

Development Initiatives Africa hub

# Kenya

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Resources for poverty eradication:  
A background paper

September 2012

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## Overview

This paper aims to provide a general, but comprehensive background on resources for poverty eradication in Kenya. It specifically documents and analyses the Government of Kenya's (GoK) public expenditure in, and donor contributions to, the education, health and agriculture sectors between 2002/03 and 2011/12.<sup>1</sup> A better understanding of resource flows to, and allocations within Kenya, can provide useful evidence of the key priorities for poverty eradication in the country, for informing policy.

This paper is to be used by a wide range of stakeholders including a cross section of public officials, particularly those involved in resource allocation (and planning and tracking of resources). It can be used by civil society organisations (CSOs) engaged in and advocating for better resource allocation, plus entities that seek accountability from their governments. Furthermore, it can provide a sound evidence base for academics and researchers looking for a more detailed understanding of Kenya's resource flows. The data used in this study was primarily drawn from the [World Bank BOOST](#) source (an [open data initiative](#)), budget estimate publications from the Ministry of Finance, the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) and African Development Indicators.<sup>2</sup>

## Summary of key findings

Findings reveal that government expenditure has increased from US\$4.3 billion in 2002/03 to US\$15.3 billion in 2011/12 representing a per capita increase from US\$129.7 to US\$363.7. Aid to Kenya has also increased from US\$552.6 million in 2002 to US\$1.8 billion in 2009 representing an over 200% increase. Tax, as opposed to aid, is a significant contributor to Kenya's revenue. Aid contributed, on average, 21% of Kenya's total revenue, while tax contributed a big part of the remaining 79%. Aid contributed 34% of Uganda's total revenue for the period between 2002/03 and 2011/12. In 2010, in terms of aid volumes, Kenya falls below that of Uganda (US\$1.7 billion) and Tanzania (US\$2.9 billion). While there are other sources of revenue to the country including remittances and foreign direct investments, this paper focuses on aid and taxes.

In all three sectors analysed in this paper – health, education and agriculture – the Government of Kenya has continuously fallen below requirements and commitments agreed in several sector-related declarations, such as the Maputo Declaration, 2003 and the Abuja Declaration, 2001. The paper highlights the absence of accountability frameworks to hold governments to the commitments they have made. The education sector has the highest expenditure when compared to health and agriculture, despite the fact that agriculture provides income to 71.1% of the population. Education spending in Kenya is also higher than in Uganda and South Sudan, and Kenya has some of the best education indicators in the region.

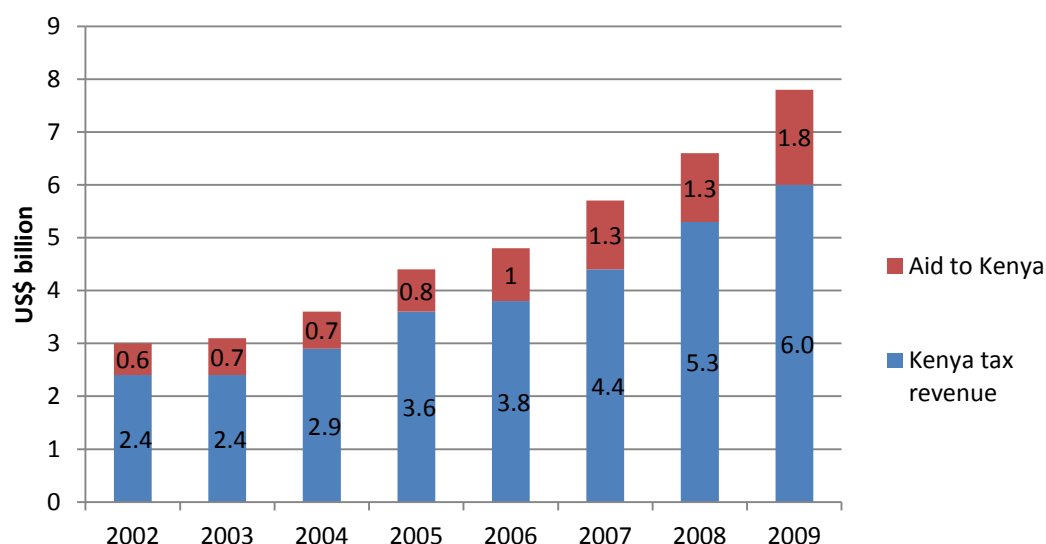
<sup>1</sup> Analyses for Uganda and South Sudan have been carried out alongside the production of this paper; hence some comparisons have been made with the findings of these analyses. Detailed discussions of resource flows in these countries are in the respective background papers (to be released soon). Education, health and agriculture sectors were selected for initial focus because of the critical role they play in poverty eradication.

<sup>2</sup> The Open data portal is an initiative which avails information to citizens so as to empower them to be involved in active governance.

In terms of donor funding for Kenya's aid programmes however, health receives the highest proportion, with the United States (US) being the sector's largest donor. The sector received US\$1.3 billion from the US between 2006 and 2010. Education does not stand out as a donor priority, coming fourth after water and sanitation funding, government and civil service funding and health over the period 2006 to 2010. Agriculture was the most underfunded sector when compared to education and health. Sweden was the largest donor to agriculture giving a total of US\$55.2 million between 2006 and 2010.

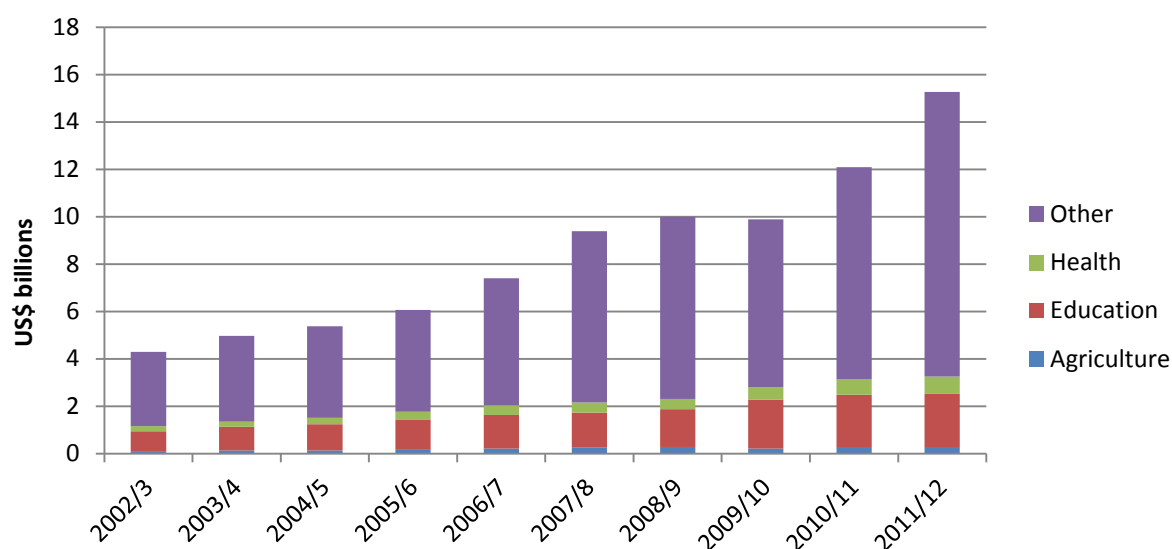
Differences observed between donor and government priorities could be due to mutually agreed strategies in which donors choose to prioritise that which has not been prioritised by the government. However, it is not clear what drives decision making and whether strategic approaches are harmonised.

**Figure 1: Summary of tax revenues and aid to Kenya, 2002-2009**



Source: Development Initiatives based on OECD DAC data and World Development Indicators

Figure 2: Summary of sector expenditure

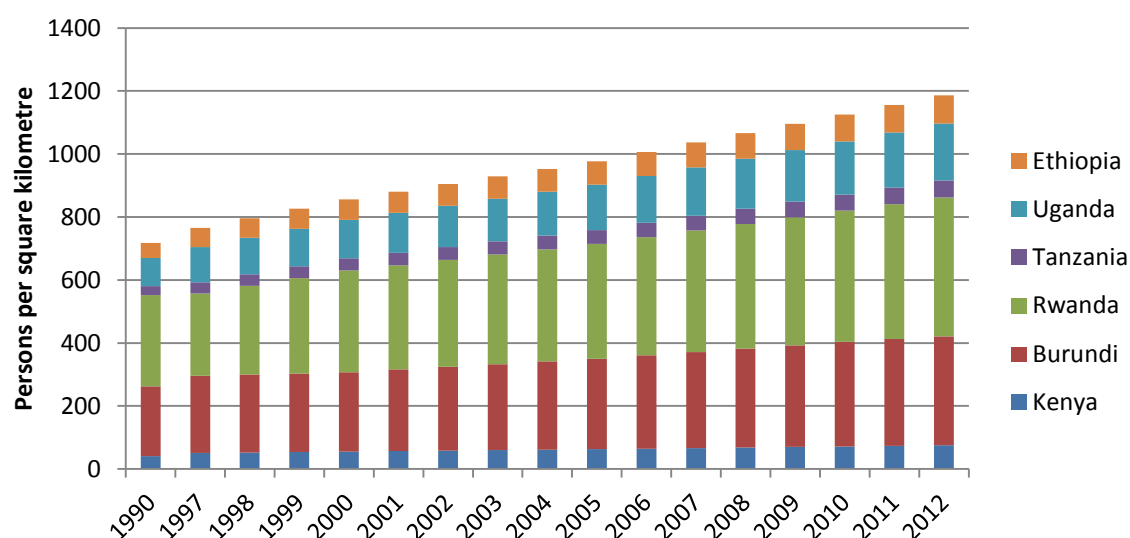


Source: Development Initiatives based on World Bank BOOST data & GoK Budget estimates

## Poverty

## Population

Figure 3: Population densities of East African countries



Source: Development Initiatives based on UNDESA & World Bank data

Based on the [Africa Development Indicators](#), Kenya's population has steadily grown, from 23.4 million in 1990 to 41.9 million in 2011, at an annual average growth rate of 3.2%. Nairobi, the capital city, is home to 39.2% of the country's urban population and comes second in the region, for this indicator, after Kigali, Rwanda which has 57.1% of the country's urban population. The growth of Kenya's population means that there are increasing demands on services as well as expectations

that the government will generate resources and meet increasing needs. To compare Kenya's population density with that of other East African countries, it has 76 persons per square kilometre (ranking it the third lowest densely populated country), coming after Tanzania (with 54 persons per square kilometre) and South Sudan (8 persons per square kilometre) as at 2012. Rwanda is the most densely populated country with 440 persons per square kilometre and Burundi follows with 346 persons per square kilometre.<sup>3</sup> However, the variation in population density may be explained by the size of habitable land. Ethiopia, for example, is the largest country in the region but its population density of 89 persons per square kilometre may be due to a large arid land proportion. Looking at the growth in population density, Uganda leads with 104% growth in population density between 1990 and 2012. Rwanda has experienced the least growth in population density since 1990, with a growth rate of 52%.

