AFRODAD

African Forum and Network on Debt and Development

DISCUSSION PAPER ON

SUSTAINABILITY OF APPROACHES ON LOANS FOR SOCIAL PROTECTION IN AFRICA

CASE OF KENYA AND TANZANIA

LIST OF ABBREVIATION

AfDB	African Development Bank
AfDB	African development Bank
AFRODAD	African Forum and Network on Debt and Development
ASALs	Arid and semi-arid lands
AVATT	African Vaccine Acquisition Task Team
CBK	Central Bank of Kenya
COVID-19	Coronavirus Disease
CSOs	Civil Society Organizations
CSR	Corporate Social Responsibility
CT-OVC	Cash Transfer for Orphan and Vulnerable Children
DFID	Department for International Development
EMDEs	Emerging Market and Developing Economies
GDP	Gross Domestic Product
GIZ	Germany International Organization
GLGGA	Government Loans Guarantees & Grants Act
GoK	Government of Kenya
GoT	Government of Tanzania
HCP	Human Capital Project
HSNP	Hunger Safety Net Program (
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDA/IFAD	International Development Association/International Fund for Agricultural Development
ILC	International Labor Conference
ILO	International Labour Organization
IMF	International Monetary fund

KCDC	Kenya Center for Disease Control
KNBS	Kenya National Bureau of Statistics
KPLC	Kenya Power and Lighting Company
MTP	Medium Term Plan
NDS	National Debt Strategy
NHIF	National Hospital Insurance Fund
NSNP	National Safety Net Programme
NSSF	National Social Security fund
OPCT	Older persons cash transfer
PEA	Political Economy Analysis
PFM	Public Finance Management
PFMA	Public Finance Management Act
PSSN	Productive Social Safety Nets
PWSD - CT	Persons with Severe Disabilities Cash Transfers
SDGs	Sustainable Development Goals
SIDA	Swedish International Development Agency
SPFs	Social protection floors
SSA	sub-Sahara Africa
UHC	Universal Health Coverage
UN	United Nations
UNICEF	United Nations Children Fund
USD	US Dollars
WB	World Bank
WFP	World Food Programme

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EXECUTIVE SUMMARY

Despite significant reductions in poverty over the past 15 years, poverty and inequality are still quite persistent in most of the developing Countries and Africa is no exception. Although the poverty line is set low, it is estimated that at least 600 million people with volatile incomes were still living in extreme poverty in 2020 as measured by the USD 1.90 per day poverty line.

Given this context, social protection programmes are central instruments for the fulfilment of the sustainable development goals of ending poverty and hunger, reducing inequality, ensuring healthy lives, providing equitable quality education and promoting gender equality. The Sustainable Development Goals (SDG) Agenda includes specific targets on social protection, relating to primarily three SDGs: No Poverty (SDG 1), Gender Equality (SDG 5) and Reduced Inequality (SDG 10), targets 1.3, 5.4, 10.4). Whilst these objectives are plausible, realizing them requires giving high priority to social sector programming and expenditure.

Top on the agenda is the financing of social protection floors (SPFs). The 2012 ILO Recommendation (No. 202) on Social Protection Floors provides guidance to member States in building comprehensive social security systems and extending social security coverage by prioritizing the establishment of national floors of social protection accessible to all in need.

Financing for social protection has mainly been tax based with governments earmarking domestic resources for social protection interventions. However, the resources have been inadequate with governments mainly in developing countries allocating an average of 2.1 perc cent of GDP. Due to the massive financing gap in many countries, supplementary financing for social protection have been sourced from Official Development Assistance (ODA) grants, loans from the International Development Association (IDA) and the International Bank for Reconstruction and Development IBRD as well as from private philanthropies and corporates.

International development finance institutions such as the World Bank and International Monetary Fund have contributed to national social protection policies in the recent past. Almost 10 per cent of World Bank loans to low-income countries in 2017 were focused on social protection, while around 10 per cent of IMF loans include conditionality linked to social protection. Most IMF backed schemes are poverty targeted and have led to exclusion of some vulnerable members of the society.

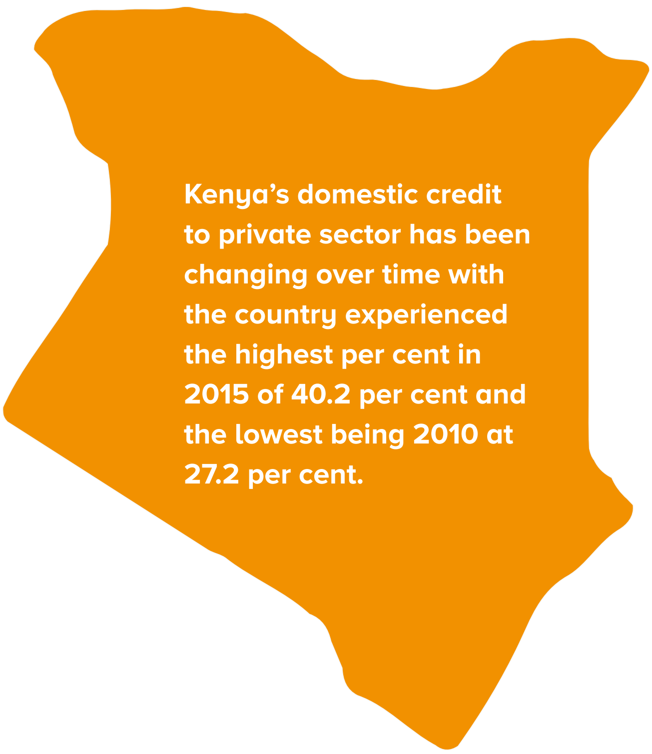
There are two approaches to providing social protection, representing different ideologies. The first is a universalist approach that is hinged on human rights and posits that social protection should be inclusive and underpinned by high budgetary allocation. The second is targeted transfers to the poor and its agenda is pushed by the IMF and World Bank who posit that social protection should be combined with conditions or work obligations.

Targeting funding strategy is politically unsustainable and excludes other deserving people in other needy categories. Inaccuracy of targeting also means that especially older people and potentially vulnerable categories of the population such as children with disabilities may be excluded. Universal approaches, on the other hand, cost more but are also more likely to be popular among the population, and thereby easier to finance through taxes. This is because universal approaches tend to boost consumption and promote growth which has a ripple effect on more revenue generation and the potential to increase investment on social protection.

Other types of loans and financing for social protection come as general budget support, – either as general support (loans or grants) or targeting specific sectors – or provide finance earmarked for expenditure in pursuit of specific programmes. Some of these instruments are supported and/or promoted by bilateral donors including the GIZ, SIDA, USAID and the Foreign, Commonwealth & Development Office (FCDO), IFC, DANIDA amongst others. However, debt accrual becomes a critical concern especially for low-income countries that traditionally struggle to repay back interests on loans they contract.

Purpose and objectives of the project.

The purpose of this paper is to establish and interrogate the suitability of loans for social protection in Africa through experiences of social protection loans disbursed in Tanzania and Kenya. The objectives included: Interrogating the approaches to financing social protection being utilized in the two countries; Interrogating the approaches to support social protection used by intergovernmental agencies such as the World Bank, UNICEF, ILO, other UN agencies and bilateral donors; Assessment and documenting of the impacts of loans for social protection in Africa, drawing from examples of Tanzania and Kenya; Understanding how loans and technical advice provided by the World Bank influence the design of schemes and national social protection systems; Assessing the political economy of loan provision, understanding why governments decide to access loans and how the reliance of loans and the use of poverty targeting linked to loans builds or undermines government commitment to schemes; Assessing the challenges for the countries in financing social protection and consider possible criteria that have to be fulfilled before debt financing can be recommended; and Producing a discussion paper that will inform advocacy strategies and messages at national, regional and global level on sustainable financing for social protection;



IMPORTANT RESULTS

Social Protection expenditures

Spending on social sectors as a percentage of GDP has been decreasing; an indication of a slower growth in allocation compared to GDP growth. For Instance, Kenya had allocated 6.1 percent of GDP to education in 2010 but this declined to 5.5 percent in 2017. This same trend is observed in Tanzania with health expenditure declining from 4.2 percent of GDP in 2010 to 3.6 percent in 2018. Additionally, Social protection fund is utilized in different ways and for different programs. In Kenya for example, in 2017 the government allocated 0.39 of the social protection funds to all social assistance programmes with public works and social protection works being allocated the least of 0.02 per cent. In 2016, Tanzania allocated 0.38 to social assistance with social pension receiving the least of 0.002 per cent.

Debt status

In terms of debt, Kenya's domestic credit to private sector has been changing over time with the country experienced the highest per cent in 2015 of 40.2 per cent and the lowest being 2010 at 27.2 per cent. Additionally, total debt service for Kenya has been increasing over the years with the lowest recorded in 2010 and highest in 2019. On the other hand, Tanzania's domestic credit to private sector has been averaging at 12 per cent with the highest rate being in 2015 and the lowest being in 2010 at 14 and 11 per cent respectively. Total debt service increased from 0.6 per cent in the year 2010 to 2.3 percent in 2019.

Kenya's total public debt rose by 14.3 per cent from KSh 5,301.6 billion as at end of June 2019, to KSh 6,057.8 billion as at the end of June 2020, with external debt accounting for 55.3 per cent of the total debt. Kenya's external debt increased by 10.8 per cent to KSh 3,350.6 billion, while domestic debt rose by 18.8 per cent to KSh 2,707.3 billion, as at the end of June 2020 while Tanzania's external debt stock has been on upward trend from 2010 reach the highest in 2019.

Approaches to financing social protection

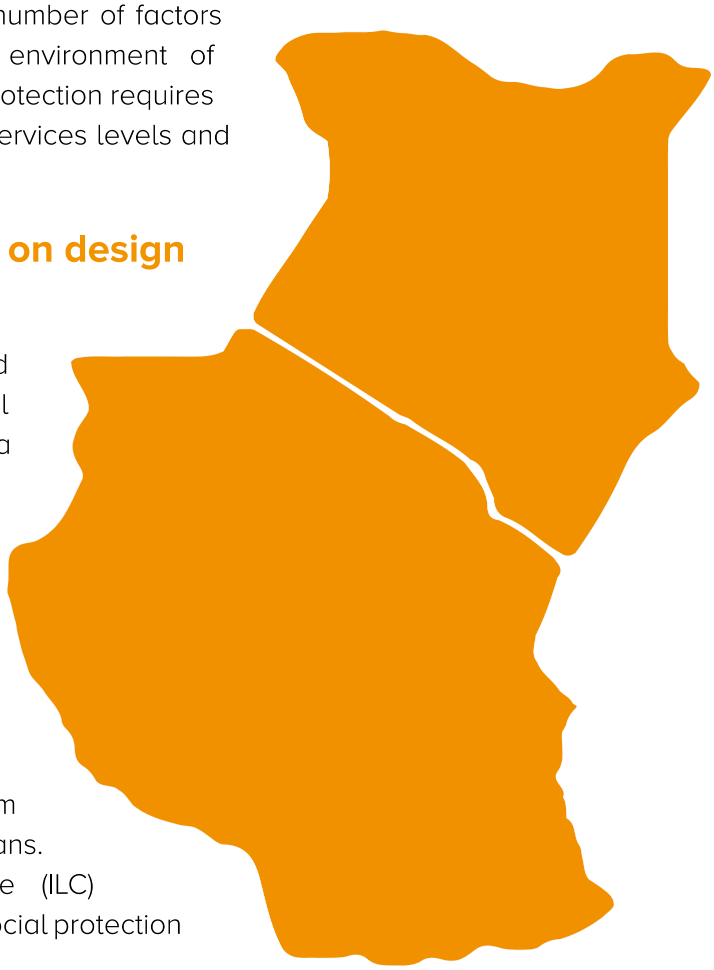
Kenya finances its social protection in two main approaches, that is through government and the other is through the non-state actors. The Kenya Government spends about 0.9 percent of its GDP on social assistance and a substantial share of the financing of the social protection programmes in Kenya comes from its development partners. Development partners tend to prioritize food-based programs such as school food, food for work, cash transfers and vouchers. In Tanzania, financing of social protection programs is done mostly by development partners with the Tanzanian government contributing marginally to financing the programs. Over 68.7 per cent of social assistance spending is financed by development partners finance while the government finances the balance of 31.3 percent. However, given the risks and unsustainability of debt, both governments (Tanzania and Kenya) should not be increasing loans for social protection; but rather loans should be channeled to productive sectors for enhanced local revenue generation. Productive sectors include those contributing to economic growth such as building and construction, infrastructure development, manufacturing, transport and services, and tourism particularly from emerging markets; agriculture, and wholesale and retail. Oversees Development Assistance (ODA) support for social protection should be in form of grants.

Impact of loan repayment on revenues

The Kenyan government share of spending on social protection rose between the period 2007 to 2016, with significant increases in the period 2011/2012. The social spending programmes funded include cash transfer and food-based transfers. Social protection spending in Tanzania includes social assistance, pensions, employment programs. Government expenditure on social protection amounts to about 12 percent of total expenditure. Strengthening social protection programmes in both Kenya and Tanzania is constrained by a number of factors including limited resource mobilization. In an environment of constrained revenues strengthening of the social protection requires external funding which in turn increases the debt services levels and reduced government expenditure for development.

Effect of loans and technical advice on design of social protection programmes

The social protection policies are aligned to United Nations/International Labor Organization Social Protection Floor (SPF) Initiative. For example, Kenya National Social Protection Policy which aims at ensuring that all Kenyans live in dignity and exploit their human capabilities for their own social and economic development. Other example in Tanzania include National Social Protection Framework (NSPF) whose aim is to have a nation that protects the poor and vulnerable, promotes inclusive growth and provides a minimum acceptable standard of living to all Tanzanians. According to International Labor Conference (ILC) recommendations adopted in June 2012, national social protection



floors should comprise at least the following social security guarantees; access to essential health care, including maternity care; basic income security for children, providing access to nutrition, education, care and any other necessary goods and services; basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and basic income security for older persons.

Development partners such as the World Bank Group working with partners around the globe provides the advice, financing and support necessary to tackle key problems in the developing countries such as poverty, human capital deficiencies, poor health, lack of education and skills of poor and vulnerable families. In their intervention activities, the Bank helps the countries design, deploy, and finance social protection systems so that ultimately, people have the tools to thrive in the circumstances they are or find themselves in. The World Bank's focus on social protection is because the social protection programs are at the heart of boosting human capital for the world's most vulnerable, Further, it is critical to empower people to be healthy, enable them pursue education, and seek opportunities to lift themselves and their families out of poverty.

Political Economy of Loan Provision

In policy development, financing is considered a critical component. Governments finance their expenditures from revenues raised through adoption of different taxation policies. If the revenues raised exceed the projected government expenditure, then the country operates a surplus budget. However, if the revenues fall short of the projected government expenditures, then the country will be operating at a deficit. To bridge the deficit gap, the government can decide to raise revenues, and/or seek for external donor financing in terms of grants and/or loans. Each of these financing options face a number of challenges. Raising local taxes to raise revenues especially in developing countries where citizen welfare is poor results in lowering the citizens' welfare as they are taxed more. This in turn may increase the number of persons requiring support from the government to enable them to meet their basic social needs increasing the projected social protection expenditure. Also, dependence on external donor financing opens the country to external influences in the formulation of policies in the country which may be against the intended country policies as guided by the ruling party. In Kenya, after devolution the amount of debt increased standing at over thrice the pre devolution era while in Tanzania during the fourth regime there was less reliance on debt to finance the budget. However, during the fifth regime there has been a steady increase reliance on debt to finance the budget.

In March 2021, the IMF assessed Kenya's public and publicly guaranteed debt as sustainable but with high risk of debt distress. Kenya's debt was subjected to lower thresholds and benchmark during the assessment due to a downgrade in the debt carrying capacity from strong to medium debt carrying capacity majorly due to subdued world growth driven by the implications of COVID 19 pandemic. The main factors driving the assessment were high deficits from the past and the COVID-19 shock, sharp decline in exports and economic growth caused by the pandemic. Further the assessment highlighted the following as the main risks to Kenya' debt sustainability assessment: financial weaknesses in state owned enterprises (SOEs), subdued export growth and economic impact of COVID-19 pandemic. However, Kenya's debt sustainability was expected to improve as fiscal consolidation progresses and export and output recover from the global shock. There was also overarching concern of limited capture of the returns from expenditures and or investments through increases in exports, taxes and faster economic growth. There were also worsening terms of new loans such as lower concessionary terms and increased commercial loans and exogenous economic shocks such as drought and COVID-19.

Challenges of financing social protection

Challenges facing financing social protection were identified as; difficulties of reaching the beneficiaries due to distance and insecurity, conflict of interest and plans, inadequate resources, low literacy levels among beneficiaries, dependency creation and stigmatization of beneficiaries and inefficiencies among the administrators of the social protection funds. However, use of financial institutions that require validation of credentials and biometric identification has resulted in minimizing cases of inefficiencies. Kenya is ranked number 124 out of 180 countries in the corruption perception index. As such corruption in social protection is possible resulting in the intended beneficiaries not benefitting or receiving the funds. In Tanzania, the challenges facing social protection include underfunding, tight fiscal framework, over-reliance in external funding and the certain social policies designs not in line with the best practices internationally.

Implication of Covid 19 on financing social protection

In Kenya, the first case of COVID-19 was announced on 13th March 2020 in Kenya. As of 14th October 2021, there were 251, 248 confirmed cases with 5,190 deaths. Vaccinations as of 14th October stood at slightly above 2.7 million. To mitigate the negative effects of the Pandemic, Government of Kenya (GoK) instituted a number of measures with the aim of reducing spreads and protecting the most vulnerable in the society. The financing of the measures was achieved through the nation budget and from development partners. Government through the second supplementary budget and the 2020/21 budget allocated over Kshs 21.8 billion while World Bank supported the government's response by providing a US$1 billion (approx. £742 million) loan.

Before COVID 19 Kenya was already exceeding the Public Debt to Gross Domestic Product (GDP) threshold of 50 percent while Tanzania was within the Public Debt to GDP threshold of 50 percent. In terms of debts sustainability rating, Kenya was rated as high risk but sustainable while Tanzania was rated low risk but with pronounced medium-term risk due to vulnerability of the exports.

Recommendations

To ensure continued expansion and sustainability of social protection, both countries need to rethink on the approaches used in financing the social protection in respective countries. There is need to develop a comprehensive legal framework on social protection and the approaches to be used. This framework should aim to harmonize and integrate the three pillars of social protection and link key stakeholders both local and international in the social protection sector. The role played by each stakeholder should be clearly stated.

There is need for government and supporting partners to adopt approaches such as provision, prevention, promotion and transmission of people lives. This will ensure that the social protection programs are sustainable and transform the beneficiaries' socio-economic lives at the long run. Sustainable social assistance covering a broad range of actions such as cash transfers, food aid, affordable health charges, child protection services, food security, employment creation and responses to life-threatening emergencies to enhance coping mechanisms of vulnerable groups need to be adopted.

Though loans on social protection have played a role in impacting lives of many people in Africa and specifically Kenya and Tanzania, such loans have continued to impoverish the less developed countries as most of the revenue collected is used to repay them. Therefore, there is need for OECD/ developed countries to offer grants and aid instead of loans. They made a commitment in the 70s to allocate up to 0.7 per cent of the GNI for ODA and only very few countries have come close to it (average of 0.41%).

Both Kenya and Tanzania have benefited from loans from development partners. However, there has been push and pull sometimes regarding priority of projects, transparency and accountability. To address this development partners may find support for social protection systems to generate a win-win proposition by aligning their efforts with Paris principles in terms of supporting country-driven approaches. There is also need to involve stakeholders at all levels in social protection to build greater awareness that is fundamental for effective delivery and sustainability of social protection programmes. This will promote accountability and acceptance of social protection programmes both by local and international partners.

To promote accountability, avoid misappropriation of social protection funds and enhancement of spending efficiencies, there is need to strengthen institutional capacity, coordination, programme administration and evaluation.

There is need for these counties to adopt technology in management of the budgets to be supported by ODA. This will ensure transparency on management of donor funds received for social protection, hence building confidence. This will encourage donors to avail more funds in the respective governments. The developed countries to give more grants and donations in supporting establishment of the technology-based systems in management of the social protection funds.

Many African countries have been struggling to finance social protection due to limited revenue generated from taxes, fast-growing population and high debt burden. This leaves many people in need of social protection exposed and without any help. Therefore, there is need for governments to explore alternative strategies obtain additional revenue through measures such as debt relief; curbing illicit financial flaws and corruption; responsible borrowing; and prudent use of funds. The governments should also explore alternative of getting grants as opposed to loans which are proving to be difficult in payment.

Covid 19 has affected many economics in African countries including Kenya and Tanzania. African countries are already spending three times more on debt repayments to banks and private lenders than it would cost to vaccinate the entire continent against Covid-19. This has led to increased social needs with social protection funds diverting money meant for social protection in fighting Covid 19. To support these countries, the respective government need to renegotiate the loan repayment schedule and request for the wavering of some old loans accumulated prior covid 19 by the Development partners.

