

The Complementarity Initiative

Bringing Hunger Solutions to Kenya's Safety Net System



Special Edition
Jul-Sept 2015

The continuing story of WFP's switch to cash in Kenya

Inside this update:

Timeline of social cash transfer programmes in Kenya

Searching for the best delivery mechanism

Are cash transfers more cost-efficient than in-kind food?

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- *Interview with Winnie Mwasijaji, Social Protection Secretariat Coordinator, Ministry of Labour, Social Security and Services*

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WFP has been supporting the Government to fight hunger in Kenya since the 1970s. The programmes have evolved considerably over the years—aimed more and more at building resilience, strengthening local markets, and transitioning to a government-owned safety net—and in 2010 WFP followed the Government's lead and began switching its transfer modality from in-kind food to cash.

The first social cash transfer programme in Kenya was the Government's Cash Transfers to Orphans and Vulnerable Children (CT-OVC), launched in 2005 with support from the World Bank and UNICEF. This milestone catalyzed a series of new cash transfer programmes targeting older persons, persons with severe disabilities, poor and food insecure households and primary school children in the arid and semi-arid lands (ASALs) and unplanned urban areas. (See timeline of social cash transfer programmes launched in Kenya.)

WFP first began introducing cash transfers into its resilience (or asset creation) programmes in 2010 with a mini-pilot targeting 22,000 beneficiaries (3,660 households) in Kitui County, and a plan to scale up to 486,000 beneficiaries (80,000 households) across the semi-arid areas in 2011. These plans were interrupted by the 2011 drought, which left 3.8 million Kenyans in need of immediate food assistance. In addition to scaling up its in-kind programmes to meet the new needs, WFP also provided emergency cash transfers to more than 520,000 beneficiaries (87,000 households), bringing the total number of cash transfer beneficiaries in WFP's programmes for a period in 2011 and early 2012 to more than 1 million.

WFP learned a lot during the scale up, and some of the lessons were painful. For example, we learned that bank accounts/cards are not a good delivery mechanism for a rapid response. Unless a programme is willing to invest, as an emergency preparedness measure, in accounts and cards for the entire population, the process of opening accounts and issuing cards is just not agile enough for an emergency response, and people who have never banked before need a lot of training to use their new cards and accounts effectively. There's rarely time for this during an emergency.

The Complementarity Initiative

Bringing Hunger Solutions to Kenya's Safety Nets System



What is the "Complementarity Initiative"? Quick Recap...

Under the Complementarity Initiative, WFP has committed to supporting the National Social Protection Secretariat over the next 4 years to:

1. Develop a *Complementarity Strategy* that describes how hunger solutions are (or will be) integrated into Kenya's safety net system.
2. Enhance the National Social Protection *Single Registry* to ensure government has access to and can use data about who is receiving what, where, and under which programme.
3. Improve accountability by establishing a strong *Complaints and Grievances Mechanism*, including a toll-free line that anyone can call for information about safety net programmes, or to report a problem or wrongdoing.
4. Establish a plan for a *Productive Safety Net Programme* for poor and food insecure households to work on projects that contribute to their own and their communities' resilience.
5. Roll-out *National Guidelines for Food Assistance Programmes*, to guide programme designers and implementers at the national and county levels.

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This early learning sparked a 3-year journey to find the best delivery mechanisms for cash transfers in Kenya: for emergencies, for longer-term programmes, and for our programmes in the refugee camps. (See next article.)

In 2013, an opportunity for testing cash transfers for school meals presented itself to WFP. School feeding is one of the longest standing and largest safety nets for children in the arid lands of Kenya. The Government of Kenya had introduced its own cash-based school meals programme in the semi-arid lands in 2009, but expansion of this programme into the arid lands with low agricultural production had met with skepticism. WFP committed to testing a home-grown model in one arid county (Isiolo) to see if it was feasible to send cash to even the remotest schools so that they could purchase ingredients for the meals in the local market. The pilot was a success, demonstrating that local markets in arid areas can also respond to an institutional demand. The model proved cost-effective and established a level of confidence for the continued expansion of the national

Home Grown School Meals Programme into the arid counties.

