PARLIAMENT OF KENYA

PARLIAMENTARY SERVICE COMMISSION

PARLIAMENTARY BUDGET OFFICE

ASSESSMENT OF THE COST IMPLICATIONS OF THE BOTTOM-UP ECONOMIC TRANSFORMATION PLAN 2022-2027

NOVEMBER, 2022.

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Acknowledgement

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EXECUTIVE SUMMARY

The Bottom-Up Economic Transformation Plan 2022-2027 is the manifesto of the Kenya Kwanza administration that will be implemented over the next five years. The plan has been conceptualized at a time when the economy is facing major headwinds from domestic and global fronts which has resulted in a cost of living crisis. The plan is cognizant of the prevailing domestic challenges including constrained fiscal space and structural imbalances which have weakened the economy as well as external factors such as rising global inflation and interest rates, long term impact of the Covid-19 pandemic and the Russia – Ukraine conflict among other geopolitical dynamics.

The bottom-up plan is anchored on five key pillars: Agriculture, MSME Economy, Housing and Settlement, Healthcare, as well as Digital and Creative Economy. The priority interventions proposed in the plan are expected to contribute toward six broad objectives including lowering the cost of living, eradicating hunger, managing unemployment, improving fiscal performance, stabilizing foreign exchange and ensuring inclusive economic growth.

The plan is extremely conscious of the fiscal constraints that the country is operating under and has adopted a cautious revenue projection path, limited growth in expenditures, and budget neutrality as the key guiding principles for many of the proposed policy interventions. However, some of the components will outrightly require a significant amount of resources to implement.

Whereas the plan has presented a plausible implementation framework, it has not indicated the implementation arrangement for various interventions that are devolved, completion timelines, and criteria for prioritizing beneficiaries. Further, the specific commitments have neither been ranked by order of priority nor sequenced as proposed in the plan. This poses a key limitation in assessing the cost estimate of delivering the manifesto.

It is estimated that Ksh. 2.67 trillion is required to fully implement the manifesto within the five years and approximately Ksh. 473 billion is required in the first year. The costing of the plan has been undertaken from two perspectives. First, the cost of various interventions as outlined in the plan was estimated based on underlying assumptions and second, the alternative macroeconomic and fiscal framework scenarios underlying the implementation of the plan were evaluated. The cost estimates have been spread out for the 5 years that the plan is expected be implemented.

The process of deriving the cost estimates was faced with some limitations including the fact that not all policy interventions can be costed though they may have indirect financial implications. These cost estimates have been based on very conservative assumptions including the assumption that various interventions will be undertaken through the Public

Private Partnership framework. This is the case for most projects under the energy and water sectors whose investments are capital intensive.

To evaluate the alternative macroeconomic and fiscal framework scenarios underlying the implementation of the plan, six scenarios were developed. These scenarios were meant to assess trends in revenue and expenditure performance and the overall implication on the deficit as a share of GDP given that the plan commits to reducing the deficit-to-GDP ratio from the current 6.2 percent to 3 percent by FY 2026-2027.

The baseline scenario is based on the draft Budget Review and Outlook Paper for 2022 and assumes no policy change. Although the deficit as a share of GDP declines over time to average 3.2% by FY 2026/2027, it is noted that this decline in the deficit is due to optimistic revenue projections in the outer years. The second scenario is based on the fiscal consolidation path proposed in the plan where revenues grow at an average rate of the preceding three years and expenditures are curtailed at 75% of revenue growth. Its noted that the fiscal deficit decline at a much more gradual and modest pace compared to the baseline scenario but will eventually reach the same deficit projection of 3.2% by 2026/2027.

Scenario three is based on baseline revenue performance, while expenditure outlook incorporates the total cost of implementing various interventions outlined in the manifesto. This has a notable impact on the deficit which is likely to expand by similar proportions and remains above the target for the medium term. The forth scenario is based on baseline revenue projection while expenditure incorporates the total cost of the various interventions outlined in the manifesto and the proposed reduction of Ksh. 300 billion to address prevailing deficit and debt issues as indicated in the Presidential address to parliament. The deficit still remains above the target for the medium term.

The revenue and expenditure projection in the fifth scenario are predicated on the fiscal consolidation path of the manifesto save for the first year where there is a reduction of Ksh. 300 billion and an additional Ksh 477 billion for manifesto implementation. The final scenario is based on the principle of budget neutrality as indicated in the plan. It assumes that for every new project, resources must be released by an existing programme and therefore in this context its presumed that the additional expenditure for the first year is equal to the proposed expenditure reduction of Ksh. 300 billion and therefore it will have no deviation from the manifesto fiscal consolidation proposal.

The document is organized as follows: section one lays the background of the manifesto and prevailing economic environment, section two outlines the implementation framework of the plan, section three presents evaluation of alternative macroeconomic and fiscal scenarios underlying the plan and section four looks at the cost estimates of various interventions as outlined in the plan and underlying assumptions.

I. BACKGROUND

1. The Bottom Up Economic Transformation Plan 2022-2027 is the manifesto of the Kenya Kwanza administration that will be implemented over the next five years. According to the plan, the rationale of the bottom-up approach to economic transformation has been informed by the existing dichotomy where only about 15% (3M) of the national workforce are engaged in formal employment while the remaining 85% (16M) are engaged in informal sector mostly under the Micro, Small and Medium Enterprises (MSMEs). Despite this reality, little effort has been made to support the bottom of the pyramid which supports livelihood for the majority.

2. The Bottom-Up plan has been conceptualized at a time when the economy is facing major headwinds from domestic and global fronts which has resulted in a cost of living crisis. The plan is cognizant of the prevailing domestic challenges including constrained fiscal space and structural imbalances which have weakened the economy. The situation is further aggravated by external factors such as rising global inflation and interest rates, long term impact of the Covid-19 pandemic and the Russia – Ukraine conflict among other geopolitical dynamics.

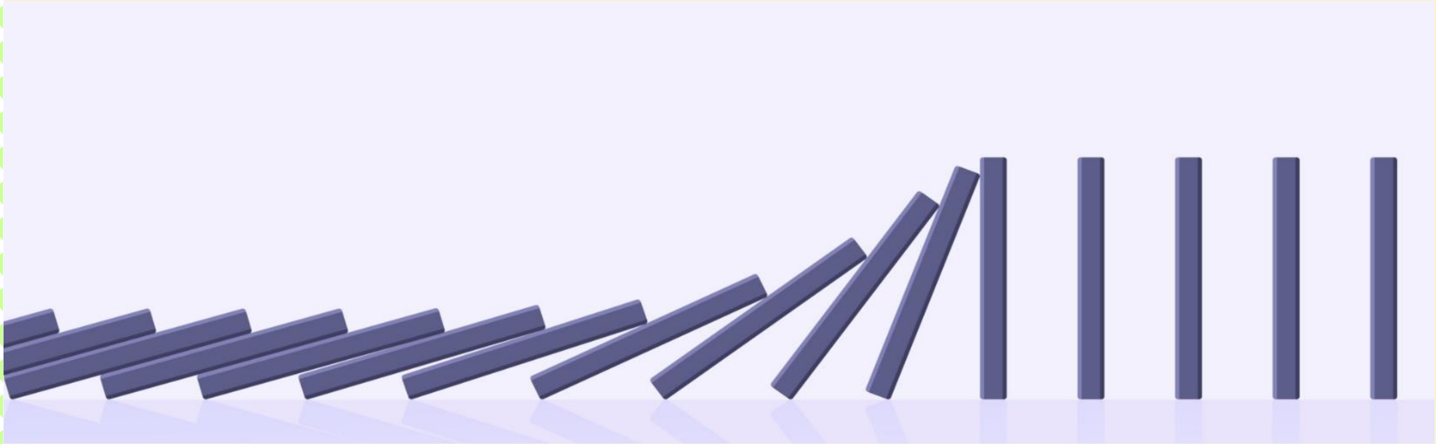
3. The bottom-up plan is anchored on five key pillars: Agriculture, MSMEs, Housing, Healthcare, as well as Digital and Creative Economy. The priority interventions proposed in the plan are expected to contribute toward six broad objectives including lowering the cost of living, eradicating hunger, managing unemployment, improving fiscal performance, stabilizing foreign exchange and ensuring inclusive economic growth.