### Poverty indicators

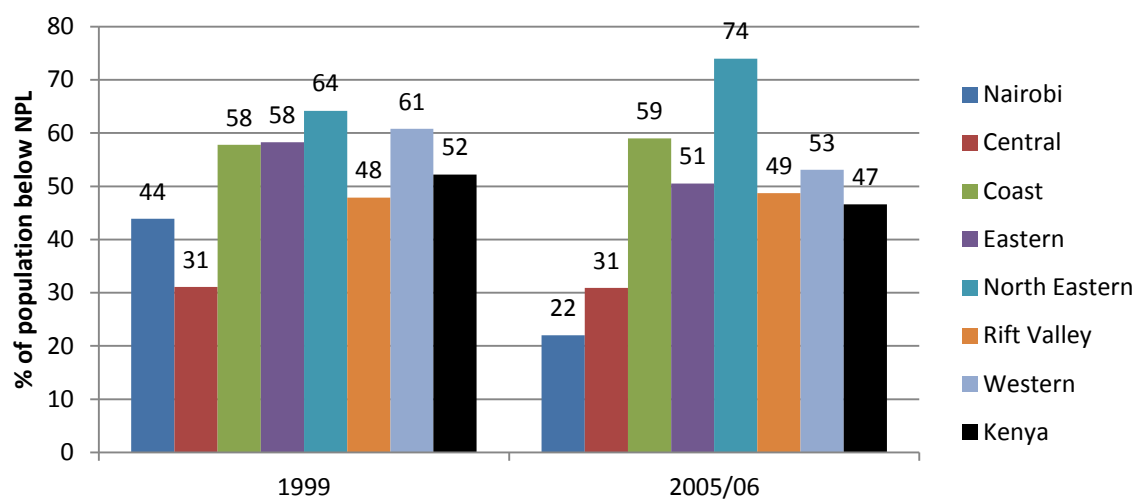
During the late 1990s and early 2000s, Kenya produced its first [Poverty Reduction Strategy Paper \(PRSP\) 2001-2004](#) which provided a short-term strategy for meeting its longer-term vision, which coincided with the first [Millennium Development Goal](#) (MDG) of halving extreme poverty and hunger by 2015.<sup>4</sup> Since these strategies were developed the country's income poverty has reduced - the proportion of Kenyans living below the national poverty line fell from 52.2% in 1999 to 47% in 2005.<sup>5</sup> Figure 4 shows the poverty distribution in the country and across the provinces. Poverty reduction strategies were also introduced in other East African countries around the same time, and this is visible by the proportions of people living below the national poverty lines. Uganda has the lowest proportion living below the national poverty line (24.5%) followed by Tanzania (33.2%) and Ethiopia (38.9%).

Nairobi province has the lowest proportion of its population living below the poverty line, when compared to the other provinces - this dropped from 43.9% in 1999 to 22% in 2005/06. However, the number of people living below the poverty line has increased in some provinces over this period; this is the case for the Coast, North Eastern and the Rift Valley. The North Eastern province has seen the most dramatic increase in the proportion of people living below the national poverty line - from 64% in 1999 to 74% in 2005/06. Nairobi's lowest poverty proportions may be attributed to the fact that a good part of the province is metropolitan.

<sup>3</sup> From South Sudan's public expenditure background paper.

<sup>4</sup> The long-term vision is outlined in the National Poverty Eradication Plan (NPEP) 1999-2015 (online copy not available).

<sup>5</sup> The level of income just sufficient to provide minimum subsistence for an individual or family.

**Figure 4: Proportion of the population per province living below the national poverty line (NPL)**

Source: Development Initiatives based on KIHBS 2005/06 & 1997 Welfare Monitoring Survey

### Multidimensional Poverty Index

According to the [Multidimensional Poverty Index \(MPI\)](#) 2011, 47.8% of Kenyans were in multidimensional poverty and 19.7% living on less than US\$1.25 per day. These are the lowest poverty rates in the region; elsewhere in the region countries all have above 50% of their population in multidimensional poverty (led by Ethiopia 88.6% and Burundi 84.5%). The proportion of people living on less than US\$1.25 a day in the other East African countries is also high - with 81.3% in Burundi.

### Human Development Indicators

According to the 2011 [Human Development Index \(HDI\)](#), Kenya had the highest HDI rate in the region (0.509) ranking it 143 out of 187 countries. It also had the highest gross national income (GNI) per capita, US\$1,492, compared to Burundi which has the lowest in the region, US\$368. Tanzania has the highest life expectancy of 58 years while Uganda has the lowest proportion of its population living on US\$1.25 per day (28.7%) and 24.5% of the population living below the national poverty line.

**Table 1: East Africa's Human Development Indicators analysis**

Country/ region	Life expectancy at birth	Under 5 mortality rate	Maternal mortality	Proportion of stunted children	Adult literacy rate	Access to improved water	GNI per capita	% population below NPL		Human Development Index (HDI)		Multidimensional Poverty Index (MPI)	
	Years	Per 1000 live births*	Per 100,000 live births**	% of population*	% 15+**	% of population**	Constant 2005 PPP\$	PPP US\$ 1.25 a day	NPL	Value	Rank	Value	% of population in multidimensional Poverty
Kenya	57	84	488*	35.8	87.0	59	1,492	19.7	47.0	0.51	143	0.23	47.8
Tanzania	58	108	450	44.4	72.9	53	1,328	67.9	33.4	0.47	152	0.37	65.2
Uganda	54	128	98.9	38.7	73.2	54	1,124	28.7	24.5	0.45	161	0.37	72.3
Rwanda	55	111	340 <sup>#</sup>	51.7	70.7	65	1,133	76.8	58.5	0.43	166	0.43	80.2
Burundi	50	166	800 <sup>#</sup>	63.1	66.6	72	368	81.3	66.9	0.32	185	0.53	84.5
South Sudan	42*	102*	2054*	-	27.0*	55*	984**	-	51.0*	-	-	-	-
Ethiopia	59	104	350 <sup>#</sup>	50.7	29.8	44	971	39.0	38.9	0.36	174	0.56	88.6
Sub Saharan Africa	54	129	500 <sup>#</sup>	42.9	61.6	61	1966	-	-	0.46	-	-	-
World	69	58	210 <sup>#</sup>	-	80.9	88	10,082	-	-	0.68	-	-	-

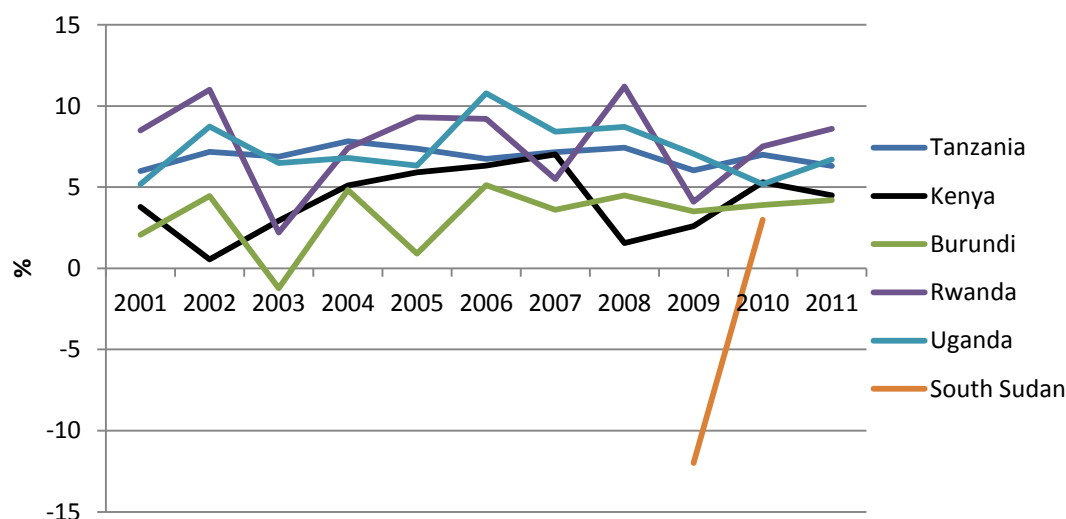
Source: Development Initiatives based on 2011 [UNDP International Human Development Indicators](#) and [World Development Report](#)

\*2009 indicators \*\*2010 indicators <sup>#</sup>WDI modelled estimates



There is broad consensus that economic growth (measured by GDP) is essential for poverty reduction. However, efforts need to be made so that resources from growth are directly channelled to the poor, that mechanisms for creating economic linkages (which have a trickledown effect on the poor) are created and that the government develops pro-poor policies and poverty reduction strategies.

**Figure 5: Gross domestic product growth rates for East African countries**



Source: Development Initiatives based on African Development Indicators

GDP growth rates in East Africa have fluctuated in the past decade. In 2011, Kenya's GDP growth stood at 4.5%, a slight decline after the steady recovery from the reduced GDP growth rate of 1.6% in 2008 and 2.6% in 2009, possibly linked to the global financial crisis.<sup>6</sup> Improved growth rates in 2010 could also be attributed to the good rainfall and higher prices for Kenyan exports in the world markets.<sup>7</sup> In 2008, Kenya experienced reduced growth rates - which could be attributed to the post-election violence following the 2007 general elections. During this period, other East African countries experienced increased growth and in 2009, when Kenya's economy was slowly recovering, neighbouring countries' GDP growth rates declined ([World Bank 2009](#)).