There is need for the development partners and the developed countries to increase funding of social protection in African countries and specifically Kenya and Tanzania in form of grants.

INTRODUCTION

Defining social protection

According to International Labour Orbanization (ILO), Social protection refer to set of public measures that a society provides for its members to protect them against economic and social distress caused by the absence or a substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age or death of the breadwinner), the provision of health care and the provision of benefits for families with children. Social protection should also enable income-earning and support for vulnerable groups to maintain a reasonable level of income through decent work, and to ensure access to affordable healthcare, social security, and social assistance.

Social protection refers to the policies and actions, including legislative measures, that enhance the capacity of and opportunities for the poor and vulnerable to improve and sustain their lives, livelihoods, and welfare, that enable income-earners and their dependents to maintain a reasonable level of income through decent work, and that ensure access to affordable healthcare, social security, and social assistance (GoK, 2009)

National Social Protection Framework (NSPF) for Tanzania defines social protection as traditional family and community support structures, and interventions by state and non-state actors that support individuals, households, and communities to prevent, manage, and overcome the risks threatening their present and future security and well-being, to help them embrace opportunities for their development and for social and economic progress (URT, 2008). Social protection should also enable income-earning and support for vulnerable groups to maintain a reasonable level of income through decent work, and to ensure access to affordable healthcare, social security, and social assistance. Social protection in Kenya and Tanzania covers social assistance, social security, social pension and health insurance.

Importance of safety nets

Despite significant reductions in poverty over the past 15 years across the World and the poverty mitigation interventions; poverty and inequality are still quite persistent in most of the developing countries, Kenya and Tanzania included. Although the poverty line is set low, it is estimated that at least 600 million people with volatile incomes were still living in extreme poverty in 2020 as measured by the USD 1.90 per day poverty line. This is due to the fact that low incomes in Africa are widespread and those who even live above the $1.90 threshold remain vulnerable to poverty shocks. Thus fairer and more equitable redistribution of resources is required in order to create more equal societies. Social protection programmes are central instruments for the fulfilment of the sustainable development goals of ending poverty and hunger, reducing inequality, ensuring healthy lives, providing equitable quality education and promoting gender equality. The Sustainable Development Goals (SDG) Agenda includes specific targets on social protection, relating to primarily three SDGs: No Poverty (SDG 1), Gender Equality (SDG 5) and Reduced Inequality (SDG 10), targets 1.3, 5.4, 10.43). Whilst these objectives are plausible, realizing them requires giving high priority to social sector programming and expenditure.

BOX 1: 2012 ILO RECOMMENDATION (NO. 202)

Top on the agenda is the financing of social protection floors (SPFs). The 2012 ILO Recommendation (No. 202) on Social Protection Floors provides guidance to member States in building comprehensive social security systems and extending social security coverage by prioritizing the establishment of national floors of social protection accessible to all in need. National social protection floors should comprise at least the following four social security guarantees, as defined at the national level: 1. access to essential health care, including maternity care. 2. basic income security for children, providing access to nutrition, education, care and any other necessary goods and services. 3. basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability. 4. basic income security for older persons. Notably, the guarantees included in the social protection floor should be provided to all residents and all children, as defined in national laws and regulations, and subject to existing international obligations.

Recognizing that resourcing for social protection is often a government obligation through national budgets, its (social protection) financing has faced its fair share of challenges. These challenges mainly emanate from the fact that it has been inadequate and limited in coverage to all and often times the most affected being communities in need of social welfare cushioning being left out. In low-income countries including in sub-Saharan Africa, average costing estimates on universal social protection floors point out that costs of universal child and orphan benefits (grants) average 2.1 per cent of GDP, maternal cash benefits average 0.5% of GDP, universal disability cash benefits average 0.6% of GDP and universal old age pension benefits average 1.2% of GDP. The total cost of these key elements of a social protection floor would hence on average amount to 4.4% of GDP (Ortiz, Duran, Pal, Behrendt, & Acuña-Ulate, 2017).

Financing for social protection has mainly been tax based with governments earmarking domestic resources for social protection interventions. However, the resources have been inadequate with governments mainly in developing countries allocating an average of 2.1 per cent of GDP (Ortiz, et al, 2017). Further universal approaches tend to boost consumption and promote growth which has a ripple effect on more revenue generation and the potential to increase investment on social protection.

Many vulnerable groups have remained invisible to policy makers. It is worthwhile to note that many vulnerable groups remain invisible to policy makers and therefore there is need to enhance their integration into the national development initiatives. Vulnerable groups that require social protection are not a homogeneous group but are varied in terms of the nature of their poverty levels. It is noted that despite their being inadequate resources, the Government and other stakeholders have tried to offer support to the groups.

Categorisation of social protection programmes

Social protection programs are designed to help people manage risk and volatility and protect them from poverty. The three main social protection instruments are: (i) those that improve resilience by buffering individuals from shocks; (ii) those that promote equity by equipping individuals to improve their livelihoods; and (iii) those that create opportunities to build a better life for themselves. For instance, social assistance (social safety net) programs are non-contributory programs designed to target poor and vulnerable people and help them cope with chronic poverty and destitution. Examples of these programs include unconditional and conditional cash transfers, non-contributory social pensions, food and in-kind transfers, school food programs, public works, and fee waivers. They may also include orphanages, equipment for disabled people, and care for elderly people.

Social protection describes traditional family and community support structures, and interventions by state and non-state actors that support individuals, households and communities. In Tanzania the support structures, and interventions by state and non-state actors that support individuals, households and communities aid in preventing, managing, and overcoming the risks that threaten the present and future security and well-being, and to embrace opportunities for their development and for social and economic progress. Further, Social insurance programs in Tanzania such as contributory schemes are designed to help people manage income changes because of old age, sickness, disability, or natural disasters. Individuals pay insurance premiums to be eligible for coverage or contribute a percentage of their earnings to a mandatory insurance scheme. Examples of social insurance programs include contributory old-age, survivor, and disability pensions; sick leave and maternity/paternity benefits; and health insurance.

Targeted and universal approaches for social protection

Several studies and development partners consider the Georgia's Targeted Social Assistance scheme as a best practice among the proxy-means-tested (PMT) programs.123 Georgia's targeted SP excluded had an exclusion error of 45 per cent relative to known schemes such as Brazil's Familia and Mexico's Oportunidades programmes which excluded 49 percent and 70 percent respectively of their target populations. Adopting an approach that minimizes omission is important especially where the programme seeks to include those living in poverty.

Poverty targeting is often unpopular approach which normally creates social conflict in communities with the excluded group, exacerbating the sense of unfairness within the communities.4 There is existing evidence that poverty targeting rewards dishonesty (Kidd & Bailey Athias, 2016). In Uganda, for instance, some of the non-eligible citizens manage to give incorrect about their income and assets and ended up being rewarded the cash benefits. Similarly, in Mauritius, the government was forced

1 https://openknowledge.worldbank.org/handle/10986/24812?show=full
2 https://www.unicef.org/georgia/media/2486/file/TSA&CHILDPOVERTY_eng.pdf
3 https://ideas4development.org/en/social-protection-universal-provision-is-more-effective-than-poverty-targeting/
4 http://www.unicef.org/socialpolicy/files/targeting-poorest.pdf

to make pension universal in the 1950s because of complaints from those that honestly declared their means and were denied the benefit while their dishonest neighbors were awarded (Kidd, 2016). In terms of the full roll-out of the programme, poverty targeting is cheaper than universal provision because the scheme targets a smaller proportion of population instead of the entire population.

Schemes targeting is another approach that has been adopted by countries. These approach is however characterized by a situation where the poor tend to have an irrational incentive of not wanting to work, since the beneficiaries are worried of being kicked off in the programme (Kidd, 2016). In other situations, the scheme encourage people to divest themselves of their assets and wealth, so that they become poor enough to be eligible for the programme (Kidd, 2016). Further, schemes targeting the poor has been termed complex and administratively expensive compared to the universal programme approach.

Universal provision programme has been used to address the loopholes reported with the poverty and social protection (SP) schemes targeting. There is no perverse incentives with the universal provision programme unlike the schemes targeting approach. Under the universal provision, people can work as much as they wish, accumulate their incomes and wealth, without the fear of losing their SP benefits. Evidence shows that universal provision tends to generate higher transfer values for beneficiaries. 5 For instance, Nepal's pension which offers universal coverage generates higher value transfer than poverty targeted schemes in the richer countries like India and Bangladesh. Similarly, the Brazil's social pension has a transfer value of about nine times higher than the Bolsa Familia scheme6

Therefore, choosing a particular targeting or approach to adopt needs to consider a number of issues. These include the country's ability to provide the scheme, the size of the target population, the intentions of the scheme and the possible loopholes that a country may encounter when rolling out the programme.

Social protection and development

The components of social protection in Kenya and Tanzania comprises the social assistance, social security, social pension and health insurance. These schemes are provided through a number of instruments which include the food subsidies, school based food programs, direct feeding programmes, direct cash transfers & conditional cash transfers, social health insurance, price subsidies, subsidized agricultural inputs, and waivers and exemptions among others.

In Kenya, the social assistance scheme comprises of a number of programmes tailored made to address specific societal problem affecting a group of population. These include the National Safety Net Program, Urban Food Subsidy Program (UFSP), Older Persons Cash Transfer (OPCT), Hunger Safety Net Programme (HSNP), Cash Transfer for Orphans and Vulnerable Children (CT-OVC), and Cash Transfer for Persons with Severe Disabilities (PWSD-CT)7. The social security scheme in Kenya is a compulsory contribution by workers and employers to the National Social Security Fund (NSSF). This is a government agency which has been mandated to collect, safe-keep, responsibly invest and distribute the retirement funds of employees in both formal and informal sectors in Kenya8. Further, the government has introduced the National Hospital Insurance Fund (NHIF) as a fully-fledged comprehensive national health insurance scheme, aimed to cover all Kenyans and to which those who can afford have to contribute to insurance.

5 http://www.developmentpathways.co.uk/resources/the-political-economy-of-targeting-of-social-security-schemes/
6 http://www.developmentpathways.co.uk/resources/bolsa-unfamiliar-pathways-perspective-9/
7 https://www.socialprotection.or.ke/about-sps/introduction-to-social-protection
8 https://www.socialprotection.or.ke/social-protection-components/social-security

The government of Tanzania has introduced a number of social protection over time. The Productive Social Safety NET (PSSN) has been implemented since 2012, which has since covered over 1.1 million poor households in 9,627 villages and sub wards in 159 out of 185 local government authorities (CCM, 2020). Under these programmes, the government adopted three instruments targeting the households living below the food poverty line, these included: Condition Cash Transfer (CCT); Public Works Programme (PWP); and Livelihoods Enhancement (LE) intervention. The government adopted a three-stage targeting process, comprised of geographical targeting, community based targeting, and a proxy-means test (PMT). The targeting is followed by a community validation. To maintain the eligibility for the cash transfers, participating households are required to comply with certain conditions related to children's school attendance and health care, although the portion of the cash transfer is fixed and unconditional. As of the 2020, cash transfer component had accounted the largest in terms of funding and targeted beneficiaries, covering about 80 percent of the programme cost (George & Ulriksen, 2021).

Across the developing countries, social safety program is the most embraced instruments of social protection (World Bank, 2018). Countries have adopted this instrument as a noncontributory intervention designed to help individuals and households cope with chronic poverty, destitution, and vulnerability. The programs target the poor and vulnerable groups.

Effects of social protection on economic development

Social protection contributes to poverty reduction. Reduction has been larger among women, with greater impacts in rural and peri-urban areas compared to urban zones. Across age groups, the fall in poverty is greatest among older persons. Social protection has contributed greatly to improvement of the lives of the citizens especially the food security and education9. For example, the Kenya Social Protection Sector Review Report, 2017 showed that half of the beneficiaries of the CFA/FFA programme reported that their food security enhanced. School Feeding was found to address short-term hunger, while increasing school attendance. HSNP transfers engendered an average increase in household consumption of Kshs 247 per adult per month, on average, resulting in a rise in food expenditure and dietary diversity.

The 2015 Inua Jamii beneficiary perceptions survey showed over 90 per cent of beneficiary households experienced increased consumption and dietary diversity. The same survey also indicated that 86 per cent of recipients on Inua Jamii programmes reported a positive impact on performance at school and school attendance. Linked to the increase in school attendance, evidence from the HSNP and CT-OVC also indicate a reduction in child labour.10 In addition, the same report indicated that the CT-OVC programme has been responsible for a 15-percentage point increase in the ownership of small livestock by smaller recipient households while HSNP recipients are 6 percentage points more likely to own livestock.

Findings from the CTOVC programme also indicated an improvement in women's economic participation, with a 7-percentage point increase in the participation of female-headed households in non-farm enterprise and a 6-percentage point increase in small livestock ownership of female-headed households. The CT-OVC increased labour participation among those living far away from markets by 13 percentage points, enhancing the inclusivity of economic activity. Evidence from the HSNP

9 https://www.developmentpathways.co.uk/wp-content/uploads/2019/10/Kenya-Social-Protection-Sector-Review-Summary-Report.pdf
10 https://www.developmentpathways.co.uk/wp-content/uploads/2019/10/Kenya-Social-Protection-Sector-Review-Summary-Report.pdf

may indicate that the transfer has led to an improvement in wellbeing of workers as 13 percent of households report a positive change to their work patterns compared to 2 per cent in control groups, while 5 per cent of households receiving the HSNP reported being able to start, expand or improve an existing business.

Role of inclusive social protection in promoting resilience

Social protection systems create the foundations for more just, equitable, and inclusive societies, helping ensure the prosperity and stability of nations. However, the dynamic nature of the global environment calls for formulation of policies that respond to the changes both planned and unplanned such as the COVID 19 pandemic. Further, interaction of countries with their development partners results into targeted assistance towards certain social protection programmes calling for review and adaptation of the existing country policies and programmes to fit the development partners' needs and requirements. However, the adaptation does not have to interfere with the independence of the countries receiving the support.

The governments in the developing countries jointly work with development partners to ensure resilient and inclusive social protection programmes. In addition, the development partners play an advisory role necessary to tackle key issues affecting implementation of social protection besides the financial support. Further, their intervention activities include offering technical support to countries on matters relating to the design, deployment, and financing of social protection systems. The common problems faced by developing countries related to social programmes include high poverty levels, human capital deficiencies, poor health, and lack of education and skills of poor and vulnerable families

Therefore, given the crucial role the social protection plays, programme adaptability remains a pivotal issue as it ensures continuous support even during difficult times arising from conflict, economic shocks, or weather-related disasters. Failure to adjust the social protection programmes in cases of shocks would result into erosion of human capital pushing vulnerable people deeper into poverty. Cash transfers directly to families help people manage risks and cope with shock. In ensuring that the objectives of social protection are met, development partners such as the World Bank increases or steps up financial support to countries during difficult times to address country's demand for safeguarding jobs and generating more and better jobs. World Bank group has more than 580 active job-related projects whose investments are to the tune of $US 75 billion.

Principles or approaches for social protection

The monitoring system for social protection financing is weak to ensure the money received through the cash transfer programme is utilized for the intended purpose of uplifting the standard of living for the persons with severe deprivations. Even though there is no clear literature on how beneficiaries should spend this money, legal frameworks provide that the money is supposed to be used to assist in the development of individuals, family and community capacity to become self-sufficient; increase the ability of persons in need to assume greater responsibility for themselves and ultimately reduce dependence by the people on public financial assistance. One of the reasons for the establishments of cash transfer programme for persons with severe deprivations include: need to strengthen the capacities and improve the living standards of parents and children and the need to alleviate poverty among persons with severe social deprivations. On such a background, AFRODAD seeks to establish and interrogate the suitability of loans for social protection in Africa through experiences of social protection loans disbursed in Tanzania and Kenya.

The purpose of the assignment is to develop a discussion paper to establish and interrogate the suitability of loans for social protection in Africa through experiences of social protection loans disbursed in Tanzania and Kenya. It is also expected that the Discussion Paper will result in deepened and strengthened global awareness on the magnitude and impact of loans for social protection on inclusive sustainable development in the Africa region. The study was commissioned and managed by African Forum and Network on Debt and Development (AFRODAD).

The objectives and scope of the study

Purpose and Objective of Discussion Paper was to strengthen the evidence and understanding of the role and impacts of loans for social protection in Africa through covering the following scope:

- Provide an overview of different forms of social protection financing; and the kind of support (loans/grants for technical assistance/transfers, as well as total amounts provided in Africa as a whole and in the two countries) different donors/agencies provide (e.g. World Bank, UNICEF, DFID, Sida, AfDB, WFP, other bilateral donors).
- Analyze the trends and drivers for the current financing mechanisms utilized.
- Examine the types of schemes (in terms of targeting/coverage) supported by loans and those not supported by loans; and asses the suitability of loans as a means of financing social protection.
- Analyze the impacts of loans repayment on government revenues for social protection in the two countries; Assess the impact of loan provision – and broader donor financing – on government ownership of schemes and the social contract; and Analyze the impact of loans for social protection on poverty and inequality and broader measures of effectiveness.
- Assess implications of COVID 19 financing on Social Protection.
- Identify the policy challenges and trade-offs that have been arising on social protection packages and financing.

Methodological approaches of undertaking the study

The approach adopted to achieve the objectives of this paper comprised conducting a desk review and analysis. Various relevant reports and data from secondary data sources were collected, collated and analyzed. In addition, review of relevant studies and reports either directly or indirectly concerned with the objectives of the scoping study was done to establish the progress of the issues relating to social protection financing. These included studies, reports and documents issued by the IMF, World Bank, other emerging lenders/DFI's, relevant ministerial portfolio's, regulatory authorities and project managers, academics and CSOs.

FINANCING OF SOCIAL PROTECTION

In policy development, financing is considered a critical component. Governments finance their expenditures from revenues raised through adoption of different taxation policies. If the revenues raised exceed the projected government expenditure, then the country operates a surplus budget. However, if the revenues fall short of the projected government expenditures then the country will be operating at a deficit. To bridge the deficit gap, the government can decide to raise revenues, and/or seek for external donor financing in terms of grants and/or loans. Each of these financing options face a number of challenges. Raising local taxes to raise revenues especially in developing countries where citizen welfare is poor results in lowering the citizens' welfare as they are taxed more. This in turn may increase the number of persons requiring support from the government to enable them to meet their basic social needs increasing the projected social protection expenditure (Gerard, Imbert & Orkin. 2020). In addition, dependence on external donor financing opens the country to external influences in the formulation of policies in the country, which may be against the intended country policies as guided by the ruling party (Ono & Uchida, 2018).

Approaches to financing social protection in Kenya and Tanzania

Interrogating the approaches to financing social protection being utilized in Kenya

Kenya social protection is financed using different approaches. These financing approaches have not been fully effective due to inadequacy of funds hence not all needy persons are covered. Reviews of social assistance programmes conducted by the Government and development partners in 2005 and 2009 highlighted the inadequacy of the existing interventions. There are two main approaches of financing social protection, that is, the contributory and non-contributory schemes. The non-contributory is largely financed by the government or with support from the development partners, while the contributory is jointly financed by the government, beneficiaries, and the non-state actors including the development partners. Government spends about 0.9 percent of its GDP on social assistance.11

The non-state financing approaches include Private Sector funding where, as the principal beneficiary of a healthy and socially stable workforce, has an interest in preventing risks and minimizing vulnerability. Therefore, the private sector operates retirement and medical benefit schemes and affordable and sustainable credit schemes for the poor and contribute to social protection as part of corporate social responsibility (CSR) (Kenya National Social Protection Policy, 2011). Such examples of contributions from employers include as the National Social Security Fund (NSSF) and National Health Insurance Fund (NHIF), which are open for both the employed and unemployed. In addition, Development Partners ensure that social protection is funded in a regular, predictable, and sustainable way.

Informal community also offers support and extended families provide a significant form of social assistance in Kenya. The main two types of such safety nets include membership of traditional solidarity networks (the family, kinship groups, and neighborhoods); and membership of cooperative or social welfare associations (including self-help groups, rotating savings and credit associations, and cultural associations). There are over 300,000 such cooperative groups nationally, which provide a range of services, including loans, food, education, health, and funeral assistance.12

In Kenya, development partners finance social sector through provision of School meals and HIV/AIDS Nutrition Feeding Programmes, Hunger Safety Net Programme for eliminating hunger and Older Persons Cash Transfer Programme. Some of the partners are supporting homegrown school meals, urban food subsidy, supporting farmers to ensure food security and provision of health vouchers for the vulnerable. Other partners are supporting National Social Protection Policy, Orphans and Vulnerable Children – Cash Transfer and supporting people with disabilities.

Interrogating the approaches to financing social protection being utilized in Tanzania

In Tanzania, financing of social protection programs is done mostly by development partners. Development partners finance 68.7 percent of social assistance spending and government the remaining percent Mohamed, (2018). For example, since 2013 the Tanzanian government has worked to implement the nation-wide Productive Social Safety Nets (PSSN) programme, which was a conditional cash transfer (including elements of public works and livelihood enhancement) targeting the extreme poor (calculated as about ten percent of the population of 50 million). The ambition set in 2013 was to reach at least 1 million food insecure households (TASAF, 2015). The World Bank, together with TASAF and the Ministry of Finance, has been supporting and promoting the conditional cash transfer programme. Other supporting partners are International NGOs, other development partners, and the Ministry of Labour (George, et al. 2021).