4. Financing of the plan is based on a fiscal consolidation commitment whereby the fiscal deficit must decline to 3 percent of GDP by FY 2026-2027; revenue projections must not exceed average performance for the last three years; and expenditure growth is capped at 75% of the revenue growth rate. Budget neutrality is a key principle for required policy interventions.

5. The plan also proposes the formation of an infrastructure fund with seed capital from proceeds of privatization and securitization of pending bills upon verification. Development assistance from development partners will be mobilized in key sectors. The plan adopts a value chain approach to delivery of the sought economic transformation.

6. The rest of the document in organized as follows: section two outlines the implementation framework of the plan, section three presents evaluation of alternative macroeconomic and fiscal scenarios underlying the plan and section four looks at the cost estimates of various interventions as outlined in the plan and underlying assumptions.

II. Bottom-up Plan Implementation Framework



7. According to the manifesto, the implementation framework is based on a logical framework approach whereby activities have been prioritized, sequenced, and financing arrangements and delivery mechanisms envisioned.

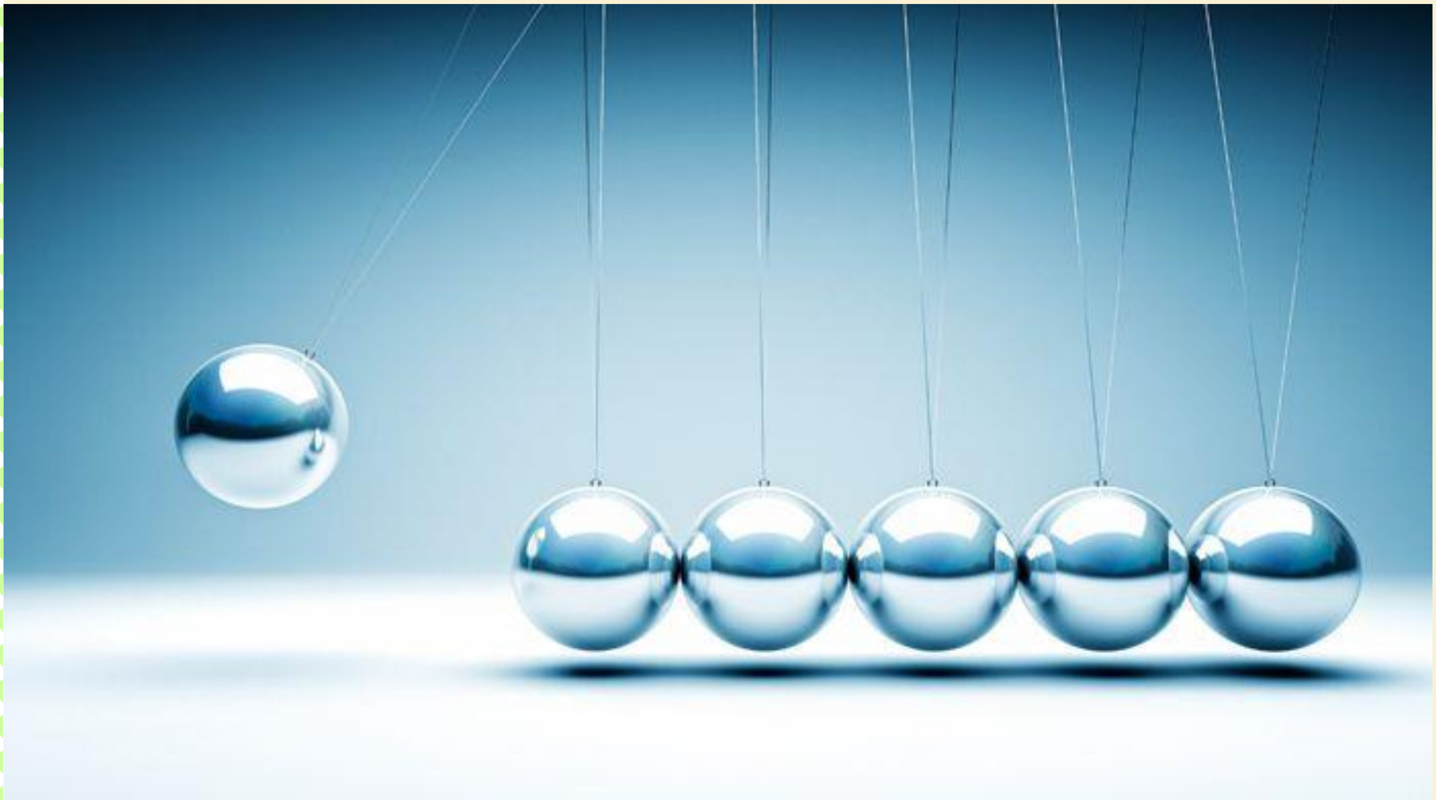
8. Prioritization is based on sectors with the potential to significantly impact majority of the population with the least investments. The interventions have been sequenced based on the timeframe it will take for the impact to be felt. This ranges from quick wins that will take up to six months, short-term that will take up to 18 months, medium-term that will take up to 36 months and long-term that will take over 36 months.

9. The financing of the plan is well articulated with a cautious revenue projection path and limited growth in expenditures. The plan is clearly extremely conscious of the fiscal constraints that the country is operating under and has adapted budget neutrality as a key guiding principle for many of the proposed policy interventions. However, the proposals in the manifesto are expected to exert additional expenditure pressure on the budget.

10. Whereas the implementation framework is plausible, the plan has not indicated the implementation arrangements for various interventions that are devolved, completion timelines, and criteria for prioritizing beneficiaries. Although the framework has outlined the prioritization and sequencing criteria, the same is not reflected in specific interventions. Specific commitments are neither ranked by order of priority nor sequenced as proposed. It is therefore not possible to group or cluster the commitments either in terms of priority or in terms of the sequencing criterion. This will pose a key limitation in assessing the cost estimate of delivering the manifesto.

11. It is also noteworthy that although some of the interventions have been indicated as budget neutral, they will outrightly require a significant amount of resources to implement. For instance, the proposed interventions under health are indicated as budget neutral but have a cost implication. This may have a bearing on the proposed fiscal consolidation path.

