The Evolution of the Government of Kenya Cash Transfer Programme for Vulnerable Children between 2002 to 2006 and prospects for nationwide scale-up

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Introduction

Transfers of resources from the better-off to the poorest members of society have been a feature of human organisation for millennia. Transfers have taken many forms, a place to stay, food, clothing, a health service, a place in a school, and often cash. One can group elements of society that take responsibility for social protection (or welfare) into five[i]; markets, families, social networks, membership institutions, and public authorities.

Kenya is a country of 32 million people. After a period of stagnation the economy is once again relatively robust growing at a pace faster than population growth. The gini coefficient is one of the highest in Africa and over half of Kenyans live on less than a dollar a day. Over $7 billion were collected in taxes in 2005. Social transfers from the state to the very poorest are a major feature of the Kenyan State's spending.

The ultra poor in Kenya are from two groups. First, people from poor families living in arid areas where the economy revolves around pastoralism; the ultra poor in arid districts are not in possession of an economically viable number of animals and do not have any other economic assets. Secondly, people from poor families who have been particularly affected by HIV/AIDS often to the extent that both parents have died leaving orphans in the care of grandparents or faring for themselves. While the first group has been the subject of major social protection programme for many years managed by the Office of the President including free food hand outs, support especially for health programmes, by the turn of the millennium the second group was not the particular focus of any coherent programme of national scope. The issue became the subject of debate in the course of the parliamentary elections towards the end of 2002.

This paper tells the story of how the Children's Department in the Ministry of Home Affairs of the Government of Kenya came to be managing by 2006 a cash transfer programme in 17 districts with the aim of scaling the programme up to touch 300,000 of the most vulnerable children in Kenya by 2011.

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[1] [1] The cash transfer programme in Kenya has evolved through the team work of many persons from the Ministry of Home Affairs, Government of Kenya, World Bank, Dfid and UNICEF with major financial support provided by the Kenyan Taxpayer, Sida Kenya through a thematic funding grant to the UNICEF programme for Child Protection and HIV/AIDS, core UNICEF resources and a DfID grant to UNICEF.

Genesis

The impetus for developing a cash transfer programme stemmed from the growing realisation that some of the other elements of social protection in Kenyan society, especially family and communal mechanisms, were breaking down in the face of the growing HIV/AIDS pandemic. This analysis was starkly presented in the Human rights Watch publication in 2001 "Kenya, In the shadow of death: HIV and children's rights in Kenya."[ii] . The publication of the Children on the Brink report[iii] in 2002 further focussed Kenyan society on the demographic momentum that would lead to a massively increased numbers of orphans around the world as a result of the HIV/AIDS pandemic.

The UNICEF programme further highlighted the issue in the course of the 2002/03 parliamentary elections with a media campaign focussed on informing the public about the issue and asking them to insist to their parliamentary candidates to address the issue with more resources if elected. The culmination of the campaign included a drive to get candidates to sign a pledge detailing a ten point plan they would pursue were they to be elected. Approximately half of the current members of parliament signed that pledge that included a call to develop a national plan of action for children, the allocation of more resources to the issue and the institutionalisation of a parliamentary committee on orphans.

Table one: Trends in estimated numbers of orphan

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

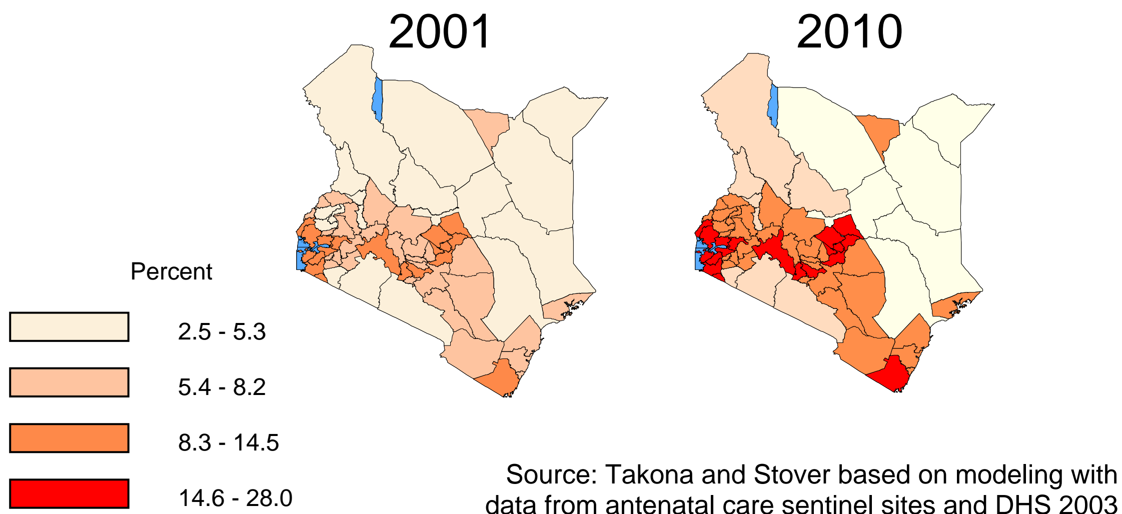
Source: Takona and Stover, estimates based on ANC data and DHS 2003

Starting around 2000, the major international support for efforts to address the HIV/AIDS issues was possibly the World Bank funded programme known as KHADREP amounting to approximately $50 million over a number of years. The programme design called for a combination of local level, district, provincial and national level committees coordinated via the National Aids Control Council (NACC) to design interventions in the form of proposals for review and selective clearance through those committees. Setting up and

building the capacity of these committees took-up a considerable amount of resources. By 2002 to 2003 over 4,000 agreements had been signed mainly with small scale community based organisations to carry out actions based on the proposals they had submitted. Monitoring the implementation of these agreements was not aggressive however and around 2003 there were increasing reports in the media that some of the agreements might not be delivering the planned outputs. The extent to which this was a problem has never been comprehensively assessed. At the same time a review of NACC recommended that it draw back from direct management of funds so that it could concentrate on it's core mandate of coordination and policy setting in the area of HIV/AIDS. The suspicions that the various clearance committees were not doing a good job came to a head with the arrival of the new government who quite quickly dissolved the committees as they existed reconstituting them at constituency level.