The other approach is the use of contributory social protection based which is based on the social insurance model and limited to the provision of protection against the loss of income resulting from old age, death of a breadwinner, invalidity, maternity, work injury and illness. Social Security coverage is less than 1 per cent of the entire population, and about 6.5 per cent of the formal working population. Almost the entire informal sector is not covered by any form of social security scheme (other than limited access to certain public health services)13.

11 https://www.socialprotection.or.ke/images/downloads/kenya-national-social-protection-policy.pdf

12 https://www.socialprotection.or.ke/images/downloads/kenya-national-social-protection-policy.pdf

13 https://www.social-protection.org/gimi/gess/RessourcePDF.action;jsessionid=V_QiCqpzMBQxy384rpX7ITC-3BSrcsmpUlunbphfqiCrmTFRNMz0!-2033066120?id=7451

In addition, development partners tend to prioritize food-based programs such as school food, food for work, and vouchers. Humanitarian aid is the main source of funding in emergency situations. A good example of such is the largest social assistance program in Tanzania, namely the PSSN, which is almost entirely donor financed.

Financing options for strengthening social protection in Africa

In developing countries, especially in Africa, social protection is of great benefit to the marginalized persons as it allows them to access basic needs (Canagarajah & Sethuraman, 2001). In addition, social protection has been associated with improvements in the macroeconomy for instance enhancing fiscal stimulus, reducing inequality, enhancing social cohesion and facilitating long-term macroeconomic reforms (Williams, 2020). Despite its importance in enhancing the social welfare of the population of a country, its financing continues to be a major obstacle. Even though the challenge of financing varies from country to country, countries with low per capita experience the greatest challenge (Andrews, 2012; Asher & Bali, 2014). In order to provide support and influence governments decision policies geared at reforming the social protection programmes and their expansion require reliable information on key interrelated aspects such as cost and its impact on welfare. Reliable information on cost and the country policies and revenue sources will then inform development of financing options that are sustainable.

There are several financing options for social protections applied by different countries to mobilize domestic resources for the social protections, it includes both short and long-term options. The common once include: Expanding of social security coverage and contributory revenues charged on both employees and employers including pension schemes, health insurance schemes, disability benefits and unemployment insurances among others. Other options include raising tax revenues, eliminating illicit financial flows and corruption, increasing aid, implementing flexible macroeconomic frameworks, re-allocating

public expenditures and reducing subsidies, and managing debt (borrowing or restructuring sovereign debt) among other options. These financing options are applied separately or together depending on the country's context. Therefore, countries must examine each financial option extensively and adapt them to fit their local context.

Most of the social protection programmes [Kenya and Tanzania] consist of cash transfer programmes for households living in fragile low-income settings. In Kenya, these represents slums and arid and semi-arid lands (ASALs) while in Tanzania it includes the poor and the elderly and those living in fragile environments. This section presents financing options for strengthening social protection.

Developing and strengthening social protection systems

Social protection systems are developed based on the following principles, which influence the financing options to be adopted. These include; progressive realization of universal coverage; national systems and leadership; and inclusive social protection (UNICEF, 2019)14. Progressive realization of universal coverage in social protection involves helping countries identify and expand programmes, policies and financing options that are conducive to achieving universality, while recognizing the country's capacity, contexts and challenges. For instance, the right to social protection for children everywhere, including the fragile and humanitarian context. On the other hand, national systems and leadership covers the development of national financing strategies necessary for sustainable national social protection systems. While inclusive social protection encompasses the social vulnerabilities marked by characteristics and identities such as gender, ethnicity, status, geographical location and disability status. An inclusive social protection should be responsive and sensitive to the needs of the entire population, by adopting a specific social protection instrument which explicitly promote social inclusion and equity, and ensure the programme design is sensitive to the added vulnerabilities that stem from social protection.

Further, high level of political will including institutionalization, sustained economic growth, realistic fiscal policies play a major role in strengthening government capacity to ensure public spending for social protection in the long-run. In addition, countries must properly monitor and evaluate each social protection systems independently to identify and address any emerging issues and gaps that may arise during its implementation.

Integral components of financing social protection

Social protection financing is premised on the ability of the planners to reliably assess the cost of the social protection interventions. Another critical component of a social protection system is affordability of the social protection intervention. Affordability is a technical and political exercise that consist of the assessment of the returns to investment. Affordability revolves around the question of how much the society is willing to distribute and how the distribution should be done (Delamonica & Mehrotra, 2009). Once these components have been assessed there is need to prioritize between spending on different policies after conducting cost benefit analysis of the social protection programmes versus other government policy options.

Financing options available for social protection [Kenya and Tanzania] include; reallocating current public expenditures; increasing tax revenues; using fiscal and central bank foreign exchange reserves; borrowing or restructuring existing debt; adopting more accommodating macroeconomic framework; and international aid. Each of these financing options for social protection will have different effects to different countries. Further, adoption of any of them will result in both short term and long-term effects. Given that some of these options require approval by the legislature, which is a political outfit that

14 https://www.unicef.org/media/61011/file/Global-social-protection-programme-framework-2019.pdf

require a balancing act between the needs of the country and those of the politicians especially in countries, where politics play a crucial role in budgeting. Effective financing of social protection entails undertaking an extensive discussion on efficient public spending and political choices. Although fiscal consolidation is to be encouraged it should be done without using it to justify austerity measures and should be done in a neutral position that aim at advocating for clear principles about reform and mitigation measures (Hagen-Zanker & McCord, 2010).

Sustainable financing of social protection programmes

Sustainable financing of social protection programmes is always seen as a challenge, especially on how to funds the programme, which policies and programmes to finance and whether the financing is sustainable to the long-run. Therefore, identifying a sustainable financial mechanism and budgeting for the programme is one of the most important stages in conceptualizing and implementing social protection. This process is normally referred to as the fiscal space15 for social protection. It involves identification of feasible revenue sources to ensure the availability of resources to implement social protection16. Further, a good design for social protection financing should ensure that (i) resources are made available to increase coverage and benefit, (ii) long-term financing is guaranteed, and (iii) systems are shock responsive.

Sustainable financing of social protection programmes require a move towards stronger domestic financing, identification of diverse ways to increase fiscal space for social protection and enlisting the political will (Bagmet & Obeid, 2017). For this to work there is need to provide the necessary support to countries in terms of enhanced analytical work to ensure the relevant governments understand the various financing options; promotion of knowledge sharing and capacity building which are considered key drivers in managing transitions towards stronger and financially sustainable social protection systems (Barrientos, 2008).

Sustainability of financing social protection programmes can be enhanced by adopting some of the innovative ways adopted by some other countries. These include the ear-marking funds from extractive industries to finance social protection programmes as done in Mongolia17. The county supports pensions through the human development fund by collecting excess revenues from mining sector. The funds has also benefited the healthcare, housing and educational benefits. Private or civil society-led initiatives is another innovation used in Pakistan and India to support social protection programme. It involves building and operationalizing schools (Bolton, 2017). Cross subsidization has also been used to generate funds for social protection program. Uruguay combined contributory social insurance and tax-based programme into a “monotax” which bridges the gap between those employed in the formal and informal sectors18.

Risks of financing social protection with debt

Over-dependence on external financing inhibits domestic resource mobilization and institutional development. External financing for social protection has been shown to have positive impacts on launching and extending social assistance programmes, on technical aspects, which include designing the policies on social protection and on meeting initial costs of building systems and building. However, in the long terms international aid makes modest contribution to recurrent costs of running the social

15 Roy et al. (2012) define fiscal space as “the financing that is available to government as a result of concrete policy actions for enhancing resource mobilization, and the reforms necessary to secure the enabling governance, institutional and economic environments for these policy actions to be effective, for a specified set of development objectives”.

16 https://socialprotection.org/discover/blog/financial-sustainability-social-protection

17 https://www.social-protection.org/gimi/RessourcePDF.action?ressource.ressourceId=53856

18 https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_817572.pdf

protection programmes19.

Additionally, in ensuring that their financial support it directed towards programmes and projects that align well with their mandates, external financials may prescribe conditions that may directly or indirectly affects the implementation of certain programmes by the specific governments. As such the development partners should ensure that they do not interfere with the autonomy of the countries receiving aid in matters budgeting and implementation (Bolton, 2017).

However, countries need to take more caution not to over-rely on external support such as debts and grants since they are unpredictable in terms of amount of the additional allocations and time for which a country can get the additional allocations.

19 http://devinit.org/wp-content/uploads/2015/05/Getting-poverty-to-zero.pdf

EXTERNAL SUPPORT TO SOCIAL PROTECTION

Trends in development partners' support for social protection

Social protection spending represents one of the government's most important sector for investment in the developing countries. Although expenditure in this area has been increasing over time in the last two decades, its expenditure remains below the standards of industrialized countries (OECD, 2019). Development partners play a major role in financing social protection, through general budget support provided through the government budget either generally or targeted at specific sectors or as programme funding as earmarked funds for expenditure in specific programmes (government and donor-led and managed).

Most countries benefit from direct budget support from the donors, accounting the largest share of external support. Normally, the key drivers of efficiency for budget support are the ability of such assistances to identify linkages and leverage cross-sectoral interventions. Studies depicts that direct budget support is more flexible and responsive to risk than programme support (Barrientos, 2004). This kind of support is beneficial to countries because of its fungibility. Even though the fund is conditional, it allows donors and countries to agree on broader outcomes and purpose for the support.

Contributions of different development partners vary depending on the kind of support and purpose. For instance, the World Bank focuses on social protection as a means of reducing poverty and enhancing pro-poor economic growth20, UNICEF sees it as a tool for achieving child wellbeing and children's rights, while the ILO focuses on attainment of the rights to social security and extending coverage to

20 http://documents.worldbank.org/curated/en/443791468157506768/Resilience-equity-and-opportunity-the-World-Banks-social-protection-and-labor-strategy-2012-2022

all (Devereux & Roelen, 2016). Initially, IMF did not engage directly with social protection programmes until 2007/08 when the global financial crisis strike (Barrientos & Hulme, 2009). Since then IMF started supporting spending on social safety nets in selected countries.21 In 2018, IMF produced a guidance note on IMF engagement on social safeguards in low-income countries in both programme and surveillance contexts. Social safeguards comprise: (i) commitments to social (education, health, social protection) and other priority spending that supports national poverty reduction and growth strategies; and (ii) 'Specific reforms designed to protect poor and vulnerable groups, for instance by strengthening social safety nets and improving the tracking and monitoring of spending on such groups'22

Development Partners/External Financing

External support in developing countries are essential in setting up structures for implementation of certain programmes such as social protection policies. International development finance institutions such as the World Bank and International Monetary Fund have played an influential role in shaping national social protection policies in the recent past. Almost 10% of World Bank loans to low-income countries in 2017 were focused on social protection, while around 10% of IMF loans include conditionality linked to social protection. For instance, the favoured programmes of the World Bank and IMF are conditional cash transfers (CCT), which make poor families fulfil behavioral conditions such as sending children to school to receive the benefit or else face sanctions. For example, a global 2016 World Bank report, Poverty and Shared Prosperity, promoted CCTs as one of six key policy areas for tackling inequality. Alternatively, they advocate 'workfare' schemes – often rebranded as 'Productive Safety Nets' – which give poor households transfers as long as they engage in public works. Further, the World Bank's 2012-2022 Social Protection and Labour Strategy has maintained its overall goal of helping improve resilience to shocks, improve equity by reducing poverty and promoting equality of opportunities, and promote opportunity by building human capital, assets, and access to jobs for people in low-and middle-income countries (Devereux, et al, 2016).

The objective of development partners such as the World Bank Group working with partners around the globe is to tackle key problems in the developing countries. In their intervention activities, the Bank helps the countries design, deploy, and finance social protection systems so that ultimately, people have the tools to thrive in the circumstances they are or find themselves in. The World Bank's focus on social protection is because the social protection programs are at the heart of boosting human capital for the world's most vulnerable. Further, it is critical to empower people to be healthy, enable them pursue education, and seek opportunities to lift themselves and their families out of poverty23."

To improve the workfare of the target beneficiaries, World Bank provides loans to productive interventions. This is observed by the Bank's focus on conditional cash transfers and productive safety nets through workfare social protection programs (Beegle, Coudouel, & Monsalve, 2018). The argument basically concurs to the notion that social protection especially on improved education and health programs and services is an investment in human capital development and not just social spending as over time it contributes to higher growth rates. Other types of loans and financing for SP come as general budget support, – either as general support (loans or grants) or targeting specific sectors – or provide finance earmarked for expenditure in pursuit of specific programmes. Some of these instruments are supported and/or promoted by bilateral donors including the GIZ, Sida and

21 https://www.imf.org/en/About/Factsheets/IMF-Lending

22 https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/07/11/pp061418guidance-note-on-imf-engagement-on-social-safeguards-in-lics

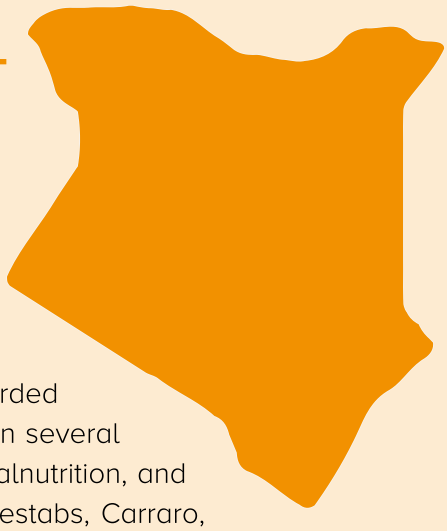
23 https://www.worldbank.org/en/news/immersive-story/2019/07/29/build-employ-and-protect-using-social-protection-to-invest-in-people-in-a-changing-world

DFID amongst others. However, debt accrual becomes a critical concern especially for low-income countries that traditionally struggle to repay back interests on loans they contract (Ortiz, Cummins, & Karunaneth, 2015).

Costing and financing gap

Limited costing of social protection floors has hindered the universal application of social protection programs. In low-income countries including in sub-Saharan Africa, average costing estimates on universal social protection floors point out that costs of universal child and orphan benefits (grants) average 2.1% of GDP, maternal cash benefits average 0.5% of GDP, universal disability cash benefits average 0.6% of GDP and universal old age pension benefits average 1.2% of GDP. The total cost of these key elements of a social protection floor would hence on average amount to 4.4% of GDP (Ortiz, Duran, Pal, Behrendt, & Acuña-Ulate, 2017). For the social protection to succeed deliberate efforts by governments to allocate more resources to the programmes is important. The financing gap can only be identified if there is a well calculated estimates of the universal social protection floors given the population of the target population and the forecasted growth over the years.

COUNTRY CASE STUDIES



KENYA

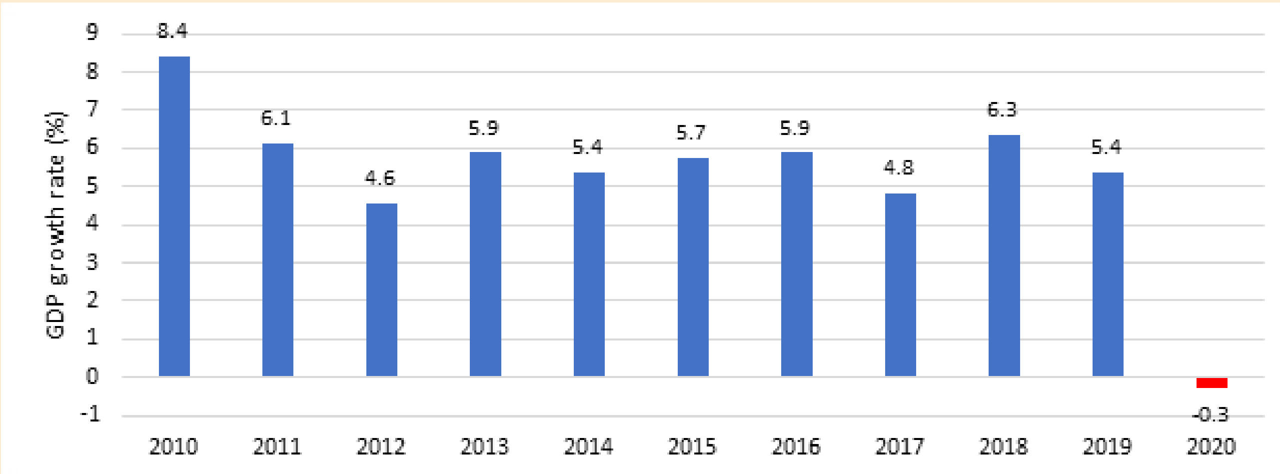
Macroeconomic Trends and Context

Gross Domestic Product (GDP)

The substantial growth in social and economic status of a country has been associated with the growth in Gross Domestic Product (GDP) (Zhongming, Linong, Wangqiang & Wei, 2018). Studies have shown that developing countries which have recorded an increase in GDP overtime have also recorded improvements in several Millennium Development Goals such as reducing poverty and malnutrition, and advancing water and sanitation service provision (Banzon, Bongestabs, Carraro, Cichon, Gassmann, Hagemejer & Weber, 2018). For instance, in Mongolia between 1990 and 2015, the country increased GDP at constant prices three times and more than double in per capita terms to about $4,000. This resulted to a significant increase in social protection, for instance social health insurance coverage recorded a high of 94 percent, with an 80 percent of Mongolia's labor force contributing to social insurance contributions. In addition, the total expenditure on social protection for the country had since then recorded a high of 13.2 percent share of its GDP (Zhongming, et al, 2018). This is an indication that a country can boost social protection financing and status of a country. Therefore, the study analyzed the status of Kenya's GDP relative to social protection financing in the section below.

Kenya's GDP growth rate has been fluctuating over the years. The Government's long-term blueprint Vision 2030 target is to achieve a 10 percent GDP growth and reduce the number of people living in absolute poverty to the 'tiniest proportion of the total population'. During the period 2010-2020, the year 2010 recorded the highest rate of 8.4 per cent while the year 2020 had the lowest growth rate (Figure 4.1). High growth rate in 2010 is attributed to the promulgation24 of the new constitution and devolution25, continued strong macroeconomic policies, and a favorable regional environment that created a new positive economic momentum. In addition, the Vision 2030, promotes implementation of policies that promote broad based inclusive growth. This is also in the third Medium Term Plan (MTP III) – the Big Four Agenda. Though the high growth rate was not sustained, the economy experienced a period of sustained economic growth over the past with an average growth rate in Gross Domestic Product (GDP) of around six per cent per annum. In 2018, the economy grew by 6.3% which was an increase by 1.4 percentage points from 2017 (KNBS, 2019). In 2019, the growth rate declined to 5.3 before dropping to negative 3 in 2020 due to the outbreak of Covid 19 which slowed economic activities.

Figure 4.1: Kenya GDP growth (%)



Source: World Bank, 2020

Generally, Kenya and Tanzania were not the only countries that had economy grow at negative rate. World real GDP contracted by 4.2 per cent in 2020 compared to a growth of 2.7 per cent in 2019, a performance that was worse than the 2008/2009 global financial crisis period.

To address the effects of pandemic on GDP and the subsequent effect on social protection, there is need for countries to strengthen other avenues for generating revenue and protecting incomes. This is necessary because the pandemic ravaged not only the countries' ability to sustain the economy during the period, affecting the revenue generations streams but also affected individuals directly through job losses. Countries need to diversity other sources of sustaining the economies by strengthening partnership with development partners such as World Bank who have pledged to support countries curb the threats affecting the lives and livelihoods of people by pledging additional financial support to key sectors such as health, which is one of the top agenda of financing of social protection floors (SPF)26.

24 Formal proclamation or the declaration that a new statutory or administrative law is enacted after its final approval. In this case, the 2010 Constitution of Kenya.

25 Transfer of powers from the national government to the sub-national government, in this case, the county governments. Devolution under the Constitution of Kenya, 2010 comprises of two levels of government, namely the National and County Governments. The two levels of government are distinct and inter-dependent with constitutionally assigned and protected functions and powers as defined in the Fourth Schedule of the Constitution.

