#SPCKe2023

Financing Social Protection in Kenya to Promote Inclusive Growth

[Breakout Session 9]

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Part 1:

Why the focus on domestic financing of social protection?

Public domestic financing is the most sustainable way of delivering inclusive and shock-responsive social protection to all Kenyans

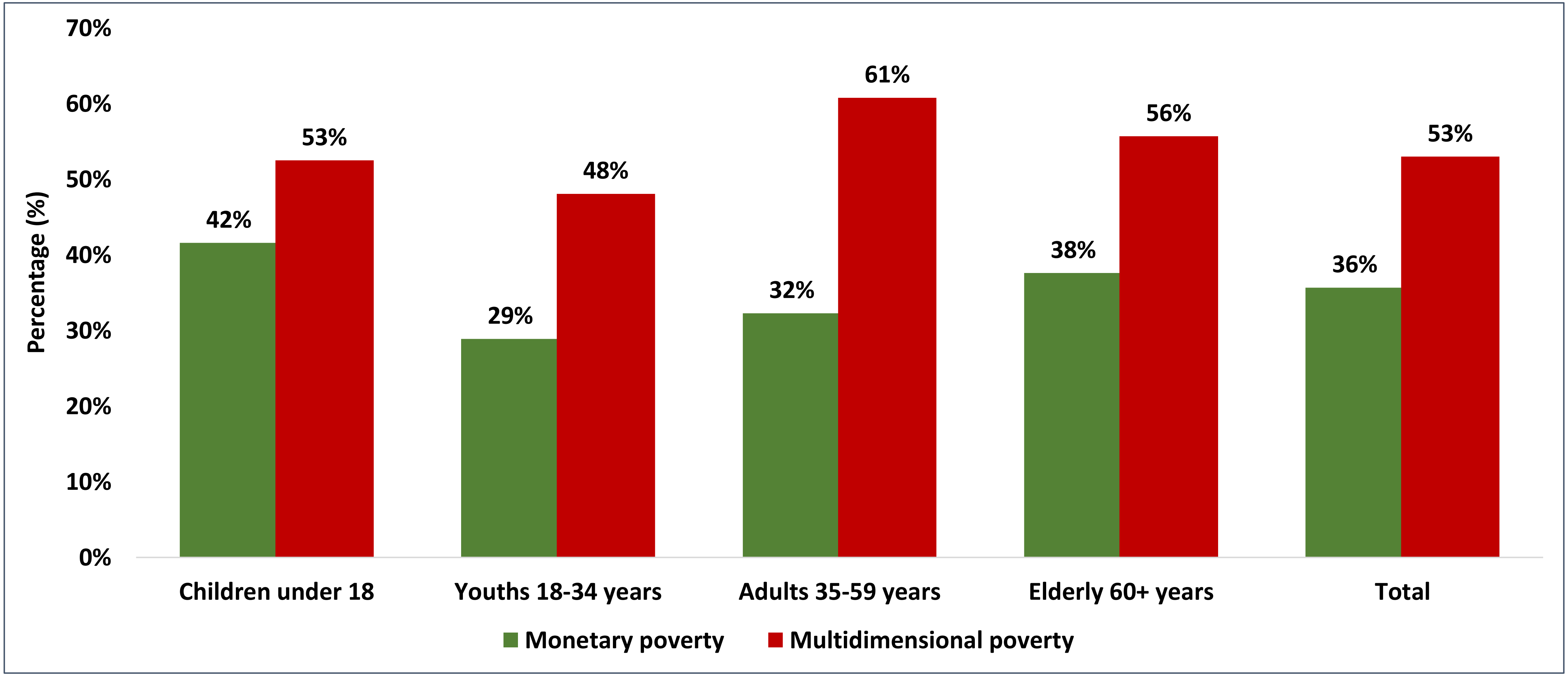
Investing in social protection is smart economics, with high rate of return on investments

- ✓Reduce poverty
- ✓Reduce inequality
- ✓Human capital development
- ✓Enhance resilience
- ✓Improve access to services

For every $1 invested, governments will get more than that in benefits (Thome, K. et al. 2016)

