

Research Application Summary

Households' expenditure reviews for early warning to vulnerability and effective policy interventions

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Abstract

Kenya's perennial failure to meet its income growth targets and social equity has contributed to high incidence of poverty. In addressing the poverty, the government has initiated some social protection interventions including cash transfers for the old, waiving fees for school going children and subsidies for farmers involved in selected agricultural enterprises. However, despite the advantages associated to the intervention, queries are being raised on the programmes sustainability considering the country's economic potential. This study proposes the use of households' expenditure analysis for timely identification of vulnerability status of community which could help in designing effective safeguards. The specific objectives of the study were to elucidate agricultural households' poverty status, compare the household expenditure allocations to various necessities and show the importance of households' expenditure reviews in policy interventions. A pre-set questionnaire was administered to 380 farmers in four cluster sub-counties (Sabatia, Bungoma North, Bumula and Mt. Elgon) of formerly Western province. Multiple strategies including purposive, stratified and random sampling procedures were adopted to reach the survey's respondents. Nine in every agricultural household live below the poverty line using the per capita consumption expenditure indicator of a dollar a day (US\$1 day⁻¹). In their expenditures, agricultural households prioritized education spending (KES 46,382) above agricultural investment (KES 17,867) in 2017. In all categories of poverty levels and sub-counties, an identical expenditure patterns were observed on key needs, such as education, energy, agricultural investment and medical. In all the instances, spending on education was higher followed by energy, agricultural investment and medical. Despite its low ratio compared to others expenditure line, medical costs was a heavy burden for the sick. Failure of households to prioritize agricultural investment in spite of it being the key productive economic activity is a major contributor to persistent poverty. Strategies to motivate farmers to undertake requisite investments in agriculture to make it commercial entity are recommended.

Key words: Agriculture, economic-safeguards, Kenya, poverty, pro-poor, social-protection

Résumé

L'échec permanent du Kenya dans l'atteindre de ses objectifs de croissance des revenus et d'équité sociale a contribué à une forte incidence de la pauvreté. Pour lutter contre la pauvreté, le gouvernement a lancé certaines interventions de protection sociale, notamment des transferts monétaires en espèces

pour les personnes âgées, la suppression des frais pour les enfants scolarisés et des subventions pour les agriculteurs engagés dans certaines entreprises agricoles. Cependant, malgré les avantages associés à l'intervention, des questions se posent sur la durabilité des programmes compte tenu du potentiel économique du pays. Cette étude propose l'analyse des dépenses des ménages pour identifier en temps voulu le statut de vulnérabilité de la communauté, ce qui pourrait aider à concevoir des garanties efficaces. Les objectifs spécifiques de l'étude étaient d'élucider le statut de pauvreté des ménages agricoles, de comparer les allocations de dépenses des ménages aux divers besoins et de montrer l'importance des examens des dépenses des ménages dans les interventions politiques. Un questionnaire préétabli a été administré à 380 agriculteurs dans quatre sous-comtés (Sabatia, Bungoma Nord, Bumula et Mt. Elgon) de l'ancienne province de l'Ouest. Plusieurs stratégies comprenant des procédures d'échantillonnage raisonné, stratifié et aléatoire ont été adoptées pour atteindre les répondants à l'enquête. Neuf dans chaque ménage agricole vivent en dessous du seuil de pauvreté en utilisant l'indicateur de dépenses de consommation par habitant d'un dollar par jour (1 jour-1 USD). Dans leurs dépenses, les ménages agricoles ont donné la priorité aux dépenses d'éducation (46 382 KES) par rapport aux investissements agricoles (17 867 KES) en 2017. Dans toutes les catégories de niveaux de pauvreté et sous-comtés, des schémas de dépenses identiques ont été observés pour les besoins clés, tels que l'éducation, l'énergie, investissement agricole et médical. Dans tous les cas, les dépenses d'éducation étaient plus élevées, suivies de l'énergie, des investissements agricoles et médicaux. Malgré son faible ratio par rapport aux autres lignes de dépenses, les frais médicaux représentaient un lourd fardeau pour les malades. Le fait que les ménages ne donnent pas la priorité à l'investissement agricole, bien qu'il s'agisse de la principale activité économique productive, est un facteur majeur de pauvreté persistante. Les stratégies visant à motiver les agriculteurs à entreprendre les investissements nécessaires dans l'agriculture pour en faire une entité commerciale sont recommandées.

