REPUBLIC OF KENYA

MINISTRY OF LABOUR AND SOCIAL PROTECTION
STATE DEPARTMENT FOR SOCIAL PROTECTION

KENYA

SOCIAL PROTECTION SECTOR REVIEW

2017

EXECUTIVE REPORT

SOCIAL PROTECTION
enhancing synergies, improving lives

KENYA VISION 2030

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Nelson Marwa Sospeter, EBS
Principal Secretary

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LIST OF ACRONYMS

ASAL	Arid and Semi-Arid Lands
C&G	Complaints and Grievances
CBO	Community Based Organisation
CBT	Community-Based Targeting
CDC	County Drought Coordinator
CFA	Cash for Assets
CP	Cooperating Partner
CSP	Civil Service Pension
CSPS	Civil Service Pension Scheme
CT-OVC	Cash Transfer for Orphans and Vulnerable Children (CT-OVC)
DCS	Department for Children's Services
DFID	Department for International Development
DLI	Disbursement-Linked Indicators
DSD	Department for Social Development
FFA	Food for Assets
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
GFD	General Food Distribution
GOK	Government of Kenya
HGSFP	Home Grown School Feeding Programme
HSNP	Hunger Safety Net Programme
HTT	Harmonised Targeting Tool
ILO	International Labour Organization
INGO	International Non-Governmental Organisation
IPRS	Integrated Population Registration System
KES	Kenyan Shilling
KIHBS	Kenya Integrated Household Budget Survey
M-PESA	Mobile Pesa (Mobile Money)
M&E	Monitoring and Evaluation
MIS	Management Information System
MLSP	Ministry of Labour and Social Protection
MODA	Multiple Overlapping Deprivation Analysis
NCPWD	National Council for Persons with Disabilities
NDEF	National Drought Emergency Fund
NDMA	National Drought Management Authority
NGO	Non-Governmental Organisation
NHIF	National Hospital Insurance Fund

NSNP	National Safety Net Programme
NSPP	National Social Protection Policy
NSSF	National Social Security Fund
OPCT	Older Persons' Cash Transfer
PforR	Programme for Results
PMT	Proxy Means Test
PSP	Payment Service Provider
PwSD-CT	Persons with Severe Disabilities Cash Transfer
RBA	Retirement Benefit Authority
SAU	Social Assistance Unit
SDSP	State Department for Social Protection
SPS	Social Protection Secretariat
UFS	Urban Food Subsidy
UNICEF	United Nations Children's Fund
US$	United States Dollar
WFP	World Food Programme
WHO	World Health Organization

1: Introduction

Investing in social protection is an essential component of a successful and sustainable market economy. Across low- and middle-income countries, social protection is recognised as a core and essential public service, alongside other services including health and education. In developed countries, according to the OECD, an average of 12 per cent of GDP is invested in social protection, making it the highest areas of public spending. A range of lower and middle-income countries are now gradually investing a significant proportion of national wealth in social protection. The level of investment in some developing countries – such as South Africa, Mauritius, Brazil and Georgia – is at more than 3 per cent of GDP. Kenya has been developing its tax-financed social protection system for the past 10 years, but the level of investment still remains below a level at which it can make a significant difference.

At the time of this Review, the definition of social protection in Kenya had been set in the 2011 National Social Protection Policy as: *'Policies and actions, including legislative measures, that enhance the capacity of and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare, that enable income-earners and their dependants to maintain a reasonable level of income through decent work, and that ensure access to affordable healthcare, social security, and social assistance.'* The national social protection sector comprised three pillars:

- ***Social assistance,*** which offer 'direct cash transfers to poor and vulnerable people over their life-cycle' and, in Kenya, are financed either from general government revenues or by donors.
- ***Social security,*** which is financed by contributions from individuals and employers and aimed to offer 'retirement schemes to informal sector workers and to increase the range and adequacy of NSSF benefits.'
- ***Health insurance,*** which was also financed by contributions from individuals, employers or government and aimed to offer all citizens access to health services.

There is strong evidence that an inclusive social protection system can have long-lasting impacts on well-being and economic growth through a variety of pathways. By offering all citizens with the guarantee of income security, social protection effectively tackles poverty and inequality, enhances human capital, helps build a strong and productive workforce, encourages risk-taking and investment in businesses, protects against shocks and crises, and builds social cohesion which results in a peaceful society. As Kenya develops and moves towards middle-income country status, its social infrastructure – such as the health, education and social protection sectors – must evolve to ensure that the benefits of progress and growth are shared with all citizens. Higher investment in social protection will create greater stability, increased prosperity, a more dynamic and competitive economy and ensure that every citizen is included in society and can reach their full potential, resulting in a more productive workforce.

The Government of Kenya is committed to realising the right to social protection for its citizens. Since 2011, the social protection sector has undergone significant improvements, with the gradual expansion of regular, predictable transfers under the Inua Jamii Programme. In 2018, the Government implemented a universal social pension for all older person aged 70 years and above, representing Kenya's first entitlement programme. Kenya is now one of the leading countries in Africa in terms of investing in social protection. In 2016, the nation invested around 1.3 per cent of GDP in social protection, while spending on social assistance reached 0.35 per cent of GDP. While this is lower than countries such as South Africa and Namibia, it is higher than most other countries in the region, and Kenya's investment in social assistance is the highest in East Africa. For instance, Uganda invests around 1.1 per cent of GDP but invests less than 0.1 per cent of GDP on social assistance through its Senior Citizens Grant (which is mainly funded by donors). Further investments in social protection would maximise the potential for human development and economic growth. However, further commitment to social protection is needed to ensure that the benefits of progress and growth are shared with all citizens.

In 2016, Kenya invested around **0.35%** of GDP in social protection compared to

0.04% in Ghana

0.12% in Zambia and

3.2% in South Africa

This report offers a strategic review of the social protection sector up to 2017 and how it has evolved since the last review took place in 2011/12.[1] Since then, a range of key social assistance programmes have expanded, including the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), Persons with Severe Disabilities Cash Transfer (PwSD-CT), the Hunger Safety Net Programme (HSNP), Older Persons Cash Transfer (OPCT) and the recent implementation of the Inua Jamii Senior Citizens' Programme providing a transfer to all older persons aged 70 years and above. In contrast, in 2012, a few larger programmes dominated the sector, such as General Food Distribution (GFD), the Civil Service Pension (CSP), the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). Overall, the sector was relatively small while coverage and expenditure on regular and predictable transfers was limited.

Box 1: Methodology used in the Sector Review

A team of international and national consultants worked closely with the Social Protection Secretariat (SPS) to conduct consultations and gather data.

Tools and information include:

- A literature review of Government of Kenya policies, legislation, planning documents and programme evaluations.
- Analysis of the following data: KIHBS 2005/06 and 2015/16 surveys; 2011 evaluation datasets for the HSNP; 1997-2007 Tegemeo Rural Household Budget Survey; National Single Registry; and the HSNP Management Information System.
- Analysis of Inua Jamii Programme administrative data.
- Extensive consultations with key stakeholders.

[1]The sources for the data and information presented in this report, including the graphs, is based on analysis of key datasets as listed in Box 1, unless stated through a different source.

2: The socio-economic context

Poverty and inequality rates have reduced in Kenya in recent years. The national poverty headcount fell from a rate of 47 per cent in 2005/06 to 36 per cent in 2015/16.[2] Furthermore, inequality in Kenya has fallen from a national Gini co-efficient of 0.45 in 2005/06 to 0.39 in 2015/16. However, there are geographical disparities. The highest relative fall in poverty has been in peri-urban areas (35%) while it was more limited in urban areas (8%). Children and older people are more likely to live in poverty than those of working age: the poverty rate among children is 42 per cent, and 39 per cent among persons aged 70 and above. Persons with severe disabilities are also likely to live in poverty, with a poverty rate of 42 per cent.

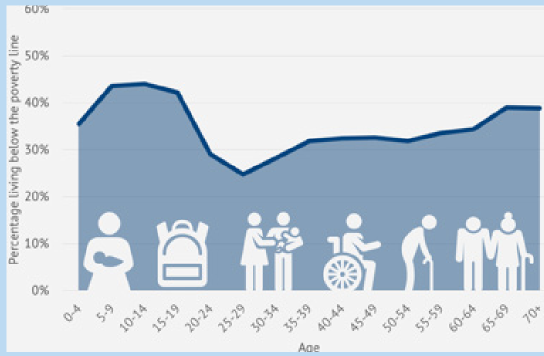

Figure 7: Theory of change

While it is commonly believed that poverty is concentrated in the arid and semi-arid Lands (ASAL), in reality, poverty is more widespread. As a proportion of the total population living below the poverty line, 44 per cent live in ASAL areas whereas 56 per cent live in non-ASAL areas.

In reality, the majority of the population in Kenya live on low and insecure incomes. Around 80 per cent of the population could be considered as being 'poor' or 'insecure,' given that their daily expenditures amount to less than KES280 (US$2.80) per person.[3] If those with higher per capita expenditures were considered to be middle class, this would place only 20 per cent of the population in this relatively secure group. In fact, less than 1 per cent of the population live on more than KES1,000 (US$10) per person per day.

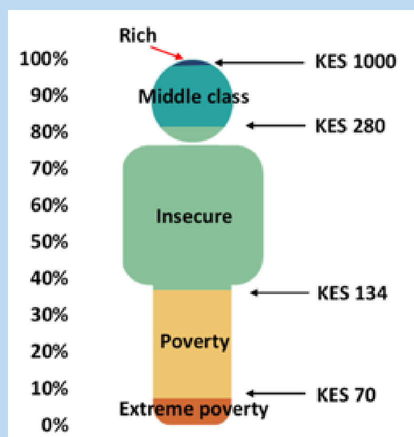

Figure 2: Percentage of the population living on different levels of daily per capita consumption in 2015/16

[2]The poverty line is set at KES107 in rural and peri-urban areas, and KES197 in core urban areas, per person per day.

[3]The cut-off values are based on weighted averages of poverty lines in 2016. In 2016, 36 per cent lived below the poverty line of KES134 per person, per day.

Furthermore, the economic wellbeing of households changes constantly. Household consumption and incomes are highly dynamic, as people experience shocks and crises that impact their living standards. Among households in rural Kenya, many experienced a relative fall in their standards of living at some point between 1997 and 2007. As Figure 4 illustrates, the risks that people in Kenya face – which can impact on their standards of living – vary across the life-cycle.