In 2011, Burundi, Rwanda and Uganda all experienced increased growth with Rwanda reporting the highest GDP growth rate in the region - 8.6%. South Sudan, which only gained its independence in 2011, recovered from the negative GDP growth of -12% in 2009, pushing up to 3% in 2010. Fluctuating GDP growth rates may mean that GDP growth is not effectively addressing poverty issues in the region. Rwanda for example, had the highest GDP growth rate, but poverty rates in the country are still high. Kenya, on the other hand, has lower poverty rates than neighbours, but GDP growth rates are among the lowest (coming ahead only of South Sudan and Burundi).

<sup>6</sup> GDP growth in 2007 was 7%.

<sup>7</sup> AfDB/OECD (2011) African Economic Outlook.

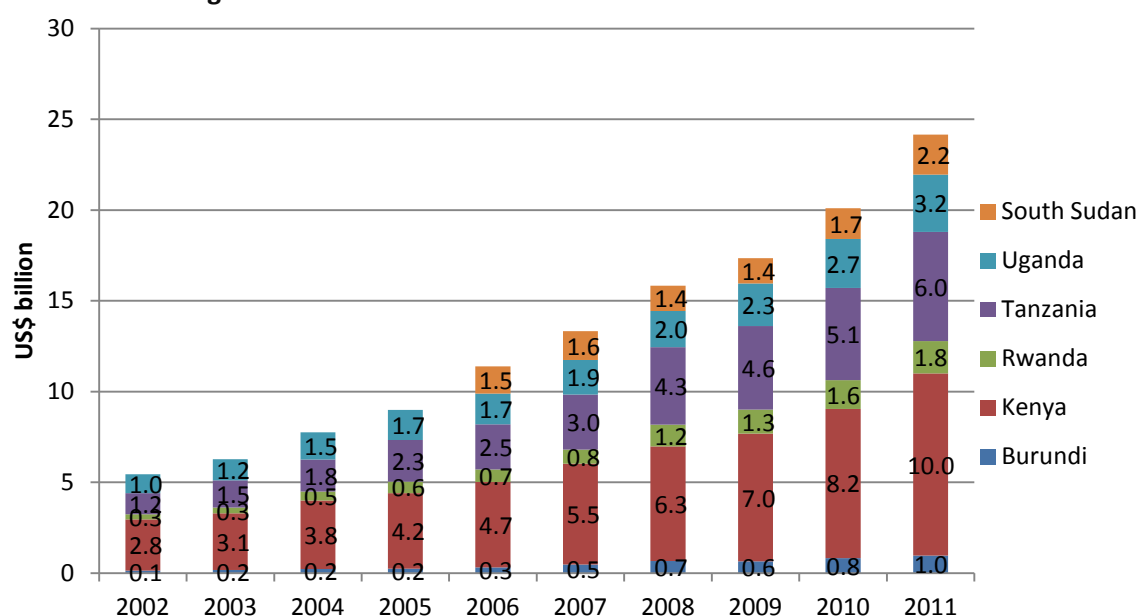
## Domestic resource flows

The majority of resources generated in Kenya come from taxes and aid. However, other resources are increasingly flowing into the country, such as remittances and foreign direct investments. Remittances have been on the increase and by June 2012 rose to US\$596.2 million, up from US\$406.2 million in June 2011, which represents a 46.7% increase.<sup>8</sup>

## Domestic revenues

Government revenues for all the East African countries have increased. By 2011, the total revenue for the region was US\$22 billion with Kenya having the highest proportion, US\$10 billion, and Burundi the lowest proportion, US\$1 billion. South Sudan's revenue, which derives mostly from oil, was higher than that of Rwanda and Burundi in 2010 and 2011.<sup>9</sup> We would assume that an increase in revenue would translate to more resources being available to Kenyans, however this may not be the case since the population is also increasing. Per capita rates in Kenya have increased from US\$84 in 2002 to US\$238.2 in 2011.

**Figure 6: East Africa's government revenues 2002-2011**



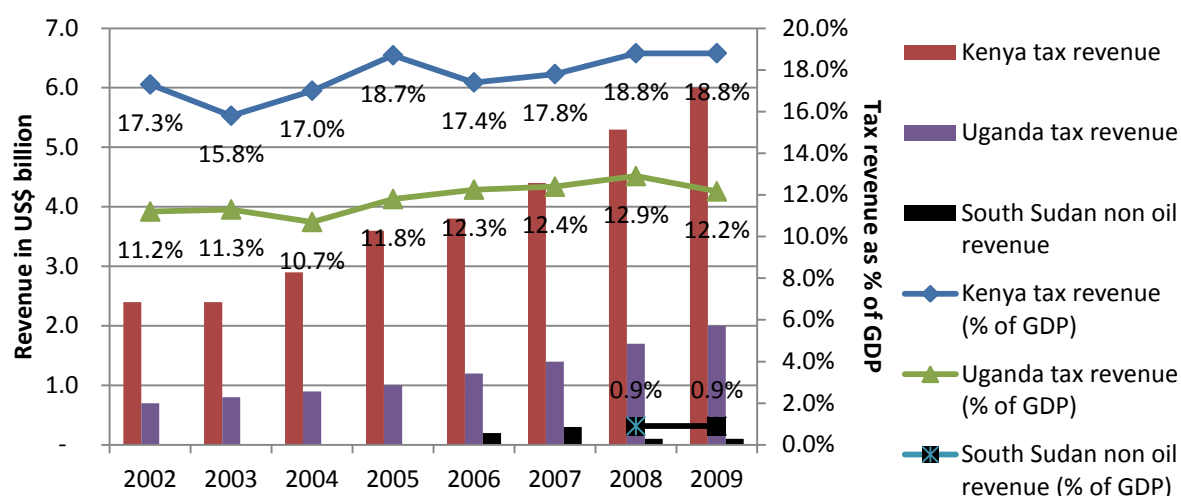
Source: Development Initiatives based on the World Economic Outlook 2012 database & Government of South Sudan (GoSS) data

Taxation, which is Kenya's largest source of revenue, has increased from US\$2.4 billion in 2002 to US\$6 billion in 2009, while tax revenues per capita have increased from US\$72 in 2002 to US\$150 in 2009. Tax revenue, as a proportion of GDP, has on average contributed to 17.7% of the country's annual total output.

<sup>8</sup> Central Bank of Kenya.

<sup>9</sup> Data on revenue from the Government of South Sudan is merged with the World Economic Forum 2012 database.

**Figure 7: Tax revenue flows and as a percentage of GDP for Kenya, Uganda and South Sudan, 2002-2009**



Source: Development Initiatives based on World Development Indicators & GoSS data

Kenya's tax revenue, when compared to Uganda or South Sudan, contributes the highest proportion of GDP, peaking at 18.8% in 2008 and 2009.<sup>10</sup> South Sudan's revenue contributes on average only 0.9% of GDP and Uganda's tax revenue contributes an average of 11.8% of GDP.<sup>11</sup>

The improved tax productivity in Kenya may be attributed to the tax reforms that have been put in place. In the 1970s Kenya experienced persistent fiscal deficits in its budget due to overspending, resulting in increased resource mobilisation. One measure for mobilising more resources was reform of the tax system and introduction of Personal Identification Numbers (PINs), Electronic Tax Registers (ETRs) and reduced tax exemptions.<sup>12</sup> Notably there has been increased participation by the civil society organisations, such as the [National Taxpayers Association](#), in demanding more government accountability on how tax revenue is spent.

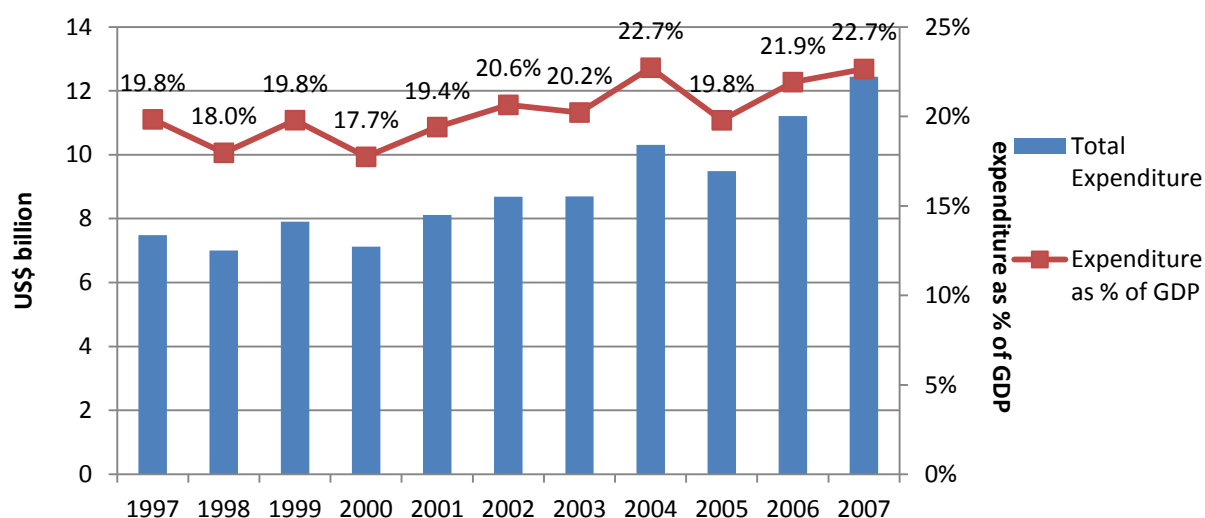
### Domestic expenditures

Kenya's domestic expenditure has increased from US\$7.5 billion in 1997 to more than US\$12 billion in 2007. This improvement is partly due to the effective tax system that has been put in place as well as increased participation in international trade. Expenditure as a percentage of GDP has averaged 20.2% in this period. In 2007, the government was spending US\$328.8 per capita which translates to US\$27.4 for every Kenyan per month.

<sup>10</sup> Tax data for South Sudan is not available, hence non-oil revenue has been assumed to be tax revenue.

<sup>11</sup> Average rate between 2006 and 2010 sourced from the Southern Sudan background paper.

<sup>12</sup> As discussed in [Muriithi M. K. & Moyi E. D \(2003\)](#). The Central Bank of Kenya (CBK) Amendment Act (1996) was another measure. This act limits CBK direct credit to the government to no more than 5% of the gross recurrent revenue of the government making it rely more heavily on revenue collected by the Kenya Revenue Authority (KRA) through the tax system.