Where we are going next

Ultimately, the switch from in-kind to cash transfers is about achieving more with limited resources, aligning our programmes with Kenya's social protection policy, and integrating food assistance into Kenya's rapidly evolving safety net system.

WFP is continuing the shift from in-kind to cash transfers. This year, Nairobi schools in unplanned urban settlements will switch to cash. In Isiolo, General Food Distribution will be replaced by Unconditional Cash Transfers by the end of the year, and in Makueni beneficiaries participating in asset creation programmes will start receiving cash instead of food. Bamba Chakula, WFP's new cash-based programme will finish its roll-out to all 450,000 refugees living in Kakuma and Dadaab by the end of 2015. Resources permitting, relief and resilience programmes in Samburu and Baringo will switch to cash in early 2016.

WFP's "seismic shift" from in-kind food aid to electronic cash transfers in Kenya

WFP in Kenya went from zero to 1.1 million cash transfer beneficiaries in 2 years. Following the 2011 drought, a number of knowledge institutions captured lessons from what CGAP (Consultative Group to Assist the Poor) has dubbed WFP's "seismic shift" from in-kind food to electronic transfers in Kenya, and documented the reason why we spent the subsequent 3 years investing in learning about delivery mechanisms.

1. Focus Note: Electronic G2P Payments: Evidence from Four Lower-Income Countries
2. Humanitarian crisis, emergency preparedness and response: the role of business and the private sector: Kenya case study
3. Cash for Assets - World Food Programme's Exploration of the In-Kind to E-Payments Shift for Food Assistance in Kenya
4. Better than Cash: Piloting E-Payments for Food Assistance in Kenya: The World Food Programme's "Cash for Assets" Initiative



Finding the best cash transfer delivery mechanisms

For more than 4 years, WFP has been investing in testing delivery mechanisms for cash transfer programmes with a view to broadening the tools available, improving competition and service levels to beneficiaries, and bringing costs down. As a result, WFP now has hands-on experience with four financial services providers (two banks and two mobile network operators), and five different delivery mechanisms. Learning from these is summarized below.

1. Electronic cash transfers: account/agent

In 2011, WFP Kenya began using cash transfers at scale in its resilience (or asset creation) programme. Transfers were electronic, made directly from WFP's account to beneficiaries' personal accounts opened with a commercial bank. Beneficiaries used their magnetic stripe ATM cards to withdraw cash at village bank agents equipped with POS (Point of Sale) terminals. In 2012, WFP retendered for financial services for the programme, and selected another commercial bank, that implemented the same delivery mechanism in 2013, though this time using EMV (a global standard for credit and debit payment cards based on chip card technology) cards in line with changes to Kenya's banking regulations.

The account/agent model has worked well in the resilience setting, expanding financial services to previously unbanked communities and providing WFP with a secure means of delivering large-scale transfers in multi-year programmes that target a relatively static caseload. The mechanism required significant investment in financial literacy training because households were not familiar with bank accounts or cards, and at first did not trust the banks or bank agents. The main challenge was the KYC (Know Your Customer), account opening, and card production/dissemination processes,



which are slow and cumbersome, limiting the potential for this mechanism in any context requiring a rapid scale up, with low ID coverage, or where security is volatile and tensions are easily exacerbated.

2. Mobile Money Services (MMS)

In 2012 WFP Kenya successfully tested cash transfers to beneficiaries through mobile money with 2 mobile network operators in 3 arid counties (Turkana, Wajir, and Isiolo). Critical to beneficiary satisfaction with the transfers were: the stability of the platform, the number of available agents, distances to agents, waiting time at the agents, and prior familiarity with the product.

Roll-out of mobile money was considerably lighter than the account/agent (or bankcard) model, as beneficiary familiarity with and trust in the products was already very high, and the SIM card distribution and account activation processes were streamlined and could be carried out in a single exercise with minimal training.

3. Electronic cash transfers: account/merchant (aka "cash-lite")

In June 2013, WFP started rolling out a refinement of the account/agent model that allowed beneficiaries to both receive and spend their money electronically. Physical cash is a constraint in many remote areas – it is costly to transport and handle, and comes with security risks to retailers and beneficiaries alike. By equipping local food retailers with POS terminals, beneficiaries could buy their food with their card, just like using an ATM to buy groceries.

