developed administrative framework, the Strategy points out that: "The Government regards conditionalities as a way of strengthening the investment role of cash transfers," which is seen as an important factor for the CT programme to receive increased "political support" (Republic of Kenya, 2009(b), p.16)

### **2.1.5 Exiting the Programme**

Exit from Kenya's OVC-CT programme is triggered by the following:

- a) when the beneficiary or the recognised caregiver fails to collect payment for three consecutive cycles,
- b) when there are no more OVC in the household either because the OVC have passed 18 years age limit or through death,
- c) in case households fail to comply with the set conditions for three consecutive cycles.

## 2.2 Hunger Safety Net Programme

This is one of the three Cash Transfer programmes being implemented in Kenya, mainly targeted at the chronically food deficient communities in the Kenya's arid and semi-arid areas of the North-Eastern province.

The programme, currently in its pilot phase, has the objective of providing "regular, predictable and guaranteed amount of cash to chronically food insecure households" in the arid and semi-arid areas (Republic of Kenya, 2009b, p.2). The four districts selected for the pilot phase are Mandera, Marsabit, Wajir and Turkana; selection of the pilot districts was based on poverty, hunger, and related data from the World Food Programme, UNICEF and the Kenya National Bureau of Statistics. It is implemented by the Government of Kenya originally through the Ministry of Special Programmes under the Office of the President but now under the newly created Ministry of Development and Northern Kenya, with DFID providing both technical and financial support. DFID has been a key supporter of this programme with an annual support of GBP£ 6 million.

The pilot-phase is expected to help plan for the escalation of the project nationally by providing experience and information that will be used to help launch the operations on a larger scale, provide effective targeting, and make decisions on a suitable mode of payment, producing evidence to justify government and development partner support for a nationwide social protection system (Republic of Kenya. 2009(b), p.9).

Phase I of the Hunger Safety Net Programme covering the period 2008-2012 is being implemented on a pilot basis and incorporates 60,000 households as follows: 7,000. households in Marsabit; 12,000 in Mandera; 27,000 in Turkana and 14,000 in Wajir

Phase II covering a five year period (2012-2017) will involve 300,000 households. According to the design of the Hunger Safety Net Programme, the programme targets 40% of the poorest households in the selected four districts and beneficiaries include both old men and women, families with many poor and vulnerable dependants in form of children under 13 years old, families with chronically ill and disabled persons.

The programme is largely funded by DFID which has set aside about Ksh 14 billion over a 10-year period, 2007-2017. DFID backing is based on the expectation that it's support will lead to Kenya's government and other development partners coming in with their contributions to facilitate escalation of the programme to Northern Kenya and other arid and semi-arid areas.

Kenya's arid and semi-arid areas have over the years presented special economic, political and social challenges. At Kenya's independence 45 years ago, the North-Eastern Province which borders Somalia and Ethiopia was involved in secessionist rebellion popularly known as the 'Shifita War' which lasted more than a decade. The rebellion impoverished the area and created considerable social and political animosity between this geographically vast region and the rest of the country, with the people developing a strong perception that the region was marginalised. This has been aggravated by persistent and lengthy droughts and poverty, which have made the region perpetually dependent on relief food.

During the 2002 general elections various political parties promised to give special attention to the Province and other Arid and Semi Arid Lands (ASAL) areas. After 2007 elections, a special Ministry for the North-Eastern Province was created to provide the promised focus for the region's development needs, including reduction of poverty, inequality through infrastructural development and other special programmes.

The Hunger Safety Net Programme has been in place for sometime and addresses the special problems facing the people of these arid and semi-arid areas. It is an initiative which arose largely from both the concerns of development partners and NGO which have been involved in various emergency food and related programmes. Leaders of main political parties, keen to implement

some of the promises made to the region during recent general elections have also given increasing attention to this donor supported cash transfer programme. According to some of the government officials interviewed, there are strong prospects that the programme could start benefiting from national budgetary resources soon.

The Hunger Safety Net programme, implemented the Ministry of Special Programmes under the Office of the President, is seen as complementing other government efforts and strategies of reducing hunger, vulnerability, poverty and inequality in the arid and semi-arid areas which suffer from relatively higher levels of poverty.

### **2.3 Cash Transfer Programme for the Elderly**

The programme, currently also in a pilot phase provides a monthly cash transfer of Ksh 1065 to 300 households with destitute elderly people. The pilot phase for this cash transfer programme for the elderly was launched in 2006 with an annual government allocation of Ksh 4 million covering 300 households. The selection criteria is age (above 65 years); income status, geographical, and that those selected should not be beneficiaries of another CT programme. The pilot phase is being implemented in three districts - Nyando (Nyanza Province), Busia (Western Province) and Thika (Central Province) and is managed by a secretariat under the Department of Gender, Children and Social Development.

Phase I of the project was planned to incorporate 8,000 households spread over 80 districts, with about 100 households in each district. While the programme expected about Ksh 100 million from Treasury to implement the 2009/10 financial year programme, the government allocated a much larger amount of Ksh 550 million for the 2009/10 financial year. A government official involved in the programme observes: "we were taken by surprise by the large amount the government allocated to the programme in this year's budget. We are in the process of re-assessing the scope of phase I of the programme implementation in light of the increased government allocation." The official said that the objective now is to reach all the districts in the country in limited numbers.

Asked about lessons learnt from the pilot phase of the programme, the government official interviewed said that the lessons were positive and showed that a CT programme for the elderly could significantly improve their welfare. Some of the beneficiaries had become more active with more participating in some micro-enterprise activities.

There is a significant and symbolic difference between this programme from the other two CT programmes in the sense that it is the only one of three that is initiated and fully financed by the Government. A senior government official involved in the programme stated with considerable pride and satisfaction, "the Government of Kenya is fully committed to this programme which features in the country's Vision 2030".

These sentiments are a reflection of the government's desire to demonstrate its ability and willingness to initiate and finance a CT programme. While the programme was started in 2006 with a small annual budget allocation of Ksh 4 million, the officer's comments about the government's commitment to this initiative was demonstrated soon after when this cash transfer programme for the elderly received a major boost in form of a 138-fold increase from an annual budget allocation of Ksh 4 million to Ksh 550 million for the 2009/10 financial year.

