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DO CASH TRANSFERS IMPROVE LIVELIHOOD OUTCOMES OF POOR AND VULNERABLE GROUPS IN KENYA?[*]

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Context

The welfare of vulnerable groups, especially women, and the elderly, is of great concern because these groups tend to be less integrated in the mainstream economy and are much more exposed to shocks and risks. The elderly are also among the most vulnerable sections of the population with regard to poverty and other forms of social exclusion, yet national policies often do not adequately cater for their needs. Social protection is expected to contribute to the improvement of household welfare by facilitating livelihood strategies such as asset accumulation and enterprise development among vulnerable groups.

The study

This policy brief is based on a study that explored the link between social protection and the welfare of vulnerable groups in Kenya, in particular women, and the elderly. The study investigated the impact of cash transfers on enterprise development and asset accumulation by vulnerable households and women. A survey covering a sample of 968 households was conducted between October and December 2011 in two provinces in Kenya. The sample comprised of four groups representing beneficiaries of the orphans and vulnerable children's cash transfer programme (OVCT), beneficiaries of the old persons' cash transfer programme (OPCT), and the respective controls. The survey was supplemented by focus group discussions (FGDs) and expert opinion interviews.

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[*] This policy brief is based on Kabubo-Mariara J. and Kiriti-Ng'ang'a T. (2013) The Impact of Social Protection on the Welfare of Vulnerable Communities in East Africa: A Case Study from Kenya. Project report presented to IDRC, Nairobi, 2013.

Findings

(i) The OVCTs favoured asset accumulation by women and was particularly important for livestock accumulation.

(ii) Cash transfers had a significant positive effect on enterprise development. Women beneficiaries of the OVCT programme and men beneficiaries of the OPCT programme were more likely to develop enterprises than non-beneficiaries in the respective groups. Cash transfers also increased the likelihood of a household engaging in a business that was co-owned by a female member of the household. The OPCT recipient households were more likely to be associated with petty trade, but the OVCT did not seem to influence the type of business owned by beneficiaries.

(iii) Cash transfers have important implications for household welfare: they help to raise the standards of living and provide resources for the poor and vulnerable households to cater for basic needs (food, health, and education); and, facilitate asset accumulation and enterprise development.

(iv) The amounts disbursed in cash transfers are deemed inadequate to cover the basic needs of the very poor and vulnerable households, while the transfer funds do not reach all eligible households.

(v) Informal social protection favoured all types of asset accumulation by women. Women either used proceeds from merry-go-rounds or took up loans from such groups to buy assets.

(vi) Informal social protection increased the probability of establishing a business enterprise with the marginal effect being higher for men than for women. Informal social protection also increased the likelihood of a household being involved in a business that was co-owned by a female member of the household. Additionally, household heads that belonged to informal social protection groups were more likely to engage in all forms of business enterprises than non-members.

Policy Recommendations

(i) There is need to increase the amount of cash transfer funds disbursed and also expand coverage to all the vulnerable persons including the elderly, the very poor, and all orphans and vulnerable children in the country. The current amount of cash transfers of KSh 2,000 is only slightly higher than the absolute rural poverty line of Ksh 1,562 and below the urban absolute poverty line of Ksh 2,913 experienced in 2006. These amounts need to be adjusted for inflation and to reflect the changes in cost of living since 2006. The government will need to first determine the necessary adjustments and thereafter implement periodic reviews to adjust for inflation as deemed necessary.

(ii) The principle of equity should also be used in determining the levels of cash transfer based on regional/spatial considerations and related differentials in socio-economic endowments and other factors among households. Currently, the amount of cash transfers given to households does not take into account area of residence, location and household size. The cost of living and poverty lines differ substantially between regions and between rural and urban areas such that the amount of cash transfer funds received has lower purchasing power in urban areas. Failure to adjust for household size also implies that the per capita amount of transfer is much lower for larger households. Such differentials need to be taken into account when determining the amount of transfer per beneficiary.

(iii) While the intentions and policies in support of formal social assistance are noble, it will be difficult to achieve optimal levels of transfer funds and coverage in the foreseeable future. There is a proposal to increase the proportion of the overall social protection budget to at least 6% of the national budget (Republic of Kenya, 2012). Estimates show that such an increase would amount to Ksh 17 billion per annum. This amount is still below the levels required to ensure universal coverage of all OVCs and persons aged more than 65 years. The 2009 population census estimated that Kenya had 1.16 million (3.5% of the population) people aged more than 65 years (Republic of Kenya, 2010c). The universal coverage of this group alone with cash transfers would require almost Ksh 32 billion per year. Over the same period of the 2009 population census, the number of OVCs was estimated at 2.4 million[†]. Again, this group alone would require a total of Ksh 57.6 billion to achieve universal coverage of cash transfers. The country's total bill for universal coverage of social assistance would therefore amount to about Ksh 90 billion per annum, which is unaffordable presently.

(iv) In the absence of adequate national budgetary provisions to achieve universal coverage of social protection in the country, the alternative would be to improve targeting methods to cover only the most vulnerable orphans and elderly persons. Among the elderly, for instance, sequential targeting can be adopted whereby the focus could be universal coverage of the elderly persons, starting with the feeblest category of those aged 80 years and above. This group constituted 29% of all elderly persons in 2009 (Republic of Kenya, 2010c)[‡]. It would cost Ksh 9.2 billion per annum to cover this group. Once this group is covered fully, the age of eligible beneficiaries can be reduced gradually depending on availability of resources. Yet another alternative is to target only the most vulnerable persons older than 65 years of age rather than aspire for universal coverage. Similarly for the OVCs, coverage would first target only the double orphans housed by very poor households then gradually expand to include other orphans. The identification of the

[†] Source: Ministry of Gender, Children and Social Development. *http://www.gender.go.ke/index.php/2012-11-08-09-35-07*. Accessed 17th March 2013.

[‡] Republic of Kenya, (2010c), 2009 Kenya Population and Housing Census, Vol. IC. Population distribution by Age, Sex and Administrative Units. Kenya National Bureau of Statistics. Nairobi.

specific groups to target should be relatively easy using the structures of a devolved government.

(v) An alternative to targeting would be for the government to mobilise the assistance of development partners who are committed to supporting poor and vulnerable groups. To ensure sustainability of cash transfers, development partners could also assist the government through building systems and developing capacity for designing, sound implementation and scaling up of social protection interventions.

(vi) Complementary poverty reduction strategies that directly impact food or income availability at the household level such as food for work, youth employment programmes, and women enterprise funds among other interventions would enhance the role of cash transfers. The vulnerable groups could also be sensitized to use cash transfers to accumulate productive assets such as small ruminants (such as German dairy goats) and chicken for improving their livelihoods.

(vii) Vulnerable persons who had some education were found to be more likely to accumulate assets and establish enterprises compared with their uneducated counterparts. There is need to promote adult literacy classes and to establish functional literacy programmes targeting adults and the elderly persons. In this regards, the Government should, in partnership with NGOs and CBOs, target those aspects of education that are relevant in supporting the livelihood strategies of the vulnerable groups.