Across rural Kenya,

84% of rural households spent all, or some time, living in poverty between 1997 and 2007

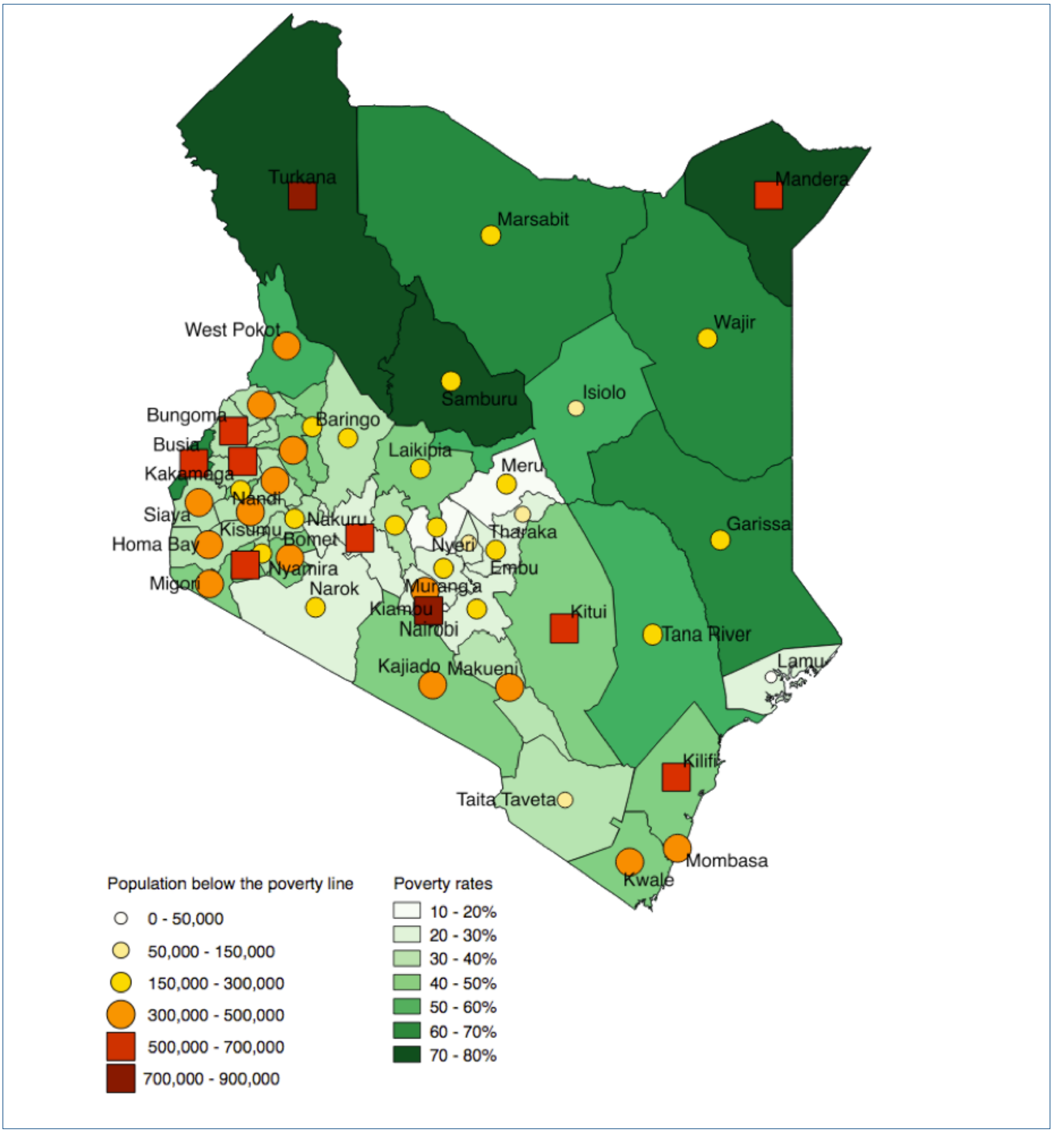

Figure 3: Map of counties indicating poverty rates and numbers of people living in poverty

Social protection can be a key tool for the Government of Kenya to address the many challenges faced by the vast majority of the Kenyan population. Social protection should be regarded as a vital part of a wider strategy for growth and development in Kenya, alongside investments in health, education, infrastructure, and the many other areas of government activity. Considering incomes in Kenya are predominantly low and insecure, the majority of the population in Kenya would benefit from access to social protection.

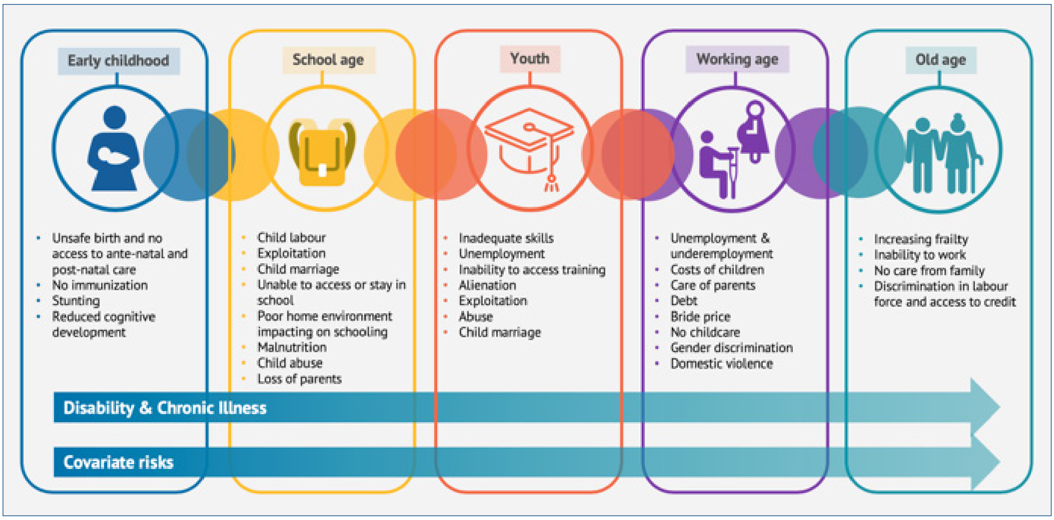

Figure 4: Summary of life-cycle risks experienced by Kenyans

3: Life-cycle risks experienced by Kenyans

3.1 The situation of children in Kenya

Challenges experienced during early childhood can have negative and irreversible effects that last throughout adulthood, which is intensified when families have limited access to health services. Poverty can lead to malnutrition and nutritional deficiencies among children, resulting in stunting. ASAL counties have some of the highest prevalence rates of stunting. However, the largest number of stunted children are found among non-ASAL counties. In non-ASAL counties, approximately 871,000 children experience stunting while the number of children in ASAL counties is 673,000. Stunting impacts children's cognitive development and future earnings, affecting the development of Kenya's labour force. A stunted child is estimated to earn around 20 per cent less as an adult in comparison to their non-stunted peer.

26% of children in Kenya below the age of five experience

stunting

Vulnerability and poverty are experienced by many children in Kenya. A recent study by UNICEF, WFP and the SPS argues that the definition of vulnerable children in Kenya should move away from a focus on orphanhood, since many non-orphans experience similar challenges. As indicated earlier, many children are living in low-income families but poverty should also be understood multidimensionally. In fact, more than two-thirds of children experience deprivation in at least two dimensions based on the fundamental rights of children to access health care, adequate food and nutrition, housing, drinking water, sanitation, education, information and knowledge of health issues.[4]

Based on a measure of **multidimensional poverty,**

68% of children can be regarded as poor, based on them being deprived in 2 out of 6 dimensions of child poverty

Although 33% of school age children (6-17 years old) **attend secondary school,** the net attendance rate among the poorest 20 per cent of households is

18% in comparison to

61% in the richest quintile.

[4]Source: Based on KNBS analysis of child poverty in Kenya through a multidimensional approach (multiple overlapping deprivation analysis) in 2017.

Orphaned children are just as likely to live in poverty as non-orphans, while some of the most vulnerable children are those living with disabilities, especially when a child's impairment is a source of stigma. According to the 2009 Census, approximately 2.2 per cent of children aged 0-17 years old – which amounts to around 437,000 children – were living with a disability.[5] However, this figure is likely to be an underestimate since some families may have withheld information about their child's disability from the census. Worldwide, WHO and World Bank (2011) estimate that 5.1 per cent of children have a disability while 0.7 per cent have a severe disability.

17% of children of school age with a **disability** had never attended school in comparison to

10% of children without a disability

Children from families living on low incomes in Kenya are less likely to attend school and more likely to engage in child labour in order to supplement their families' incomes. This not only compromises their education but also their cognitive and physical development if they become involved in hazardous activities which are detrimental to their health. The 2015/16 KIHBS estimated that over 1.9 million children aged 5-17 years were working for pay, profit or family gain

3.2 Challenges faced by Kenyans of working age

A significant challenge for people of working age is the reliance on insecure incomes. A large proportion of the working age population relies on income from low-earning jobs in the informal economy or subsistence sector. Further, the birth of a child often leads to mothers reducing work in order to take on care responsibilities at home, in particular in the absence of child care facilities. Larger families with more children are more likely to live in poverty, as women from households in the poorest wealth quintile have an average of 6.4 births, whereas women in the wealthiest quintile have an average of 2.8 births in a lifetime.

67% of men and

69% of women are employed in agriculture, unskilled manual labour or domestic services

Persons with disabilities face particular challenges during working age. Lower participation rates in school education – alongside lower quality schooling – have lifelong impacts on the economic opportunities of persons with disabilities as they continue to face challenges in obtaining job security. Most persons with disabilities experience additional cost in accessing work and participating in society, leading to lower living standards.

[5] *These figures are based on an analysis of the 2009 National Census dataset*

3.3 The challenges faced by older persons

Older people in Kenya face some of the biggest challenges, as their capacity to work gradually reduces due to increasing disability. Older people can face social exclusion from their families and community, by being unable to contribute to their kinship networks – for example by helping grandchildren – and face growing isolation and loss of support from family members, who simultaneously struggle to provide for their own children. The likelihood of living with a disability increases with age. In 2010, approximately 12 per cent of the population between the age of 65 and 69 years had a disability, this rises to 25 per cent of people over the age of 75 years.

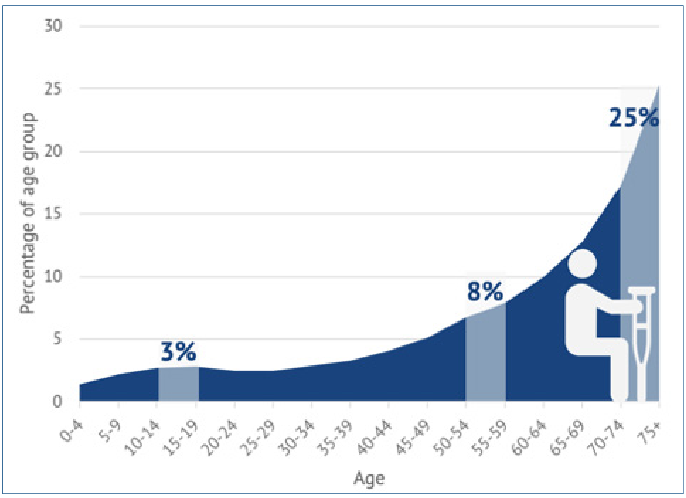

Figure 5: Prevalence of disability by age group

18% of older women **live alone** compared to

8% of older men, while a further

19% are in skipped generation households

compared to 8% of older men

4: Overview of the Social Protection Sector

4.1 Legislative and policy framework

The Government of Kenya's commitment to social protection is embedded within the legislative framework of Kenya. The National Constitution recognises social security as an entitlement that all citizens should be able to access. Vision 2030 aims to provide *'a high quality of life for all citizens by year 2030',* while Kenya has also formalised the Social Protection Floors Recommendation – ILO recommendation No. 202 – providing a globally recognised standard for social protection in Kenya. To further strengthen the sector, a Social Protection Coordination Bill is currently under development.

The 2012 National Social Protection Policy (NSPP) articulates the direction of social protection in Kenya with the objective of ensuring that: 'All Kenyans live in dignity and exploit their human capabilities to further their own social and economic development.' The NSPP defines social protection as *'Policies and actions, including legislative measures, that enhance the capacity of and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare, that enable income-earners and their dependants to maintain a reasonable level of income through decent work, and that ensure access to affordable healthcare, social security and social assistance.'* Although no detailed definition is included, the NSPP established three pillars for the national social protection system: 1) social assistance; 2) social security; and 3) health insurance.

The NSPP conceptualises a broad definition for social protection, although its definition for social security does not align with the Constitution. While the Constitution guarantees the right to social security to all citizens of Kenya, the NSPP limits the definition of social security to contributory schemes. In contrast, the policy's definition of social protection comprises programmes from many sectors ranging from agriculture to employment, education and financial services. This makes it challenging to describe a clearly defined social protection sector as well as a framework for oversight and coordination. Internationally, the definition of social protection is highly contested, with proponents of both narrow and broad understandings. To gain clarity in the definition of social protection in Kenya and align with the Constitution, it could be useful to distinguish between programmes that are socially protective and the narrower social protection sector.

