Global financial crisis: Impacts, coping mechanisms and implications in Tana River, Murang’a, Kilifi and Kisumu - Kenya

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ABSTRACT2

Background: This study was conducted as part of the community-based monitoring systems (CBMS) with the aim of capturing the impact of the global financial crisis (GFC) in various countries, including Kenya. The surveys were conducted in four sites in Kenya: Tana River; Murang’a; Kilifi; and Kisumu. The channels explored for the impact of GFC in this study included export market, remittance and local employment.

Objectives: The study had two broad objectives: (i) to assess the impact of the GFC; and (ii) to assess the capacity of the communities to implement and utilize CBMS. This paper focuses on the first objective, which specifically sought to: (i) assess the impact of the GFC on poor households (real or potential); and (ii) document the coping strategies adopted by the households, especially the poor.

Methods: A household census was conducted in 11,845 households distributed as follows: Tana River 5,882; Murang’a 2,286; Kilifi 2,649; and Kisumu 1,028. The large number of households covered in Tana River was due to the fact that this was a Phase II survey that entailed scaling up from the initial three sub-locations assessed in 2008 to six.

Results: The findings indicate that the impact of the crisis on the households was minimal at a general level. However, of the households that saw a decline in remittances (30.4%), more than half (55.6%) experienced food shortages, while a substantial proportion had reduced expenditure on healthcare (28.3%), education (34.7%) and clothing (38.6%). In terms of coping, a high proportion of the households borrowed money (31.4%) or spent their savings to cope with shocks (35.5%). Loss of

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2This report is based on studies conducted in four sites. Tana River District was funded through CBMS while the Government of Kenya, through the Ministry of State for Planning, National Development and Vision 2030 supported the process in three Local Authorities – Murang’a, Kilifi and Kisumu.
jobs was related to food shortage (6.6%) and reduced access to services (healthcare – 7.4%, education - 7.7% and clothing – 7%). Access to Government programmes was mainly in the form of relief food in Tana River (88.2%) while Murang’a (2.6%), Kisumu (0.4%) and Kilifi (9.6%) had limited access. Households in Tana River that experienced food shortage had more access to relief food (77.4%) compared to Murang’a (42.8%), Kisumu (42.9%) and Kilifi (36.5%).

**Conclusion:** The households that experienced declines in remittances and job losses as a result of GFC were markedly affected in terms of access to food and other basic services.

1. **INTRODUCTION**

1.1 **Background**

In April 2008, the IMF sent a warning that the US mortgage crisis had spiraled into "the largest financial shock since the Great Depression" adding that there was a one-in-four chance that it would cause a full-blown global recession. In its report, the International Monetary Fund (2008) projected that the world Gross Domestic Product (GDP) growth would slow down by at least 2.0 percentage points (from 5.0% to 3.0%) for 2008 and 2009. This would mean that global GDP per capita would also decrease by a considerable margin. The signals became even more worrying when the World Bank also confirmed that the GFC had all the characteristics of a global economic crisis, which was “rapidly becoming an unemployment crisis” (World Bank, 2008). A sharp decline in growth in 2009 was projected through various economic channels. While the major casualties were confined to the developed world, the developing world was also not immune with the World Bank projecting that growth would slow down to 4.5% in 2009 from 7.9% in 2007 (Brahmbhatt, 2008).

It was anticipated that developing countries would be affected by the GFC in two possible ways: (i) through financial contagion and spillovers for stock markets in emerging markets; and (ii) economic downturn in developed countries would probably impact on developing countries through the following channels: a) trade and trade prices; b) remittances; c) foreign direct investment (FDI) and equity investment; d) commercial lending; e) aid; among others. It was expected that the crisis would also result in weaker export revenues, lower investment and growth rates and loss of
employment. In terms of social impact, the lower growth would translate into higher poverty and even more difficulties in meeting the MDGs (Velde, 2008) and other indicators at the national level.

1.2 The effects of GFC in Kenya

The expectations for Kenya was that the GFC would be driven by the following key factors (Nyagito, 2009):

- A decline in the demand for Kenyan exports;
- Collapse of any of the external institutions with links to Kenyan banks and other monetary institutions could hurt the economy;
- Decline in remittances as disposable incomes decline in the countries experiencing the global recession;
- Tourism through postponement and cancellations;
- Reduced value of exports and increased cost of imports;
- Depreciation of the Kenya shilling against the US dollar with adverse implications on transaction costs;
- A fall in the stock markets; and
- A decline in international aid to the country and to non-governmental organizations.