The World Bank carried out an evaluation of the impact against an assortment of indicators by stratifying communities that had received community grants against reference communities that had not received external financing as part of the pre appraisal process for a potential second tranche of funding. Using a quality assurance sampling design in two provinces (Western and Nyanza) the evaluation found little evidence of impact except in Nyanza province where it seemed clear that children orphaned by HIV/AIDS were more likely to have received scholastic materials, uniforms and food (summary results are copied in annex 1)[iv]. DfID funded a programme with a similar design focussing on that part of the country where the highest levels of HIV/AIDS (up to 50-60 per cent of people HIV positive) were found.

Figure one: Estimates of per cent of children 0-14 years orphaned in 2001 and in 2010 by district.



The KHADREP story is summarised here since it is a key element of the backdrop to the governments desire to find alternative delivery mechanisms from the main method of asking community based organisations to develop plans that would then be reviewed and eventually funded. The overhead costs of CSO-delivered services were thought by many to be high, possibly somewhere between 30-50 per cent of the resources that eventually ended up with the families and individuals affected by HIV/AIDS. The system also seemed to be open to many forms of corruption. Government was looking to other

delivery mechanisms and it is here that discussion started about the possibility that government might want to attempt to develop a cash transfer programme with the aim of putting 90 per cent or more of the financial resources available in the pockets of the targeted families directly.

A brief history of state-managed cash transfer programmes and their introduction into Africa.

The history of cash transfer programmes around the world and experiences with such programmes in other parts of Africa were a key element of many discussions going on in Kenya in the period 2002-2004 and are summarised here-under.

One can group social protection measures above the family level into three main elements[v]; social insurance, the organised pooling of resources so that individuals that suffer a permanent change in circumstances can draw on the pool; social assistance, including all forms of non contributory transfers of resources including free education, free health care, school lunches and cash transfers to the poorest; and enforcing minimum standards in the workplace. One can add to this triumvirate microfinance, the lending of small amounts of capital to poor people without collateral and at modest interest rates. These programmes, implemented together result in social security for the poorest members of society with families being lifted out of an intergenerational cycle of poverty, and others prevented from falling beyond a certain level of enjoyment of rights.

Cash transfers managed by public authorities sourced from taxes, to poor people, were in place in several countries in Europe by the early years of the last century complementing other forms of social assistance, such as free education and subsidised health care and housing. Cash transfers spread across the Atlantic to the USA and Canada and to other parts of the world such as Australia and South Africa towards the middle of the last century. Thereafter the further spread in the use of cash transfers to the poor as a key tool of the state slowed greatly until ten years ago when a wave of new programmes started in several countries in Latin America, for example the Progresa programme in Mexico, Familias en Accion in Colombia and Bolsa Familia in Brazil. These programmes have demonstrated to have excellent impact in terms of health, nutrition and education for the targeted population at relatively low costs (around 10%).

For fifty years the rich world has been promoting the development of the poorer peoples of the world. The rights to all people as agreed by the member states of the United Nations are well articulated in the United Nations declaration of human rights, and the covenants and conventions that follow the declaration. Key among the rights for the purposes of justifying why the state should become involved in ensuring social protections are the following articles of the Universal Declaration of Human Rights:

> **Article 22: "Everyone as a member of society, has a right to social security, and is entitled to realisation of national effort and international cooperation and in accordance with the organisation and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality"**
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> **Article 25 " Everyone has a right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care, and necessary social services, and the right to security in the event of unemployment, sickness,**

disability, widowhood, old age, or other lack of livelihood in circumstances beyond his control. Motherhood and childhood are entitled to special care and assistance."

Progress in developing comprehensive social protection programmes that involve cash transfers in some parts of the world, notably Africa has been poor. Reduction of poverty in particular and giving money to the poorest people in Africa as a key action for meeting poverty reduction targets has, until recently, hardly featured in national poverty reduction strategies. To stimulate increased attention to this aspect of development programming states reminded themselves and agreed at the United Nations Millennium Summit in 2000 that added focus must be given to reduce poverty by half of 2000 levels by 2015.

One result of this re-examination of what works in helping to realise articles 22 and 25 of the UDHR is an increased impetus in Africa to implement cash transfers as one element of a comprehensive social protection strategy. Indeed many argue now that it is a strange anomaly that such a key element of the cannon of proven high impact tools available to improve social protection is barely evident across Africa, a continent that has seen massive and long standing support from international partners for the improvement of social protection. The anomaly is made stranger by the fact that many professionals working in development emanating from countries where social security systems involving cash transfers exist would in all likelihood not be in the positions they hold were it not for the impact of cash transfers on their own family circumstances.

Apart from the Kenyan programme the following cash transfer programmes have recently been introduced or are being piloted, including transfers to poorest households (Lesotho, Malawi, Mozambique, Zambia, Zimbabwe), cash relief grants to food-insecure households (Ethiopia), child support grants (Ethiopia, Namibia, South Africa), child care grants focussing on orphans and other vulnerable children (Lesotho, Malawi, South Africa, Tanzania), disability grants (Lesotho, Namibia, South Africa), and non-contributory 'social pensions' (Botswana, Lesotho, Namibia, South Africa).

The main types of social cash transfers aiming at basic social protection are non-contributory pensions, social assistance to families or households and cash transfers, which may be conditional or unconditional. Three main types of cash transfers can be used to tackle childhood poverty: a uniform benefit paid for every child in the household; an income supplement, paying a fraction of the difference between household income and the poverty line; and a minimum guaranteed income, which supplements income up to a given level[vi]. The effectiveness of cash transfer programmes in poverty reduction can be assessed by at least two measures: the extent to which the programme reaches the poor (vertical efficiency) and the proportion of the poor who are covered by the programme (horizontal efficiency)[vii].

How the Ministry of Home Affairs came to jump in at the deep end, or the road from discussion to pilot, to pre-pilot, to phase one and to phase two.

Government indicated their desire for UNICEF to increase the resources it applied to policy analysis, capacity building and support to service delivery in the domain of children orphaned by HIV/AIDS in the course of the development of the 2004-08 country programme action plan in 2003. The plan notes the following programme outputs:

"Policy on children orphaned and made vulnerable by HIV/AIDS developed and national plan of action being well implemented." And "Resources for programmes targeting OVCs increased." [viii]

It was not clear in 2003 what exactly was meant by "national plan of action being well implemented" but the planning was going on in the context of the dissatisfaction with the main programme implementation mode which consisted of some sort of variant of contracting civil society organisations to deliver services.