4.2 The current social protection sector

In line with the NSPP, the social protection system in Kenya follows a life-cycle approach, offering income support to citizens during childhood, working age and old age. Kenya has a mixture of social assistance schemes, financed from general government revenues (including donor support) and contributory schemes. As outlined by three strategic pillars for the social protection sector, the Sector review focuses on a set of core social protection schemes as outlined in Figure 6 which also highlights available information on the level of investment in each programme in 2016, expressed as a percentage of GDP.

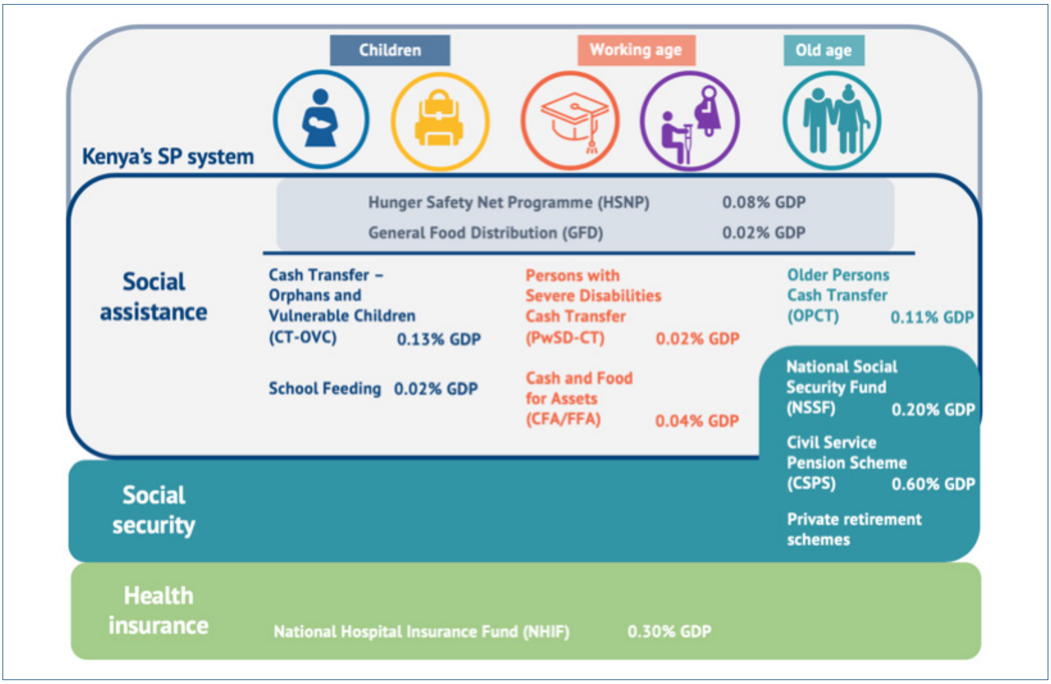

Figure 6: Kenya's social protection sector, mapped across the life-cycle[6]

4.2.1 Social assistance

The national system of social assistance transfers has grown significantly since 2012, with a shift from food assistance programmes to regular, predictable cash transfers, broadly following a life-cycle approach. The largest scheme in 2012 – the General Food Distribution (GFD) – has shrunk considerably from coverage of 355,000 to 78,000 households, and the Urban Food Subsidy (UFS) has disappeared. In contrast, the coverage of schemes under the Inua Jamii Programme, offering regular transfers, have expanded considerably, while the Government has also, from 2018, rolled out a universal social pension for all older persons aged 70 years or above, the Inua Jamii Senior Citizens' Programme. Figure 7 indicates the changes in coverage of social assistance schemes in Kenya between 2007 and 2016.

[6]The figures for NSSF and NHIF refer to their annual income from contributions, rather than their expenditures.

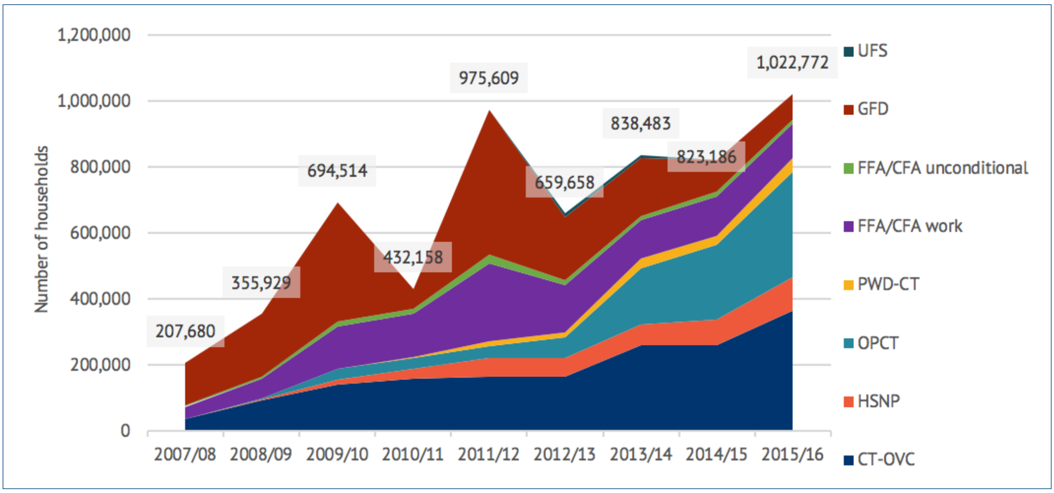

Figure 7: Coverage of households by social assistance schemes in Kenya, 2007-2016

In 2012, the social protection sector in Kenya mainly relied on donor funding, but programmes are now increasingly owned and funded by Government. Prior to the introduction of the universal social pension, the largest programmes were the CT-OVC and OPCT, each reaching over 300,000 households. The PwSD-CT reached around 41,000 households including a member with a severe disability in 2016. The HSNP and CFA/FFA programmes, which restrict coverage to the Arid and Semi-Arid Lands counties, continue to receive funding from donors. The CFA/FFA programme, which offers transfers to recipients in addition to skills to develop productive assets, has fallen in size. Further, the Government of Kenya is gradually developing a 'Cash-Plus' approach, which links tax-financed transfer to other services, such as the National Hospital Insurance Fund.

The Government has begun to strengthen its capacity to deliver shock-responsive cash transfers through the National Drought Emergency Fund (NDEF). Since the last review, the HSNP has grown to almost 100,000 beneficiaries with the Government of Kenya now providing an increasing proportion of the funding in 2015/16. The programme has provided bank accounts to most of the population in the four counties of Turkana, Marsabit, Mandera and Wajir and is able to make payments when specific crisis indicators are triggered. During the droughts in 2016, over a million people in 191 thousand households received an emergency payment through the HSNP. The school feeding programmes are also used as an emergency response in the ASAL counties, with coverage of school feeding significantly expanded during the 2011/12 drought, while the Government funded Home Grown School Meals (HGSFP) was expanded in response to the 2016/17 drought.

4.2.2 Contributory schemes

The State-owned contributory schemes comprise the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF). The NSSF is a provident fund, enabling individuals to make contributions into a savings or investment fund. Therefore, the NSSF does not function as an old age pension, as it pays out benefits as a lump sum, rather than providing a consumption smoothing mechanism that offers payments on a predictable, monthly basis. The NSSF can be reformed into a defined-contribution pension scheme through the 'annuitisation' of the lump sum, providing scheduled payments of the pension savings. Reforms have only partially been implemented following an Act passed by Parliament in 2013, due to unresolved legal challenges. The NHIF was created as a system for individuals in the 'formal sector' – those that are regularly and contractually employed – to insure themselves against the risk of facing expensive costs for hospital treatment. The NHIF meets the cost of inpatient treatment for contributing members, up to certain limits set by costs in Government hospitals and other facilities. Since 2015, it also covers outpatient treatment, including cancer treatment and kidney dialysis. Members of the 'informal sector' have access to the NHIF through a low-cost contribution rate of KES500 (US$4.8) a month, while the Government has made a commitment that members of the OPCT, CT-OVC and Civil Servants will receive access to the NHIF with their contributions covered by the Government.

In 2016 around **2.3 million** workers, or

10% of Kenya's workforce paid contributions to the **NSSF**

18.4 million contributors and their family members benefit from the **NHIF**, which equals around

39% of the population

There exist around 1,200 private retirement benefit schemes in Kenya. However, they are restricted to those in formal sector employment and mostly offer lump sum benefits upon retirement. Furthermore, a range of privately administered health insurance schemes are operated by insurance companies, accessed by workers based on their employment status. A flagship initiative is the Mbao Pension Scheme which is a voluntary savings scheme for the workers in the informal economy. Members can easily accumulate a low level of regular savings at a minimal cost. However, contributions are typically withdrawn after a required minimum period of three years, limiting the potential for Mbao to contribute to old age income security. In 2016, 99,000 Kenyans were members of the Mbao Pension Scheme.

The Civil Service Pension Scheme (CSPS) provides pensions to public servants. In 2014, 162,217 civil servants received a retirement pension, in addition to 58,700 dependants. While the CSPS is not contributory, it offers a regular and predictable pension based on a defined benefit system. The CSPS is paid upon retirement (at age 60, but with variations), or in the event that a public servant experiences a disability.

4.2.3 Challenges with the national social protection system

Despite significant expansion of the sector in recent years, most schemes prioritise those living in extreme poverty due to limited resources invested in social protection. Most schemes target transfers at households living in poverty but, in reality, most are unable to access the schemes targeted at them due to the volatility of income and consumption, and the difficulty of identifying those living in poverty. Further, because the majority of Kenyans live on low incomes and would benefit from social protection, many vulnerable people are missing out on support.

Therefore, the current design of the social protection sector embodies a 'missing middle' of the population that is unable to access social protection. While social assistance transfers are mainly targeted at households living in extreme poverty, contributory schemes are mostly accessible by the rich and middle class who are more likely to be in formal employment. International experience indicates that, as countries expand their national social protection systems, coverage is extended to the wider population in order to enable them to protect themselves from life-cycle risks. In addition, programmes with high coverage that include the 'missing middle' are more likely to garner political support compared to programmes targeted at the poor. In fact, the introduction of the Inua Jamii Senior Citizens' Programme is the first initiative to include the missing middle in social protection, as all citizens of Kenya are guaranteed a minimum income in their old age.

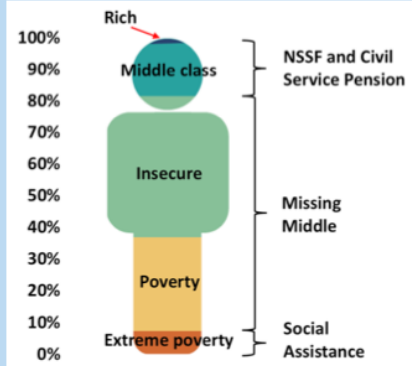

Figure 8: Theoretical design and coverage of the population by Kenya's social protection system

4.3 Conclusion

In many respects, since the last Social Protection Sector Review Kenya has made excellent progress in developing its national Social Protection Sector. It has been developing a life-cycle social protection system; the NSPP has outlined the direction of the national social protection system; and, a number of key pieces of legislation have been passed, although they are facing certain implementation challenges. As would be expected, there are still gaps in the national social protection system and Kenya still has a long way to go to reach the levels of investment found in other middle-income countries. Kenya is on a positive trajectory and it will be important to clarify the long- and medium-term directions in the Social Protection Investment Plan, revised National Social Protection Policy and National Social Protection Strategy.

5: Financing the Social Protection Sector

5.1 Social assistance

Total investment in social assistance in Kenya had not grown since 2012, remaining at just over 0.4 per cent of GDP with the inclusion of the recently implemented Inua Jamii Senior Citizens' Programme. However, the nature of spending has changed significantly with growing investments in regular and predictable cash transfers within the Inua Jamii Programme. At the same time, investments in other programmes have decreased, in particular in the emergency based short-term General Food distribution transfers. School Feeding is increasingly being funded by Government.