In the last two years, many publications have focused on the various impacts of the GFC (e.g. IMF, 2009). Assessments indicate that so far, there has been a global impact with America and parts of Europe having been more hit than Africa and other developing nations. Figure 1 shows the global trends in GDP growth between 2007 and 2009. There were estimates that 2010 would see considerable growth globally and in Kenya in particular.

In Kenya, the GDP recorded a major decline in 2008 of 1.6% due to three adverse shocks. First, the second-round effects of the global economic downturn depressed Kenya’s main

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3IMF World Economic Outlook, July 08, 2009.
export markets (in the form of tea, coffee and horticulture). Second, the erratic, delayed and shorter rainfall had a negative impact on the agriculture and power sectors. Third, the prolonged effects of the 2008 post-election violence depressed investor confidence and had adverse effects on the whole Kenyan economy and population. Figure 2 illustrates the impact of these factors on the GDP and inflation. Inflation generally led to increase in the cost of commodities, including food.

Remittances were also affected during the same period, but the Central Bank of Kenya shows that the levels picked up considerably as shown in Figure 3.

Remittances seem to track the long run average of US$ 50 million per month. Meanwhile, the source markets for remittances on average maintained the same shares with North America contributing 52 percent and Europe 30 percent of total remittances to Kenya in April 2010. The pick up in April 2010 could indirectly be attributed to the improving economic conditions in the regions of origin, and improved prospects for economic recovery at home.4

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4Commentary on Remittances for April 2010  Mr. Charles Gitari Koori, Director Research Department
In response to the shocks outlined above, the government put in place several measures to stimulate growth, including:

- Restoring investor confidence;
- Expansionary fiscal policy, e.g. establishing an economic stimulus package; and
- Monetary policy focusing on achieving and maintaining price stability within a single digit inflation rate of 5%.

These measures contributed to an improved growth rate of 2.6% in 2009 in the economy, with a projection of 4.5% in 2010.

1.3 The impacts of GFC on different transmission channels in Kenya

As anticipated, the GFC had an effect on the Kenyan economy through the following transmission channels: domestic exports grew marginally by 0.3% while re-export declined by 4.1%. Total imports grew by 2.5% in 2009 compared to a 27.4% in 2008. This resulted in the volume of trade growing by 1.6% in 2009 compared to a growth of 26.8% in 2008 (KNBS, 2010). Furthermore, tea production declined by 9.2% from 345.8 thousand tones in 2008 to 314.1 thousand tones 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. On the other hand, the Kenya shilling depreciated against the US dollar to record Ksh 77.35 in 2009 compared to Ksh 69.18 per dollar in 2008. Remittances inflow declined from US$ 611.4 million in 2008 to US$ 609.2 million in 2009 (although this was a minimal decline). However, tourism earnings rose from Ksh 52.7 billion in 2008 to Ksh 62.5 billion in 2009. The turnaround in the tourism sector was attributed to recovery from the effects of the post-election violence and perceived political stability.

1.4 The GFC study in Tana River, Murang’a, Kilifi and Kisumu

In response to this crisis, the CBMS network designed a study in 2009 with the aim of capturing the consequences in several countries, including Kenya, Ghana, Peru, Philippines, Tanzania and Zambia. The channels of impacts in Kenya were expected to become apparent in agricultural exports, tourism and remittances. Further compounding the GFC was a food crisis that hit the country and other parts of the...
world in 2008, which led to approximately 10 million people being declared at risk of starvation (KFSSG, 2008). This number was adjusted to 7.5 million in 2010 (KFSSG, 2010).

The Kenyan study was therefore commissioned to assess the impact of the GFC on poverty in Tana River District\(^5\) and in three Local Authorities (LAs)\(^6\) – Murang’a, Kisumu and Kilifi.

2. OBJECTIVES AND RESEARCH QUESTIONS

This study had two broad objectives: (i) to assess the impact of the GFC; and (ii) to assess the capacity of the communities to implement and utilize the results of CBMS. This paper focuses on the first objective, which specifically responded to the following questions:

1. How is the GFC impacting the communities or what is the potential impact of the GFC on communities?
2. What are the effects on the ability of households to access services such as health, education and wealth creation opportunities?
3. What strategies have the communities adopted to cope with the crisis?

3. METHODS

3.1 Approach

This study utilized the standard CBMS tool in the form of a household census although additional questions were added to assess the impact of the GFC over the last six months prior to data collection. The data collection took place between July 2009 and January 2010.\(^7\) Three categories of indicators were derived for the study: outcome indicators; impact indicators; and coping strategies, as described below.