26 https://www.worldbank.org/en/news/press-release/2020/11/25/kenyas-gdp-contracts-under-weight-of-covid-19-impacting-lives-and-livelihoods

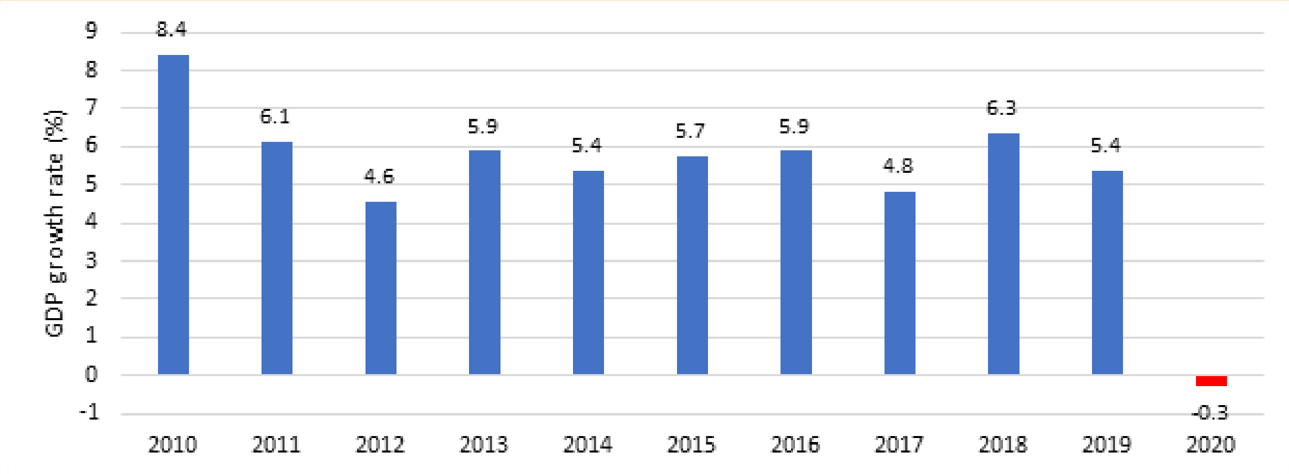
Following the effect of job and income losses on GDP and subsequent effect on social protection, there is need to expand the scope for the coverage of social protection programs to households/individuals affected by the pandemic. This can be achieved through a horizontal scale-up of social protection programs, appropriately targeted, timely, and temporary while the crisis persists. It is important to ensure continued support to vulnerable households, while safeguarding human capital through expanded access to digital technology, combined with better access to information to mitigate usage of negative coping strategies such as asset liquidation and combat food insecurity while offsetting the increase in poverty.

Export

Developing countries depend largely in agricultural and manufacturing products in the trade market (Desai & Rudra, 2019). These countries export large volumes of agricultural relative to what they import. Therefore, it is important to understand how the changes in the trade affects the social protection. Globally, about 75 percent of the population considered to be poor live in rural areas, whereby the vast majority are cultivators and casual laborers in the agricultural sector (Desai, 2019). Studies have indicated that traders in the agricultural sector over time have been seeking to expand social protection. For instance, net importers sometimes resort to expand social protection if governments are principally concerned about vulnerabilities to food price shocks and about protecting consumers (Desai, 2019). In addition, empirical analysis confirm that higher food prices and volatility incite social unrest (Bellemare, 2015; Berazneva & Lee, 2013). On the other hand, agricultural exporters can also restrict exports following a spike in food prices in an effort to safeguard supplies for domestic market and keep prices down. Studies have showed that some few large economies such as India and China have managed to shield their domestic economies from high world food prices (Baltzer, 2014). While other net exporters such as Brazil and South Africa have been experiencing an increase in food prices that disproportionately impacting the poor (Mueller & Mueller, 2014). The problem may be that governments of net agricultural importers have limited incentives and resources to provide pro-poor policies that help mitigate the impacts of food price shocks and maintain domestic political stability in the process.

Kenya exports increased from 19.6 percent in 2010 to 22.3 percent of GDP in 2012. The increase in export was due to the country policy of encouraging industrialization and favorable weather conditions that led to increase in production especially in the agricultural sector. However, export growth rate has been on decline from 22.3 in the year 2012 through to 2018 before rising slightly in 2019 to record rate of 16 percent. The export declined again in 2020 (Figure 4.2). The decline in the export is due to the values of domestic exports of articles of apparel and clothing accessories; soda ash; leather; iron and steel; and fish and fish preparations, declined in 2020. This decline resulted to slowdown in the growth of earnings from domestic exports. This is despite the fact that export value of horticultural products increased by 10.6 per cent to Ksh 136.0 billion and accounted for 24.0 per cent of the total domestic export earnings. Tea was the second leading foreign exchange earner after horticulture, accounting for 23.0 per cent of the total domestic export value in 2020 (KNBS 2021).Source: World Bank, 2020

Figure 4.2: Kenya Exports of goods and services (% of GDP)



Source: World Bank, 2020

Revenue

Revenue is another avenue through which public debt is serviced thus the expected effects of the COVID 19 on revenue was expected to increase debt vulnerability. Government revenues comprises revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, and payroll taxes among others. To foster economic growth and development, governments have relied on taxes to generate revenue for which has been proven as the main source of funding for social programs and public investments. The governments have consistently used government revenues to execute programs in the health sector, education, infrastructure, and other services that are import to realizing the goals of social protection. A study shows that a tax increase equivalent to 1 per cent of GDP reduces output over the next three years by nearly 3 per cent.27 Keeping tax rates at a reasonable level can encourage the development of the private sector and the formalization of businesses, which ultimately have positive influence on the social programmes. The Domestic Revenue to GDP slowed down to levels preceding 2011 outturn as indicated in Table 4.1. This consistent decline contributes the consistent low budget allocation to the social protection programme.

Table 4.1: General Government Revenue, 2011 – 2021 (Percent of GDP)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Kenya	19.5	19.1	19.7	19.8	19.1	19.2	18.2	18.2	17.7	17.3	16.9

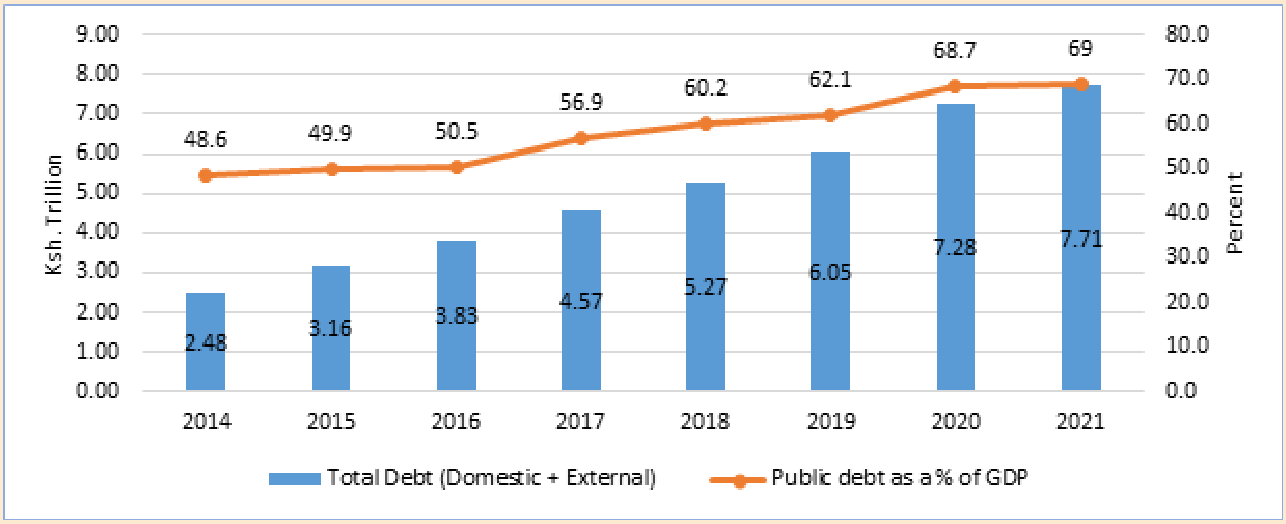
Source: IMF Fiscal Monitor, July 2021

Government Debt

The Kenya's public debt has been on an increasing trend over time. Between financial year 2014/15, public debt has increased from 48.6 percent of GDP to an estimated 69 percent of GDP by the end of 2021 (Figure 4.3). Public debt has risen significantly from Ksh 2.48 trillion in 2014 to Ksh 7.71 trillion as at June 2021. This is largely as a result of the Government of Kenya's reliance on debt financing options purposed at financing ongoing infrastructure development.

27 https://www.doingbusiness.org/en/data/exploretopics/paying-taxes/why-matters#4

Figure 4.3: Trend of Public Debt in Kenya between 2014 and June 2021.

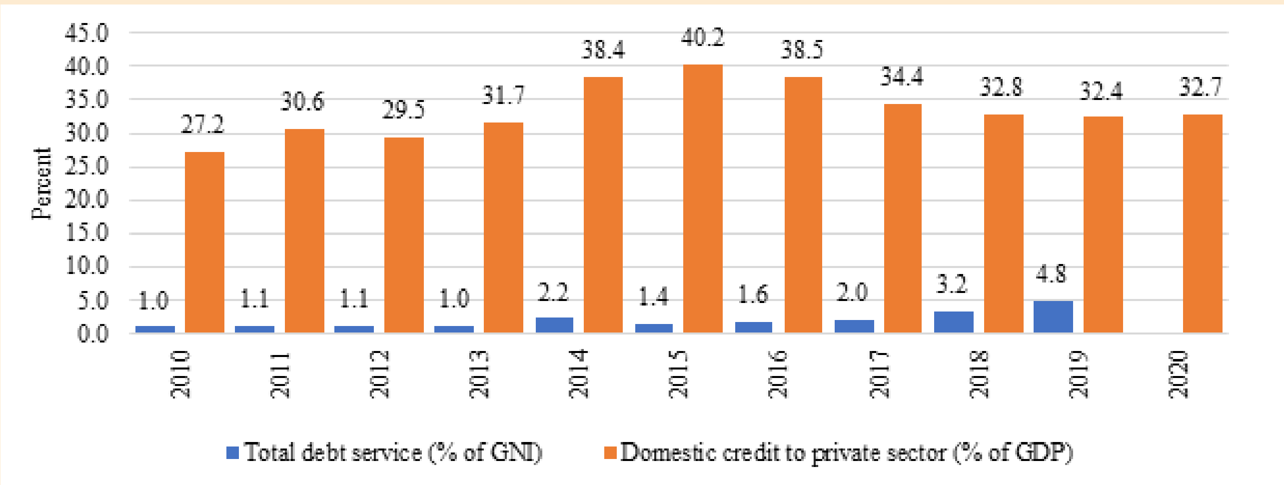


Source of Data: National Treasury and CBK, 2021.

The public debt as a percentage of GDP has also been increasing overtime (Figure 4.4). It increased from 48.6 percent in 2014 to 69 percent in June 2021, over and above the debt to GDP ceiling of 60 percent recommended by IMF and the 50 percent threshold earlier set by the government of Kenya under Section 50 (5) of the Public Finance Management (PFM) Act 2012. The Kenyan government in 2019 through parliament shifted the percentage threshold measure of debt to GDP to net present value of Ksh. 9 trillion (approximately 88 percent of GDP) (Public debt management report, 2019/20). This therefore implied that Kenya had more room to borrow more debt and still able to sustain the debt as long as it is still below Ksh. 9 trillion.

Trend comparison between Total debt service and Domestic credit to private sector

Figure 4.4: Trend comparison between Total debt service and Domestic credit to private sector (in Kenya)



Source: World Bank, 2021.

Over the last decade total debt service and domestic credit has remained stable at about 30 percent. In Kenya, domestic credit to private sector has been changing over time. The country experienced the highest per cent in 2015 of 40.2 and the lowest being 2010 at 40.2 and 27.2 respectively. Total debt service has been increasing over the years with the lowest recorded in 2010 and highest in 2019 respectively. According to KNBS, 2021 multilateral debt category, stock of debt due from International

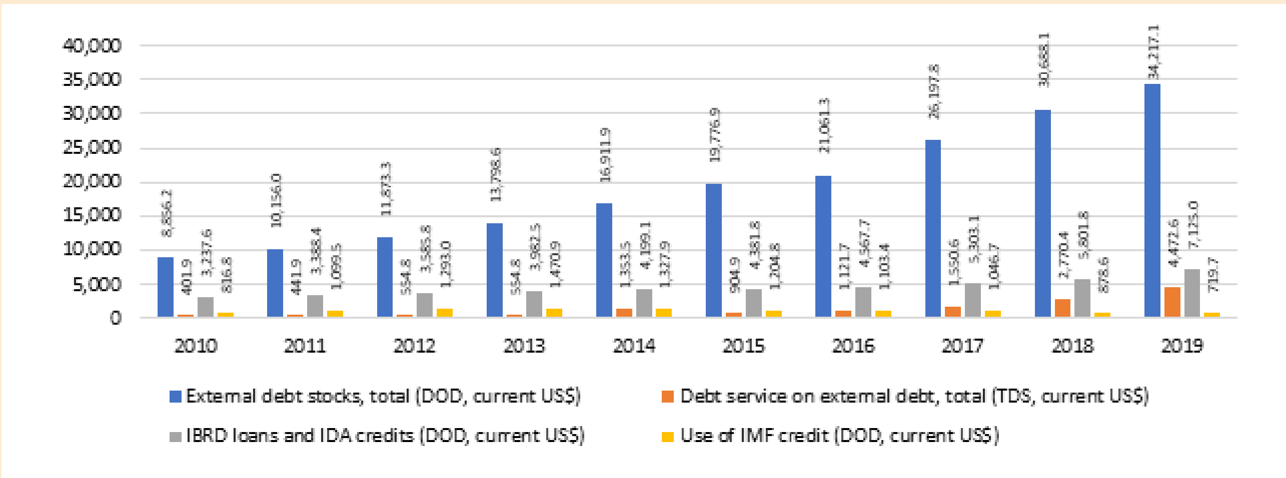
Development Association/International Fund for Agricultural Development (IDA/IFAD) rose by 12.7 per cent to Ksh 591.3 billion as at the end of June 2019. Stock of debt from African Development Bank (AfDB) grew by 12.2 per cent to Ksh 229.6 billion. The outstanding debt due to commercial banks rose by 10.6 per cent to stand at Ksh 471.7 billion as at the end of June 2019. Internal debt from Treasury bonds and Treasury bills accounted for 33.0 per cent and 18.0 per cent of the overall debt position, respectively. Treasury bonds and bills rose by 15.6 per cent and 26.7 per cent to Ksh 1,748.60 billion and Ksh 954.3 billion, respectively, during the review period.

Debt composition, domestic versus external, is crucial indicator of a country's dependency. An increase in domestic debt could be more beneficial to a country because of several factors including the fact that the interest rates paid will be lower because it is not affected by fluctuation in exchange rates. In addition, domestic debt enables the lenders to re-invest back into the country's economy and generate more revenue to the country, thus increasing total revenue, which translates to an increase in budgetary allocation to various departments and sectors such as social protection. Further, Kenya has taken a precaution by relying more on concessional loans (multilateral debts is one of the external debts components) which is characterized by cheaper loan interests and long maturity period (KIPPRA, 2021).

Total stock of public debt rose by 14.3 per cent from Ksh 5,301.6 billion as at end of June 2019, to Ksh 6,057.8 billion as at the end of June 2020, with external debt accounting for 55.3 per cent of the total debt. External debt increased by 10.8 per cent to Ksh 3,350.6 billion, while domestic debt rose by 18.8 per cent to Ksh 2,707.3 billion, as at the end of June 2020. The stock of debt from China rose by 8.8 per cent to Ksh 719.4 billion, accounting for 72.4 per cent of the total debt from bilateral lenders.

External debts 2010-2019

Figure 4.5: Kenya's External Debt and Its Debt Servicing Trend in Kenya (Ksh. Million)



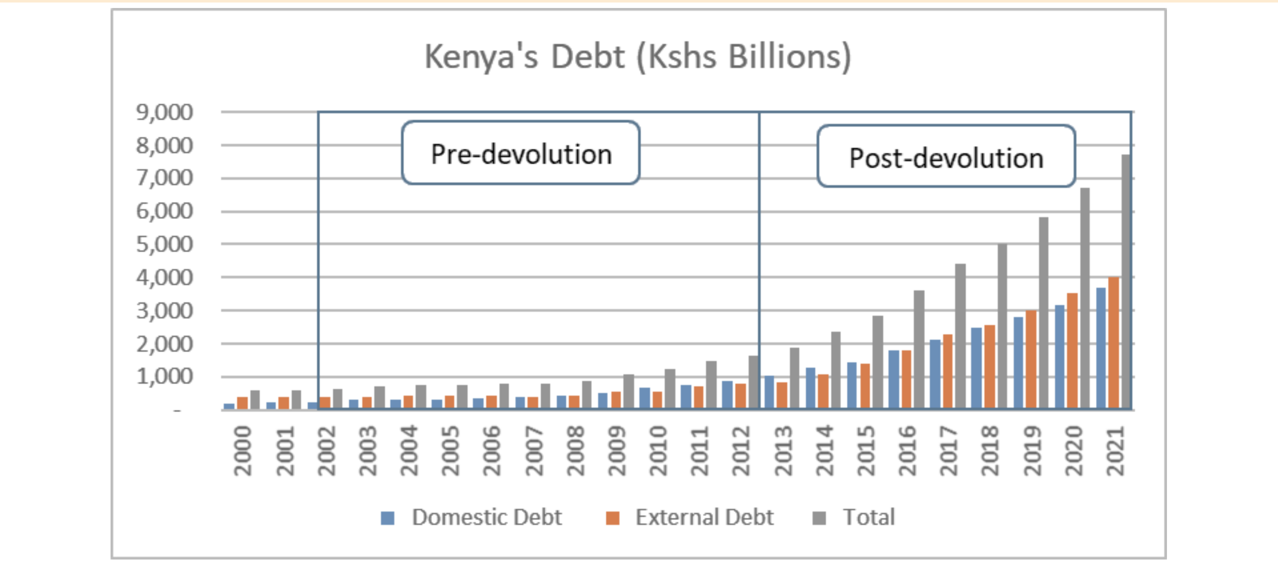
Source: National Treasury, 2020.

Figure 4.5 above shows forms of debts for the period between 2010 and 2019. In Kenya, the external debt stocks have been increasing over the years recording the highest in 2019. The government debts owed to IBRD and IDA has also been increasing over years recording the highest in 2019. With respect to the use of IMF, the country has been getting loan from IMF which has been increasing over the years from 2020.

Debt and regime changes

In Kenya, promulgation of the new constitution ushered in devolved governments. Figure 4.6 shows that after devolution the amount of debt increased standing at over thrice the pre devolution era. This indicates the increased desire for the new regime to borrow to finance infrastructural projects that support the ruling party's agenda. Unless measures are put in place, the trend will result into a scenario where debt exceeds the revenues raised by the government making the government unable to finance its budget without external support.

Figure 4.6: Evolution of Kenya's Debt (Ksh. Billions) Pre- and Post-Devolution

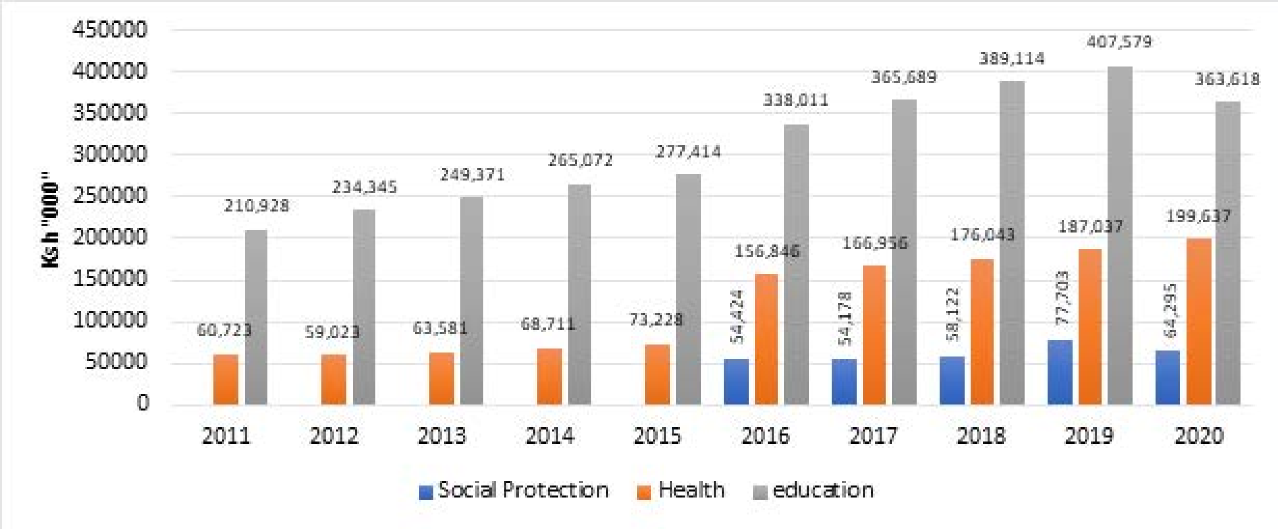


Source: National Treasury, 2021.

Share of Social Sectors' Contribution in the Economy

Social sector contributes directly and indirectly to the country's GDP. Direct contribution is the most observable in terms of allocation from the budget, however, it should be noted that the social sectors contributes indirectly to the GDP through its contribution in enhancing the capability of the workforce in different sectors within the economy. In Kenya, the education sector GDP accounts the largest share of social sector indicators. In figure 6, it is evident that budget/expenditure of education increased since 2011 from Ksh. 210 million to Ksh. 407 million in 2019, with a slight decline in 2020. Similar trend was recorded in the health sector. For the social protection, the allocation/expenditure to the sector to GDP has been minimal, and similar trend in the growth rate (Figure 4.7).