The possibility that UNICEF could help the state develop a cash transfer programme from scratch delivering cash direct to families affected by HIV/AIDS without going through civil society intermediaries is an area that was discussed in a number of forums in 2004. The Rapid Assessment, Analysis and Action Planning exercise for the development of a national action plan for orphans and other children made vulnerable by HIV/AIDS afforded a forum where this issue was discussed by a wide range of organisations. The development of the first version of this plan was sponsored by the Ministry of Home Affairs and also, World Bank, DfID, USAID and UNICEF. This group eventually came together in a national steering committee for actions aimed at OVC chaired by the permanent secretary in the Ministry of Home Affairs.

Another forum for discussion of the potential idea was the parliamentary committee for OVC. The members of parliament that made up the membership of this committee had been challenged to set up community committees to oversee and coordinate support actions for OVC in their communities and the UNICEF programme. A strong output monitoring component had also channelled a small amount of funds to those committees that could produce a good plan of action. The design was similar to the KHADREP and the DfID supported programmes described above. The predictable results of the experience was that a huge amount of effort was spent preparing and revising plans, monitoring outputs and liquidating funds resulting in a greater understanding amongst the members of parliament of exactly how difficult it is efficiently to channel resources to poor families through the community committee mode. Many committee members became strong supporters of the theoretical alternative model of channelling funds directly to families.

The main mitigating factor against taking any action was that there was no previous experience of a state run cash transfer programme. The main arguments for branching out into this new programme area was first the evidence that the state did run a pension system for approximately 600,000 retired civil servants delivering cash to them on a regular basis via the post office network which has over 400 outlets in Kenya. Second, Kenya is a country where citizens pay their taxes, over $7 billion were collected in taxes in fiscal 2005/06.

A key opportunity to congeal ideas was the call for fourth round Global Fund for HIV/AIDS, T.B. and Malaria proposals. Early in 2004 the Ministry of Home Affairs decided that they would prepare a proposal asking for $60 million dollars that would be used to set-up a cash transfer programme. A task force was pulled together to prepare the proposal. A key limitation was that there was no existing programme on the ground however small that could be used as a base to estimate budgets for capacity building and scale-up. For proposals to the global fund to be considered valid they have to include the signatures of all members of the committee, known as the country coordinating committee, convened to manage interactions between the Global Fund and the state applying for funds. The committee is a mix of civil society umbrella bodies, bilateral donor agencies mostly from countries that are major donors to the Global Fund including inter alia the United States, the British and Italian governments, multilateral agencies including the United Nations and Bretton Woods agencies and government ministries. The discussion around the proposal presented by the permanent secretary of the Ministry of Home Affairs was another important occasion to discuss the pros and

cons of cash transfers as a viable programme model. Some members of the committee argued that poor Kenyan's could not be trusted with cash in hand. The money would in all likelihood not be spent wisely on items such as cigarettes and alcoholic beverages. The Ministry of Home Affairs could only point to evidence from other countries to counter this argument since there was no direct evidence from a nascent programme in Kenya. A key element of the argument for the proposal was that even if there was leakage on those types of expenses the alternative programme model, hiring civil society groups to contract community organisations was inefficient also, with somewhere in the range of 30-60 per cent of financial resources being spent on transaction costs including the overhead costs of the agents intermediary to the target families. And besides, putting cash in the hands of the poorest families gave them leeway to decide for themselves exactly what priority expenditures to make rather than being left with no choice for themselves when they received a pre-determined package of support delivered by a community based organisation.

The discussions around the ultimately successful passing of the Global Fund application by the committee was the key trigger that resulted in the UNICEF decision to support the Ministry of Home Affairs in setting up a small pilot programme. In the hope that the funds from the Global Fund would be forthcoming in the course of approximately six months, the Ministry of Home Affairs needed to start getting acquainted with actually managing at least a small cash transfer programme; UNICEF agreed to fast track support to the ministry.

The design of the GoK/UNICEF country programme action plan includes a learning district strategy comprising of intensive support to government systems in three very different parts of the country. In sum, the entire range of support that UNICEF provides to government programmes all come together in three parts of the country. Kwale District is one of the poorest districts of Kenya and lies along the coast between Mombasa port and the Tanzanian border. Garissa District is an arid district bordering Somalia with the Tana River running along it's southerly edge. The third area is the low income or slum areas of Nairobi, the capital. Within each of these three areas the programme staff have close contact with three diverse communities in each of the three districts. The design calls for programme interventions that require intensive interaction between communities and district government to start their piloting and scale up from these nine communities. Operationally, the rationale is that the programme staff are in close contact with district government officials from virtually all departments in these three districts and also with many community members in these nine communities. From an operational point of view therefore the ground work of getting to know district officials and communities well was already in place. Starting in the middle of 2004 modest funding was available to the programme through the thematic support to Child Protection and HIV/AIDS being provided by Sida Kenya to the GoK/UNICEF country programme action plan. It is important to note that without this source of flexible funding the initial pilot programme would not have taken off.

A task force was set up under the director of the Children's Department, including children's officers and development officers from the three learning districts and including UNICEF programme staff. By December 2004, 500 households in three locations each in the districts of Garissa, Kwale and Nairobi were being provided with KSh. 500 (approximately $6.50) per child per month on a "pre-pilot" basis to inform the design of a larger scale pilot.

In April 2005, the Ministry of Home Affairs (MoHA) and UNICEF hosted a pre-pilot review workshop to distil key lessons learned and to facilitate the shaping of a larger pilot project with a design that could form the basis for nationwide scale-up. Participants included teams from each district (comprising community representatives, members of the Area Advisory Council and the District Children's Officers), officials from the Deartment for Children's Services (DCS) and other Government agencies (the Ministry of Health, Ministry of Education, National AIDS Control Council, among others), and interested partners (including SIDA, DFID and the World Bank). The results of the workshop showed that the pre-pilot had a positive impact on the welfare of the beneficiaries mainly in terms of access to education, health, and nutrition. It also stated that the expenditure of funds was mainly on items such as school uniforms, textbooks, food, and cooking oil. However, the amount of funds was not enough to cover for all the families' basic needs, especially when transaction costs involved in accessing funds was taken into account (especially transport costs). There has been very little leakage and, as it has been said, monies have been efficiently spent in a targeted way upon uniforms, food, rent, drugs demonstrating the poor's capacity to address their own problems when supported to do so.