In **2011**, General Food Distribution comprised 42% of social assistance spending.

By **2016**, it was only 4%.

The Government is progressively assuming responsibility for the funding of social protection, with less investment accounted for by donors, thereby enhancing the sustainability of the sector. The expansion of regular cash transfers under the Inua Jamii Programme are largely financed from Government resources, marking a substantial commitment of the Government to expand Kenya's life-cycle social protection system. With the change in the nature of funding, the Social Protection Sector has transitioned from a focus on ad-hoc programmes to more sustainable and predictable income transfers financed by domestic resources. Since 2013, investments in social protection in Kenya have been supported by a World Bank concessional loan under the Program for Results (PforR) of around US$100 million (KES10 billion), conditional on reforms to the funding, design and operational efficiency of the Inua Jamii Programme. However, the increase in Government spending on the Inua Jamii Programme has been KES24 billion since 2012/13, which is two and half times the loan, so most of the extra spending has come from domestic resources.

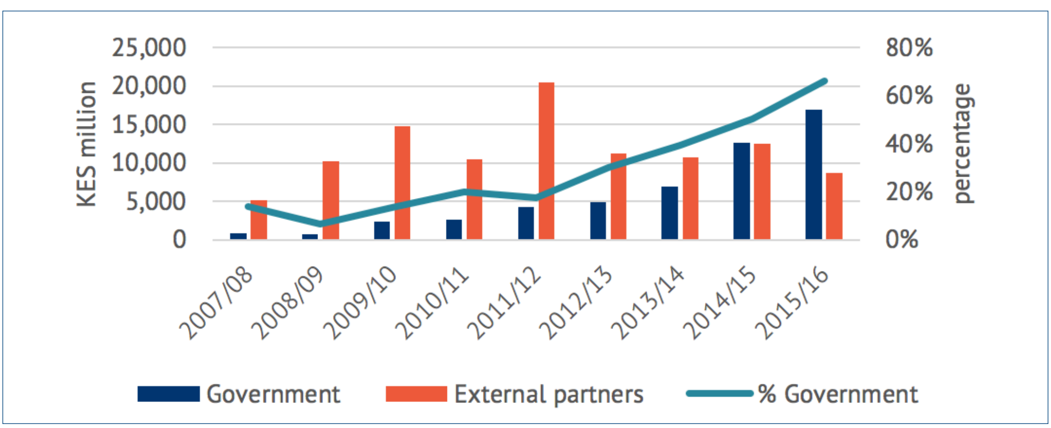

Figure 9: Social assistance spending by funding source (KES million)

Financial sustainability has been strengthened by the introduction of the Inua Jamii Senior Citizens' Programme, which is funded from national resources. The current level of investment on the universal social pension is expected to amount to approximately KES21.93 billion (0.23% of GDP) in the first year of its implementation. The Government of Kenya also funds 84 per cent of the CT-OVC and has increased its funding in the HSNP, both of which were established with the support of external partners. Although WFP continues to provide partial funding for the Asset Creation Programme (CFA/FFA), by 2017 WFP was planning to hand over full responsibility for the provision of school meals to the Government, through the Home Grown School Feeding Programme, with WFP concentrating on technical assistance.

The devolution of spending on social assistance to county governments can impact on national spending. The World Bank estimates that social protection spending comprised 0.5 per cent of total county expenditure in 2014/15.[7] The expansion of county spending on social protection can present challenges in terms of national planning and public financial management, but could also be an opportunity to expand coverage if is coordinated with and complements national programmes.

5.2 Contributory programmes

Due to its design as a provident fund, the NSSF is dependent on the returns gained from investment funds. By the end of the 2015-16 fund year, the fund had accumulated around KES172 billion, which is the equivalent of 3 per cent of GDP. In contrast, the NHIF is not designed as an investment fund, although it is important to manage financial reserves in order to assure the sustainability of NHIF services. Funding for the NHIF comes from Government and development partners as well as contributions from members. Although the benefits paid through the NSSF account for, on average, less than 25 per cent of yearly contributions, funds for the NHIF are rapidly turned into expenditure.

Investments into the CSPS should be assessed separately from the core social protection programmes. The Sector Review of 2012 noted that costs of the CSPS accounted for 88 per cent of total investment in social protection. At 0.6 per cent of GDP, investments in the CSPS still remain higher than social assistance spending (0.4 per cent of GDP) in 2015/16. However, unlike other social protection programmes, which offer income support to protect people against life-cycle risks, the CSPS offers a deferred compensation to public servants for their services. Government spending on the CSPS should, therefore, not be viewed as an opportunity to generate funding for social assistance. The CSPS, which is financed from general government revenues, has not needed to build an investment fund. However, there are currently proposals to build a funded pension scheme which will rely on regular contributions made by individual members and the government.

[7] *World Bank (2016).*

5.3 Kenya's investment levels in international comparison

Kenya's level of investment in social protection is lower than many other low- and middle-income countries, but investments in social assistance are rising. As Figure 10 shows, the level of Government investment in social assistance has risen significantly over the decade up to 2016. Total investment in social protection, at 1.3 per cent of GDP, is lower than most other low-and middle-income countries in Africa, although this may be due to the inclusion of civil service pension schemes which often comprise a significant proportion of government spending. Figure 11 compares the levels of expenditure on social protection in different countries in Africa with available information while Figure 12 provides a broader overview of a selection of countries' expenditure on social assistance. Excluding contributory and civil service programmes, Kenya invests 0.27 per cent of GDP in social assistance, which rises to 0.35 per cent of GDP with the inclusion of external partner funding. With the introduction of the Inua Jamii Senior Citizens' Programme, total Government investment in tax-financed social assistance is estimated to rise further to 0.37 per cent of GDP. This makes Kenya's level of investment in social assistance lower than some other lower income countries but leading in the East African region.

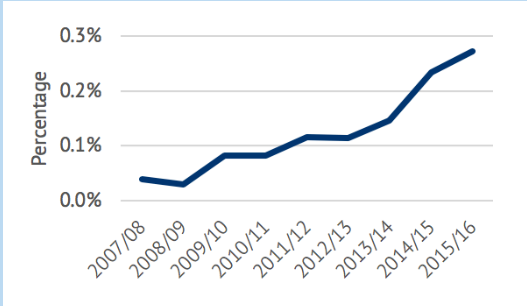

Figure 10: Government of Kenya spending on social assistance, 2007/08 - 2015/16

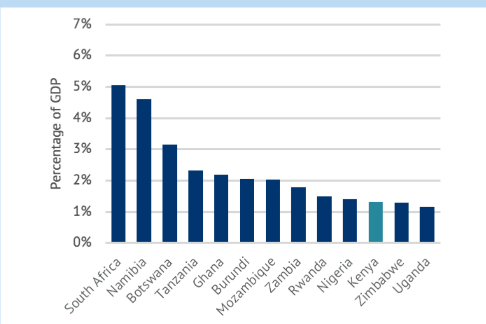

Figure 11: Social protection spending in selected countries in Africa including civil service pensions

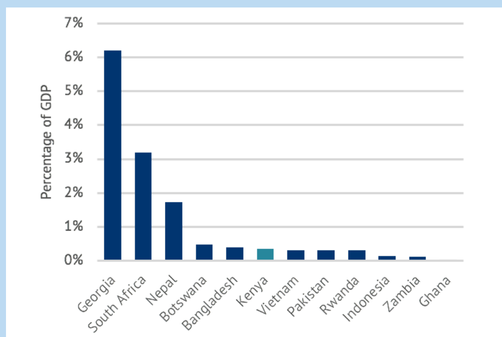

Figure 12: Spending on tax-financed social assistance for selected developing countries

5.4 Future sustainability of financing for the sector

The process of financing social protection in Kenya is determined by the workings of the Government of Kenya in setting its budgets. Figure 13 illustrates the basic processes within the Government of Kenya that influence the reliability of Government investments in social protection, ranging from the predictability of the budget at the start of the financial year, to the timing of the disbursements of budgets when it travels from the Treasury to the responsible ministries for social assistance programmes.

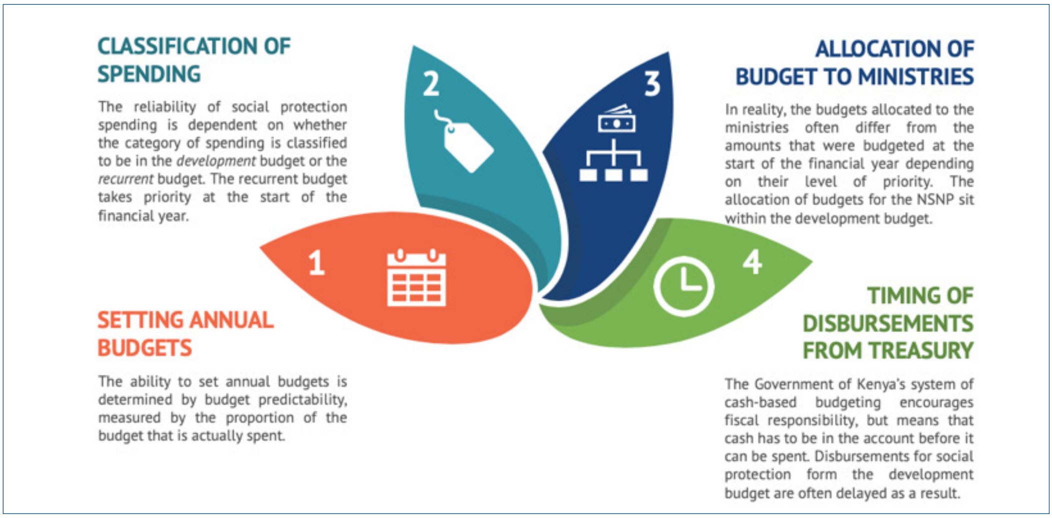

Figure 13: Budget and spending processes within the Government of Kenya

Budget predictability for the HSNP has improved significantly overall and is measured at around 80 per cent or higher but is lower for government funding to the CT-OVC and donor funding to HSNP. In part, the disbursement of loans from the P4R to the general government budget has likely reassured the Government about the availability of funds. However, budgets for other social assistance programmes have been less prioritised than the Inua Jamii Programme and are more often subjected to delays. The HGSFP has a budget predictability measured at just 44 per cent in 2013/14.

In order to secure the future sustainability of tax-financed social protection programmes, the Inua Jamii Programme should be grounded in legislation so that it can be prioritised as expenditures from the recurrent budget. Due to resources for social assistance coming from the development budget, disbursements from the Treasury to social assistance programmes are often delayed, because they do not take priority at the start of the financial year. The Inua Jamii Senior Citizens' Programme could make the case for funding to be embedded within recurrent budget, as it is an entitlement for the citizens of Kenya.

5.5 Sources of future 'fiscal space' for social protection

Although the short-term expansion of social protection may be constrained due to fiscal deficits, the Government of Kenya has more opportunities to generate fiscal resources in the long term. Efficiency gains can be achieved by reducing programme administrative costs that result from highly complex targeted programmes. Administrative costs are estimated at 19 per cent for HSNP and 12 per cent for CT-OVC. With the introduction of the universal Inua Jamii Senior Citizens' Programme, administrative costs are likely to be reduced due to the simpler management of eligibility and selection. Further, emergency costs will be reduced if Kenya invests in a shock-responsive system that enables a scale up of the existing Inua Jamii Programme transfers in response to drought emergencies. However, further analysis is required on the potential benefits of this investment, as HSNP already forms a core part of NDMA's drought response strategy. Similarly, further analysis could be done on the potential revenue generated from oil.

As Kenya's economy continues to grow, tax revenues could increase significantly, potentially generating direct funding for social protection. The IMF has forecasted a growth of between 6.0 and 6.5 per cent over the next five years. Assuming a growth rate of 6.5 per cent and an unchanged tax to GDP ratio at 19.6 per cent, this would create around KES90 billion in extra revenue per year. Within 5 years, spending on social protection from general government revenues could increase by KES45 billion to a total of KES62 billion, equal to around 1 per cent of GDP (see Figure 14).

