

2018  
**Social  
Protection  
Conference**  
KENYA



# COUNTRY EXAMPLES

Subject	Country examples & lessons for Kenya
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Date	21 March 2018

# Financing examples



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# GHANA

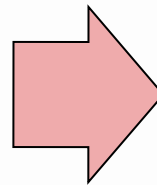


# Ghana fuel subsidy reform



**2012**

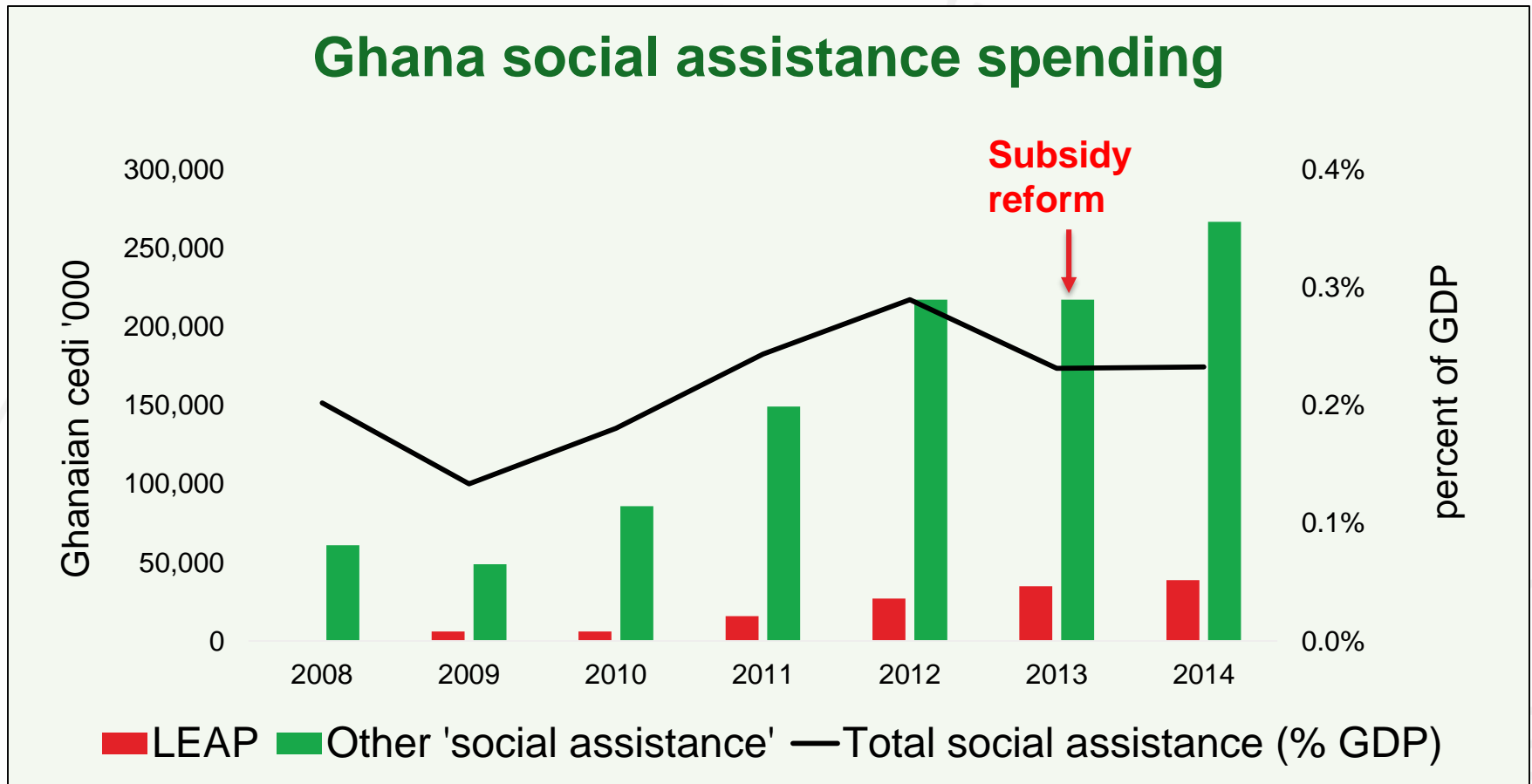
High fiscal deficit  
Costly fuel subsidies  
Regressive targeting