III. Evaluation of Alternative Macroeconomic and Fiscal Framework Scenarios.



12. The plan commits to a fiscal consolidation path that is geared toward reducing the deficit-to-GDP ratio from the current 6.2[1] percent to 3 percent by FY 2026-2027. This will be achieved by ensuring realistic revenue projections where the revenue growth rate will be the average of the last three years; and capping expenditure growth at 75 percent of revenue growth. It is expected that this will create some fiscal space thereby progressively reducing the deficit. However, this expectation may be hampered by biases arising from previous fluctuations in revenue performance.

13. To evaluate the viability of this fiscal consolidation path taking into account expenditure commitments contained in the manifesto and the prevailing macro-fiscal realities, various scenarios have been evaluated:

3.1 Scenario 1: Baseline as per Budget Review and Outlook Paper

14. The scenario is based on the 2022 draft Budget Review and Outlook Paper (BROP). From this scenario, the deficit as a share of GDP declines over time to average 3.2% and 3.5% including and excluding grants respectively by FY 2026/2027. It is noted that this decline in the deficit is due to optimistic revenue projections in the outer years.

[1] Draft Budget Review and Outlook Paper, 2022.

Table 1: Baseline as per BROP (Ksh. Millions)

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Total Revenue	2,462,384	2,834,959	3,179,184	3,633,100	4,154,300
Ordinary Revenue	2,141,584	2,516,259	2,840,684	3,272,200	3,750,200
Total expenditures and net lending	3,358,661	3,579,597	3,893,567	4,316,300	4,943,500
Deficit including grants	(862,960)	(696,536)	(665,079)	(630,000)	(722,700)
Deficit excluding grants	(896,277)	(744,638)	(714,383)	(683,200)	(789,200)
GDP Nominal BROP	14,002,100	15,705,500	17,549,100	19,577,000	22,342,000
Deficit including grants	-6.2%	-4.4%	-3.8%	-3.2%	-3.2%
Deficit excluding grants	-6.4%	-4.7%	-4.1%	-3.5%	-3.5%

Source: Draft BROP, 2022.

3.2 Scenario 2: Bottom-Up Plan Fiscal Consolidation Path.

15. This is based on the fiscal framework assumptions on revenue and expenditure contained in the bottom-up economic transformation plan. It assumes that revenues will grow at an average rate of the preceding three years and that expenditure will be curtailed at 75% of revenue growth. Notable differences are observed in the baseline fiscal framework and the proposed economic transformation scenario. Based on this scenario, the FY 2022/2023 budget may have to be reduced by approximately Ksh. 119 billion in order to fit into the proposed expenditure growth path. This will, in effect, reduce the fiscal deficit (excluding grants) by Ksh. 61.95 billion this year.

16. It is noted, compared to the baseline, that revenue and expenditure growth in this scenario will be significantly subdued. Furthermore, the fiscal deficit will decline at a much more gradual and modest pace compared to the baseline scenario but will eventually reach the same deficit projection of 3.2% by 2026/2027.

Table 2: Bottom-Up Plan Fiscal Consolidation Path (Ksh. Millions)

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Total Revenue	2,405,257	2,661,824	3,046,293	3,396,111	3,810,370
Ordinary Revenue	2,405,257	2,661,824	3,046,293	3,396,111	3,810,370
Total expenditures and net lending	3,239,584	3,498,757	3,877,772	4,211,747	4,597,061
Deficit including grants	(801,011)	(788,831)	(782,175)	(762,437)	(720,191)
Deficit excluding grants	(834,327)	(836,933)	(831,480)	(815,637)	(786,691)
GDP Nominal BROP	14,002,100	15,705,500	17,549,100	19,577,000	22,342,000
Deficit including Grants	-5.7%	-5.0%	-4.5%	-3.9%	-3.2%
Deficit excluding grants	-6.0%	-5.3%	-4.7%	-4.2%	-3.5%

Source: PBO

3.3 Scenario 3: Cost of Implementing the Manifesto

17. This is based on the BROP revenue projection, however, the expenditure outlook incorporates the total cost of the various interventions outlined in the manifesto and their implication on the fiscal deficit. In total, an estimated Ksh. 2.67 trillion is required to fully implement the manifesto within five years. In the first year of implementation,

approximately Ksh. 473 billion is required to implement the proposed interventions across various sectors. This has a notable impact on the deficit which is likely to expand by similar proportions above the baseline. Although the deficit as a share of GDP maintains its declining trend like in previous scenarios, it remains above the target for the medium term.

Table 3: Cost of Implementing the Manifesto (Ksh. Millions)

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Total Revenue	2,462,384	2,834,959	3,179,184	3,633,100	4,154,300
Ordinary Revenue	2,141,584	2,516,259	2,840,684	3,272,200	3,750,200
Total expenditures and net lending	3,844,161	4,094,097	4,428,167	4,873,000	5,523,500
Deficit including grants	(1,348,460)	(1,211,036)	(1,199,679)	(1,186,700)	(1,302,700)
Deficit excluding grants	(1,381,777)	(1,259,138)	(1,248,983)	(1,239,900)	(1,369,200)
GDP Nominal BROP	14,002,100	15,705,500	17,549,100	19,577,000	22,342,000
Deficit including grants	-9.6%	-7.7%	-6.8%	-6.1%	-5.8%
Deficit excluding grants	-9.9%	-8.0%	-7.1%	-6.3%	-6.1%

Source: PBO

3.4 Scenario 4: Manifesto Costing and Ksh 300B Reduction under Baseline

18. The revenue projection is as per the BROP, however, the expenditure incorporates the additional Ksh. 473 billion for implementing various interventions and reduction of Ksh. 300 billion in the FY 2022-23 to address prevailing deficit and debt challenges as indicated in the Presidential address to parliament. In subsequent years, the expenditure outlook is based on the BROP with additional cost of implementing interventions in the manifesto. This results to higher fiscal deficit in comparison to the baseline.

Table 4: Manifesto Costing Ksh 300B Reduction (Ksh. Millions) Baseline

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Total Revenue	2,462,384	2,834,959	3,179,184	3,633,100	4,154,300
Ordinary Revenue	2,141,584	2,516,259	2,840,684	3,272,200	3,750,200
Total expenditures and net lending	3,544,161	4,094,097	4,428,167	4,873,000	5,523,500
Deficit including grants	(1,048,460)	(1,211,036)	(1,199,679)	(1,186,700)	(1,302,700)
Deficit excluding grants	(1,081,777)	(1,259,138)	(1,248,983)	(1,239,900)	(1,369,200)
GDP Nominal BROP	14,002,100	15,705,500	17,549,100	19,577,000	22,342,000
Deficit including grants	-7.5%	-7.7%	-6.8%	-6.1%	-5.8%
Deficit excluding grants	-7.7%	-8.0%	-7.1%	-6.3%	-6.1%

Source: PBO

3.5 Scenario 5: Manifesto Cost, Ksh 300B Reduction and Fiscal Consolidation

19. The revenue projections are based on the manifesto fiscal consolidation path while expenditure incorporates the additional Ksh. 487 billion for implementing various interventions and reduction of Ksh. 300 billion in the first year to address prevailing deficit and debt challenges as indicated in the Presidential address to parliament. In subsequent years, the expenditure outlook is based on the manifesto framework where they grow at 75% of revenue growth from the first year. The targeted deficit is also not achievable under this scenario. To achieve, the targeted fiscal deficit, expenditure has to be significantly reduced.