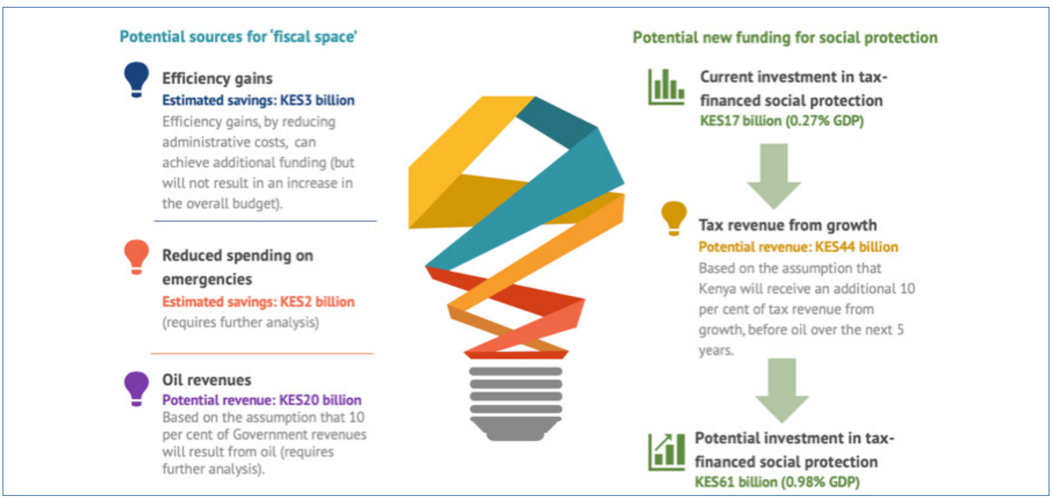

Figure 14: Potential sources of future funding for social protection

Recommendations

- The government should increase its investment in social assistance to one per cent of GDP over the next five years (by 2022).
- Social assistance programmes should be grounded in legislation, them as entitlements in line with the 2010 Constitution.
- Social assistance should be moved from the development budget to the recurrent budget to secure regular long-term funding

6: Adequacy and equity of the sector

6.1 Geographic coverage

Coverage of social assistance is strongly correlated with poverty rates by county. Following the Inua Jamii Programme Expansion Plan amendment in 2013/14, 70 per cent of new beneficiaries are selected based on the counties' poverty rates from the KIHBS 2005/06 – rather than the number of people living in poverty – while 30 per cent are distributed equally among locations that have not yet reached their target of eligible households.[8] However, poverty rates have changed since the most recent 2015/16 KIHBS.

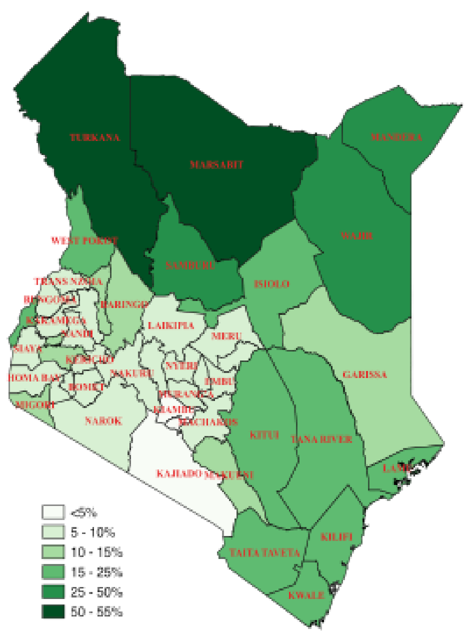

Figure 15: Proportion of the population in each county in receipt of a social assistance transfer, 2015/16

There remain large geographic disparities in the combined coverage of social assistance programmes. As Error! Reference source not found. indicates, the estimated share of households registered for social assistance ranges from 2 per cent in Nairobi to a high of 54 per cent in Turkana, while there are 26 counties with coverage below 10 per cent. Households living in ASAL counties are three times more likely to receive social assistance compared with the rest of the country (see Figure 15). Whereas the CT-OVC, OPCT and PwSD-CT are active in all counties, the HSNP is limited to four counties in northern Kenya (Turkana, Marsabit, Mandera and Wajir) and the CFA/FFA programmes only in ASAL counties. The prioritisation of ASAL counties may cause challenges in the future, as it underserves those areas of the country with high numbers of people living in poverty and food insecurity, which includes urban areas. Whereas coverage is highly correlated with poverty rates, it is only moderately correlated with the total number of households living in poverty.

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[8] *See Mwasiaji et al (2016).*

Despite the achievement that 39 per cent of people in Kenya directly or indirectly contribute to the NHIF, there is a significant geographical disparity in the coverage of health insurance, reflecting the NHIF's original design to cover formally employed workers that mostly reside in urban areas. 32 per cent of the urban population is covered compared to 13 and 20 per cent of the rural and peri-urban populations, respectively. Seven counties had a coverage rate below 5 per cent (Wajir, Mandera, Marsabit, Garissa, West Pokot, Tana River, and Turkana) while three counties had coverage over 30 per cent (Nyeri, Embu and Nairobi).

6.2 Coverage across the life-cycle

The NSPP articulates an objective to move towards a more inclusive life-cycle approach to social protection. Indeed, the Kenyan Constitution guarantees all citizens the right to social security and asserts the duty of the government to meet the needs of particular vulnerable groups within society, including children, older people, persons with disabilities, women, and other marginalised groups. The Inua Jamii Senior Citizens' Programme highlights this further, as it is designed to be an individual entitlement rather than a household benefit.

4.5 **million** people live in households that are **enrolled** onto one of the main social assistance programmes, representing

9% of people in Kenya and

12% of households

Kenya's social protection system largely follows a life-cycle approach as children and older persons are prioritised by the core programmes. Table 1 shows the number of people in each stage of the life-cycle, that is enrolled in each social assistance programme. Five per cent of children are living in a household enrolled in the CT-OVC, with 95 per cent being orphans, but 10 per cent of children benefit directly or indirectly from any of the core social assistance programmes. However, as section 1 indicated, the targeting of cash transfers on orphans excludes many other vulnerable children. In fact, young children under five are particularly less likely to benefit than older children, as orphanhood increases sharply with age. The limited coverage of persons of working age by social assistance is a normal feature of life-cycle social protection systems in most low- and middle-income countries as adults are expected to achieve income through employment. However, persons with disabilities, who are in need of more support, are inadequately covered since less than 1 per cent of persons with disabilities receive a benefit. With the implementation of the Inua Jamii Senior Citizens' Programme, Kenya's first individual entitlement programme, coverage of older persons is significantly expanded.

Table 1: Estimated number of people living in households enrolled, by age group and social assistance programme (2016)

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

6.3 Access to social protection programmes

The Government of Kenya faces the challenge of having insufficient funding to invest in a fully inclusive system. As a result, social assistance programmes in Kenya cover a limited selection of recipients. The core programmes in Kenya aim to select certain vulnerable categories of the population. The CT-OVC, OPCT, PwSD-CT and HSNP use a combination of community-based targeting (CBT) and proxy means tests (PMT) to select those living in poverty. In contrast, The CFA/FFA and GFD programmes only use CBT. In addition to the poverty selection criteria, HSNP and the CFA/FFA programmes also restrict eligibility for the programmes to specific counties in ASAL areas. The School Feeding programme has adopted a different approach in that it offers meals to all the children in a school. However, the schools themselves are restricted to the ASAL areas and are selected on the basis of certain factors, such as low enrolment rates and food insecurity within the targeted areas. The only programme in Kenya that does not determine eligibility based on poverty criteria is the Inua Jamii Senior Citizens' Programme, which provides a benefit to all older persons aged 70 years and above.

43% and 64% of people experiencing acute and chronic malnourishment and in food insecure households live in non-ASAL areas. As a result, they are **excluded** from the CFA/FFA programme by design, as it is restricted to ASAL counties

Evidence indicates challenges in the effectiveness of targeting of the main social assistance programmes, leading to the exclusion of many poor and vulnerable households. According to the KIHBS 2015/16 survey, only half of the CT-OVC and OPCT recipients are in the poorest quintile of the population of eligible households (see Figure 16). Furthermore, recent research by Oxford Policy Management has found that the HSNP excludes 62 per cent of its intended category of recipients, indicating that is only slightly better than random selection. Similarly, analysis of the KIHBS 2015/16 suggests an exclusion error of around 69 per cent (see Figure 17 In fact, most of the population living within the areas receiving the HSNP are living in poverty and in need of support from social protection. While 82 per cent of recipient households have per capita daily consumption of less than KES100 (or KES3,000 per month), 76 per cent of non-recipients have similar levels of consumption but are excluded from HSNP.

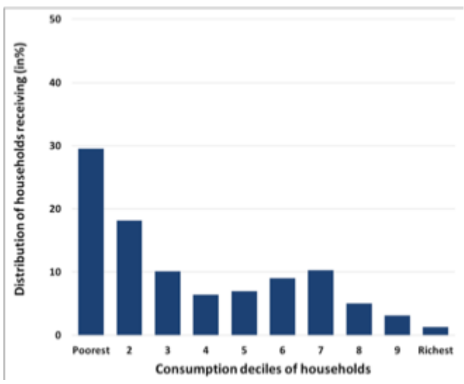

Figure 16: Distribution of CT-OVC and OPCT beneficiaries across consumption deciles of those in the eligible categorical criteria

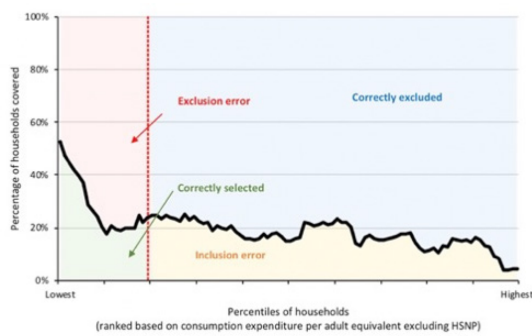

Figure 17: Targeting effectiveness of HSNP – proportion of households in each percentile who are included in and excluded from the scheme

The Government of Kenya is currently developing the Harmonised Targeting Tool (HTT) which aims to improve the accuracy of selection among programmes that will continue to direct resources to those living in poverty. However, given that international evidence on the effectiveness of targeted social protection programmes indicates that the most effective programmes still exclude around half of the intended category of recipients, the HTT will likely imply further exclusion of vulnerable groups in need of social protection.

The most effective means to reach those living in poverty and vulnerability through social protection, is through inclusive life-cycle programmes. An investment of 1 per cent of GDP, as shown in Figure 17, has the potential to reach 43 per cent of households nationally, while an investment of 2 per cent of GDP, by 2030, would reach 76 per cent of households.[9] It would include over 95 per cent of households in the poorest quintile and over 85 per cent of those in the 'missing middle'. By investing in life-cycle programmes, the majority of households in Kenya living on low and middle incomes will have access to a basic transfer, while households living on higher incomes will gradually gain access to contributory programmes through the expansion of a multi-tiered social protection system.