**2013**

Subsidies removed  
Social protection  
expanded to  
compensate losers

# Protecting the losers



***Lesson: social protection & economic reform can be mutually supportive***

# ZAMBIA

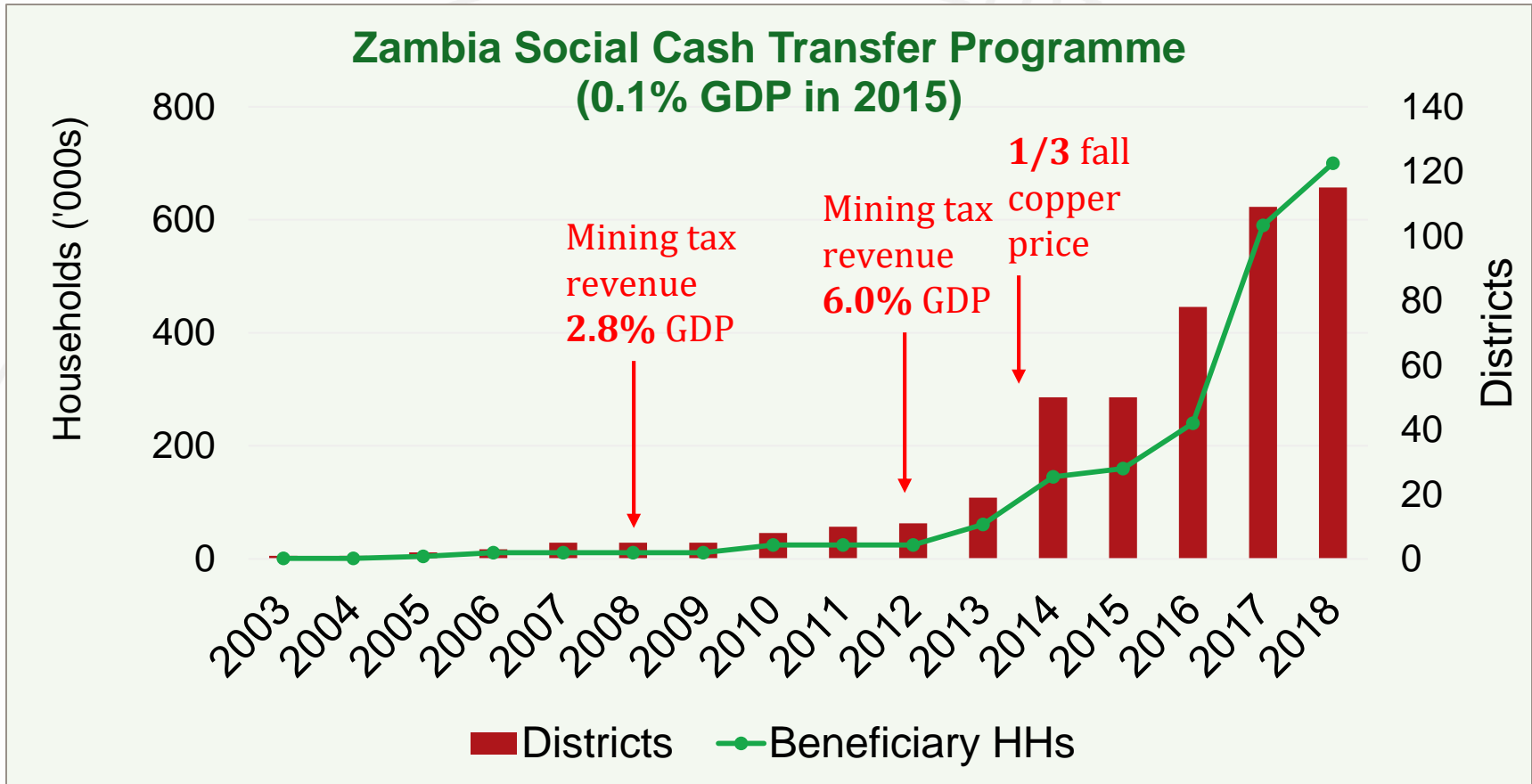
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# Zambia natural resources



