Budgets for What?

A Public Finance Perspective on Social Protection In Kenya

Cuba Houghton

International Budget Partnership Kenya

unicef for every child

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Acknowledgement

This paper would not have been possible without the technical support of IBP Kenya staff, and kind support of UNICEF Kenya.

Introduction

Against the background of the 2019-2022 COVID pandemic, that saw a rise in social protection initiatives and spending across the globe, there is growing consensus among governments in both developing and developed nations on the importance and urgency of investing in diverse and responsive social protection systems.

Aside from its role in reducing economic vulnerabilities at times of crisis, social protection has emerged as an enabling mechanism for citizens to access socio-economic rights and a key driver of development. Indeed, spending on social protection has often been framed as a long-term investment in the economy. However, for this mechanism to work governments need to have strong financial systems in place that facilitate the flow of adequate public resources into social sectors. Crucial to this, is the involvement of a mix of practitioners, development partners and beneficiaries in both the budget-making process and sector reform.

Therefore, the nexus between social protection and public finance management becomes a worthy exploration not only for long-term poverty alleviation, but from a perspective that takes into account the avenues through which citizens can engage with policy-making decisions and processes that affect their social welfare.

Analysis done by International Budget Partnership Kenya over the years shows lasting challenges in social protection budgeting, including the fragmentation of programmes, lack of congruence between financial and non-financial information and poorly disaggregated data on beneficiaries. These continue to hinder evidence-based stakeholder engagement with duty-bearers on the financing of social protection and the implementation of the various programmes.

To understand these challenges, this paper seeks to explore social protection in Kenya from a public finance perspective, highlighting the gaps in fiscal policy and practice to develop insights for the public and practitioners within the social protection sector. Although not exhaustive, the paper further aims to contribute to the growing literature around the intersection of public finance management and service delivery in Kenya. Finally, the findings of this paper will inform the development of a budget guide for use by practitioners within the social protection sector and the wider public to understand and engage with budget decisions and processes in Kenya.

The paper is structed in five main sections. An initial section examines the available literature on social protection and social protection budgeting in Kenya and highlights the methodology used in the development of this paper. Section 1 explores the legal definition of social protection in Kenya and the larger legal and policy framework through which social protection is publicly provided. Section 2 looks at the scope of social protection in practice, providing a detailed analysis of social protection budgets in four key sectors. Section 3 highlights the place of public participation in social protection budgeting. Finally, section 4 pays attention to the key gaps in the financing of social protection in Kenya and potential fixes.

Background

Social protection has progressively been adopted as a right within national-level legislation across the world. This process began and has been sustained by the ratification of international laws such as the Universal Declaration of Human Rights (1948) and the Social Security (Minimum Standards) Convention (1952) that continue to impress social welfare principles in constitutions globally. Conceptually, the right to social protection legally obligates a state to protect its peoples from poverty and vulnerability. The fulfilment of the right to social protection therefore entails that government's must put in place and finance measures to enhance social welfare and reduce the risk associated with vulnerabilities. The gradual increase in social protection spending over time has provoked wide-spread research into the specific ways governments finance these programmes towards the realization of poverty alleviation in developing countries.

Data from the International Labor Organization (ILO) shows that since the introduction of the right to social security in its 2010 Constitution, Kenya has introduced 35 social protection measures of varying kinds. This has been guided by the National Social Protection Policy (NSPP) 2011, which cemented a three-pronged approach to social protection provision: health insurance, social assistance and social security. Among other measures, the policy committed the national government to developing strategies that prioritize the funding of social protection interventions. Some strategies proposed included multi-year budget commitments, ring fencing of funds, and the use of devolved pooling funds for the implementation of social protection.

Despite this, studies on spending in the sector show that while investments in social protection in Kenya have increased over time, Kenya still lags behind many other low- and middle-income countries.xi In addition, social protection budgeting continues to face a myriad of challenges including poor institutional and programmatic coordination, inadequate coverage and financing, lack of exit strategies for beneficiaries, poor budget performance and operations of Semi-Autonomous government agencies (SAGAs) in the sector, among others.

The available literature on the nexus between social protection and public finance in Kenya often fails to make the link between aspects of the budgeting process and service delivery in social protection. As such it prevents insight gained by considering social protection as a part of the larger budget process in Kenya that would enable the public, policy makers and CSO's to make better informed assessments and recommendations for potential reforms within the sector.

[1] Constitution of Kenya 2010, Article 223. (1)
[2] National Assembly Bill tracker as of 26th June 2023

Methodology

The research was conducted through a desktop review of social protection and aspects of its budgeting in Kenya. The sources of information for the review consisted of online articles and research papers on the topic, and publicly available documents from national government agencies in Kenya including the National Treasury, Ministry of Labor and Social Protection, Ministry of Health, Ministry of Education, among others.

All analysis was done using publicly available financial and non-financial data from official government sources. The bulk of the analysis focused on budgetary allocations, performance of expenditure and sources of funding as key aspects of a sector-specific perspective on the budgeting process.

Table 1: Sources of Budget Information

Budget Document	Years	Source	Information Obtained
Sector Proposal Reports	2018 -2023	National Treasury	Expenditure, Expenditure performance, Programmatic Performance and Source of Funding.
National Programme Based Budget	2018-2023	National Treasury	Expenditure and programmatic service delivery targets.
National Quarterly Budget Implementation Reports	2018-2023	Controller of Budget	Expenditure and expenditure performance.
Budget Policy Statement	2018-2023	National Treasury	Government policy, priorities and expenditure ceilings.
Audit Reports[1]	2017-2021	Office of the Auditor General	Budgetary performance and audit queries.

The analysis centers on the Ministries, Departments, and Agencies (MDAs) that were deemed to implement programmes under the three broad forms of social protection interventions defined within the social protection policy framework: social assistance, social security and social health insurance. Although not exhaustive, the main units of analysis chosen are shown in Table 2.

[1] The Auditor Generals reports were reviewed up until 2021 due to the availability of the reports tied to the delays in approval of the reports by parliament.

Table 2: Classification of Units of Analysis

Sector	Specific Unit of Analysis	Justification
Social Protection, Culture and Recreation	State Department for Social Protection and Senior Citizen Affairs	The State Department houses the majority of Kenyans social assistance programs bundled under the National Social Safety Net Programme.
	State Department for Gender and Affirmative Action	The State Department implements and operates four affirmative action funds that offer social assistance to youth, women and other vulnerable groups.
Health	Ministry of Health (MOH)[2] /State Department for Medical Services	The State Department for Medical Services funds five social health insurance schemes under Kenya's flagship National Health Insurance Fund (NHIF).
General and Economic Affairs	State Department for the ASALs and Regional Development	The State Department implements the national Hunger Safety Net Program (HSNP), a large-scale unconditional cash transfer programme delivered in eight marginalized counties across the arid and semi-arid lands in Kenya.
Education	State Department for Basic Education	The State Department implements the national school feeding program, which provides cash assistance and in-kind nutritional support for school-going children in arid and semi arid lands.
Social Security	National Social Security fund (NSSF) Public Service Superannuation Scheme (PSSS)	The NSSF and PSSS are the primary state operated social security schemes in Kenya.

[2] The Executive Order No.1 of 2023 split the Ministry of health into two separate state departments. As of 2023, the social protection in health programme is domiciled in the State Department for Medical Services. Available here.

1. The Legal and Policy Framework of Social Protection in Kenya

The design and implementation of social protection in Kenya is governed by a raft of laws, regulations, and policies across sectors and borders - a reality reflected by a range of social protection initiatives. Some of these influence the government's direct social protection interventions, while others fall outside of the ambit of social protection policy. This section lays out the legal and policy framework of social protection provision in Kenya in a bid to bring to light why social protection has taken the form it has and get a glimpse of how social protection in Kenya should look according to law.

What is Social Protection in Kenya according to law?

According to the National Social Protection Policy of 2011, social protection is defined as policies and actions, including legislative measures, that;

1. enhance the capacity of and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare;
2. enable income-earners and their dependents to maintain a reasonable level of income through decent work;
3. ensure access to affordable healthcare, social security, and social assistance.

From this, the operating definition of social protection taken by the Kenyan government includes a wide range of measures that improve the socio-economic viability of all its citizens, especially vulnerable individuals in society. Understandably, the broad definition taken here presents challenges in quantifying the impact and beneficiaries of social protection, as interventions of many kinds applied in several sectors could be considered social protection. Seemingly cognizant of this the framing of social protection by government has in practice focused on the third aspect of the definition above, that is, efforts to ensure access to affordable healthcare, social security, and social assistance.

The definitional challenge is also apparent from a legal standpoint. The Constitution of Kenya 2010 does not specifically refer to 'social protection', but in Article 43 lists 'social security' among the economic, social, and cultural (ESC) rights guaranteed to all Kenyans. Article 43(3) explicitly binds the State in to "provide appropriate social security to persons who are unable to support themselves and their dependents." The emphasis on social security fundamentally stems from the fact that social protection has often been termed in international law as 'social security', which conceptually encompasses both social assistance and social insurance. Therefore, social security as referred to in the Constitution is often understood to refer to social protection. The Constitution also speaks briefly to the second aspect of the definition given above through Article 41, which states that every worker has the right to fair labor practices, include fair remuneration and reasonable working conditions.

What laws and regulations guide social protection provision?

The Constitution of Kenya

The impetus for the provision of social protection can be found in the Bill of Rights within the Constitution of Kenya, 2010. Article 43 in the Bill of Rights expressly guarantees all Kenyans their economic, social, and cultural (ESC) rights, including basic rights to health, education, food, and decent livelihoods. It explicitly asserts the right "of every person… to social security" and binds the State in Article 43(3) to "provide appropriate social security to persons who are unable to support themselves and their dependents."

The broad definition of social protection in Kenya's Constitution necessitates its linkage to other rights. These include the right to the highest attainable standard of health and the right to healthcare services. It also includes the rights to equality and freedom from discrimination, human dignity, freedom of movement and residence, reasonable working conditions, fair administrative actions, access to justice among others.

Article 21 of the Constitution also commits the State to working towards the gradual realization of the social and economic rights, and binds the State "to observe, respect, protect, promote, and fulfil the rights and fundamental freedoms in the Bill of Rights." For this to be achieved, the State is expected to take whatever legislative, policy, and other measures as necessary, including the setting of standards.

Accordingly, Article 20 (5) of the Constitution declares that it is the duty of the State to allocate sufficient resources to ensure the achievement of constitutional rights. In the case of any economic or social right listed under Article 43, the State must give priority to ensuring the widest possible enjoyment of the right given the prevailing circumstances, including the vulnerability of groups or individuals, in allocating resources. This particular provision is significant because it explicitly demands equity in the design, financing and delivery of public services including social protection interventions.[1]

Part 3 of the Constitution outlines more specific rights related to social protection and their application for specific groups. Article 53 stipulates that every child has a right to free and compulsory basic education, basic nutrition, shelter, and health care. Article 54 provides for access to educational institutions and facilities for persons with disabilities that are integrated into society to the extent compatible with the interests of the person. Article 55 demands that the State take measures to ensure youth have access relevant education and training, and employment, while Article 56 seeks to ensure minorities or marginalized groups are provided special opportunities in educational and economic fields; special opportunities for access to employment; and have reasonable access to water, health services and infrastructure. In addition, Article 57 reaffirms the right of the elderly to receive reasonable care and assistance from their family and the State. Article 27 demands affirmative action to redress past disadvantage suffered by individuals or groups because of past discrimination.

Given its linkage to other constitutional rights in several domains, social protection is also guided by a series of laws and regulations listed in Annex A.

International Agreements

The Constitution emphasizes the application of international agreements ratified by the Kenya government. Kenya is a signatory to the Universal Declaration of Human Rights (1948),which recognizes social protection as a fundamental human right for all citizens of the world. Other international instruments adopted include the International Covenant on Economic, Social, and Cultural Rights (1966), the UN Convention on the Elimination of All Forms of Discrimination Against Women (1979), the UN Convention on the Rights of the Child (1990), the UN Convention on the Rights of Persons with Disabilities (2006) ,the African Charter on the Rights and Welfare of the Child (1990), the International Labour Organization (ILO) Convention on the Worst Forms of Child Labour (1999), the ILO Minimum Age Convention (1973)that deals with the minimum age for employment, and the African Charter on Human and Peoples Rights (1981). Kenya is also a signatory to several ILO Conventions and Regional Protocols on migrant labor.

[1] Furthermore, Article 2 (1) of the International Covenant on Economic, Social and Cultural Rights, to which Kenya is a signatory, bounds the country achieve the full realization social and economic rights and where it cannot, we seek international assistance and cooperation. Available here.

Kenya was also among the states that committed to allocating at least 15% of their annual budget to health under the Abuja Declaration of 2001. As an East African Community (EAC) Partner State, Kenya is further party to the wide-ranging provisions on the harmonization and coordination of social security that guide the actions of the Partner States.

What is the policy framework through which Social Protection is provided in Kenya?

Kenya's Developmental Agenda

The social pillar of Vision 2030, Kenya's long-term development blueprint, identifies eight key sectors to drive socio-economic development including health, education, and gender, youth and vulnerable groups. The blueprint, launched in 2008, proposes a series of human and social welfare programmes/projects within each of these sectors. In relation to social protection as defined by policy above, such programmes include a series of targeted social assistance funds that cater for vulnerable groups such as the youth, women and the disabled, and a more general consolidated social protection fund meant to cater for all persons facing vulnerabilities. The social pillar also makes provisions in health care, offering a series of strategies for a framework through which healthcare subsidies for social health protection can be established, including reforms in the National Health Insurance Fund (NHIF).

The Medium-Term Plan III (2018-2022) prioritizes social protection from two angles. On one hand, it commits to the implementation of measures towards achieving comprehensive social protection, including the 'completion of the Integrated Population Registration System which is critical to support social protection measures.' On the other hand, in line with the previous administration's Big Four Agenda, the plan heavily prioritizes the realization of Universal Health Coverage through the expansion of social health insurance schemes like the National Health Insurance Fund (NHIF).

The MTP III (2018-2022) mainstreams the implementation of laws, policies and programmes towards the achievement of the United Nation's 17 Sustainable development Goals (SDGs). While only SDG target 1.3 contains specific reference to social protection systems and measures, social protection as defined above remains key to the implementation of each of the 17 SDGs, particularly target 3.8, 8.5, 5.4, and 10.4.

Source: Socialprotection.org

Furthermore, the MTP III (2018-2022) remains anchored in the African Union's Agenda 2063, which outlines an African Union (AU) strategic framework for the socio-economic transformation of Africa within 50 years. The objectives for social protection at the national level under the Agenda's First Ten Year Implementation Plan (2013–2023) are: at least 20 per cent of the informal and rural population has access to social security by 2023; and at least 30 per cent of vulnerable populations, including persons with disabilities, older persons and children, are provided with social protection by 2023.

The MTP III (2018-2022) further makes the following specific commitments under its flagship projects Social Health Protection Programmes:

- Health Insurance project for Elderly People and Persons with Severe Disabilities (PWSDs) to cover about 1.7 million persons by 2022.
- Health Insurance Subsidy Programme (HISP) for the orphans and the poor to cover about 1.5 million persons by 2022.
- Linda Mama Project to cover 1.36 million mothers and babies by 2022
- Elimination of user fees in public primary health care facilities.
- Informal Sector Health Insurance Coverage to cover 12 million informal sector workers by 2022.
- Formal Sector Medical Insurance (Medical Insurance Cover for Civil Servants Retirees) to cover 4.2 million workers by 2022.

Kenya's National Social Protection Policy

The policy framework through which social protection is provided in Kenya is outlined in the National Social Protection Policy (NSPP), 2011. The policy envisions a four-pronged approach in delivering social protection: Provision, Prevention, Promotion and Transformation.

Table 3: National Government Framework on Social Protection

Approach	Mechanism
Provision	Social Assistance
Prevention	Social insurance
Promotion	Livelihood Promotion
Transformation	Policy Formation

Source: Kenya National Social Protection Policy, Ministry of Labour and Social Protection

According to the NSPP 2011, the provision approach encompasses social assistance measures such as cash, food, health and child protection meant to help vulnerable groups cope with vulnerabilities and emergencies. In order to mitigate some the risks associated with these vulnerabilities, the prevention approach focuses on strengthening social security and health insurance schemes that make available various benefits and services (e.g. unemployment benefit, pensions), while the promotion approach aims to enhance livelihoods and productivity through interventions such as conditional cash transfers, public works, and school feeding programmes. Finally, the transformation approach supports the formation of policies and

[4] Health sector reports show that as of June 2022 the number of informal workers under the national health insurance scheme was 10.6 million. Available here.

enactment of laws and regulations on social protection to actively develop a framework for the[2] implementation of social protection in its various facets.

Within this framework, the NSPP 2011 stipulates three forms of social protection interventions: Social Assistance, Social Security and Health Insurance.

Social Assistance

Social Assistance is defined as 'non-contributory transfers to those individuals deemed eligible for assistance by society on the basis of their vulnerability or poverty.' According to the State Department for Social Protection, the aim of social assistance in Kenya is to provide a minimum income protection or safety net for the vulnerable and poor. Notably, safety nets can be formal or informal. The main distinction between formal and informal safety nets is the presence of a legal guarantee of support i.e., a law or regulation, providing for the provision of the safety net. i In Kenya, the Social Assistance Act of 2013 supports the provision of social assistance, outlining the manner in which this is to be done and the conditions under which citizens can claim social assistance.

Some highlights of legislative changes in social assistance over the years include:

- The Social Assistance (Repeal) Bill, 2020 proposed the repeal of the Social Assistance Act, 2013. The bill was unanimously thrown out by the National Assembly. The repeal of the act would have enabled the enactment and operationalization of the Public Finance Management (Social Assistance Fund) Regulations made under the Public Finance Management Act that established a consolidated social protection fund.
- The Social Assistance (Amendment) Bill, 2021 proposed to add caregivers of persons with disability to the list of persons in need and for which social assistance would be provided by the state. Currently, social assistance provided directly to the person with a disability. The bill also provided for collaboration between national and county governments on support and registration of caregivers for persons with disabilities.
- Public Finance Management (Biashara Kenya Fund) Regulations, 2021: In 2021, through a series of regulations, the National Treasury wound up the Women Empowerment Fund, the YEDF and the UWEZO fund and amalgamated them into one Biashara Kenya Fund.

This was in an effort to Kenya to merge and consolidate all agencies, funds and initiatives for supporting, financing and developing SMEs, and avoid duplication of functions. However, in February, 2022 these new regulations were revoked and the WEF, UWEZO, and YEDF were reinstated as individual affirmative action funds.

The NSPP (2011) outlines three broad categories of legislation and policy that regulate and guide the implementation of social assistance, namely sector specific, vulnerability, and locality-based laws and policies. Examples of each can be found in the Annex I.