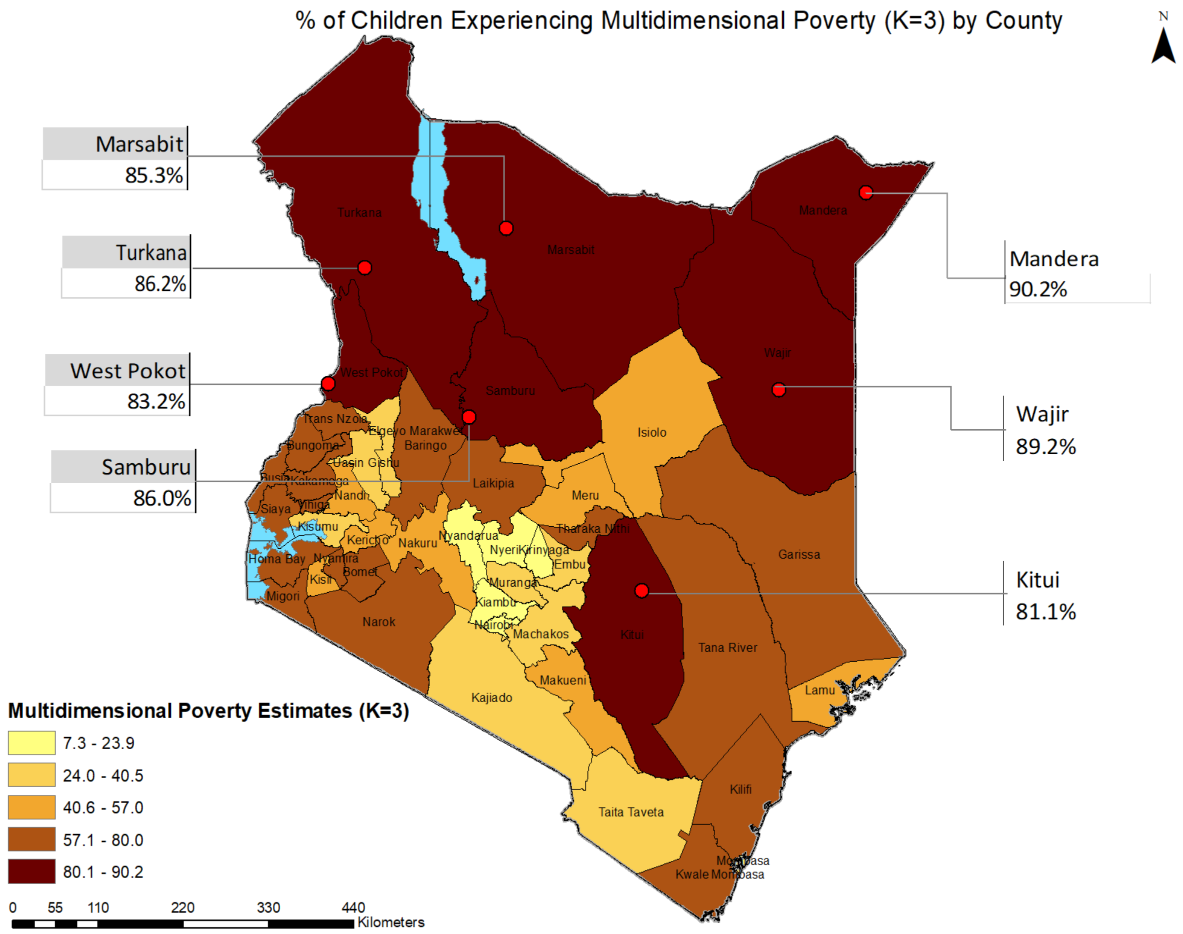
Source: KNBS 2020 Kenya Comprehensive poverty report: Children, Youth, Children and the Elderly, from national to county level

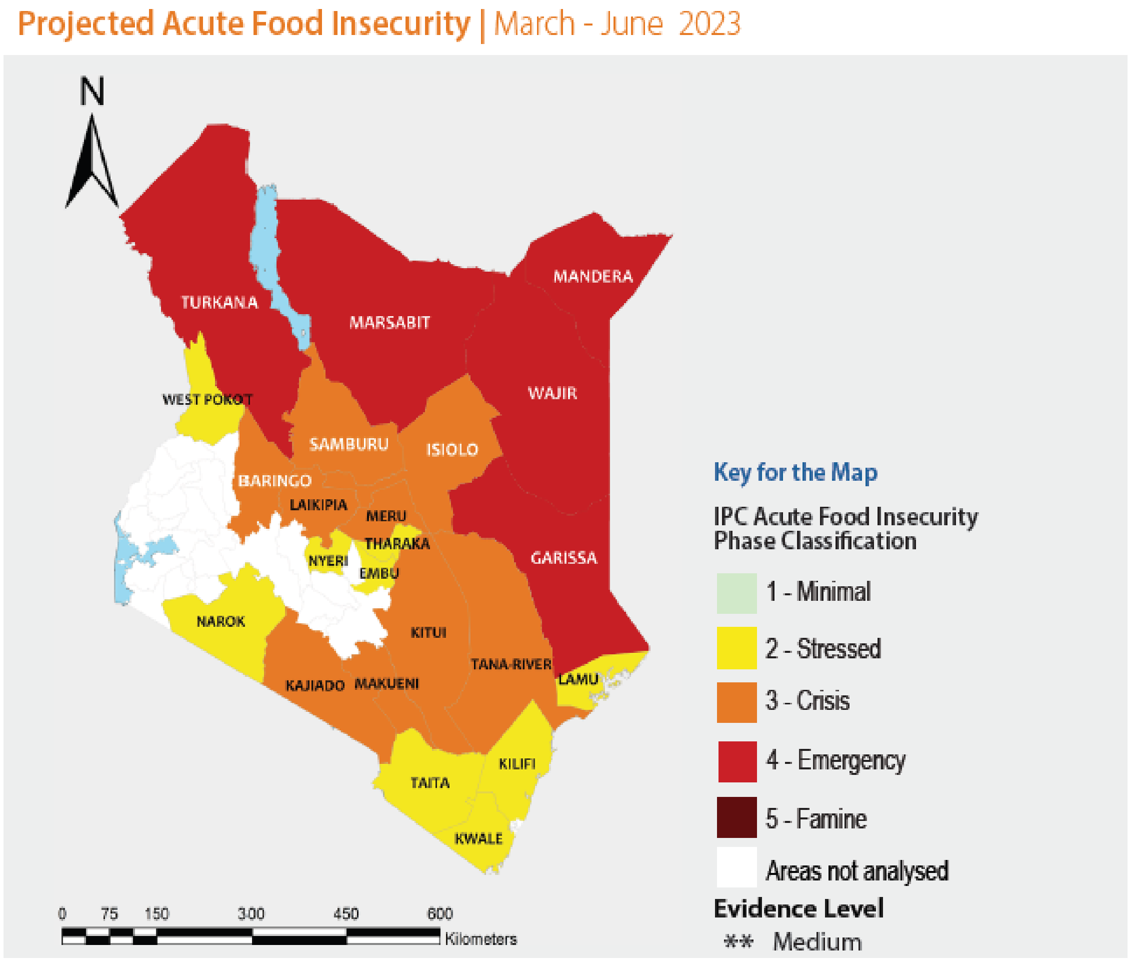
Adequate and equitable SP financing key to addressing age-specific deprivations and vulnerabilities