Table 5:Manifesto Cost, Ksh 300B Reduction and Fiscal Consolidation

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Total Revenue	2,405,257	2,661,824	3,046,293	3,396,111	3,810,370
Ordinary Revenue	2,097,032	2,320,721	2,655,922	2,960,912	3,322,085
Total expenditures and net lending	3,544,161	3,827,701	4,242,350	4,607,725	5,029,264
Deficit including grants	(1,105,588)	(1,117,775)	(1,146,753)	(1,158,414)	(1,152,394)
Deficit excluding grants	(1,138,904)	(1,165,877)	(1,196,058)	(1,211,614)	(1,218,894)
GDP Nominal BROP	14,002,100	15,705,500	17,549,100	19,577,000	22,342,000
Deficit including grants	-7.9%	-7.1%	-6.5%	-5.9%	-5.2%
Deficit excluding grants	-8.1%	-7.4%	-6.8%	-6.2%	-5.5%

Source: PBO

3.6 Scenario 6: Budget Neutrality

20. The scenario is based on the concept of budget neutrality as presented in the manifesto. As such, its assumed that revenues grow at the average of the last three years while additional expenditure for the first year is equal to the proposed expenditure reduction of Ksh. 300 billion and therefore it will have no deviation from the proposed consolidation path. Expenditure in the subsequent years will be aligned in such a way that for new expenditure to be incurred, resources must be released from other programmes. This calls for continuous reduction in expenditure without a room for implementation of the proposals in the manifesto,

Table 6: Budget Neutrality (Ksh. Millions)

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Total Revenue	2,405,257	2,661,824	3,046,293	3,396,111	3,810,370
Ordinary Revenue	2,405,257	2,661,824	3,046,293	3,396,111	3,810,370
Total expenditures and net lending	3,239,584	3,498,757	3,877,772	4,211,747	4,597,061
Deficit including grants	(801,011)	(788,831)	(782,175)	(762,437)	(720,191)
Deficit excluding grants	(834,327)	(836,933)	(831,480)	(815,637)	(786,691)
GDP Nominal BROP	14,002,100	15,705,500	17,549,100	19,577,000	22,342,000
Deficit including Grants	-5.7%	-5.0%	-4.5%	-3.9%	-3.2%
Deficit excluding grants	-6.0%	-5.3%	-4.7%	-4.2%	-3.5%

Source: PBO

IV. Sectoral Cost Analysis

21. This section presents the cost estimates of various interventions outlined in the manifesto. The cost estimates have further been spread out for the 5 years that the plan is expected be implemented. The process of deriving the cost estimates was faced with some limitations including the fact that not all policy interventions can be costed though they may have indirect financial implications.

22. These cost estimates have been based on very conservative assumptions including the assumption that various interventions will be undertaken through the Public Private Partnership framework. This is the case for most projects under the energy and water sectors whose projects are capital intensive. In other instances, such as the housing, it was assumed that the central role of the government is to unlock private sector funding and create an enabling environment to enhance demand and uptake of affordable houses.

4.1 Agricultural Transformation and Inclusive Growth

23. Agriculture plays a critical role not only as an engine of economic growth but also in supporting livelihoods. The place of agriculture is well anchored on Vision 2030, the Medium-term plan III and the big four agenda. Despite this important role, the sector is faced with a myriad of challenges including overdependence on rainfall, high cost of farm inputs, inadequate capital and skills for smallholder farmers, market and price volatility, low mechanization, land fragmentation, under-absorption of modern technologies, innovations and management practices, among other bottlenecks.

24. To address these challenges, the Bottom-up Economic Transformation Plan proposes to avail adequate working capital for smallholder farmers, provide market-based risk management tools such as crop and Livestock Insurance, transform 2M poor farmers into surplus producers enhance the productivity of key value chains, and reduce the dependence on basic food imports by supporting local production and revitalization of export crops. The plan contends that agriculture offers an opportunity for a quick turnaround as it offers the shortest payback period on investments while requiring minimal or no new capital investments. Addressing agricultural productivity only requires the provision of quality and affordable inputs such as fertilizer, seeds, animal feeds, and working capital for related expenditures.

25. To implement these interventions to transform agriculture, the plan contains a financial commitment of Ksh. 250 billion for the period FY 2022/2023 to 2026/2027. To critically determine the adequacy of these resource requirements, the following key costing assumptions have been made:

i. An annual allocation of Ksh. 1 billion will be required for livestock and crop insurance as opposed to the Ksh. 500 million currently being provided.
ii. Government will provide a minimum of Ksh. 50,000 working capital per poor farmer each year as input finance. The working capital will be repayable each year at 5% annual interest rate.
iii. Government will target to support at least 400,000 farmers in the first year and increase by a similar number annually until the target of 2 million farmers is achieved by 5th year.
iv. Each county will require an additional annual funding of approximately Ksh. 50 million in order to adequately equip, staff and facilitate agricultural extension offices.
v. The government will provide a subsidy of Ksh. 3000 for each 50 kg bag of fertilizer for at least 375,000 MT of fertilizer (half of the country's current consumption).
vi. The government will provide Ksh. 3.65 billion for subsidies of other agricultural inputs (certified seeds, agrochemicals etc).
vii. More than 100 factories across the entire crop value chain will require rehabilitation at an average cost of Ksh. 50 million per factory

26. From the costing, the allocation of Ksh. 250 billion is potentially adequate. It is noted however that some interventions such as forward and future contracts as well as price stabilization schemes haven't been critically reviewed and costed. Additionally, revamping of underperforming and collapsed export crops and boosting of value chains may require additional interventions that cannot be fully costed at this juncture. Indeed, some interventions could be indirect and undertaken in other sectors.

Table 7: Cost of Agricultural Interventions (Ksh, Millions)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Deploy modern agricultural risk management instruments	1,000	1,000	1,000	1,000	1,000	5,000
Transform two million poor farmers from food deficit to surplus producers through input finance.	500	500	500	500	500	2,500
Transform 2 million poor farmers from food deficit to surplus producers via extension support.	20,000	20,000	20,000	20,000	20,000	100,000
Raise the productivity of key value food chains and other value chains.	2,350	2,350	2,350	2,350	2,350	11,750
Revamp underperforming and collapsed export crops while expanding emerging ones.	26,150	26,150	26,150	26,150	26,150	130,750
Total	**50,000**	**50,000**	**50,000**	**50,000**	**50,000**	**250,000**

Source: PBO.

4.2 Transforming the Micro, Small, and Medium Enterprises

27. The MSME sector is estimated to employ approximately 15 million Kenyans. However, its full potential has not been realized due to several bottlenecks, notably, a hostile environment and access to finance. Since independence, every administration has put in place some policy measures to alleviate bottlenecks in MSMEs and support their growth. The Sessional Paper No. 10 of 1965 on African Socialism and its application to planning in Kenya vouched for the decentralization of economic power through local capital formation to enhance indigenous business enterprises.

28. The Kenya Industrial estates was established in 1967 to finance and support the growth of local small industries and enterprises. The 1986 Sessional Paper No. 1 on Economic Management for Renewed Growth formally recognized the role and challenges of small-scale enterprises including access to finance and culminated in the development of the "Strategy for Small Scale and Juakali Enterprise Development in Kenya". The Vision 2030 further underscores the role of SMEs in national development. More recent efforts include the enactment of the Micro and Small Enterprise Act which, among other things, provided for the establishment of the Micro and Small Enterprises Authority, Micro and Small Enterprises Development Fund, Micro and Small Enterprises Tribunal, Registrar of Micro and Small Enterprises, and Micro and Small Enterprises Infrastructure Development.