The operational modalities for this small pilot were not of a type that could be used to scale-up to national scale. Funds were being transferred from a UNICEF bank account to the Ministry of Home Affairs and from there to a government account at district level from where District Children's Officers withdrew cash and, usually in great secrecy for security reasons, or alternatively with armed security escorts provided by the police force, went to targeted houses to disperse cash. Apart from the difficulties of moving cash around in this way, there is no way that the usually solitary District Children's Officers could ever hope to scale-up their personal delivery to all targeted households district-wide. Besides, they have their usual jobs to carry out which is mainly in the realm of managing children who are in trouble with the law.

However, jumping in at the deep end and actually starting to dispense cash to targeted very poor families in a number of locations had the intended effect of moving the theoretical discussion that had been going on for around two years to the realms of how to move from an existing programme to a programme design that could be scaled-up. Interest grew in political circles with well publicized visits to the programme by ministers and media personalities and among donor agencies driven in part by the renewed focus on poverty reduction that the millennium development goal movement has brought to the issue.

Designing Phase two

Therefore, as experience with the initial programme, coming to be known as phase one grew, plans were underway on how to design a programme that could be scaled-up. Negotiations were taking place with commercial banks in Kenya and the Post Office with regard to how cash could be transferred through them with a low overhead cost to their remote locations from which targeted households could withdraw their money. At the same time experts in setting-up cash transfer programmes of national scale in Latin America were being recruited and familiarized with Kenya to refine targeting procedures, design management information systems, develop manuals for use at local level, and to work intensively with the DCS to develop a dedicated secretariat that would do no other work other than manage the expanded pilot programme, now known as phase two.

A key element of discussion about the design of phase two revolved around the issue of whether a truly scaled-up programme should involve conditionalities or not. Roughly speaking, the World Bank and communities themselves were in favour of applying conditionalities while DfID was in favour of no conditionalities with strong arguments on both sides. In sum the case against conditionalities is that without them overhead costs, especially those related to the development and management of computerized information systems, are greatly reduced. The argument is that while these sorts of systems might work in more developed societies they are too complex to manage sustainably in Kenya. The argument for conditionalities is that the argument against is conjecture, communities in phase one are in favour of conditions, and that, based on experiences in Latin America, management information systems are very efficient in improving targeting and making scaling up possible; therefore, they are needed anyhow and it is a simple addition to add a conditionality component to the system.

The result has been the design of a major evaluation as part of phase two to answer these questions and to help in the future dialogue that will have to take place as funds are sort to scale-up the programme to national scale.

The evaluation focuses on three aspects. First, to evaluate the welfare and economic impacts of the pilot amongst those who benefit from it; second, to evaluate the operational effectiveness of the pilot including cost evaluation; and third, to evaluate the extent to which the programme reaches those in greatest need (targeting effectiveness).

Evidence on targeting effectiveness will shed light on the extent to which mechanisms in use are cost efficient, transparent and accountable in reaching the most in need, and most importantly that minimize exclusion errors. Information on operational effectiveness will inform programme design with regard to effectiveness so that modifications can be made if and when scale-up occurs. For instance the payment delivery mechanism needs to be tested for security, accessibility timeliness and value for money. The evaluation will use a quantitative household surveys in a longitudinal/panel design, quantitative community surveys in a repeated cross-sectional design, qualitative focus group discussions with beneficiaries and other community members, in-depth interviews with beneficiaries and those responsible for programme implementation, an operational review and a simple costing study. Household and community surveys will be carried out in locations selected at random for inclusion within the scheme.

The household survey will research beneficiary and non beneficiary households in beneficiary areas and a sample of households in non-beneficiary areas. Having two treatment groups (with and without conditionalities) and comparison control groups will allow the evaluation to provide information on the impact of the transfers vs. the conditionalities, thus making it possible to test conditionalities within the Kenyan context.

Strengthening political buy-in for the cash transfer programme

It is self evident that a cash transfer programme of national scope for vulnerable children will be a programme that will require large resources. UNICEF originally became involved with the cash transfer programme through a broad based media campaign targeted at the Kenyan public with a special focus on parliamentary candidates in 2002 which led to the formation of the parliamentary committee for orphans. As experience

has grown it has become clearer what the likely costs of a programme of national scope would be. An essential element of the overall involvement of UNICEF in the policy discussions around the cash transfer programme is an analysis of the total social protection package the state provides it's' citizens, whether that overall burden is affordable and whether this new element can be afforded.

Kenya is a state with a relatively well functioning taxation system. In 2005/06 over 7 billion dollars were collected in taxes; tax revenues increased by fifteen per cent in the 2003-04 period through a combination of more efficient tax collection and an expanding economy. Allocations to what the state defines as core poverty programmes in the GoK budget were $390 US million, (45.9 billion/-), $637.5 US million, and $1.18 US billion in the financial years 2002/3 to 2006/07 respectively. In the 2005/06 financial year the core poverty programme allocation represented 4.9 per cent of GNP and total expenditures by government amounted to 27 per cent of GNP.

A review of the 2006/07 budget outlook paper reveals that GDP is predicted to grow at a rate of 5.1 % in 2006/07 with an increase to 5.5% in the following years. An actual inflation rate of less than 5 per cent most of the time shows good macro economic control indicating that the target rate of 3.5% during 2006/07 is quite feasible. The international reserve is rising and government revenue is now almost 22% of GDP and the fiscal deficit is down to only 2.4% of GDP.

It is clear that the government elected in 2002 has substantively increased the allocations to poor poverty programmes. There are problems of expenditure; approximately 40 per cent of the core poverty budget is routinely not disbursed by the end of the fiscal year. It is reasonable to assume therefore that if the pilot cash transfer programme can prove it's worth through evaluation then the resources are already available and at the disposal of the exchequer for allocation to an expansion of the programme to something approaching national scale. Since resources are available could it be conceived that the state could allocate substantively more resources for core poverty programmes that would allow for a substantive new allocation of the order of $50 million for a cash transfer programme?