1. Sector-specific legislation is aimed at guiding the implementation of interventions for the welfare of poor and vulnerable members of society.
2. Vulnerability-focused laws and policies aim to protect the rights of the disadvantaged and to ensure their enjoyment of these rights.
3. Locality-based laws and policies aim to address specific issues unique to given geographical locations e.g. rural or urban areas.

The NSPP also contains specific policy commitments that inform the provision of social protection, including financing aspects coordination and programme design. On financing, the main commitment relates to establishment of funds as the mechanism through which social assistance will be provided. The policy also speaks to coordination in the design in limitation of social protection programs in all its forms and calls for consideration of exit strategies in the design of social protection programs.

Social Security

The two main publicly funded social security schemes in Kenya are the National Social Security Fund (NSSF) and the Public Service Superannuation Scheme (PSSS). The NSSF was the first and remains Kenya's largest scheme, by membership, through which the government provides social security. Established under the National Social Security Fund Act of 1965, the NSSF is a statutory body with the mandate of providing a contributory scheme for all employers and employees in the formal sector and informal sector workers who can contribute on voluntary basis.

Unlike social assistance, social security in Kenya is more universal in coverage. According to the National Social Security Fund (Member Contributions) Regulations of 2014, all working Kenyans above the age of 18 are required to register as members with the Fund. In practice, the NSSF has included both formally and informally employed individuals as a mechanism to enhance coverage and increase contributions to the Fund. The type of social security offered by NSSF includes a provident fund to be accessed upon retirement or permanent emigration to a country outside the EAC. In this way, NSSF is meant to provide a minimum level of social protection for workers.

Policy commitments on social security in the NSPP aim to expand coverage of NSSF, by making membership compulsory, and the widen the range of social security benefits, by including unemployment insurance and comprehensive pre-natal and post-natal care. Notably, in its ratification of the ILO Equality of Treatment (Social Security) Convention C118, 1962 (No. 118), which contains obligations on the forms or branches of social security that initial state provides, Kenya explicitly left out the unemployment benefit branch.

The Civil Servants Pension Scheme is a non-contributory scheme administered by the National Treasury for public servants. The current version of the scheme, the Public Service Superannuation Scheme (PSSS) was established by the Public Service Superannuation Scheme Act No. 8 Of 2012.

Health Insurance

The Kenya Health Policy, 2014 - 2030 is the main policy framework guiding health care delivery in Kenya. The policy is anchored on the Constitution of Kenya 2010, Vision 2030, and global commitments that Kenya has adopted. According to the policy, its overall objective is to achieve universal coverage in the critical services necessary to attain the highest possible standard of health. Key to this is addressing the financial barriers that often prevent individuals from seeking services at the time of need. Accordingly, the policy commits to the minimization of these barriers and the realization of Universal Health Coverage (UHC) guided by the concepts of social health protection.

To realize social and financial protection in health, the NSPP, 2011 commits to adequate financing of health services, spanning the mobilization, allocation, and efficient utilization of financial resources for health service delivery. Among the suggested policy measures are the 'elimination of payment at the point of use for health services, especially by the marginalized and indigent populations, through social health insurance and government subsidies.'

To implement this, the section 86(a) of the Health Act 2017 provides for the development of a national health insurance system that allows for social health protection. This cemented a social protection aspect to the National Health Insurance fund (NHIF), which was established by an act of parliament in 1999. Recently, the NHIF was replaced with the social health insurance fund through the Social Health Insurance Fund Act of 2023.

2. Social Protection Budgeting in Kenya

Social protection in Kenya's PFM system

In the context of public finance, social protection refers to a collection of publicly funded interventions meant to support communities, households, and individuals, in their efforts to prevent, manage, and overcome a defined set of risks and vulnerabilities.[5] The risks and vulnerabilities defined by a government set the scope of social protection mechanisms it employs. Notably, this definition leaves out some aspects usually included in more broad depictions of social protection which tend to encompass the whole range of instruments used by government to provide social protection in its entirety e.g., active labor market polices. However, the definition adopted here remains broad enough to accommodate the forms of social protection for which it is possible to trace and measure from a public finance perspective.

In practice, publicly funded social protection initiatives in Kenya span a wide range of sectors. Table 4 highlights some social protection interventions found from a quick analysis of the in the most recent FY 2023/24 national programme-based budget.

[5] Definition adopted from Barrientos, Armando (2004). Financing Social Protection. Available here.

Table 4: Social protection interventions in Kenya's Approved 2023/24 budget by sector, MDA

Sector	Implementing MDA	Intervention	Allocation (Ksh. Billion)
Social Protection, Culture and Recreation	State Department for Social Protection and Senior Citizen Affairs	Cash Transfer for Orphans and Vulnerable Children (CT-OVC)	7.93
		Old Persons Cash Transfer (OPCT)	18.0
		Persons with Severe Disabilities Cash Transfer (PwSD-CT)	1.19
	State Department for Gender and Affirmative Action	National Government Affirmative Action Fund (NGAAF)	0.04
		Women Enterprise Fund (WEF)	0.43
		Affirmative Action Social Development Fund	3.00
Health	State Department for Medical Services	Health Insurance Subsidy (HISP-OVC) Programme	1.72
		Emergency Medical Treatment Fund	0.30
		Older Persons & Persons with Severe Disability (OPPSD) Scheme	0.30
		Free Maternal Health (Linda Mama)	4.10
General and Economic Affairs	State Department for the ASALs and Regional Development	Integrated Resilience for Sustainable Food Systems – BETA	0.15
		Hunger Safety Net Programme (HSNP)	5.56
	State Department for Micro, Small and Medium Enterprises Development	Youth Enterprise Development Fund	0.33
		Youth Employment and Enterprise Initiative (Uwezo)	0.15
	State Department of Cooperatives	Financial Inclusion Fund (Hustler Fund)	10.0
Education	State Department for Basic Education	School Feeding Programme	4.93
	State Department for Higher Education and Research	Higher Student Education Loans Board (HELB)	25.6
			TOTAL ALLOCATED AMOUNT = Kshs. 83.7 Billion

An Analysis of Social Protection Budgets by Sector

How does the national government budget for social protection? The basis for such a query arises from the revelations of the previous Section 3, which show the plethora of National and international legal obligations and policy declarations that inform the use public resources to the benefit of the vulnerable marginalized societies. The following four questions were employed in the forthcoming analysis in a bid to grasp the breath of social protection initiatives in Kenya and understand the historical use of public finance for these purposes:

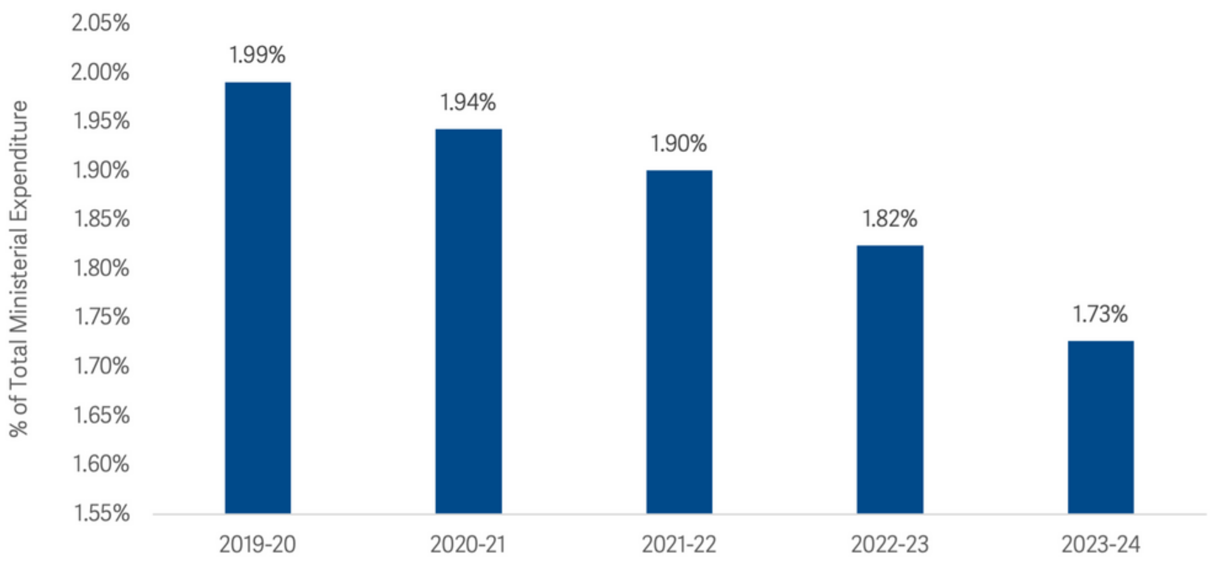
1. **What kind of social protection initiatives are there within different sectors?**
2. **How much public resources have been allocated to social protection programs over the years?**
3. **How much was actually spent on these social protection programs?**
4. **What the government protection and service delivery targets and have they been met overtime? If not why?**
5. **Who are the beneficiaries of social protection programmes in Kenya?**
6. **What are the common sources of funds for social protection programs?**

The analysis takes a look at four sectors: Social Protection, Culture and Recreation (SPCR), Health, General Economic and Commercial Affairs (GECA), and Social Security. While the former three sectors are classified under the classifications of functions of government, the latter is not but is treated as so for the purposes of this analysis.

Social Protection, Culture, and Recreation (SPCR) Sector

The Social Protection, Culture and Recreation (SPCR) sector has six state departments namely, State Department for Sports, State Department for Culture and Heritage, State Department for Labor and Skills Development, State Department for Social Protection and Senior Citizens Affairs, State Department for Gender and Affirmative Action and State Department for Youth Affairs and the Arts. Of these, mainly two state departments within the sector implement social protection programmes as defined in this paper: the State Department of Social Protection and Senior Citizen Affairs and the State Department for Gender & Affirmative Action. Together, these two MDAs account for 54% of the total sectoral budget allocated over the past five years.

Figure 1: Combined share of State Department for Social Protection and State Department for Gender allocation to total ministerial expenditure



Source: National Quarterly implementation Reports, Controller of Budget | Programme Based Budget 2023/24, National Treasury

As the size of the overall national budget has grown, figure 1 shows that combined expenditure under these two state departments as a share of the total voted expenditure has fallen in the last five years. Between FY 2019/20 and FY 2023/24, approved expenditure for the MDAs rose from Kshs. 28.4 billion to Kshs. 41.0 billion. However, the two State Departments share of the total national budget has remained below 2% for the past five years, accounting for just 1.73% of allocated expenditure in FY 2023/24. Therefore, while the two State Departments have received additional allocations over time, the consistent decline in their share of total expenditure signals a falling prioritization of the programmes they implement relative to those under other MDAs.[6]

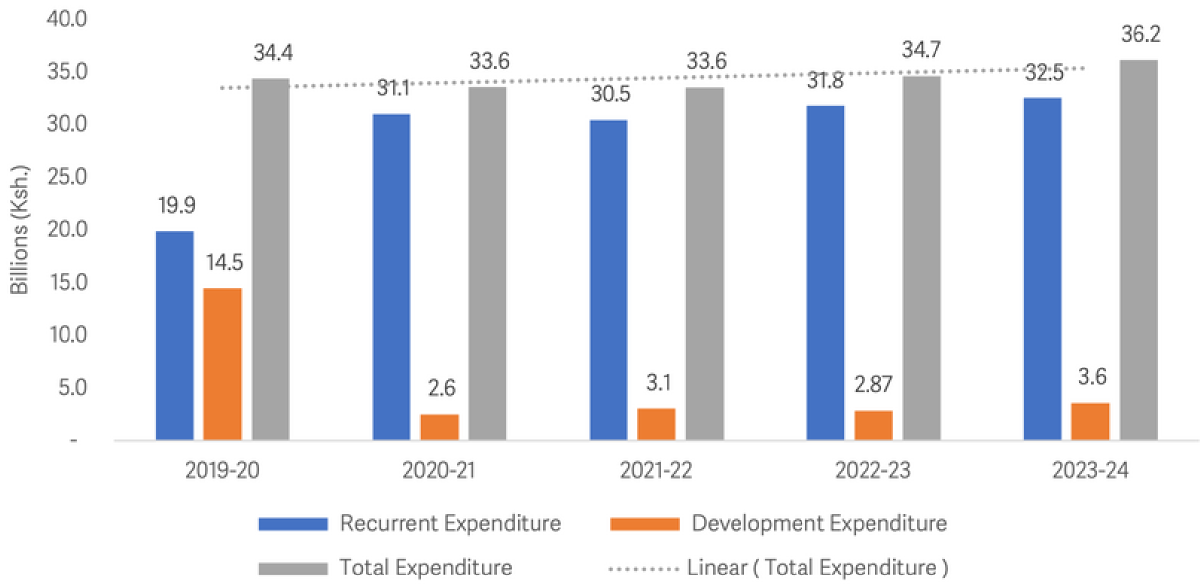
State Department of Social Protection, Senior Citizen Affairs and Special Programmes

The State Department of Social Protection and Senior Citizen Affairs is the main government agency charged with the implementation of social protection schemes in Kenya. As per the Executive order No.1 of 2023, the State Department is under the Ministry of Labor and Social protection alongside the State Department for Labor and Skills Development.

Expenditure by the State Department for Social Protection has risen by an average of 1% each year for the last five years. The growing size in the department's budget has primarily been driven by growth in recurrent expenditure, which comprised 70% of its total approved budget spent between 2019/20 and 2023/24. Prior to 2020, cash transfers were classified as development expenditure, explaining the high proportion of development expenditure in 2019/20 shown in Figure 2 below. In 2020 however, cash transfers such as the Cash Transfer for Often and Vulnerable Children (CT-OVC) and the Older Persons Cash Transfer (OPCT) were reclassified as recurrent expenditure, partly explaining the heavily recurrent composition of expenditure under the State Department seen in more recent years.

6 From IBP Kenya's experience in budget analysis, expenditure insights like these should be taken with a pinch of salt. Greater expenditure within one sector may be indicative of the greater cost associated with delivering services in that sector compared to another. For example, the construction of a road and the purchase of medicines for a facility may both be of equal priority for a government, but it may end up spending more on the former than the later.

Figure 2: State Department for Social Protection Expenditure Historical Allocations



Source: National Quarterly implementation Reports, Controller of Budget | Programme Based Budget 2023/24, National Treasury

The State Department for Social Protection is primarily funded by direct expenditure from the national government. Between 2019/20 and 2021/22, 99% of actual expenditure by the Department was funded through ordinary revenue, with loans and grants both accounting for 1% of total expenditure respectively.

Figure 3 and 4 below speak to the dependency of social assistance programs in Kenya on direct government spending. Whereas expenditure by MDAs with larger development budgets tend to be vulnerable to the availability external financing, the State Department for Social protection remains more vulnerable to changes in the availability of ordinary revenue. This means, for example, that the cash transfer programs under the State Department remain exposed to the rising national government public debt obligations that necessitate increasing expenditure on public debt repayments.

Figure 3: Composition of the Budget Allocation to the State Department for Social Protection

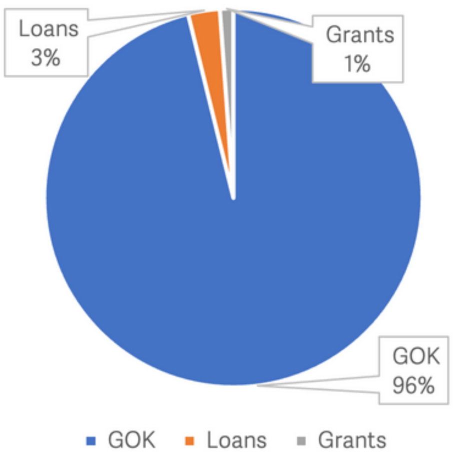
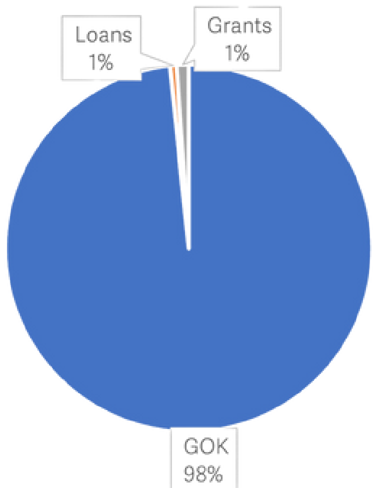


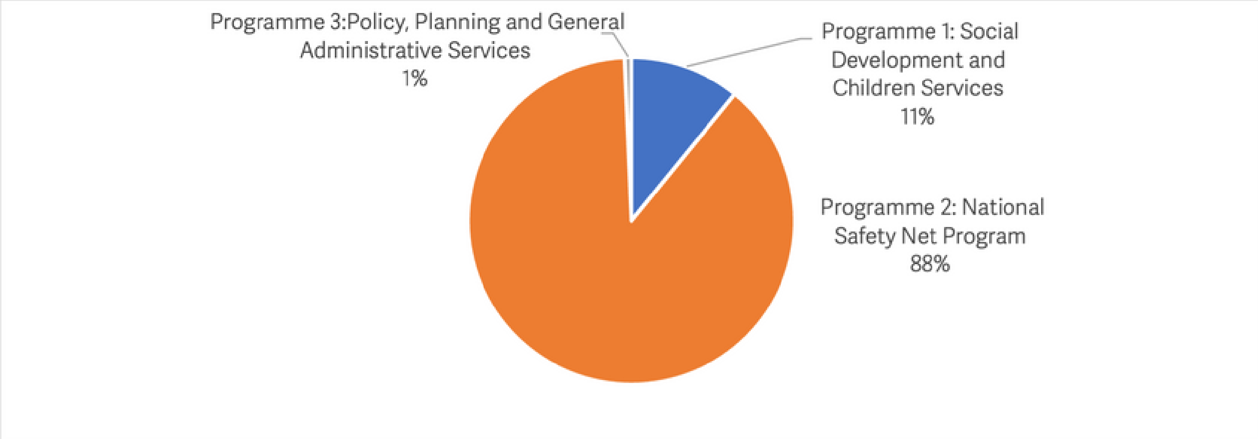
Figure 4: Composition of Actual Expenditure under the State Department for Social Protection



Source: SPCR Sector Report FY 2023/24 – FY 2025/26, National Treasury

The State Department of Social Protection implements three programmes: Social Development & Children Services, National Social Safety Net, and Policy, Planning and General Administrative Services. The National Safety Net Programme (NSNP) comprises the lion's share of expenditure accounting for 88% of total spending by the State Department between 2017/18 and 2021/22. As figure 9 shows, NSNP expenditure dwarfs spending on Social Development & Children Services (11%), and Policy Planning and General Administrative Services (1%).