29. The bottom-up economic transformation plan commits to the following: ending the criminalization of work by enacting a right-to-work law; making trading licenses and provision of a trading location an entitlement to every citizen who applies; working with county governments to provide street trading premises, addressing bureaucracy and regulatory compliance costs, availing Sh50 billion a year to provide MSMEs with

percent access to affordable finance and establishment of MSME Business Development Centre in every ward, and an industrial park and business incubation center in every TVET institution.

30. To implement these interventions, the plan contains a financial commitment of Ksh. 250 billion for the period FY 2022/23 to 2026/27. However, a critical review of the resource requirements indicates that more will be required, approximately Ksh. 397.7 billion, for these interventions to be successfully implemented. The key costing assumptions are as follows:

i) Government will allocate Ksh. 50 billion annually for the Hustler's fund.
ii) 290 MSME Business Development Centres will be constructed and equipped annually over a period of 5 years at a cost of Ksh. 2 million per centre.
iii) Government will equip 457 TVET institutions annually over a period of 5 years at a cost of Ksh. 3 million each. Personnel and maintenance expenses for each of these institutions is estimated at Ksh. 3 million annually.
iv) 457 industrial parks will be constructed annually at a cost of Ksh. 40 million each.

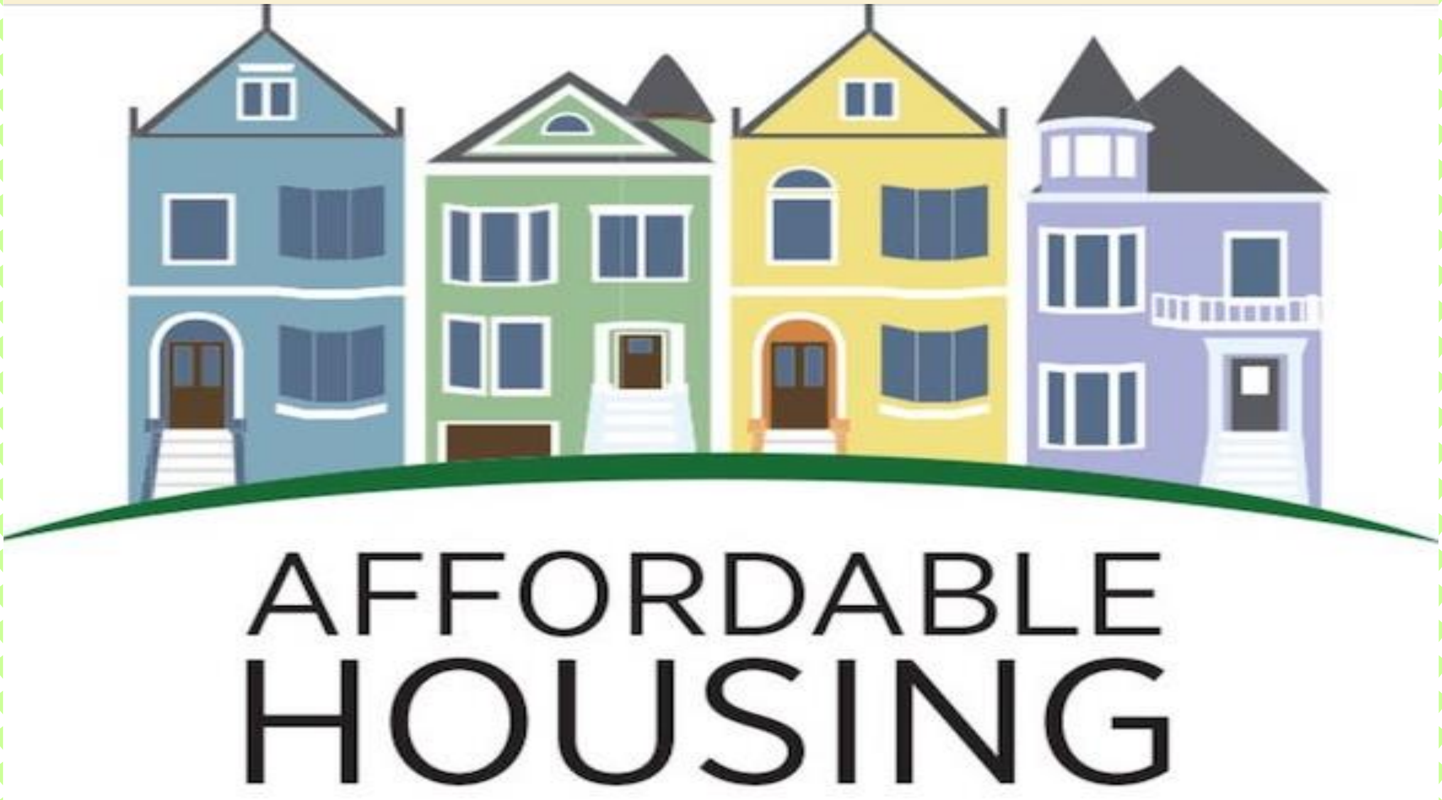
31. It is noted that some critical interventions particularly on ending criminalization of work and addressing bureaucracy and regulatory compliance costs are largely regulatory in nature and therefore cannot be fully costed. However, their impact could have a bearing on revenue collection. For instance, the capping of total licenses at 1.5 percent of turnover will lead to loss in turnover tax revenue. It is further noted that these interventions require significant cooperation from county government as they are expected to provide land for construction of the MSME business development centers. As such, the plan should include a full framework of collaboration with counties so that they are engaged in a timely and structured manner.

Table 8: Cost of Transforming the MSME Economy (Ksh, Millions)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Review and rationalize all business licenses, enact administrative burden law, cap license fees.	4,435	4,657	4,890	5,134	5,391	**24,507**
Ksh 50 billion a year to provide MSMEs with affordable finance	50,000	50,000	50,000	50,000	50,000	**250,000**
Establish MSME Business Development Centre in every ward	580	580	580	580	580	**2,900**
Establish a Business incubation center in every TVET institution	2,742	4,182	5,693	7,280	8,953	**28,849**
Establish industrial park in every TVET	18,280	18,280	18,280	18,280	18,320	**91,440**
Total	**76,037**	**77,699**	**79,443**	**81,275**	**83,244**	**397,697**

Source: PBO

4.3 Affordable Housing and Settlement



32. Affordable housing is one of the four pillars of the big four agenda. The target was to deliver 500,000 affordable housing units between 2017-2022. However, less than 5000 units were ultimately delivered. The real estate sector in Kenya is faced with myriad challenges that have hindered the achievement of this target. These range from land acquisition, cost of construction materials, quality of construction works, inadequate infrastructure, financing models and limited incomes. Despite government interventions to enhance home ownership, little progress has been made. These interventions range from tax incentives, waiver in building approval fees, waiver on imported materials for the affordable housing program, and operationalization of Kenya Mortgage Refinancing Company to enhance access to mortgages among other interventions.