Figure 4.7: Growth of Education, health and social protection sector contribution to GDP (Ksh. Million).



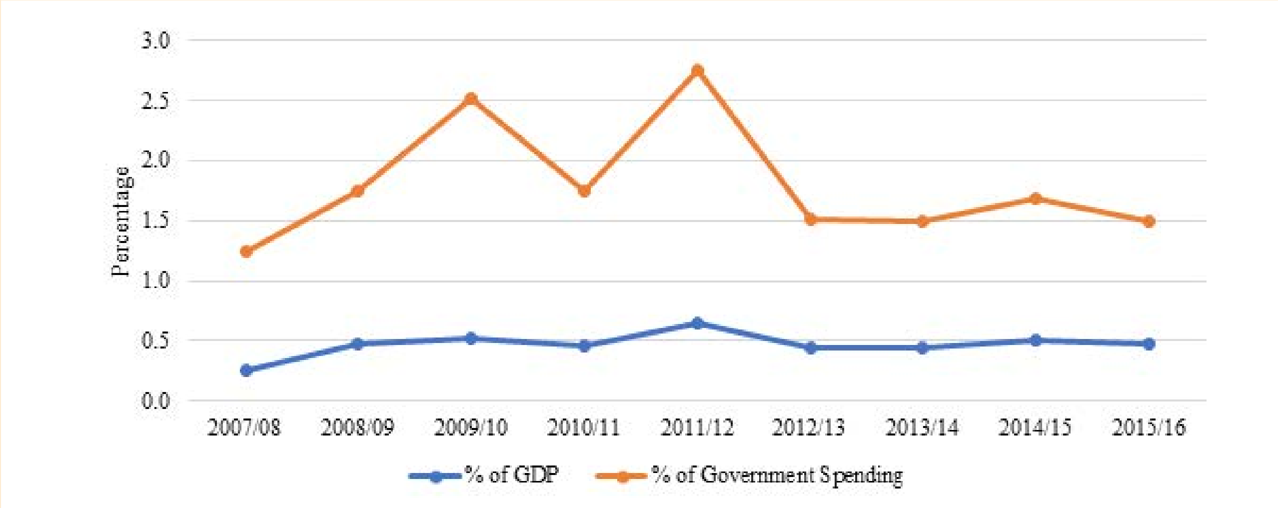
Source: Economic Survey, various.

Due to increasing recognition of the benefits of investment in social protection on an economy and society, more developing nations are increasing their national income allocation to address social protection matters. Countries such as South Africa, Mauritius28, Brazil and Georgia invest more than 3 per cent of GDP. Kenya has been developing its tax-financed social protection system for the past 10 years and has achieved an investment of 0.38 per cent of GDP, making it one of the leading countries in Africa (Ortiz et al, 2015). The steps made by Kenya have managed to put it ahead of many wealthier Asian nations, even though there is still need for more investment.

The social assistance spending as a proportion of GDP and government spending has fluctuated over the period. The social assistance spending as proportion of GDP remained almost unchanged in Kenya for almost a decade, between 2007 and 2016, averaging about 0.5 per cent of GDP (Figure 4.8). The significant increases were recorded in the period 2009/10 and 2011/2012. This spike can be attributed to the government's commitment to "ensure that adequate resources are allocated to social protection in a predictable, gradual, and long-term manner" in accordance with the 2012 National Social Protection Policy. In particular, the peaks in the trend were as result of increased quantities of emergency support provided after the droughts that had ravaged the country in 2008/09 and 2010/11 (Kenya Social Protection Review Report, 2017).

28 https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/06/rwss2018-full-advanced-copy.pdf

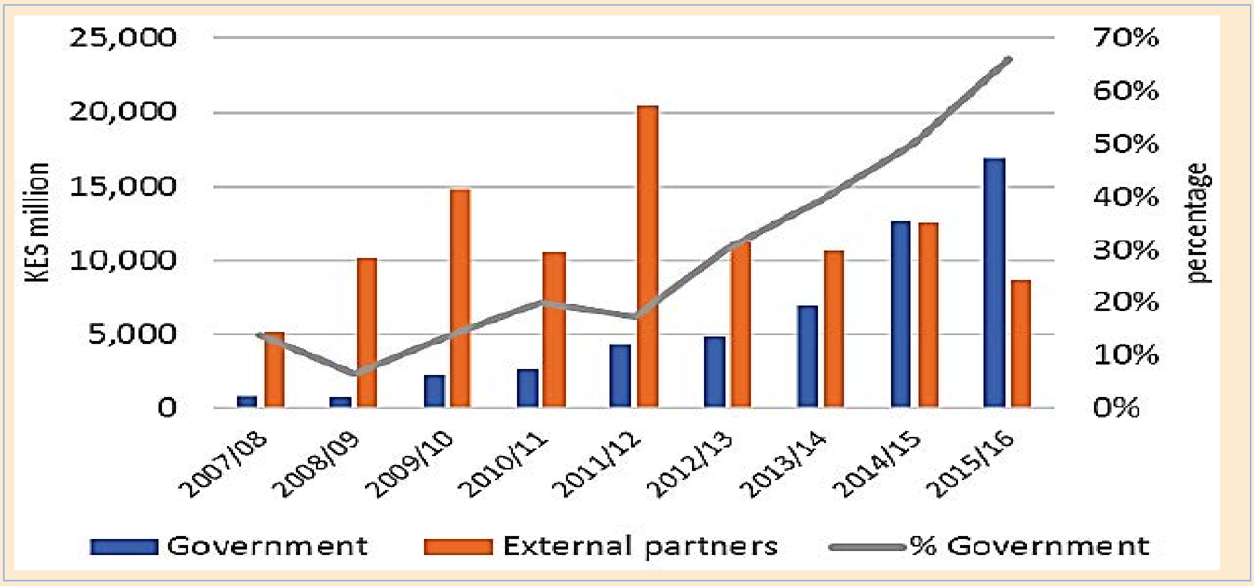
Figure 4.8: Social Assistance spending as a proportion of government spending and GDP in Kenya



Source: Kenya Social Protection Sector Review 2017

Kenya, just like in many countries in Africa has two main sources of funding social protection programs, that is, from the government and development partners. The focus of social protection is largely targeted towards social assistance and contributory schemes. Since 2007 to 2011, the contribution to social protection funding schemes was largely driven by external partners, contributing more than double the government contributions to the sector during the period. However, since devolution in 2012, there was a drastic decline in external partners' contribution to social assistance schemes by nearly 45 percent, and since then it has been fluctuating to a low of Ksh. 8 billion in 2016. Conversely, the government's contribution to social assistance schemes has increased since devolution and by 2016, it was contributing almost double the contributions received from external partners (Figure 4.9)

Figure 4.9: Financing of social protection schemes in Kenya



Source: Kenya Social Protection Sector Review 2017

Remarkably, for countries in the region and for sub-Saharan Africa more generally, the increase in government spending in Kenya includes programmes developed by government itself rather than with external partners. The government entirely funds the National Safety Net Programme (NSNP) schemes, the Older Persons Cash Transfer (OPCT) and Cash Transfer for Persons With Severe Disabilities (PWSD-CT). Previously, the government was also financing the Urban Food Subsidy, which was discontinued after 2013/14.29 There are few other instances in Africa of entirely tax-financed social protection programmes outside the southern Africa region (excluding civil service and other public sector pensions). The social pension in Zanzibar is one example, which covers all older people aged 70 years and over (Seekings, 2016).

The impact of social assistance programs has grown within the same period, as cash transfers have expanded while more ad-hoc food-based transfers have reduced in size. This has resulted in improved health, education (including reducing child labour), labour market participation, savings and credit, resilience to shocks and women's empowerment based on impact evaluation assessments carried out. Programs have increased stimulated investment in assets and local economic growth by enhancing the capacities of the Kenyan labour force. However, their impacts increase with wider coverage and improved targeting within the population. By increasing coordination and consolidating delivery functions within Inua Jamii, as well as the use of electronic transfers, costs can be lowered to make the programs more efficient. For the HSNP and CT-OVC schemes, cost efficiency is at par with programmes in other countries.

There has been improvement in administrative costs in contributory programmes. Administrative costs in contributory programmes have been on a downward trend in recent years while the 'value for money' of social assistance has been further improved over the review period as a result of successful scaling up of response to drought under the HSNP scheme. This has reduced the need for less efficient and effective emergency support. The 'value for money' case for making other cash transfer programmes scalable can be further explored.

It can be noted that the gains made to enhance the sustainability of the Social Protection Sector have been significant, with low risk and chance of reversibility. Social protection is now a well-known and popular sector across Kenya, for which there is growing demand. The implementation of a significant number of proposals in the National Social Protection Policy of 2012 is a positive signal towards its wider implementation, however there is still need for the implementation of more proposals; with more focus being allocated towards inclusion of social protection legislation. The gaps in some of the legislative reforms of the NSSF and Civil Service Pension need to be addressed.

Social Protection Policies and Legal Frameworks

Every human being has the inherent right to life, and this has been provided for by law. A basic principle of human rights law is that no person shall be arbitrarily deprived of life. The right to life is provided for under Article 3 of the Universal Declaration of Human Rights (UDHR), Article 6(1) of the International Covenant on Civil and Political Rights (ICCPR), Article 4 of the African Charter on Human and Peoples Rights (ACHPR), the 2010 Constitution of Kenya, and Article 14 of the Constitution of the United Republic of Tanzania of 1977.

In Kenya, the Constitution of Kenya (2010) articulates the comprehensive Bill of Rights, which guarantees all Kenyans their economic, social, and cultural rights (Article 43). It provides for the right for every person, to social security and binds the State to provide appropriate social security to persons who

29 https://www.socialprotection.or.ke/national-safety-net-program/124-urban-food-subsidy-programme-ufsp

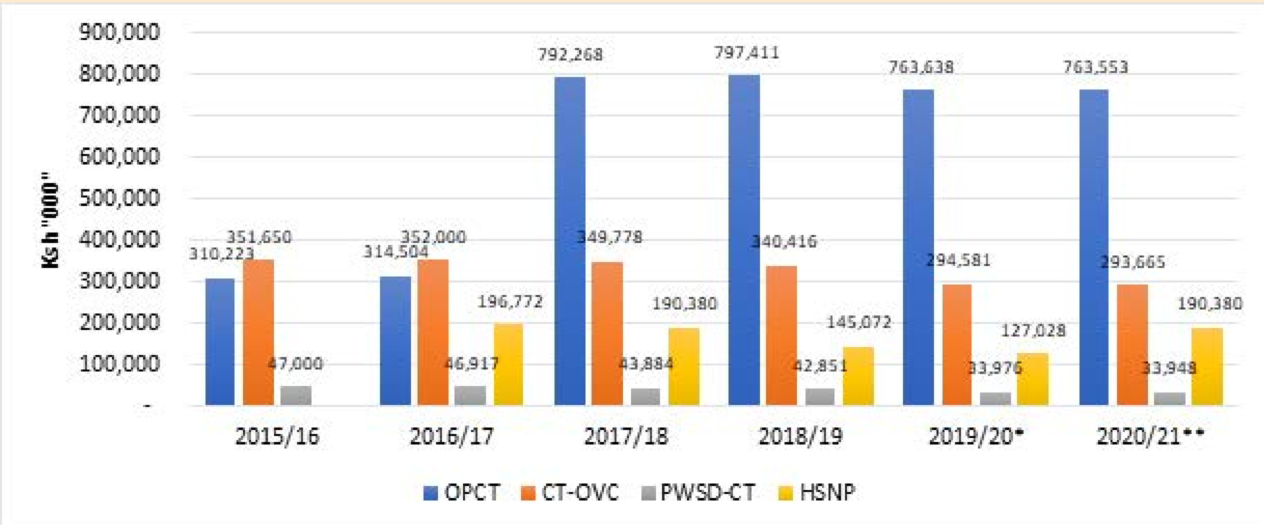
are unable to support themselves and their dependents. This right is closely linked to other social protection rights, including the right to healthcare, human dignity, reasonable working conditions, and access to justice. Article 21 establishes the progressive realization of social and economic rights and obligates the State to observe, respect, protect, promote, and fulfil the rights and fundamentals in the Bill of rights.

Description of social programmes and costs and development over time

In Kenya, the actual expenditure on social protection remains below 0.5 per cent as a proportion of GDP (Kenya Social Protection Sector Annual Report, 2020). Kenya has been driving additional allocation to social protection department through a number of avenues. The major one has been through the Inua Jamii program, piloted in 2004. This is a government strategic intervention whose aim is to cushion the vulnerable members of our society and improve their livelihood. The program is composed of; the cash transfer for orphan and vulnerable children (CT-OVC), the older persons cash transfer (OPCT), Persons with Severe Disabilities Program (PWSD –CT), and the Hunger Safety Net Program (HSNP). NSNP is core social assistance scheme in Kenya; the program maintained the beneficiary coverage of a total of 1.3 million households covered in 2018/19 in the four programs. The older person's cash transfer program (OPCT) is the largest scheme with close to 800,000 (National Social Protection Secretariat Reports, 2018/19).

The expenditure in the Inua Jamii program has been increasing significantly over time. This has been attributed to changes in economic status of households brought about by natural calamities such as drought, famine and floods. Also the country's political instability such as post-election contributes to the increase in expenditure for the program. In FY 2015/16, about Ksh 708 million was spent in the program and has since then increased to over a projected Ksh 1.2 billion in FY 2020/21. The largest expenditure has been on the OPCT which has been accounting over half the expenditures averaging 53 percent between 2015 and 2021 (Figure 8). During the COVID period, the expenditures on Hunger Safety Net Program saw an increase in the expenditure by about 50 percent from Ksh 127 million to about Ksh 190 million (Figure 4.10).

Figure 4.10: Social Assistance Programme – Inua Jamii Expenditure Trend



Source: Ministry of Labour and Social Protection, National Social Protection Secretariat Reports.

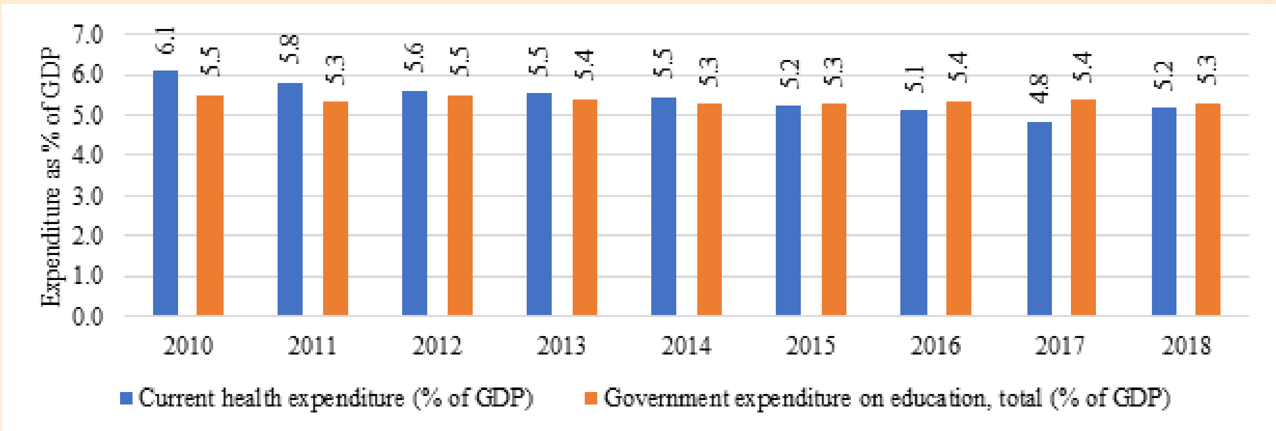
While cash programming is picking up globally, the adoption of new cash transfer programs in response to COVID-19 has been slower in low-income countries (World Bank, 2021). Other types of interventions, such as waivers of fees for utilities or mobile money transactions or food assistance, are also common. Some of the bottlenecks to rolling out cash programs quickly in low-income countries include financing the payments, identifying whom to give cash transfers and delivery mechanisms, as well as incomplete data sets about populations. This is the same situation experienced in Kenya during the pandemic period.

Countries have already implemented the existing social safety net systems to address the effect of pandemic. However, the existing systems do not address extensively the effect pandemic since the crisis has widen the vulnerable group scope to include people who are not normally in need of aid and are not part of any existing social safety program. To address this challenge, Kenya took an approach of targeting communities through various tools such as geospatial targeting and using information from 2019 census on income levels.

Social protection spending as percentage of GDP

Decline of expenditure on these sectors indicates that the respective government are not keen on increasing budget allocation to improve the social protection. Figure 4.12 shows spending on the health and education sectors, which are contributors to social protection, has been declining. In 2010, Kenya recorded the highest rate of 6.1 percent on health and 5.5 percent on education expenditure while 2017 recorded the lowest rate of 4.8 on health. This is despite the government emphasize on education and health improvement. The government has been implementing free primary and secondary education policies. In addition, the government policy of UHC has not contributed much to the good performance of the health sector as captured under the Big 4 agenda. Health is one of the pillars under Big 4 agenda, which falls under MTP III covering 2018-2022.

Figure 4.12: Health and Education Expenditure as a Percentage of GDP in Kenya



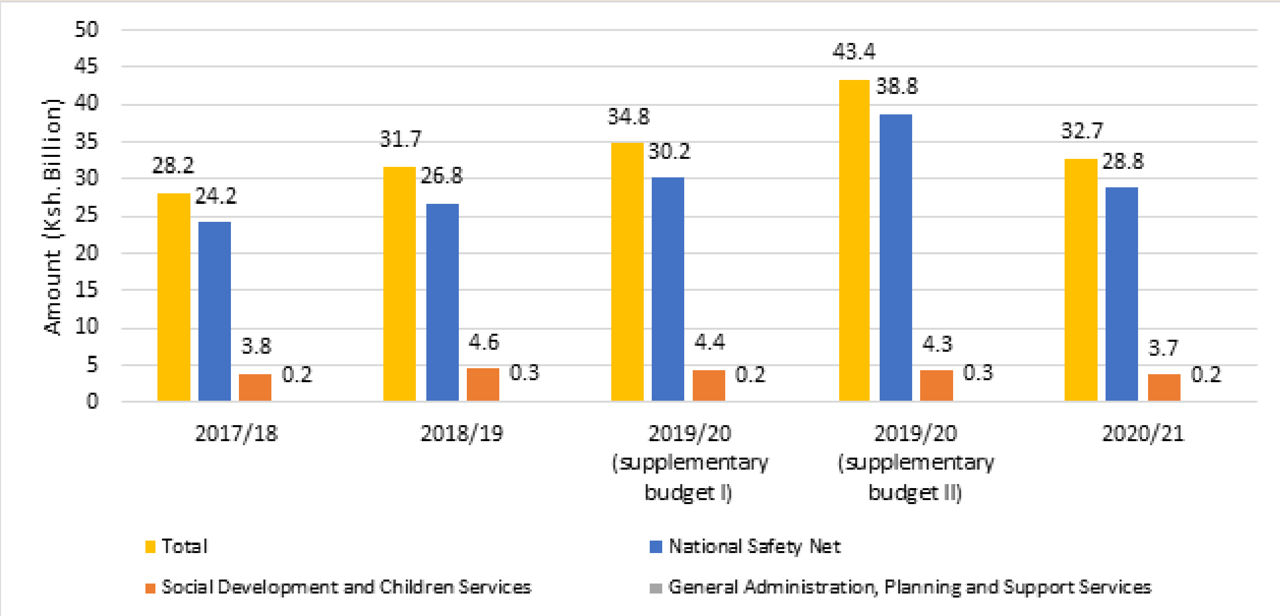
Source:

Domestic and external approaches for financing social protection

Social protection programmes is financed both through domestic and external avenues. Domestically, the programmes are financed through budgetary allocations from both the national and county governments. However, not all the counties have allocated a budget line for the social protection. For instance, the budget for the social protection in health sub-programme in financial year 2020/21 was Ksh 16 billion, an increase of 27.1 per cent from the budget allocated in FY 2019/20. This represented about 40.7 per cent of the Health Policy, Standards and Regulations programme's budget. This increase was in line with the national government commitment to address the financial barriers to access to health care and attainment of social protection goals such as provision of health insurance subsidies to the vulnerable households and free primary health care.

Further, the government of Kenya has not only been supporting social protection in the health sub-programme but also through other programmes domiciled in other state departments. For instance, the national government established various social protection programmes under the State Department for Social Protection. The State department received an increasing budgetary allocation between FY 2017/18 and FY 2019/20 of Ksh 43.4 billion down from Ksh 28.2 billion (Figure 4.13). The spike in FY 2019/20 was a result of a 28.7 percent increase in social protection funds during the pandemic period in the last quarter of the financial year. However, in FY 2020/21 due to re-prioritization of government's revenue brought about by the adverse effects of the pandemic, the state department received a budget cut of approximately 10.7 billion (receiving a budget of Ksh. 32.7 billion) (Figure 4.13). The largest share of the allocation was directed to the National Safety Net Programme, accounting 88.1 per cent (Ksh. 28.8 million). This programmes provided regular cash transfers to households with orphans and vulnerable children, older persons, and people with severe disabilities30.