Initially the pilot had planned to use mPOS instead of POS; mPOS is a lighter solution, which would reduce the investment required by retailers and presumably increase the number of small retailers who could participate. Delays in certifying mPOS in Kenya, and the heavy investment in the full POS terminals (along with the relatively high transaction fees for retailers) constrained further expansion of the pilot, and resulted in higher food

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prices being charged to cardholders than to customers shopping with physical cash.

Currently the Cash-lite programme covers 2,000 households in Isiolo and Samburu. As with the account/agent model, significant effort went into financial literacy training, and the provision of cards and account-opening processes were lengthy. Even with the accumulated experience of more than 3 years with the account/agent model, the banks' processes have not significantly improved. This confirmed for WFP that the set up and implementation required for a card-based solution for households that have not had much experience in holding bank accounts or using cards would be slow and intensive, ultimately adding to operational costs.

4. Barcoded paper vouchers

In 2013, WFP launched a voucher pilot in Dadaab targeting pregnant and nursing mothers. The pilot used a barcoded paper voucher solution developed in-house by WFP. One of the most significant achievements of the system was that retailers received their payment within 48 hours. While the system works very well, the paper vouchers themselves are a constraint. Handling them is labour-intensive and time-consuming, and introduces unnecessary risks into the process.

5. Digital wallets

To overcome the constraints of paper vouchers, and recognizing the limitations of an account/card-based system in the refugee camps where IDs are few and retailers are very small, in 2015 WFP began testing digital wallets, and is currently rolling these out to deliver its new *Bamba Chakula* ("Get your food" in Kiswahili) programme to refugees in Kakuma and Dadaab. The new system allows WFP to do restricted cash transfers through mobile phones, with costs considerably lower than any of the other delivery mechanisms that WFP has tested in Kenya to date. Lessons about this delivery mechanism will be available in January next year.

The National Safety Net Programme



Cash Transfers to Orphans and Vulnerable Children (CT-OVC)

The CT-OVC programme is one of Kenya's first social assistance cash transfer programmes and has been running for a decade. It started with a pilot by the Government of Kenya and UNICEF to mitigate against HIV/AIDS. The pilot targeted 500 households with orphans and vulnerable children in the three districts: Garissa, Kwale and Nairobi. Since then the programme has grown to support 255,000 households, more than 1.5 million people.

The objective is to strengthen the capacity of families to care for and protect the orphans and vulnerable children living with them, and to promote their human capital development. The aim is to help these children escape the inter-generational poverty cycle.

The programme has ambitious expansion plans for 2015/16, to cover 100,000 more households (600,000 more beneficiaries) across the country. Transfers are bi-monthly through Equity Bank and Kenya Commercial Bank (KCB), with biometric checks. All caregivers are enrolled and issued with smartcards.

The programme is managed by the Ministry of Labour, Social Security and Services through the Department of Children's Services, which has an established secretariat that is charged with the coordination and implementation of the programme.

Older Persons Cash Transfers (OPCT)

The OPCT programme targets poor and vulnerable older persons (≥ 65 years) living in poor households. It aims to strengthen the capacity of older people

to improve their livelihoods while cushioning them and their families from income threatening risk such as sickness and poor health. Beneficiaries are paid electronically through KCB upon biometric registration.

The programme started on a pilot basis in three districts: Thika, Nyando and Busia in 2007 targeting 300 households and since then has grown to reach 225,000 households (1.4 million beneficiaries) across the country. By 2017, the programme is expected to assist 475,000 households (almost 3 million people). The programme is managed by the Ministry of Labour, Social Services, and Security (Department of Social Development).

Cash Transfers to Persons with Severe Disabilities (CT-PWSD)

Cash Transfers to Persons with Severe Disabilities was started in 2010. The

objective of the programme is to enhance the capacities of the caregivers through cash transfers, thereby improving the welfare of persons with severe disabilities and mitigating the effect of the disability to the household.