Source: KNBS 2020 Kenya Comprehensive poverty report: Children, Youth, Children and the Elderly, from national to county level

Robust SP financing help in addressing inequalities across Counties and demographic groups





Accelerating Inclusive and Integrated Social Protection.

Source: KNBS 2020 Kenya Comprehensive poverty report: Children, Youth, Children and the Elderly, from national to county level

Multiple and recurring shocks demands that SP be top of the GoK's spending priorities

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Climate

- Droughts
- Floods
- Locusts

Macroeconomy

- Slowing growth
- Inflation
- Debt burden

Health Emergencies

- COVID-19
- Cholera
- Measles

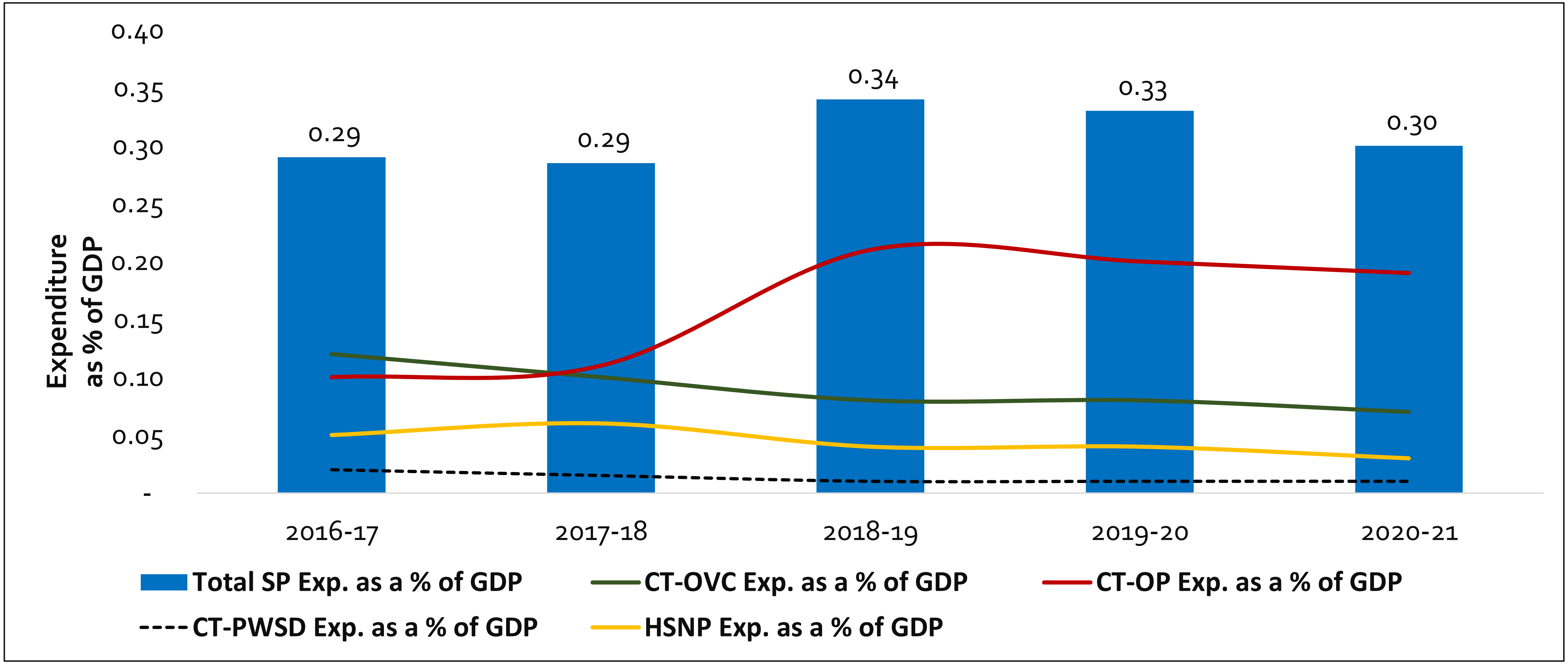
Political

- Terrorism
- Protests

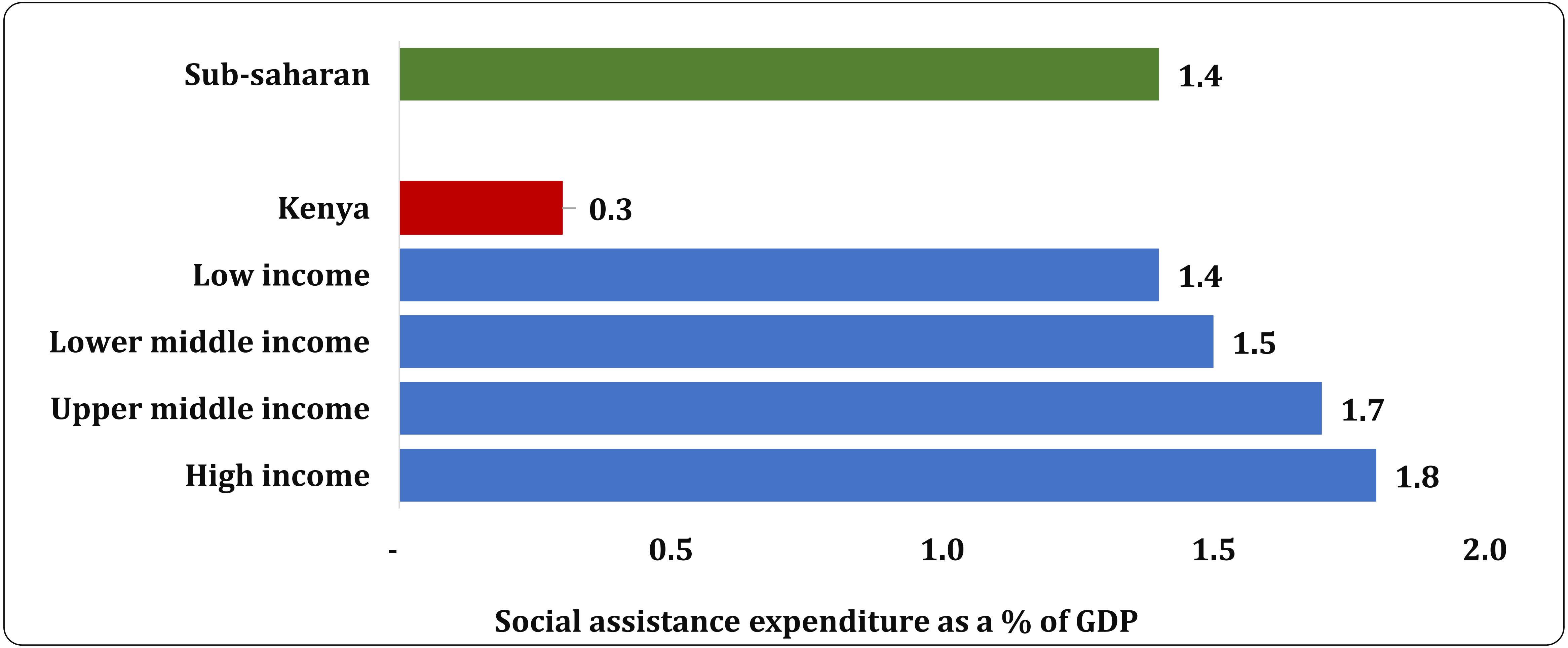
Part 2:

Trends in social protection financing in Kenya

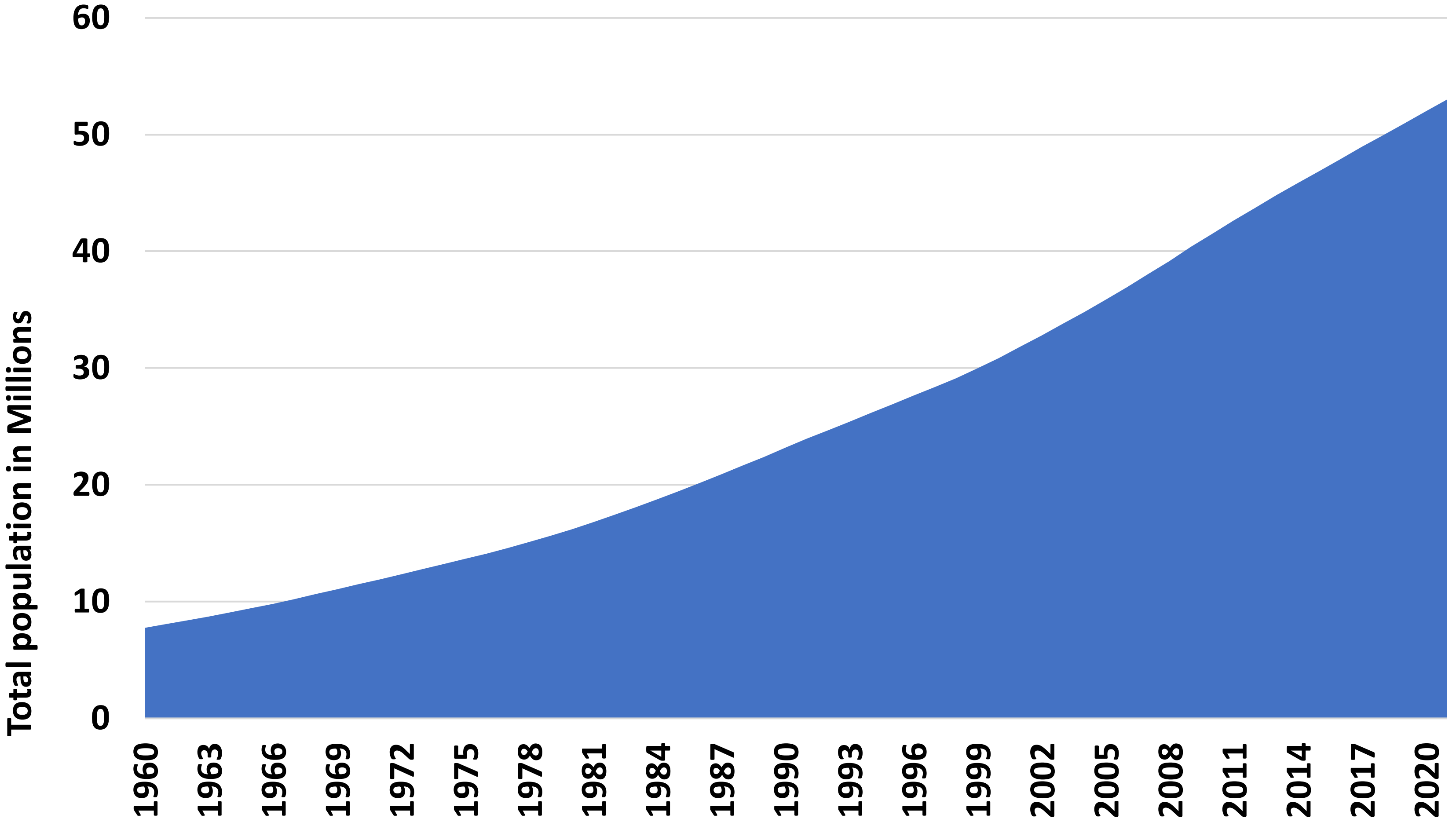
SP spending for main cash transfer programmes has flatlined in recent years