One can also make an argument from an analysis of the 2006/07 budget outlook paper that even more financial resources could be found through increased borrowing by the state. A 15 % increase is planned for the 2006/07 budget for core poverty programmes. Given the desire to reduce poverty one can make a case that a 15 % increase for core poverty programmes is relatively conservative considering that economy itself will be growing at 5.1%. The fiscal contraction seems too excessive, especially for a country that has low inflation and idle capacity of manpower and agriculture. It is indeed possible to increase borrowing, both domestic and international, to finance a larger budget for core poverty programmes including especially health, cash transfers and other social protection measures and rural infrastructure. There is no reason why domestic and external debts need to be lowered at this point in time at the expense of investing in human capital. A case can be made that there is too much fear that an increase in money supply through government borrowing will lead to excessive inflation.

Determining the value of the transfer in phase two

It is absolutely key to have a solid determination of what the value of the transfer should be since the value of the transfer is the number one determinant of the financial

resources needed for a scaled-up programme given that it is reasonable to assume that overhead costs, defined as being those costs required to deliver the package to the targeted households, could in a few years be less than 20 per cent of total costs and eventually less than 10 per cent.

Coming to a decision has involved discussions between the Government of Kenya and several international partners, notably World Bank, DfID and economists based at the University of Cape Town. The first highly experimental phase of the programme had a programme design that included a cash grant of approximately Ksh 500 ($6.34) per month and a similar amount pooled into a fund that would be granted to a community-based organisation that would fund community activities that would be of benefit vulnerable children. Two key lessons learned from this first phase was that, one, the Ministry of Home Affairs did not have the capacity to identify and manage community organisations to carry out activities that would benefit the most vulnerable children in communities. The cost of oversight was very high. Second, in-depth interviews with beneficiary households and community discussions made it clear that no one thought that a grant of $6.5 per month was sufficient to make much of an impact on the finances of a poor household

The official poverty line in Kenya is based on the last Welfare Monitoring Survey (WMS) which was carried out in 1997. A review of the lines in Kenya confirms what communities and households were telling the programme managers. The following table presents the 2005 poverty lines 1 and 2 for urban and rural areas. Poverty lines are based on one adult needs per month. PL1 refers to the Food Poverty Line. PL2 refers to the Food and Basic Goods Poverty Line.

The poverty line was calculated on the basis of mean rural and urban costs for both food and basic goods[ix]. In much of the current literature the 1997 poverty line is cited, (KShs 1,239 per capita per month in rural areas calculated on the basis of basic food and non food needs), however, this is problematic in terms of an analysis of recent and current social protection interventions, and does not take account of significant inflation since 1997. It also does not take account of decreased cost related to FPE and increased costs related to user fees for health services. Using the CPI it is possible to inflate this poverty line to 2005 values, see table 2.

Table two: Adjusted Poverty Line, 1997 to 2005

Year		1997	1998	1999	2000	2001	2002	2003	2004	2005*
CPI 1997/8 =100)		100	106.5	112.7	123.9	131	133.6	146.7	163.7	179.8
		KSh	KSh	KSh	KSh	KSh	KSh	KSh	KSh	KSh
Rural	Food	927	987	1,045	1,149	1,214	1,239	1,360	1,518	1,667
	Food and basic goods	1,239	1,320	1,396	1,535	1,623	1,655	1,818	2,028	2,228
Urban	Food	1,254	1,336	1,413	1,554	1,643	1,675	1,840	2,053	2,255
	Food and basic goods	2,648	2,820	2,984	3,281	3,469	3,538	3,885	4,335	4,761

Source: McCord based on CPI Index from Economic Survey 2003, 2004 and 2005 and KIPPRA 2005. * Provisional

On the basis of these calculations the rural poverty lines are KShs 1,667 and KShs 2,228 (food, and food together with basic goods respectively) and the urban equivalents are KShs 2,255 and KShs 4,761 respectively. These are the figures which should be used when considering the likely impact on poverty of different social protection interventions.

However, when the results of the Kenya Integrated Budget Survey (KIHBS), implemented in 2005/6 are published such projections will not be needed. The KIHBS will provide improved estimates of the current incidence of income poverty, and supported by findings from the Fourth Kenya Participatory Poverty Assessment (PPA-IV), also implemented during 2006. This used the same sample and offers a community based perception of poverty, based on asset ownership. Two poverty lines will result from the implementation of these two surveys, one based on consumption, the other based on communities' perceptions of poverty.

Given that the objectives of the programme are related to keeping the most vulnerable children within their families and communities, the incentives must ensure that the selected households are able to foster those children and cover part of their basic food, health and education costs. In terms of the poverty line this means not going above KSh.1.667 (taking the rural PL1) per household member.

Taken into account these lessons and analysis, a policy decision was agreed with GOK and donors defining the value of the subsidy for phase 2.

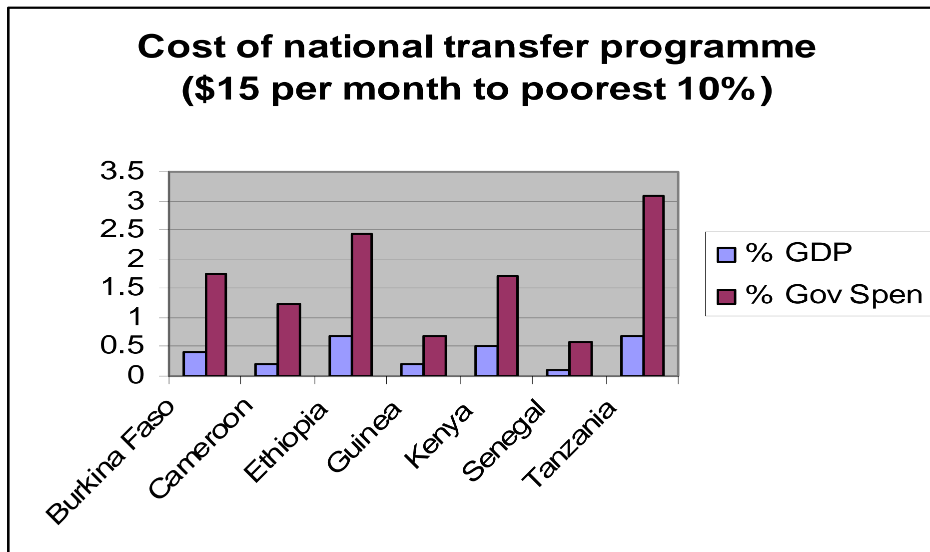
Table three: Cash transfer programme phase two transfer values