33. The Bottom-up Economic plan is cognizant of housing and settlement as a key driver for economic transformation. This is informed by the current imbalance between the demand and supply of affordable houses in Kenya as well as the potential role that the construction industry can play toward job creation and economic growth. The pressure for affordable housing will further be escalated by the current growth in the urban population, making supply a moving target. The plan aims to turn the housing crisis into an economic opportunity. It proposes to provide affordable housing to cover both Urban and rural centers. The 5-year plan includes a commitment of Ksh. 250 billion, of

which Ksh.50 billion is from the government through budgetary allocation and Ksh.200 billion is from pension funds, Assets under management (AUM) which currently stands at Ksh. 1.5 trillion and other collective investment schemes including Diaspora bonds. The funding is geared towards:

i. Increasing supply of new housing to 250,000 per annum and percentage of affordable housing supply from 2 per cent to 50 per cent. This will be achieved by structuring affordable long-term housing finance schemes, including a National Housing Fund and Cooperative Social Housing Schemes, that will guarantee off take houses from developers;
ii. Growing the number of mortgages from 30,000 to 1,000,000 by enabling low-cost mortgages of Sh10,000 and below;
iii. Giving developers incentives to build more affordable housing.

34. The delivery of the housing plan will therefore be defined by supply, demand and an enabling environment. The demand-side initiatives will include steps that affect access and lower mortgage costs. On the supply side, the government must establish an environment that encourages investors to provide funding for the project as shown 8 table.

Table 8: Drivers for Affordable Housing

Supply Side	**Demand Side**
▪ Ensuring the houses are built along an identified segmentation; Income range. ▪ Mixed use development with provision of social infrastructure ▪ Affordable developer financing ▪ Private sector financing with Government support on land, bulk infrastructure and other incentives.	▪ Provide a mix of long-term Tenant Purchase agreement (TPS) and affordable Mortgages. ▪ User verification system to ensure Equity and fairness
Incentives; Lowering costs of inputs; Tax breaks such as Zero-rating stamp duty for first time home owners.	

35. The following assumptions were put into consideration while estimating the cost of delivering these interventions:

I. The role of the government is to support unlocking private sector resources including pension funds and assets under management towards affordable housing.
II. 2.94 percent of the 2.7 million of the formally employed people earn more than Ksh. 100,000 and can afford the market mortgage; of this 36.8 percent will go for the market based mortgage.
III. Minimum value for a market mortgage qualifying property is Ksh. 4 million
IV. Current government contribution to KMRC amounting to Ksh. 7.70 billion will unlock Ksh. 16.94 billion in on-lending as per the KMRC eligibility for Primary Mortgage

Lenders which requires the nominal value of pledged home loans should exceed the aggregate outstanding balance of the loans to the financial institutions by 120%

V. Government will allocate Ksh. 1 billion to the settlement fund annually. The funds will be lent to the landless to purchase land and will be repaid at an annual interest of 5%.

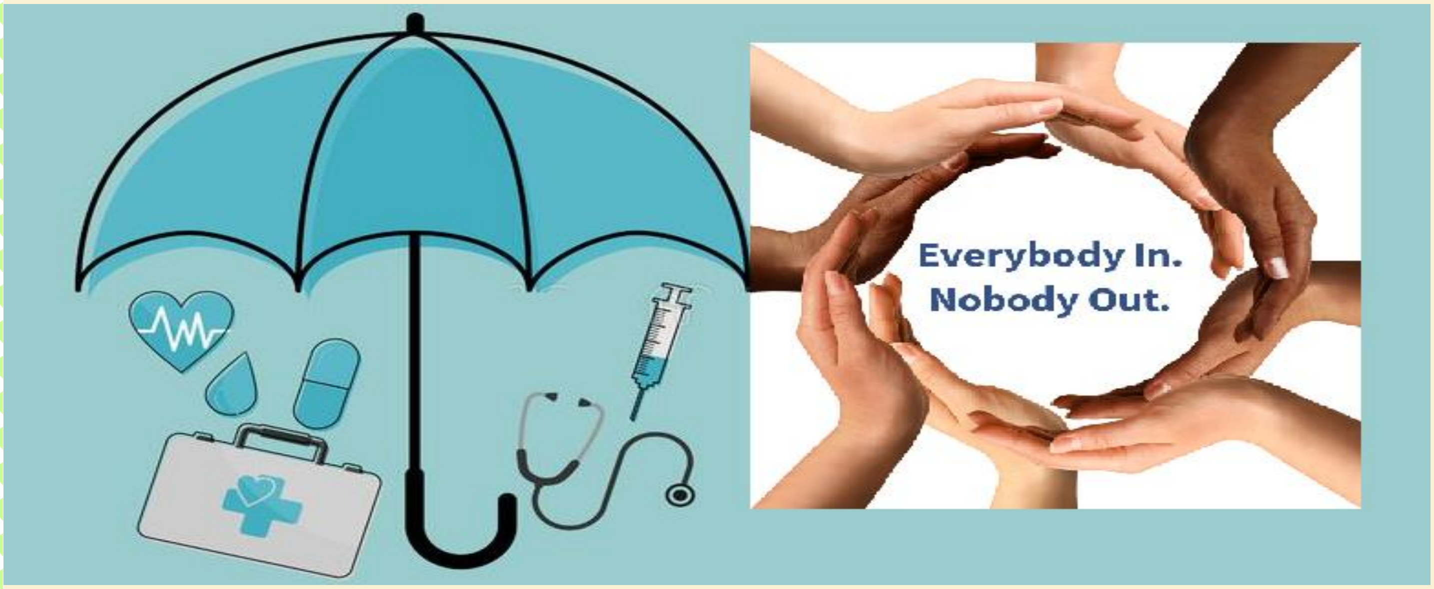
36. Based on these assumption, the government will need to allocate approximately Ksh. 57.9 billion for the five years in order to unlock Ksh. 200 billion from pension funds and the private sector. This is in additional to the Ksh. 5 billion that will be required for establishment of the settlement fund. The amount required for these interventions is higher than the commitment of Ksh. 50 billion in the manifesto.

Table 9: Cost of Housing and Settlement Proposals (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Grow the number of mortgages from 30,000 to 1,000,000 by enabling low-cost mortgages	10,480	11,000	11,550	12,130	12,740	57,900
Settlement Fund for rural settlements	1,000	1,000	1,000	1,000	1,000	5,000
Total	**11,480**	**12,000**	**12,550**	**13,130**	**13,740**	**62,900**

Source: PBO

4.4 Universal Healthcare



37. The Constitution of Kenya guarantees all citizens the right to healthcare of the highest attainable standards. The roadmap to universal healthcare is anchored on the vision 2030 as well as the big four agenda and the Kenya Health Policy. The roadmap seeks to improve the overall livelihood of Kenyans, through an efficient integrated and high-quality affordable health care system with the highest standards. The universal healthcare policy focuses on the expansion of population covered by health services, design of a single essential health benefit package to ensure access to a wide range of service areas including primary health care and establishment of financial risk protection mechanisms to ensure a unified financial scheme with very clear resource mobilization, pooling and purchasing as delinked functions.