Figure 5: State Department of Social Protection Expenditure by Program (2017/18 - 2021/22)



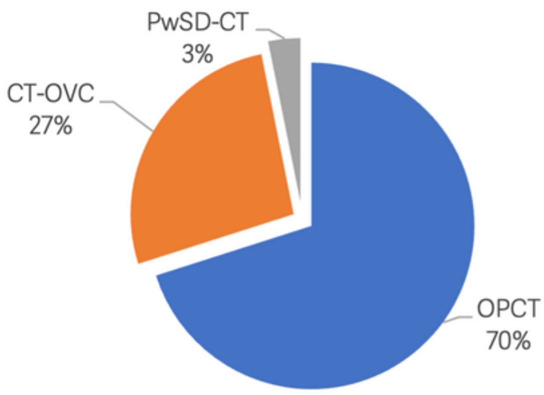
Source: SPCR Sector Proposal Reports various issues, National Treasury

National Safety Net Programme (NSNP)

According to the State Department for Social Protection, the objective of the NSNP programme is 'to promote coordination of social protection and cushion vulnerable groups including children, persons with disabilities, older persons and street families to enable them to meet their basic human needs and live dignified lives.' It has one sub-programme – Social Assistance to vulnerable groups – which houses three of the four main social assistance programs namely the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), Old Persons Cash Transfer (OPCT), the Persons with Severe Disabilities Cash Transfer (PwSD-CT).[7]

Of these cash assistance programs, data from the Kenya National Bureau of Statistics shows the OPCT is the largest by measure of cash disbursements. Between 2018/19 - 2022/23, the State Department for Social Protection disbursed a total of Ksh. 129 billion in cash transfers, 70% of which was to beneficiaries under the OCPT, 27% to the CT-OVC and 3% to the PwSD-CT programmes.

Figure 6: Composition of Cash Disbursements under the NSSN (2018/19 - 2022/23)**



Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics (KNBS)

[7] The fourth social assistance program is the Hunger Safety Net Programme implemented by the National Drought Management Authority under the State Department for the ASALs and Regional Development.

Box 1: Kenya's National Safety Net Programme

Following the introduction of the Constitution in 2010, all pre-existing social assistance interventions were placed under the National Safety Net Programme (NSNP), otherwise known as "Inua Jamii". These include the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), Old Persons Cash Transfer (OPCT), the Hunger Safety Net Programme (HSNP), and the Persons with Severe Disabilities Cash Transfer (PwSD-CT). The Urban Food Subsidy (UFS) was also launched in 2012 as a pilot programme.

Cash Transfer for Orphans and Vulnerable Children (CT-OVC)

According to the Kenya Demographic Health Survey 2022, nine percent of children under age 18 are orphans. The Cash Transfer for Orphans and Vulnerable Children (CT-OVC) consists of a bi-monthly payment of Ksh. 4,000 to extremely poor households with one or more OVCs as a permanent member; that have a caregiver who is chronically ill and/or unable to perform his/her duties and are not benefiting from any social assistance programme.

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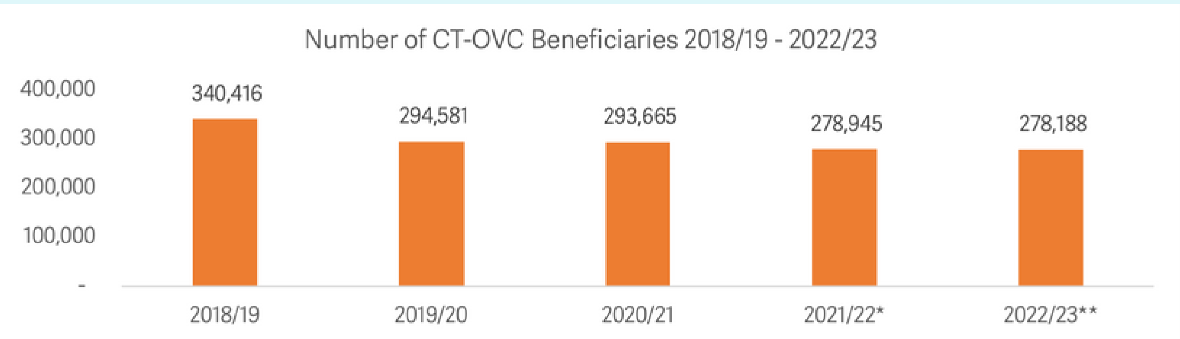
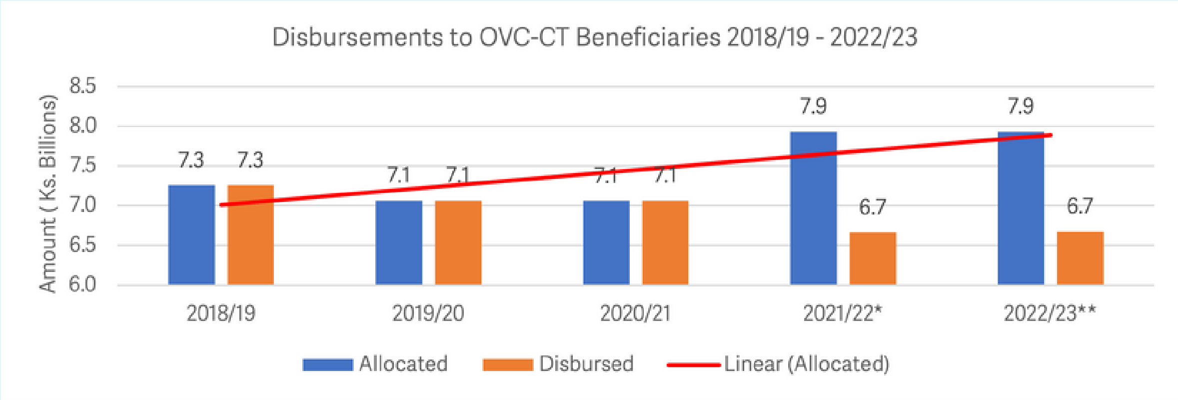
According to the latest data from the Kenya National Bureau of Statistics, an estimated 278,188 households were supported under the CT-OVC scheme in 2022/23, an 18% decrease from the number of households supported in FY 2018/19. Disbursements under the scheme have also been on a downward trend, falling from Ksh. 7.2 billion in FY 2018/19 to Ksh. 6.7 billion in 2022/23. Despite this, a comparison of allocations and disbursements under the program suggest that expenditure performance is very high, with allocations matching disbursements in three of the last five years. The scheme is managed by the Social Assistance Unit under the State Department of Social Protection in the Ministry of Labour and Social Protection.



Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics (KNBS)

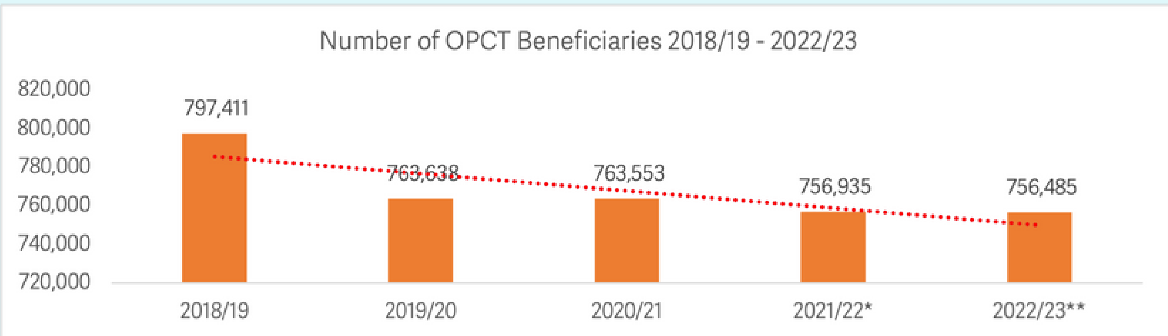


Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics (KNBS)

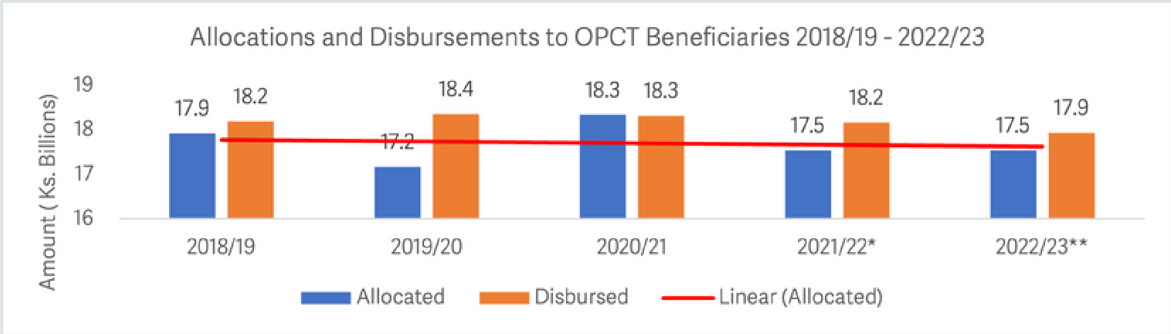
Old Persons Cash Transfer (OPCT)

The Constitution of Kenya 2010 defines older persons as people of age 60 years and above. The Older Persons Cash Transfer (OCPT) was introduced in 2007 to target households that support poor and vulnerable older persons in Kenya. The transfer consists of Ksh. 2000 paid bi-monthly to households with Kenyans aged 65 years and above who do not receive pension payments and are not enrolled in any other cash transfer program. The programme is administered by the Social Assistance Unit under the State Department of Social Protection.

The graphs below show that the number of beneficiaries under the OPCT programme has gradually fallen over time. The negative trend in beneficiaries is matched by the fall in total allocations and disbursements to older persons since 2019/20. A comparison between allocations and disbursements shows that expenditure performance under the program has been high, with disbursements exceeding allocations by an average of just 5% across the last five years.



Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics (KNBS)

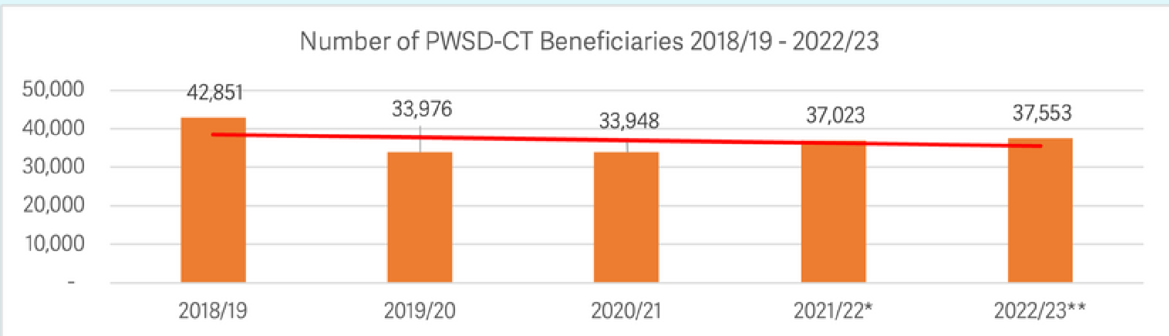


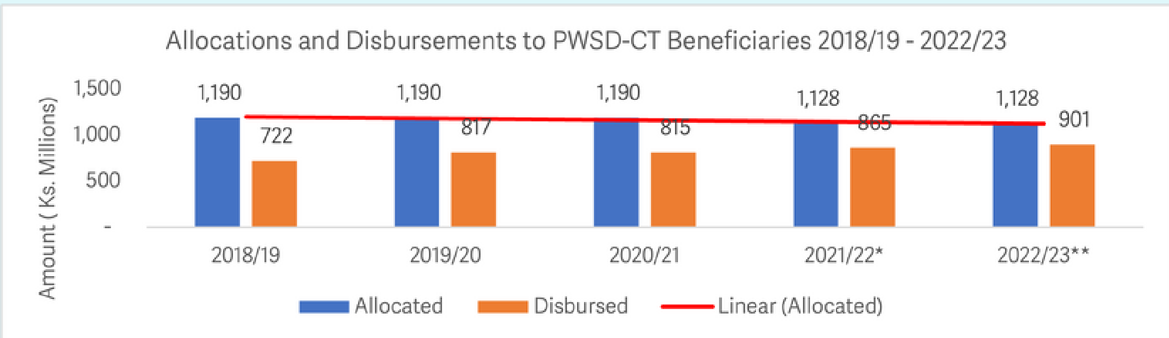
Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics (KNBS)

Persons with Severe Disabilities Cash Transfer (PWSD-CT)

Kenya's 2019 Census data shows that 2.2% of the Kenyan population have some kind of disability. Of the 918,270 that do, 57% are female and 43% are men. The Persons with Severe Disabilities Cash Transfer (PWSD-CT) program was introduced in June 2011 to support towards adults and kids with severe disabilities who need a caregiver's assistance full-time. Beneficiaries of the PWSD-CT program receive a transfer of Ksh. 2000 per household given every two months.

Data from the Kenya National Bureau of Statistics indicates that while the number of beneficiaries of the PWSD-CT has fallen over time, there's been a rise in disbursements to beneficiaries under the program. Moreover, a comparison of allocations and disbursements to the program of the last five years shows poor but improving expenditure performance, where the gap between disbursements and allocations has shrunk overtime.

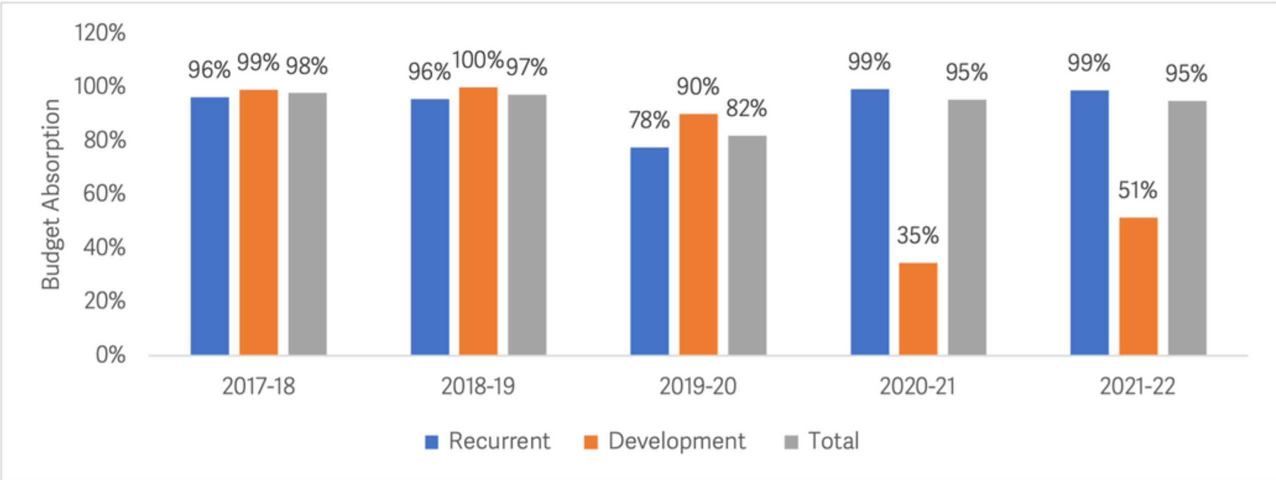




Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics (KNBS)

The ability of the State Department for Social Protection (SDSP) to spend allocated funds under the NSNP has important implications on the delivery of social assistance in Kenya. Total budget absorption – a measure of the percentage of total allocated funds that are actually spent – stood at 93% between 2017/18 and 2021/22, bolstered by the relatively consistent levels of budget absorption in the recurrent budget which also averaged at 93%. This likely had a positive impact on the delivery social assistance programs under the NSNP, which fall under recurrent expenditure. However, a worsening absorption of the development budget in recent years has seen total budget performance under the SDSP fall from a high of 98% in 2017/18 to 95% in 2021/22.

Figure 7: Budget performance under the NSNP by economic classification



Source: COB Annual & 1st quarter reports

According to the 2023 SPCR sector report, the underperformance of development expenditure under the NSNP can be linked to expenditure approval issues under the donor-funded Kenya Social and Economic Inclusion Project (KSEIP). The aim of the KSEIP is to build on the NSNP by strengthening delivery systems for the provision of social and economic inclusion services and improving the shock-responsiveness of safety nets. With regards to financing, the project consolidates all cash transfer programs under the NSNP.

KSEIP is jointly funded by the GoK revenue and the World Bank through loans from the International Development Association (IDA). Expenditure under the project is economically classified as development to reflect this donor component, and KSEIP is administratively classified as a delivery unit under the SDSP. Sector reports from the National Treasury show that the project's dependence on external financing leaves the implementation of its activities by the State Department exposed to any eventualities that may affect the remittance of expected funds. This is what happened in FY 2020/21, where the delays in the approval of utilization of funding from the World Bank led to the under-spending in development expenditure under the NSNP.

While underspending on the NSNP remains low overall, table 4 suggests that there is still under performance in the delivery cash transfer programmes. Between 2019 and 2021, the gap between the targeted and actual number of beneficiaries the was highest in the OPCT, with an average of targeted 105,283 individuals per year not receiving cash transfers. Over the same period, the overall gap between targeted and actual beneficiaries under NSNP grew by 70%.

Table 4: Gaps in performance of NSNP programme by beneficiaries

	2019/20	2020/21	2021/22	Average
OPCT	79,815	66,705	169,330	105,283
CT- OVC	65,722	57,684	96,155	73,187
CT-PWSD	17,416	9,896	12,464	13,259
Total Gap	**162,953**	**134,285**	**277,949**	**191,729**

Source: SPCR Sector Report FY 2023/24 – FY 2025/26, National treasury

Sector reports further indicate that the gap in the targeted number of beneficiaries for cash assistance programs between 2017/18 and 2020/19 was mainly due to a lack of funding and the migration of beneficiaries to an account-based payment system.

Social Development and Children Services

Social protection and child welfare are interrelated concepts that aim to improve the well-being of vulnerable children and families. Child welfare has two components; the protection of children from abuse, neglect, exploitation, and violence; and the promotion of their rights, development, and participation. Cognizant of this link, Kenya's National Social Protection Policy (NSPP) of 2011 squarely frames social protection as a means to which the rights of children and other vulnerable persons are protected and ultimately fulfilled. Over time, this has provided for several interventions in the Social Protection, Culture and Recreation (SPCR) sector and beyond that focus on the welfare of the Kenyan child.

The Social Development and Children Services programme within the State Department for Social Protection implements four sub-programmes: Social Welfare and vocational rehabilitation, Community Mobilization and development, Child Community Support Services, and Child Rehabilitation and Custody. The two main social assistance programs implemented within the Social Development and Children Services programme are the Presidential Secondary School Bursary for OVCs (PSSB-OVCs) and the Nutrition Improvement for Children through Cash and Health Education (NICHE).