No. of vulnerable children per Household	**Monthly payment**
1	KSh 1,000 ($13.7)
2	KSh 1,500 ($20.5)
3 or more	KSh 2,000 ($27.4)

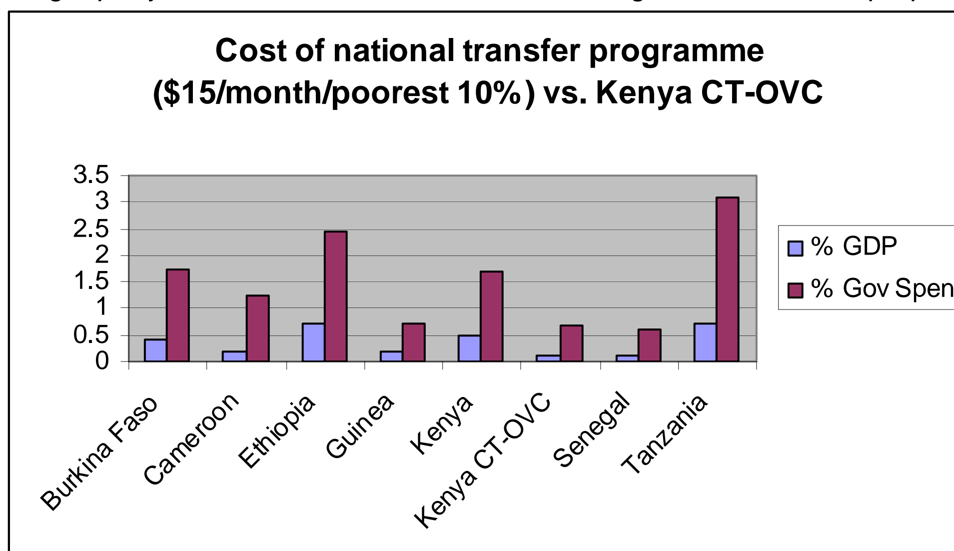
The maximum limit of KSh.2.000 per household takes into consideration the GDP per capita. A number of considerations were taken into account in the setting of these figures. As a rule-of-thumb international development agencies that support cash transfer programmes in developing countries generally recommend that the total sum of transfers to households should not exceed the national average per capita income which in the case of Kenya in 2006 approximates KSh.2.800. A supplementary consideration has been the desire not to reward poor households too much in the event that they are fostering vulnerable children (many children are vulnerable because both of their parents have died). Too great a reward and the cash transfer programme would be encouraging the formation of many mini orphanages sponsored by the state.

Based on these figures and with estimates of the ratios of either one, two or three or more vulnerable children living in one household and with an estimated administrative cost of 25 per cent during the early stages of a full-scale national programme reaching a target of 300,000 vulnerable children would costs KSh. 265,500,000 per month ($3,633,005). The annual cost of such a programme therefore would be would be of KSh. 3,186 million ($43,596,059).

Comparing these figures with the national budget reveals that a scaled-up programme will only cost a small fraction of government total spending. [x] The following table presents the proportion of GDP and Government expenditure if sub-Saharan African countries developed a programme providing the equivalent $15 per month per household to the poorest 10% of the total population. For Kenya such a programme would represent 0.5% of GDP and 1.7% of the government yearly expenditure. The following table presents the proportion of GDP and Government expenditure if sub-Saharan African countries developed a programme providing the equivalent $15 per month per household to the poorest 10% of the total population. The appropriate level of transfer, target group, size and type of programme will depend on local conditions and available resources.



The GOK budget for the 2006/07 financial year is around $6.500 million. The yearly budget for the full scale Kenya CT-OVC programme would represent 0.67% of the GOK budget per year and 0.12% of GDP. The following chart shows the proposed figures.



The GOK budget assigned for OVC in the 2006/07 financial year is less than $1 million (0.01 as percentage of the Government expenditure).

The following table shows the values of transfers in recent experiences in different countries. The programmes referred have different objectives and targeting population.

Table Four: A comparison of cash transfer values in selected countries			
Country	**Target population**	**Transfer size**	**Frequency**
Kenya	OVC in poor households	Between $13.7 and $27.4	Monthly
South Africa	Children in poor households	$20	Monthly
Turkey	Children in poor households	Between $13 and $29	Monthly
Pakistan	Extremely poor families with children 5-12 years old	Between $3.5 and $6	Monthly
Dominican Republic	Children in poor households	Between $9 and $19	Monthly
Honduras	Poor women during fertile ages and poor children	Between $24 and $136	Quarterly

Conclusion and where next

Experience shows that successful introduction of cash transfers as a national programme requires certain conditions to be met. First, political support is crucial. Cash transfers must have been well discussed as a potential policy option in society as a whole and receive political backing; the better the ramifications of making the choice are understood, the better for the success of the programme. Second, it must be taken seriously as a potential policy option with key actors such as the Ministry of Finance and the Ministry of Planning understanding the financial implications of the programme and what the potential trade-offs are with other alternatives. Third, the state must have the capacity to at least make a start after which scale-up via improved capacity can take place. And fourth the programme must work towards an efficient transparent targeting mechanism that can be applied on a large scale.

The situation in Kenya for the four criteria of success and how the situation has changed between 2003/04 and 2006 are outlined in table six.