The project had been expected to be escalated in its phase I (2009-2011) of implementation to incorporate 8,000 households spread in more districts across the country. This is expected to change radically following the large injection of budgetary resources by the government in the 2009/10 budget. In an interview with the officers running the programme, it was indicated that pace of escalation of the programme was to be revised substantially in terms of national coverage.



### 3. Affordability and Sustainability of the Kenyan CT Programme

#### 3.1 Affordability of the CT Programmes: Stakeholder Perspectives and Public Debate

Government technocrats, development partners' representatives, politicians as well as researchers and private sector respondents interviewed for this study were all of the view that effective CT programmes were affordable at the current low level coverage. With CT programmes accounting for less than 1% of the budget at the moment. One politician argued: "It is a small price to pay for the most needy of this country. The country is able to shoulder such a burden and must be willing to do so." His statement summarises the feeling of most of those interviewed who regarded the hard-core poor as a special group of the population, unable to participate effectively in productive economic activities, and who therefore needed to be assisted by programmes that empower them, are flexible and bestow some degree of dignity to these people. The sentiments by the stakeholders that the CT programmes are affordable should be viewed in the proper perspective. It was clear from interviews with various stakeholders that none of them thought that the government was capable of mounting and financing a CT programme covering all the categories of the poor in the country immediately without exerting substantial budgetary strain on the national economy. What most of them were expressing was support for the introduction of the CT initiative for the category of the extremely poor in Kenya, at the current low levels of coverage, the country could afford to shoulder the financial burden. Most of those interviewed stressed that for the programme to be affordable and sustainable, its future escalation must be handled carefully, increasing gradually at the pace the economy was capable of supporting.

According to the draft National Social Protection Strategy, a tentative proposal to implement CT programmes that cover all the extremely poor categories at a monthly payment of Ksh 1000 per household at an estimated Ksh 12 billion annually (3.3% of the national budget) has been made. Most of the stakeholders regarded this as affordable especially in view of the government's recent record of financing much larger non-CT initiatives.

In their study on how CT programmes can cover about 300,000 OVC by 2010, Allen, K. *et al* conclude that this idea was feasible and affordable: "Reaching 300,000 children is estimated to cost in the region of US\$ 50 million, a figure which the steering committee for the programme feels is within reach through a combination of reallocations within the Kenyan budget and through international and domestic support..." (Allen, K. *et al*, 2007, p.14).

The Government is not at the moment considering CT programmes for those who are unemployed. Thus, the able-bodied working age poor and unemployed who are unable to find work are excluded from CT programmes, according to the current eligibility criteria. The main government strategy to deal with this group is largely anchored on a wide range of special programmes which have been deliberately designed and are being implemented to create incomes and employment opportunities for the youth and the rest of the population through non-CT programmes such as:

- **Youth Enterprise Fund:** The main assumption in Kenya's CT programmes is that the programmes are closely linked with human capital development, where both CT and non-CT programmes help to improve education and health status of the targeted poor beneficiaries and consequently helping to break the inter-generational poverty observed at the household level and building the capital stock at the macro-level. (Republic of Kenya, 2009(b), p.6)

The **Youth Enterprise Fund** was launched in 2007, with an initial fund of Ksh 1 billion to provide credit facilities to young people below 35 years to start own micro-enterprises. By end of 2008, hundreds of such enterprises had been created in many districts across the country employing an average of two people per enterprise. The fund received a further

Ksh 1 billion in the 2009/10 national budget read in June 2009 and is expected to raise the number of enterprises owned and run by young people.

- **Women Enterprise Fund:** Modelled in the same way as the Youth Enterprise Fund, the Women Enterprise Fund is aimed at creating a fund that would make available soft credit facilities to enable women start self-employment in micro-enterprises.
- **Kazi Kwa Vijana** (Employment for the Youth) programme

This was launched in May, 2009 by the leaders of the Coalition Government, President Mwai Kibaki and Prime Minister Raila Odinga, with a relatively large allocation of Ksh 15 billion over a 3-year period. The programme attempts to engage the youth population in various national and community projects paying them daily wages of about Ksh 200 (about US\$ 2.5). The projects include tree planting for environmental conservation; water and irrigation; clean-up activities. The objective is to engage the youth in productive activities that add value partly as a way of avoiding dependency on cash payments for able-bodied people. The project is expected to create about 300,000 jobs during the period.

- **Infrastructural and Construction Projects:**

The government is also heavily supporting infrastructural projects especially in road construction and rehabilitation as well as building and construction which are expected to create significant employment opportunities especially for the unskilled youth population.

These, among other general economic activities, are expected to cater for the able bodied poor young people who are willing to work.

The majority of those interviewed were against extending CT programmes to able bodied unemployed youth, arguing that in addition to the concern regarding affordability, there were fears that free cash transfers could encourage dependency. It is through the same reasoning that the OVC beneficiaries of CT programmes are also removed from the OVC-CT upon attainment of 18 years of age.

A senior economist at the University of Nairobi pointed out that Kenya, with an annual total GDP of around US\$ 20 billion, is still a small economy given its large and rapidly increasing population. For the CT initiatives to remain affordable, the scaling up of the programmes must be done carefully taking into account the prevailing economic capacity follow clear targeting procedures to avoid incorporating free riders, and be implemented in a transparent, fair and equitable manner to avoid politicising the programmes whereby expansion would be based on publicity-based politics that may not adequately 'take into account economic realities of the day'.

The fact that the country had successfully implemented more ambitious and expensive non-CT social protection programmes, especially in the last six years, was frequently cited by a number of people interviewed as evidence of the country's ability to afford well designed and controlled CT programmes. As already pointed out, these comments were made mostly in connection with the current small-scale CT initiatives in mind. While most of those interviewed recognised that the current CT programmes will need to be scaled up to reach a more significant number of the hard-core poor, they stressed that the process should be carried out carefully taking into account the country's ability to finance various levels of expansion.