**Outcome indicators:** The outcome indicators were aimed at capturing the immediate and direct impacts of the crisis on households. The focus was on

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\(^5\)The AIHD has been implementing a Local Poverty Monitoring System in Tana River District since 2007. The household questionnaire was reviewed to include questionnaires intended to capture the effects of the global financial crisis.

\(^6\) The Ministry of State for Planning, National Development and Vision 2030 funded the implementation of CBMS in Kilifi, Murang’a and Kisumu.

\(^7\) The Tana River study was conducted in July, a year after the Phase I study. The Government funded the municipal council studies and the timing was influenced by the release of funds, which was done in October 2009.
three main channels: employment and income; utilization of social services; and access to credit. The outcome indicators included: diminishing remittances; reduced labor income; job losses; reduced access to healthcare services; asset losses; and lack of access to credit.

**Impact indicators:** Impact indicators focused on the impact of the GFC on different dimensions of poverty. Those monitored in this study included: health and nutrition; education; income; and employment.

**List of indicators for coping mechanisms:** These indicators were intended to capture changes in household behavior within a specified period of time (in this case six months prior to the survey), particularly with regard to the array of coping strategies employed by the households in response to income and welfare shocks from the GFC. These were captured based on the following: health and nutrition; education; and income.

### 3.2 Rationale of the CBMS project for LAs in Kenya

Participatory planning and monitoring have been found to not only accelerate development but also to empower communities to recognize their strengths and responsibilities for their own development. Monitoring the government’s achievements of the MDGs is a critical commitment and all efforts are being made by all stakeholders to ensure that Kenya attains its goals. However, the current system of generation of data is still at the central level yet the MDGs’ impacts are supposed to be experienced at the community level. City, Municipal, Town and County councils are important locus of development more so as the government seeks to decentralize its programmes.

The current allocation of funds directly to the constituencies has ensured the availability of funds at the lowest administration level. However, although there are mechanisms on paper to facilitate the engagement of community members in the decision making processes, there remains a gap in ensuring that they occupy their rightful space and that their decisions are based on local evidence.

CBMS therefore provides important lessons to the Ministry of Planning (MSPND & Vision 2030) in its MDGs-related mandate. The engagement of community members
in the collection and analysis of data allows for regular updates cheaply generated for local and national use. It is envisaged that once the communities start monitoring the performance of their councils, they will gain a voice in the planning and implementation processes. In light of the CBMS benefits, AIHD in close collaboration with the MSPND & Vision 2030, pilot tested the CBMS methodology in three Local Authorities; Murang’a, Kisumu and Kilifi.

As a result of the successful pilot test of CBMS in the three LAs, the MSPND & Vision 2030 intends to up-scale CBMS to cover more local authorities in Kenya. The Association for Local Government Authorities in Kenya (ALGAK) has expressed a lot of interest on implementation and utilization of CBMS data in service delivery at the local level.

3.3 Study sites

This study was conducted in four sites in Kenya, as briefly described below.

Murang’a: Murang’a is one of the LAs in Central Kenya. Although the area was a major producer of coffee in the 1970s and 1980s, the coffee growers had since uprooted their coffee due to poor returns. At the time of the study, the community was not generating any income from exports. In fact, through consultations, the questions on export in the questionnaire were deemed irrelevant and subsequently removed. The study was conducted in Njoguini ward, which was considered the largest and poorest ward in the LA. The household listing exercise by the CBMS enumerators covered 2,286. Current estimates indicate that 39% of the people in the district live below the poverty line. This figure, however, camouflages local differences, with some parts of Murang’a having a higher proportion of poor people than the district average.

Kisumu: The study site is located in the lakeside town in the western part of Kenya. The main economic activities are linked to Lake Victoria mainly in the form of fishing. Kisumu is also a touristic town whose potential has been increasing in the recent past. The study was conducted in Nyalenda “A” because it was considered the most representative in terms of common problems ranging from lack of formal settlements, poor sewerage and sanitation, among other poverty indicators. Nyalenda “A” is subdivided into four main administrative units: Dago; Kanyakwar; Nyalaenda Central; and Nyalenda Western. Given limited resources and time, the study was
conducted in Dago unit with 1,028 households. It is estimated that 48% of the residents of Kisumu town live below the poverty line.