Kenya’s SP spending (social assistance) is lower than Sub-Saharan Africa average

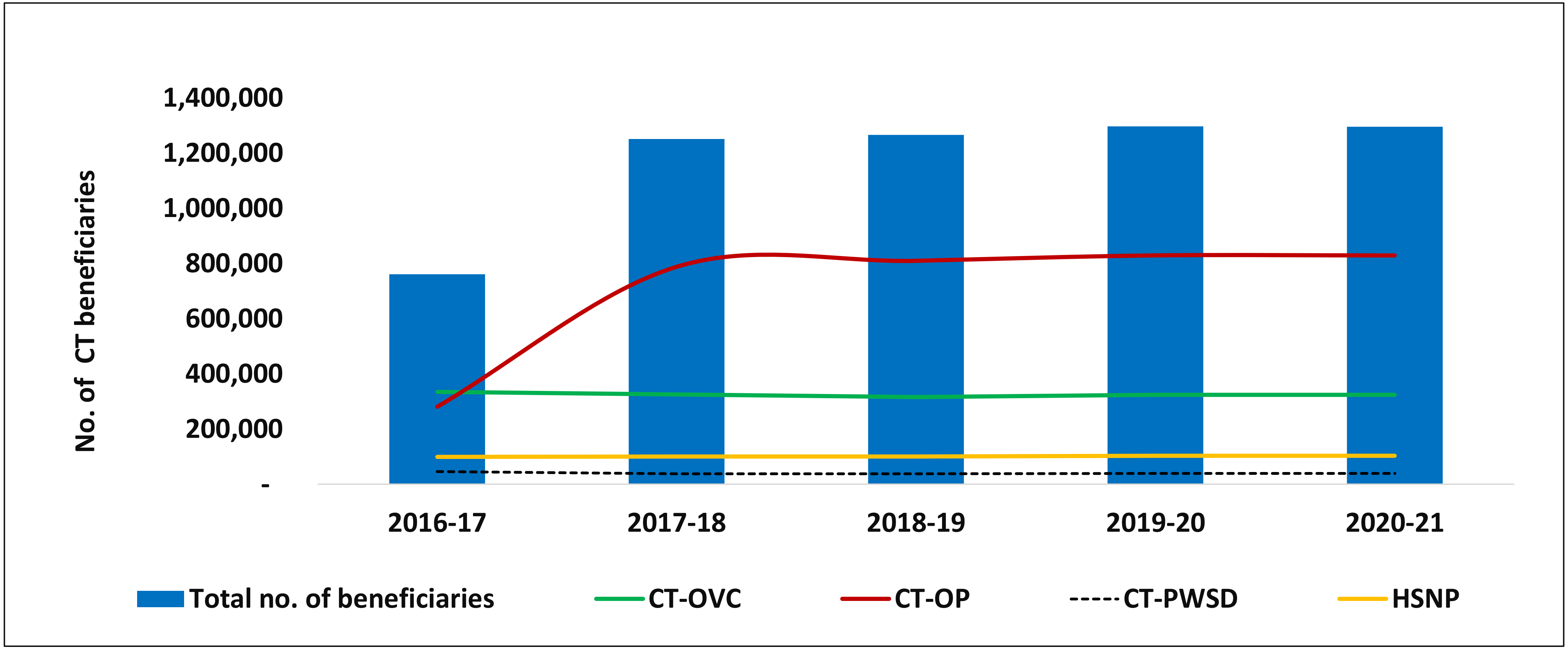


SP Spending is not keeping pace with population growth and dynamics

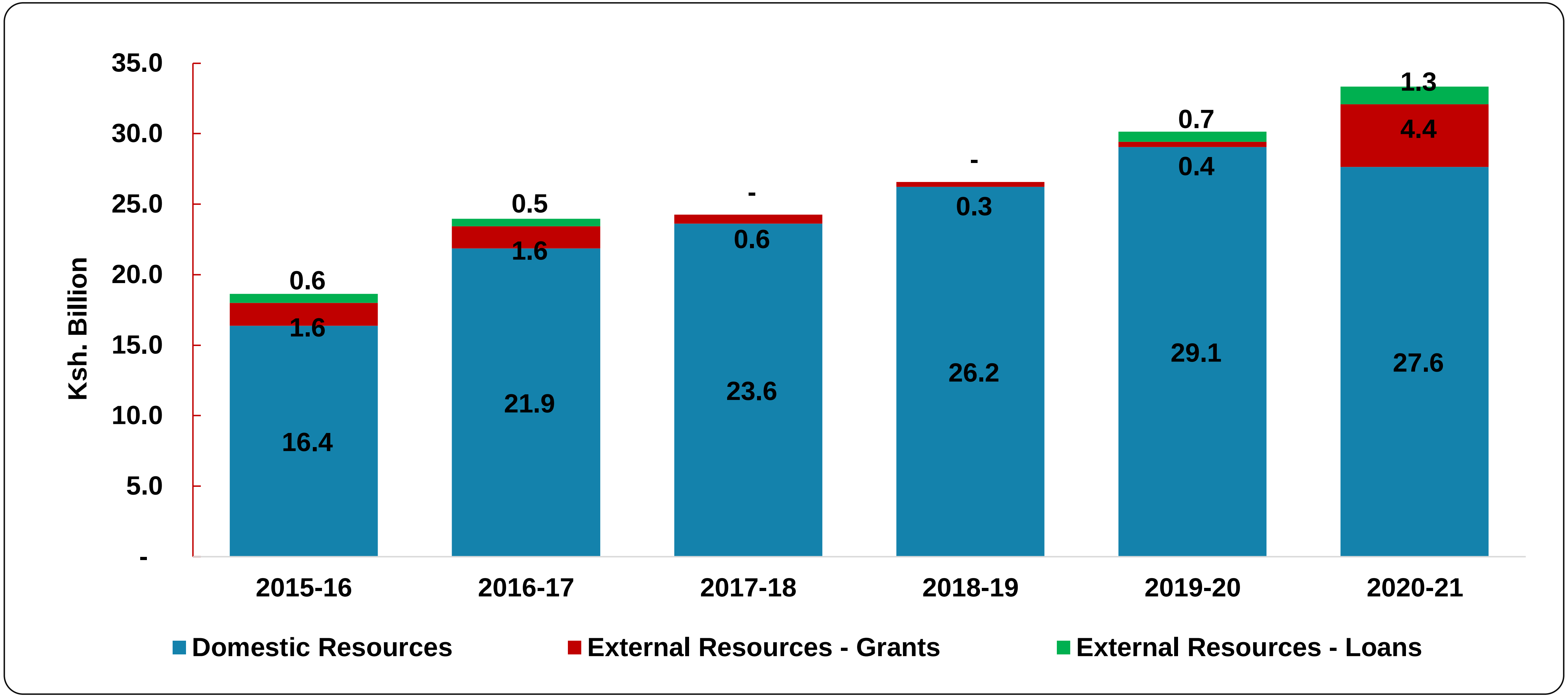


Absolute number of people living in poverty is also growing!