### **3.2 Donor Resources and Sustainability of CT Programmes**

Although vibrant public debate on Kenya's CT programme has been limited, the programme's sustainability has been an issue of concern in the limited debate that has taken place. A number of Government officials interviewed pointed out that once a CT programme is introduced, stopping it can be a highly sensitive and embarrassing issue socially and politically, which partly explains why

the Government has adopted a rather cautious attitude towards the CT programmes especially during the initial stages. According to one senior government official, the concern was based on the fact that Development Partner contribution to the programme is usually for a specific period. This made it imperative for the government to ensure that it would be able to take over the financial responsibilities if and when donor funding expires.

There was also concern with the fact that in the past, development partners in Kenya had exhibited a tendency to push certain governance issues to the government by suspending their financing whenever there were major differences between the government and the development partners on governance issues. During one of the interviews, a senior government officer heavily involved in the CT programme administration said that, for instance, following the 2007 post-election violence in the early part of 2008 donors collectively declared that it was 'no longer business as usual' as far as their relationship with Kenya was concerned and went ahead to suspend disbursement of donor funds in many projects within the country. The CT donor funds were subsequently delayed for about 3 months creating anxiety and inconvenience to recipients.

Another source of discomfort with dependence on donor funding for a politically sensitive programme like the CT programmes, was the reluctance of many donors in Kenya to channel their funds through the government system, with a large number of the donors preferring to utilise NGO and other non-government systems.

Thus the country's experience with donor funding over the years had made the country adopt a cautious attitude in the CT programme given its social and political sensitivity. Indeed, in the last five years, the Government had ceased to factor in pledged donor funds in the budget unless such funds were already channelled to the Treasury

The general perception among those interviewed was that currently the CT programmes constituted a small proportion of less than 0.1% of the gross national product and the Kenyan economy could handle that level of burden for the hard-core poor of the country's population. There was considerable consensus among the Government officials, researchers and the private sector representatives interviewed that a government has a moral responsibility to shoulder the problems of its hard core poor with or without the contribution of the development partners. It was argued that so long as the CT programmes were strictly controlled and confined to the extremely poor members of society, the costs could be kept at a level that is affordable to the government with subsequent expansion undertaken gradually to take into account the economy's capacity to finance the extra burden.

### **3.3 Estimated Cost of Providing Social Protection through CT for a 3-year period**

Kenya's Draft National Social Protection Strategy has estimated the overall cost of providing social protection through CT to targeted households, with monthly cash transfer fixed at Ksh 1,000 per household to be approximately Ksh 12 billion, roughly about 3.3% of total Government expenditure or 1% of the country's Gross Domestic Product. (See Table 3).

The estimated number of all the OVC in extremely poor households is currently 594,200 countrywide. At a recommended monthly cash transfer of Ksh 1,000 per household, this category of the extremely poor would cost Ksh 7.1 billion annually (1.7% of the total Government expenditure or 0.5% of the country's GDP). The total estimated number of households with extremely poor Elderly persons was 258,046, which would require an annual allocation of Ksh 3.1 billion, equivalent to 0.7% of government expenditure or 0.2% of GDP. If all the four categories of extremely poor are taken into account, an estimated annual allocation of about Ksh 12 billion, equal to about 3.3% of the government expenditure or 0.82% of the country's GDP, would be required to provide cash transfer to all the country's hard-core or extremely poor Kenyans (Table 3).

**Table 3: Transfer of Kshs. 1,000 per month to the extremely poor**

Target groups	No. of Individuals	No. of Households	Poverty head count	Poverty gap	Annual Allocation by household	% Govt Exp	% GDP
PWD	98,918	93,580	0.450	0.157	1,122,960,000	0.3%	0.1%
Orphans and Vulnerable Children	594,200	594,200	0.455	0.149	7,130,400,000	1.7%	0.5%
HH with older persons (65+ years)	298,783	258,046	0.456	0.155	3,096,552,000	0.7%	0.2%
HH with PWD, OVC, Old	19,608	19,607	0.456	0.161	235,284,000	0.6%	0.02%

Source: Kenya National Social Protection Strategy 2009-2012

#### **4. CT and non CT Programmes: Government Preferences**

As indicated earlier, over the years the Kenyan Government has been involved in a wide range of non-cash social protection programmes, some of which take a large proportion of the national budget. This has contributed to the widely held perception that the Government prefers non-cash programmes and either ignored or had a lukewarm support for CT programmes.

This perception was however, disputed by many of the government officials and politicians interviewed. While they agreed that most of the social protection expenditures were on non-cash programmes, they attributed this to various historical factors, the nature and importance of the programme nationally, and limited information on the operations and impact of the relatively new CT programmes in the context of developing countries in Africa. As already indicated the Free Primary School Education programme, introduced by NARC government in early 2003 has been one of the most ambitious and relatively successful social protection programme.

The introduction of Free Primary Education raised the enrolment of primary school pupils in the first year of by a million from 6.1 million in 2002 to 7.2 million raising the cost of pre-primary and primary education almost three times from Ksh 3.7 billion in 2002/03 to Ksh 10.5 billion in 2003/04 Financial year and Ksh 13 billion in 2006/07 (Republic of Kenya, 2007, p.235). The FPE programme was followed by the Free Day Secondary Education school education (FDSE) introduced in 2007/2008 Financial Year to supplement the secondary school bursary programme, to assisting the poor and vulnerable groups meet the other expenses not catered for by the government such as boarding fees. (Republic of Kenya, 2007, p.94). These measures sharply raised the expenditure of the Ministry of Higher Education, Science and Technology from Ksh 1.8 billion in 2006/2007 to Ksh 22.7 billion in 2008/09 financial year (Republic of Kenya, 2009c). Thus, non-CT social protection expenditures related to education alone are more than is needed to finance all CT programmes for the four main categories of the extremely poor in the country as shown in Table 3.

It is also interesting to note that the government has been budgeting a significant and increasing amount of money on 'Social Protection' as a line item in the Government accounts over and above the social protection expenditures related to education, health and others. (See Table 4). The amount of resources budgeted for this line item more than doubled from Ksh 10.1 billion to 26.8 billion between 2001/02 and 2006/07 raising it from 3.2% to 4.7% of total government expenditure. These increases in various social protection expenditure programmes in the 2009/10 budget are seen as another sign of the government's acceptance of CT and other social protection initiatives, thereby strengthening the programmes medium and long-term sustainability.