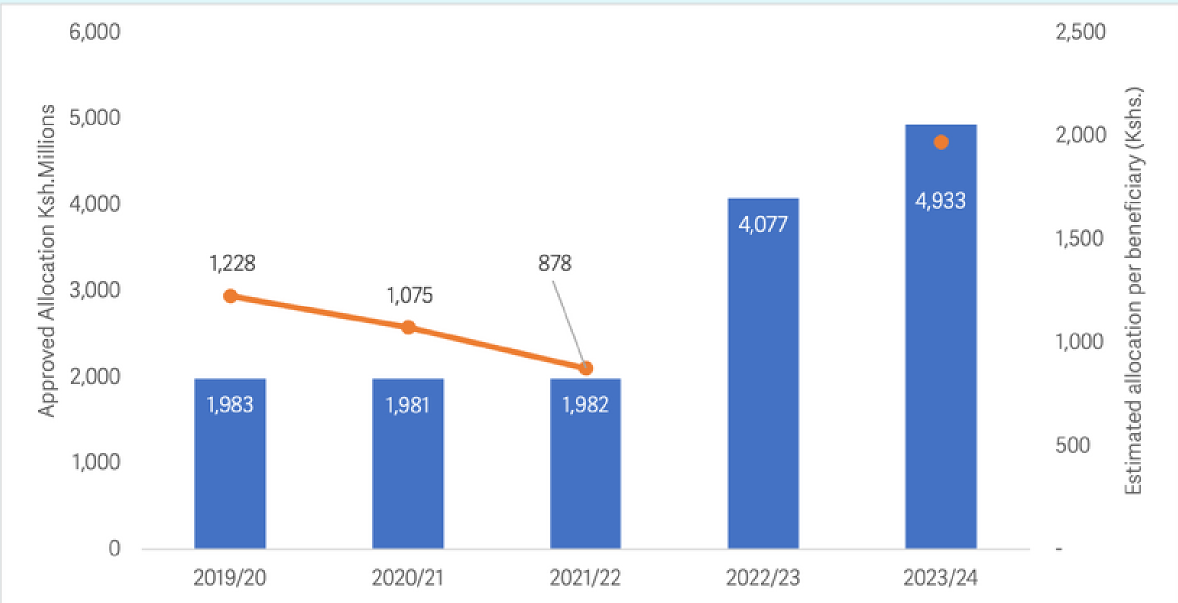
Box 2: Social Protection in Education - Kenya's School Feeding Program

Social protection can enhance education outcomes for the poor by addressing the underlying inequality in access to learning opportunities. These include challenges in health and hygiene such as hunger and lack of access to basic drinking water that occur in impoverished communities and hinder children from attending school. The impetus for such measures is found in the Article 53 of the Kenyan Constitution which demands the right of children to free and compulsory basic education as well as basic nutrition, shelter and healthcare.

In a bid to increase enrollment in education, Kenya has implemented school meal/feeding programs since 1980 primarily targeted at children from schools in Arid and Semi-Arid lands. According to the National School Meals and Nutrition Strategy 2017–2022, the emphasis on the ASAL counties has been in cognizance of the gap in enrollment and completion rates between these counties and the national average. The most recent national level data released by the Ministry of Education shows that a similar gap exists still exists today.

Currently the public-school feeding program is facilitated at the national level by the State Department for Basic Education under the School Health Nutrition and Meals sub-programme and implemented by The National Council for Nomadic Education in Kenya (NACONEK). The school meals strategy suggests that national government should ring-fence finances for the program and anticipate the impact of changes in enrollment and the cost of food items over time. However, data from the National Treasury shows that between 2019/20 and 2021/22 the allocation to the school feeding program stagnated as the number of beneficiaries rose, resulting in a declining allocation child (as shown by the diagram below).

In 2022, the government announced a revamp of the program, aiming to increase the number of children beneficiaries from 1.6 million at the time to 4 million. The announcement accompanied a doubling of the funding to the programme through the Supplementary Budget II of FY 2022/23 and a further Ksh. 856.7 million increase in the Approved Estimates of FY 2023/24.



Source: National Programme Based Budget FY 2019/20 - 2023/24, National Treasury

Despite these advances in the program, the lack of readily available disaggregated non-financial information on the beneficiaries in budget documents hinders evaluations of the actual impact of Kenya's school feeding program. Data on program beneficiaries is often aggregated, making assessments of geographical distribution and characteristics such as gender parity difficult to conduct.

Sub Programme: 0501070 School Health, Nutrition and Meals

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2023/2024	Targets 2024/2025	Targets 2025/2026
1066004900 National Council for Nomadic Education in Kenya (NACONEK)	Nutrition and hygiene services	Number of vulnerable learners who are provided with school meals during the academic year.	2,500,000	2,700,000	3,000,000

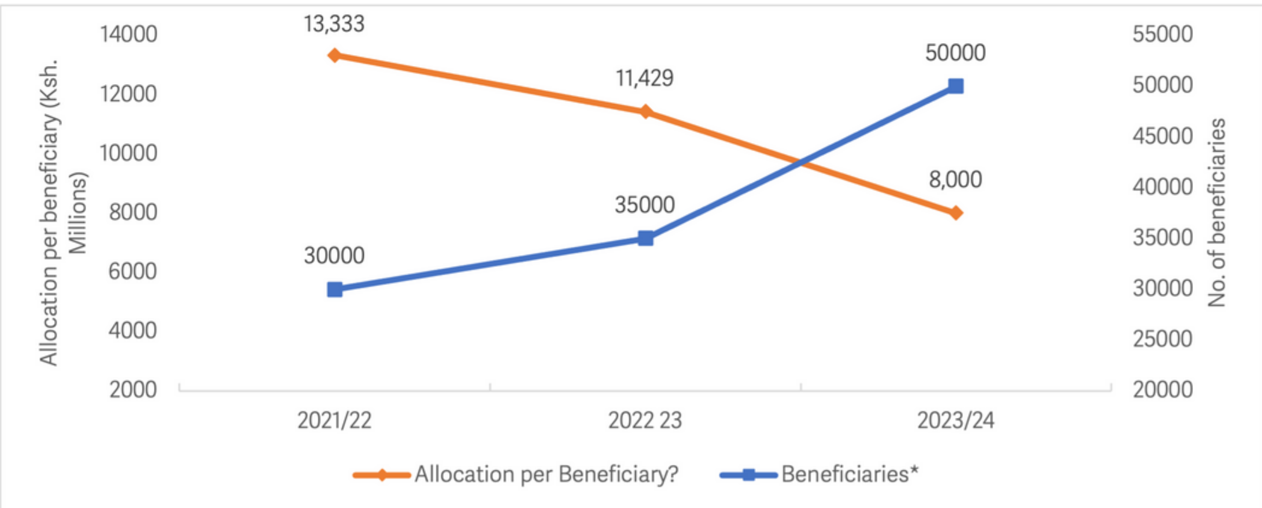
Source: National Programme Based Budget FY 2023/24, National Treasury

Presidential Secondary School Bursary (PSSB) for OVCs

Under the Child Rehabilitation and Custody sub-programme, the State Department for Social Protection provides education bursaries for orphaned and vulnerable secondary school students through the Presidential Secondary School Bursary Fund (PSSB) for OVCs. The PSSB for OVCs is a flagship project under Kenya's Vision 2030 plan meant to compliment the OVC-CT and aims to improve enrollment and retention in secondary schools.

Between FY 2021/22 and 2023/24, Ksh. 1.2 billion was allocated to the PSSB scheme to support a targeted total of 115,000 OVCs with bursaries. However, data from national programme-based budgets shows that allocations to the scheme have remained stagnant at Ksh. 400 million each year since FY 2021/22, despite an increase in the number of targeted beneficiaries by 5000 and 15,000 in FY 2022/23 and 2023/24 respectively. As figure 3 shows, this has meant that on face value, the allocation per beneficiary has fallen over time.

Figure 8: Trends in Beneficiaries under the Presidential Secondary School Bursary PSSB for OVCs programme



Source: Kenya Economic Survey 2023, Kenya National Bureau of Statistics | National Programme Based Budgets FY 2021/22 - 2023/24, National Treasury

Historical service delivery performance of the PSSB scheme suggests that all targeted beneficiaries ultimately end up receiving bursaries. Sector reports show that all the 66,300 OVCs targeted between 2018/19 and 2020/21 were supported with bursaries.

NICHE

Nutrition Improvements Through Cash and Health Education (NICHE) is a program currently funded under the Kenya Social and Economic Inclusion Project (KSEIP) and implemented as a sub-programme under the Child Rehabilitation and Custody sub-programme. The goal of NICHE is to improve nutrition outcomes for vulnerable households already receiving cash transfers under the NSNP in four key counties; Kitui, Kilifi, Marsabit, Turkana and West Pokot.

The availability of both financial and non-financial information on NICHE in Kenya's national budget documents remain low. While the national programme-based budget contains budget lines on the Kenya Social Economic Inclusion Project (KSEIP) under development expenditure, this financial information is not disaggregated in terms of the specific programs that KSEIP to contributes to, making it difficult to know the amount of public funds actually spent on NICHE.

The lack of financial information also hinders insight on the performance of expenditure under the programme, making it difficult to assess whether the funds allocated to NICHE are being spent as planned in practice. This challenge also extends to non-financial information, as the national programme-based budget has not contained any indication of the number of beneficiaries targeted with under NICHE since FY 2018/19. The little non-financial information available on this programme can be found in the SPCR Sector Report FY 2023/24 – FY 2025/26, as show in the snapshot below. Where service delivery performance information is lacking or inconsistent the public cannot assess the actual service delivery impact of government programs, hampering accountability efforts.

Figure 9: Snapshots of SPCR Sector Report FY 2023/24 – FY 2025/26 information on NICHE

Programme	Key Output	Key Performance Indicators	Planned Target			Achieved Targets			Reason for the variance
			2018/19	2019/20	2020/21	2018/19	2019/20	2020/21	
	Households with Vulnerable Children supported with nutrition-sensitive cash transfer	No. of households receiving nutrition - sensitive cash transfer	-	1700	8300	-	-	12,054	2019/20 target was combined with 2020/2021 target after technical assistance agreement was signed

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2020/21	Actual Achievement 2020/21	Target (Baseline) 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
		Households with Vulnerable Children supported with nutrition-sensitive cash transfer	No. of households receiving nutrition-sensitive cash transfer	8,300	12,301	13,800	19,400	23,500	30,000
			No. of sub-counties delivering nutrition sensitive designed packages	27	10	27	27	27	27
			No. of sub-counties having automated NICHE MIS	27	32	27	-	-	-

Source: SPCR Sector Report FY 2023/24 – FY 2025/26, National Treasury

State Department for Gender & Affirmative Action

The State Department for Gender and Affirmative Action was established in 2015 with the mandate of promoting gender mainstreaming in national development processes and champion for the socio-economic empowerment of women. This mandate was later expanded to include the promotion of equitable political and socio-economic development for women, men, girls and boys.

In line with the NSPP 2011 guidelines and Vision 2030, the Kenya's national government has over time established a number of funds as mechanisms to provide targeted social assistance for vulnerable groups. These include the National Government Constituencies Development Fund (NGCDF), Affirmative Action Social Development Fund (AASDF), National Government Affirmative Action Fund (NGAAF), the Youth Enterprise Development Fund (YEDF), the UWEZO fund and the Women Enterprise Fund (WEF). The forthcoming analysis focuses on the AASDF, WEF, YEDF and UWEZO fund which are all funded at the national level through the State Department for Gender and Affirmative Action.

Table 5: List of Affirmative Action Funds under in the State Department for Gender & Affirmative Action

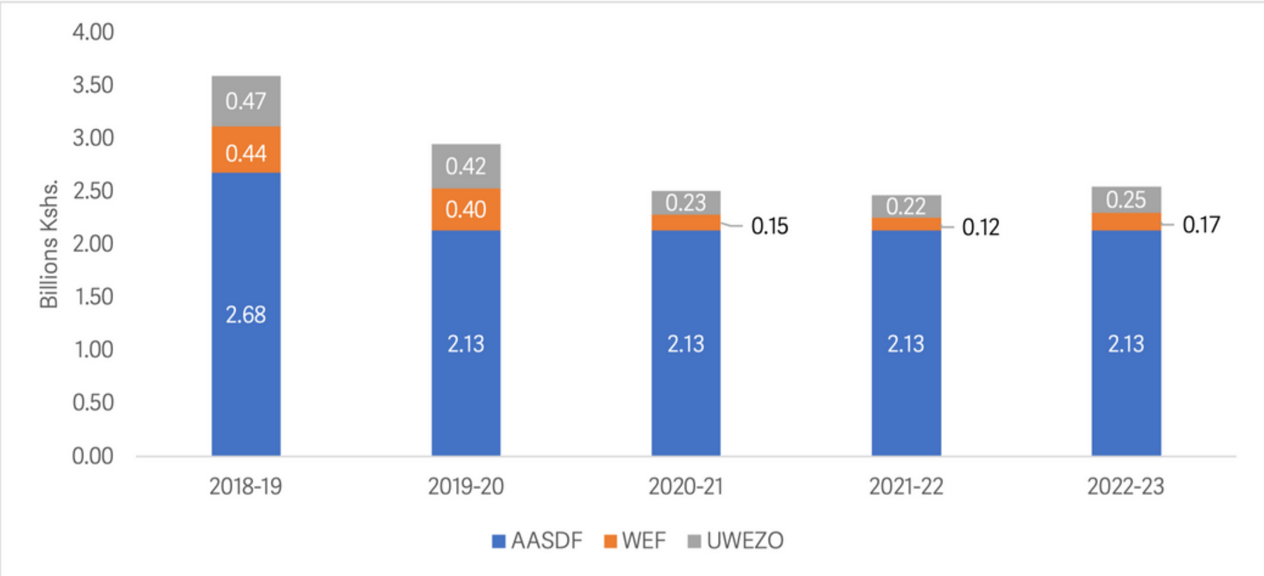
Fund Title	Description
Women Enterprise Fund	The Women Enterprise Fund is a revolving fund, established under Legal Notice No.147 of 2007, with the aim of providing affordable credit to women for enterprise development, capacity building, local and international marketing, linkages between micro, small, and medium enterprises, and infrastructure investments. The fund is domiciled within the State Department for Gender and Affirmative Action as a state corporation.
Affirmative Action Social Development Fund	The AASDF complements the National Government Constituencies Development Fund (NGCDF), and provides social protection facilities for women, survivors of gender-based violence, and affirmative action groups. It supports out-of-school youth, orphans, and special needs children through bursaries and scholarships for education. Monies from the funds are disbursed to county governments based on the number of constituencies, each of which receive the same amount.
Youth Employment and Enterprises Fund	The Youth Enterprise Development Fund (YEDF) was established through the Public Financial Management Act (The Youth Enterprise Development Fund) Regulations in 2006 to address challenges related to unemployment through the development of enterprise. In practice, this is included providing entrepreneurship trainings, access to loan facilities and employment opportunities abroad, and facilitating market linkages among youth and industry players.[lxxiii] The fund is a state corporation under both the State Department for Gender and Affirmative action and the State Department for Micro, Small & Medium Enterprise (MSME) Development.
UWEZO Fund	The UWEZO fund, established in 2014, seeks to empower youth, women and persons with disability through the development of enterprise and access to credit facilities.[lxxiv] Similar to the YEDF, the UWEZO fund is a state cooperation under both the State Department for Gender and Affirmative action and the State Department for Micro, Small & Medium Enterprise (MSME) Development.

Source: Kenya Law Reform

Social protection funds comprise a large part of expenditure under the State Department for Gender and Affirmative Action, accounting for over 75% of the state department's approved budget between 2018/19 and 2020/21. In comparison to the larger national budget however, the Funds collectively only accounted for 0.16% of total ministerial expenditure over the period.

Analysis of national programme-based budgets shows that allocated expenditure on the three funds fell by 39% between FY 2018/19 and FY 2022/23. This matches the downward trend in approved expenditure allocations to the State Department for Gender which fell by an average of 4% per year over the period. The drop in the State Department's budget was primarily due to a gradually decreasing development budget, which comprises of allocations to the funds, and accounted for 92% of the fall in the total MDA budget over the period.

Figure 10: Composition of Approved Expenditure Allocations Under the State Department for Gender by Fund



Source: National Programme-Based Budget FY 2018/19 - 2023/24, National Treasury

A possible explanation of the fall in expenditure under the various funds could be the expectation that these revolving funds are overtime becoming more self-sustaining through repayments. Unfortunately, no information could be found on the financial operations of the funds themselves and the repayment hypothesis could not be confirmed.

Of the social protection funds implemented by the State Department for Gender, the AASDF is the largest by allocation. Between 2018/19 and 2022/23, the fund was allocated Ksh. 11.2 billion - 78% of the money allocated to social protection funds under the State Department for Gender over the period – followed by the YEDF-UWEZO fund and the WEF at Ksh. 1.58 billion and Ksh. 1.28 billion respectively.

WEF and YEDF – UWEZO fund

The revolving nature of the YEDF – UWEZO fund and the WEF characterizes their effectiveness as social protection mechanisms in Kenya. Between 2018/19 and 2020/21 the WEF and YEDF – UWEZO Fund were allocated Ksh. 0.99 billion and Ksh. 1.12 billion respectively. Sector reports

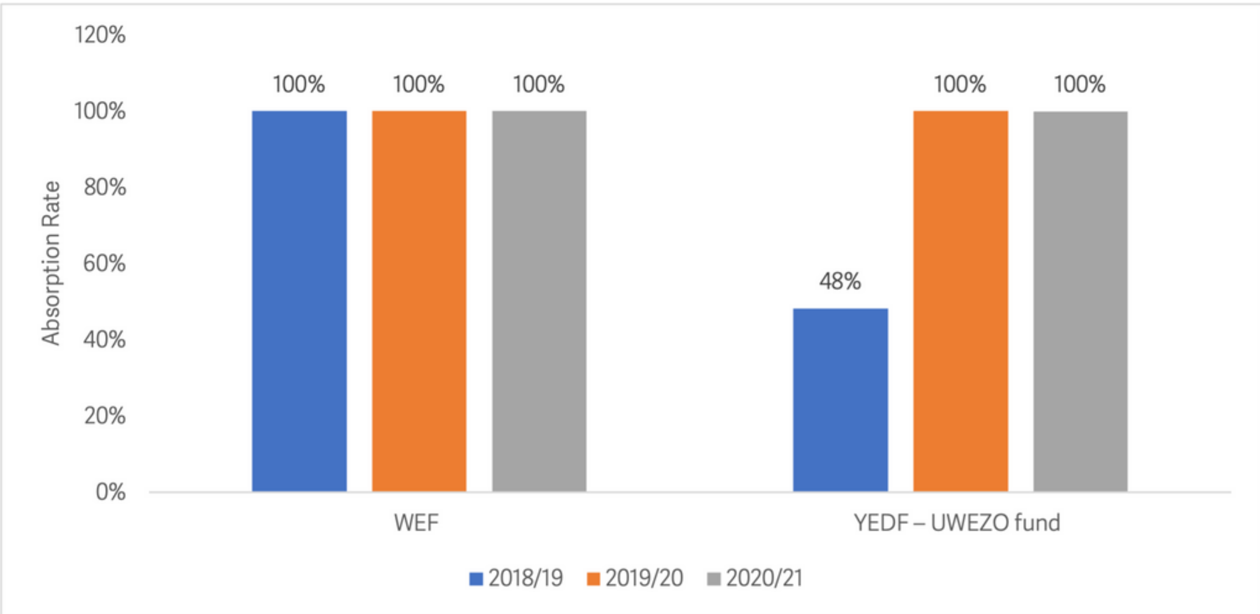
[8] For reference, this is roughly the entire approved budget of the county government of Meru in FY 2023/24.

show that over the same period, Ksh. 8.74 billion was disbursed to women entrepreneurs under the WEF against an overall target of Ksh. 7.70 billion, and Ksh. 1.25 billion was disbursed to Youth, Women and PWD Groups through the YEDF – UWEZO Fund against a target of Ksh. 1.1 billion.[9]

To the extent that proceeds from social protection fund loan repayments flow back into the fund and become available to lend again, creating more capital for beneficiaries than the initial monies allocated by government each year, revolving loan funds like the WEF present a lower cost investment in social protection for government in comparison to other existing mechanisms.[10]This hypothesis is also supported by the strong budget performance of WEF and YEDF – UWEZO fund as state corporations within the State Department for Gender.