**Kilifi:** This is located in the coastal region of Kenya. The area used to be a major producer of cashew nuts in the 1970s and 80s but following the market slump, the people have reduced their investment in this once lucrative crop. The study was conducted in Mavueni/Mkongani ward because it was considered one of the poorest wards in the LA (this decision was made by the LA leaders). The ward had a total of 2,649 households. The poor comprise 65% of the district population while those defined as hardcore poor account for 43% of the population. Relief food forms part and parcel of the government response in some parts of the district during drought.

**Tana River district:** The CBMS Network has been supporting a LPMS in Tana River district since 2007. Phase I of the study was conducted in 2008 while phase II was conducted in 2009. LPMS Phase II was implemented in six sub-locations of Bura, Garsen and Galole with a total of 5,882 households. Tana River is ranked as one of the poorest districts in Kenya. It is estimated that 72% of the population lives below the poverty line. The high poverty levels have implications on access to basic services including health, education and food (KIHBS 2005/6).

### 3.4 Data collection
Data were collected through use of an interviewer-based questionnaire that was administered to head of household or other responsible adult at the time of data collection. The enumerators were selected from the study areas and underwent 5-day training on CBMS. The questionnaire was pre-tested in each site and amended accordingly. The data collection process covered between 15-30 days for the LAs with the longest period being in Tana River, which took 103 days due to the large number of the households and the vastness of the study area.

### 3.5 Data analysis
The data processing was done at three levels: (i) the community analyzed data by use of tally sheets; (ii) the LAs processed the data in excel; and (iii) at AIHD a team of data entry clerks was trained on data entry and post-coding of open-ended questions. This was after a Census and Survey Processing System (CSPro) screen had been
developed by a data manager. Data were then entered. Data analysis has been done by use of the Statistical Package for Social Sciences (SPSS) software.

3.6 Ethical considerations
It was important to assure the respondents of confidentiality and get their consent before their participation in the study. The respondents were informed that they could stop the interview at any time during the process to ensure that they did not feel coerced into participation. AIHD has a research permit that was provided by the National Council for Science and Technology in 2007 to conduct CBMS in Kenya.

3.7 Study limitations
The results should be interpreted with care taking into account the following facts:

- The study was carried out in the four sites at different times: in Tana River in July-October 2009 while in the other sites it took place between October 2009 and January 2010. Some changes may have occurred in between that could influence the results.
- The pilot sites in the three LAs represent a small proportion of the population therefore any generalization should be made within this context.
- There is no ‘before and after’ data for the GFC to provide a comparison in the study sites. The respondents depended on a recall of 6 months, which could skew the results due to recall bias.

4. RESULTS
Data were collected from 11,845 households as follows: Tana River 5,882; Murang’a 2,286; Kilifi 2,649; and Kisumu 1,028.

4.1 Outcome indicators
The indicators for assessing the impact of the GFC were aimed at capturing the immediate and direct impact of the crisis on households. The focus was on three main channels: remittances; employment and income, utilization of social services; and access to credit.

Remittances: When asked whether they had experienced any changes in remittances, very few households indicated that they received remittances from abroad. Of the few (2.5%) who received remittances, about one-third (30.4%) saw a decline in the
amount remitted. Another 28.9% on average experienced changes in the schedule of payment as shown in Table 1.

<table>
<thead>
<tr>
<th>Households affected by the crisis through remittances in the last six months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murang’a</td>
</tr>
<tr>
<td>Proportion of HHs that received remittances from relatives working abroad</td>
</tr>
<tr>
<td>2.3%</td>
</tr>
<tr>
<td>Proportion of HHs who saw a decline in remittances received</td>
</tr>
<tr>
<td>38.2%</td>
</tr>
<tr>
<td>Proportion of HHs who experienced changes in schedule of remittances received</td>
</tr>
<tr>
<td>17.6%</td>
</tr>
</tbody>
</table>

"n" refers to the small number of households (sub group) that responded to the question.

Table 1 shows that most of the households did not have access to external resources and therefore did not feel the impact of the GFC when remittance was considered as a channel. However, although the proportions of households that saw a decline in remittances was relatively low, the affected households experienced shocks that may be related to this decline. As shown in Figure 4 these households experienced high levels of food shortage (especially in Kilifi) while many experienced a marked reduction in expenditure on healthcare, education and clothing.

It is clear from the figure that the most important impact was on food shortage more so in Kilifi, which saw a decline in access to healthcare, education and clothing. For Murang’a, although the impact on access to healthcare was relatively low, there was a marked reduction in access to education, which could be reflected in the out-of-school rates (13-16 years), which were 16.4% as shown further below.