Figure 4.13: Allocations to Social Protection Department, FY 2017/18 to 2020/21



Data Source: Development Initiatives

The government budgetary allocation to the social protection programmes and state departments is part of the external financing from the development partners through direct support. As introduced earlier in the document, external financing comprises of bilateral and multilaterals such as World Bank, IMF, UNICEF, Asian Development Bank, and ILO among others. The benefits associated with financing social protection using domestic sources is the predictability and projection of the amount expected, unlike for the donor support which are subject to a number of conditions and depending on the global socio and economic performance. Therefore, in Kenya social protection is financed through the ordinary revenues, grants from donors and loans from donors. Local financing should be strengthened and resources directed to enhancing productivity for social protection sustainability.

30 https://devinit.org/resources/kenyas-covid-19-budget-funding-for-health-and-welfare/

Cost estimate for social protection floor

International Labour Organization (ILO) in a report released in 2019, indicated that even the poorest countries can afford to extend social protection to all their citizens if they chose to do so (World Social Protection Report, 2017-19)31. For instance, the roll-out of universal coverage in old-age pensions has been achieved by more than 20 countries including Bolivia, Botswana, Brazil, Cabo verde, China, Lesotho, Mauritius, Mongolia, Namibia, South Africa, Timor Leste, Trinidad, Tobago and Tanzania.32 Kenya is yet to report the progress of the role of this program.

ILO has developed a calculator called the ILO Social Protection Floors Calculator that can be used by countries to estimate how much social protection floors can costs. This calculator makes it possible for countries to estimate the costs of child and orphan allowances, maternity benefits, public works programs for unemployed, disability and old-age pensions.

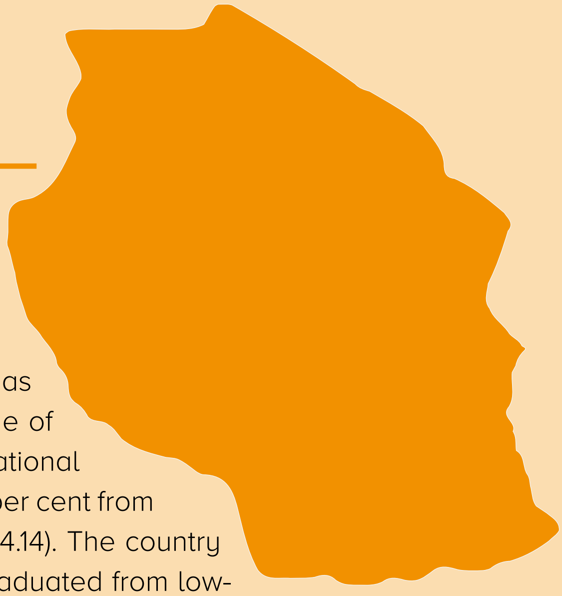
According to the ILO results, the cost of universal benefits for 364 million children, 81 million pregnant women, 103 million persons with severe disabilities and 153 million older persons ranges from 0.3 per cent of GDP for Mongolia to 9.8 per cent of GDP for Siera Leone, with an average cost of 4.2 per cent of GDP in 57 lower income countries33. Kenya is ranked among the countries with lower affordability, with 3.4 per cent of GDP. Social protection fund is utilized in different ways and for different programs. In Kenya for example, in 2017 the government allocated 0.39 of the social protection funds to all social assistance programmes with public works and social protection works being allocated the least of 0.02. The table below presents a summary of the social protection expenditure as a share of GDP.

Table 4.2: Social Protection Expenditure as a share of GDP by Programme

Country – Kenya	2017 (%)
All Social Assistance	0.3949
Cash Transfers	0.0709
Conditional Cash Transfers	0.0969
Fee Waivers	0.0168
In-Kind	0.0554
Other Social Assistance	
Public Works	0.029
School Feeding	0.021
Social Pension	0.104

Source: Kenya Social Protection Report (2018)

31 https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm
32 https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_613784/lang--en/index.htm
33 http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=54915



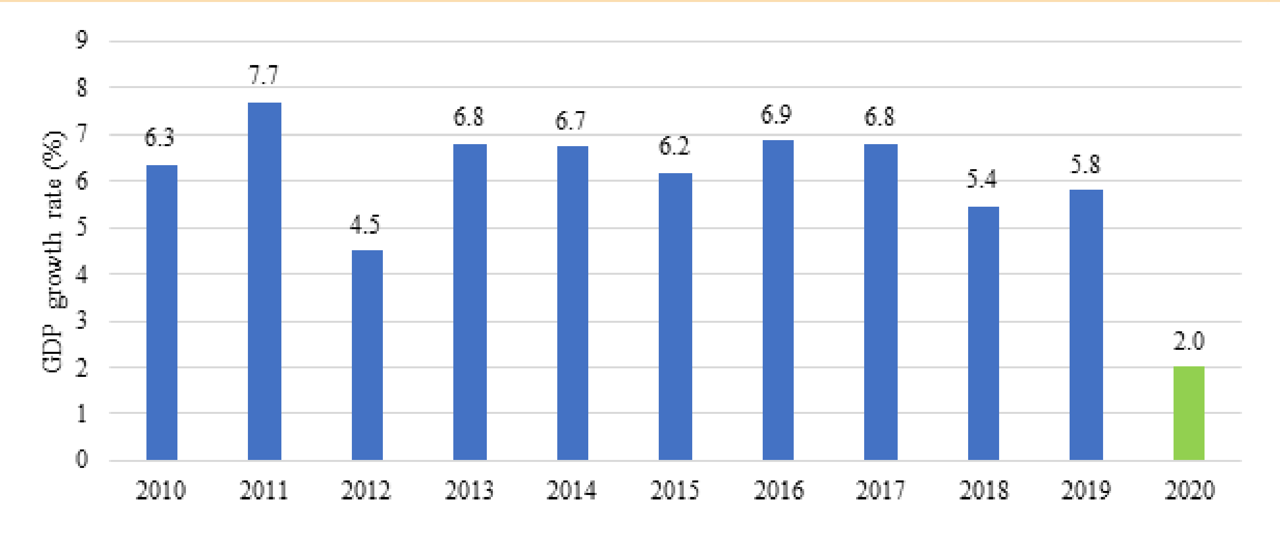
TANZANIA

Macroeconomic Trends and Context

Gross Domestic Product (GDP)

Tanzania GDP growth rate has been on upward trend though it has also been fluctuating over period of 2010-2020. Tanzania has one of Africa's fastest growing economies with nearly 7 per cent annual national GDP growth since 2010. The growth rate increased from 6.3 to 7.6 per cent from 2010 to 2011 the year it recorded the highest growth rate (Figure 4.14). The country reached an important milestone in July 2020, when it formally graduated from low-income country to lower-middle-income country status. Tanzania's achievement reflects sustained macroeconomic stability that has supported growth, in addition to the country's rich natural endowments and strategic geographic position. The country maintained an average growth rate of 6.7 percent before declining to 2.0 percent in 2020 due to the effect of COVID 19 which slowed economic activities. It is interesting to note that Tanzania GDP growth rate was 2.0 per cent while that of her neighbors grew at negative rate. Tanzania did not lock down the economy or restrict movement even after the outbreak of COVID 19 a factor attributed to positive growth in the economy though marginally.

Figure 4.14: Tanzania GDP growth (%)

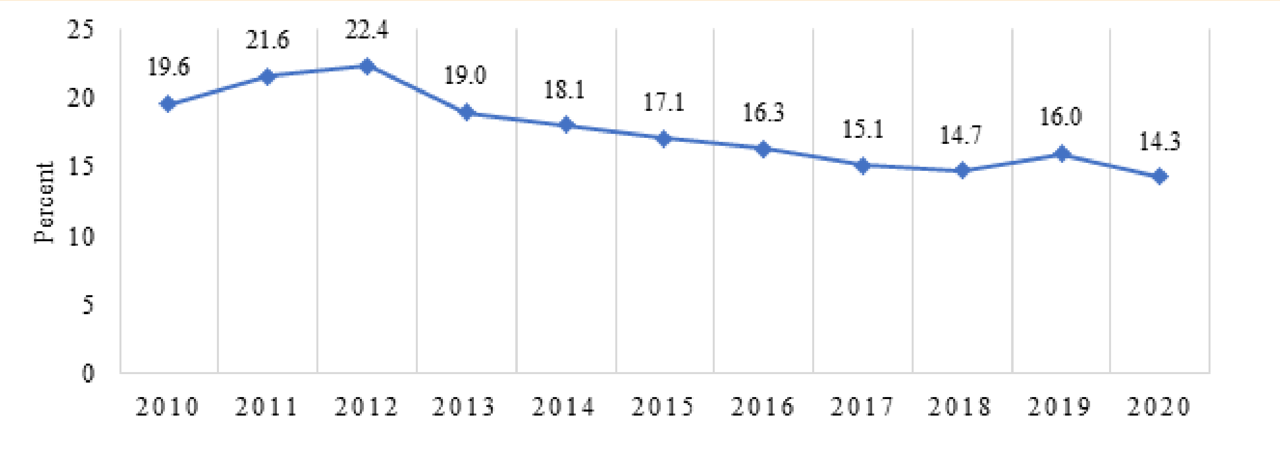


Exports

Tanzania export also grew from in the year 2010 19.6 percent to 22.4 of GDP in 2012 before declining to 14.7 in 2018. Exports increased again to 16 per cent in year 2019 before the rate declining again to 14 per cent in 2020 (Figure 4). The economy experienced reactions with some sectors of export recording an improvement and others a decline. Traditional exports almost doubled to USD 914.8 million in the year ending September 2020 from USD 567.5 million in the corresponding period in 2019. The increase manifested in exports of cashew nuts, cotton, cloves, sisal and tobacco. Sisal export rose on account of both volume and prices effects, while cashew nuts, cotton, cloves and tobacco rose in export volume, attributable to increase in production. Exports of coffee and tea declined on account of low export volume.34 Overall, Tanzania's export value increased from Tsh. 77,979.847 million in 2012 to Tsh. 129,095,844 million in 2020 (Figure 4.15).

34 https://www.bot.go.tz/Publications/Regular/Monthly%20Economic%20Review/en/2020110607260728.pdf

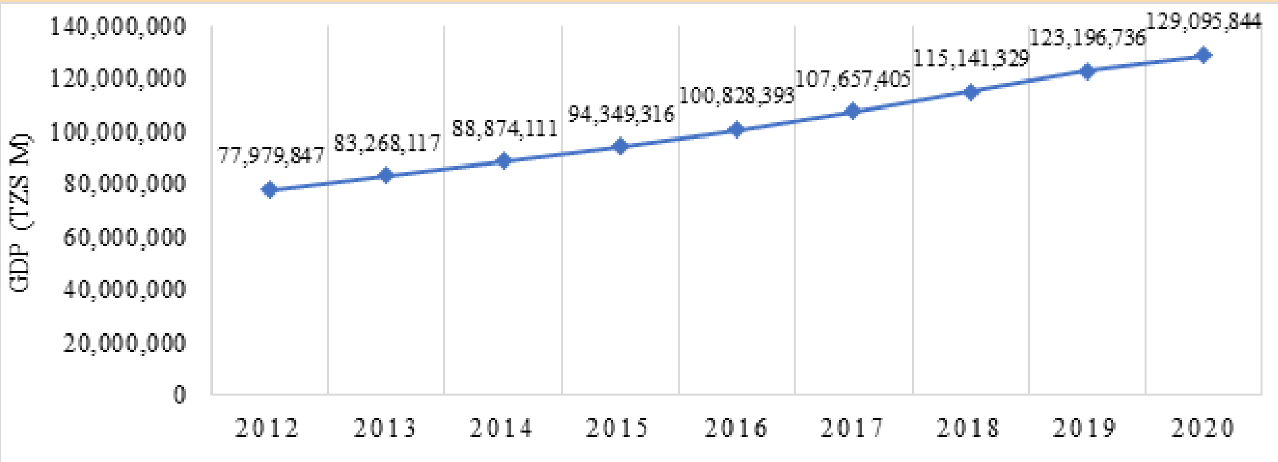
Figure 4.15: Tanzania Exports of goods and services (% of GDP)



Source: Bank of Tanzania Economic Bulletin various issues.

Export of traditional and nontraditional good improved in the last few years. Traditional goods exports rose to USD 41.9 million September 2020 from USD 23.1 million in the period, contributed mostly by coffee, cotton and tobacco. Exports of non-traditional goods improved to USD 4,997.2 million in the year ending September 2020 from USD 3,926.9 million in the corresponding period in 2019, mainly on account of increase in exports of gold and manufactured goods. Exports of gold rose by 45.8 percent to USD 2,826.1 million, due to increase in both volume and price in the world market and accounted for 56.6 percent of non-traditional exports (Bank of Tanzania, 2020).

Figure 4.16: GDP at market (TZS Million)



Source: Bank of Tanzania Economic Bulletin various issues.

The pandemic exposed countries, which largely rely on a few export products like agriculture products to generate additional earnings to the country through exports. The effects of measures taken by government to curb the spread and effects of pandemic affected both the demand and supply of agricultural products both nationally and globally, this in turn affected the export earnings and subsequent contribution to the countries' budget. To address this effect, there is need for the countries to explore export diversification35. Research has shown that export diversification (or concentration) has a positive effect on social protection expenditure especially in low- and middle-income countries like Kenya and Tanzania (Gnangnon, 2020).

35 Export diversification, by definition is the changing of a country's export structure. This can be attained by changing the existing basket of commodities or by embellishing them through innovation and technology.

Revenue

Sub-Saharan Africa has experienced stable economic growth over the past decade with minor fluctuations brought about by the pandemic. However, in many countries this growth has not translated into commensurate poverty reduction or an improvement in the lives of the extremely poor36. In Tanzania, there are loopholes in tax revenue collections which has resulted in revenue deficit. To address this, the government has embarked on broadening the tax base, tightening the tax exemptions provisions and reducing tax evasion rates37. Specifically, the government tax exemptions need to be more pro-poor, tax evasions needs to be countered through stricter legislations, and additional tax revenues sources such as airspace tax could be explored.

Political commitments by policy makers on matters relating to financing social protection in Tanzania is necessary for the country to establish the fiscal space that will resource these programmes. Social protection should be seen as investment rather than expenditure to lift the most vulnerable people out of extreme poverty by 2030. In Tanzania, locally raised revenue provides an avenue through which public debt is serviced thus the expected effects of the COVID 19 on revenue was expected to increase debt vulnerability. The Domestic Revenue to GDP slowed down to levels preceding 2011 outturn as indicated in Table 4.3.

Table 4.3: General Government Revenue, 2011 – 2021 (Percent of GDP)

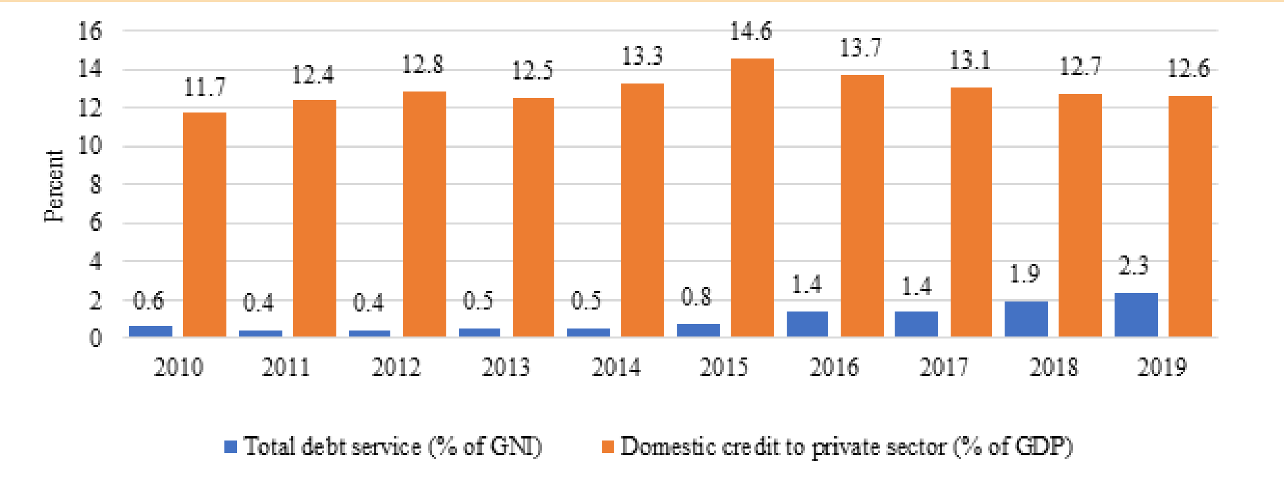
Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tanzania	15.4	15.4	15.0	14.4	14.0	14.8	15.4	14.7	14.7	14.9	14.5

Source: IMF Fiscal Monitor, July 2021

Government Debt

Tanzania domestic credit to private sector has been stable over the years. As indicated in the table below it averaged 12 per cent with the highest rate being in 2015 and the lowest being in 2010 at 14 and 11 per cent respectively. Total debt service increased from 0.6 in the year 2010 to 2.3 in 2019.

Figure 4.17: Trend comparison between Total debt service and Domestic credit to private sector (in Tanzania)

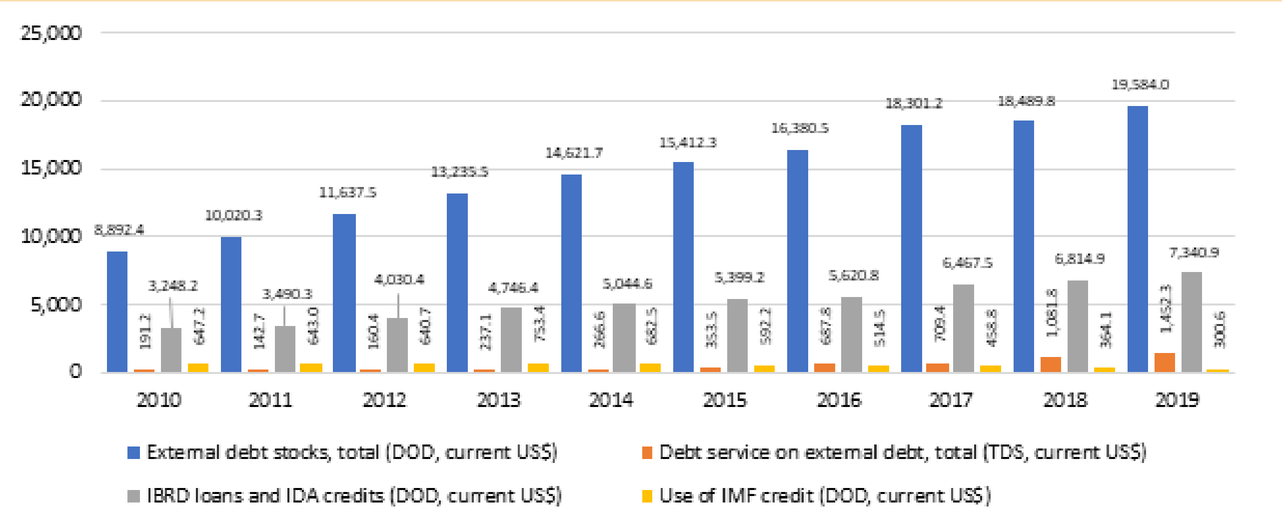


Source: Tanzania National Treasury Reports, 2020.

Tanzania external debt stock has been on upward trend from 2010 reach the highest in 2019. The government debts owed to IBRD and IDA has also been increasing over years recording the highest in 2019. With respect to the use of IMF, the country has been getting loan from IMF which has been increasing over the years from 2020.

36 http://www.ug.undp.org/content/uganda/en/home/presscenter/articles/2014/12/08/uganda-poverty-status-report-2014-launched.html
37 https://devinit.org/what-we-do/events/financing-social-protection-in-tanzania-and-uganda/

Figure 4.18: External Debt and its Debt Servicing Trend in Tanzania (TZS. Million)

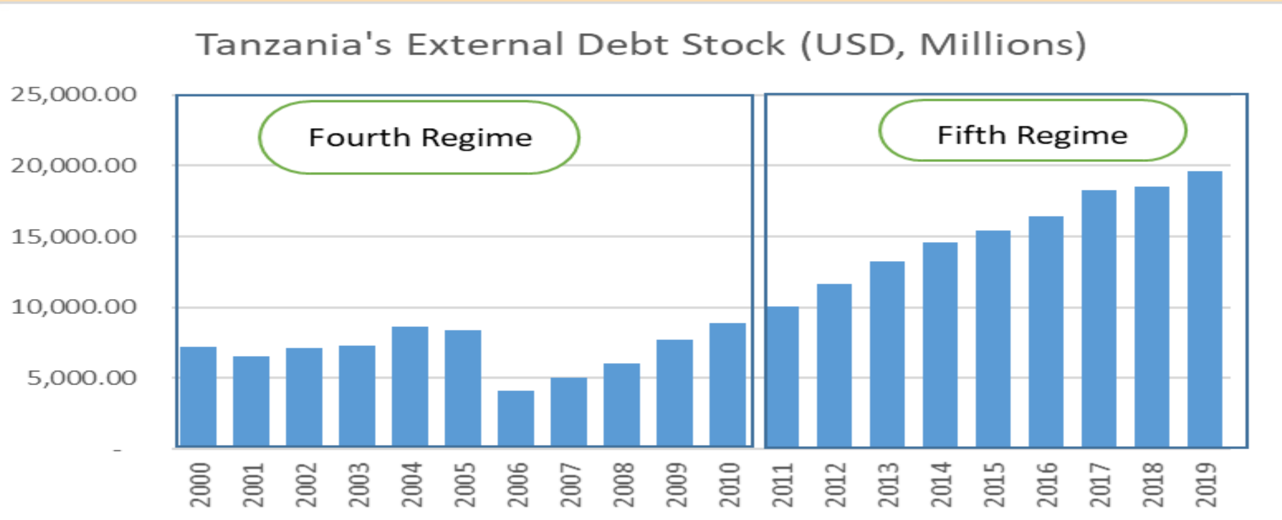


Source: Tanzania National Treasury Reports, 2020.