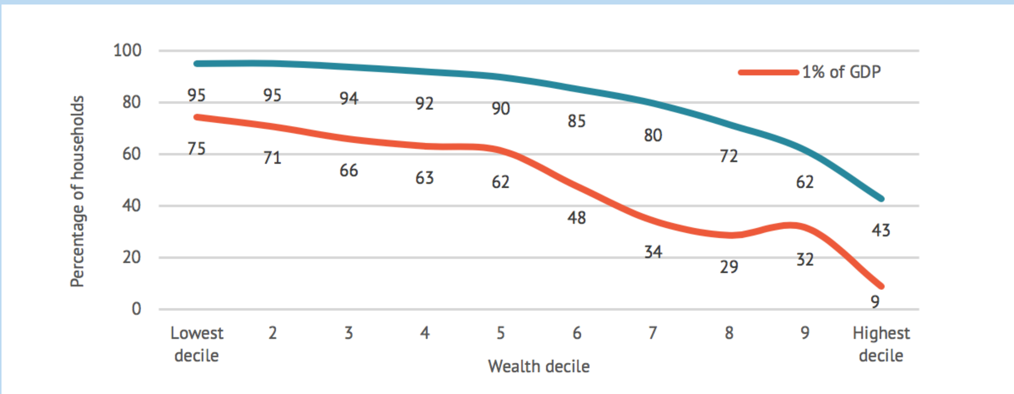

Figure 18: Proportion of households across the consumption distribution that would receive at least one social assistance benefit from lifecycle social protection[10]

Access to contributory social protection programmes depends on the ability to pay contributions, which is often restricted to those in formal employment. Those working in the informal economy are less likely to make contributions, as they do not have an employer that funds part of their contribution, while many live on low and irregular incomes that make it difficult to afford consistent payments required by contributory schemes.

However, the NSSF and NHIF have taken positive steps to extend coverage to the informal economy, by offering low contribution rates. The minimum contribution for NSSF is KES 400 per month (KES 4,800 per year) and KES 500 per month (KES 6,000 per year) per family for NHIF. Furthermore, the NHIF offers the Health Insurance Subsidy programme (HISP) which enables recipients of the CT-OVC and OPCT to access the NHIF by having their contribution financed by Government based on a 'block' premium. Similarly, recipients of the Inua Jamii Senior Citizens' Programme will have their contributions to the NHIF paid by Government.

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

[10] *Source: Analysis based on the 2015/16 KIHBS.*

6.4 Adequacy of benefits

In order to effectively 'enhance the capacity of and opportunities for the poor and vulnerable' as articulated in the NSPP, it is important that benefit levels are adequate while taking into account the risk of labour disincentives and the overall cost and fiscal sustainability of programmes. Table 2 indicates an overview of the monthly transfers offered by each of the core social assistance programmes in Kenya, in addition to the method through which the values have been calculated. The level of income support provided through each programme has been calculated based on a combination of socio-economic characteristics of the recipient group, in the year of implementation. However, the transfers of the PwSD-CT and OPCT have adopted the transfer amount of the CT-OVC, which was first implemented, without considerations for specific needs of the separate recipient groups.

Table 2: Overview of monthly transfer values of the core social assistance programmes in Kenya

Programme	Monthly transfer (in KES)	Method of calculation
CT-OVC	2,000	Calculated based on a combination of average income of the target group, the ratio of the transfer to the poverty line, and average monthly expenditures on health and education.
PwSD-CT	2,000	Adopts the transfer amount of the CT-OVC.
OPCT	2,000	Adopts the transfer amount of the CT-OVC.
CFA	1,166[11]	75 per cent of the full cost of the food basket in arid lands, and 50 per cent in semi-arid lands.[12]
HSNP	2,700	75 per cent of the value of the full WFP food ration in 2006.

Since the last sector review in 2012, the inadequacy of benefits has been raised as a significant issue, as the values of transfers have been fixed, regardless of household size or household composition. The actual value of the transfer for each individual depends on the size of the household, as large households end up with a smaller transfer per person. For example, it is estimated that the average monthly value of the CT-OVC is KES 339 per person in recipient households, KES 326 per person in OPCT households and KES 377 per person in HSNP households. Furthermore, due to inflation, the real value of cash transfers decreases over time, which means that recipients are left with a lower purchasing power. The purchasing power of the CT-OVC has fallen by around 38 per cent since 2007. In contrast, the value of the HSNP transfer has been revised more regularly, leading to an increase in its real value by 40 per cent between 2009 and 2016 (see Figure 18).

[11] *KES2,000 per month is paid during the 7 months when the programme operates.*

[12] *However, WFP has recently reduced the transfer levels due to funding constraints.*

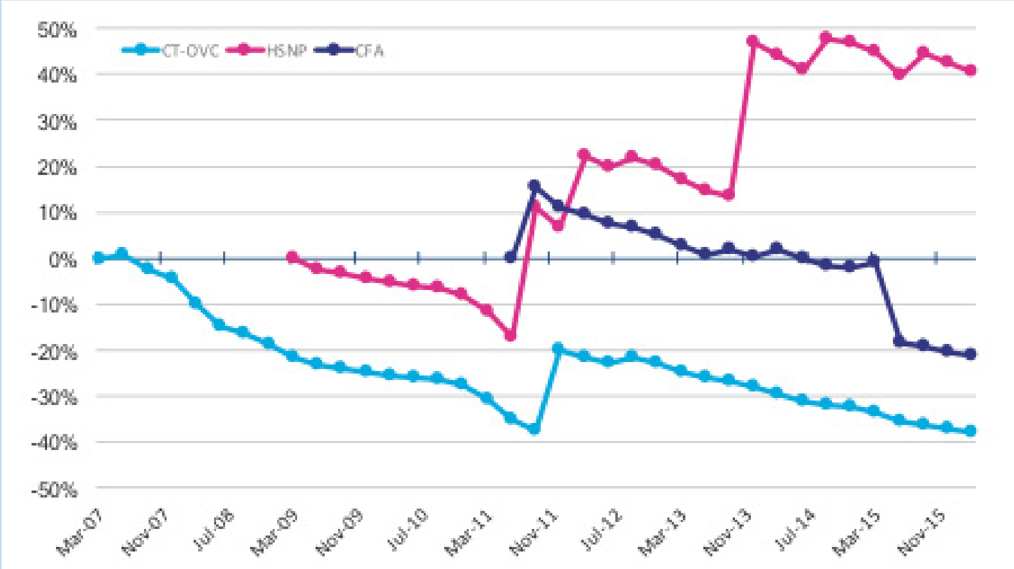

Figure 19: Evolution in the real value of transfer sizes when adjusting for inflation, expressed as a percentage change compared with the year in which the programmes were introduced

Nonetheless, Kenya's social assistance programmes have transfer values that are comparable to other countries, or higher, relative to the size of the economy. Kenya's OPCT has a value of around 15 per cent of GDP per capita, which is similar to other pensions in Africa, such as in Namibia and Mauritius. The value of the CT-OVC is even higher than many European countries, at a value that is slightly above the level of the South African Child Support Grant, when expressed per child in recipient households as a share of GDP per capita.

The provision of an adequate transfer in old age through contributory benefits has been limited by challenges in implementing the 2013 NSSF Act, although the CSPS is undergoing positive reforms. The 2013 Act aimed to improve the predictability of increasing investments into the NSSF by expanding its access and providing old age benefits through regular, predictable pension benefits. However, due to legal challenges around the interpretation of the new provisions, the 2013 Act has not yet been implemented. On the other hand, the CSPS is planning to introduce a contributory pension scheme, in which contributions will be paid at a rate of 22.5 per cent of earnings, with one third paid by the individual, and two thirds paid by Government as the employer. This should be sufficient to finance pension benefits of 50 and 60 per cent of the final salary, when the public servant retires after a 'full' career.

The Mbao Pension Scheme currently receives a constant flow of returns on investments into the programme, at around 10 per cent per year which ensures an adequate level of benefits. However, the programme has only expanded at a slow rate, which may create challenges for future returns on investments. Moreover, due to the small amount of savings that are created, it does not function as a reliable retirement benefit scheme.

Recommendations

- The Government should consider whether to expand its child-focused programmes beyond orphans, with the introduction of a child benefit and child disability benefit.
- The Government should further assess the most appropriate targeting mechanism for Kenya given the failures of poverty targeting. It should adopt a long-term vision and assess the extent to which it can move to a more universal, effective and popular social protection system, and over what period of time.
- Further analysis should be undertaken of contributory schemes to determine how they can include a higher proportion of people working in the informal economy and whether this would require further changes in legislation.
- Government and development partners should adopt a common approach to the indexing of transfer values, to maintain their purchasing power.

7: Delivery of social protection programmes

The core social assistance programmes in Kenya are implemented through a set of administrative processes common to all of them, as outlined in Figure 19. Whereas these processes previously operated separately, these have now been consolidated through the Consolidated Cash Transfer Programme Management Information System. Each process is described in further detail below.

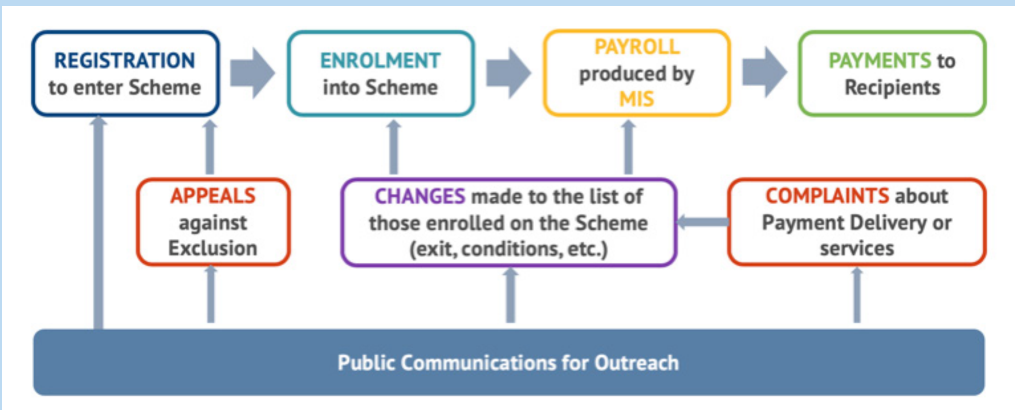

Figure 20: Operational procedures in the delivery of social protection programmes in Kenya

Registration

The registration mechanism comprises the selection of recipients for social protection programmes by collecting relevant personal data on applicants, verifying its accuracy and assessing compliance with the eligibility criteria. The criteria for each programme can be found

Table 3. There are a number of challenges with the registration of recipients for the Inua Jamii Programme, such as inadequate training of local leaders and committees and distances to registration locations. Furthermore, the eligibility criteria are often unclear to community members, while records are not kept on why households are proposed for eligibility.

Table 3: Eligibility criteria for Kenya's social assistance programmes, 2016

Programme	Eligibility criteria
HSNP	Households living in extreme poverty in one of the poverty/geographically defined 4 northern counties
CT-OVC	Households living in extreme poverty that include at least one OVC as a permanent member
OPCT	Household living in extreme poverty with a member of 65 years or older
PwSD-CT	Household living in extreme poverty with a member with a severe disability
CFA/FFA	Household that fits criteria (i.e. food insecurity) determined by community with support of an interim selection Committee

Enrolment

During the enrolment phase, recipients are expected to provide accurate identification documents which is entered into the MIS. However, a significant challenge is that many applicants for programmes do not possess identity documents.

Payments

The delivery of payments to recipients is managed at the county level by coordinating staff of the payment service providers and local payment agencies. Recipients can access payments with a token, in the form of a bank card which holds their personal information. Payments are made into a bank account for the CT-OVC, PwSD-CT and OPCT programmes. Uncollected funds are returned to the Ministry after three payment cycles. However, HSNP recipients have access to a full bank account through Mastercard without having their cash reverted.

Change management

Change management mechanisms enable the enrolment of recipients on waiting lists, updating household information, as well as changes in the eligibility of a household for the programme when their socio-economic status is improved. However, the exit mechanisms face some challenges as it is difficult to update information on the eligibility of a household.

Complaints and grievances (C&G)

A functioning mechanism that enables the public to appeal against decisions, file complaints, and provide feedback, is critical for the accountability of the programme. The core social assistance programmes have C&G mechanisms in place. Complaints for programmes managed by the SAU are processed by the Beneficiary Welfare

Committees and the Rights Committees for HSNP. Complaints are recorded in the Single Registry, at national level. However, awareness on the C&G mechanism is often low while community members may not feel sufficiently empowered to issue grievances. Poor and vulnerable households may regard support as a gift or handout rather than a right to which they are entitled.