**Labor employment:** The households were asked a range of questions to assess whether they had experienced any changes in employment in the six months prior to the survey. Similar to the findings on remittances, few reported changes in labor as shown in Table 2.
Table 2: Local employment

<table>
<thead>
<tr>
<th></th>
<th>Murang’a</th>
<th>Kisumu</th>
<th>Kilifi</th>
<th>Tana River</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of HHs with employed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>persons who experienced wage cut</td>
<td>n=2213</td>
<td>n=989</td>
<td>n=2571</td>
<td>n=5301</td>
<td>n=11,074</td>
</tr>
<tr>
<td></td>
<td>1.4%</td>
<td>3.9%</td>
<td>2.7%</td>
<td>1.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Number of persons who lost jobs</td>
<td>n=2236</td>
<td>n=991</td>
<td>n=2579</td>
<td>n=5431</td>
<td>n=11,237</td>
</tr>
<tr>
<td></td>
<td>4.7%</td>
<td>8.1%</td>
<td>7.6%</td>
<td>1.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Number of employed persons who</td>
<td>n=2225</td>
<td>n=991</td>
<td>n=2568</td>
<td>n=5284</td>
<td>n=11,068</td>
</tr>
<tr>
<td>experienced reduced working hours</td>
<td>1.1%</td>
<td>1.7%</td>
<td>0.9%</td>
<td>2.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Proportion of persons who are</td>
<td>n=1376</td>
<td>n=723</td>
<td>n=2126</td>
<td>n=4060</td>
<td>n=8285</td>
</tr>
<tr>
<td>employed</td>
<td>57%</td>
<td>61.3%</td>
<td>67.1%</td>
<td>11.7%</td>
<td>49.3%</td>
</tr>
<tr>
<td>Proportion of persons who perform</td>
<td>n=2255</td>
<td>n=995</td>
<td>n=2571</td>
<td>n=5764</td>
<td>n=11,585</td>
</tr>
<tr>
<td>multiple jobs</td>
<td>18.9%</td>
<td>18.9%</td>
<td>17.3%</td>
<td>3.4%</td>
<td>14.6%</td>
</tr>
</tbody>
</table>

Table 2 indicates general low employment levels in all the sites. This is because most people in the four sites were already unemployed; therefore they did not feel the impact of GFC on employment. The proportion of children and older persons engaged in income generation was quite low, in general. Youth unemployment was high in all sites, more so in Tana River district.

The most affected workers were those engaged as casual laborers in farms (Kilifi, Murang’a and Tana River) and mango plantations in Tana River. In Kisumu the workers who lost jobs were also causal laborers from different sectors (including fishing and small scale business operators). They attributed the loss of job to “bad economic times.”

Loss of jobs and access to food and services

Figure 5 illustrates the impact of job losses on food shortage and household expenditures on healthcare, education and clothing. It is clear that households that experienced job losses had to cope through cutting their costs on healthcare, education and clothing. It is also clear that access to food was affected, more so in Kisumu town where the people depend on cash to purchase food.
4.2 Impact indicators
These indicators focused on the different dimensions of poverty including education and income.

Education: Table 3 presents the results on school attendance and literacy in the four study sites. The key questions that captured the impact of the GFC were the transfer of children from private to public schools and households who cut back on education expenses. Transfers were minimal in all sites except for Kilifi that recorded the highest proportion of households that cut back on expenditures (23.3%).
It is notable that Tana River had the highest proportion of children aged 6-12 years not in school compared to the other sites, which is reflected in the low transition from primary to secondary. This is further reflected in the low literacy levels among the 15-24 year olds.

**Income:** This was seen as a major indicator of changes that could impact on the households negatively as a result of the GFC. It is clear that a high proportion of households in Tana River (69.3%) experienced food shortage followed by Kilifi, Kisumu and Murang’a. It should be noted that by the time this survey was carried out there had been a nation-wide shortage of rain, which had adverse impacts on food security, especially in the arid and semi-arid areas including Tana River. Table 4 presents a summary of the results on income.
Table 4: Income proxies