With increasing pressure from members of parliament to devolve funds at the constituency in order to address grassroots problems of poverty, inequality and poor infrastructure, a large amount of government funds are now allocated at the constituency level including the Local Authority Transfer Fund (LATF), Constituency Roads Fund, the Constituency Development Fund (CDF). Total constituency funds have rapidly grown since they were introduced in 2003 to reach Ksh 101 billion in 2008/09. This is more than 14-fold the estimated Ksh 7.1 billion required to finance a CT programme for all 594,200 OVC per year at a cost of Ksh 1,000 per month per household.

While a number of donors have made contributions to these programmes, the bulk of resources for many of these non-cash social protection programmes are provided by the government through normal tax revenues.

Famine relief efforts to various parts of the country are estimated to cost the government between US\$ 40-65 million every year (Pearson, R *et al*, UNICEF p. 17). Many of these programmes have been sustained over a long period and are annually budgeted. The experience from these social protection schemes was used to justify the widespread confidence that a CT programme covering the extremely poor groups in Kenya is feasible, even without donor support. Indeed, donor representatives interviewed also held the view that their role was mainly to act as a catalyst to national efforts and help in technical and conceptual issues.

**Table 4: Trends in Central Government Expenditures on Selected Social Protection Items 2001/02-2008/09**

Financial Year	Primary Education Ksh billion	% of Total Expenditure	Social Protection Ksh billion	% of Total Expenditure	Total Expenditure Ksh billion
2001/02	6.3	2.0	10.1	3.2	311.1
2002/03	3.7	1.2	9.8	3.2	310.8
2003/04	10.5	2.8	12.0	3.2	376.3
2004/05	9.4	2.5	14.3	3.8	379.8
2005/06	9.3	2.4	23.4	6.0	392.3
2006/07	12.9	2.3	26.8	4.7	565.9
2007/08					

Source: Republic of Kenya, Statistical Abstracts, 2007, pp. 235-6

Thus the successful initiation and implementation of the Free Education programmes in the last six years, among other equally large social protection programmes is taken as evidence that there is no reason why the smaller CT programmes cannot be sustained.

Another pointer to the government's commitment to social protection programmes and thus to the sustainability of the CT programme is the government's participation and adoption of the African wide philosophical and strategic positions on social protection mechanisms.

The government had made considerable progress towards implementation of the pronouncements commitments and policy agenda emanating from the 2006 Livingstone "Call to Action" on Social

Protection and the 2008 All Conference of Ministers of Social Development, (Livingstone Two). A number of government and Development Partners interviewed viewed the Government's implementation of these and a number of other African Declarations as fairly good, with the country having taken a number of measures in line with the identified Actions of the Livingstone [see AU,2006] including:

- Government's increased cooperation and sharing of information and experiences with other African countries
- Initiation of key non-social social protection programmes especially in the educational and health sectors.
- Start of programmes for OVC and CT pilot programme for the Elderly (over 65 years) and the Hunger Safety Net programme targeting the chronically food deficient areas of (arid and semi-arid areas);
- Steps taken to establish costed social protection programmes as well to develop long-term funding for such programmes incorporated in national budgets, development plans and Kenya Vision 2030
- Regular and active government participation in various African Union Conferences on Social protection.
- Annex I, based on the country's First Medium Term Plan 2009-2012 provides strong indication that the country has taken the first steps to identify, cost and integrate national social protection programmes in the national annual budgets, medium-term and long-term plans and strategies such as Kenya's Vision 2030. These measures have been taken in the last two years as part of the effort to fine-tune the Kenya Vision 2030 document and harmonise and incorporate views of the country's main political parties, Party of National Unity (PNU), Orange Democratic Party (ODM) and the ODM-Kenya, following the formation of the country's first Coalition Government. The preparation of the draft Social Protection Strategy, 2009-2012 has forced the government, political parties, NGOs and development partners to take on board medium and long-term issues and strategies and to move the country's social protection to a higher level.

Indeed, some key flagship projects for the period 2008-2012 relating to the Social Pillar of Vision 2030 have been identified touching on the youth and vulnerable groups, including:

- Establishment of a Consolidated Social Protection Fund, implementation of the Disability Fund which will give financial assistance to PWD
- Enhancing the Hunger Safety Nets Programme Enhancing the Hunger Safety Nets Programme
- Raising the allocations to secondary and tertiary level bursary programmes for poor students
- Creation of Youth Empowerment Centres in all the constituencies among others (Republic of Kenya, 2008; p 121-123).

The identification and incorporation of these flagship projects in the First Medium Term Plan (2008-2012) of the Kenya Vision 2030, was regarded by most of the stakeholders as a clear indication of government and political ownership of these National Social Protection programmes.

## 5. Financing Plans

Interviews with government officials from Ministries of Finance, Planning, Gender, Children and Social Development, and the Office of the President indicate that Kenya's plans for the anticipated expansion of the CT programmes will be based largely on budgeted resources supported by external financing from development partners willing to participate in various aspects of the CT programmes. In the 2009/2010 budget, the Government has taken steps to specifically budget for CT programmes, indicating that the programmes will henceforth have components that are clearly budgeted. Development partner's resources which are committed for the programmes will also be budgeted accordingly. By negotiating a US\$ 50 million credit facility with the World Bank for Kenya's OVC-CT programme, the government has further demonstrated the seriousness with which it is taking the CT financing plans, including borrowing externally for this purpose. The Government's CT expansion plans are thus increasingly based on the usual budgetary allocation using revenue raised through various government revenue sources, supplemented by grants and loans, financing from international institutions.

Official attitude towards expansion of OVC-CT programme is cautious, and a reflection of the desire by the Government, through the Ministry of Finance, to avoid creating chronic fiscal deficits in the country's financial system. Government and donor officials questioned about the borrowing of US\$ 50 million for the OVC-CT programme underplayed the risk of creating serious fiscal deficit in the country, arguing that it is a facility with low interest rates and attractive and soft long-term repayment terms which were unlikely to have a significant impact on the size of fiscal deficit. Kenya's dependence on donor funding in the overall national budget is still less than 6% although the figure is highly significant around 56%, in the case of Development Budget. From those interviewed, it was clear however, that the expansion of the OVC and other CT programmes should rely more on budgeted national resources and less on external loan funds.

