POVERTY&
ECONOMIC POLICY
RESEARCH NETWORK

Policy Research Brief
April 2011 – Number 86

The Impact of the Global Financial and Economic Crisis on Poverty in Tana River, Muranga'a, Kilifi and Kisumu, Kenya

Mary Amuyunzu-Nyamongo, Alice Sereti Sinkeet, Gabriel Oguda and Moses Njue

Macro level impacts: As anticipated, the global financial crisis (GFC) indeed affected the Kenyan economy as seen in the domestic exports that grew marginally by 0.3% while re-export[1] declined by 4.1%. Total imports grew by 2.5% in 2009 compared to a 27.4% increase in 2008. This resulted in the volume of trade growing by 1.6% in 2009 compared to a growth of 26.8% in 2008. Furthermore, tea production declined by 9.2% from 345.8 thousand tons in 2008 to 314.1 thousand tons in 2009.

Exports of fresh horticultural produce reduced from 193.1 thousand tones in 2009 while export earnings declined from Ksh 58.0 billion in 2008 to Ksh 49.4 billion in 2009. Meanwhile, the Kenya shilling depreciated against the US dollar to record Ksh 77.35 per dollar in 2009 vis-à-vis Ksh 69.18 per dollar in 2008. Remittance inflow also declined, albeit minimally, from US$ 611.4 million in 2008 to US$ 609.2 million in 2009. Tourism earnings, however, rose from Ksh 52.7 billion in 2008 to Ksh 62.5 billion in 2009. The turnaround in the tourism sector was attributed to the recovery from the effects of the post-election violence and perceived political stability.

Micro level impacts: The monitoring of the GFC in Kenya was done through a community-based monitoring system (CBMS) survey conducted in Tana River District[2] and in three Local Authorities (LAs)[3] – Murang'a, Kisumu and Kilifi. Data were collected from 11,845 households distributed as follows: Tana River 5,882; Murang'a 2,286; Kilifi 2,649; and Kisumu 1,028.

Table 1 shows that about 26.9% of the households saw a decline in remittances while another 26.4% experienced changes in the schedule of remittances received from relatives working abroad. The results nonetheless show that most of the households did not have access to external resources and therefore did not feel the impact of the GFC on remittance. Still, even if the proportion of households that saw a decline in remittances was relatively low, the affected households nevertheless experienced other shocks that may be related to this decline.

Table 2 indicates general low employment levels in all the CBMS survey sites. This is because most people in the four sites were already unemployed and thus did not feel the impact of the GFC on employment. The most affected workers were those engaged as casual laborers in farms in Kilifi, Murang'a and Tana River. In Kisumu, the workers who lost jobs were also casual laborers from different sectors (including fishing and small-scale business operators). They attributed the loss of jobs to 'bad economic times'. About 4% of the employed persons lost their jobs during the crisis period while 1.8% experienced a decrease in wages. Those workers who sought additional income accounted for 11%.

Table 1. Households affected by the crisis through remittances in the last six months

	Murang'a	Kisumu	Kilifi	Tana River	Total
Proportion of HHs that received remittances from relatives working abroad	N=2249 51 (2.3%)	N=993 45 (4.5%)	N=2617 15 (0.6%)	N= 5828 11 (0.2%)	N=11,687 122 (1%)
Proportion of HHs that saw a decline in remittances received	N= 34 13 (38.2%)	N= 45 11 (24.4%)	N= 14 4 (28.6%)	N=11 0.00%	N=104 28 (26.9%)
Proportion of HHs that experienced changes in schedule of remittances' received	N=17 3 (17.6%)	N=45 15 (33.3%)	N= 14 5 (35.7%)	N=11 0.00%	N=87 23 (26.4%)

Table 2. Impacts of GFC on local employment

	Murang'a	Kisumu	Kilifi	Tana River	Total
Proportion of HHs with employed persons who experienced wage cut	N=2209 32 (1.4%)	N=989 39 (3.9%)	N=2571 69 (2.7%)	N=5306 57 (1.1%)	N=11,075 197 -1.80%
Number of persons who lost jobs	N=2232 106 (4.7%)	N=991 80 (8.1%)	N=2579 196 (7.6%)	N=5436 68 (1.3%)	N=11,238 450 (4%)
Number of employed persons who experienced reduced working hours	N=2221 25 (1.1%)	N=991 17 (1.7%)	N=2568 22 (0.9%)	N=5289 132 (2.5%)	N=11,069 196 -1.80%

[1] Foreign goods exported in the same state as previously imported.
[2]The AIHD has been implementing a Local Poverty Monitoring System in Tana River District since 2007 supported by the PEP/CBMS Network.
[3]The Ministry of State for Planning, National Development and Vision 2030 funded the implementation of CBMS in Kilifi, Murang'a and Kisumu.

Proportion of persons who are employed*	N=1376 785 (57%)	N=723 443 (61.3%)	N=2126 1426 (67.1%)	N=4060 478 (11.8%)	N=8,285 3,132 (37.8%)
Proportion of persons who perform multiple jobs	N=2251 426 (18.9%)	N=995 188 (18.9%)	N=2571 445 (17.3%)	N=5572 197 (3.5%)	N=11,389 1256 (11%)

*This indicator was estimated by use of the total number of members of the labor force that responded to the question.

Coping Mechanism adopted: In terms of coping, a high proportion of the households borrowed money More than twenty-eight percent 28.2% (N=11, 6687), on the other hand, spent their savings to cope with the shocks (27.5% N= 11,677) while an estimated 19.7% (,N=11,658) sold assets as shown in Figure 1.