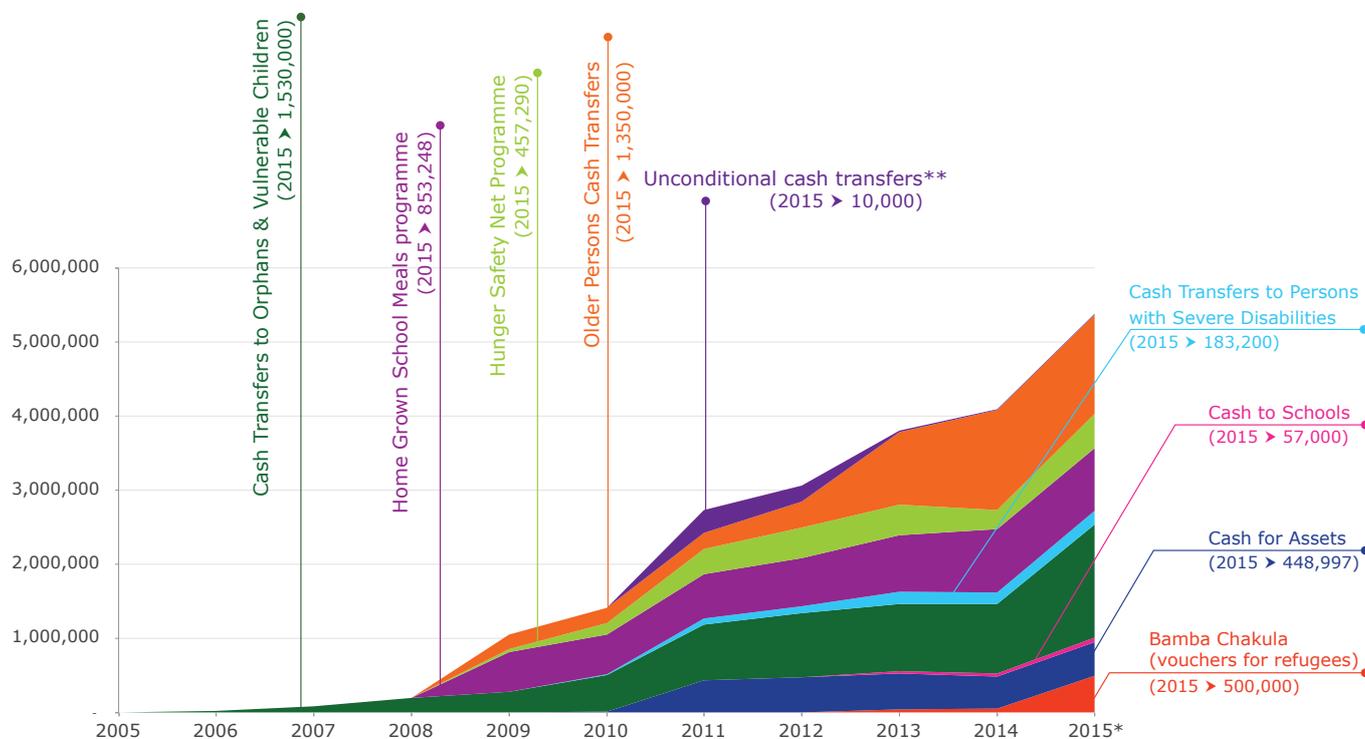
More than 27,000 households with persons with severe disabilities are benefiting from monthly electronic cash transfers through KCB. The programme is managed by the Ministry of Labour, Social Services, and Security (Department of Social Development).

Hunger Safety Net Programme (HSNP)

HSNP 1 (2009-2012) was piloted in four of the poorest ASAL Counties: Turkana, Marsabit, Mandera and Wajir. It provided cash transfers bi-monthly to 69,000 households as an alternative to food aid. It aimed

to reduce poverty, food insecurity and promote asset retention and accumulation in poor households. Electronic payment was made via a biometric smart card through Equity Bank. HSNP 2 (2013-2017) has expanded to reach up to 100,000 households. It is a Government of Kenya flagship programme under the Ministry of Devolution and Planning and managed by National Drought Management Authority. HSNP2 is funded by the Government and DFID. Electronic payments are currently made into beneficiary bank accounts and accessed via biometric and PIN validation through an ATM Mastercard at Equity Bank Agents, Bank Branches and ATMs. The current programme can now expand during times of weather shocks (e.g. drought and flood risk) to cover additional households. Up to an additional 272,100 households are being given bank accounts and ATM cards as a platform for an earlier crisis response.