Limited SP spending partly explains stagnation in number of beneficiaries for CTs programmes



Good news: Majority of social protection expenditures are financed by domestic revenue



Part 3:

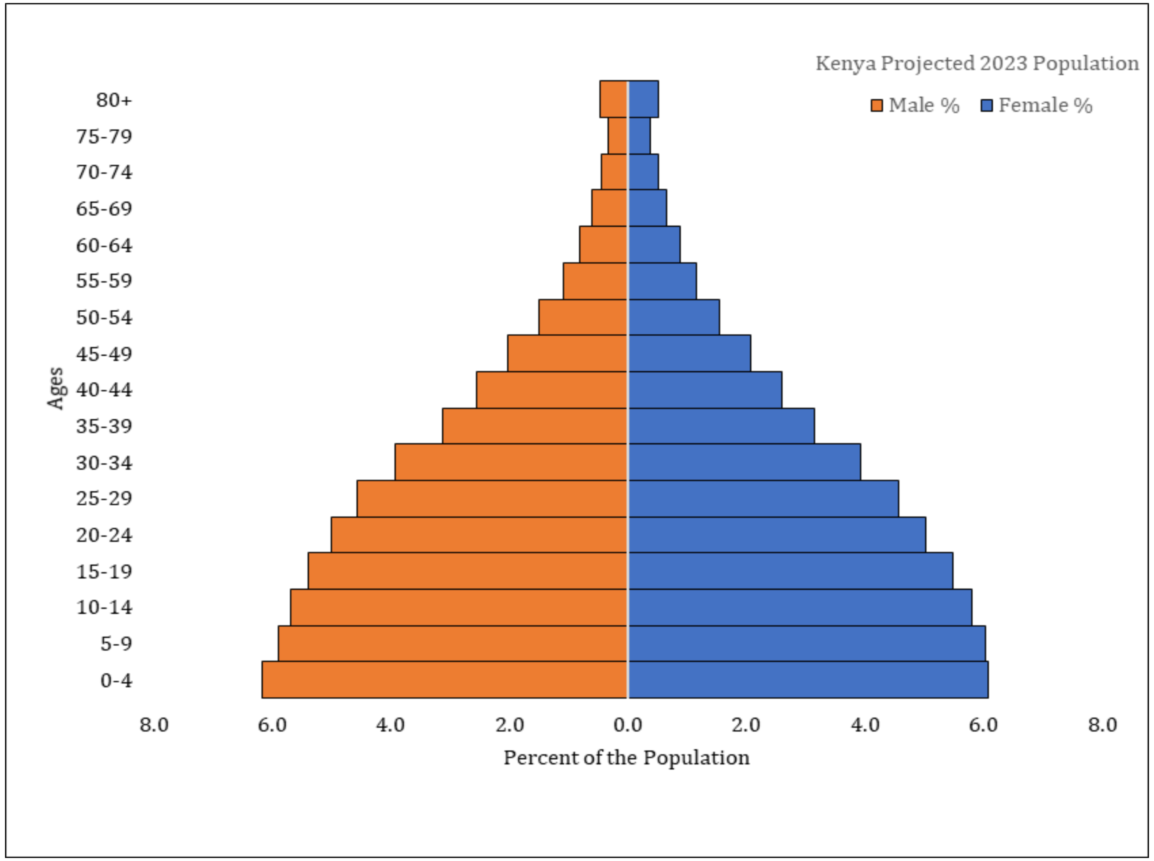
Five Policy recommendations to improve social protection financing and spending in Kenya