<table>
<thead>
<tr>
<th></th>
<th>Murang’a</th>
<th>Kisumu</th>
<th>Kilifi</th>
<th>Tana River</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of households that</td>
<td>n=2248</td>
<td>n=990</td>
<td>n=2603</td>
<td>n=5825</td>
<td>n=11,684</td>
</tr>
<tr>
<td>experienced food shortage</td>
<td>25.4%</td>
<td>38.1%</td>
<td>40.5%</td>
<td>69.3%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Proportion of households who</td>
<td>n=2258</td>
<td>n=993</td>
<td>n=2616</td>
<td>n=5817</td>
<td>n=11,684</td>
</tr>
<tr>
<td>had balanced diet</td>
<td>39.1%</td>
<td>63.3%</td>
<td>34.9%</td>
<td>25.4%</td>
<td>40.7%</td>
</tr>
<tr>
<td>Proportion of households with</td>
<td>n=2211</td>
<td>n=993</td>
<td>n=2620</td>
<td>n=3041</td>
<td>n=8865</td>
</tr>
<tr>
<td>farmland</td>
<td>14.8%</td>
<td>8.6%</td>
<td>18.5%</td>
<td>27.2%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Proportion of households with</td>
<td>n=2210</td>
<td>n=993</td>
<td>n=2620</td>
<td>n=5830</td>
<td>n=11,653</td>
</tr>
<tr>
<td>livestock</td>
<td>7.2%</td>
<td>3.9%</td>
<td>6.3%</td>
<td>36.1%</td>
<td>53.5%</td>
</tr>
<tr>
<td>Proportion of households that</td>
<td>n=840</td>
<td>n=445</td>
<td>n=1528</td>
<td>n=5270</td>
<td>n=8083</td>
</tr>
<tr>
<td>lost livestock</td>
<td>10.4%</td>
<td>4.3%</td>
<td>7.9%</td>
<td>58.2%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Proportion of households that</td>
<td>n=840</td>
<td>n=445</td>
<td>n=1528</td>
<td>n=5270</td>
<td>n=8083</td>
</tr>
<tr>
<td>lost farm produce</td>
<td>87.7%</td>
<td>33.7%</td>
<td>90.2%</td>
<td>52.2%</td>
<td>65.9%</td>
</tr>
</tbody>
</table>

The high loss of farm produce reported in Murang’a and Kilifi is a result of the drought that affected most parts of the country and the fact that agriculture is the mainstay of the economy in these LAs. Tana River experienced the highest loss of livestock, which is also commensurate with the higher proportion of households who keep livestock (36.1%) compared to the other study sites.

4.3 Coping mechanisms

The list of coping indicators generated for the survey were intended to capture changes in household behavior within a specified period of time, particularly the array of coping strategies employed by the households in response to income and welfare shocks from the GFC. The coping strategies were captured based on assets, access to credit and other forms of support including cash transfers.

**Assets and credit:** Table 5 shows that few households sold assets as a coping strategy while only about 5% of the households had access to credit.
Table 5: Disposal of assets and access credit as coping mechanisms

<table>
<thead>
<tr>
<th></th>
<th>Murang’a</th>
<th>Kisumu</th>
<th>Kilifi</th>
<th>Tana River</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of HHs who lost savings</td>
<td>n=823</td>
<td>n=320</td>
<td>n=347</td>
<td>n=563</td>
<td>n=2053</td>
</tr>
<tr>
<td>as a coping strategy</td>
<td>0.6%</td>
<td>2.8%</td>
<td>3.7%</td>
<td>2.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Proportion of HHs who had</td>
<td>n=2247</td>
<td>n=992</td>
<td>n=2603</td>
<td>n=5817</td>
<td>n=11,659</td>
</tr>
<tr>
<td>access to credit</td>
<td>9.7%</td>
<td>8.7%</td>
<td>4.8%</td>
<td>4.3%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

Low access to credit is a major constraint to households who experience a shock because of their limited avenues of recourse. The area with the highest access recorded less than 10% access to credit.

**Access to Government programmes:** The Government has put a range of products in place for poverty mitigation through the constituency development funds (CDF) and other measures such as extension workers in agriculture, livestock restocking and relief food. Table 6 indicates that relief food was the main form of support in Tana River while access to all the other programmes is fairly limited. Murang’a had a higher access to bursary funds and *kazi kwa vijana* (public works programme targeting the youth). Kilifi enjoyed a higher access to CDF compared to the other sites but generally few households had access to Government programmes.
### Table 6: Proportion of households that received assistance from government programmes in the last 6 months