Management Information System (MIS)

The Management Information System (MIS) underpins social protection programmes facilitating their operational processes. A key component is the Single Registry, which is a warehouse of information, linking social protection programmes and providing performance reports to policy makers for monitoring purposes.

The MIS landscape in Kenya has undergone tremendous change between 2013 and 2016. At the time of the last review, the MISs were principally paper-based. A notable achievement has been the development of the Single Registry, which is designed to: prevent error/fraud during the targeting of beneficiaries; strengthen monitoring; support planning in the expansion of programmes; enable emergency responses; and form a foundation for the establishment of common delivery systems. There is a vision to establish an integrated MIS for the CT-OVC, PwSD-CT and OPCT in the 2016-2017 financial year (see Figure 20).

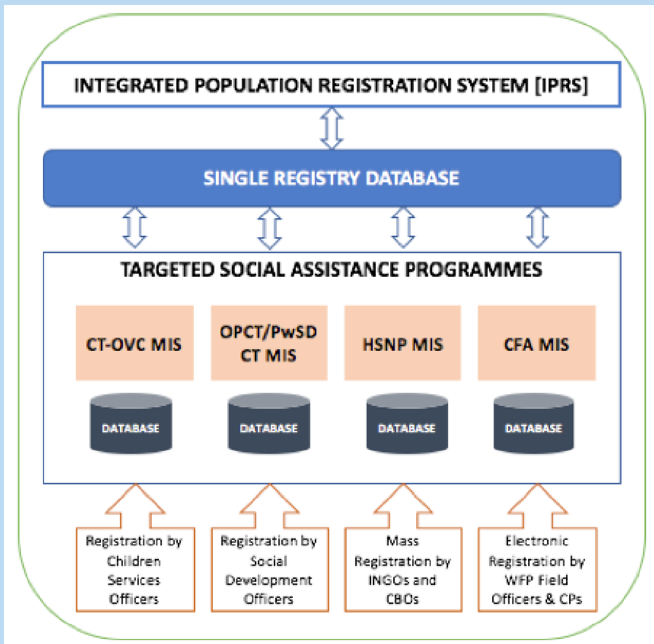

Figure 21: Kenya's social protection integrated MIS (Single Registry)

The operational systems of the NSSF and NHIF have been modernised through the use of electronic systems. Contributions paid by members are generally paid either in cash or through the mobile phone (e.g. M-PESA) networks, overcoming the challenges of reaching people in remote areas. However, there are a number of operational issues to be addressed in the contributory schemes, including: limited capacity to collect contributions for the NSSF; aligning the operations of the NHIF with the developing approach to health care through devolved county administrations; barriers in reforming the CSPS to a funded scheme; and, addressing the issue of risk in Mbao to investors' limited savings.

Tied to effective operations of programmes is the ability to move funds efficiently to make timely payment. Yet, the movement of funds through Government systems continues to be subject to delays. As Figure 21 indicates, government funds for social assistance programmes pass through a number of steps within Government, being transferred from the Treasury via the relevant Ministry to eventually reach recipients through payment service providers. Funds provided by DFID are transferred through Financial Service Deepening to payment service providers. Although it is not possible to clearly assess whether the performance of fund flows has changed since the last review, funds from the Treasury continue to be delayed due to the allocation of social protection investments from the development budget, which has a lower priority than the recurrent budget. Further efforts are required to enhance the efficiency of fund flows by, for example, requesting funds twice a year rather than four times, so that the Treasury can better anticipate the need for funds, as well as establishing an automated system for the payment cycle.

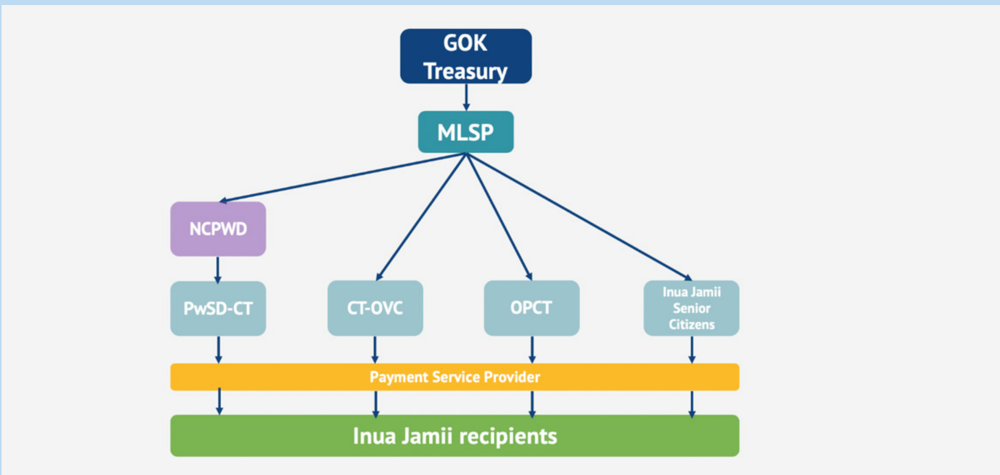

Figure 22: Fund flows for social assistance programmes

Recommendations

- Given that the Government of Kenya has established the right to social security in its Constitution it is key that operational processes take into account human rights principles throughout the implementation of social protection programmes. A review of each programme against key principles should be undertaken and the complaints and grievance mechanism for all social protection programmes needs to be strengthened
- Undertake a review of the challenges that people face in obtaining identity documents and implement the recommendations.
- Ensure a more efficient and predictable flow of funds for social assistance programmes.
- Contract multiple payment service providers to give recipients more options and offer them access to the full features of banks.
- Examine how to enhance the Single Registry so that it can strengthen the shock-responsiveness of the social assistance sub-sector

8: Governance and accountability of the sector

8.1 Institutional arrangements

Expansion of the social protection sector has been made possible through a significant strengthening of institutional arrangements, elevating the priority of social protection within Government. The National Social Protection Secretariat (SPS) was expanded in 2012, while the State Department of Social Protection was created in 2015 and the Social Assistance Unit (SAU) in 2016. The State Department represents an institutional home for social protection, managing the CT-OVC, OPCT, Inua Jamii Senior Citizens' Programme and PwSD-CT, with the latter undertaken in collaboration with the National Council for People with Disabilities (NCPWD). The management of all Inua Jamii Programmes is consolidated under the SAU who administer targeting, recertification, training of County and sub-County staff, payments, monitoring and evaluation, and the MIS processes. Figure 23 outlines the institutional arrangements for all social protection programmes in Kenya, at national level.

However, the institutional structure faces challenges due to fragmentation as a result of complex reporting lines. Because the SPS is not involved in the line management of programmes, this creates challenges for the monitoring and evaluation of programmes. Further, while the SAU has responsibility for managing the CT-OVC, PwSD-

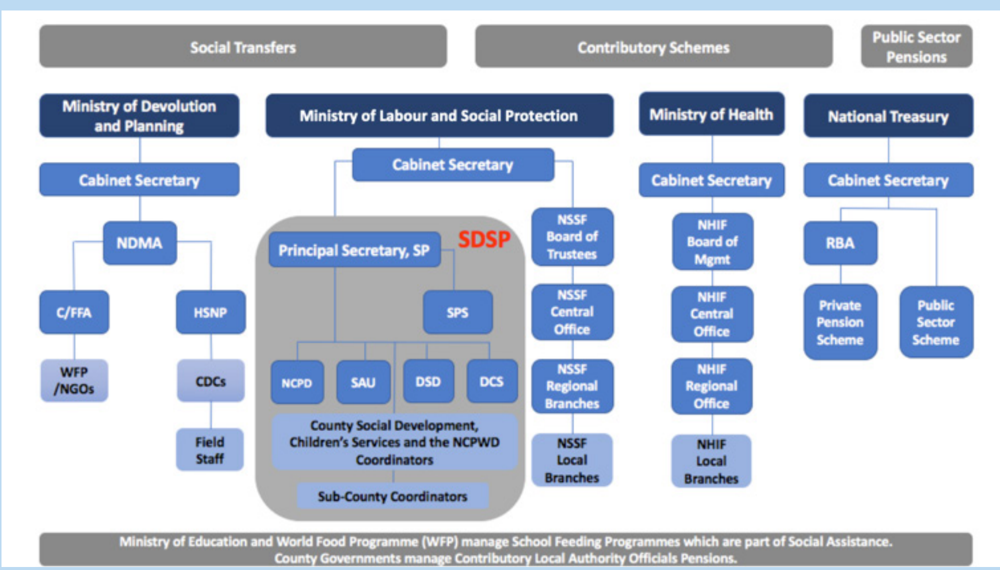

Figure 23: Institutional arrangements for social protection within the Government of Kenya (national level)

CT and OPCT programmes, they are delivered on the ground by the Department for Social Development (DSD) and Department for Children's Services (DCS) which also have responsibilities for delivering social services. There may be a risk of crowding out social work due to the double responsibility placed on Social Development and Children's Officers.

Further challenges to the coherence of institutional arrangements in the sector may be created by devolution. The 2012 NSPP outlined the responsibility of County and Sub-County Social Protection Committees in '*establishing appropriate reporting relationships with the county governments*.' However, County Governments are increasingly playing a leading role in the management of programmes such as the CFA/FFA. Clear decisions need to be made on the responsibilities of counties to avoid duplication and inefficiency in social protection programming. County programmes should also complement national programmes rather than compete with them. There are also gaps in staff capacity since the delivery of social assistance programmes partially depends on volunteers and Chiefs, who have limited training or support. A review of the Inua Jamii programmes in 2014 recommended a consolidation of functions on the ground in order to optimise staff capacity. External partners, including the World Bank and DFID, are currently providing funds to fill staffing gaps and enhance the efficiency of programmes.

A significant challenge holding back the strengthening of the sector is the lack of regular monitoring of the implementation of the 2012 NSPP. As mentioned earlier, the institutional complexity behind the sector creates difficulties in upholding responsibilities for monitoring and evaluation, which is led by the M&E unit within the SPS. Performance management is largely driven by Disbursement-Linked Indicators (DLIs), which measure the achievement of pre-agreed objectives under the P4R conditional loan agreement, rather than, for example, the objectives outlined in the NSPP.

8.2 Accountability

The increasing investment in regular and predictable life-cycle transfers is strengthening accountability, but there is further scope to strengthen accountability to civil society and the citizens of Kenya. At a local level, efforts to strengthen accountability in the implementation of social assistance programmes have increased. DFID has commissioned HelpAge to increase local accountability in HSNP, among the Beneficiary Welfare Committees. However, despite significant improvements in the systematisation of programme operations through electronic payments and MISs, the use of community-based and proxy means-test targeting for selection of recipients continues to pose risks of error, fraud and corruption. Due to the complexity of eligibility criteria, which can be difficult for recipients and local administrators to understand, errors are likely to occur. The implementation of the Inua Jamii Senior Citizens' Programme will likely enhance accountability due to its simple eligibility criteria. A move to universal programmes more broadly would similarly enhance accountability.

Accountability to citizens, through elections, is key in ensuring a politically sustainable social protection sector in Kenya. The citizens of Kenya can influence national policy through national elections every five years for the Presidency and the election of members of the National Assembly. There is evidence that this line of accountability is being strengthened. For example, there was a section on social protection in the ruling party's – the Harmonised Jubilee Coalition – 2013-2017 manifesto, that included a commitment to the universal coverage of cash transfers for older people, reflecting the 2012 NSPP and the recent implementation of the Inua Jamii Senior Citizens' Programme. Between elections, accountability is maintained through normal budget and parliamentary processes and via the parliamentary committee system. Accountability to social protection is upheld through the Committee on Labour and Social Welfare and the Public Accounts Committee. Financial management is maintained through scrutiny by the Kenya National Audit Office, including annual reports on the Inua Jamii programmes.