1. Increase size of SP financing to match needs and demand

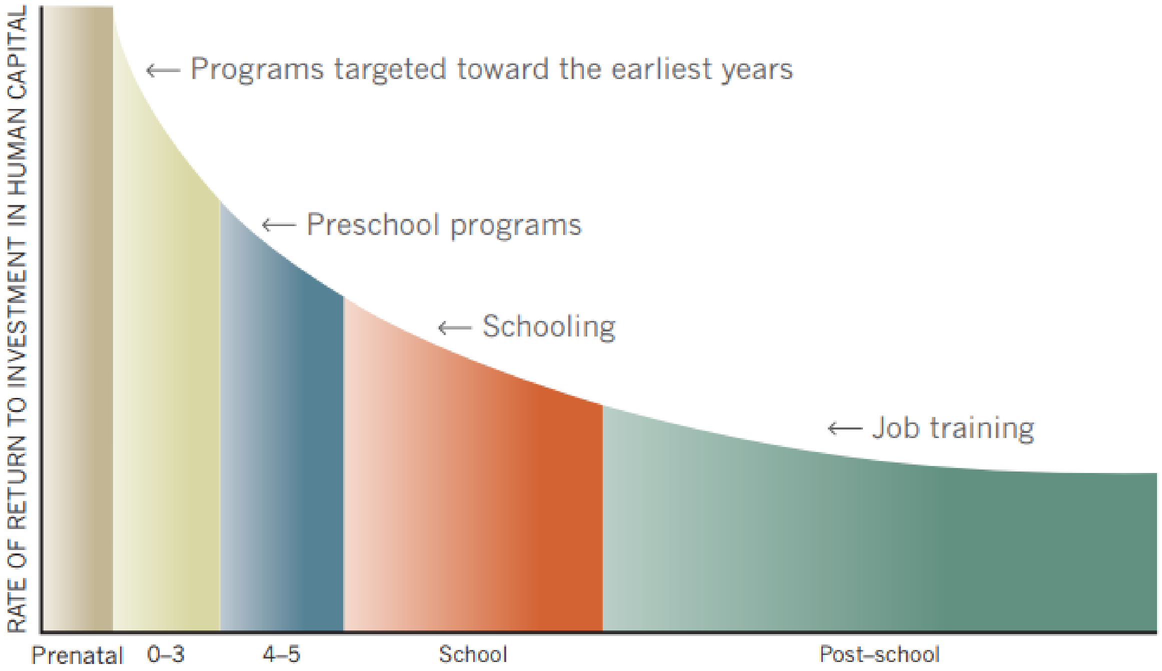
- ✓Refresh SP cost estimates and ensure integration in MTEF and annual budgets
- ✓Increase domestic financing of non-contributory social protection in line with averages for LMICs and population growth **– Focus on CASH TRANSFERS**
- ✓Adjust annual budgets to allow for inflation indexation of **CASH** transfer values.
- ✓Leverage concessional loans and grants from development and international financial institutions.
- ✓Safeguard social protection financing in times of austerity.
- ✓Strengthen instruments for disaster risk-financing considering recurrence of shocks.