The study results have shown that the poor are often the least equipped to cope with the impact of aggregate shocks. Many of their coping strategies are either ineffective or create harmful consequences on the welfare of the households, especially on the children. A key example is when children drop out of school, thus saving on household expenditures while demeaning the development of human capital.

Government response: The Government of Kenya has a range of products in place whose aim is to mitigate poverty and cushion the citizens against internal and external shocks. The CBMS survey results indicate that relief food was the main form of support in Tana River while access to all the other programmes is fairly limited (Table 3).

Conclusion: The CBMS study shows that the GFC affected a small proportion of the households in the study areas in three significant ways: loss of jobs (casual engagements); reduced remittances; and limited access to services. It is clear that when faced with shocks, the people had limited options for recourse in the form of access to Government services and credit. The options available to them were mainly borrowing, disposal of assets and reduced expenditure on key social services (including health, education and clothing), which further entrenched poverty among already impoverished households.

It is also clear from the GFC that countries have become intricately linked such that a crisis in one part of the world is bound to have implications in another, if not in all other parts. It is therefore important for Governments to put in place measures to safeguard their citizens against such eventualities. Although few households were directly affected by the impacts of the GFC, it is important for the Kenya Government to invest in poor areas, to create employment opportunities and to provide alternative coping strategies during shocks so that the few assets owned by the poor are not depleted as a coping mechanism.

There appears to be a high dependence on relief food when communities are faced with food shortages. Food distribution, however, has been found to be expensive and does not often reach the most deserving members of society. It is therefore critical for the Government to explore other mechanisms of addressing shocks while at the same time investing in sustainable development strategies that would eventually reduce the proportion of households dependent on relief food.

Although the country has an array of poverty mitigation funds through devolved funding, these do not seem to reach the people who need them most. Therefore, it is essential for the Government to strengthen the distribution of these funds so as to help cushion the citizens from the effect of shocks as this will lead to improved welfare of the communities. The implementation of the social protection policy, currently under development by the Ministry of Gender, Children and Social Development, would help meet the needs of those adversely affected by shocks while at the same time building the base for transforming the livelihoods of the poor and vulnerable.

Figure 1: Access to charity, borrowing, spent savings and sale of assets as coping mechanisms

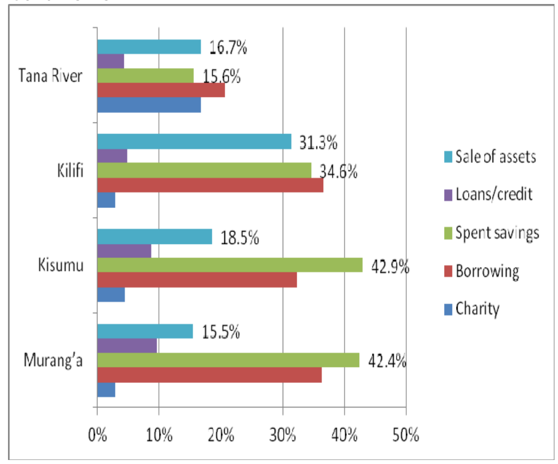

Table 3 Proportion of households that received assistance from government programmes in the last 6 months

Government programmes	Murang'a	Kisumu	Kilifi	Tana River	Total
Youth Development Fund	N=2234 35 (1.6%)	N=990 17 (1.7%)	N=219 39 (1.5%)	N=3,358 108 (3.2%)	N=9,201 199 (2.2%)
Bursary Fund	N=2134 243 (11.4%)	N=990 42 (4.2%)	71 (2.7%)	153 (4.6%)	N=9,101 509 (5.6%)
Higher education loan	N=2124 27 (1.3%)	N=990 12 (1.2%)	18 (0.7%)	19 (0.6%)	N=9,091 76 (0.8%)
Constituency Development Funds (CDF)	N=2129 131 (61.2%)	N=990 15 (1.5%)	400 (15.3%)	46 (1.4%)	N=9,096 592 (6.5%)
Women Enterprise Funds (WEF)	N=2125 68 (3.2%)	N=991 14 (1.4%)	79 (3%)	53 (1.6%)	N=9,093 214 (2.4%)
Agriculture Extension Services	N=2134 74 (3.5%)	N=990 9 (0.9%)	43 (1.6%)	2 -0.10%	N=9,101 128 (1.4%)
Livestock restocking programme	N=2124 52 (2.4%)	N=990 6 (0.6%)	88 (3.4%)	1 (0.1%)	N=9,091 147 (1.6%)
Local Authority Transfer Funds (LATF)	N=2123 12 (0.6%)	N=990 0	49 (1.9%)	2 (0.1%)	N= 9,090 63 (0.7%)
Relief Food Services	N=2127 56 (2.6%)	N=990 4 (0.4%)	251 (9.6%)	2972 (88.5%)	N= 9,094 3,283 (36.1%)
Kazi kwa vijana	N=2163 839 (38.8%)	N=990 49 (4.9%)	76 (2.9%)	-	N= 5,772 964 (16.7%)
Other	N=2132 124 (5.8%)	N=989 89 (9%)	3 (0.1%)	1 (0.1%)	N= 9,098 217 (2.4%)

Source: Kenya CBMS, 2009

This Policy Brief is based on the research paper of the same title which was presented during the 8th PEP General Meeting on June 2010 in Dakar, Senegal. A full version of the paper may be downloaded from the Poverty and Economic Policy website: www.pep-net.org. For further details, please contact the PEP-CBMS Network Coordinating Team at (632) 5262067 or at reyesc@dls-csb.edu.ph or cbms.network@gmail.com.