<table>
<thead>
<tr>
<th>Government programmes</th>
<th>Murang’a (n=2,265)</th>
<th>Kisumu (n=990)</th>
<th>Kilifi (n=2,619)</th>
<th>Tana River (n=3,357)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth Development Fund</td>
<td>1.6</td>
<td>1.7</td>
<td>1.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Bursary Fund</td>
<td>11.4</td>
<td>4.2</td>
<td>2.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Higher education loan</td>
<td>1.3</td>
<td>1.2</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Constituency Development Funds (CDF)</td>
<td>6.2</td>
<td>1.5</td>
<td>15.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Women Enterprise Funds (WEF)</td>
<td>3.2</td>
<td>1.4</td>
<td>3.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Agriculture Extension Services</td>
<td>3.5</td>
<td>0.9</td>
<td>1.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Livestock restocking programme</td>
<td>2.5</td>
<td>0.6</td>
<td>3.4</td>
<td>0</td>
</tr>
<tr>
<td>Local Authority Transfer Funds (LATF)</td>
<td>0.6</td>
<td>0</td>
<td>1.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Relief Food Services</td>
<td>2.6</td>
<td>0.4</td>
<td>9.6</td>
<td>88.2</td>
</tr>
<tr>
<td>Kazi kwa vijana</td>
<td>38.8</td>
<td>4.9</td>
<td>2.9</td>
<td>*8</td>
</tr>
<tr>
<td>Other</td>
<td>5.8</td>
<td>8.8</td>
<td>0.1</td>
<td>0</td>
</tr>
</tbody>
</table>

Access to Government programmes was mainly focused on relief food in Tana River district (88.2%) while the LAs had low access - Murang’a (2.6%), Kisumu (0.4%) and Kilifi (9.6%) while access to other government programmes was limited in all the sites. Households in Tana River that experienced food shortage had more access to relief food (77.4%) compared to Murang’a (42.8%), Kisumu (42.9%) and Kilifi (36.5%).

**Income quintiles:** As shown above, although a range of government programmes aimed at alleviating poverty exist at the local level, the poor have limited access to these programmes. Table 7 below shows the percentage of households in different income quintiles relative to access to relief food.

### Table 7: Proportion households in income quintiles that had access to relief food in the four study sites

<table>
<thead>
<tr>
<th>Income quintiles</th>
<th>Murang’a (n=2,127)</th>
<th>Kisumu (n=990)</th>
<th>Kilifi (n=2,619)</th>
<th>Tana River (n=5,481)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower</td>
<td>.9%</td>
<td>0%</td>
<td>2.7%</td>
<td>63.8%</td>
</tr>
<tr>
<td>Second</td>
<td>5.7%</td>
<td>.5%</td>
<td>8.9%</td>
<td>52.9%</td>
</tr>
<tr>
<td>Middle</td>
<td>3.1%</td>
<td>1%</td>
<td>11.1%</td>
<td>52.8%</td>
</tr>
<tr>
<td>Fourth</td>
<td>1.3%</td>
<td>0%</td>
<td>11.6%</td>
<td>48.2%</td>
</tr>
<tr>
<td>Highest</td>
<td>2.1%</td>
<td>.4%</td>
<td>13.7%</td>
<td>34.6%</td>
</tr>
</tbody>
</table>

*This was not cited as an option.*
The table illustrates that access to government programmes was limited to only few households. Furthermore, the poorer households, i.e. those in the lower and second quintiles, had very limited access to the government programmes, especially relief food, which is meant to cushion them against hunger. It is plausible that those responsible for distributing relief food end up allocating it to themselves and to those in the same quintile to the disadvantage of the poor.

**Other forms of coping:** the study investigated access to support from other sources, such as borrowing and use of savings to cope with the shocks. Figure 6 presents these findings.

**Figure 6: Access to charity, borrowing and sale of assets as coping mechanisms**

The figure above shows that borrowing was prevalently reported as a form of coping compared to assistance from charitable organizations. A higher proportion of the households spent their savings to cope with shocks, which illustrates limited options for credit and external support. It is notable that households in Tana River borrowed less and spent less of their savings to cope with shocks. This could be due to the fact that the capacity of households to invest is more limited in this area compared to Kisumu and Murang’ā, where more households had more access to borrowed resources.
It is worth noting that for a variety of reasons, the poor are often the least equipped to cope with the impact of aggregate shocks: they have fewer assets which they could sell or use as a buffer, have limited or no access to formal credit and insurance markets to help smooth income shocks over time, and often lack the education and marketable skills which are necessary for successful migration to other areas with better economic opportunities. Where the consumption of the good or service is necessary, such as healthcare, poor households are faced with catastrophic spending burdens that drive them deeper into debt and destitution. Furthermore, 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 or go to work to augment household income.

A comparison between coping mechanisms adopted by households directly affected by GFC and those not directly affected by the crisis is summarized in Table 8.