Social Assistance Fund (under the State Dept. of SP) can play a key role

2. Re-oerient SP investments towards the early years, with the highest rate of return - *Child grant*



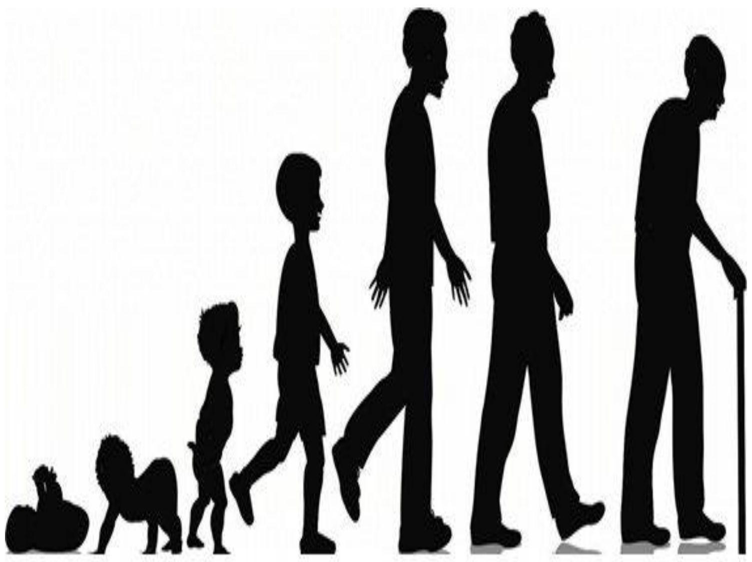
Returns to a Unit Dollar Invested



Heckman, James J. (2008). "Schools, Skills and Synapses," *Economic Inquiry*, 46(3): 289-324

3. Strengthen SP budget designs to enhance inclusivity, shock responsiveness and impact

- ✓ Balanced attention to instruments along the life course
- ✓ Finance programs to enhance inclusivity (**disability inclusive+ gender transformative programmes** –few women have titled land).
- ✓ Finance ‘cash plus’ interventions, including resilience building
- ✓ Invest in data and information systems at national and county level.
- ✓ Invest in monitoring and evaluation.
- ✓ Publicly finance social protection coordination and governance.
- ✓ Ensure subsidized loans and agricultural subsidies reach the poorest, esp. in semi/arid places



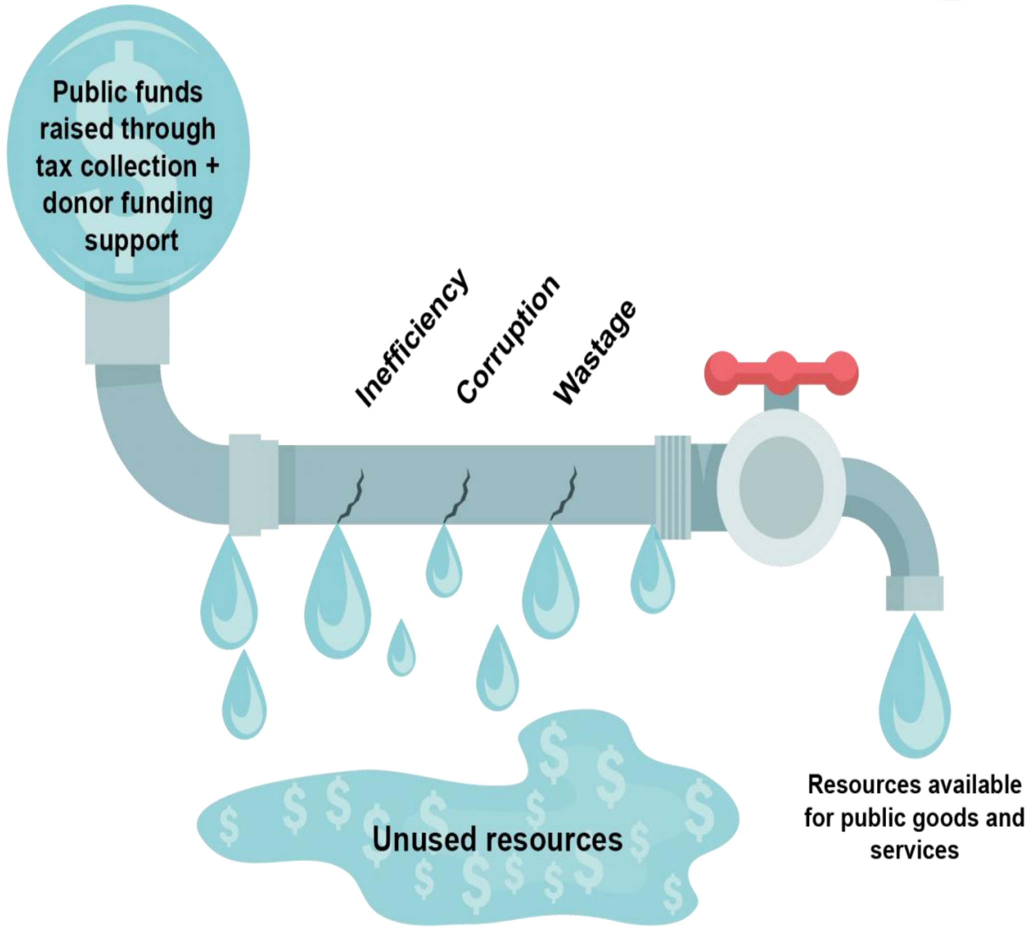
4. Improve execution of social protection budgets

✓**Non or late disbursements**

✓**Leakage** (including theft of funds)

✓**Diversions** or **virements** (funds not spent as intended)

✓**Payment Arrears** (Incl. of cash transfers).



5. Regularly track and report on social protection inflows, allocations and expenditures at all levels of government

3 critical data points :

1. Approved budget (domestic + external)
2. Released amount (during)
3. Actual expenditure (end)

Ensure consistent and standardized way of tracking and reporting inflows and expenditures on SP across Counties

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THANK YOU!