38. The bottom-up plan is committed to continuously strengthening the resilience and coverage of healthcare services. This includes addressing the rising cases of non-communicable diseases such as cancer, heart disease and diabetes-related complications which have significant financial implications. With regard to the national total health expenditure amounting to Ksh 550B, the government caters for 63 percent, households 27 percent out of pocket, and the balance of 1 percent is financed by households through insurance schemes. The greatest burden to households is the out-of-pocket expenditure that amounts to over Ksh 150 billion. The bottom-up plan has therefore made the following additional commitments: Provide National Health Insurance Fund coverage for all of Kenyans; set up an emergency medical treatment fund; harmonize the terms of employment for all healthcare workers; integrate preventive and Promotive health services; Bring the cost of treatment down; build efficient medical supplies management system; and operationalize a National Health Information Management System.

39. Whereas the bottom-up plan considers that interventions in health are largely budget neutral, a critical review indicates that financial resources will be required, approximately Ksh. 258.98 billion, for these interventions to be fully implemented. The following are the key costing assumptions:

i. The government will employ 3,895 health workers annually over a period of five years at a cost of Ksh. 600,000 per Community Healthcare Worker.
ii. The government will employ 4,000 health officers – laboratory technologists, medical officers, clinical officers, nurses – annually at the following costs per health officer: laboratory technologists – Ksh. 600,000; Medical Officers – KSH. 2 Million; Clinical officers - Ksh. 1.2 million; Nurse – Ksh. 1 million.
iii. The commission for management of human resources for health will require approximately Ksh. 1.9 billion to be operationalized
iv. The retired officers medical scheme will be allocated approximately Ksh. 10 billion annually.
v. The co-funding of strategic programs for HIV, tuberculosis, malaria, family planning and reproductive health will require Ksh. 20 billion annually

40. The plan also commits to critical healthcare reforms including delinking financing of primary healthcare from public facilities by establishing stakeholder managed Primary Health Care (PHC) funds as strategic purchases at leach "Level 4" facility, establishment of a stakeholder managed national procurement scheme while working towards a regional pharmaceutical manufacturing hub as well as undertake NHIF reforms with regard to contribution structure, enrolment and governance.

Table 10: Cost of Interventions under Healthcare (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Employ and initiate payment for community health workers	2,315	4,746	7,299	9,979	12,793	37,132
Prioritize employment of 20,000 healthcare workers	4,360	8,938	13,745	18,792	24,092	69,927
Establish commission for management of health human resources without undermining devolution	348	365	384	403	423	1,923
Kenya Association of Retired Officers medical schemes	10,000	10,000	10,000	10,000	10,000	50,000
Seed deposit for co-funding strategic programs for HIV, tuberculosis, blood transfusion, malaria, family planning, and reproductive health	20,000	20,000	20,000	20,000	20,000	100,000
Total	**37,023**	**44,049**	**51,427**	**59,174**	**67,308**	**258,981**

Source: PBO

4.5 Digital Superhighway and Creative Economy

41. The contribution of the information and communication technology to national development is well captured in the vision 2030 where it is envisioned as a key enabler to social and economic transformation. The sector's growth strategy, the Kenya National Digital Master Plan 2022-2032, provides the roadmap for digital transformation. The strategy is anchored on four pillars including Digital Infrastructure, Digital Government Service, Product and Data Management, Digital Skills and Digital Innovation and Enterprise. Some of the flagship projects under the master plan include installation of 100,000km of high speed fiber optic infrastructure to provide internet to all Schools, government institutions/offices, Metro-cities, health facilities, rural businesses, homes and public space.

42. The bottom-up economic transformation plan seeks to leverage the digital superhighway to enhance access to high-speed, accessible, and affordable internet services which is not an end in itself but also a means to deliver the other pillars. In this context, the digital superhighway is viewed as an enabler of delivering other commitments efficiently and effectively. This pillar consists of two components: the digital superhighway that constitutes the requisite infrastructure and support systems; and the human ingenuity, talents, and creativity in the realm of arts, filmmaking, and music among others.

43. To achieve this, the plan has proposed a number of measures including expanding broadband connectivity by over 100,000 KMs, automation of government services, development of business process outsourcing (BPO) industry, promotion of software development for export, and reducing the cost of data and calls among others. The plan is also cognizant of the need to implement the Kenya Digital Masterplan which most of these proposals have been derived.

44. The plan indicates a financial commitment of Ksh. 40 billion to be financed through the Universal Service Fund. A critical review of the interventions has been undertaken using the following key costing assumptions:

i. The government will provide approximately Ksh. 2 billion annually for the digitization and automation of critical government services.

ii. The cost of establishment and maintenance of the Presidential Advisory Council on Science and Technology is estimated at Ksh. 100 million annually.

45. It should be noted that interventions in the creative economy are largely policy and regulator in nature and therefore cannot be fully costed at the moment. These include the passing of the creative economy bill, enforcement of copyright laws and development of a government powered arts and crafts industry information portal. The plan is to establish a similar financing framework as is proposed for sports.

Table 11: Cost of the Digital and Creative Economy Proposals (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Digitization and automation of all government critical processes	2,000	2,000	2,000	2,000	2,000	**10,000**
Presidential Advisory Council on Science and Technology	100	105	110	116	122	**553**
Total	**2,100**	**2,105**	**2,110**	**2,116**	**2,122**	**10,553**

Source: PBO

4.6 Road Network

46. Quality and adequate road infrastructure remains a critical enabler towards the achievement of socioeconomic transformation. Roads play a pivotal role not only in reduction of transport costs but also directly facilitates growth of the primary sectors of the economy. Kenya's road network is approximately 161,451km valued at over Ksh 3.5 trillion. Of these, 21,826 KMs are categorized as paved and 140,007kms as unpaved. The sector is however faced with stalled projects and has many ongoing projects as well as huge pending bills.

47. The bottom up economic transformation agenda is cognizant of the significant contribution an elaborate road network can make to the country. The plan notes that through adoption of low volume seal roads the country has been able to make significant strides in expanding the road network. The plan therefore commits to complete all roads under construction and prioritize upgrading and maintenance of rural access roads as well as the improvement of roads infrastructure in urban informal settlement and critical national and regional trunk roads that have the highest immediate economic impact.

48. The plan has made a financial commitment of Ksh. 200 billion (current MTEF commitment). Furthermore, there is a proposal to securitize the road levy to mobilize more resources for road construction. A critical review of the adequacy of the resource requirements has been undertaken using the following key costing assumption:

i. The cost structure of road construction remains the same with minimal adjustments

49. Total cost of completing all ongoing national government roads projects is estimated at Ksh. 823.3 billion inclusive of existing pending bills estimated at Ksh. 140 billion. This is above the commitment under the MTEF. The cost estimate is only towards completion of ongoing roads, the construction of new roads and rehabilitation of the existing has not been done at this juncture since no indicative targets are provided in the plan.

Table 12: Cost of Completing Ongoing Roads (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Completion of all roads under construction	149,000	156,450	164,273	172,486	181,110	823,319
Total	**149,000**	**156,450**	**164,273**	**172,486**	**181,110**	**823,319**

Source: PBO

4.7 Energy

50. Energy is a critical component in the economy, standard of living and a matter of national security of a country. The level and the intensity of energy use in a country is a key indicator of economic growth and development. The energy sector also plays a significant role as a contributor to fiscal revenues through taxes, levies and duties imposed on various petroleum products, electrical energy and materials sourced by service providers for operations, maintenance and infrastructure development. The sector is guided by the National Energy Policy of 2018 whose objective is to ensure sustainable, adequate, affordable, competitive, secure and reliable supply of energy at the least cost geared to meet national and county needs while protecting and conserving the environment.