Mots clés: agriculture, sauvegardes économiques, Kenya, pauvreté, pro-pauvres, protection sociale

Introduction

Kenya is at economic and social crossroad (GoK, 2008). Higher incidence of income poverty (estimated at 49 percent of total population), high inequalities and an economic growth rate that does not match population expansion has restricted a large number of people to socio-economic vulnerability (KIPPRA, 2013). Currently, Kenya is the only country where higher economic growth has failed to stimulate significant poverty reduction (World Bank, 2018). Without social safety-nets interventions a large proportion of Kenyans barely survives the harsh economic situation. Vulnerability to poverty is largely a rural phenomenon (CRA, 2011) with a few cases associated with urban slums. In a normal situation, only less than six counties of 47 report less than 30 percent of population being above poverty levels (CRA, 2011). Poverty is also exacerbated by shocks, some household based and others natural such as droughts and floods. The high frequencies of the natural shocks, has necessitated the government to be constantly involved in emergency food aid provision (KIPPRA, 2013). While social protection for the poor and vulnerable in Kenya is recognized as a constitutional rights (NGEC, 2014), the major dilemma is how to place about half of the population on government cash or in-kind stipend scheme. The best option is to develop economic approaches that safeguards people from plunging into vulnerability (Daidone *et al.*, 2015). In line with its Vision 2030 social and economic development agenda (GoK, 2008), the government has initiated various interventions including free basic (primary and secondary), free maternity care, cash transfer to the old, making concessions to government tendering for the youth, disabled and women to engage in business and have allocated funds for loaning the disadvantaged. These efforts notwithstanding, a large number of deserving Kenya remain unreached (NGEC, 2014). Despite aggressive and consistent efforts to address poverty

through public policy since 1963, proportion of the poor has risen from 10 to 49 percent (Nyamboga *et al.*, 2014). Poverty has led to a restive population which has culminated to a new constitutional order with devolved and national government. The new constitution has brought with it an excessive representation in governance with six elected leaders voted in and a battery of other special groups' nomination. The good representation and bringing governance close to the people notwithstanding, strategy to establish populations' necessities and aspirations is still missing. Moreover increasing representation without a comprehensive plan to elucidate development approach may not be a panacea to Kenya's challenge. Furthermore, the bureaucrats at the two levels of governments require an understanding of the best financial apportioning strategy that will deliver the desired socio- economic impacts (CRA, 2011; KIPPRA, 2013; World Bank, 2018).

Adoption of households' expenditure review will be instrumental in understanding priorities and constraints facing the population, providing early-warning systems for vulnerability, designing pro-poor interventions, guiding on advisory services to the populace and facilitating development of economic growth policies. Household expenditure review principle will borrow strongly from the public expenditure reviews. Expenditure reviews have become a popular tool of analyzing public sectors budgeting, allocation to various priorities, success of implementations of mandates and functions, and evaluate wastage and plunder of resources (Howlin and Kennedy, 2016). Expenditure analyses have aided in streamlining operations and resources allocations to enhance efficiency and effectiveness in public service delivery (Howlin and Kennedy, 2016).

Despite agriculture being recognized as a priority productive activity that will not only accelerate reduction of households' poverty but also stimulate economic growth (KIPPRA, 2013), a strategy to motive households revamp their efforts in the sector is missing. Moreover agriculture development is being considered as an important linkage to social protection (FAO, 2016). Agricultural development can assist in improving the welfare of rural poor by facilitating productive inclusion and increasing productivity which enable rural-based families to gradually move out of poverty and hunger (Tirivayi *et al.*, 2013). With agricultural supports recipients of social protection has more possibility of graduation from dependence (Daidone *et al.*, 2015). Understanding household resources allocation may provide an opportunity to provide relevant guidance to farmers on time before they sink to absolute poverty. In this study we undertake an expenditure review for agricultural households with an aim of understanding their budgeting priorities. The specific objective of the study is to i) objectives of the study were to enumerate agricultural households' poverty status, ii) compare the household expenditure allocations to various necessities and iii) show the importance of households' expenditure reviews in policy interventions

Methodology

A survey was administered among 380 smallholder farmers in western Kenya. The choice of western Kenya was influenced by among other factors high population density, low agricultural productivity despite high potential and high prevalent of poverty (CRA, 2011). Sub- counties were purposely sampled in line with existing socio-characteristic including population density, agricultural potential as influenced by land sizes and agro-ecological (Jaetzold *et al.*, 2007) and ease of access to energy sources as influenced by vicinity to forests. In this regards sub-counties sampled were Sabatia, Bumula, Bungoma North and Mt. Elgon found in Vihiga and Bungoma Counties. A Structured questionnaire was used to collect information from households in the first quarter of 2018. A combination of stratified and random sampling procedures was used to select the survey respondents. Information collected

included on demographic, economic, educational, health, general energy and agricultural expenditure. Data was processed using MS Excel and imported to STATA analysis. Descriptive statistics were presented as tables and graphs.

Results and discussions

Households' poverty levels. Table 1 shows category of households in various per capita consumption expenditure levels and respective spending on diverse needs. Using the per capita consumption expenditure indicator, higher incidences of poverty were observed to be prevalent among agricultural households in western Kenya. Only eight percent of all the households spent at least one dollar (Kenya Shillings -KES-100) per person daily. The rest of the households could be considered as living below the poverty line. Average household's annual consumption for the per capita above a US\$ was more than double for the other category. All expenses for the well-up households including on education, medical, energy and investment on agriculture were higher than the rest. However level of sufficiency in food production were lower (61%) among the richer than the poor at 70 percent.