Comparisons of approved and actual expenditure between 2018/19 and 2020/21 show that all revenue allocated to WEF was spent, with the fund boasting a 100% budget absorption rate across all three years as shown by Figure 11. The YEDF – UWEZO fund also recorded 100% budget expenditure in 2019/20 and 2020/21 but performed poorly in 2018/19 due to a reported lack of exchequer release in the fourth quarter.

Figure 11: Historical budget absorption in WEF and YEDF – UWEZO funds



Source: SPCR Sector Report FY 2023/24 – FY 2025/26, National Treasury

AASDF

Despite being the largest of the three social protection funds, Affirmative Action Social Development Fund (AASDF) remains the least transparent by measure of publicly available information in budget documents. While data on the annual allocations to the fund can be gleaned from the national program-based budget, there is inconsistency in the non-financial information presented in budget documents over time. As shown below, in some documents like the SPCR Sector Report for FY 2023/24, the AASDF service delivery indicators as shown in the programme-based budget of the same FY appear under the NGAAF.

9 The stated overachievement in the WEF was attributed to a high loan performance rate, which increased the availability of funds to be disbursed.
10 According to the YEDF, between 2013 and 2017 of Ksh.4.5 billion received from the exchequer its revolving kitty increased to Ksh5.6 billion disbursed in the form of loans. See more here.

Figure 12: Snapshots from the SPCR Sector Report FY 2023/24 – FY 2025/26

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2021/22	Actual Achievement(2021/22)	Target(Baseline) 2022/23	Target 2023/24	Target 2024/25	Target 2025/26
S.P. 11.1 Community Development	NGAAF	Financial Support to vulnerable members of society	No. of students benefiting from Bursary and Scholarships	20,200	35,141	35,141	36,260	36,300	36,400
			No. of groups supported through grants for socio-economic development	1,000	1,823	1,823	1,940	2,050	2,160
			No. of groups funded for value addition initiatives	150	1,230	1,230	1,250	1,290	1,300
			No. of beneficiaries in County wide project supported	224,262	250,381	250,381	275,418	302,900	330,190

Source: SPCR Sector Report FY 2023/24 – FY 2025/26, National Treasury

Figure 13: Snapshots from the National Programme-Based Budget FY 2023/24

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2023/2024	Targets 2024/2025	Targets 2025/2026
1212100300 Affirmative Action Social Development Fund	Affirmative action services	No. of students benefiting from Bursary and Scholarships.	36,260	36,300	36,400
		No. of groups supported through grants for social-economic development.	1,940	2,050	2,160
		No. of groups funded for value addition initiatives	1,250	1,290	1,300
		No. of beneficiaries in county wide project supported.	275,418	302,900	330,190

Source: National Programme-Based Budget FY 2023/24, National Treasury

In addition, whereas the WEF and YEDF – UWEZO fund are state corporations within the State Department for Gender and Affirmative Action, the AASDF is not, and as such is not incorporated in publicly available documents detailing financial performance of national government agencies. The 2015 regulations establishing the AASDF only require the administrator of the fund to submit a statement of accounts relating to the Fund to the Office of The Auditor General and the National Treasury, notably leaving out the public. This would seem to explain why information on the fund is excluded from the annual sector proposal reports and performance evaluation reports on state corporations produced by National Treasury, the Controller of Budget's quarterly implementation reports, and the Auditor General's audit of state corporations. As a result, the lack of financial and non-financial information on the AASDF continues to hinder effective public oversight with regards to the operation, efficiency and ultimate service delivery impact of the fund.

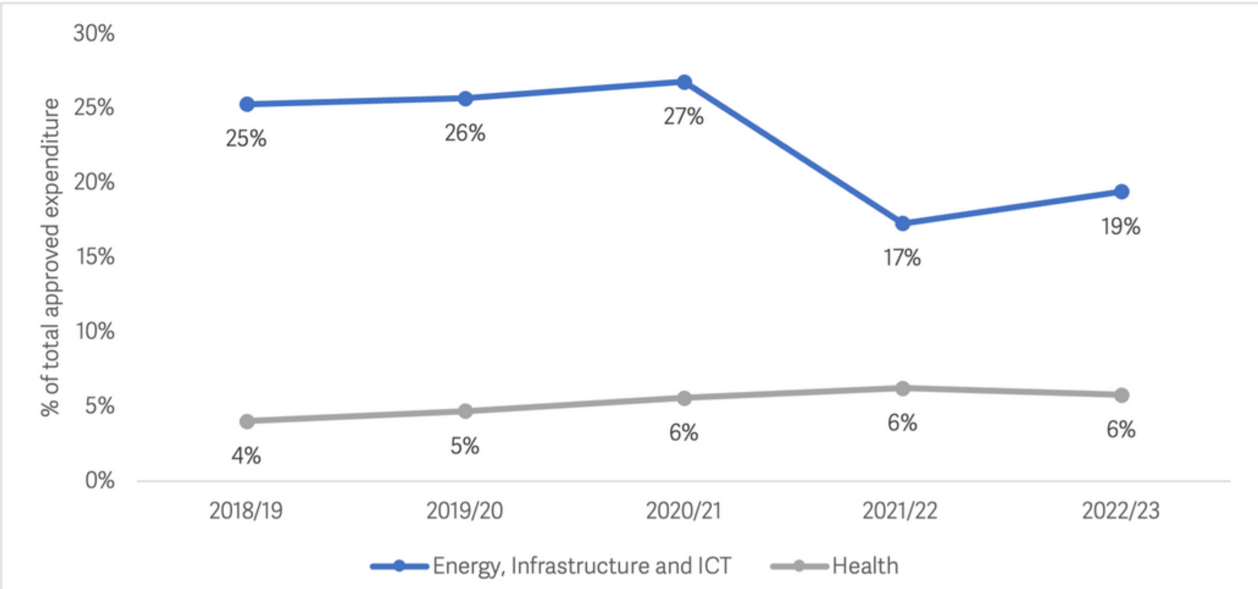
Health Sector

Kenya's Health sector is administrated by the Ministry of Health through the State Department for Health Standards and Professional Management, and the State Department for Medical Services. The sector also hosts a number of Semi-Autonomous Government Agencies, including the National Health Insurance Fund (NHIF). The focus of the forthcoming analysis at the MDA level will be on the State Department for Medical Services – under which 99% of the health budget is spent and social health insurance programmes under the NHIF are financed.

The size of the health sector's budget has increased by just under 75% over the past five years. Between 2018/19 and 2022/23 allocated expenditure rose from Kshs. 70.2 billion to Kshs. 122 billion, growing by 11% each year on average. According to the Health sector budget proposal report for 2023/24, the growth in expenditure over time has been due to government prioritization of the Health Sector towards achievement of Universal Health Care (UHC) and strengthened efforts towards the management of COVID-19 pandemic.

The health sector budget has also grown in proportion to total spending across all sectors, with its share of expenditure growing from 4% in FY 2018/19 to 5.8% in 2022/23 as shown by Figure 14. This contrasts with other sectors like the energy sector, which has seen its share of the total national budget fall by 6% over the same period. The growth in proportion of the budget allocated to the health sector confirms a moderate prioritization of the sector in the distribution of national resources.

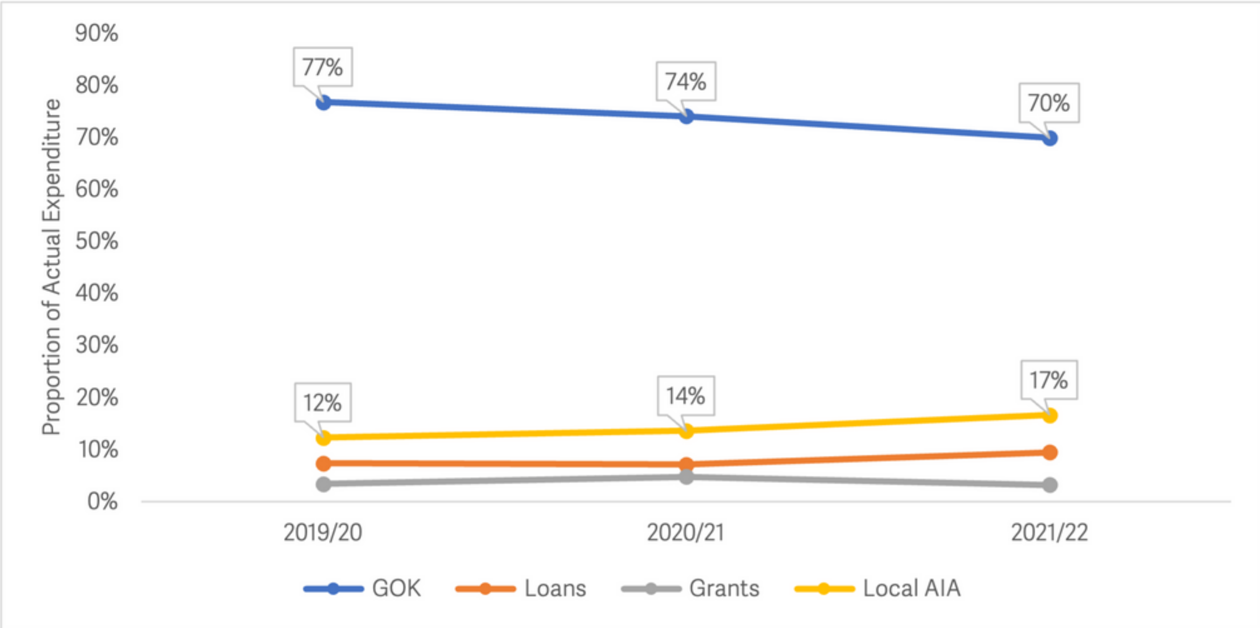
Figure 14: Allocations to the Health and Energy Sector as a share of total expenditure



Source: National Q1 implementation report FY 2022/23, Controller of Budget

An analysis of the composition of health sector funding shows its dependence on direct funding from GOK. Between FY 2019/20 and FY 2021/22 direct funding from GOK accounted for 74% of actual expenditure within the sector, followed by Local AIA at 14% and grants and loans at 8% and 3.8% respectively. Notably while the proportion of the budget funded by GOK remains large, its share of total funding fell by 7% over the period. In contrast, the proportion of health expenditure funded by loans rose by 2.1% during the same three financial years. While this could in part be explained by the increase in foreign support for Kenya during the COVID-19 pandemic (2019-2021), the two trends could suggest a possible increase in dependency on loans to finance health spending, which could pose a risk to the stability budget implementation in the sector.

Figure 15: Composition of Total Actual Historical Expenditure in Health



Source: Health Sector Report FY 2023/24 – FY 2025/26, National Treasury

National Health Insurance Fund

The National Hospital Insurance Fund (NHIF) is the primary social health insurance scheme in Kenya. NHIF's mandate is to provide medical insurance cover to all its members and their declared dependents (spouse and children). Within Kenya's UHC strategy, the NHIF is envisioned to play significant role in health financing, including raising revenue, pooling health resources, and purchasing.

NHIF has a dual funding mechanism where it gets funding from member contributions and from the government for its social insurance programmes. The government subsidizes health insurance by paying the NHIF premiums of beneficiaries covered under its social insurance schemes. These are households and individuals who cannot afford to pay the monthly contributions to NHIF. Therefore, while expenditure on social protection in health appears under the State Department for Medical Services, this expenditure reflects as revenue received to the NHIF.

According to the health sector report of 2021, NHIF has 74 fragmented schemes, with the aim of reducing them to just 3. Of these 74, five fall under the umbrella social protection interventions in health. These include the Health Insurance Programme (HISP) – which houses the Older Persons & Persons with Severe Disability (OPPSD) and the Orphans & Vulnerable Children Scheme (OVC), the Free Maternity Program (Linda Mama), Inua Jamii 70+ Program (IJP) and EduAfya. These publicly funded programmes form the scope of the analysis below.

According to the NHIF Amendment Act no. 1 of 2022 15 (14A) (1), a person who has attained the age of eighteen years and is not a beneficiary shall register as a member of the Fund. This makes mandatory contributions for every citizen above 18 years. Recent data from National Treasury shows that the NHIF currently has a membership of 15.5 million, 68.8% of which are from the informal sector and 21.2% from the formal sector. This amounts to an effective public health insurance coverage of 31.1% of the population of Kenya. NHIF membership has grown by 11% over the past 3 years primarily driven by a significant 134% growth in the number of members registered in the informal sector.

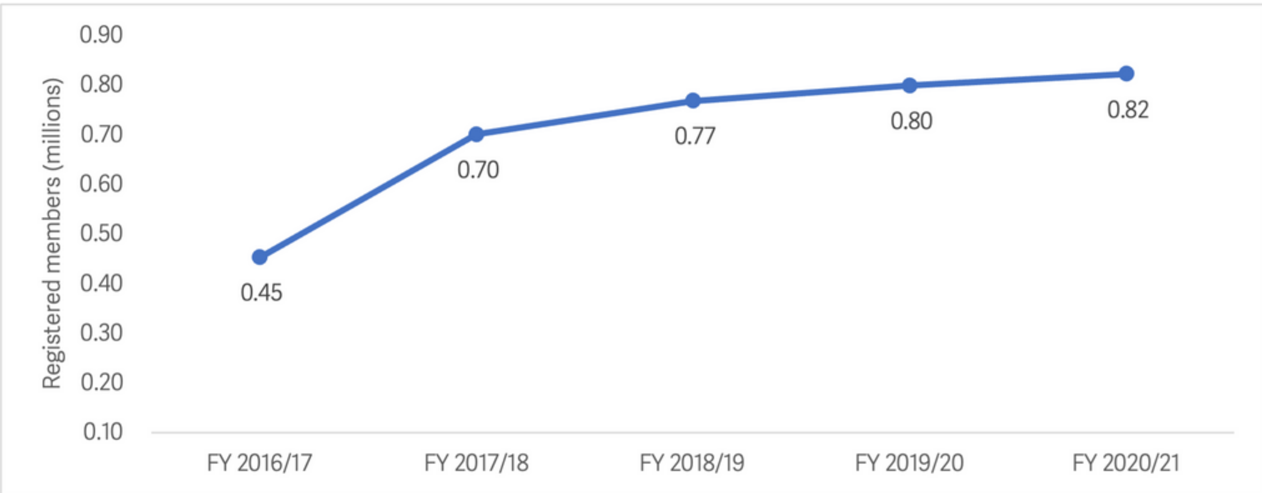
Table 6: National Health Insurance Fund Membership by Sector

	National Health Insurance Fund Registered Members			
Membership Category	**FY 2019/20**	**FY 2020/21**	**FY 2021/22**	**Growth (2019/20 - 2021/22)**
Formal	4,452,298	4,645,981	4,821,632	8%
Informal	4,546,528	9,295,817	10,637,602	134%
Total	13,941,798	13,941,798	15,459,234	11%

Source: Health Sector Report FY 2023/24 – FY 2025/26, National Treasury

These informal sector members fall under two categories; micro insurance and sponsored programs, the latter of which include government funded social health insurance schemes for indigents and vulnerable populations. As shown by Figure 16, NHIF membership under sponsored programmes grew by 82% between 2016/17 and 2020/21.

Figure 16: National Health Insurance Fund Sponsored Programmes Membership

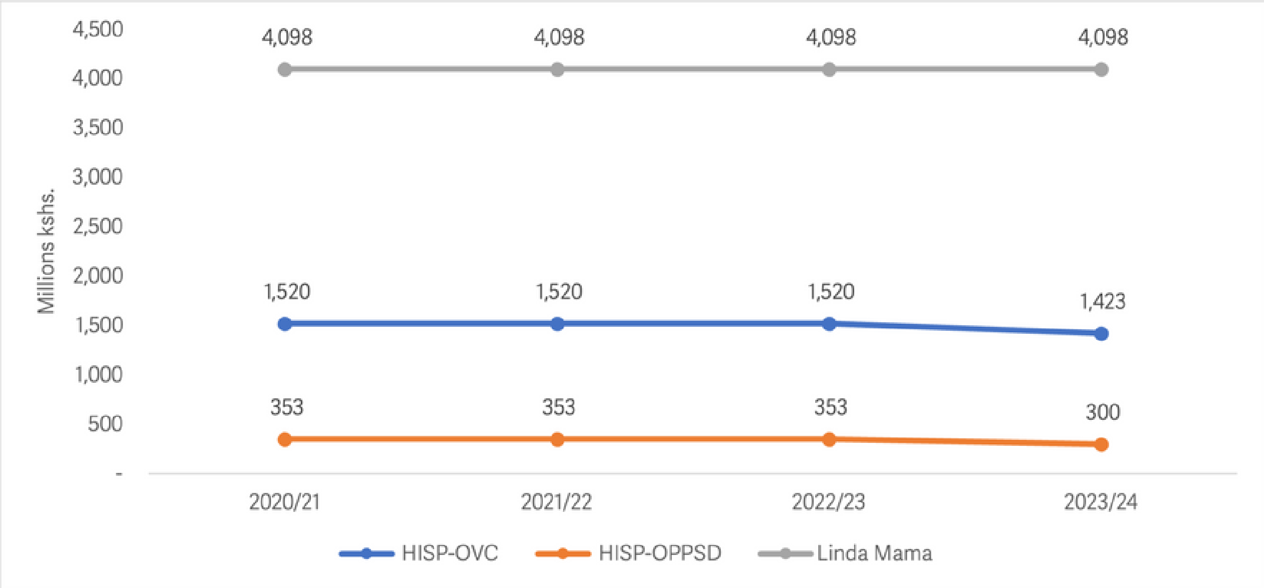


Source: Kenya Economic Survey 2022, Kenya National Bureau of Statistics (KNBS)

According to the National Health Insurance Fund (NHIF) Act, the monies to be paid into the fund include expenditure approved annually by the National Assembly for indigents and vulnerable households under the Ministry of Health. These funds appear in the national budget under the Social Protection in Health sub-programme implemented by the State Department for Medical Services. IBP Kenya research into budget transparency within the NHIF reveals that there is a lack of up-to-date, disaggregated information on premiums paid by national government under its sponsored schemes. For example since FY 2019/20, national programme-based budgets only indicate estimated expenditure under three of the five examined social health insurance schemes namely, the HISP-OVC, HISP-OPPSD and Linda Mama maternal health scheme.