Recommendations

- Gaps in capacity to deliver the government's vision for the Social Protection Sector – at a national, county and local level – should be systematically quantified through a commissioned assessment that draws on international best practice for capacity strengthening and builds on work already carried out in the sector. A capacity strengthening plan should be developed and owned by government.
- A review should be undertaken of governance in the social protection sector so that the coordinating role of the State Departement for Social Protection is recognised and strengthened and set out in legislation.
- An assessment should be undertaken of current social accountability measures and a strategy developed to enhance the accountability of government to civil society, in the design and delivery of social protection schemes.

9: Efficiency and effectiveness of the sector

9.1 Efficiency of the sector

The 2012 NSPP proposes to *'reduce administrative costs associated with paying benefits and collecting contributions'* which aims to increase cost efficiency of social protection. The shift from food-based assistance to regular and predictable life-cycle transfers is likely to increase the sector's cost efficiency as cash is cheaper to transport and store, compared to food. For example, a study of the relative cost-efficiency of cash versus food implemented by DFID found that in Zambia, WFP's food assistance programmes in 2005 had a cost to transfer ratio between 1.79 and 2.91, whereas the ratio was 1.09 for the Kalomo cash transfer pilot of 2005-06. In particular, the Inua Jamii Senior Citizens' Programme will likely incur less administrative costs, as eligibility is determined only by age and there is no need for a complex and expensive targeting mechanism. Further, the HGSFP has been praised for purchasing local food – which can stimulate local economies – and saving on transportation costs. Social assistance programmes have become more efficient by switching to electronic payments and consolidating management under the SAU.

There is significant scope to assess the extent to which HSNP has generated cost-savings by making social assistance programmes more shock-responsive through the scale up of transfers. HSNP currently has the capacity to scale up from around 100,000 households to a further 272,000 households, on top of the existing shock-responsive capacity within the CFA/FFA and School Feeding programmes. Through scalable transfers, the Government of Kenya is likely to avoid significant costs that would otherwise be incurred in the event of drought. In the past, the overall effects of the 2008-2011 drought in Kenya was estimated at KES986.6 billion (US$12.1 billion) which includes KES64.4 billion (US$805.6 million) for the destruction of physical and durable assets, and KES904.1 billion (US11.3 billion) for losses in the flows of the economy across all sectors.

9.2 Impact of social protection programmes

Kenya's core social protection programmes are having positive effects on poverty reduction while also stimulating economic growth. Simulations using the 2015/16 KIHBS survey indicate that poverty has reduced by 11 percentage points, while the reduction has been larger among women, with greater impacts in rural and peri-urban areas compared to urban zones. Across age groups, the fall in poverty was greatest among older persons, although there have

Poverty among recipients fell from

75% to 64% as a result of

the social assistance transfers

also been significant impacts on single person and skipped generation households. As Figure shows the largest benefits have accrued to recipients in the poorest quintile of the population, where consumption has increased by over 35 per cent.

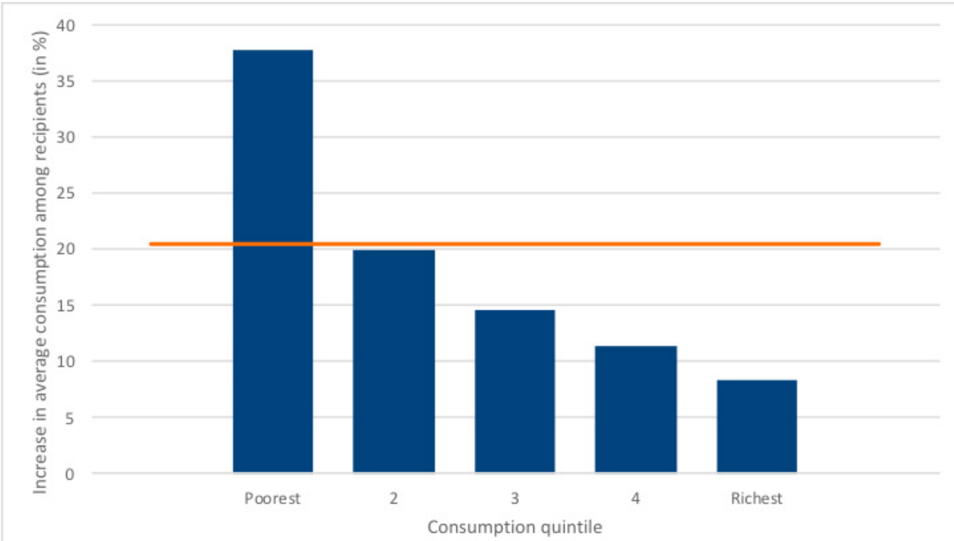

Figure 24: Average increase in consumption across recipient households, disaggregated by consumption quintile (pre-transfer)

Social protection programmes have positive impacts in areas which are key to building the future labour force, such as food security, nutrition and schooling. Half of the beneficiaries of the CFA/FFA programme have reported that their food security enhanced. School Feeding has been found to address short term hunger, while increasing school attendance. HSNP transfers engendered an average increase in household consumption of KES247 per adult per month, on average, resulting in a rise in food expenditure and dietary diversity. Moreover, the 2015 Inua Jamii beneficiary perceptions survey shows over 90 per cent of beneficiary households experiencing increased consumption and dietary diversity. The same survey also indicated that 86 per cent of recipients on Inua Jamii programmes reported a positive impact on performance at school and school attendance. Linked to the increase in school attendance, evidence from the HSNP and CT-OVC also indicate a reduction in child labour.

86% of Inua Jamii recipients have reported a positive impact on **school** performance and attendance

Social protection is increasing economic activity in Kenya, by enabling recipients to invest in assets. The CT-OVC programme has been responsible for a 15 percentage point increase in the ownership of small livestock by smaller recipient households while HSNP recipients are 6 percentage points more likely to own livestock. Findings from the CT-OVC programme also indicate an improvement in women's economic participation, with a 7 percentage point increase in the participation of female headed households in non-farm enterprise and a 6 percentage point increase in small livestock ownership of female-headed households. The CT-OVC increased labour participation among those living far away from markets by 13 percentage points, enhancing the inclusivity of economic activity. Evidence from the HSNP may indicate that the transfer has led to an improvement in wellbeing of workers as 13 percent of households report a positive change to their work patterns compared to 2 per cent in control groups, while 5 per cent of households receiving the HSNP reported being able to start, expand or improve an existing business.

Social assistance transfers have led to an average increase in **consumption** among recipients of 11%, and over 20% among recipients in the poorest quintile.

The benefits of increased economic activity, as a result of social protection, have positive spill-overs for wider communities by stimulating local markets. Programme recipients tend to spend cash on local goods and services, giving local business owners an opportunity to expand their business. Every shilling received and spent stimulates the local economy and generates a multiplier effect. For the CT-OVC programme, it has been estimated that KES1 in cash transfer received achieves an increase in the value of the local economy of 1.34 in the west of Kenya and 1.81 in the east.

Approximately 30% of Inua Jamii recipients report an increase in income generating activities and 50% an increase in productive assets.

Greater access to regular and predictable transfers is increasing Kenyans' resilience to shocks, leading to increased consumption and greater access to savings and credit. The CFA/FFA programme has also facilitated the development of local savings groups *'which develop important supplementary opportunities in household livelihoods and the local economy'.*

However, social protection can have some unintended and negative impacts depending on their design. Recipients often have to pay a cost to participate in programmes, including through the collection of transfers. Recipients often face opportunity costs when participating in programmes, including through the collection of transfers. Households that have been selected for a programme through poverty targeting may experience social conflict with other community members which can negatively impact on community cohesion and reduce access to informal support. Findings on the CFA/FFA programmes report some instances of gender-based violence and pressure in some cases to share food provided by the programme. Recipients, who are mainly women, also have to provide 12 days a month of labour which can have a negative impact on care for children within the family.

Recipients of the HSNP are found to be 10% more likely to **save** while 80% reported an improvement in **access to credit** which prepares them in the event of shocks

Social protection is more likely to have long-lasting impacts when it is embedded in a wider national growth and development strategy. Social protection complements investments in nutrition, health, education, livelihoods, infrastructure and financial services. The Government of Kenya is committed to a Cash Plus approach which links social protection to wider support in different sectors.

Recommendations

- All programmes should measure and publish comparable estimates of cost-efficiency, including an analysis of the main cost drivers.
- A value for money case for increased government investment in tax-financed social protection (both social assistance and entitlement schemes) – and, in particular regular and predictable cash transfers – should be made to support the broader investment case for social protection.

10 Conclusion

Since 2012, the sector has seen an expansion in regular and predictable life-cycle social assistance transfers, with the Government assuming an increasing share of responsibility for its funding. The introduction of a universal pension for all citizens aged 70 years and over, Kenya's first entitlement programme, showcased political will for social protection. Alongside this, the NHIF has seen an expansion to more groups in the informal sector, by linking access to services to social assistance programmes. Institutional structures in Kenya continue to evolve and strengthen, while the operational delivery of programmes is enhanced through the Single Registry. Further, an important achievement in Kenya is the growth of an emergency assistance mechanism linked to social protection, led by HSNP.

If 1% **of GDP** were to be invested in tax-financed social protection, the **poverty gap** would reduce by

19%

There remain large gaps in the coverage of children, persons with disabilities and those of working age who are unable to obtain an adequate income from work. Indeed, there is a large group in the 'missing middle' who, by design, are excluded from the national social protection system yet struggle to get by on low and insecure incomes. Kenya is progressively moving towards a more inclusive life-cycle social protection system, but further work and investment is needed. As Figure 23 illustrates, an investment of 1 per cent of GDP in tax-financed social protection programmes over the next five years, which is fiscally feasible, would have significant impacts on poverty in Kenya, with the potential to introduce an inclusive child benefit for those aged under 5 years, a more comprehensive disability benefit and a reduction in the age of eligibility of the Inua Jamii Senior Citizens' Programme to 65 years.

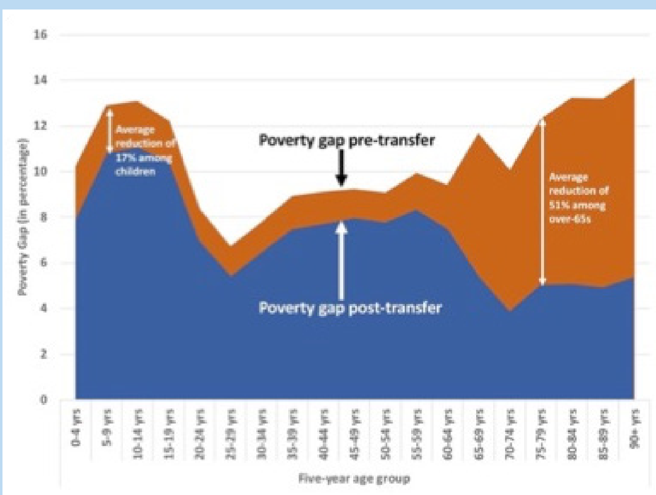

Figure 25: Simulated impacts of an investment of 1 per cent of GDP in life-cycle social protection on the poverty gap, by age group

Looking into the future of the sector, more needs to be done to fully embed social protection within government in order to guarantee its sustainability and create long-lasting impacts. It must be remembered that developed countries took many decades to build comprehensive social protection systems. Significant progress has been made to establish predictable life-cycle social assistance transfers, but these have not yet been guaranteed in legislation. Responsibilities of the social protection sector are still spread across Government and should be further consolidated. Further, the definition of the social protection sector needs further clarification so that its importance to the State can be fully understood. However, a key asset within the social protection system is a cadre of committed staff within government, with a broader network of development partners and civil society organisations in support. They are now in a position to take forward the development, expansion and strengthening of the Sector, as long as they are given the support they require. If the right decisions are taken in the next few years, and the resources are made available, Kenya will soon have a national social protection system that will have made significant progress in realising the right to social security for all the country's citizens.

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