Thus the World Bank credit is largely seen as a specific occasional facility and not an indication of a strategic shift from a grant to loan financing for the OVC programmes. One of the Government officials interviewed pointed out that "while the Government will not peg expansion of CT and other social protection programmes on donor grants or loans, the Government will continue to work with development partners who are willing to supplement Government efforts". The overall reduction of donor dependence was, however expected to be advanced through the on-going deliberate policy to finance the bulk of the CT and other social protection programmes through annual budgetary allocations.

Whether the planned expansion of CT programmes in the country will be linked to increased taxation, most of the government officials, donor representatives, and politicians felt that this would be politically risky and could easily jeopardise the programmes by raising public opposition to it. They argued that due to this sensitivity, CT expansion cannot be directly associated with increased taxation due to the danger of making it unpopular to Kenyan taxpayers who have already been complaining of being over taxed.

It is noteworthy that in the 2009/2010 budget, CT programmes received substantially increased allocations in a year when the Minister for Finance did not introduce any tax increases in the budget in view of the prevailing adverse domestic and external economic conditions facing the country. The prevailing economic conditions, coupled with a fairly charged political environment, well publicised public sentiments in the media against increased tax burden and increasing focus by political parties partly to gain public support for 2012 elections, did not create a conducive environment for tax increases.

While the Government is expected to continue to encourage increased external collaboration in the financing plans of the CT programmes, government officers interviewed said that the government would discourage and resist CT expansion which cannot be domestically maintained in the absence of donor financial support. The government is thus expected to continue operating on the

principle that it is imprudent to peg the programmes on donor support. As already indicated, the Government contribution to the OVC-CT programme has increased from a mere token figure of US\$ 0.5 million in 2004 when the programme was launched, to US\$ 9million in 2009, contributing, about 50% of the current more expanded OVC-CT programmes

## **5.1 Poor Economic Conditions and Sustainability of the CT Programmes**

As highlighted already in this report, the Kenyan economy has experienced a major economic crisis since January 2008, following the unprecedented post-election violence that erupted in various parts of the country after the disputed results of the 2007 general elections.

The violence had major adverse effects on the whole economy and specifically on some of the key sectors of the economy including agriculture, tourism, manufacturing and transport. The flow of foreign investments and remittances from Kenyans (who have become major source of the country's foreign exchange earnings in the last few years) was also adversely affected in the Diaspora. These adverse occurrences took place as the global economy was experiencing its worst economic depression since The Great Depression of the 1930's. Kenya's economy had enjoyed dramatic recovery from a very low economic growth rate of only 0.5% in 2002 to a high rate of 7.1% in 2007 but, experienced a major reversal pushing down the growth rate to 1.7% at the end of 2008 as a result of the above domestic and external forces (Republic of Kenya, 2009c)

However, in spite of this reversal in the country's economic fortunes, the government significantly increased its funding of the CT programmes and did not revise downwards its expansion plans for the coming years. This is seen as an indication of the extent to which the country's political establishment is committed to make CT programming part and parcel of government budgeting programmes for Social Protection.

Thus in spite of the economic and political crisis that have engulfed the country since early 2008, there has been no reduction in the state funding for social protection programme, both CT and non-CT. Indeed, the CT programmes received major budgetary allocation in the budget read by the new Minister of Finance on June 11 2009. The CT programme for the Elderly saw its allocation rise by almost 138-fold from Ksh 4 million in 2008/09 to Ksh 550 million in 2009/10, while the OVC-CT programme had its government budgetary allocation rise to US\$ 9 million for the 2009/10 financial year. The main non-CT programmes like free education, subsidised health and Constituency Development Fund also received increased budgetary allocation for the 2009/10 financial year. Thus, instead of a slow-down in national funding, there was an upsurge in national budgetary allocation as well as the pace of rollout of the programmes, partly reflecting the government's realisation of the deep social and political tensions and potential adverse effects on the future of the nation if the underlying social problems remain unaddressed.

There was however, considerable public debate following the reading of the budget, regarding inherent dangers of potential fiscal deficits and inflationary tendencies resulting from expansionary measures taken without tax increases. The Minister for Finance reacted to the debate by arguing that the deficit would be addressed through reduction in wasteful or unnecessary expenditure such as huge transport expenditure bills incurred by Government Ministers and other senior officials, in addition to promoting prudent borrowing from the domestic financial institutions. This was possible due to the current low level of CT coverage at less than 0.5% of the national budget and continued support from key donors. An official from one international organisation heavily involved in the Kenyan CT programme said that "external funding has increased with commitments of more than US\$ 150 million over the next 10 years mainly from UNICEF, DFID, SIDA and World Bank. Government officials and donor representatives are generally agreed that technical and financial support for social protection programmes have been and will continue to be important for some years to come before the government machinery for implementing CT programmes is firmly established.



## 5.2 CT Programmes: Government or Donor Driven?

There has been a perception in some circles that CT programmes were largely donor driven and that the Government tended to prefer non-CT social protection alternatives.

However, both donor and government representatives interviewed denied that CT programmes in Kenya are mainly donor driven.

While acknowledging the significant role played by some key donors in the evolution of Kenya's CT Programmes (notably UNICEF, World Bank and DFID), government and development partners representatives emphasised that the programmes have been largely home-grown, starting with the interest and initiatives taken by former Vice President Hon. Moody Awori, whose concern with the orphans and vulnerable children led him to seek the intervention of UNICEF. From this initial request, the government with technical and financial assistance from UNICEF and later DFID and The World Bank, has seen the current OVC-CT programme significantly expanded, with the addition of other CT programmes (for the Elderly population and the Hunger Safety Net programmes). In addition, the broader non-CT social protection programmes have also grown beyond what was remotely thought possible ten years ago, especially the Free Primary Education and Free Day Secondary Education programmes which are now firmly institutionalised in the country's budgetary system.

Thus while donor advocacy, technical support and funding have played an important part in the growth of the country's CT programmes their sustainability are strongly dependent on the fact that it is being rapidly institutionalised in the national philosophy, policy and budgetary systems.