<table>
<thead>
<tr>
<th>HHs directly affected</th>
<th>HHS not directly affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduction of expenditure on education, medication and clothing</td>
<td>• Charcoal burning</td>
</tr>
<tr>
<td>• Shifting children from private to public schools</td>
<td>• Hunting and gathering</td>
</tr>
<tr>
<td>• Looking for additional employment</td>
<td>• Migration to the nearby towns in search for jobs</td>
</tr>
<tr>
<td>• Borrowing money from friends and financial institutions</td>
<td>• Distress livestock selling</td>
</tr>
<tr>
<td>• Use of savings</td>
<td>• Premature harvesting of crops</td>
</tr>
<tr>
<td></td>
<td>• Reduction of frequency/quality/quantity of food</td>
</tr>
<tr>
<td></td>
<td>• Prostitution</td>
</tr>
</tbody>
</table>

The table illustrates that up and above normal coping mechanisms, those directly affected by the crisis engaged in measures aimed at reducing or cutting expenditures. The choices made, such as withdrawal of children from school and borrowing reduced both social and economic capital, further impoverishing poor households.
5.0 DISCUSSION

Following the prediction of the global nature of the GFC that started in the USA in 2008, it was anticipated that there would be ripple-over effects around the globe. America and Europe were expected to feel the brunt more compared to the developing countries, which were expected to experience the shocks later in 2008 and 2009 (World Bank 2008). Countries, institutions and individuals reacted to these projections differently. In Kenya, while the Prime Minister in 2008 postulated a major impact from the crisis, the Ministry of Finance and Central Bank officials indicated that the impacts would be indirect and most likely small. (http://www.odi.org.uk/events/documents/444-gfc-workshop-report.pdf).

This study confirms the position taken by the latter group although at the same time it illustrates that for the households affected, the shocks had far reaching consequences on access to food and other services including healthcare, education and clothing.

The results show that in general the study communities experienced limited impacts of the GFC due to various factors, including:

(1) The four sites were not engaged in any major export activity that could have suffered from inflation and currency depreciation. It is notable that although Murang’a used to export coffee, the community members had long uprooted it due to poor economic returns.

(2) The impact on tourism was not felt directly mainly due to the location of the four sites - although Kisumu and Kilifi are tourist destinations, the study communities were removed from the mainstream activities.

(3) Unemployment is a major problem in the country. Approximately 64% of young people aged 15-24 years are unemployed therefore any impact at the central level did not spiral to areas out of Nairobi.

(4) Most of the households engaged in this study did not hold savings, either in bank accounts or in the form of shares, therefore they were cushioned from the fall in the stock market. Nyangito (2009) reported that stock markets fell by 27% in Kenya, 21% in Uganda and 24% in the South Africa between September 1 and November 30. (www.bis.org/review/r090306e.pdf)

Further, the results illustrate the fact that for households that were impacted by the GFC, in the form of loss of jobs and decline in remittances, the impact was felt in
three critical areas: food; healthcare; and education. For households that are already poor, any shocks that affect their main source of livelihood are hard to cope with. It is also notable that Government interventions were also limited with food relief being the most accessible. Food distribution has been found to be expensive and unsustainable. In some cases, it has been found not to reach the most needy members of a target community (Samson 2009). It is important to note that only 36.5% of those who experienced food shortages in Kilifi had access to relief food yet this is one of the sites where the government, with its development partners, distributes food annually.

The results show minimum impacts from the GFC in general to the study communities. However, this could be due to the fact that the study sites represented the poor in the LAs and in Tana River district. As indicated earlier, Kilifi and Tana River rank among the poorest districts in Kenya (with 65% and 72% of the people living below the poverty line, respectively). Although Kisumu and Kilifi attract tourists (one of the GFC channels in Kenya) the population involved in the study was not engaged in the mainstream activities around tourism. This could partly explain why the job losses were minimal in these sites.

6.0 CONCLUSION AND POLICY IMPLICATIONS

Our 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 by shocks, the people had limited options for recourse in the form of access to government services and credit. The options available to the people mainly borrowing, disposal of assets and reduced expenditure on key social services (including health, education and clothing) further entrench poverty among already impoverished households.

Policy implications

It is 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

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directly affected by the impacts of the GFC, it is important for the Kenya Government, in particular, 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 has been found to be expensive and it 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 mechanisms 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 general public from the effect of shocks as this will lead to improved welfare of the communities. The introduction of a social protection policy, currently under development by the Ministry of Gender, Children and Social Development, would help refine the targeting mechanisms while at the same time mitigating the impacts of shocks on the poor and vulnerable members of the society.

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