**Figure 8: Public expenditure and as proportion of GDP, 1997-2007**

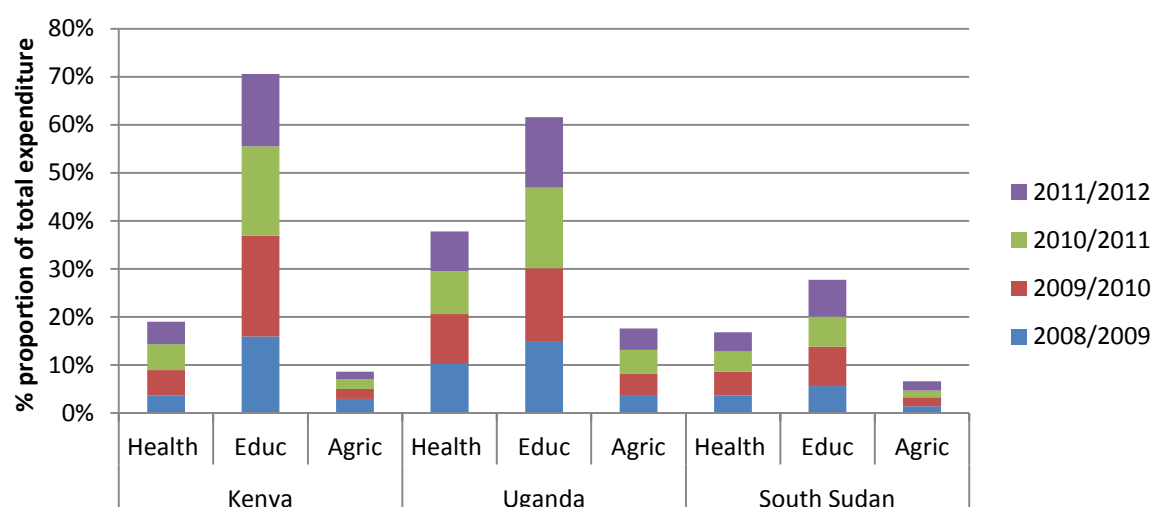
Source: Development Initiatives based on [IFPRI Statistics of Public Expenditure for Economic Development \(SPEED\)](#)

### Sector spending

A comparison of Kenya, Uganda and South Sudan sector spending, as a proportion of total expenditure, indicates that between 2008/09 and 2011/12, education expenditure has remained the highest for each of the countries and agriculture expenditure the lowest. The choice taken by these countries to invest primarily in human capital development through education is aimed at ensuring that the MDG of universal primary education is attained.

For education, Kenya spends the highest proportion compared to the other East African countries, with an average spending of 17.7% between 2008/09 and 2011/12. Uganda spends a higher proportion of resources in the area of health compared to the other two countries, averaging 9.5%, which may represent an effort to curb its poor health indicators supported by the fact that Uganda had the highest HIV prevalence rate of 6.5% in the region (in 2009). As for agriculture, Uganda also spends the highest proportion (an average of 4.4%) when compared to Kenya and South Sudan.

Figure 9: Kenya, Uganda and South Sudan proportions of sector spending of total expenditure



Source: Development Initiatives based on Kenya, Uganda & South Sudan public expenditure papers

### Education

There remain variations in education indicators across regions in Kenya. Nyanza, Nairobi and Central regions have the highest literacy levels, over 80%, while only 28.2% of North Eastern region population is able to read and write.<sup>13</sup>

Kenya has the highest secondary enrolment rate (59.9%) and the best pupil-teacher ratio for primary education (46.8 pupils per teacher).<sup>14</sup> Around 87% of Kenyans over the age of 15 are literate, making Kenya the leading country in adult literacy in the region. Kenya has the second highest proportion of primary school teachers trained to teach (96.8%), after Tanzania (100%). The gross enrolment rates in primary schools for all the countries in the region are above 100%, with Rwanda recording the highest rate of 150.7%. While these rates look impressive, caution is needed in interpretation as the figures may also signify high repetition rates in primary schools as well as admission of children who are above, or below, their rightful age for the grades they are enrolled in.

Table 2: East African education indicators

	Adult literacy rate	Gross enrolment ratio			Primary education resources	
		Primary	Secondary	Tertiary	Pupil-teacher ratio	School teachers trained to teach
	(% ages 15 and older)	(%)	(%)	(%)	(Pupils per teacher)	(%)
Kenya	87.0	112.7	59.5	4.1	46.8	96.8
Tanzania	72.9	104.9	27.4	1.4	53.7	100.0
Uganda	73.2	121.6	27.4	4.1	49.3	89.4
Rwanda	70.7	150.7	26.7	4.8	68.3	93.9
Burundi	66.6	146.6	21.2	2.7	51.4	91.2

Source: Development Initiatives based on 2011 Human Development Indicators

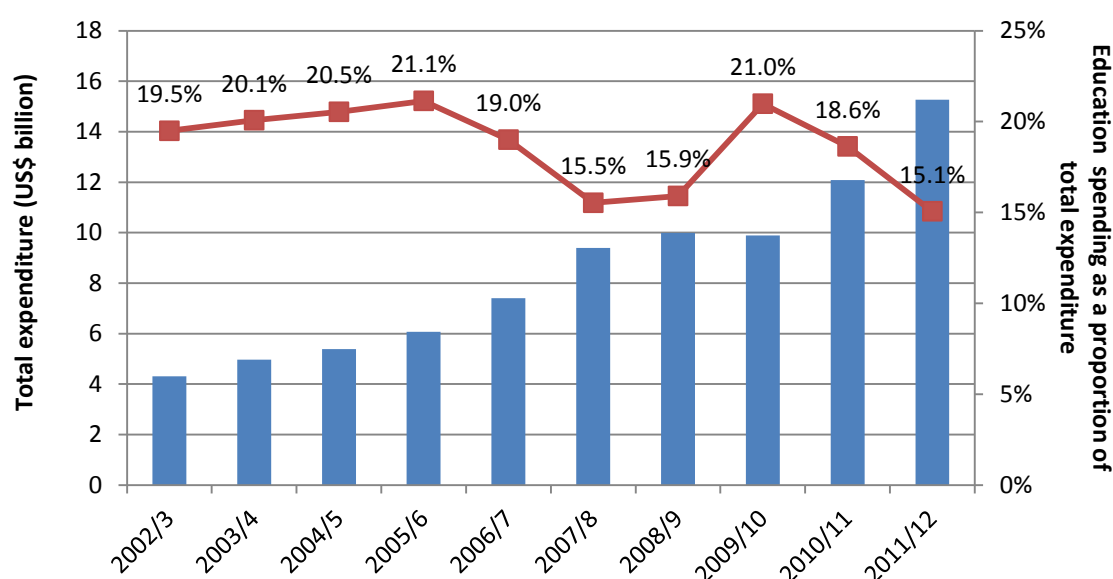
<sup>13</sup> Kenya Integrated Household Budget Survey (KIHBS) basic report, 2005/06.

<sup>14</sup> See also East African Community Statistics portal.

In order to attain MDG 2 of 'Universal primary education', the Government of Kenya introduced free primary education in 2003, which has contributed to an increase in education expenditure, particularly in per capita terms. Education has the highest per capita expenditure compared to health and agriculture, increasing by 116% from US\$25.3 in 2002 to US\$54.8 in 2011. However, this investment has also been marred by allegations of misappropriation of funds with the [United Kingdom](#) deciding to switch its funding away from government in 2010 and the [United States](#) cutting funds to education in 2010.

Since 2002/3 education as a proportion of total government expenditure in Kenya has been on average 18.8%, peaking at over 21% in 2005/06. In 2007/8 the proportion fell to just under 16% before rising to 21% in 2009/10. By 2011/12 this proportion reached an all-time low of 15.1%. When compared to the education indicators over time, there has been an improvement with school enrolment and completion rates increasing over the years, thus a correlation can be seen between increased education spending and improved educational indicators.<sup>15</sup> Compared to other sectors, the proportion of the budget spent on education is higher than that spent on health and agriculture.

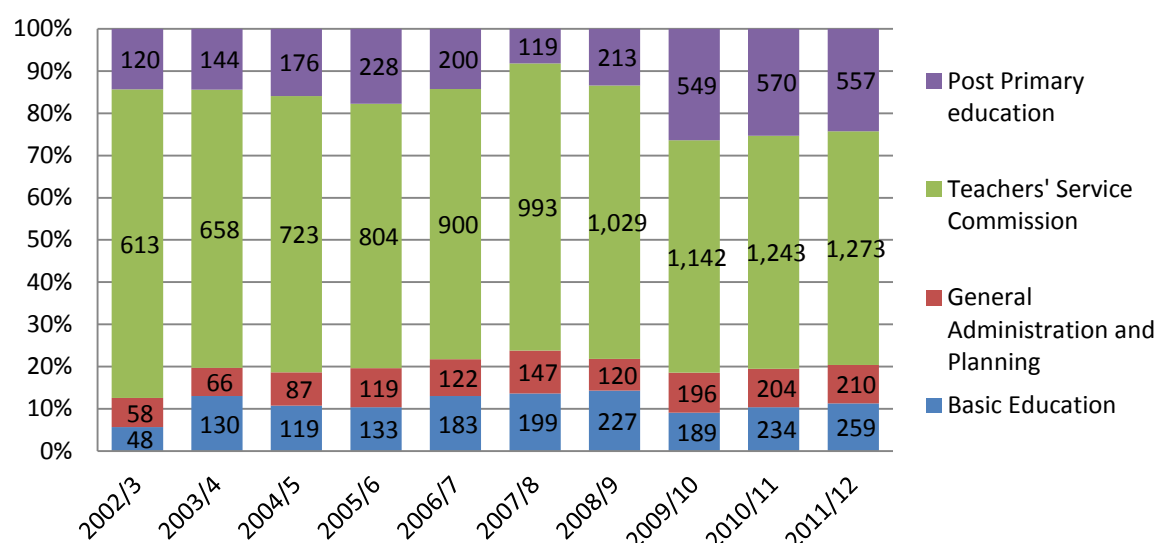
**Figure 10: Education expenditure as a proportion of total expenditure**



Source: Development Initiatives based on Kenyan BOOST data and budget estimates

Education expenditure is broadly categorised into four subsectors: basic education; general administration; Teachers' Service Commission; and post-primary education. The Teachers' Service Commission is an employment body that deals directly with teachers and receives the highest proportion of the education budget, peaking at US\$1.3 billion in 2011/12 (nearly 70%). Post-primary education is the only sector to have a reduced budget in 2011/12, falling by US\$13 million from the previous year.