Table five: Trends for key conditions required to scale-up cash transfers for vulnerable children in Kenya

Criteria for successful introduction of cash transfers	Situation in Kenya in 2003/04	Situation in 2006
Political support	Support from: the Vice President's office and his Ministry of Home Affairs and from the ad hoc parliamentary committee on orphans, from civil society partners and international donor partners involved in reviewing applications for funds from the Global Fund for HIV/AIDS, T.B. and Malaria tempered by a culture of supplying goods and service to poor people but not cash itself.	Similar to 2003 but now with a greater understanding of the challenges inherent in scaling up a programme. The Ministry of Home Affairs has been under pressure to expand the geographic scope of the programme including by parliamentarians so now the programme operates in 17 of the countries 72 districts against a 2004 plan to expand only to seven districts. The election period in 2007 gives political space to review with the electorate progress on implementing the pledges made on state actions for vulnerable children in the course of the 2003 election.
Policy choice and inclusion in national strategic programmes for poverty reduction	In 2003 the Poverty Reduction Strategy prepared in 2000 was superseded by the Economic Strategy for Poverty Reduction and Wealth creation. Neither of these two strategies contemplated a role for direct cash transfers targeted at very poor people	Resulting in part from the policy debate generated by the development of the National Plan of Action for orphans and other children made vulnerable by HIV/AIDS and from continued lobbying by members of parliament the Ministry of Finance has allocated approximately $0.5 million to Children's Department activities related to HIV/AIDS with goes into cash transfer programme. It remains to be seen whether cash transfers for vulnerable children will feature in the expected revision of the national poverty reduction strategy expected after the 2007 elections. The recent African Union request for member countries to produce a policy paper on social protection systems that would comprehensively review the current state of social protection measures in Kenya will be another opportunity for these issues to receive focused analysis and discussion as is the recent DfID proposal to remove a small portion of the families that routinely depend on free food handouts and putting them instead on cash transfers.
Capacity to implement	A key consideration in Kenya was the extent of the banking industry and particularly the range of the Post Office with over 400 branches nationwide already disbursing pensions to over 600,000 retired civil servants. However, there was no direct state experience in disbursing cash to poor and what operational challenges would need to be overcome to scale up such a programme	An understanding by government that managing such a programme will require a dedicated staff of approximately 70 to sustain the programme at national scale with a target of 300,000 vulnerable children reached. This will require a major retooling and upgrading of the capabilities of the children's department or the introduction of a new institution that would enable the children's department to continue focusing on improving it's ability to deliver on other elements of it's core mandate.
Capacity to target	Early experiences with a pilot programme for 500 households followed a community based targeting system based in part on the system developed for the targeting of free food hand outs in arid districts.	Development of a computerized database now enables the children's department to double check eligibility criteria of first phase candidates selected by local level committees.

Table six summarizes the expansion of the programme so far and the plans for expansion up to 2009 including with financial support from international donors. The issue to hand is whether the Treasury can afford to expand the numbers directly financed only through taxes and whether these figures can really be stepped up after 2007 with a further large increase to 300,000 after 2010.

Table six: Expansion plan for the Ministry of Home Affairs Cash Transfer Programme

PHASE	GOK supported by UNICEF, Sida, DfID, and World Bank	GOK	TOTALS
1	Period: 2004-2006 Districts: 3 Beneficiaries: 500	Period: 2004-2006 Districts: 10 Beneficiaries: 5,000	Period: 2004-2006 Districts: 13 Beneficiaries: 5,500
2	Period: 2006-2007 Districts: 7 Beneficiaries: 8,000	Period: 2006-2007 Districts: 10 Beneficiaries: 2,500	Period: 2006-2007 Districts: 17 Beneficiaries: 10,500
3	Period: 2007-2008 Districts: 7 Beneficiaries: 10,000-30,000	Period: 2007-2008 Districts: 10 Beneficiaries: 10,000-30,000	Period: 2007-2008 Districts: 17 Beneficiaries: 30,000-50,000
4	Period: 2008-2009 Districts: 17 Beneficiaries: 50,000	Period: 2008-2009 Districts: 17 Beneficiaries: 50,000	Period: 2008-2009 Districts: 34 Beneficiaries: 100,000
FULL SCALE PROGRAMME		Period: 2009-2015 Districts: 74 Beneficiaries: 300,000	

Of particular note in the table above is the second column detailing the numbers of districts that are being managed with funds derived from Kenyan taxpayers. It is clear from the story told in this paper that developing and scaling-up cash transfer programmes are not easy endeavors. Yet the pressures in MoHA to be seen to be expanding relatively quickly are immense with calls coming in from many quarters on a daily basis asking when the programme will be expanding further, while the exchequer is only allocating a little over $0.5 million to the programme per year.

Finally, clearly cash transfer programmes can only be one element in a broader social protection strategy involving many different programmes. The Kenyan state already manages a number of other large programmes that have evolved over the years; while much of the funding for these programmes are provided by the state, most of them are co-financed by international development partners. The following is a listing of most of the major programmes

Health; Free voluntary counselling and testing for HIV and provision of anti-retroviral drugs for persons who require them. Free medical care for children who are 5 years and below. Discussions are well underway for the expansion of free medical care for the poorest 30 per cent of Kenyans through the conversion of the existing National Health Insurance Fund to a greatly expanded National Social Health Insurance Fund which would require a substantive increase in budgetary allocations to the health sector.

Education; Free Primary Education through 18,500 primary schools introduced in 2003, representing well over 30 per cent of the annual government budget. Provision of secondary school bursaries for several thousand children usually from poor backgrounds

selected via committees set-up at constituency level. Low cost boarding schools for pastoral communities. School feeding programme for all primary schools in arid and semi arid districts

Famine Relief Food; Approximately two million people are permanently on food relief; Numbers rise to ten million people during periods of severe droughts; Government spends US $ 40 to 65 million annually on famine relief.

General development funds: The Constituency Development Fund is a new fund brought in by the government appointed in 2002. Each parliamentary constituency is allocated between $500,000 and $800,000 per year for development activities that are determined by a committee elected from within each constituency. This represents approximately 2.5 per cent of the annual government budget. The Local Authorities Transfer Fund (LATF) is derived from revenue collected by County and Municipal Councils through rates, rent and other fees collected at that level. It is implemented through a Local Authority Service Delivery Action Plan (LAS-DAP) developed by each Council and funds activities that are often similar to constituency development funds often funding secondary road improvements, support for schools and health centres including the construction of new facilities.

There is increasing interest in an effort to review all of these social protection programmes together with a view to potentially streamlining the total package of social protection the Kenyan State provides it's poorest citizens. Indeed, in a meeting held in Zambia in 2006, the Kenyan State has promised the African Union that it will produce a paper reviewing the current scene and include an initial perspective towards potential reform.

One particular innovation that is of particular interest to the cash transfer programme discussed in this paper are the plans for Office of the President, with financial support from DfID, for taking some of the people who have depended on free food handouts for many years, off the free food package and onto a cash transfer programme instead. This is a particularly challenging programme since it is taking place in parts of the country where markets are weak and mechanisms for delivering cash, such as Post Offices, are few and far between.