**Social protection spend grows with natural resource revenue growth**



**Lesson: natural resource revenues can generate momentum for higher social protection spending**

# BOLIVIA

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# Bolivia hydrocarbon tax



- **Hydrocarbon tax**  
4.1% GDP, 2016
- **60% allocated to local government**
- **30% spent on universal pension**  
by both national & local government
- **High pension coverage**  
91% of those 60 years+ covered  
At a cost is 1% of GDP



***Lesson: natural resource revenues can be earmarked on a big scale, when there is political impetus***

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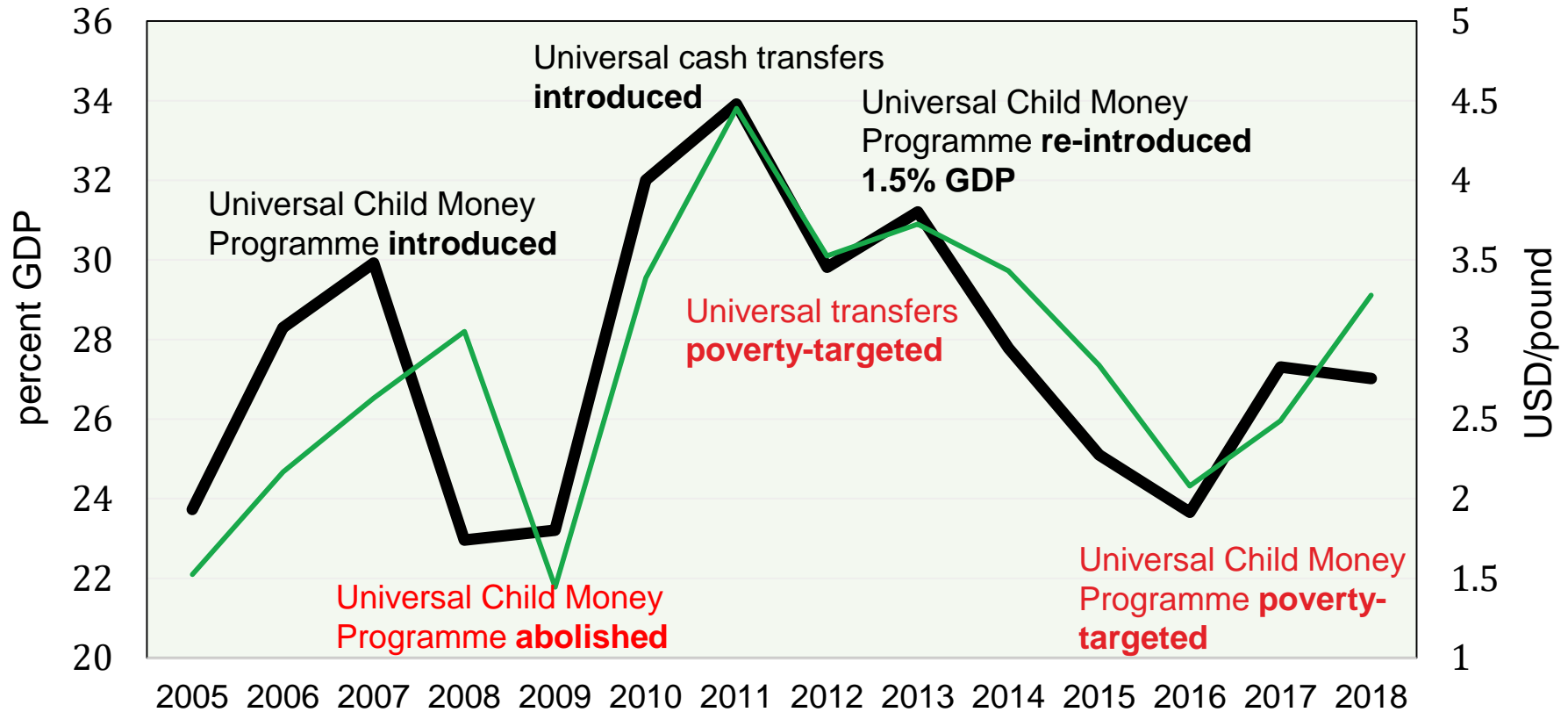
# MONGOLIA