<sup>15</sup> According to the [World Bank MDG data](#), gross enrolment improved from 66% in 2000 to 112% in 2011, while primary completion rate improved from 88% in 2004 to 90% in 2005.

**Figure 11: Public expenditure on education**

Source: Development Initiatives based on Kenyan BOOST data & Budget estimates

## Health

Kenya's [Vision 2030](#) aims at providing equitable and affordable healthcare to the highest standards for every Kenyan. In line with this, Kenya has invested in health sector reforms with the second phase of the [National Health Sector Strategic Plan](#) implemented in 2005. It focused on increasing equitable access to healthcare at the primary level as well as public private partnership in service delivery. This means that as the number of health facilities increases, the roads that lead to these facilities are also expected to be in good condition in order to improve access. The purpose of public private partnerships is that health services that would otherwise not be available via public facilities, due to high costs, are provided by the private facilities at subsidised rates. Decentralisation of the health management system has also placed emphasis on greater community involvement in decision making by allowing the communities to define their own health priorities and making resources for these priorities available.

Government efforts, with support from donors, have enabled the country to reverse the downward trend of health status indicators that are characteristic of sub-Saharan Africa. Child mortality has significantly reduced in Kenya from 115 per 1000 births in 2000 to 74 in 2010 and infant mortality has also dropped from 77 per 1000 live births in 2000 to 52 in 2010.

Table 3: East Africa health indicators

Indicator	Partner State\years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Infant mortality rate (per 1,000 infants)	Burundi	129	129	129	129	126	126	120	118	-	106	116
	Tanzania	-	-	95	77	68	68	68	86	84	51	51
	Uganda	84	84	87	87	87	87	76	76	76	76	76
	Kenya	77	77	77	77	77	74	74	74	52	52	52
	Rwanda	107	107	107	107	107	86	86	62	62	62	62
	<b>E. AFRICA</b>	<b>99</b>	<b>99</b>	<b>99</b>	<b>96</b>	<b>93</b>	<b>88</b>	<b>85</b>	<b>83</b>	<b>69</b>	<b>69</b>	<b>71</b>
Child mortality rate (per 1,000 children)	Burundi	-	-	-	-	-	-	-	-	-	-	178
	Tanzania	-	-	153	153	112	112	112	137	133.8	81	81
	Uganda	152	152	156	156	156	156	156	141	137	137	137
	Kenya	115	115	115	115	115	108	108	108	74	74	74
	Rwanda	196	196	196	196	196	152	152	103	103	103	103
	<b>E. AFRICA</b>	<b>154</b>	<b>154</b>	<b>156</b>	<b>156</b>	<b>156</b>	<b>139</b>	<b>139</b>	<b>117</b>	<b>105</b>	<b>105</b>	<b>105</b>
Maternal mortality rates (per 100,000 live births)	Burundi	800	800	800	800	800	608	-	815	815	866	866
	Tanzania	529	-	-	-	578	580	580	580	577	454	454
	Uganda	505	505	505	505	505	435	435	435	435	435	435
	Kenya	-	-	-	414	414	414	414	414	410	410	410
	Rwanda	1071	1071	1071	1071	1071	750	750	750	750	750	750
	<b>E. AFRICA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>674</b>	<b>557</b>	<b>436</b>	<b>599</b>	<b>597</b>	<b>583</b>	<b>583</b>

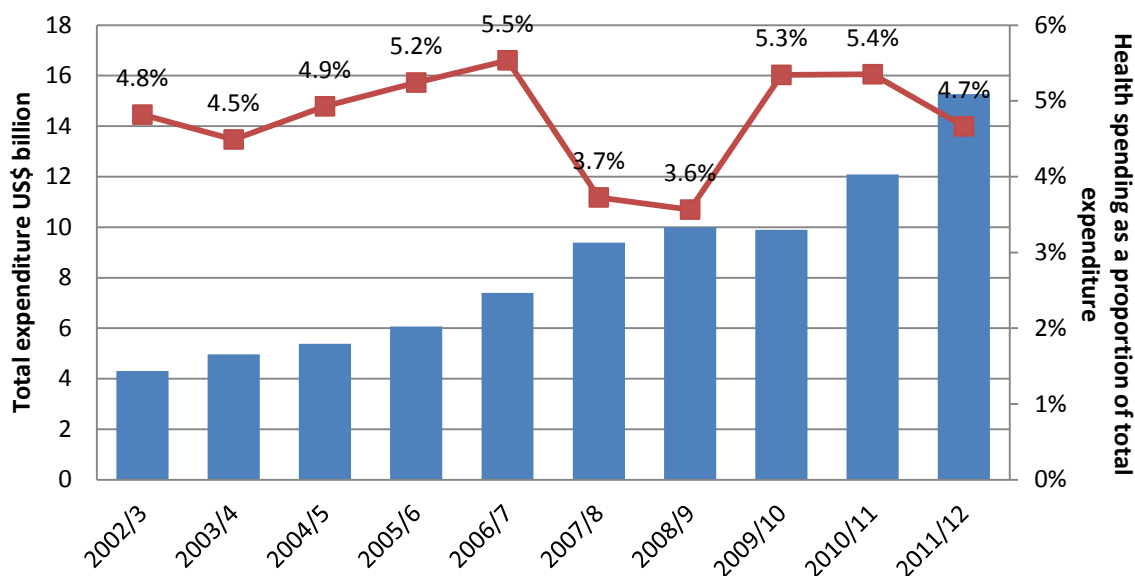
Source: Development Initiatives based on East African Community statistics

In 2002, Kenya's total health expenditure was US\$207.4 million (US\$6.2 per capita); this reached US\$712 million (US\$17 per capita) in 2011/12, which represents a 243% increase. The [World Health Organisation \(WHO\)](#) recommends a per capita health expenditure of US\$44, approximately Kshs.3000, indicating that Kenya is still far behind in reaching this recommendation, but is making progress. The government has increased allocations to the health sector in order to promote the achievement of the MDGs. These resources have been used to fund, amongst other components, HIV/AIDS interventions, healthcare infrastructure and affordable drugs. The government, in collaboration with non-governmental organisations (NGOs), has also set up mobile medical programmes targeting vulnerable groups such as those with disabilities and people living a nomadic life.<sup>16</sup> With the introduction of the devolved systems using the [Constituency Development Fund](#), transfer of resources from the national budget to the constituencies has also enhanced regional development.

The proportion of the total expenditure represented by health is still far below commitments made in the [Abuja Declaration, 2001](#) where governments committed to allocate 15% of their national budgets towards the improvement of the health sector. Whilst spending has nearly quadrupled from US\$4.3 billion in 2002/2003 to US\$15.3 billion in 2011/2012, a decade after the Abuja Declaration the proportion spent on health is still low. Health allocation as a proportion of total expenditure has fluctuated over the years and is actually lower in 2011/12 (4.7%) than it was in 2002/3 (4.8%).

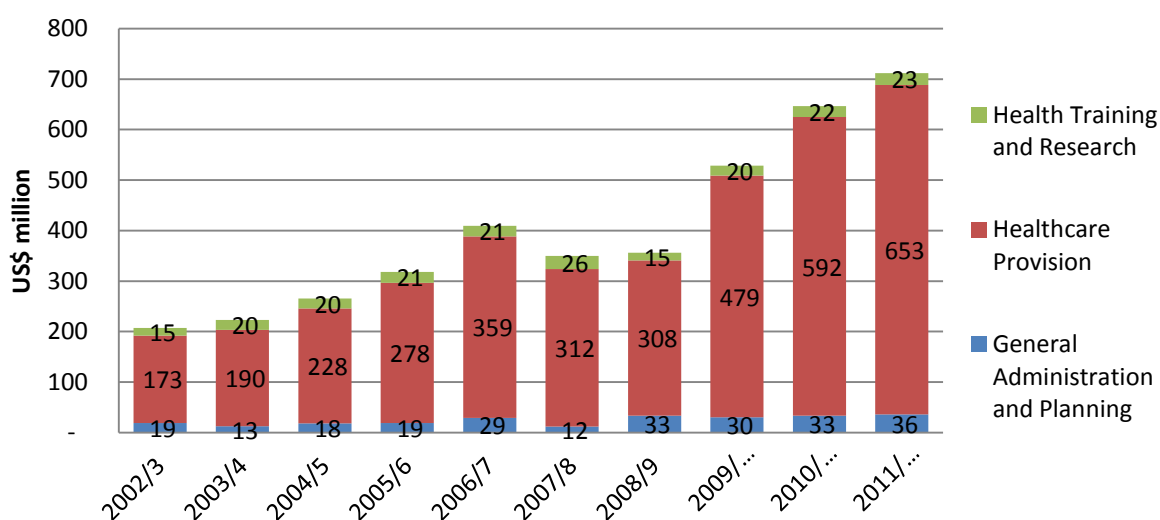
<sup>16</sup> AfDB/OECD, 2007.



**Figure 12: Health expenditure as a proportion of total expenditure**

Source: Development Initiatives based on Kenyan BOOST data and budget estimates

However in absolute terms, government spending on health has increased over the years, just as the overall budget has increased. Healthcare provision now forms a greater proportion of the health spending and in 2011 US\$653 million was spent in this subsector. There was a notable decrease of US\$60.0 million in health expenditure in 2007/08. Looking at the overall budget in 2007/08 there was no decrease which may explain the health expenditure reduction in this period.

