

MAKING THE CASE

# Kenya

## Case Studies on Inclusive Economic Development



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## TABLE OF CONTENTS

### 1.0 Background

1.1 Context.....	4
1.2 How is the region building a more equitable environment? .....	4

### 2.0 Built for All: Applied

2.1 Pillar One: Equitable access to resources and opportunities .....	7
2.2 Pillar Two: A level playing field for work and competition .....	8
2.3 Pillar Three: Collective stewardship of shared resources and future generations .....	9
2.4 Conclusion .....	10

### 3.0 References

3.1 References .....	12
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1.0

# Background



## 1.1 Context

Kenya's economy is driven primarily by agriculture, manufacturing and a budding services and digital innovation ecosystem. While agriculture accounts for 22% of the country's GDP, it is highly vulnerable to climate shocks and price volatility.<sup>1</sup>

Jobs and investment are centred around urban hubs such as Nairobi and Mombasa, leaving rural counties to continue to face higher poverty rates, chronic food insecurity and underdeveloped infrastructure.<sup>2</sup>

**58 Million**

*Kenya's Population (2024 est.)<sup>3</sup>*

**70%**

*Proportion of the rural population working in agriculture<sup>4</sup>*

**43.8%**

*Proportion of the population living under the international poverty line<sup>5</sup>*

## 1.2 How is the region building a more equitable economic environment?

To address the unique challenges of rural communities, GiveDirectly, an NGO that allows private donors to send money directly to the world's poor, launched the world's largest and longest universal basic income (UBI) experiment in Kenya. The experiment evaluated the effects of UBI on economic outcomes (income, consumption, assets and food security), time use (work, education, leisure, community involvement), risk taking (e.g. the choice to migrate or start a business), gender relations (focused on understanding female empowerment) and life aspirations.<sup>6</sup>

**295**

*Villages engaged in the study*

**14,474**

*Households*

**2**

*Counties*

Participants were randomly assigned to one of four groups:

1. **Comparison group:** 100 villages which did not receive payments.
2. **Long-term UBI:** 44 villages received payments sufficient to cover basic needs (US\$0.75 per adult per day) for 12 years.
3. **Short-term UBI:** 80 villages received payments adequate to cover basic needs for two years.
4. **Lump-sum UBI:** 71 villages received one-time payments equivalent to the short-term UBI transfers (roughly US\$500 per adult).

Transfers were delivered digitally starting in 2018 through M-PESA, a mobile money service that is used by 91% of mobile phone users in Kenya.<sup>7</sup>

Two years into the program, the monthly UBI was found to empower recipients, allowing them to become entrepreneurial and thus earn more. Both the large lump sum and long-term UBI proved highly effective, with the lump sum unlocking large investments and the guarantee of 12 years of UBI encouraging both savings and risk-taking. While short-term UBI did have a positive impact on most measures, it did not perform as well as the other delivery methods..



2.0

# Built For All: Applied



## 2.1 Pillar One: Equitable access to resources and opportunities

The GiveDirectly UBI experiment focuses on understanding the effect of cash transfers on access to resources and opportunities.

### Strengths

Villagers who received UBI were able to build individual wealth and explore new economic opportunities. On average, incomes rose by approximately 50% in villages receiving long-term UBI.<sup>8</sup> Inequality in land and non-land wealth improved in all three treatment groups compared to the control villages. Improvements in land value were largely driven by greater investment in properties and increased demand, as the villages became more desirable places to live.

Equality, as defined by the ratio of wealth of the top 75<sup>th</sup> percentile to the bottom 25<sup>th</sup> percentile villagers, improved.<sup>9</sup> Individuals' savings increased for those in the long-term treatment group versus the other three arms. UBI also led to an increase in business creation, particularly amongst participants in the lump sum group, given their access to deployable capital for larger purchases.<sup>10</sup>

Overall, across all treatment arms, the number of enterprises increased by 14% with revenues and profits rising by 41% and 52% respectively.<sup>11</sup> This was an impressive result, given the mean increase in expenditure by UBI was only 11% over the control arm.

Other key elements of this pillar were improved. Domestic violence against women decreased in the lump sum group, appearing to reflect a shift in the financial power dynamics within households.<sup>12</sup> Social capital also improved, as highlighted by villagers' reporting a decline in problem drinking.<sup>13</sup> Spending on education increased across all three groups, with the number of students scoring above 250 (the benchmark score demonstrating satisfactory performance) on the final primary school exam rising significantly in the lump-sum group.<sup>14</sup> Such education gains have the potential to reduce inequality over time by expanding access to higher education and better-paying jobs.