Available expenditure data between 2019/20 and 2023/24 shows that government spending on sponsored programmes has stagnated in recent years. Notably, the allocation to the HISP and Linda Mama programmes remained roughly the same between 2020/21 and 2021/22, at time when Kenya's health system remained challenged by the COVID-19 health crisis.

Figure 17: Expenditure allocations to state sponsored Health insurance programs



Source: National programme Based Budget 2019/20 - 2023/24, National Treasury

Data from Health sector reports on actual revenue received by NHIF between 2019/20 and 2021/22 suggests more dramatic trends in expenditure on sponsored programmes in the past. Revenue collected by NHIF for all sponsored programs excluding Linda Mama grew a reported 262% over the 3-year period, with overall revenue collection from social health insurance schemes growing by 74%.

Table 7: NHIF revenue collection for the period 2019/20 – 2021/22 by source

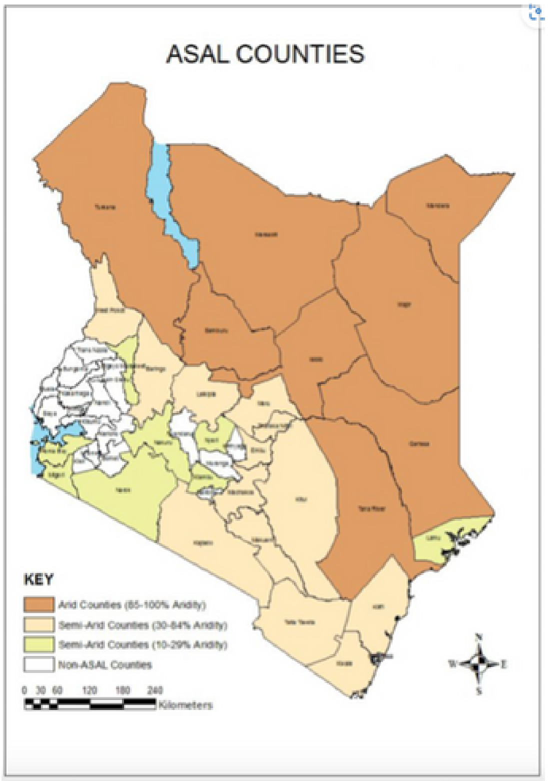
	Revenue Paid Collected			
INCOME	**FY 2019/20**	**FY 2020/21**	**FY 2021/22**	**%Change**
Contributions to the Fund				
Premiums - Sponsored Programs	1,343,808,000	1,617,820,000	4,868,400,000	262%
Funds received -Linda Mama	4,042,054,000	4,948,139,361	4,493,259,781	11%
Total	**5,385,862,000**	**6,565,959,361**	**9,361,659,781**	**74%**

Source: Health Sector Reports (2022/23 & 2023/24)

General Economic and Commercial Affairs Sector

The General Economic and Commercial Affairs (GECA) sector comprises eight sub-sectors: Cooperatives, Trade, Micro, Small and Medium Enterprises (MSMEs) Development, Industry, Investment Promotion, Tourism, East African Community and the ASALs & Regional Development. The Ministry of East African Community, Arid and Semi-Arid Lands (ASALs), and Regional Development was established within the GECA sector through Executive Order No. 1 of October 2022, and comprises two state departments: East African Community and ASALs & Regional Development.

The State Department for the ASALS and Regional Development was created in a bid to better implement and mainstream social- economic development of Arid and Semi-Arid Lands (ASALS) in Kenya. The ASALs comprise 29 counties defined by a considerable deficit in their water supply, and collectively cover over 80% of the country's landmass and house 36% of the population.



Source: State Department for the ASALS and Regional Development

The ASALs are prone to gradual and sudden changes in the climate, which has historically left their inhabiting populations at risk to drought and floods. The resulting socio-economic vulnerabilities have necessitated social protection initiatives by government and development partners in order build resilience and provide needed aid in times of emergency or crisis.

State Department for the ASALS and Regional Development

The main social assistance programme within the State Department for the ASALS and Regional Development is the Hunger Safety Net Programme (HSNP). The programme is implemented by the National Drought Management Authority (NDMA) - a state corporation established in 2016 by the National Drought Management Authority Act with the mandate of coordinating and implementing national and county government efforts to manage drought and climate change.

Hunger Safety Net Programme (HSNP)

The Hunger Safety Net Programme (HSNP) is an unconditional government cash transfer program under the National Safety Net Programme (NSNP). The HSNP targets households in the eight most impoverished and dry counties in Kenya: Turkana, Wajir, Mandera, Marsabit, Garissa, Tana River, Isiolo, and Samburu. According to the Kenya National Bureau of Statistics (KNBS), 28.0% of households or 3.5 million households in Kenya were food poor as of 2021. Notably, of the 15 million food poor individuals in Kenya 2.3 million or 15% reside in the eight target counties of the HSNP.

The HSNP, implemented in three phases, was introduced in 2009 through a was a pilot phase (HSNP I) in four counties; Mandera, Wajir, Marsabit and Turkana. This phase was implemented by a mix of NGOs and benefited a reported 68,621 households. These households are targeted using a two-pronged selection criterion, consisting of a proxy mean test and community-based validation. The proxy test gives beneficiaries a household livelihood condition score (HLCS) based on a predetermined set of socio-economic parameters, after which a list of electronically selected beneficiaries is validated by communities in the target counties.

Source: Hunger Safety Net Programme (HSNP)

In a bid to expand the programme, the second phase HSNP II was launched in 2013 to cover 101,800 vulnerable households in the same four counties. HSNP II also introduced a two-tiered mode of cash transfer provision within the programme, which provided for a more flexible form of social assistance. In this phase, the number of beneficiaries under the programme can be quickly scaled up in response to the climate-related disasters. The new system defined two groups of cash assistance recipients:

- Group 1 receive regular payments of Ksh. 5,400 per household every two months.
- Group 2 receive Ksh. 2700 monthly in the event of a drought or shock in the covered areas. [10]

HSNP phase III launched in April of 2019 under the Kenya Social Economic Inclusion Project (KSIEP), expanding the programme to cover to four additional drought-affected counties: Garissa, Isiolo, Samburu, and Tana River.

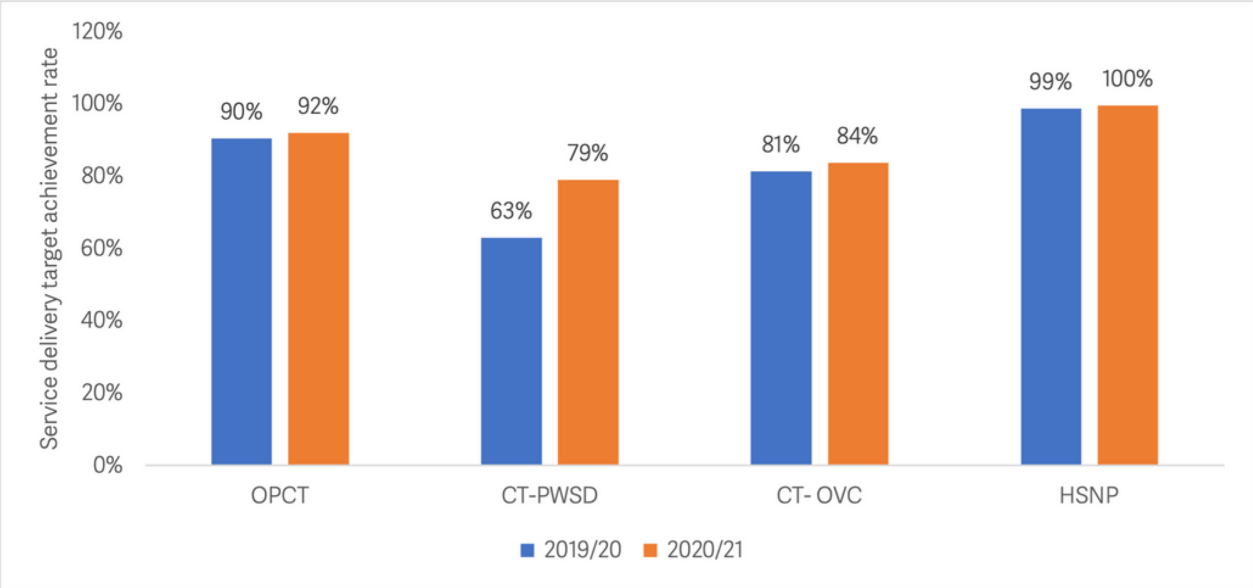
The two-tiered mode of cash transfer provision means that a degree of variation in government spending on the HSNP is expected based on the presence or severity of drought over a given period. For example, in 2022 the critical drought situation in 22 out of the 23 ASAL counties saw the HSNP receive an additional Ksh. 4.4 billion to its FY 2022/23 budget through the second supplementary budget approved in late June 2023. The additional funding aimed to scale up the number of group 2 beneficiaries from the initial target of 70,000 to 222,210.

Focusing on regular cash transfer beneficiaries, the most recent data from sector reports shows slight yet routine underperformance in service delivery under HSNP. Of the 302,650 targeted the beneficiaries between FY 2018/19 and FY 2020/21, 298,940 received cash transfers, reflecting a 98% achievement rate.[11] Despite this, as Figure 18 below shows, the HSNP had the highest achievement rate among all cash transfer programs under the NSNP in both FY 2019/20 and FY 2020/21.

10 According to the NDMA, these shock responsive payments are triggered by the severity of drought based on a Vegetation Condition Index (VCI). The surpassing of set thresholds determines the number of beneficiaries and target sub-counties

11 For four of the five financial years assessed (excluding 2023/24), expenditure under the HNSP was economically classified as development expenditure.

Figure 18: Trends in service delivery performance across NSNP cash transfer programs



Source: SPCR Sector Report various issues, National Treasury

The HSNP is not classified as a programme or sub-programme within the State Department for Regional Development and the ASALs, therefore data on actual expenditure under the specific program is not available in quarterly implementation reports released from the Controller of Budget. However, the full year quarterly implementation report for 2022/23 suggests high budget absorption in the Drought Management programme - that houses the HSNP. For the FY 2022/23, 96% of the programme's approved development budget was actually spent.[12]

In addition, sector reports released by National Treasury show that the NDMA as a state corporation had high levels of recurrent budget absorption between 2018/19 and 2020/21. According to the FY 2022/23 SPCR sector report, this is in part due to the 'non-discretionary' nature of recurrent expenditure under the NDMA. Despite this, reports from the Auditor General on the have previously highlighted the possible impact of under-expenditure by the NDMA on the implementation of planned programs and activities.

Social Security Sector

In the Kenyan context, social security can be considered as a form of social insurance granted by the state to ensure a minimum level of income protection for its citizens in the event of retirement, death, or disability. The National Treasury defines Kenya's retirement benefit system as consisting of three pillars:

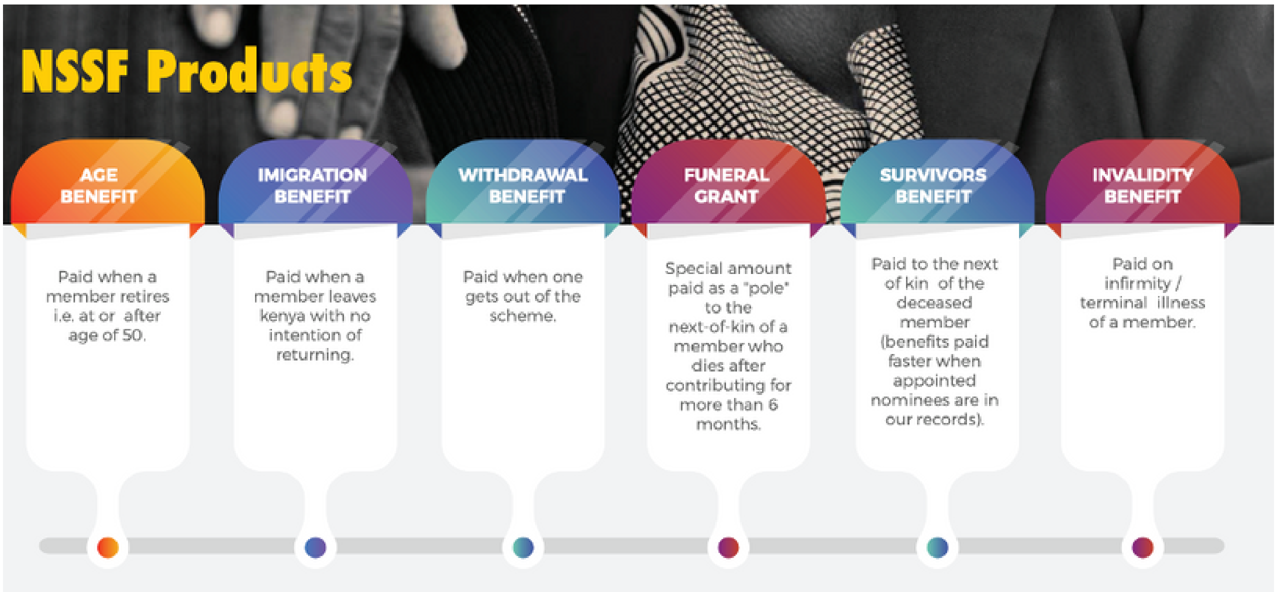
1. The zero pillar: comprises the cash transfers for elderly citizens.
2. The first pillar: comprises the National Social Security Fund (NSSF).
3. The second pillar: comprises the Civil Service Pension Schemes, Occupational, Individual and Umbrella Retirement Benefits Schemes among others.

12 For four of the five financial years assessed (excluding 2023/24), expenditure under the HNSP was economically classified as development expenditure.

Notably, social security fundamentally differs from social assistance due to its contributory nature. The forthcoming analysis focuses on the latter two pillars – specifically, the National Social Security Fund (NSSF) and both the previous and civil service pension scheme (the Public Service Superannuation Scheme (PSSS)).While the NSSF operates as a state corporation within the State Department for Labour and Skills Development, the both the former and current CSPS has been administered by the National Treasury.

National Social Security Fund (NSSF)

The National Social Security Fund (NSSF) was first established in 1965 as a national provident fund for all workers and later expanded via the NSSF Act of 2013 to a national social insurance pension scheme for all those above 18 years of age earning an income. Under the current NSSF pension system, formally employed workers and their employers make a monthly contribution to cover living expenses in retirement as well as other outcomes like death or incapacity, while those informally employed can make a voluntary contribution to a provident fund.



Source: Annual Reports, NSSF

Much like other African countries, including South Africa, Nigeria and Ghana, the NSSF as a social security scheme operates within the Kenyan public finance management system as an extra-budgetary unit (EBU). EBUs can be loosely defined as units of government that engage in transactions that are not included in the annual budget. As such, expenditure undertaken, and revenue collected by EBUs are not considered to be a part of the overall expenditure and revenue of the central government. In practice, this means that the budgetary operations of these units are not subject to the same level of scrutiny and oversight as other units of government.

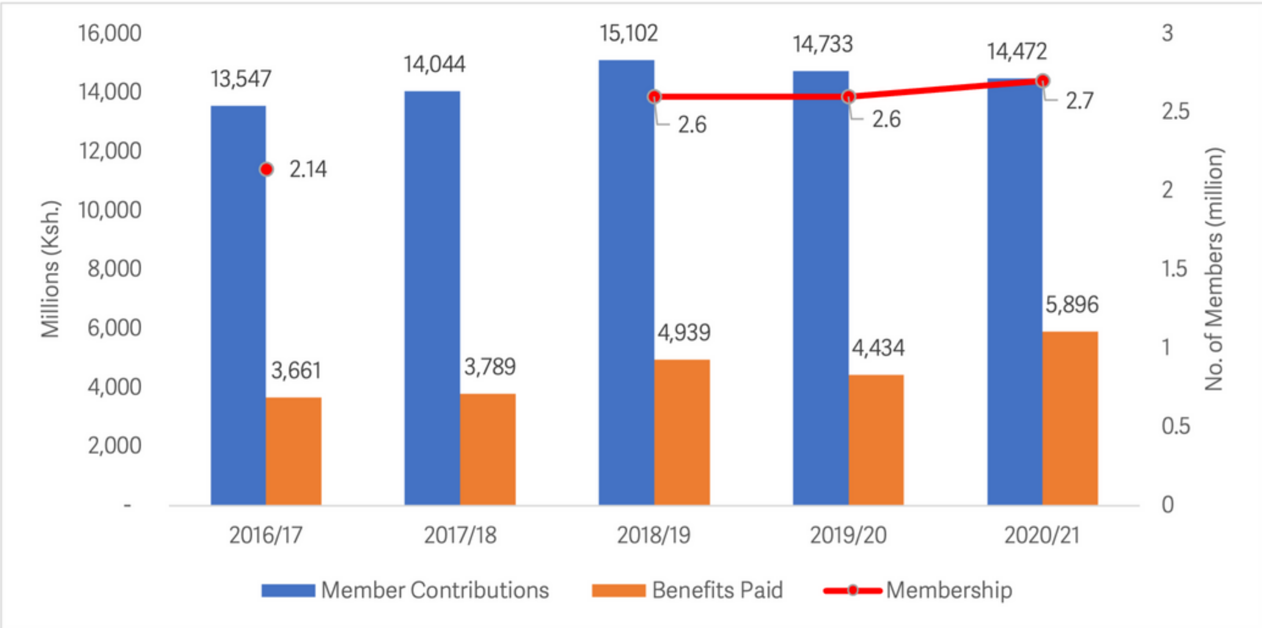
The NSSF Act of 2013 mandates the board of the NSSF to publish its audited accounts each year, following submission of its financial statements to the auditor general three months after the end of financial year. These audited accounts are included in the annual reports made publicly available on the NSSF website since 2007, and offer data on contributions to the scheme, its membership and benefits paid out overtime.

However, while data from the annual NSSF reports provides insight on the growth and coverage of NSSF in Kenya, more substantive assessments of the nature this coverage and value for money collected from income earners demands a greater degree of transparency.

Transparency of the NSSF: What is the nature of coverage?

At the time of writing, the latest available annual report on the NSSF website is for FY 2020/21 and shows the NSSF had 2.7 million active members who collectively contributed Kshs. 14.47 billion in the FY 2020/21. Data from the annual reports between FY 2016/17 and FY 2020/21 show an upward trend in membership, member contributions and benefits paid, which grew over the period by 7%, 26% and 61% respectively.