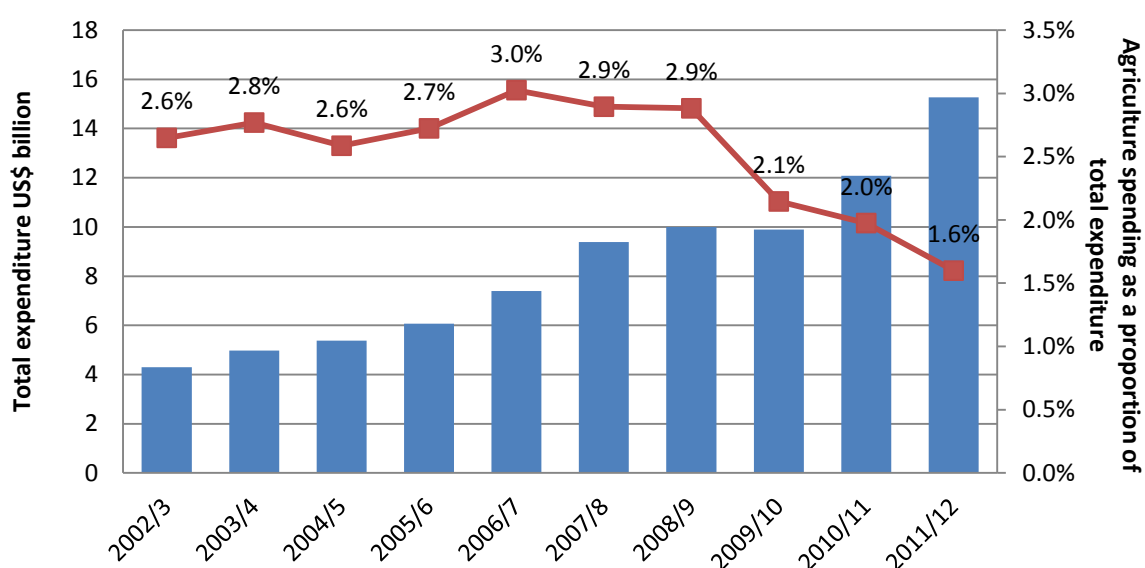
**Figure 13: Public expenditure on health**

Source: Development Initiatives based on Kenyan BOOST data

## Agriculture

According to the [KIHBS basic report, 2005/06](#), 71.1% of Kenyans engage in agriculture as their main economic activity, which is mainly subsistence. This represents 88.2% of the rural dwellers and 17.1% of the urban dwellers. Just below 70% of Kenyan households engage in crop cultivation while 66% engage in livestock keeping. Agriculture is the primary sector of Kenya's economy and has made an average GDP contribution of 22.7% in the last 5 years. In line with the [Vision 2030](#), the GoK works towards having an innovative, commercially-oriented and modern agriculture sector.<sup>17</sup>

**Figure 14: Agriculture expenditure as a proportion of total expenditure**



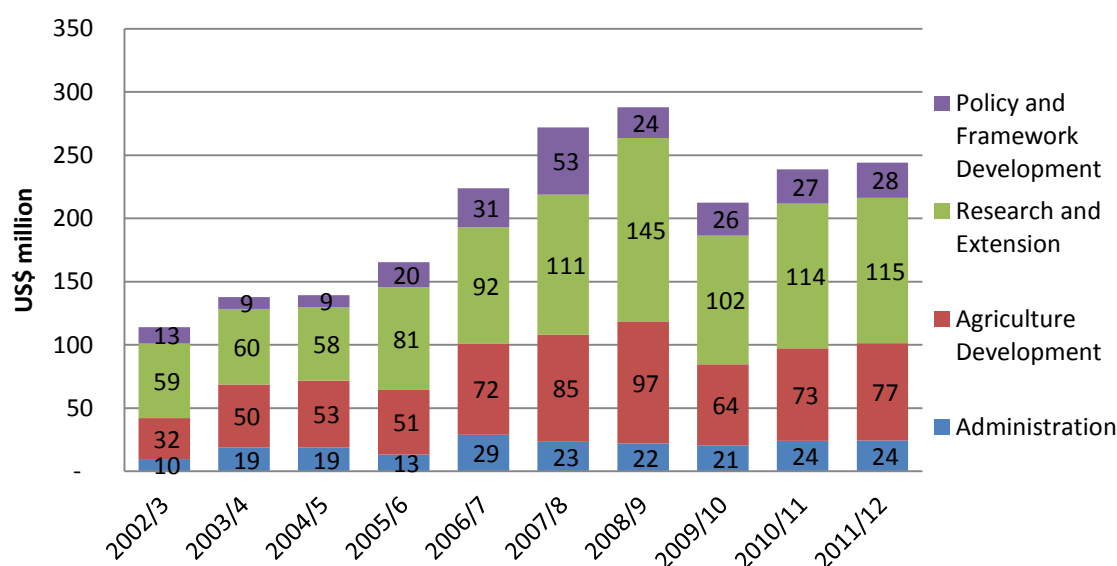
Source: Development Initiatives based on Kenyan BOOST data and budget estimates

Expenditure on agriculture has more than doubled from US\$113.9 million in 2002/3 to US\$244.1 million in 2011/12. On a per capita basis this represents a rise from US\$3.4 per capita in 2002/3 to US\$5.8 by 2011/12.

The [Maputo Declaration of 2003](#), which focuses on agriculture and food security, stated that governments should allocate 10% of the national budget to agriculture. By 2011/12 Kenya had not only failed to achieve this rate but witnessed its lowest proportional contribution to the agricultural sector to date (1.6%). Other neighbouring countries such as Uganda (4.6%) and South Sudan (1.9%) are allocating more to agriculture than Kenya but have also failed to reach the target set in the Maputo Declaration. Kenya's agricultural contribution to GDP fell from 29.1% in 2002 to 23.1% in 2011. This could be because agriculture is becoming less productive and farmers are opting for other sectors of production or vice versa.<sup>18</sup>

<sup>17</sup> A national long-term development blueprint to create a globally competitive and prosperous nation, that aims to transform Kenya into a newly industrialising, middle-income country providing a high quality of life to all its citizens by 2030. The vision has three key pillars; economic, social and political governance.

<sup>18 & 19</sup> Data sourced from the World Bank's [World Development Indicators](#).

**Figure 15: Public expenditure on agriculture**

Source: Development Initiatives based on Kenyan BOOST data

Research and extension has had the highest increase in expenditure of US\$55.8 million since 2002/03 followed by agriculture development (US\$44.6 million), administration (US\$15 million) and policy development (US\$15 million). This has translated to some improvements in the agriculture indicators such as an increase in fertiliser consumption as well as the food, crop and livestock productivity.

Within agriculture development, irrigation is a key focus and expenditure has increased from US\$17 million in 2003 to US\$58 million in 2009 (GoK, 2011).<sup>19</sup> The GoK has also put emphasis on managing the cost of inputs such as fertilisers and seeds to make it affordable for farmers. In addition, credit facilities have been developed for farmers. The proportion of arable land that is under irrigation has reduced from 0.1% in 2003 to 0.04% in 2009.<sup>20</sup>

## International resource flows

International flows include what donors spend in the form of official development assistance (ODA) as well as foreign direct investments (FDI) and remittances.

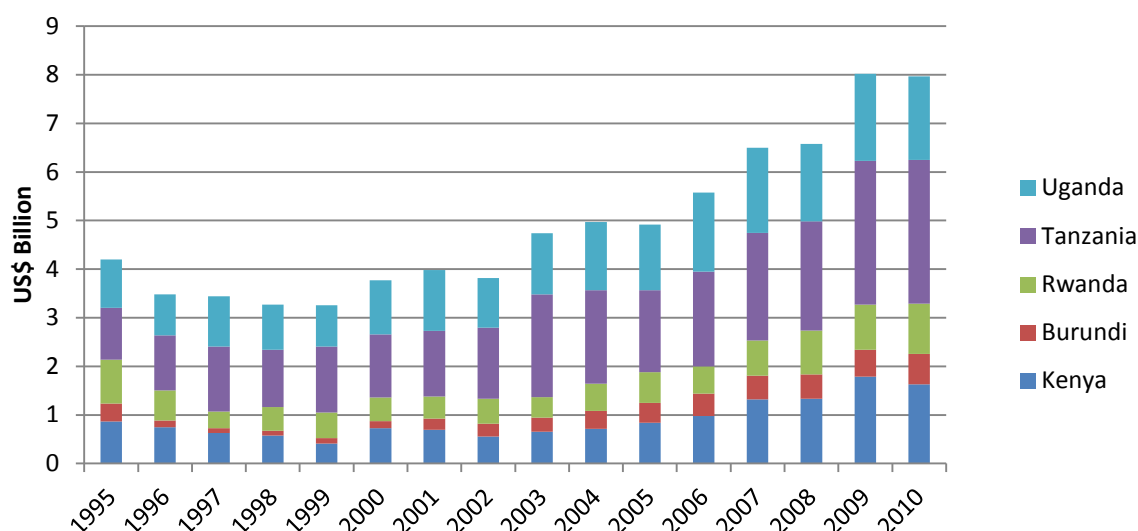
Aid to Kenya dropped drastically in the 1990s from US\$1.8 billion in 1990 to US\$426 million by 1999 representing a more than double decrease in aid.<sup>21</sup> After 1999 however, aid to Kenya began to steadily increase, but dipped in 2002, which coincided with an election year and the beginning of a new government regime. By 2010 aid reached US\$1.6 billion. In 1997 aid per capita was US\$22 compared to US\$40 in 2010.

<sup>19</sup> Statistical Abstract only available in hard copy.

<sup>21</sup> Sourced from the [OECD DAC](#) database.

Aid has also continued to play an important role in other developing countries within the East African region – the region has received around US\$78.5 billion in aid between 1995 and 2010. Of these countries, Tanzania was the largest recipient (US\$28.2 billion) and Burundi the smallest (US\$5.2 billion).

**Figure 16: Total net ODA disbursement to East African countries, 1995-2010**



Source: Development Initiatives based on OECD DAC data

Every year between 2006 and 2010 the US has been the top donor to Kenya, contributing a sum of US\$2.4 billion. Of this, US\$505.4 million has funded population and reproductive health. Japan and the UK have also been top donors to the country with the UK prioritising education funding and Japan prioritising health.