Debt and regime changes

In Tanzania, the available data show that during the fourth regime there was less reliance on debt to finance the budget. However, during the fifth regime there has been a steady increase reliance on debt to finance the budget.

Figure 4.19: Tanzania's External Debt Stock (USD, Millions)

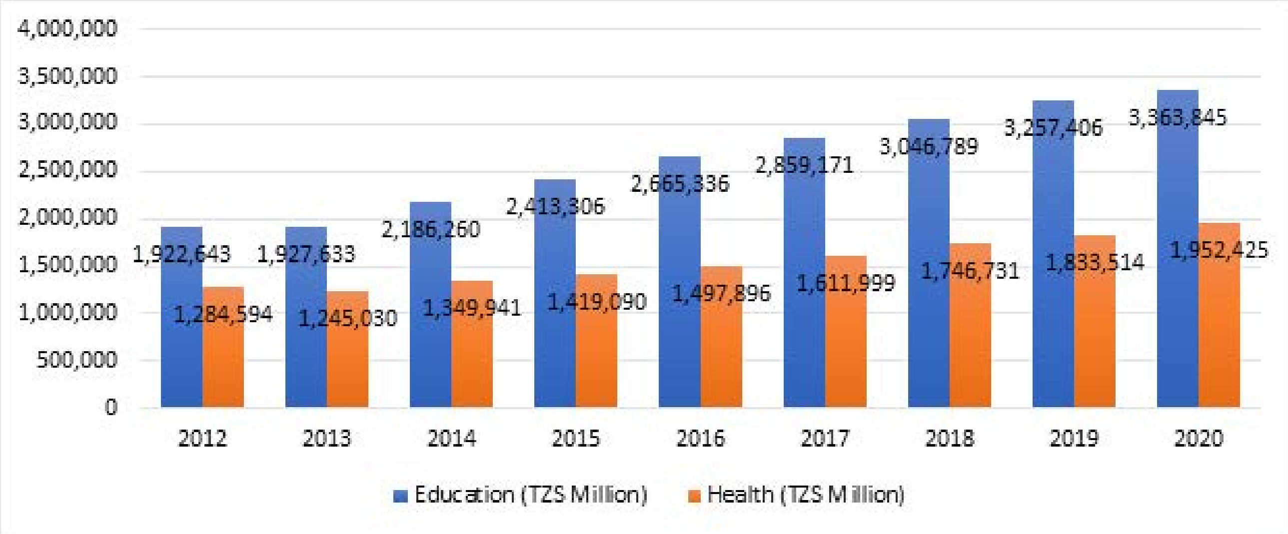


Source: Bank of Tanzania Annual Reports

Social sector contribution to GDP

In Tanzania, the contribution of social protection towards the countries' GDP has not been quantified. However, the other sub-components of the overall social sector such as education and health has been quantified and the contributions is significant as presented in figure xx below. Education contributes more revenues to the Tanzania's GDP relative to the health sector (Figure 4.20). Since 2012, there has been a significant growth in Education's contribution to GDP from TZS 1.9 million to TZS 3.3 billion in 2020. Similar trend is recorded in the Health's contribution to the GDP from TZS 1.2 million in 2012 to TZS 1.9 million in 2020 (Figure 4.20).

Figure 4.20: Gross Domestic Product by Economic Activity at Current Prices – TZS Million



Source: Bank of Tanzania Economic Bulletin various issues.

Social Protection Policy and Legal Framework

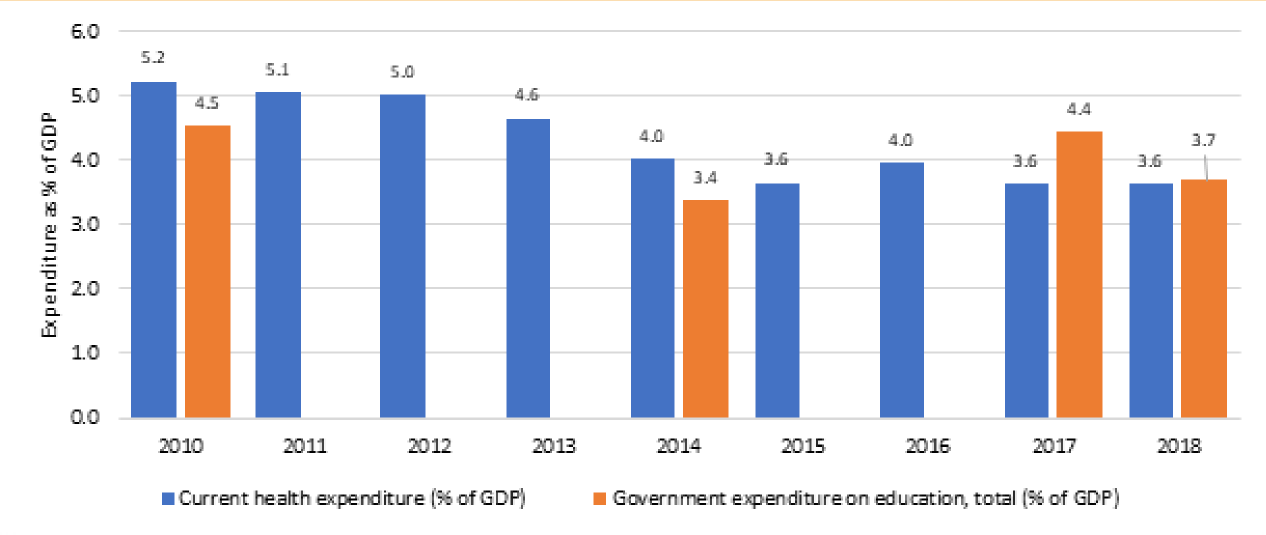
Every human being has the inherent right to life, and this has been provided for by law. A basic principle of human rights law is that no person shall be arbitrarily deprived of life. The right to life is provided for under Article 3 of the Universal Declaration of Human Rights (UDHR), Article 6(1) of the International Covenant on Civil and Political Rights (ICCPR), Article 4 of the African Charter on Human and Peoples Rights (ACHPR), and Article 14 of the Constitution of the United Republic of Tanzania of 1977.

Social protection under the government of the United Republic of Tanzania is guided by the Constitution of the United Republic of Tanzania of 1977, the Universal Declaration of Human Rights of 1948, and other regional and international instruments. Under the Bill of Rights, the Constitution prohibits discrimination against and affirm the rights to life, liberty, security of persons, privacy, participation in governance, work and fair remuneration. In addition, under Article 25 (2) of UDHR, it provides for the rights of special care and assistance for motherhood and childhood. It requires that all children, whether born in or out of wedlock, shall enjoy the same social protection. These among other policies and laws provide for the provision of social protections in the countries.

Description of social protection programmes and costs and development over time

On the other hand, Tanzania has also been experiencing a downward trend in terms of health and education sector expenditure. Health expenditure declined from the rate of 4.2 percent in 2010 to 3.6 percent in 2018. Education expenditure also declined from the rate of 3.5 percent in 2010 to 4.6 percent in 2018.

Figure 4.21: Health and Education Expenditure as a Percentage of GDP in Kenya



like most SSA countries, social protection constitutes an important component of Government expenditures and complements other Government social spending in Tanzania. Social protection includes social assistance, pensions, and employment programs. Government expenditure on social protection amounts to about 12 percent of total expenditure (Ajwad, Abels, Novikova & Mohammed, 2018). Strengthening social protection programmes is constrained by a number of factors including debt. The country's public debt increased from 20.8 percent in 2007/08 to 37.5 percent in 2015/16.14 (ibid)

Despite said challenges, expenditure on social protection increased from TZS 130 billion in 2012 to TZS 471 billion in 2016. This was mainly attributed to an increased investment in CCT component of PSSN. Tanzania like most countries in SSA receive support and funding for social protection from development partners. About 70 percent of all social assistance expenditures are development-partner funded. PSSN began as a pilot program in 2011, and covered about 6,000 households, this expanded to about 26,000 households in 2014. In 2015 and 2016, PSSN covered around 1.1 million households (Figure 19). Beegle, Coudouel and Monsalve (2018) established that the growth in the number of beneficiary households of the Tanzania social assistance program was the highest in the world, even relative to mature cash transfer programs in lower middle-income countries in Asia and Latin America. Despite the rapid expansion, PSSN is not yet available in all parts of the country.

Figure 4.22: PSSN coverage in Tanzania

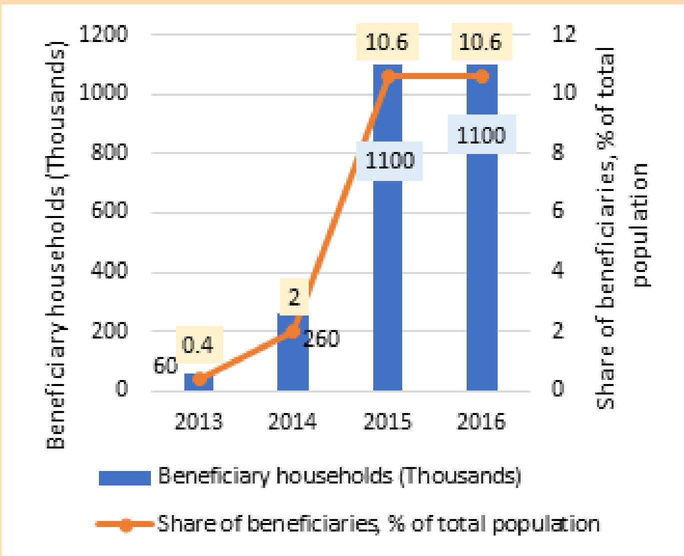
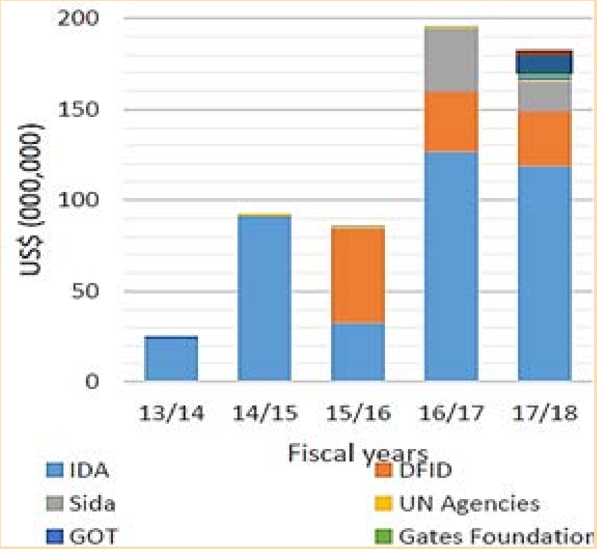


Figure 4.23: Financing of PSSN in Tanzania Source: World Bank Report, 2018.



The largest social assistance program, namely the PSSN, is almost entirely donor financed in Tanzania. While funds from International Development Agency (IDA) through concessional loans supported the initial set up and the first stages of the PSSN expansion, since FY 2015/16 there has been increasing support from development partners in form of grants and loans. Starting in FY2015/16, funds from DFID have played a big role, and in FY2016/17 and FY2017/18 DFID and Sida have contributed significantly to PSSN's implementation. In FY2017/18, expenditures on all components of PSSN are about US$ 182m. IDA contributes the bulk of the expenses, US$ 119m, and DFID and SIDA contribute about US$ 30 m and US$ 16.6 m respectively (Figure xx above). USAID, Irish Aid, the Gates Foundation, and UN agencies contribute the remaining funds.

The situation in Tanzania is typical for African countries, where the most common pictures is that development partners share social assistance expenditures. Beegle, et al. (2018), established that development partners finance 56 percent and government the remaining 44 percent of social assistance spending in Africa. In Tanzania, almost 68.7 percent of all social assistance expenditures are development-partner funded. In addition, it can be noted that across Africa, development partners tend to prioritize food-based programs such as school food, food for work, and vouchers. Humanitarian aid is the main source of funding in emergency situations; development partners are critical in many low-income and fragile contexts. For example, the average amount of humanitarian aid flowing to fragile and conflict-affected countries (3.9 percent of GDP) is larger than social assistance spending in these countries (1.4 percent of GDP). The Central African Republic and South Sudan are the largest recipients of humanitarian aid (21.6 and 11.3 percent of GDP, respectively) (Ajwad et al., 2018).

Domestic and external approaches for financing social protection

Social protection programs in Tanzania are an important component of Government expenditures, which complements other Government social spending aspects, such as education and health (Booth et al 2014). In recent years, the Government of Tanzania has strengthened social protection by: (i) increasing social protection expenditures; (ii) shifting social assistance from generally inefficient food and in-kind programs to more efficient cash-based programs; (iii) shifting social assistance from relatively untargeted programs to those which are targeted to poor people; and (iv) easing demand side constraints faced by households investing in human capital.

Despite these positive developments, challenges to social protection remain. These challenges include: (i) social assistance and employment programs remain underfunded relative to the needs of the population; (ii) development partner financing remains crucial even though they are prone to external risks; (iii) many pension parameters are not in line with best-practice and therefore, sustainability can be improved (Andrews, 2012; Asher & Bali, 2014).

External debt by use of funds in Tanzania

Over the last decade there has been a decline in reliance on external financing to support budget items. Data from Bank of Tanzania Annual reports show that the percentage of external debt used in social welfare and education has decreased from 15.6 percent in 2010/11 to 11.5 percent in 2018/19. A decline indicates less reliance.

Debt restructuring has become an increasingly common strategy to alleviate fiscal pressures, especially in countries suffering from exorbitant sovereign debt levels. When sovereign debt payments crowd out essential social expenditures, there is a strong case for countries to explore restructuring options with their creditors. As former President Julius Nyerere of the United Republic of Tanzania demanded publicly during the 1980s debt crisis, Must we starve our children to pay our debts? Public debt has been reviewed in many countries. ILO, UNICEF and UNWOMEN have collectively recommended that in countries with high debt distress, it is important to assess the impact that debt servicing has on the financing of social protection. These development partners recommended five options countries can considered in order to reduce debt service and allow the creation of more fiscal space for social protection floors. These included re-negotiating debt, achieving debt relief/forgiveness, debt swaps/conversions, repudiating debt, and defaulting (Ortiz et al. 2017).

Cost estimate for social protection floor

With the dynamic changes in the countries' economies, it is imperative that governments estimate the cost for social protection floors and identify all possible financing alternatives to promote national socio-economic development with jobs and social protection. There are number of ways a country can generate additional resources for social protection, these include reallocating public expenditures, increasing tax revenues, expanding social security revenues, lobbying for aid and transfers, eliminating illicit financial flows and corruption, and managing debt.

At the global level, about 700 million people (10 per cent of the world's population) are benefiting from social protection. According to a cost estimate done by ILO, rolling out of social protection universal coverage will require only 0.23 per cent of global GDP (or about 1.1 per cent of what G20 countries used to bail out the financial sector in 2009.38 In the ILO estimates, Tanzania was categorized as among the average/medium countries in terms of affordability to the universal coverage of social protection, with a percent share of GDP of 4.5 (Ortiz et al. 2017).

Table 4.25: Social Protection as a share of GDP by Programme

Tanzania	2016
All Social Assistance	0.3801
Cash Transfers	
Conditional Cash Transfers	0.2381
Fee Waivers	
In-Kind	0.0194
Other Social Assistance	0.0011
Public Works	0.056
School Feeding	0.063
Social Pension	0.003

Source: Economic Surveys for Tanzania, various issues

To mitigate the effects of unstable revenue collection and consequently social protection allocation, there is need to establish social protection fund. Social protection fund is utilized in different ways and for different programs. In 2016, Tanzania allocated 0.38 to social assistance with social pension receiving the least of 0.002 (Table 4.25).

38 https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_613784/lang--en/index.htm

EFFECTS OF THE LOANS AND TECHNICAL ADVICE ON THE DESIGN OF SCHEMES AND NATIONAL SOCIAL PROTECTION SYSTEMS IN AFRICA

Social protection in Africa: A review of potential contribution and impact on poverty reduction

In Africa, social protection has a wide scope encompassing both social protection interventions and social safety nets. Social protection interventions measures include the provision of adequate housing and nutrition, ensuring access to education and health, promotion of inclusivity in the society and enhancing political stability. The governments implement most of these measures with assistance from donors (Omilola and Kaniki, 2014).

KENYA

FOUNDATION

IN KENYA, SOCIAL PROTECTION IS UNDERPINNED IN ARTICLE 43 OF CONSTITUTION THAT GUARANTEES ALL KENYANS THEIR ECONOMIC SOCIAL AND CULTURAL RIGHTS. THIS THEREFORE BINDS THE STATE TO "PROVIDE APPROPRIATE SOCIAL SECURITY TO PERSONS WHO ARE UNABLE TO SUPPORT THEMSELVES AND THEIR DEPENDENTS".

POLICY FORMULATION

THE SOCIAL PROTECTION POLICIES ARE ALIGNED TO UNITED NATIONS/INTERNATIONAL LABOR ORGANIZATION SOCIAL PROTECTION FLOOR (SPF) INITIATIVE. ACCORDING TO INTERNATIONAL LABOR CONFERENCE (ILC) RECOMMENDATIONS ADOPTED IN JUNE 2012, NATIONAL SOCIAL PROTECTION FLOORS SHOULD COMPRISE AT LEAST THE FOLLOWING SOCIAL SECURITY GUARANTEES; ACCESS TO ESSENTIAL HEALTH CARE, INCLUDING MATERNITY CARE; BASIC INCOME SECURITY FOR CHILDREN, PROVIDING ACCESS TO NUTRITION, EDUCATION, CARE AND ANY OTHER NECESSARY GOODS AND SERVICES; BASIC INCOME SECURITY FOR PERSONS IN ACTIVE AGE WHO ARE UNABLE TO EARN SUFFICIENT INCOME, IN PARTICULAR IN CASES OF SICKNESS, UNEMPLOYMENT, MATERNITY AND DISABILITY; AND BASIC INCOME SECURITY FOR OLDER PERSONS (MARCOS BARBA, VAN REGENMORTEL AND EHMKE, 2020; OMILOLA AND KANIKI, 2014).

FUNDING

KENYA ALLOCATES PART OF THEIR BUDGET TO SOCIAL PROTECTION. ALTHOUGH THE ALLOCATION IS LOW, IT HAS BEEN GROWING WITH PENSION EXPENDITURE HAVING THE GREATEST EXPENDITURE (OMILOLA AND KANIKI, 2014). THE INCREASED EXPENDITURE CAN BE ATTRIBUTED TO THE EXTERNAL SUPPORTS TOWARDS ENHANCING SOCIAL PROTECTION IN DEVELOPING COUNTRIES. HOWEVER, WITH THE INCREASED GOVERNMENT EXPENDITURE THE ROOM FOR EXPANDING SOCIAL PROTECTION EXPENDITURE KEEPS IN DECREASING.

TANZANIA

FOUNDATION

TANZANIA IS ONE OF THE LOW-INCOME COUNTRIES THAT LAG BEHIND ON SOCIAL PROTECTION IN TERMS OF COVERAGE, RELEVANT POLICIES AND GUIDELINES AND WELL AS COORDINATION OF SOCIAL PROTECTION RELATED INTERVENTIONS AND SYSTEMS. CURRENTLY, TANZANIA DEVELOPMENT VISION 2025 PROVIDES THE ROAD MAP IN TANZANIA. VISION 2025 ARTICULATES THE AGENDA FOR TRANSFORMING THE COUNTRY INTO ONE THAT IS EQUITABLE, SAFE AND PROVIDES AN ENABLING ENVIRONMENT IN WHICH CHILDREN CAN THRIVE. IN ADDITION, THE COUNTRY IS ALSO GUIDED BY EXISTING POLICIES SUCH AS THE NATIONAL SOCIAL PROTECTION POLICY WHICH WAS MERGED WITH THE NATIONAL SOCIAL PROTECTION FRAMEWORK. TANZANIA'S VISION OF SOCIAL PROTECTION IS TO HAVE A NATION THAT PROTECTS THE POOR AND VULNERABLE, PROMOTES INCLUSIVE GROWTH AND PROVIDES A MINIMUM ACCEPTABLE STANDARD OF LIVING TO ALL TANZANIANS.