Figure 19: Trends in NSSF Membership, Contributions and Benefits Paid Out

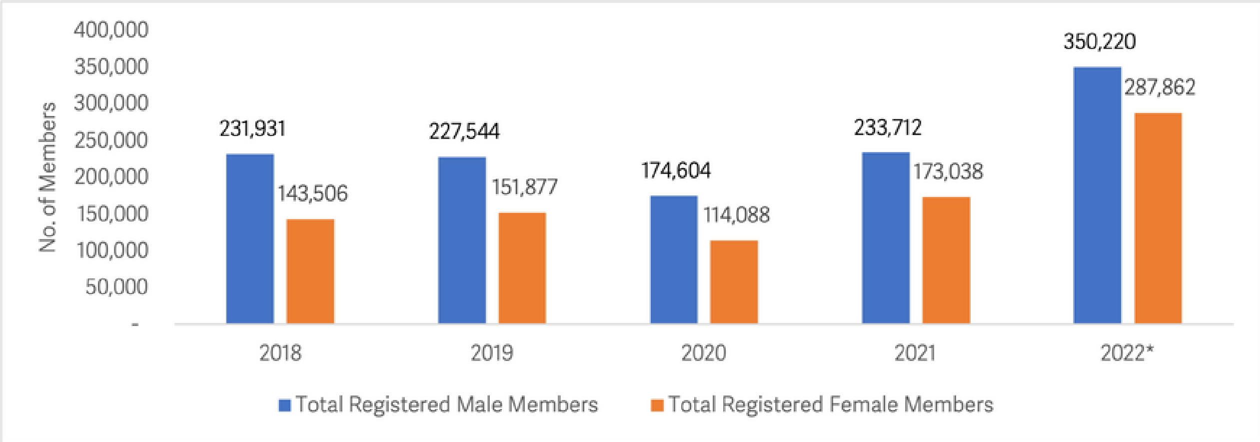


Source: NSSF Annual Reports 2016 - 2020

These statistics while useful, lack key details on the nature of the social security coverage by the NSSF. Specifically, there are no details on the composition or distribution of NSSF members in Kenya. Several questions remain unanswered: How many registered members are employees, employers and voluntary contributors? How many of these are active? How many NSSF members are male or female? How many members are persons with disability? What is the distribution of members across the country?

The KNBS 2023 Economic Survey offers some gendered data on NSSF membership, showing that annual member registration has been higher among males than females for the last five years. Despite this, the membership growth for women (101%) nearly doubled that of men (51%) over the same period. Such disaggregated data enables the public to see the degree of inclusivity of NSSF and provides a platform to advocate for further inclusivity.

Figure 20: Number of Registered NSSF members by Gender



Source: KNBS Economic Survey 2023

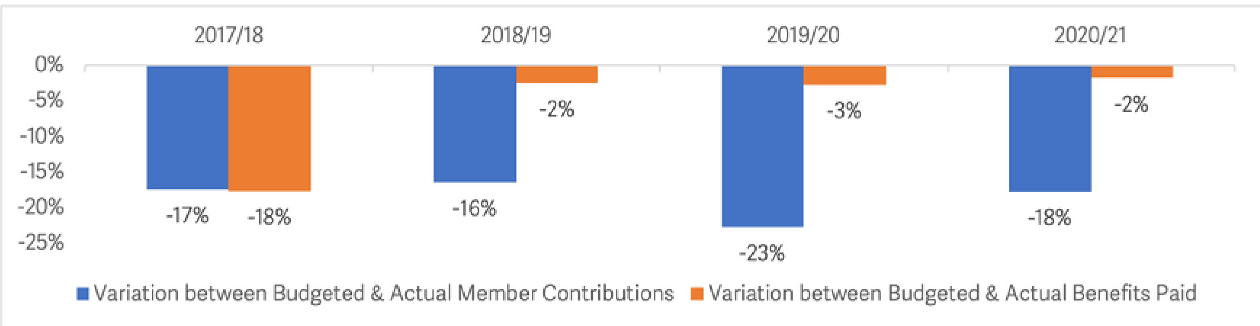
Accountability of the NSSF

The auditor general has raised a number of queries on the NSSF between 2017 and 2020 with regards to the management of public resources. Among these queries, value for money has been a recurring theme with regards to investments undertaken by the NSSF, including construction of buildings, property purchases and the purchasing of its internal accounting software systems - SAP Enterprise Resource Management Programme (SAP ERP) and Social Security and Pension Administration System (SSPAS).

According to the Office of the Auditor General, the SAP system was intended to facilitate the Fund's finance and accounting functions by providing transparency and accountability in executing processes. However, one flaw identified in its report was the lack of a double entry accounting function that would reduce the risk of errors and misstatements. To the extent that the newly purchased system did not fulfill the requirements required for accountability and transparency of NSSF, the OAG concluded that value for money may have not been realized.

A further look into the budgetary operations of the NSSF reveals concerns around its financial performance. Annual NSSF reports between FF 2017/18 and FY 2020/21 show routine under-performance in member contributions the fund and benefits paid out. Contributions from members averaged 19% below the budgeted amount over the period, while the underpayment of benefits paid averaged at 6%.

Figure 21: Deviations between NSSF Benefit Payments and Member Contributions



Source: NSSF Annual Reports 2016 - 2020

The annual audit reports from the Office of The Auditor General have further raised the routine underperformance of expenditure by the NSSF.

Public Service Superannuation Scheme (PSSS)

To provide social security for public servants and state officials, the civil servants pension scheme (CSPS) was created in 1950 by the Pensions Act. The CSPS was later replaced by the Public Service Superannuation Scheme (PSSS), which was established by law in 2012 but only operationalized in January 2021. According to the schemes' official website, the PSSS is a contributory pension scheme whose purpose is to provide retirement benefits to officers in the service of government. In this respect, the PSSS plays an administrative, facilitative, and regulative role in providing social security to public servants:

1. Administrative: The PSSS pays retirement benefits to members of the Scheme as and when they become due.
2. Facilitative: The PSSS aims to assist to improve the social security of members of the Scheme by ensuring that the members save in order to cater for their livelihood during their retirement.
3. Regulative: Establish a uniform set of rules, regulations and standards for the administration and payment of retirement benefits for members of the Scheme.

Notably the PSSS is meant to provide retirement for civil servants, teachers employed by the Teachers Service Commission, officers in the National Police Service, Prisons Service and National Youth Service and other services that determined by the minister to be a public service within the PSSS Act of 2012.

Prior to the operationalization of the PSSS Act, which introduced a PSSS Fund into which contributions are made, all CSPS budgetary operations were performed within and from the Consolidated Fund. This meant that the contributions made by state officers and their employers were paid into the Consolidated Fund, and any retirement benefits to be paid out were done directly from the Fund. As a result, prior to FY 2021/22 the annual estimates of expenditure found in the programme-based budget books did not specify government employee or employer contributions to the CSPS, only providing information on budget allocations for pension payments. Under the current PSSS scheme, contributions by state officers covered under the PSSS act are paid into the PSSS fund, while benefits due to officers other than the staff of the fund are paid out from the Consolidated Fund.[13]

[13] According to Clause 43 of the PSSS Act 2012, the fund shall provide for the 'payment of pensions, gratuities and other charges in respect of the retirement benefits due to the staff of the Fund'.

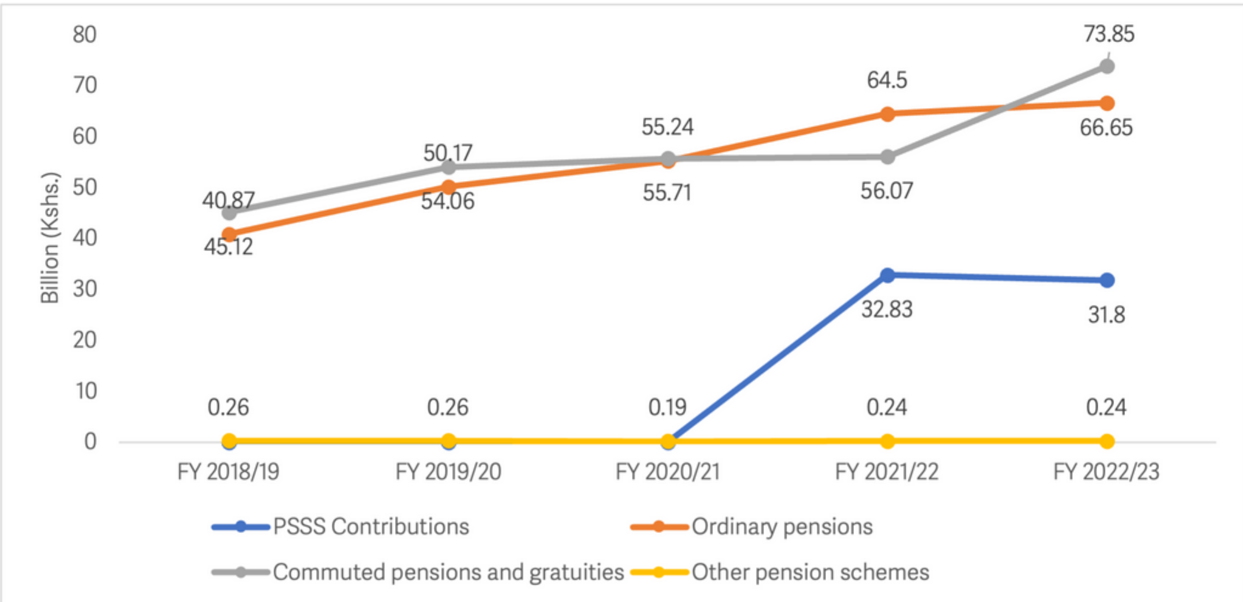
Figure 22: Snippet on Approved Expenditure on the PSSS

HEAD	ITEM	DESCRIPTION	REVISED ESTIMATES 2020/2021 Kshs	PRINTED ESTIMATES 2021/2022 Kshs	PRINTED ESTIMATES 2022/2023 Kshs	REVISED ESTIMATES 2022/2023 Kshs	PRINTED ESTIMATES 2023/2024 Kshs	PRINTED ESTIMATES 2024/2025 Kshs	PRINTED ESTIMATES 2025/2026 Kshs	PRINTED ESTIMATES 2026/2027 Kshs
		R51-CONSOLIDATED FUND SERVICES								
		(2) R51 PENSIONS 2710100 - PENSIONS								
		SUMMARY								
511		ORDINARY PENSION	55,240,124,933	64,098,808,732	69,549,246,946	66,654,246,946	82,933,732,361	91,227,105,597	100,349,816,157	100,349,816,157
512		COMMUTED PENSION	55,710,256,299	68,469,058,655	76,159,952,961	73,847,952,961	77,557,267,943	85,182,994,737	93,681,294,211	93,681,294,211
513		OTHER PENSION SCHEMES	192,100,000	242,100,000	242,100,000	242,100,000	134,100,000	132,100,000	131,100,000	131,100,000
514		PUBLIC SERVICE SUPERANNUATION SCHEME	-	20,829,625,781	25,876,979,994	31,895,249,224	28,464,677,993	31,311,145,793	34,442,260,372	34,442,260,373
		TOTAL Kshs	111,142,481,232	153,639,593,168	171,828,279,900	172,639,549,130	189,089,778,297	207,853,346,127	228,604,470,740	228,604,470,741
		DETAILS								
511		ORDINARY PENSION								
	2710107	Monthly Pension-Civil Servants	36,053,997,338	40,260,477,018	43,213,524,720	43,213,524,720	51,424,094,417	56,566,503,858	62,223,154,244	62,223,154,244
	2710108	Monthly Pension Members of Parliament	1,221,332,300	1,487,892,176	1,736,681,394	1,736,681,394	3,256,650,858	3,582,315,944	3,940,547,539	3,940,547,539
	2710109	Monthly Pension - Military	10,802,935,885	13,219,288,191	14,541,217,010	11,741,217,010	16,304,048,242	17,934,453,066	19,727,898,373	19,727,898,373
	2710110	Monthly Pension-Retired Presidents	34,426,600	34,426,600	42,426,600	42,426,600	42,776,150	47,053,765	51,759,141	51,759,141
	______	Monthly Pension -Retired Deputy Presidents &other state officers	50,000,000	50,000,000	64,000,000	64,000,000	64,000,000	70,400,000	77,440,000	77,440,000
	2710112	Pensions-Dependants	2,045,544,130	3,411,009,426	3,752,110,368	3,752,110,368	4,465,011,338	4,911,512,472	5,402,663,720	5,402,663,720
	2710113	Quarterly Injury-Military	43,342,221	48,543,287	53,397,616	53,397,616	63,543,163	69,897,479	76,887,227	76,887,227
	2710115	Refund Exgratia and Other Service Gratuities	140,787	157,682	173,450	173,450	206,405	227,046	249,750	249,750
	2710116	Widows and Children-Military	1,599,932,672	1,791,924,593	1,971,117,052	1,950,117,052	2,345,629,292	2,580,192,221	2,838,211,444	2,838,211,444
	2710117	Widows and Children Pension-Civil Servants	3,388,473,000	3,795,089,760	4,174,598,736	4,100,598,736	4,967,772,496	5,464,549,745	6,011,004,720	6,011,004,720
		SUB -TOTAL Kshs	55,240,124,933	64,098,808,732	69,549,246,946	66,654,246,946	82,933,732,361	91,227,105,597	100,349,816,157	100,349,816,157
512		COMMUTED PENSION								
	2710102	2710102 Gratuity - Civil Servants	43,597,874,890	50,541,171,877	55,621,499,064	55,621,499,064	55,926,633,680	61,519,297,048	67,671,226,752.80	67,671,226,752.80
	2710103	2710103 Gratuity - Members of Parliament	983,170,000	983,170,000	1,827,265,440	1,827,265,440	200,000,000	200,000,000	200,000,000.00	200,000,000.00
	2710104	2710104 Gratuity - Military	10,729,211,409	16,494,716,778	18,039,188,456	16,039,188,456	21,330,634,263	23,463,697,689	25,810,067,457.89	25,810,067,457.89
	2710106	2710106 Gratuity - Retired Presidents	-	-	72,000,000	60,000,000	-	-	-	-
		______ Gratuity - Retired Deputy Presidents & Designated State Officers****	400,000,000	450,000,000	600,000,000	300,000,000	100,000,000	-	-	-
		SUB-TOTAL Kshs	55,710,256,299	68,469,058,655	76,159,952,961	73,847,952,961	77,557,267,943	85,182,994,737	93,681,294,211	93,681,294,211
514		PUBLIC SERVICE SUPERANNUATION SCHEME								
	2120100	Employer Contributions to Staff Pensions Scheme	-	20,829,625,781	25,876,979,994	31,895,249,224	28,464,677,993	31,311,145,793	34,442,260,372	34,442,260,373
		SUB-TOTAL Kshs	-	20,829,625,781	25,876,979,994	31,895,249,224	28,464,677,993	31,311,145,793	34,442,260,372	34,442,260,373
513		OTHER PENSION SCHEMES								
	2720101	Refund of Pension to UK Government	100,000,000	150,000,000	150,000,000	150,000,000	42,000,000	40,000,000	39,000,000	39,000,000
	2720200	Refund of Contributions to Other Pension Schemes	-			-				
	2720201	Refund of Contributions to WCPS & Other Exgratia	92,100,000	92,100,000	92,100,000	92,100,000	92,100,000	92,100,000	92,100,000	92,100,000
		SUB-TOTAL Kshs	192,100,000	242,100,000	242,100,000	242,100,000	134,100,000	132,100,000	131,100,000	131,100,000
	TOTAL	PENSIONS Kshs	111,142,481,232	153,639,593,168	171,828,279,900	172,639,549,130	189,089,778,297	207,853,346,127	228,604,470,740	228,604,470,741

Source: National Programme Based Budget 2023/24, National Treasury

The available budget documents between FY 2018/19 and FY 2022/23 reviewed show that information on how government budgets for the provision of social security for civil servants is limited. For all of the years, information on allocations to state pension payments of different kinds is well documented in the programme-based budget as shown in the snippet above. The Figure 22 below shows the growth in budgetary allocations made for the different categories of pension payments.[14]

Figure 23: Trends in CSPS budget allocations FY 2018/19 -2022/23

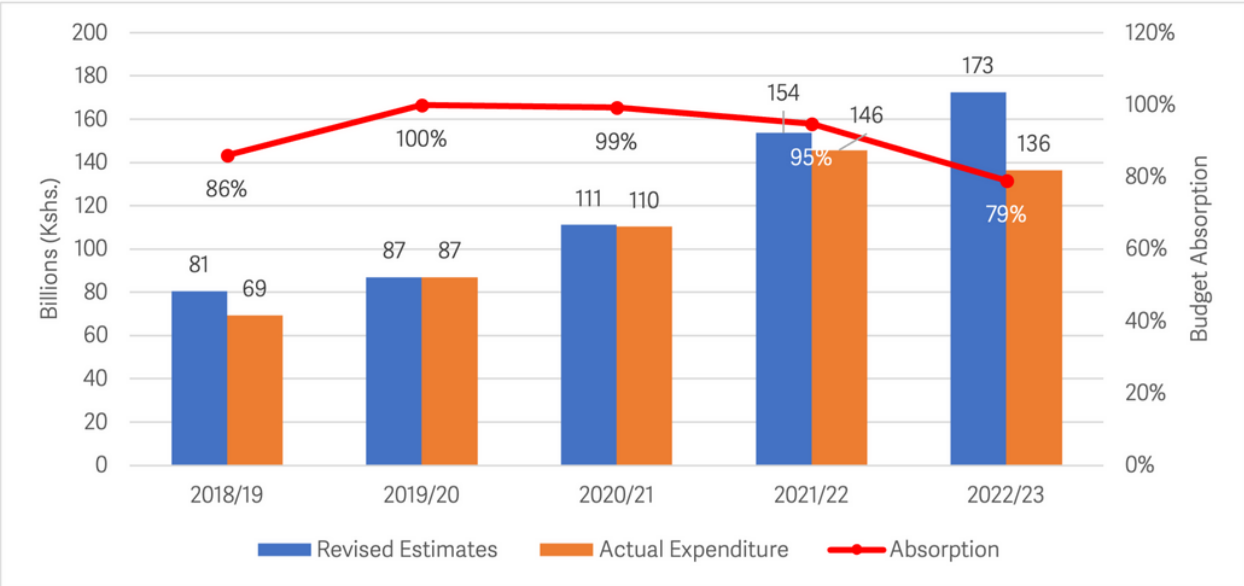


Source: National programme Based Budget FY 2018/19 - 2022/23, National Treasury

[14] Notably, the PSSS contributes start in FY 2021/22 when the fund was introduced. These represent budget allocations made the government as contributions towards employee pensions, rather than pension payments.

However, Controller of Budget reports on the implementation of the national budget between FY 2018/19 - 2022/23 lack expenditure performance information disaggregated by the different categories of pension payments. As shown in Figure 23, only aggregated information on allocated and actual expenditure appears for each of the years under Pensions and Gratuities. The data shows that expenditure performance in overall pension payments has fallen from 89% to 79% in the last five years, but once rose to a high of 100% absorption in FY 2019/20. The declining trend signals a worsening ability of national government to provide social security to its covered employees when needed.