Clearly 2007 will be an interesting year for the discussions over the future of the cash transfer programme. It is an election year again and the genesis of the current programme, now in 17 districts, stems from policy debates that started in the course of the 2002 elections. What is clear now and was not clear in 2002 is that the Government of Kenya will continue to enjoy technical and financial support from a wide coalition of international development partners as it struggles to fulfill the obligations it entered into when it ratified the United Nations Convention on the Rights of the Child in 1992.

Acknowledgements

The pilot cash transfer programme in Kenya exists due the faith and support of a large number of people. First and foremost, Mr. Ahmed Hussein, director of the Ministry of Home Affairs Children's Department, his team at his headquarters and in several districts too numerous to mention here. He in turn has enjoyed the unswerving support of several permanent secretaries and the Minister of Home Affairs, His Excellency the Vice President of the Republic of Kenya, Mr. Moody Awori, who has taken a personal interest and provided inspiration for the programme from the very beginning. UNICEF representatives Nicholas Alipui and Heimo Laakkonen who tool the considerable management risk to allow the use of UNICEF funds first to advocate for such a programme and then to allow the use of cash to be dispersed directly to poor families. The UNICEF Kenya team working directly on the programme, notably Joanne Dunn, Bonee Wasike, Sumaira Chowdhury, Catherine Kimotho, Esther Nyausi and Deogratias Iyadi and all the colleagues in the operations group involved in liquidations and logistics. UNICEF colleagues in UNICEFs regional office for East and Southern Africa who in their oversight function allowed the programme to thrive and grow and who provided major technical support, notably David Alnwick, and Douglas Webb of the HIV/AIDS team and Regional Director, Per Engebak; also Peter McDermott, Director of UNICEF's HIV/AIDS in New York. Other colleagues from the UN team in Kenya notably Kristan Shoultz and Jane Kalweo of the UNAIDS team. The other international partners who have worked with the programme from the beginning, notably Mike Mills of the World Bank, Marilyn McDonagh, Rachel Lambert and Ada Mwangola of DfID, and Annika Nordin-Jayawardena and Josephine Mwangi of Sida. And of course, the citizens of Kenya, who have been involved in the design of phase, especially the children's area advisory council members in the three districts and the citizens of the nine learning communities in Kwale, Garissa and Nairobi, who have given so much of their time to help design phase two and who have had to put up with the inevitable major operational problems in the implementation of phase one.

Annex 1: Lot Quality Assurance Sample review of impact of Community Initiatives Comparisons of Villages with Community Initiatives and Those without Community Initiatives in Nyanza and Western Provinces. Source: World Bank Aide memoire, TOWA pre-appraisal, 2005.

RESULT	CI	No CI	Odds Ratio	Conf. Interval	Conclusion		CI	No CI	Odds Ratio	Conf. Interval	Conclusion
WOMEN 15-49 Years	**Nyanza Province**						**Western Province**				
Women Know VCT Site location	36%	44%	0.7	.51-.98	Non CI perform better		30%	21%	1.61	1.08-2.42	CI Perform better
Women Know VCT Benefits	60%	67%	0.76	.55-1.06	No difference		65%	69%	0.83	.57-1.20	No difference
Women Can risk of MTCT be reduced	64%	63%	1.04	.75-1.45	No difference		59%	66%	0.75	.52-1.08	No difference
Women have ever used condom	22%	25%	0.82	.56-1.20	No difference		28%	27%	1.05	.70-1.57	No difference
Women Sex with non regular partner in last yr	11%	14%	0.72	.43-1.21	No difference		9%	12%	0.74	.40-1.36	No difference
Women Always use condom	4%	6%	0.65	.31-1.38	No difference		2%	4%	0.43	.13-1.39	No difference
MEN 15-54 Years											
Men Know VCT Site location	40%	49%	0.711	.514 - .982	Non CI Perform better		30%	22%	1.5	1.00-2.25	No difference
Requested VCT	17%	28%	0.544	.368 - .805	Non CI Perform better		79%	76%	1.15	.75-1.75	No difference
Took VCT	14%	20%	0.675	.44 - 1.03	No difference		71%	67%	1.23	.84-1.79	No difference
Men Know VCT Benefits	70%	73%	0.892	.626 - 1.27	No difference		56%	56%	1	.70-1.43	No difference
Men Can risk of MTCT be reduced	71%	68%	1.151	.812 - 1.629	No difference		59%	56%	1.15	.81-1.64	No difference
Men have ever used condom	52%	45%	1.151	.812 - 1.629	No difference		55%	48%	1.3	.91-1.86	No difference
Men Sex with non regular partner in last yr	6%	10%	0.634	.341 - 1.179	No difference		20%	20%	1	.63-1.59	No difference
Men Always use condom	7%	9%	0.733	.341 - 1.383	No difference		5%	9%	0.54	.26-1.15	No difference
YOUTH 15-24 Years											
Youth Know VCT Site location	43%	44%	0.94	.68-1.30	No difference		28%	15%	2.14	1.38-3.34	CI Perform better
Youth Know VCT Benefits	98%	74%	1.05	.73-1.52	No difference		78%	78%	0.99	.65-1.51	No difference
Youth Can risk of MTCT be reduced	65%	61%	1.19	.85-1.66	No difference		58%	65%	0.742	.52-1.07	No difference
Youth have ever used condom	61%	51%	1.51	1.05-2.17	CI Perform Better		49%	57%	0.72	.48-1.09	No difference
Youth Sex with non regular partner in last yr	24%	32%	0.79	.48-.99	Non CI Perform Better		15%	19%	0.77	.48-1.25	No difference
Youth Always use condom	6%	10%	0.57	.29-1.13	No difference		8%	11%	0.71	.35-1.41	No difference
Youth Ki,m,jkjjjjls,wq,,,,,,, n ,oxz,zZA,dndb ansmits HIV	56%	54%	1.07	.77-1.49	No difference		47%	48%	0.96	.66-1.38	No difference
Knows 2 or more ways to prevent HIV Transmission	65%	56%	1.46	1.05-2.03	CI Perform Better		62%	64%	0.93	.65-1.34	No difference
Used condom first time had sex	22%	28%	0.71	.44-1.13	No difference		21%	25%	0.81	.50-1.31	No difference

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