POLICY FORMULATION

FUNDING

SOCIAL PROTECTION CONSTITUTES AN IMPORTANT COMPONENT OF GOVERNMENT EXPENDITURES AND COMPLEMENTS OTHER GOVERNMENT SOCIAL SPENDING IN TANZANIA. IN FISCAL YEAR 2016, THE GOVERNMENT OF TANZANIA'S TOTAL EXPENDITURES ON SOCIAL PROTECTION AMOUNTED TO 12 PERCENT OF TOTAL GOVERNMENT EXPENDITURES (AJWAD, ET AL., 2018). FURTHER, TANZANIA'S NATIONAL SOCIAL PROTECTION POLICY ADOPTED A LIFECYCLE APPROACH TO PROTECT POOR AND VULNERABLE PEOPLE. TANZANIA'S SOCIAL PROTECTION SYSTEM INCLUDES PROGRAMS THAT TARGET PEOPLE ACROSS THE LIFECYCLE.

Social Protection in Africa: Adaptive social protection in the face of external support

As mentioned earlier social protection systems, create the foundations for more just, equitable, and inclusive societies, helping ensure the prosperity and stability of nations. However, the dynamic nature of the global environment calls for formulation of policies that respond to the changes both planned and unplanned such as the COVID 19 pandemic. Further, interaction of countries with their development partners results into targeted assistance towards certain social protection programmes calling for review and adaptation of the existing country policies and programmes to fit the development partners' needs and requirements. However, the adaptation does not have to interfere with the independence of the countries receiving the support.

Among the most embraced social protection instruments are the safety net programs, which apart from providing struggling families with supplemental income, they also increase access to information and services, productivity, and protection of the persons living with disability and the elderly. For instance, in Kenya the government established the National Safety Net Programme (NSNP) in 2013 as part of the government's initiatives to improve and enhance social protection delivery in the country. This is in line with the country's commitment of reducing poverty, as envisioned in Kenya Vision 2030. According to National Social Protection Secretariat NSNP cash transfers have made a profound difference in the lives of beneficiary households by improving their welfare and increasing their resilience. As of mid-2021, more than 500,000 households were receiving cash transfers on a regular basis and an additional 374,806 households in Northern Kenya receive cash assistance in the case of extreme weather events . Since 2018 the government has taken lead in the financing of NSNP with over 150,000 new households having been enrolled and financed by the government, marking a shift from the previous heavy financing by development partners such as the World Bank, DFID and UNICEF among others.

Therefore, given the crucial role the social protection plays, programme adaptability remains a pivotal issue as it ensures continuous support even during difficult times arising from conflict, economic shocks, or weather-related disasters. Failure to adjust the social protection programmes in cases of shocks would result into erosion of human capital pushing vulnerable people deeper into poverty. Cash transfers directly to families help people manage risks and cope with shock. In ensuring that the objectives of social protection are met, development partners such as the World Bank increases or steps up financial support to countries during difficult times to address country's demand for safeguarding jobs and generating more and better jobs. World Bank group has more than 580 active job-related projects whose investments are to the tune of $US 75 billion.

Assessing the political economy of loan provision

Political economy and debt

Country's economy depends on the degree and nature of both public and private investment in human capital which influences the labor supply in the country. In addition, theory of endogenous growth postulates that government expenditure can be supported through acquisition of debt. However, there are fiscal policies that influence the citizen's ability to contribute to the economy, this distorts the labour supply and investment in the country. Further, the policy choices made by elected representatives in a legislature tend to favor their constituents given the fact that they voted them in. Given this working there exist a possibility of political conflict as policies sometimes may be for the advancement of the ruling party manifesto and Agenda which may not be wholly for the benefit of the citizens. Formulation and implementation of such policies end up benefitting the citizens partially from the provision of public goods (Esslinger & Mueller, 2014).

Further, the debt-to-GDP ratio, a key indicator of debt sustainability, is shaped by two forces pushing against each other, politicians voting to increase debt to finance politically motivated transfers while the policy makers who desire to keep interest low resulting into a moderate growth of the debt. These two forces provide the block for the development of an equilibrium theory of public debt towards a balanced growth path. Transition to balanced growth path results to shrinking government effect which starts from a low-level public debt before escalating faster than GDP, provision of public goods and infrastructure which also grows slower than GDP resulting to a decline in tax rates. Convergence of the economy to its balanced growth path results to a decrease in the share of output devoted to provision of public goods. This is as result of the political distortion and its effect on interest rate. Political distortions arise when the ruling coalition through the legislature control fiscal policy by using debt to shift the taxation burden to the future.

Governance and debt

In Kenya, the evolution of the form of governance closely associated with the electoral system has resulted in the increase in the debt in the country to finance different items. The governance issues have been compounded by among others the adoption of the first part of the Vision 2030 plan, the formation of the coalition government and the coming into place of a new constitutional order in 2010. With the formation of the Grand Coalition government it became hard for the government to stick to budget rules due to the pressure on the government to spend. The spending was exacerbated by the doubling of the number of government ministries and creation of many government agencies to lead political reforms. Importantly, implementation of the Vision 2030 plan required enormous resources to achieve its grand 10 percent economic growth goal thus increased public investment spending. Given the increased spending and the desire to implement Vision 2030, the government maintained substantial fiscal deficits, which were financed mainly through local revenues, domestic borrowing, and concessional aid and grants. Further, implementation of the 2010 constitution required that at least 15 percent of national revenue be allocated to county governments. This constrained the already constrained fiscal space.

Risks in external borrowing

In March 2021, the IMF assessed Kenya's public and publicly guaranteed debt as sustainable but with high risk of debt distress. Kenya's debt was subjected to lower thresholds and benchmark during the assessment due to a downgrade in the debt carrying capacity from strong to medium debt carrying capacity majorly due to subdued world growth driven by the implications of COVID 19 pandemic. The main factors driving the assessment were high deficits from the past and the COVID-19 shock, sharp decline in exports and economic growth caused by the pandemic. Further the assessment highlighted the following as the main risks to Kenya' debt sustainability assessment: financial weaknesses in state owned enterprises (SOEs), subdued export growth and economic impact of COVID-19 pandemic. However, Kenya's debt sustainability was expected to improve as fiscal consolidation progresses and export and output recover from the global shock. There was also overarching concern of limited capture of the returns from expenditures and or investments through increases in exports, taxes and faster economic growth. There were also worsening terms of new loans such as lower concessionary terms and increased commercial loans and exogenous economic shocks such as drought and COVID-19.

IMPLICATIONS OF COVID-19 FINANCING ON SOCIAL PROTECTION

COVID 19 and Social Protection Financing

The World Bank Group is taking broad, fast action to help developing countries strengthen their pandemic response, increase disease surveillance, improve public health interventions, and help the private sector continue to operate and sustain jobs. Over 15 months, through June 2021, the World Bank (WB) Group availed up to $160 billion in financing tailored to the health, economic and social shocks countries are facing, including $50 billion of IDA resources on grant and highly concessional terms. Specifically, WB/IFC has supported Kenya during the Covid 19 crises by offering loans to help procure the vaccines. The WB approved $130 million additional financing for the Kenya COVID-19 Health Emergency Response Project to facilitate affordable and equitable access to COVID-19 vaccines for Kenyans.

This additional financing has enabled Kenya to procure more vaccines through the African Vaccine Acquisition Task Team (AVATT) initiative and the COVID-19 Vaccines Global Access (COVAX) facilities. It also supported the deployment of those vaccines by boosting Kenya's cold chain storage capacity—including establishing 25 county vaccine stores, strengthening the capacity of 36 sub-county stores, and equipping 1,177 health facilities with vaccine storage equipment. To reinforce Kenya's resilient, inclusive and green economic recovery from the COVID-19 crisis, the World Bank approved $750 million in development policy financing to support policy reforms that will strengthen transparency and accountability in public procurement and promote efficient public investment spending. This development policy operation supports measures to improve medium-term fiscal and debt sustainability through greater transparency and efficiency in government spending, building on ongoing World Bank support to enhance public finance management systems. The policy operation also prioritizes energy sector reforms to improve electricity access and ensure that Kenyans benefit from least-cost, clean energy sources. Further, the new policy framework will help strengthen

Kenya Power and Lighting Company's (KPLC's) finances with a new competitive pricing regime. Kenyans will also benefit from better healthcare and disease prevention, especially for the poorest and most vulnerable households, through National Hospital Insurance Fund (NHIF) governance reforms and the establishment of the Kenya Center for Disease Control (KCDC) to strengthen disease prevention, detection, and response. Reforms will further seek to provide Kenyans with more equitable access to higher education, through a performance-based funding method to reduce the imbalances and inefficiencies created by the existing funding model for universities.

Further, the development partners globally introduced debt relief measures to caution the developing economies from defaulting the due debts during the pandemic following the inability for most countries to generate sufficient revenues to finance their budgets and repay due debts. The World Bank and the International Monetary Fund in December 2020 urged G20 countries to establish the Debt Service Suspension Initiative (World Bank, 2021). This initiative is meant to help countries concentrate their resources on fighting the effects of pandemic and safeguarding the lives and livelihoods of vulnerable people. This has helped Kenya defer repayment of due debts amounting to Ksh. 99.73 billion for its external debt for the year ended June 2021 (National Treasury, 2021).

The contraction was mainly attributed to slowdown in economic activities due to emergence of the Coronavirus Disease 2019 (COVID-19). There was a significant decline in oil prices, and uncertainty in financial markets after the outbreak of the COVID-19 pandemic. The pandemic caused unprecedented health and economic crisis during the review period, as activities were severely affected by containment measures instituted to mitigate the effects of COVID 19. Advanced economies were not spared either. An accelerated collapse in economic activity in April 2020 was largely driven by sharp declines in demand and supply of services. However, a lull in COVID-19 outbreaks during the second half of the year under review enabled little recovery as retail sale activities picked up shortly before resurgence of the pandemic towards the end of the year. The pandemic disproportionately affected vulnerable economies in the Emerging Market and Developing Economies (EMDEs), particularly, economies with heavy reliance on tourism such as Maldives, Seychelles, Caribbean, those that had large domestic outbreaks such as India, Mexico, Argentina and Peru, and those that faced sharp declines in industrial commodity exports due to weak external demand (KNBS,2021).

Overview of COVID-19 WB/IFC financing Kenya

In Kenya, the first case of COVID-19 was announced on 13th March 2020 in Kenya. As of 14th October 2021 there were 251, 248 confirmed cases with 5,190 deaths. Vaccinations as of 14th October stood at slightly above 2.7 million. To mitigate the negative effects of the Pandemic, Government of Kenya instituted a number of measures with the aim of reducing spreads and protecting the most vulnerable in the society. The response was financed from the national budget through the second supplementary budget gazette in May 2020, the third supplementary budget, and the 2020/21 national budget.

The commitments for COVID 19 included:

- Ksh 10 billion (approx. £71 million) for the multi-agency COVID-19 cash transfer committed to the State Department for Social Protection (SDSP);
- Ksh 500 million (approx. £3.5 million) allocated to the NCPWD for payments in arrears and the new cash transfer;
- Ksh 342 million (approx. £2.37 million) for the Kazi Mtaani phase 1 from existing allocations under the State Department for Housing and Urban Development's budget; and
- Ksh 10 billion for Kazi Mtaani phase 2 in the 2020/21 fiscal year, and
- Ksh 1 billion (approx. £7.1 million) to enhance cash transfers through economic stimulus activities in the 2020/21 fiscal year.

Development partners especially the World Bank also supported the government's response by providing a US$1 billion (approx. £742 million) loan through the Kenya Inclusive Growth and Fiscal Management Development Policy Financing. The World Bank budget filled the financing gap created by the shock. Although the financing was not specifically for COVID-19, the financing went a long way in enhancing the government response.

Risks posed by COVID-19 on social protection.

COVID 19 affected not only the businesses but also households. At the household level, the income decreased leading to reduced household consumption and a myriad of social protection challenges. Kenya National Bureau of Statistics (KNBS) in their fourth quarter report indicated that, unemployment rates more than doubled in the second quarter of 2020 mostly in the informal sector, which employs over 80 per cent of the country's working population. Adoption of some containment measures such as cessation of movement and lockdown adversely affected manufacturing and processing, transportation and storage, wholesale and retail, and restaurants sectors.

In Arid and Semi-Arid Lands (ASAL), COVID 19 posed a greater challenge of accessibility of food. As of 2018, over 2 million children were benefiting from the school feeding programme, which was being jointly implemented by the Kenyan government, and World Food Programme. The school feeding programmes acts as a safety net for children from low-income households and the ASAL. In addition, the programme acts as an incentive for children from poor households to continue schooling. The programmes are also used to enhance human capital by increased enrolment and keeping girls in school.

Further, the rollout of the Hunger Safety Net Programme implemented by the National Disaster Management Authority, which supports about 100,000 households in the ASAL of Wajir, Mandera, Turkana and Marsabit has played a crucial role in protecting the vulnerable against the negative effects of the COVID 19 pandemic. Although the programme was in place prior to the pandemic, in the post-pandemic era it has been pivotal in ensuring household food security through the bi-monthly cash transfers.

Covid 19 and its Response

COVID 19 is a global pandemic which has affected all the economies but in different degrees. Business, small, medium and big suffered greatly resulting into reduced output and thus reduced income resulting into downsizing or closure. Different countries adopted different response mechanisms, which were financed locally or externally (Donor financed). Kenya and Tanzania however adopted different response mechanisms despite them being in the East African Community, which had agreed on a number of responses mechanisms. The response mechanisms included: implementation of the 14-days quarantine for all travelers to the region; suspension of face-to-face meetings; entry and exit screening; implementation of a surveillance system to monitor crew health and enable contact tracing; strengthening of information sharing for quick response; support local business and movement of goods and services; and provision of additional contingency and emergency funds to address gaps in prevention and impact mitigation.

In 2020, official development assistance (ODA) by member countries of the Development Assistance Committee (DAC) amounted to USD 161.2 billion, representing 0.32% of their combined GNI (Table 4). This total included USD 158.0 billion in the form of grants, loans to sovereign entities, debt relief and contributions to multilateral institutions (calculated on a grant-equivalent basis); USD 1.3 billion to development-oriented private sector instrument (PSI) vehicles and USD 1.9 billion in the form of net loans and equities to private companies operating in ODA-eligible countries.39

Impact of COVID 19 on debt sustainability

According to Debt Sustainability Framework (DSF) developed by International Monetary Fund (IMF), Public Debt Sustainability is assessed by looking at the following key indicators; Economic Growth; currency changes; Exports; and Revenue growth. Before COVID 19 Kenya was already exceeding the Public Debt to Gross Domestic Product (GDP) threshold of 50 percent while, Tanzania was within the Public Debt to GDP threshold of 50 percent (Figure 4). In terms of debts sustainability rating, Kenya was rated as high risk but sustainable while Tanzania was rated low risk but with pronounced medium-term risk due to vulnerability of the exports.

Debt to GDP

The latest IMF DSA for Kenya indicates that the Present Value (PV) of external debt-to-GDP ratio and PV of total Public debt-to-GDP ratios remained below the threshold/ benchmark by August 2021 (about a year after COVID 19). However, the PV of external debt-to-exports ratio and the external debt service-to-exports ratio were above the thresholds.

Exports Growth

Exports provide the necessary foreign exchange for meeting payment of debt obligations therefore they are considered key for debt sustainability.

39 https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2020-detailed-summary.pdf

In Kenya: There was a forecast to reduce exports by nearly 13 percent in 2020 and foreign currency reserves were expected to suffer in part, reducing to inside 4 months of import cover. The DSA suggested that Kenya remained susceptible to export and market financing shocks, and more prolonged and protracted shocks to the economy would also present downside risks to the debt outlook.

In Tanzania: The exports had been declining since FY 2016/17; and this was still expected to be the case with a decline to 14.3 percent of GDP in FY 2019/20; as compared to 16.9 percent in 2015/16 and 15.9 percent in FY 2017/18. The value of export trends within the COVID-19 situation declined about USD 700 in June 2019 to about USD 500 in June 2020 (table 6).

Table 6: Relief funds to address COVID 19 Effects in USD Million

Country	IMF Rapid Credit Facility	IMF Catastrophe Containment and Relief Trust
Kenya	739	0
Tanzania	0	14.3

Risks Associated with relief funds and safeguards

The huge amounts and the speedy disbursement created opportunities for low accountability. This was due to the possibility of short-circuiting the procurement rules under the pretext for urgency in service delivery. Another risk would be diversion of funds and supplies. There is therefore need for reinforcing anti-corruption efforts, building and strengthening accountability and transparency mechanisms in emergency spending.

Solutions

Publish allocations to pandemic resources with clarity of purpose and intended recipients; and ensure frequent comprehensive internal and external audits on pandemic related spending (Khasiani, Koshima, Mfombouot, & Singh, 2020)40.

40 https://resources.tisa.co.ke/2020/08/14/covid-19-debt-sustainability-impacts-and-economic-rescue-packages-analyses-in-east-africa-community-eac-region/

IMPLICATIONS OF COVID-19 FINANCING ON SOCIAL PROTECTION

Conclusion and recommendations

From the results obtained in this study, it is clear that many developing countries, Kenya and Tanzania included are struggling to expand social protection. This is due to many challenges that they are facing including high population, high poverty rates, low revenue collection, weak accountability systems and high debt burden. These factors and mostly high debt burdens have left the countries unable to support various social protection programmes. Development partners have continues giving loans for social protection to the less developed Countries, hence worsening the situation. The government needs to come up with a comprehensive plan to support social protection in the less developed countries without using the loans approaches.

Over-dependence on external financing inhibits domestic resource mobilization and institutional development. External financing for social protection has been shown to have positive impacts on launching and extending social assistance programmes, on technical aspects, which include designing the policies on social protection and on meeting initial costs of building systems and building. However, in the long terms international aid makes modest contribution to recurrent costs of running the social protection programmes. Additionally, in ensuring that their financial support it directed towards programmes and projects that align well with their mandates, external financials may prescribe conditions that may directly or indirectly affects the implementation of certain programmes by the specific governments. As such the development partners should ensure that they do not interfere with the autonomy of the countries receiving aid in matters budgeting and implementation.

Recommendations

- Develop a comprehensive legal framework on social protection and the approaches to be used. This framework should aim to harmonize and integrate the pillars of social protection and link key stakeholders both local and international in the social protection sector. The role played by each stakeholder should be clearly stated. The policy should clearly indicate the government allocated fund in supporting social protection in respective countries.
- Government and partners to adopt new approach of supporting social protection in the respective countries. There is need for government and supporting partners to adopt approaches such as provision, prevention, promotion and transmission of people lives. This will ensure that the social protection programs are sustainable and transform the beneficiaries' socio-economic lives at the long run. Sustainable social assistance covering a broad range of actions such as cash transfers, food aid, affordable health charges, child protection services, food security, employment creation and responses to life-threatening emergencies to enhance coping mechanisms of vulnerable groups need to be adopted.
- OECD/developed countries to offer grants and aid for social protection instead of loans. They made a commitment in the 70s to allocate up to 0.7 percent of the GNI for ODA and only very few countries have come close to it (average of 0.41 percent). Therefore they need to increase ODA grants for social protection. Though Loans on social protection have played a role in impacting lives of many people in Africa and specifically Kenya and Tanzania, such loans have continued to impoverish the less developed countries as most of the revenue collected is used to repay them. Therefore, there is need for
- To promote accountability, avoid misappropriation of social protection funds and enhancement of spending efficiencies, there is need to strengthen institutional capacity, coordination, programme administration and evaluation. There is need for developing countries (Kenya and Tanzania included) to deepen adoption of technology in management of the budgets to be supported by ODA. This will ensure transparency on management of donor funds received for social protection; while building confidence. This will encourage donors to avail more funds in the respective government. The developed countries to give more grants and donations in supporting establishing of the technology-based systems in management of the social protection funds.
- Governments to explore alternative strategies including obtaining additional revenue. Such measures include debt relief; curbing illicit financial flaws and corruption; responsible borrowing; and prudent use of funds. The governments should also explore alternative of getting grants as opposed to loans which are proving to be difficulty in payment. Many African countries have been struggling to finance social protection due to little revenue generated from taxes, fast-growing population and high debt burden. This leaves many people in need of social protection exposed and without any help.
- Respective governments to renegotiate the loan repayment schedule and request for the wavering of some old loans accumulated prior covid 19 by the Development partners. Covid 19 has affected many economics in African countries including Kenya and Tanzania. African countries are already spending three times more on debt repayments to banks and private lenders than it would cost to vaccinate the entire continent against Covid-19. This has led to increased social needs with social protection funds diverting money meant for social protection in fighting Covid 19.
- There is need for the development partners and the developed countries to increase funding of social protection in African countries and specifically Kenya and Tanzania in form of grants and low interest loans.

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