In the draft National Social Protection Strategy, 2009-2012, [Republic of Kenya, 2009b] the government acknowledges the need to take the required measures to ensure that CT and other social protection programmes are sustainable "The key challenge for the government is to ensure that there are sustainable financing mechanisms for the long-term delivery of social protection in the country,"(op. cit p. vii) pointing out that it was "critical to concretely identify available sources of finances to meet the costs associated with delivering this strategy." The strategy has identified government tax revenue as the most important source, arguing that: "Allocating a percentage of the national budget through the Medium Term Expenditure Framework (MTEF) would ensure that social protection enjoys a predictable and long-term budgetary commitment as do other sectors" (Republic of Kenya, 2009b, p.vi).

The draft strategy paper ties the future expansion of social protection to the country's economic performance "the amount of tax revenue available for social protection will depend largely on the rate of economic growth" (Republic of Kenya, 2009.p.vii). Tax revenues are, however, expected to be supplemented by revenues raised from the private sector, development partners and other sources as already pointed out.

This desire to institutionalise the CT and other social protection programmes within the national budgetary system was broadly shared by politicians, senior civil servants, development partner institutions and heads of research and economic institutions interviewed. One of the members of parliament interviewed revealed that he was already in the process of drafting a bill in parliament to create a legal framework for financing and implementing social protection programmes in the country. A senior researcher from one of the country's policy and research institutions argued that, "institutionalisation of the social protection financing within the national budgetary system is the key to ensuring a sustainable social protection mechanism in the country."

His argument was based on the rationale that institutionalisation of the social protection mechanism would enable adequate budgetary provisions, and that it would promote greater national ownership of the programme so that its sustainability is not dependent on who or what political party is in power. Indeed the Member of Parliament, who was in the process of drafting a bill to this effect, gave a similar reason for the proposed bill.

It is also assumed that with institutionalisation of social protection programme, the scale of the program would rapidly increase to cover more of the eligible beneficiaries, as has been the case with Free Primary Education, Free Day Secondary Education, subsidised health, CDF funds etc. This expectation is to some extent validated by the scaling up of the CT programme for Elderly from a small pilot group of 300 households to incorporate the whole country.

As already pointed out Social Protection programmes are regarded as part of a wide range of measures that the government is utilising to address special problems or different, groups or situations. But CT programmes are currently relatively small compared to non-CT social protection programmes and broader sectoral expenditures on infrastructure development, agriculture, education, health, defence, etc

Information from interviews indicates that for the CT programme to be sustainable, in the medium and long-terms, a number of issues are crucial. It was pointed out repeatedly that while the development partners' role was important in both provision of technical assistance and funding, the expansion of the programme should be carefully and deliberately designed to take into account the government's ability to take over if and when a donor's financing period is over and/or in case the donor pulls out of the programme unexpectedly. It was also important for development partners entering a programme to sign an undertaking that they would participate without disruption for the period agreed upon.

It was further argued that for the programme to remain sustainable, its scope and coverage must be based on the ability of the national economy. The selection criteria of the beneficiary households must be well designed and utilised to minimise infiltration into the programme by non-eligible people which would raise the financial burden of running the programme.

Finally, it is necessary to have a clear exit strategy especially for the OVC to reduce dependence and burden of the programmes.

## 6. Public Debate and CT Programmes in Kenya: Acceptability and Political Economy

### 6.1 CT and Dependency Problem

There has not been much national debate regarding the dependency issue arising from the implementation of the CT programme in the country. Virtually all those interviewed said that there had been only limited national debate either on CTs as a programme, or dependency problems often associated with such programmes. A number of explanations were given to explain this lack of a vibrant national debate on the issue either among politicians, research and academic institutions as well as the public through the country's mass media.

First, the three CT programmes Kenya are relatively new, having started between 2004 and 2006. Their pilot phases involved only a limited number of households and districts out of the country's now over 200 districts. Second, according to one senior government official who has been closely associated with the country's CT programmes, there was a deliberate policy to adopt a low political and public profile at the initial stages of the programme. "Too much exposure of the programme at the inception phase could have jeopardised the programme, especially given the country's often polarised and ethicised politics," he explained. It was thus thought safer to keep the CT programme out of the public and political limelight until it was fully designed and ready for a large scale implementation nationally. Third, the programme did not have a well developed publicity and communications policy. Fourth, the CT programmes have not yet attracted significant academic and policy researcher's attention except for a few institutions like KIPPRA, with research programme on social sector issues in the country.

With the scaling up of the programme in 2009, the government and development partners are in the process of developing a publicity and communications strategy which is expected to raise the level of debate on CT programmes and related issues significantly.

However, in spite of limited public debate on the CT programmes the majority of the people interviewed were aware of potential dangers with regard to development of a dependency syndrome among beneficiaries of a CT programme. Some of the senior government officials said that Ministry of Finance and Planning ministries were initially not strongly supportive of CT programmes citing potential dependency problems as the main reason behind their lukewarm support. This attitude was said to have changed to strong support for the CT programmes, especially after a number of officials from key relevant ministries were exposed, through educational tours, to other parts of the world where the programmes are well established such as in Latin America and Asia. One of the interviewees observed: "Kenya's Prime Minister has become one of those championing CT and social protection programmes after he saw their impact in India."

The majority of those interviewed, however, argued that the probability of development of dependency among the recipients was low due to a number of factors.

Firstly, the amounts given to the beneficiary households in the existing OVC, Elderly Persons and Hunger Safety Net CT programmes were so low (between Ksh 1,000 and Ksh 1,500 per household) that only a very small number of recipients would prefer to depend on the monthly cash given, if there were options of earning a regular income on their own. However, in the case of the Elderly, it was assumed that since they are not on pension and did not possess investments or other forms of support, majority were too old to work and will most probably remain on the CT programme for the rest of their lives.

Secondly, in the case of OVCs, the current policy is that the beneficiaries would cease to receive monthly cash transfer after attaining the age of 18 years. It was assumed that by the time the OVC have attained that age, many of them could be in a position to engage in gainful employment, probably offering higher remuneration compared with the monthly cash available in the CT

programme especially in view of the in-built human resource capacity building within the OVC and Hunger Safety net programme.