**Table 4: Top ten donor countries to Kenya (2006-2010)**

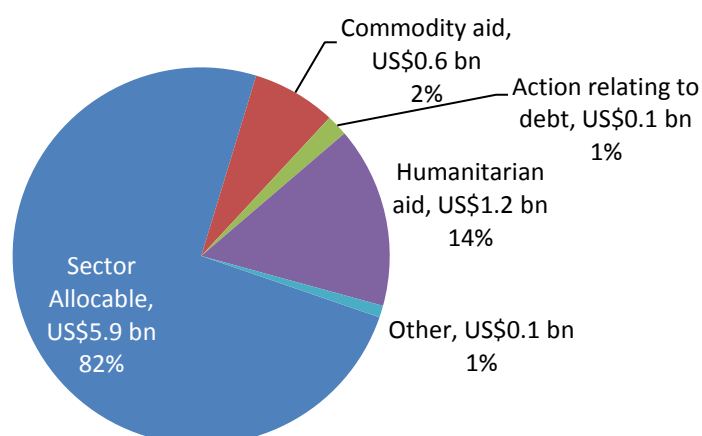
rank	2006		2007		2008		2009		2010	
		US\$m		US\$m		US\$m		US\$m		US\$m
1	United States	304.6	United States	339.8	United States	450.2	United States	598.1	United States	567.0
2	Japan	144.3	Japan	144.7	Japan	85.9	United Kingdom	133.9	France	142.4
3	United Kingdom	114.0	United Kingdom	118.0	Germany	85.1	Japan	111.0	United Kingdom	119.1
4	Sweden	58.2	France	77.0	United Kingdom	84.9	Germany	90.0	Japan	116.5
5	Germany	51.6	Germany	65.3	France	74.1	Sweden	71.9	Germany	89.3
6	Denmark	51.4	Denmark	51.9	Sweden	63.1	France	62.9	Denmark	65.9
7	France	36.2	Sweden	45.6	Denmark	59.3	Denmark	60.5	Sweden	47.7
8	Netherlands	34.9	Spain	44.8	Spain	36.1	Spain	49.1	Canada	26.1
9	Canada	28.9	Canada	24.6	Canada	27.6	Canada	36.1	Finland	25.8
10	Korea	15.1	Netherlands	17.4	Norway	20.3	Belgium	27.8	Netherlands	20.2

Source: Development Initiatives based on OECD DAC data, US\$ million, constant 2010 prices

## Sector funding

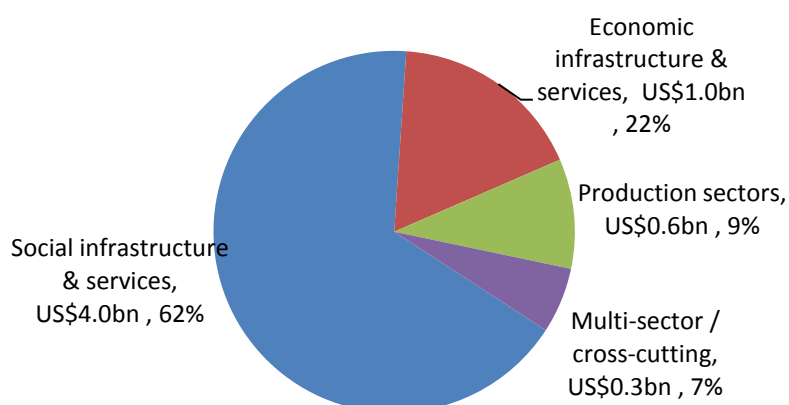
This section analyses the breakdown of ODA to Kenya by aid type and the sectors that are funded. Between 2006 and 2010 the majority of aid (82% or US\$5.9 billion) was sector-allocable, with humanitarian aid being the second largest portion (14% or US\$1.2 billion). Among the social infrastructure and services sector, population and reproductive health received the highest proportion of aid (50% US\$1.6 billion), which was mainly funded by the US. Education and general health on the other hand received 9% and 10% respectively.

**Figure 17: ODA breakdown of types of aid to Kenya, 2006-2010**

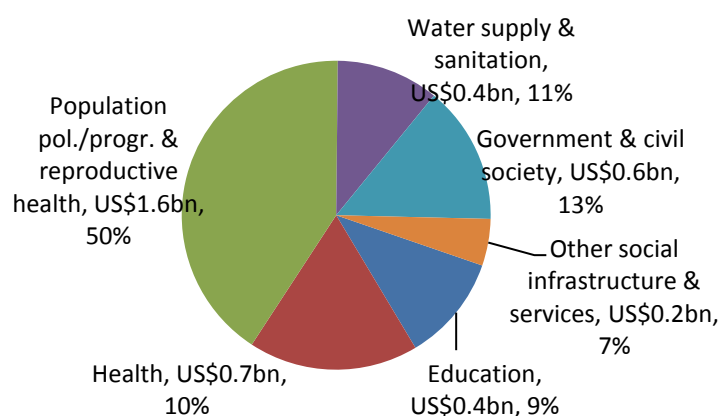


Source: Development Initiatives based on OECD CRS data

**Figure 18: Sector-allocable aid, 2006-2010**

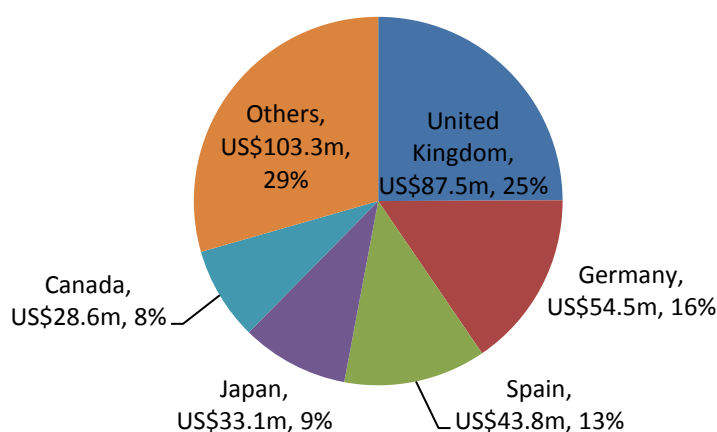


Source: Development Initiatives based on OECD CRS data

**Figure 19: Social infrastructure and services, 2006-2010**

Source: Development Initiatives based on OECD CRS data

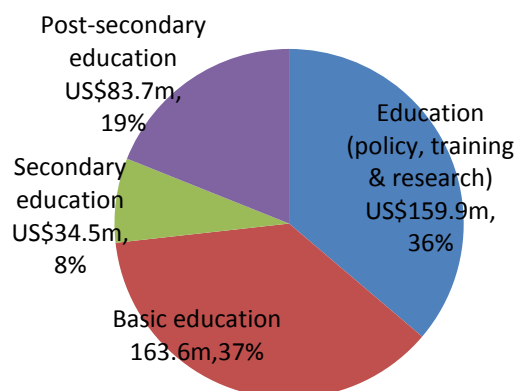
### Education

**Figure 20: Top five donors to education 2006-2010**

Source: Development Initiatives based on OECD CRS data

The UK was the top donor to education in Kenya, contributing 25% of aid to education between 2006 and 2010 (US\$87.5 million). Germany also made a significant contribution in this period - 16% or US\$54.5 million. Through the [Department for International Development \(DFID\)](#), the UK has embarked on a series of projects to promote the education sector in Kenya. It supports schools in hard-to-reach slums and arid lands and better teacher management with the goal of enrolling 160,000 more girls and 140,000 more boys in schools. There are plans to reduce UK funding to health, particularly HIV/AIDS, as the US is actively supporting this. This may therefore mean that the UK health funding will be diverted to education. However, in 2010 there were allegations of misappropriation of education funds by the government which led to the UK switching its funding away from the government and thus terminating funding to the Ministry of Education.

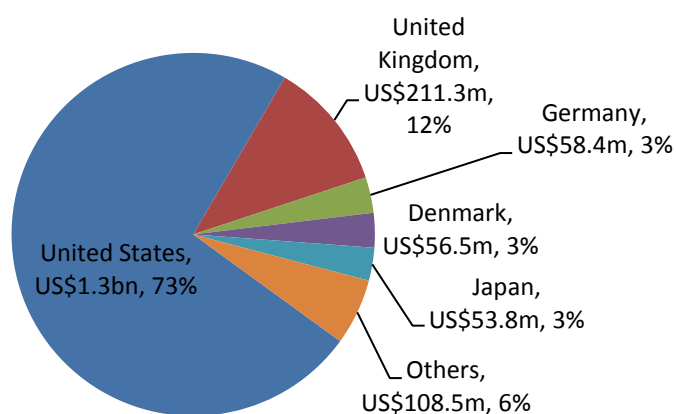
The donors that make up the 'others' category include Belgium (US\$20.3 million), the US (US\$19.5 million) and France (US\$13.7 million).

**Figure 21: Breakdown of donor spending in education, 2006-2010**

Source: Development Initiatives based on OECD CRS data

Basic education receives the largest proportion of aid to education in Kenya, approximately US\$163.6 million or 37% between 2006 and 2010. Basic education comprises spending on pre-school, primary school, adult education as well as literacy and numeracy training that is offered both in the formal and informal sector. Secondary education on the other hand received the lowest proportion in this period - 8% or US\$34.5 million. When donor expenditure on education is compared to that of the government, it is found that government spends more on post-primary education than it does on basic education. This could mean that the government's and donors' education priorities are complementing each other, but it could also mean that decision making and priority spending is not being communicated.

## Health

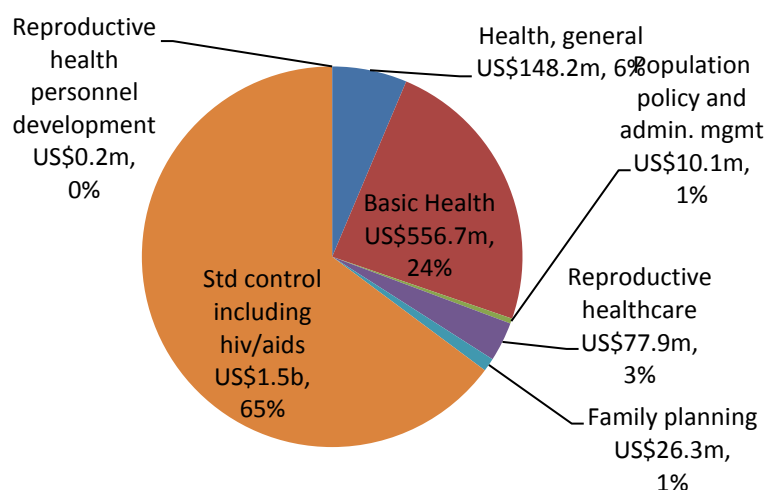
**Figure 22: Top five donors to health, 2006-2010**

Source: Development Initiatives based on OECD CRS data

Between 2006 and 2010 aid to the health sector in Kenya was dominated by the US (US\$1.3 billion or 73%).<sup>22</sup> The UK's contribution was the second largest, 12%. The US government through [USAID/Kenya](#) works with the GoK at both national and local levels to strengthen health systems by improving health policy, logistics, human resources and monitoring and evaluation systems. USAID/Kenya also works through provincial and district government structures to improve the availability, quality of and access to HIV/AIDS, reproductive health/family planning (RH/FP), tuberculosis (TB) and malaria services. It also works closely with other US government agencies such as the [Centre for Disease Control and Prevention \(CDC\)](#) to improve healthcare in Kenya.