Ten years expansion of Cash Transfer Safety Nets (2005 – 2015)

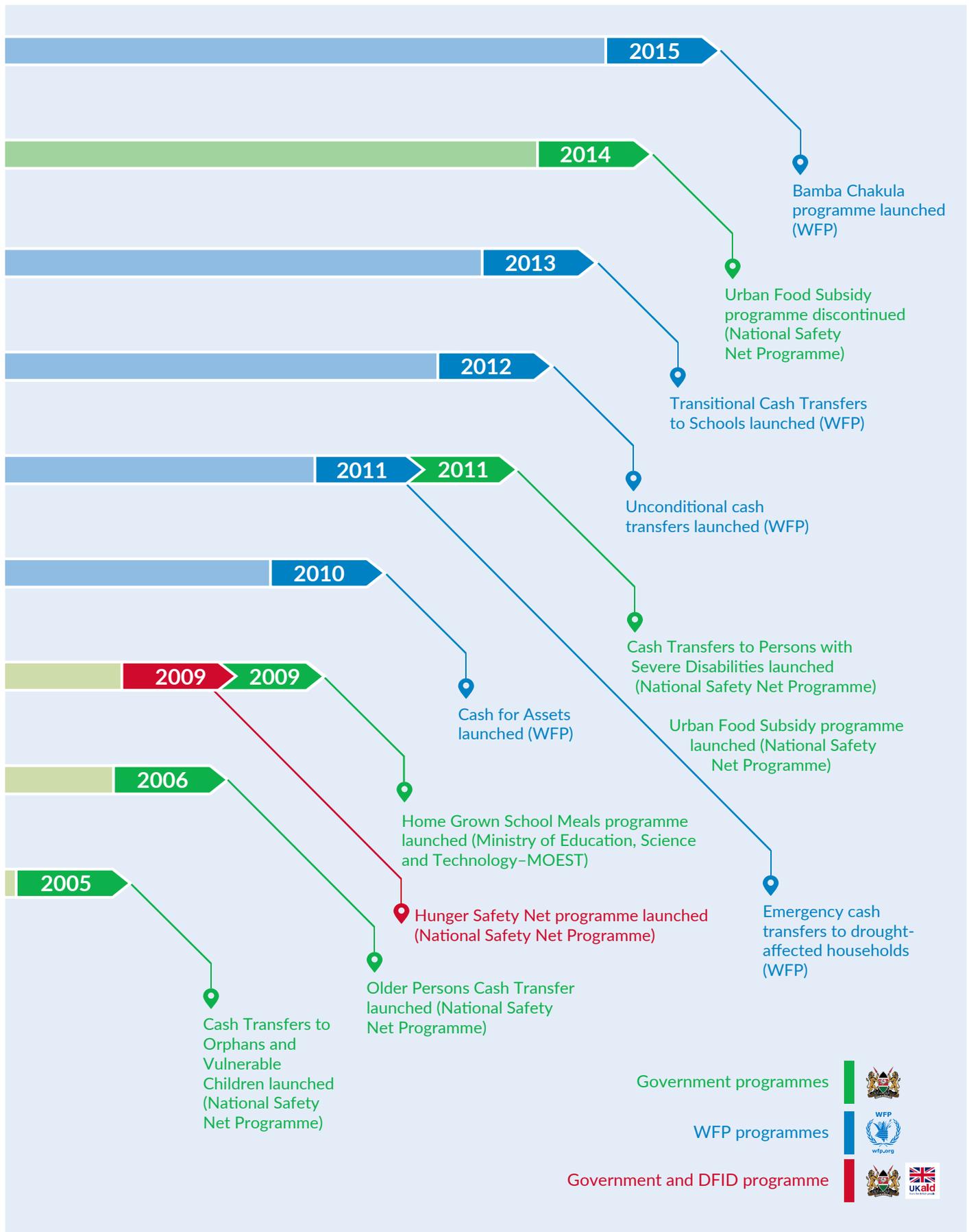


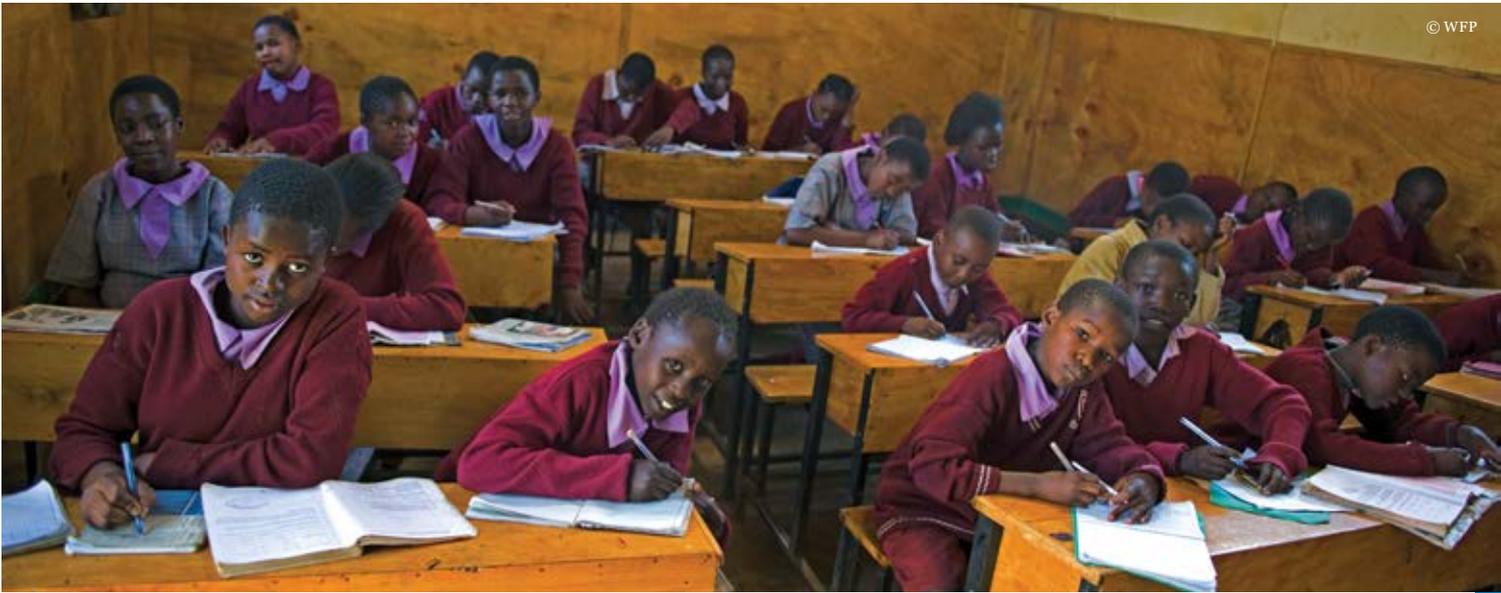
* 2015 figures include both actual and planned beneficiaries

** The unconditional cash transfers provided by WFP in 2011 and 2012 were a short-term emergency response to the 2011 drought. All 522,000 beneficiaries were targeted to receive transfers in 2011, but 212,000 of these did not receive their transfers until the beginning of 2012 because it took several months to complete the account-opening and bankcard distribution process.

NB: This graph reports total beneficiaries (i.e. individual people), not households.

Timeline: Social cash transfer programmes launched in Kenya





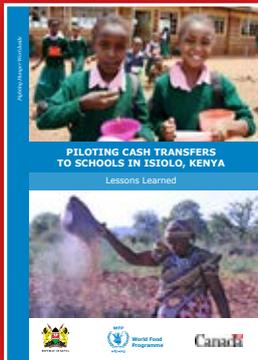
Cash Transfers to Schools

WFP has been providing school meals in Kenya since 1980. Schools meals have gone a long way in boosting access to education and ensuring children get at least one substantial, nutritious meal a day in areas struggling with food insecurity. An impact evaluation of school feeding in Kenya (1999–2008) found that enrolment, attendance, and school completion rates were higher in schools with meals, and that children scored higher in their last exam. The school meal often represents the most substantial and sometimes the only meal children get in a day. WFP continues to provide school meals to 750,000 children in areas where assistance is most needed, and where the Government's own school meals programme has yet to expand.