# Mongolia natural resource tax



**General government revenue (% GDP)**  
Copper price (USD/pound)



**Lesson: fluctuating commodity prices can leave programmes vulnerable to being cut**

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# BRAZIL



# Brazil financial transactions taxes



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Bank debit tax</b> (for social spending - see box)											<b>Tax on financial firms</b>						<b>Tax on financial transactions</b> (for social spending)						
																							<b>Foreign investment tax</b>



**Bank debit tax (1997-2008)**  
 Earmarked for following sectors:

- health (42%)
- social protection (42%)
- other social services (16%)

In 2007, raised **1.4% GDP**  
 In 2008, 'earmarking' ruled unconstitutional & abolished.



# Global lessons



## *Financial transactions taxes*

- Are vulnerable to abolition!
- Can create market distortions
- Do not necessarily reduce market volatility

## *Upsides*

- There is high revenue potential
- A wide base & low tax rate minimise tax avoidance
- They can be done successfully

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# URUGUAY



# Uruguay's Monotax



## *Contributory social protection for the informal sector*

- **Simple** tax & social protection contributions
- **Single payment** paid to social protection institution
- **Low income** eligible group
- **Coverage** 25,000 people & 20,000 small enterprises
- **Similar schemes** in Argentina, Brazil and Ecuador



# Lessons from Uruguay



- **Informal sector** contributory social protection can be done
- **Tax and social protection** administration can work together



# Overall lessons for Kenya



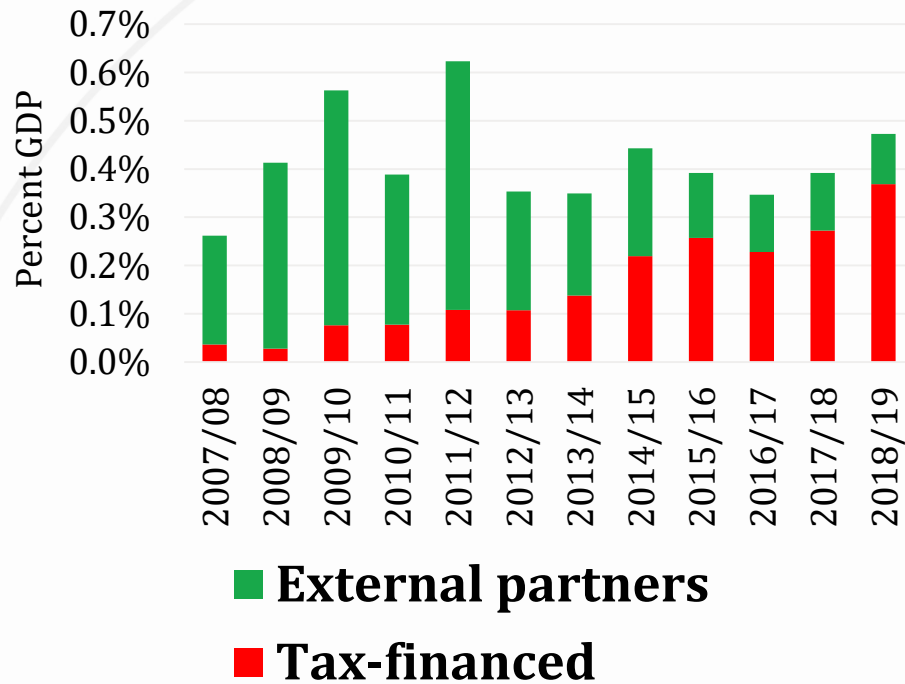
- Can **redistribute inefficient spending**
- Can allocate share of **oil revenues**
- Can develop **financial transactions tax** & link to health
- Can reach **informal sector** with contributory scheme

*Remember – the biggest prize is the larger, less volatile & growing **core tax revenue***

# Kenya uses core tax revenue



## Social assistance spending in Kenya



**‘Kenya is a profound success story.’**

(Penny Mordaunt, DFID Secretary of State, January 2018, on approval of DFID support to HSNP Phase 3)