Spain and France dominate the 'other' category with an aid contribution of US\$27.9 million and US\$24.4 million respectively.

**Figure 23: Breakdown of donor spending to health 2006-2010**



Source: Development Initiatives based on OECD CRS data

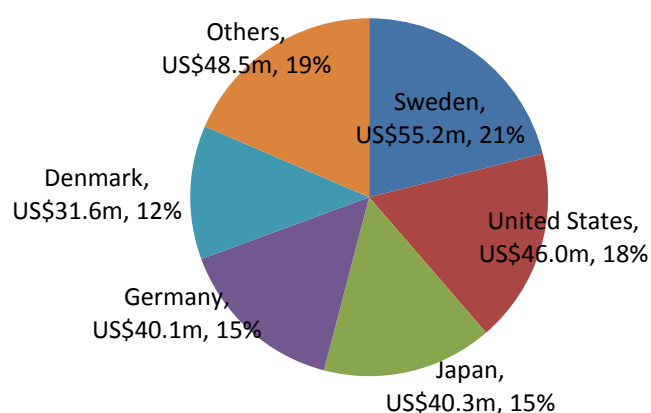
Between 2006 and 2010 65% (US\$1.5 billion) of health funding was used to fund sexually transmitted disease control and HIV/AIDS. While basic health, which includes: primary healthcare programmes, paramedical and nursing care programmes, supply of drugs, medicines and vaccines related to basic healthcare received only 24% or US\$556.7 million. The huge investment in HIV/AIDS is expected to have been due to Kenya's HIV prevalence rate - 6.3% in 2009 (the second highest in the East Africa region, after Uganda) - and the number of estimated deaths from AIDS of 80,000.

<sup>22</sup> Health funding in this case is a summation of Health and Population, reproductive health as in the CRS.



## Agriculture

**Figure 24: Top five donors to agriculture, 2006-2010**

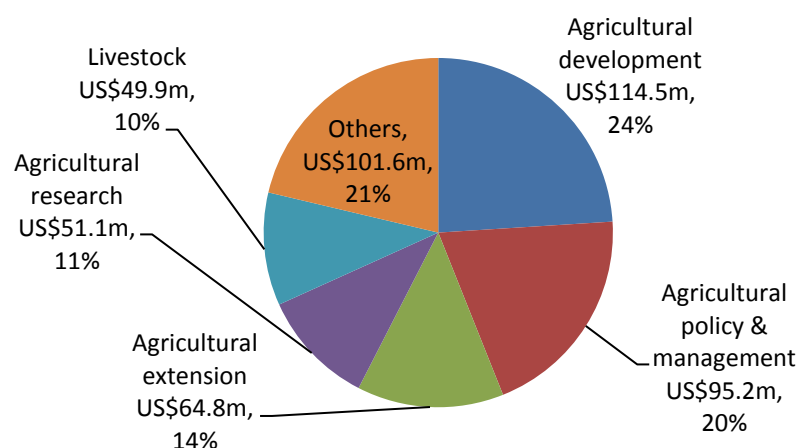


Source: Development Initiatives based on OECD CRS data

Sweden is the largest donor to fund agriculture to Kenya, having contributed 21% (US\$55.2 million) between 2006 and 2010. According to the [Swedish International Development Cooperation Agency-SIDA](#), Sweden's top priorities to Kenya include: democracy and human rights, environment and natural resources (when linked to agriculture) and urban development. Specifically for agriculture, Sweden supports the commercialisation of farming, for example the [National Agriculture and Livestock Extension Program \(NALEP\)](#), a network that offers financing and advice to small farmers.

France and Ireland form a significant proportion of the 'other' category, both contributing around US\$25.5 million to agriculture funding.

**Figure 25: Breakdown of donor spending to agriculture 2006-2010**



Source: Development Initiatives based on OECD CRS data

Agricultural development receives the highest proportion of aid to agriculture, 24% or US\$114.5 million. In the 'others' category, funding to agricultural water resources receives US\$29.6 million which includes funding for irrigation, reservoirs, hydraulic structures and ground water exploitation for agricultural use. The government, on the other hand, spends more on research and development

followed by agricultural development. This reveals a difference in funding priorities, as was found in the education sector spending.

## Summary analysis and recommendations

The analysis of donor and government funding for health, education and agriculture in Kenya shows that different actors have different priorities. The GoK puts education at the forefront of its sector spending compared to health and agriculture. The same is the case for Uganda and South Sudan. However, from a donor perspective, more spending goes to health, then education and then agriculture. Furthermore when it comes to the specific sectors, a difference in priorities also exist in subsectors with donors choosing to heavily fund one subsector while government is spending heavily on a different subsector. This could mean that donor and government priorities complement each other, but it could also mean that there is limited alignment and consultations between donors and the Kenyan Government. There is a need to understand what drives prioritisation and decision making processes between donors and the government and for key players to have an open dialogue on these priorities. This should result in more effective funding allocations that address poverty issues.

Whereas agriculture is the backbone of the country, it remains the least prioritised. As is stipulated in the country's [Vision 2030](#), there is a need to boost funding to this sector for it to become more mechanised and commercial. Agriculture needs to become a more attractive economic activity so that it translates into more revenue for the country which should improve the livelihoods of Kenyans. The lack of improvement in the agriculture indicators demonstrates the need for more investment in this sector. The findings also reveal that there could be a shift from agriculture to other sectors of production as indicated by the reduced contribution of agriculture to the country's GDP.

This analysis has also found that GoK has not adhered to the declarations that it committed to regarding the allocation of funding proportions to the various sectors. The Maputo Declaration, which stated 10% of budget allocations should go to the agricultural sector, has not been attained. Kenya has not met its commitment to the Abuja Declaration of 15% allocation to the health sector. Government should be aware of the commitments made and the feasibility of achieving them. Stronger accountability mechanisms need to be in place which binds governments to the declarations that they make.

## About us

[Development Initiatives](#) (DI) has been working with governments, multilateral organisations and NGOs since 1992. Its core programmes - [Global Humanitarian Assistance](#) (GHA), [aidinfo](#), [budget4change](#) - focus on analysing, interpreting and improving information about resources for poverty elimination with the aim of making it more transparent and accessible.

The African hub, based in Nairobi, Kenya provides a regional perspective to DI's work on eradicating poverty. The hub sees better information as being a fundamental tool to improve policies and influence the allocation of resources to address chronic and extreme poverty in the region. Our work concentrates on four broad themes: open data, aid, budget effectiveness and social protection.

In order to achieve our goal of eradicating poverty, the hub provides high quality analysis on resource flows; enhances the capacity of key stakeholders to access, analyse, use and understand information on resources; forms partnerships and engages with like-minded organisations working on similar issues; and influences policy to incorporate and prioritise chronic poverty objectives.

## Annex 1: Methodology: basic concepts, notes and definitions

The public expenditure data covers 2002/3 to 2011/12 and is based on World Bank BOOST data and Ministry of Finance budget estimate books. Tax revenue is from 2002 to 2009. Donor funding is based on OECD DAC as well as other government records, [IFPRI SPEED](#) database and the African Development Indicators.

Sector analysis is based on the following data sources and definitions:

### **Agriculture** (Agriculture, livestock and fisheries and co-operative development ministries)

*Administration:* General administration and planning

*Agriculture development:* Protection of natural resource base for agriculture, crop and pest control, protection of natural resource base for agriculture, livestock development, fisheries development, veterinary services, co-operative management

*Research and extension:* Training and development, facilitation and supply of agriculture extension services, information management for agriculture sector

*Policy and framework development:* Monitoring and management of food security, policy, legal reviews and regulation of agricultural inputs and outputs.

### **Education** (Ministry of Education)

*Basic education:* Includes primary education and pre-primary education

*General administration and planning:* General administration and planning, policy and planning, quality assurance and standards, constituency development expenditures

*Teachers' Service Commission:* All expenses incurred by the Commission including: salaries to permanent staff, allowances (this is categorised as expenses that affect teachers directly)

*Post-primary education:* Secondary and tertiary education, Department of Adult Education, secondary education, technical education and university education.

### **Health** (Ministry of Health and Medical Service & Ministry of Public Health and Sanitation)

*General administration and planning:* General administration and planning, technical support

*Healthcare provision:* Curative health, preventive medicine and promotive health, rural health services, medical supplies co-ordination unit, Kenyatta National Hospital, Moi Teaching and Referral Hospital, disease control services, primary health services

*Health Training and Research.*

### **Limitations and assumptions of the data**

[Official development assistance \(ODA\)](#) is defined as assistance from OECD DAC member countries, and excludes aid from non-DAC donors, such as China, Brazil, India and Russia.

There may be some slight challenges in comparing the results of this study with the findings of other countries on a sub-sector level. For example, what is incurred in the Teachers' Service Commission in Kenya may be reported as an administrative or basic education cost in Uganda.

Other government revenues such as remittances and foreign direct investments have not been used in this study.

## Development Initiatives -

an independent organisation working for poverty elimination.

We **Engage** to increase access to and understanding of information and statistics related to poverty.

We **Empower** by putting this information, and the capacity to use it, in the hands of poor people and others working to reduce poverty.

We believe that transparent and accessible information can play a key role in making aid more effective and in enhancing choice, security and opportunity for the world's poorest people.

**Our vision is to Eliminate Poverty by 2025.**

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