Agricultural household with a per capita expenditure of at least US\$ 0.7 (KES 70) accounted for 23 percent of all households. Annual average expenditure (KES 157,608) for this category was almost twice that of the poorer colleagues of (KES 80,747). Other expenses were higher among the richer category. Dependency on own agricultural production for food was lower at 64 percent among the richer category than the poorer households. Variations in agricultural investments among households at different categories of per capita spending levels were not high. Education expenditure across categories was second after the annual routine expenditure and was more than double the investment on agriculture.

Table 1. Category of households in various per capita consumption expenditure levels

	Above 1 US\$ (KES 100)	Below 1 US\$ (KES 100)	Above 0.7 US\$ (KES 70)	Below 0.7 US\$ (KES 70)
Proportional of farmers in category (%)	8	92	23	77
Food production sufficiency (%)	61	70	64	70
Household total annual expenditure (KES)	201,871	88,660	157,608	80,747
Household education expenditure in 2017 (KES)	67,071	43,403	56,863	42,075
Household agricultural investment in 2017 (KES)	18,206	17,952	21,075	17,066
Households medical expenditure in 2017 (KES)	9,475	4,878	11,500	2,413
Household total energy expenditure (KES)	26,390	23,887	26,151	23,481

Source: Author calculation

It is apparent from all the per capita categories based on the consumption expenditure welfare indicator that households highly prioritize education spending above agricultural investment. The prioritization of education happens despite higher spending on the same by government through provision of free primary and secondary education, and favourable consideration for financing through other public development funds e.g. Constituency Development Fund (CDF).

Households’ expenditure allocations. Figure 1 shows pattern of expenditure for various services by households in different sub-counties. Bumula sub-county reported the highest levels of routine expenditure at about KES 120,000 per annum with Bungoma North reporting the lowest expenses in this budget line. Investment on education was highest in Bungoma North, followed by Mt. Elgon, Bumula and Sabatia in that order. Only Bungoma North and Mt. Elgon exceeded investment levels of KES 20,000 in agriculture. Expenditure on energy was highest in Mt. Elgon and lowest in Bumula sub-county. In Sabatia, on average expenditure on medical are higher than investment on agriculture.

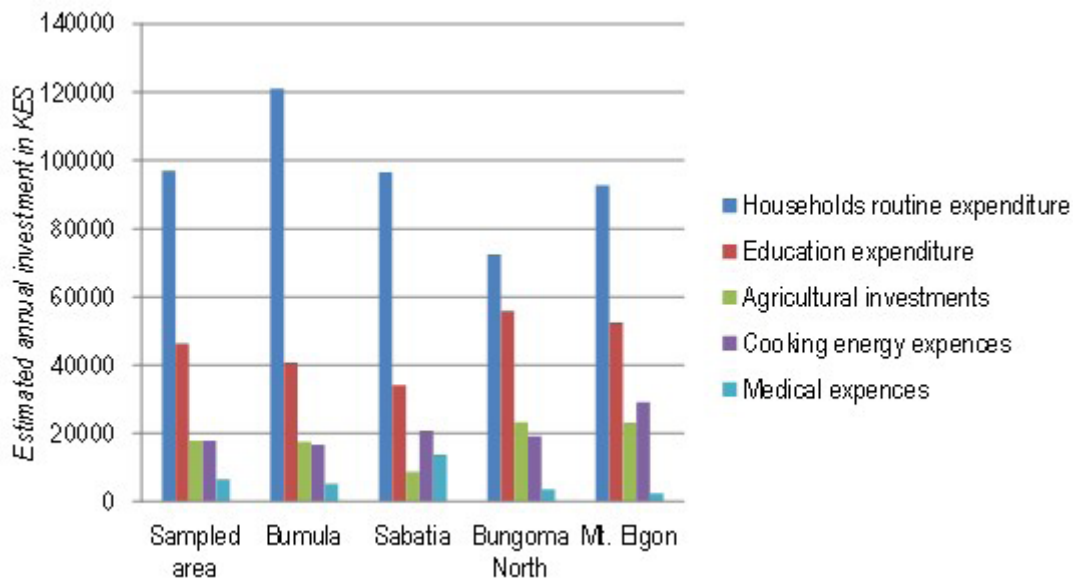


Figure 1. Patterns of households spending in different sub-counties

Source: Author own calculation

In all the sub-counties, and as observed in the poverty categories the patterns on investment to various expenditure lines including routine, education, agriculture, energy and medical is identical. Despite agriculture being the main productive sector, financial investment appears minimal and lowly ranked in priority. Expenditure on medical services though minimal across sub-counties and wealth category is a heavy burden for those who have to incur in it. Unlike other expenses which are routine, medical costs are incurred in case of incidence of illness for household members. By accounting for almost a half of investment in agriculture and that of energy, medical expenditure is a major concern in the region.

Conclusion

The expenditure review has shown how agricultural households prioritize financial resource allocations to various needs. Despite agricultural production being considered as the key productive economic activity, its allocation of resources is lower compared to education expenditure. It is quite surprising that households continue to invest heavily on education despite it being free at both primary and secondary levels, and receiving subsidies at tertiary level. Households' perception of the returns from agriculture against those of education has contributed to their allocation behaviours. Development stakeholders should ensure higher returns to agricultural investments to motivate more allocation to it and provide a safeguard to farmers on income and food security.

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