## **Lessons and Opportunities for Improvement**

The short-term UBI arm saw improvements in some measures, such as nutrition, but not in investments in farms and non-agricultural businesses, which are key to addressing longer-term inequities. As the study authors note, this was given that short-term UBI recipients found it harder to save enough to make large investments.<sup>15</sup> Access to capital is critical for low-income individuals to make investments that bolster their production and economic capacity over time. The lump sum model and the long-term UBI, particularly when coupled with savings and investment mechanisms such as rotating savings and credit associations (ROSCAs), enable capital accumulation. Short-term UBIs, by contrast, do not.

Many of the new businesses started by villagers were in retail, driven by increased local demand for products produced elsewhere. There is a significant risk, however, that these businesses may not remain sustainable once UBI payments end. Similarly, the increase in land value due to higher demand may also be a temporary benefit. UBI, supplemented with education programs and other business supports, such as coaching services, will serve to support villagers in building skills and resilience beyond the period of cash transfers.

## **2.2 Pillar Two: A level playing field for work and competition**

GiveDirectly's UBI experiment has levelled the playing field by providing all participants with an unconditional income to be utilized according to their personal preferences.

### **Strengths**

With funds being disbursed through M-PESA and mobile phones provided at discounted prices by GiveDirectly, individuals exercised financial agency and dignity, making practical investments to enhance their productivity.<sup>16</sup>

Many beneficiaries invested in motorcycles to transport people and deliveries, farmers invested in livestock to sell meat and milk, and land purchases for vegetable and fruit tree planting. By enabling these types of investments, UBI has helped stimulate local labour markets and increased income through enhanced productivity.<sup>17</sup> Cash transfers removed barriers to saving and investing, with many households also reducing their net borrowing. This was especially the case for those

in the group receiving long-term UBI.<sup>18</sup> As a result, these individuals gained the capital security to pursue productive opportunities on their own terms.

### **Opportunities for Improvement**

While the pilot project highlights the merits of both short and long-term cash transfers to participants, questions remain as to whether UBI can improve human capital through simple cash transfer payments alone.<sup>19</sup> The GiveDirectly experiment demonstrated that the vast majority of participants were forward planners and used their funds productively. However, findings also suggest that sustained improvements to human capital and skills-building require more practical inputs other than financial assistance alone.

Without access to training opportunities and skills development, the labour force may not be able to take on new, higher-paying jobs, thus limiting their potential for long-term gains from formal employment. Future UBI initiatives should consider combining cash transfers with local partnerships and targeted interventions to strengthen human capital. Doing so can reinforce the long-term benefits of cash transfers by fostering a more competitive labour market and greater economic security.

## 2.3 Pillar Three: Collective stewardship of shared resources for future generations

By providing unconditional cash transfers, UBI strengthens communities' ability to grow shared economic resources for current and future generations.

### **Strengths**

In the Kenyan UBI experiment, long-term and lump-sum cash transfers enabled households to make choices that balance immediate needs with long-term economic opportunity. Individuals created significantly more new enterprises, invested in physical assets, and importantly, participated at much higher rates in ROSCAs.<sup>20</sup> The expansion of these savings groups not only strengthened local financial networks but also converted individual transfers into collective assets, building a cycle of shared community wealth across neighbourhood residents.<sup>21 22</sup> By helping families accumulate resources, these collective saving practices ensure that the benefits of UBI extend into the future. They also contribute to greater stability and resilience to future shocks for the next generation.

## Opportunities for Improvement

Central to the debate around UBI is whether it can be sustainably financed for future generations. While the 10-year experiment in Kenya is funded by GiveDirectly, such donor support cannot be depended upon for a permanent national program.<sup>23</sup>

Should Kenya look to expand UBI, policymakers must consider a financing approach that maintains intergenerational fairness rather than shifting the burden onto future taxpayers.<sup>24 25</sup> Revenue models linked to environmental sustainability, such as levying a carbon tax, offer a more promising path, funding UBI while simultaneously supporting cleaner air and water, climate mitigation, and healthier ecosystems.<sup>26 27</sup> Such mechanisms ensure that economic inclusion today contributes directly to environmental stewardship and shared prosperity tomorrow.

## 2.4 Conclusion

This report has examined the GiveDirectly UBI experiment conducted across two counties in Kenya. By mapping the experiment's objectives and results to the Mastercard *Built for All* framework, it is clear that UBI, particularly when delivered either through a long-term program or as a lump sum cash transfer to rural participants, shows early success in advancing the three pillars of inclusive economic development.

Looking ahead, the sustained success of UBI depends on how effectively it is paired with concurrent investments in education, community infrastructure, and sustainable finance.

3.0

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