Most of the stakeholders interviewed did not think that it would be realistic under the current resource constraints to continue supporting OVC beneficiaries through a CT programme beyond age 18. In addition there was general concern that if there was no definite period for the OVC to graduate out of the programme, the programme would encourage dependency. One senior official of government argued that “in view of the current initiatives being taken to expand the economy, create youth programmes targeted at rapid creation of employment opportunities and to increase the vocational and technical training opportunities in addition to Free Primary and Free Secondary Day Education, there is no reason why a large majority of OVC and other young people should not be able to get gainful employment”.

This argument was echoed by a number of government officials and members parliament interviewed. It was pointed out that this will depend very much on whether a conducive economic environment is created to allow the required high rates of economic growth to be achieved to significantly reduce levels of unemployment and poverty in the country. Some of the interviewees especially those from the Ministries of Planning and Finance argued that the speed of economic recovery and creation of employment between 2003 and 2007 indicated that under proper management the labour market and other economic parameters could change significantly in 5-10 years.

Commenting on the government's strategy for reducing the dependency problem, the draft National Social Protection Strategy states that, “...a clearly outlined exit strategy will counter dependency and other undesired outcomes” of implementing a Social Protection programme in the country. (Republic of Kenya, 2009b, P.vii.).

Dependency is broadly understood as a situation in which some members of society may be reluctant to seek and undertake available gainful employment preferring to remain on financial support from government or parents/guardians. Some of the stakeholders interviewed viewed dependency as form of ‘laziness’, ‘lack of ambition’ and “preference to rely on the sweat of others”.

## **6.2 CT Versus Non-CT Programmes: Government and Donor Prioritisation**

Asked whether (in the absence of donor preferences) the government would have prioritised alternative approaches for addressing social protection in place of CT, there were two main responses. Firstly there were those who argued that the government had in the past tended to favour non-cash interventions such as free or subsidised education and health services, food aid and other kinds of in-kind programmes.

Some of those interviewed attributed this to widespread belief that cash transfers would either be abused or misdirected in alcohol consumption and other non-essential forms of consumption, and that cash transfers would promote dependency on the part of the recipients. This group argued that without the influence of non-government actors, especially the development partners, the government would have probably preferred non-cash transfer programmes. The group points out that the government preference for non-cash transfers is reflected in the current distribution of financial resources for social protection programmes, where the CT programmes account for a relatively small proportion of total government expenditure on social protection as already discussed in this paper.

Secondly there were those of the opinion that the government would still have prioritised CT programmes to reach the hard-core poor, even without donor preferences. As one senior official of a research and policy institution in Nairobi argued, “hard-core poor constitute a special category of the poor for which other options may not be viable or effective to handle the unique needs of the group.” that the very poor in the society need radically different approaches such as CT which was not before regarded as an appropriate strategy.

This strategy was influenced considerably by the underlying fear of dependency, inadequate information and examples of successful implementation of such programmes in poor countries, widespread belief that CT programmes were only possible in welfare rich countries, and inadequate information or data on types and levels of poverty and vulnerability in the country. These perceptions have, however changed rapidly as a result of HIV/AIDs pandemic in the country since late 1990s, availability of more data on social conditions in the country, liberalised media and politics which raised political competition, criticisms and pressure on government officials and politicians in the country and realisation that it was possible to target particular segments of a country's population facing unique conditions or problems, and experiences from other countries.

Three current members of Parliament and a senior medical consultant interviewed argued that the merits of CT programmes would have made the government, choose CT intervention for certain groups. They argued that cash transfers were flexible and allowed beneficiaries to spend the money on the most important items for the household and that cash transfers tend to bestow dignity to the recipients. Some of the respondents narrated some cases of poor recipients who had invested part of the little money on chicken, goats and other micro-enterprise activities.

A senior government official closely associated with the OVC-CT programme argued that the programme was largely out of the efforts made by the former Vice President, Moody Awori, demonstrating the government's prioritisation of the cash transfer option for the country's orphans and vulnerable children

An official of a research and policy institute argued that the range of social protection interventions existing in the country was a demonstration of the government's flexibility and open mind regarding the nature of social protection programmes and the realisation that different social situations may require different forms of interventions.

### **6.3 Domestic and External Influences on Social Protection Approaches and Strategies**

Senior officials in the Government were of the view that the government has adopted an open door policy to allow participation of various government ministries, other public institutions, private sector, CSOs, NGOs, individuals, and international organisations to participate in various ways in the development and delivery of social protection programmes, including financing, provision of technical assistance, sharing information or any other way individuals or specific institutions would like to participate. However, before the individuals or institutions wishes are implemented, the government would have to approve the proposals after their evaluation

In order to facilitate broad participation of various institutions and groups of stakeholders, the government established the National Steering Committee (NSC) for Social Protection in 2007 under the Ministry of Gender, Children and Social Development. Through this forum, the government attempted to take advantage of existing goodwill from individuals and institutions willing to participate or make contributions to the country's social protection activities. Relevant ministries such as Health, Education, Finance, Agriculture, Office of the President, Gender, Children and Social development, Planning, etc have all played important roles in designing, implementing, monitoring and evaluation of social protection programmes.

Thus, it is clear that Kenya's social protection strategy has been shaped by many actors in form of individuals and institutions, private or public, domestic or external.

Specialised agencies such as UNICEF, World Bank, and a host of others have influenced the development of the country's social protection programme in various ways including provision of technical advice and financial contributions.

UNICEF in collaboration with the government played an important role in the establishment of the CT programme for OVC. The agency helped to provide some of the resources for the piloting of

the programme, technical assistance and the development of the Operational Manual as well as the development of the money transfer mechanism to the beneficiaries.

The World Bank, in addition to providing technical advice on the programme in the last few years, has provided a \$50 million facility for the OVC CT programme.

DFID, taking the lead amongst development partners in the OVC CT programme, has also contributed financial resources to the programme in addition to providing some of the resources required in the development of the National Social Protection Strategy Paper, which is awaiting submission to the Cabinet and Parliament for discussion and adoption to serve as an important milestone in institutionalisation of social protection programmes in the country.