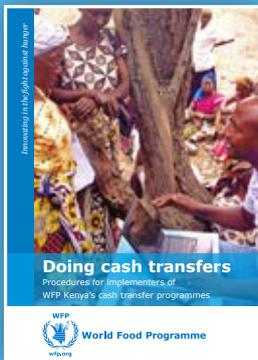
The Government started the national Home Grown School Meals Programme (HGSMP) in 2009. This programme harnesses the potential of school meals to act as a market for local agricultural production, channelling cash to schools that procure the food in the local market. Each school receives an allocation of cash each term, set at a rate of 10 shillings per child per day. WFP has provided technical assistance to support the development of the Government's programme, building on its three decades of expertise in school feeding in Kenya. Particularly important has been the development of a model of the programme that can

be rolled out into the arid lands with low agricultural production.

WFP first tested the new cash transfers to schools (CTS) model in Isiolo county in 2013–2014, in order to gauge the feasibility and effectiveness of a home-grown, cash-based approach in an arid area, and to prepare the schools in Isiolo for transition to the Government's programme. The CTS model is an adjusted version of the HGSMP that not only transfers cash to schools but also invests in the capacity of local food suppliers to supply schools. Investments are also made to strengthen accountability mechanisms, and improve food quality. The Isiolo pilot was a success, demonstrating a high level of cost-effectiveness, empowering the communities, generating a new market for farmers and traders, and guaranteeing daily meals to children made from familiar, local ingredients. After the pilot in Isiolo, WFP has scaled up the implementation of this model in the arid lands in order to prepare these counties for transition to the HGSMP. The model has also now been introduced in the informal settlements of Nairobi. WFP and the Government continue to work towards full transition to national ownership of this essential safety net, and doing cash transfers to schools has enabled WFP to further align its assistance with the Government's social protection agenda.



Now available!
Piloting Cash Transfers To
Schools In Isiolo, Kenya
Lessons Learned



Now available!
Doing Cash Transfers
– WFP's guide for
programme implementers

The cost of delivering cash

Another reason for testing multiple delivery mechanisms over the past 5 years has been to understand the costs better, and to bring them down. Briefly, here's what we found:

- **Bankcards have become more expensive.** The amount WFP pays for cards and accounts to equip beneficiaries to receive cash transfers has gone down by 17% since 2011, but transaction costs for bank transfers has gone up 100%.
- **Mobile money has become less expensive.** Start-up costs were always nil for SIM cards; SIM cards and accounts for mobile money have consistently been provided free to WFP. However, transaction costs for mobile money (which were initially in-line with bankcard transaction costs), have gone down by 35% since WFP first tested this delivery mechanism in 2012.
- **Digital wallets are the lowest cost cash delivery mechanism tested to date.** The restricted cash transfers (where beneficiaries receive cash into a wallet on their SIM card, and can spend it at approved shops) cost 1% of the transfer value. Regular mobile money costs 1.6%, and bankcards cost 2.5%.

Are cash transfers more efficient than in-kind food?

WFP's market analysis has consistently found that cash transfers are a more efficient transfer modality than in-kind food in Kenya. How cost efficient varies from place to place, and depends largely on food prices in the local markets and availability of financial services. Here are some examples of cost-efficiencies found through WFP's market studies over the past 5 years.

In 2010 cash transfers cost **15%** less than in-kind food in the marginal agricultural areas of Ukambani and Coast

In 2011, cash transfers cost **8%** less than in-kind food in the drought-affected semi-arid areas of Ukambani, Coast, and the South Rift Valley

In 2014, cash transfers were estimated to cost **9%** less than in-kind cereals in Kakuma and Dadaab refugee camps

Cash transfers to schools cost **25%** less than in-kind food in 2014 in the arid counties of Isiolo and Samburu

Thanks to our donors who have supported WFP's cash transfers since 2011. (Donors are listed in alphabetical order)

Comments? Questions? For more information, write to: kenya.feedback@wfp.org