Figure 24: Expenditure performance for Pensions and Gratuities (FY 2018/19 - 2022/23)

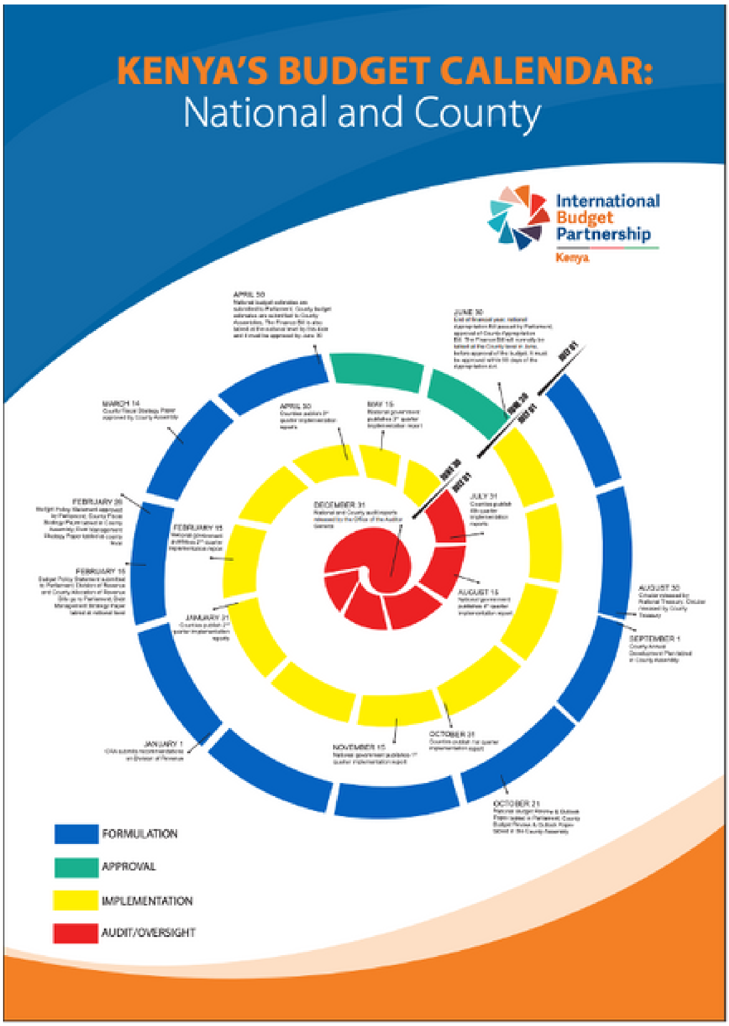


Source: Annual National Budget Implementation Reports FY 2018/19 - 2022/23, Controller of Budget

The latest COB implementation report FY 2022/23 cites downtime in the Pension Information System and delay in the release of the exchequer to fund Pensions as reasons for the recent poor performance in expenditure of pension payments. There is a notable lack of information on the number of civil servants covered the current PSSS scheme or their contributions in budget documents, making it difficult to assess the coverage of social security in the public sector.

3. Public Participation in Social Protection Budgeting

A public finance management system comprises the decisions and stakeholders involved in the distribution of public resources among competing priorities. As these public resources belong to them, the involvement and participation of the public in the budgeting process contributes its effectiveness and credibility and demands robust mechanisms of inclusion.



Source: IBP Kenya

Kenya's budgeting process has four major stages: formulation, approval, implementation, and evaluation/audit. While the decisions made may differ at each stage, they should be and often are interdependent. For instance, the priorities set during the formulation process are related to the spending allocations approved in the approval stage, and therefore the actual delivery of services in the implementation stage.

The following section outlines the place of public participation in Kenya's national budgeting cycle and identifies the opportunities for the public to get involved in sectoral budgeting processes with a focus on the social protection sector.

Budget Formulation Stage

Sector Hearings

Sector hearings are the first key opportunity in the budget process for the public to impact prioritization and financing within specific sectors. At the beginning of the budget process, the National Treasury brings together sector working groups (SWGs), which are intended to deliberate upon and present proposals on the priorities and funding allocations for specific sectors in the coming financial year.

Along the process of preparing these proposals, the National Treasury offers the public an opportunity to provide their input through sector specific public forums, known as sector hearings. By this point in the year (around October-November), the National Treasury should have published the Budget Review and Outlook Paper (BROP), which among other purposes provides a provisional indication of what will be allocated to the different sectors in the coming financial year.

Sector hearings thus should essentially ask the public whether they agree with the proposed distribution of funds across the sectors as was proposed in the BROP. They are also an opportunity to look at sector plans, the money that each sector will get under the proposed distribution of funds and give views on whether this is how that new/additional money should be used. (See IBPK guide on sector hearings)

Key documents to refer to at this stage include:

- Budget Review and Outlook Paper – National Treasury
- Social Protection, Culture & Recreation Sector Budget Proposal Reports - National Treasury
- Approved Program-Based Budget of the current financial year – National Treasury
- Annual Budget Implementation Report for the previous financial year - Controller of Budget
- At the County level, this public input informs the final departmental allocations in the County Fiscal Strategy Paper (CFSP) and the sector ceilings at national level in the Budget Policy Statement (BPS) in February.

However, sector hearings have been historically exclusive due to the fact that they are often centralized – being conducted in Nairobi (the capital). This sometimes hinders members of the

[13] According to Clause 43 of the PSSS Act 2012, the fund shall provide for the 'payment of pensions, gratuities and other charges in respect of the retirement benefits due to the staff of the Fund'.

public residing outside of the capital from participating in this stage of the budget process, despite it being a national level process.

Box 3: What is a Sector?

A sector is a group of ministries, departments and agencies (MDAs) that carry out related activities. The national government has ten sectors, each of which is broken down into a number of sub-sectors. For example, the Social Protection, Culture, and Recreation sector involves six sub-sectors: Development of the Arid and Semi-Arid Lands (ASALs); Sports; Culture and Heritage; Labour; Social Protection and Gender. Administratively, it involves the State Department for Social Protection and Senior Citizens Affairs and the State Department for ASALs and Regional Development.

In budget documents, each MDA is broken down into what are known as programmes. A programme is away of organizing government activities around a set of objectives. For example, a programme might be designed to enhance access, quality, equity and relevance of primary education. Most programmes are further broken down into sub-programmes. This is done because programme objectives are broad and need to be further refined. So, sub-programmes have refined objectives within each programme.

Finally, each programme and sub-programme is broken down into what is called an economic classification, which tells us what the spending in that programme is for, such as paying staff (compensation to employees) or running offices and providing services (use of goods and services).

Budget Policy Statement (BPS)

In the Kenyan budget process, the decision about how much to allocate to each sector is made first, and then sectors develop detailed budgets based on the budget that they have been given. This sector budget is often known as a “ceiling.” Once the sector receives a ceiling, each ministry then develops its detailed budget for the next year. The final decision about how much each sector should receive is set in the Budget Policy Statement (BPS).

The BPS sets out broad strategic priorities and policy goals guiding the national and county governments in preparation of their budgets for the upcoming financial year and over the medium term. Its importance stems from that fact that it sets the overall size of the budget, looking at the overall revenue, expenditure, deficit and debt projections for the coming year and gives an overview of the distribution of spending at sector level.

More importantly, provision 25 (5) of the Public Finance Management Act 2012 demands that the National Treasury seek and take into account the input of the public in the preparation of the Budget Policy Statement.

More importantly, provision 25 (5) of the Public Finance Management Act 2012 demands that the National Treasury seek and take into account the input of the public in the preparation of

the Budget Policy Statement. This presents a key opportunity for sector-specific stakeholders to influence the final total budget allocation of the sector down to the sub-programme level, as well as the larger policy priorities to be fulfilled in the coming financial year.

Budget ceilings and priorities approved in the Budget Policy Statement should then inform final proposed and approved budget allocations.

Budget Estimates

The program-based budget estimates often referred to as 'the budget' due to the level of detail contained, marks the last phase of the formulation stage. Based on the sectoral budget ceilings presented in the BPS, the program-based budget provides estimates revenue and the expenditure allocations to the various programmes and sub-programmes under the MDAs within a sector for the coming financial year.

Programme-based budgets (PBBs) were introduced to improve the process of how governments prioritize services that have the best value for citizens through a clear prioritization process. In addition, they give governments a platform to ensure their budgets are efficient and effective with clear targets and milestones of what need to be achieved and in what timeliness. Most importantly, they provide citizens with a better platform to understand the justification for policy decisions that are made through government budgets than line-item budgets.

PBBs organize budgets around a set of objectives implemented through clear programmes spread across different Ministries, Departments and Agencies (MDAs) of government. These budgets also come with clear performance information that is supposed to help set milestones to achieve the programme objectives.

The Public Finance Management Act of 2012 stipulates that submission of the budget estimates and related documents to Parliament (for approval), should be done by the National Treasury by 30th April each year. The National Assembly should then consider the budget estimates with a view to approving them with or without amendments, by 30th June. In consideration of the estimates, the PFM Act of 2012 requires that the National assembly take into account to the input of the public.

Budget Implementation Stage

The budget implementation stage marks the beginning of the implementation of the budget as formulated and approved. Implementation is the longest stage of the budget cycle, spanning the full length of a financial year. Notably, the implementation stage is where money is actively being disbursed from the Consolidated Fund to MDAs, state corporations, county governments and other entities for the purposes of delivering planned services.

Article 228(6) of the Constitution of Kenya, 2010, and Section 9 of the Controller of Budget Act, 2016, requires the Controller of Budget (CoB) to submit to Parliament quarterly budget implementation reports of the national and county governments within thirty days after the end of each quarter.

The CoB reports provide data on budget absorption at the sector, sub-sector and programmatic level nationally. Beyond this, they give an idea of how well MDAs are implementing their budgets each quarter.

During the financial year, the National Treasury also releases Quarterly Economic Budgetary Review (QEBR) reports that provide an overall indication of both economic, and budgetary performance each quarter. The PFM Act of 2012 also provides leeway for the national government to introduce supplementary budgets during the financial year, which present in-year adjustments made to different government programmes under the various MDAs to the approved budget to account for unforeseen events or expenditure.[15]

While the implementation stage does not often present opportunities for public participation, it remains a critical stage of engagement for the public. The budget documents released in the stage give an indication of budget performance within all government sector, providing an active basis of accountability on service delivery challenges that may arise. IBP Kenya's research into supplementary budgets also shows the risks to budget implementation presented by multiple in-year adjustments. These documents often provide little non-financial information or narrative on the financial adjustments made to MDA budgets, creating the possibility reprioritization, accumulation of pending bills and stalling of infrastructure projects.

Therefore, the sector stakeholders retain a crucial role in ensuring the credibility of the public budgets by engaging with the various government entities within the sector. In the past, this has occurred through this submission of memoranda and physical meetings with state agencies through requests.

[15] Supplementary budgets are anchored in Kenya's 2010 Constitution. Article 223 stipulates the conditions under which additional money can be appropriated through supplementary budgets, including a) if the amount appropriated for any purpose under the Appropriation Act is insufficient or a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act; or b) money has been withdrawn from the Contingencies Fund.

4. Challenges and Opportunities

Social protection as a tool to alleviate poverty and encourage economic participation demands that governments maintain transparent, progressive and innovative financing/budgeting systems. From the findings of this paper in Kenya, a number of observations arise concerning social protection budgeting.

1 Social protection programs continue to account for a smaller and smaller percentage of the national budget.

Social protection programs in Kenya continue to receive less state resources over time despite policy commitments to identify new and additional resources to support the sector's budget, and the relatively good performance of expenditure of programs within the sector. One reason for this explored in this research paper is low attraction of external funding.

Available data on the sources of funding for social protection programs also shows both a dependency on government expenditure and low levels of external funding. While additional external funding presents the risk of delayed implementation like in the case of the Kenya Social Economic Inclusion Project, a dependency or national government financing means that the growth of social protection spending in Kenya remains closely dependent on the domestic availability of fiscal space as opposed to service delivery demand.

The dependency of social protection delivery on national government spending has two important implications:

- First, the growth and stability of financing for social protection initiatives demands fiscal policy measures that increase the national resource envelope and a re-allocate expenditure overtime. In some jurisdictions, his has meant innovating tax policy to ear-mark key taxes for social protection programs. Examples of this include regimes in Zambia, Ghana, Gabon, Liberia and Mauritius. Other options available to Kenya include restructuring of public debt and re-allocation of debt service expenditures to social protection programs given the crowding effect of these expenditures. However, care must be taken to ensure that changes to fiscal policy are done fairly and do not leave citizens worse off. Adverse examples of this could include increasing consumption taxes (which impact heavily on the poor) to finance protection programs or arbitrarily reallocating expenditure from other social sectors e.g. health and education, to social protection.

- Second, there is need to create a mechanism to attract and pool official development assistance in a bid to enhance financing for the social protection sector. The NSPP, 2011 speaks to the establishment of a 'Consolidated Social Protection fund' to be administered by the national social protection council in line with Kenya's Vision 2030. The aim of the fund is to provide a platform to mobilize and pool donor funds for social protection programs in Kenya. To this end, regulations introducing a National Social Assistance Fund were devised by the National Treasury in 2019. However, these regulations were never brought into law, and donor funding for social protections still separately accrue to ministry developments and agencies at the national level.

2 The implementation of social protection remains fragmented.

Section 2 above shows that social protection in Kenya involves a number of initiatives beyond the social protection culture and recreation sector, including health and education programmes. The resulting fragmentation of social protection programmes across different ministries, agencies and levels of government means that there are resources allocated to the social protection initiatives outside the SPCR sector as defined by the Classification of the Functions of Government (COFOG). For example, in the FY 2023/24, the approved national budget contained 17 different social protection interventions, across 8 different MDAs in 4 different sectors. Looking off-budget, one can add the National Social Security Fund to the list.

The fragmented approach to social protection presents both governance and coordination challenges. For the state, this approach hinders a comprehensive and organized management of social protection initiatives, creating issues such as overlapping beneficiaries and siloed reforms. This is in recognition of the fact that some of these social protection programs appear to fall outside of the ambit of the National Social Protection policy. For the citizen, fragmentation creates multiple accountability fronts - where participation in the budgeting for and follow-up on social protection initiatives by members of the public must occur with state actors in multiple sectors, demanding a multi-pronged advocacy approach. The fragmentation of accountability remains particularly concerning from a service delivery perspective, as the beneficiaries of social protection services may need to engage with multiple duty bearers to express their priorities and feedback with regards to public services.

3 Transparency challenges persist.

Transparency and accountability remains a key challenge to social protection budgeting in Kenya. The gaps in both financial and non-financial information on social protection programs in national government budget documents hinders a complete and effective assessment of the financing of social protection, the performance of social protection spending, and the ultimate impact of this spending on a year-to-year basis. Notably, there is considerably more transparency in social assistance programmes than that of social health insurance and social security initiatives.[16]

With regards to financial information, it is good practice for budget documents to disclose approved allocations, actual expenditures, sources of funding of social protection programmes. In the case of contributory schemes, data on contributions should be availed. Moreover, it is pertinent that the national government provide clear and adequate explanations for expendi-

16 This part has to do with the fact that the implementing agencies of health insurance and Social Security programs are state corporations, while social assistance program is a primarily directly implemented by ministries, departments, and agencies of the national government.

-ture performance trends from year-to-year.

Non-financial performance social protection programs remains the least transparent in national government budget documents. Limited information provided on service delivery targets of social protection programmes makes difficult an assessment of the true size and coverage social protection in Kenya. Moreover, the lack of information on actual beneficiaries of social protection programmes over the years hinders comparative assessments of the impact social protection spending against the potential service delivery demand. In order for the public to track and quantify the implementation of social protection programs, there is a need for more comprehensive data collection by the state and inclusion of this data in budget documents.

4 Lack of Adequate Opportunities for Public Participation

The principle of public participation in Kenya finds its basis in a number of legal instruments including the Constitution of 2010 and the public finance management act of 2012. However, the architecture of Kenya's budget cycle has typically emphasized public participation at specific stages of the budget cycle relative to others. In practice, more public participation opportunities tend to be extended by state agencies in the formulation stage relative to the implementation stage of the budget cycle. This often means that the public are more involved in the process of setting of priorities and allocations for the year than the process of implementation and follow-up of service delivery within the year.

The formulation and implementation stage are equally crucial platforms for the planning and delivery of social protection programs in Kenya. Where budgets are not implemented as formulated, services are often not delivered as planned, necessitating mechanisms through which the public can actively hold their governments to account within the budget year. The quarterly budget implementation reports published by the Controller of Budget are a key enabler to this, providing the public with information on quarterly budget performance of national government social protection programmes. However, the public must equally be provided with opportunities to act on this information, and follow up with the relevant ministries, departments, or agencies on the implementation of their budgets, and ultimately the delivery of social protection programmes.

ANNEX 1: Laws, Regulations and Policies on Social Protection in Kenya

Type of Law	Sector	Law	Policy
Sector Specific	Health	Health Act of 2017 National Hospital Insurance Fund Act of 1998	The Kenya Health Policy (2014–2030)
	Education	Education Act of 1980	National School Meals and Nutrition Strategy 2017–2022
	Social Protection	Social Assistance Act of 2013	National Social Protection Policy of 2011
Vulnerability-focused	General	Public Finance Management Act of 2012	
	Social Security	National Social Security Fund Act of 2013 The National Social Security Fund (Member Contributions) Regulations, 2014 Retirement Benefits Act of 1997 The Pension Act of 1986	
	Children	Children's Act of 2022	The National Children Policy Kenya of 2010
	Labor–Decent work	Employment Act of 2007 The Occupational Safety and Health Act of 2007	
	PWDS	The Persons with Disability Act 2003	National Policy For Persons With Disabilities
	Youth		The National Policy on Youth of 2006)
	Women		National Gender and Development Policy (2019)
	Elderly		National Policy on Older Persons and Aging (2009)
Public Finance Related	Affirmative Action	The Public Finance Management (Affirmative Action Social Development Fund) Regulations, (2015) Public Finance Management (National Government Affirmative Action Fund) Regulations (2016) Government Financial Management (Women Enterprise Fund) Regulations, 2007	
	ASAL	The National Drought Management Authority Act Of 2016	National Policy for the Sustainable Development of Arid and Semi-Arid Lands (2007)
Locality Based	Constituencies	Constituencies Development Fund Act 2015 The National Government Constituencies Development Fund Regulations, 2016	

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For more information:

International Budget Partnership Kenya (IBP Kenya)
Office: Kilimani Business Centre,
Office 9, Kirichwa Road
P.O. Box 21868-00505 Nairobi- Kenya
+254 791 183 600
infokenya@internationalbudget.org

@IBPKenya
IBPKenya
International Budget Partnership Kenya
International Budget Partnership Kenya

The International Budget Partnership (IBP) headquarters:
750 First Street NE, Suite 700
Washington, D.C. 20002
Tel: +1 202 792 6833

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info@internationalbudget.org or visit
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