#### **6.4 Political Economy Issues: Government and Donor Support for Social Protection Initiatives**

Although the government has been closely involved in the evolution of CT programmes in Kenya, there has been a general perception that CT programmes are donor-led. This perception is based on the strong involvement of UNICEF, DFID and The World Bank. Initial funding to pilot the programme as the government was waiting for the processing of its application for a US\$ 60 million financial support from the Global Fund for HIV/AIDS related programmes (Pearson, R.P.G). The subsequent involvement of UNICEF in the programme in terms of technical and financial support coupled later with financial support by DFID and the World Bank led this and other CT programmes to be termed as donor-led.

While it may not be correct to argue that global preoccupation with the HIV crisis dictated the social protection mechanism in a country like Kenya, there is no doubt that the crisis has had a strong influence on the evolution of the CT programme in the country. The need to introduce such a programme arose specifically as a response to the search for ways and means of handling the rapidly increasing number of OVC associated mainly with effects of HIV/AIDS on families. Secondly, the first grant the country applied for to support OVC in the country was the Global Fund for HIV/AIDS. However, the lessons learnt from the early support from Global funds and institutions like UNICEF, DFID, have made the government to realise the need for CT and increase its financing commitment with or without donor support.

Even though the government has been strongly involved in this programme from the beginning and is now providing about half of the financial resources of the programme, the perception has continued.

The government has been largely associated with non-cash social protection initiatives, making it to appear that the government supported the non-cash transfer programmes while the donors supported the CT programmes in parallel.

Most of those interviewed among donor representatives and government officials were of the view, that the perception was to some extent a distortion of the actual situation. A number of them pointed out that apart from the fact that the government is now contributing close to half of the financial resources for the OVC-CT programme; the government was also a key player at the conceptual, design and implementation of the programme. Discussions with senior government and donor officials closely involved with CT programmes see the process as an amicable and respectable collaboration between the Government and the development partners, with both playing important roles.

It was also worth noting that, in the social protection programmes largely led by the government, there is significant financial contribution by a wide range of development partners in programmes such as free primary education, slum upgrading and low-cost housing programme and Arid and Semi-Arid Lands (ASAL) programme.

Government and Development Partners representatives interviewed observed that a healthy collaboration had emerged between the Government and Development Partners both in the three CT programmes existing in the country today as well as a wide range of social protection programmes. Some of the respondents attributed part of this collaboration to the on-going process of Harmonisation, Alignment and Coordination of Government and development partner projects and activities according to the Rome and Paris Declarations aimed at enhancing aid effectiveness.

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## Annex 1: Social Protection and Related Programmes in the First Medium Term Plan, 2008- 2012

Programme	Objective	Expected output/outcomes	Implementing agency	Source of funds	Indicative budget (Ksh. Millions)				
					2008/9	2009/10	2010/1	2011/12	2012/13
Women Enterprise Fund	Improve access for women to alternative financial services	Women empowered economically	MGCSD, Women Enterprise Fund Advisory Board	GOK	1,000	1,000	1,000	1,000	1,000
Consolidated Social Protection Fund	Provide financial support to all vulnerable groups	Increased beneficiaries of cash transfer and economic empowerment of all vulnerable groups	MGCSD & development partners	GOK	230	230	230	230	230
Disability Fund	Provide financial support to persons with disabilities	Full implementation of the disability fund	MOYS	GOK	15	15	15	15	15
Youth Empowerment Centres	Establish and rehabilitate youth empowerment centres	Increased access to services and information for the youth	MOYS	PPP	15	1,350	4,000	3,000	2,000
Youth Enterprise Fund	Provide financial support to young entrepreneurs	Youth empowered through job creation	MOYS, MOPW, KIE, KNEC, MOST, MOE	GOK	700	700	700	700	700
Technical and Vocational Training programme	Enhance technical and vocation training	Improved technical and vocation training	MPND, KNBS	PPP	5,000	10,000	15,000	10,000	10,000
Poverty profiling	Identify and locate poor, create their profiles and determine their needs	Improved targeting and design of poverty interventions	MPND	PPP	113	15	10	10	10
Poverty targeted programmes	Develop targeted pro-poor policies, programmes and projects	Reforms on the waiver system to address the bureaucratic bottlenecks	MPND	PPP	270	280	320	370	420
Waiver system in health	Review the waiver system to address the needs of poor and vulnerable	Functional rural health facilities providing integrated and comprehensive health services	MOH, MOWCA	GOK	5				
Rehabilitate rural health facilities	Rehabilitate health centres and dispensaries for integrated and comprehensive healthcare		MOH	PPP	-	834	1,112	278	-

Source: Republic of Kenya, 2009.Social Protection Strategy, 2009-2012

## **Annex 2: List of people interviewed**

Dr. Nyikal, Permanent Secretary, Ministry of Gender, Children and Social Development.

Ms. Winnie Mwasiagi, OVC-CT Programme Secretariat, Ministry of Gender, Children and Social Development.

Mr. Hussein, Director for Children Services, Ministry of Gender, Children and Social Development.

Mr. Kivuli J, Cash Transfer Programme Officer, Kwale District.

Joseph Kinyua, Permanent Secretary, Ministry of Finance.

Dr. Geoffrey Mwaui, Economic Secretary, Ministry of Finance.

Mr. Wainaina, Planning Secretary, Ministry of National Development and Vision 2030.

Ms. Ada Mwangola, Social Protection Advisor, DFID.

Hon. Dr. Nassir Nuhu, Member of Parliament, Bura Constituency.

Hon. Ababu Namwamba, Member of Parliament, Budalangi Constituency.

Hon. Nderitu Muriithi, Assistant Minister for Industrialisation, and Member of Parliament, Nyandarua Constituency.

Dr. Moses M. Ikiara, Director, KIPPRA.

Dr. Joy Kiiru, Economics Researcher, KIPPRA, and Lecturer, University of Nairobi.

Dr. Francis Mwega, Director, School of Economics, University of Nairobi.

Prof Mwanje, Director, IPAR, Nairobi.

Dr. Richard Barasa, Medical Consultant, Nairobi Hospital.

Carlos Alviar, Programme Officer, UNICEF.

Emma Sorensen, Social Protection Programme Officer, World Bank, Nairobi.

Mr. Leonard N. Kimani, Director, Economic Sector, National Economic Social Council (NESC).

Dr. Julius Muhia, Secretary, NESC