51. The Bottom-up plan acknowledges the progress made so far in enhancing electricity connectivity especially through the last mile connectivity. Despite these efforts however, energy prices remain high for a majority of Kenyans. The plan seeks to build on these successes to alleviate the challenges facing the sector. Regarding the challenges facing Kenya Power, it is noted that electricity consumption has not increased as expected even as operational costs increased, and this has affected its financial performance. The plan commits to improve reliability and bring down the cost of electricity through revamping the transmission and distribution network; accelerated geothermal resources development; development of Liquefied Natural Gas (LNG)

storage facility in Mombasa; and enforcing transparency and public accountability of the electricity sector.

52. With regard to the petroleum sector, the plan commits to set up a legal framework to ring-fence the Fuel Stabilization Fund; leverage the financial support that will be provided through the Hustler Fund to develop the nascent EV motorcycle assembly industry; create incentives for adoption of electric mass transit systems in all cities and towns.

53. The bottom-up plan does not expressly indicate the amount of finances to be devoted to this sector. However, a critical review of the resource requirements indicates that approximately ksh. 20.9 billion will be required. The following are the key costing assumptions:

i) Government shareholding in Kenya Power will be reduced from 51% to 15% in the first year. This is likely to lead to additional revenue collection.
ii) The cost of drilling and exploration of the Suswa Phase I project is estimated at Ksh. 22.9 billion to be undertaken over a period of 5 years.
iii) The Government will construct 1000 electric vehicle charging stations. 700 in urban areas and 300 along the highways. The average cost of electric vehicle charging infrastructure is estimated at Ksh 3 billion over the 5 years.

Table 13: Cost of Energy Sector Proposals (Ksh, Millions)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Turn around Kenya Power by delinking Government development initiatives, leaving it to operate on commercial principles.	5,000)	-	-	-	-	(5,000)
Accelerate geothermal resources development	4,584	4,584	4,584	4,584	4,584	22,920
Roll out electric vehicle (EV) charging infrastructure in all urban areas	600	600	600	600	600	3,000
Total	**184**	**5,184**	**5,184**	**5,184**	**5,184**	**20,920**

Source: PBO

4.8 Manufacturing

54. Since independence Kenya has made several initiatives towards the development and growth of the industrial sector. However, even though these efforts have resulted to a relatively larger industrial sector in the region, they have not been dynamic enough to transform the sector into an engine of economic growth. The sector is recognized as a key tenet of development in the vision 2030 and the big four agenda. Key policy documents including the sectoral growth strategy and the National Industrial Policy seek to enable the industrial sector to attain and sustain an annual sector growth rate of 15%. The objective is to make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation. However, the manufacturing sector has been performing dismally with its contribution to GDP declining year in year out.

55. The bottom up economic transformation agenda has identified priority interventions in the leather, building products, pharmaceutical supplies and garments and textiles. The plan commits to set up leather industry clusters in Athi River, Narok, Isiolo and Wajir and secure linkages with overseas markets. In the building sector, the plan proposes to establish standards to enable Juakali to produce mass fittings such as windows and doors. In the pharmaceuticals, the plan is to work with the pharmaceutical industry to address the tax regime and cost of doing business; leverage on UHC to identify and scale up manufacturing of essential supplies; and leverage human capital towards a regional pharmaceutical manufacturing hub. In the apparel industry, the plan commits to work with the export industry to develop a viable cotton raw material supply chain. To estimate the resource requirements of these interventions, the following are the key costing assumptions:

i. The government will construct 250 feedlots in each leather industry cluster at a cost of Ksh. 1.5 million each. The county governments will provide land.
ii. The county governments in which the feedlots and leather industry clusters are located will facilitate their linkage to the Kenanie Leather Industrial Park.

56. Many other interventions are regulatory in nature and may therefore not be fully costed. These include addressing the tax regime and cost of doing business as well as developing a viable raw material supply chain.

Table 14: Cost of Interventions under Manufacturing (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Set up Leather industry clusters in Athi River, Narok, Isiolo and Wajir	300	300	300	300	300	1,500
Total	300	300	300	300	300	1,500

Source: PBO

4.9 Sports

57. The Sports sector plays a crucial role in the overall development of the Kenyan economy and the well-being of its people. The vision 2030 notes that the government will undertake a number of programs to promote sports development as a source of employment for the youth. This includes the establishment of a national lottery scheme to fund and support the professionalization of local sporting leagues across the major sporting disciplines; facilitation and encouragement of better management of sports; professionalization of sports through the introduction of professional coaches in schools; establishment of facilities for various sports; County Youth Development Centre of Excellence; and a network of national academies for young people each one specializing in a particular sport. The performance of the sports sector is still below par due to challenges mostly emanating from mismanagement and wrangles in the sector.

58. The bottom-up economic transformation plan commits to the following: establish a high-level expert task force to identify sustainable sources of sports funding; consider the setting up of a national lottery and tax incentives for corporate sponsorship; establish and resource adequately a dedicated function within the Tourism Promotion Council to attract international sporting events; develop a domestic sports apparel manufacturing cluster; expand the National Youth Talent Academy (NYTA) to include all sports and simultaneously devolve it to county level; promote county leagues and inter-county sports championships that will culminate into a national annual sports extravaganza; and return Kenya to international football.

59. To determine the resource requirements to implement these interventions, the following are the key costing assumptions:

i. The cost of setting up the national lottery is estimated at Ksh. 500 million. The lottery will be set up in the first year and operationalized in the second year.
ii. The government will construct at least 9 academies each year targeting to complete all 47 in the 5th year, at a cost of Ksh. 100 million.
iii. County government will provide land for construction of the sports talent academy.

60. From the costing, it is estimated that approximately Ksh. 5.2 billion will be required to implement proposals under this sector.

Table 15: Cost of Interventions under Sports (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Setting up of a national sports lottery	100	100	100	100	100	500
Expand the National Youth Talent Academy to include all sports and devolve it to county level	940	940	940	940	940	4,700
Total						**5,200**

Source: PBO.

4.10 Environment and Climate Change

61. The environment is one of the country's greatest heritage but it has been under progressive threats emanating from climate change and unsustainable land use practices. To alleviate this, the country has developed numerous policy documents and interventions. Vision 2030 aims to achieve a clean, secure, and sustainable environment for Kenya by 2030. The sector strategy paper, the National Environment Policy, and the Kenya Climate Change Action Plan all provide a roadmap toward this objective. Some of the success stories include the banning of the use of plastic carrier bags and the recent attainment of the 10 percent forest cover. Despite these efforts however, the vagaries of climate change continue to threaten lives and livelihoods as manifested in the ongoing droughts.

62. The Bottom-up plan proposes to adopt a 3P solution (people, planet, profit) approach to promoting environmental management. The priority value chains for intervention include Biomass energy (wood fuel), agroforestry and solid waste management. Under agroforestry, the plan commits to developing policy and regulatory framework to attract climate finance funds into the sector and establish 5 million acres of agroforestry woodlots in drylands. Under the biomass energy value chain, the plan commits to decriminalizing the charcoal trade, modernizing and commercializing the charcoal value chain; promoting youth-owned and operated briquette-making enterprises and supporting the scaling up of clean cooking technologies. With regard to solid waste management, the plan commits to organizing waste collectors into cooperatives and providing "circular economy" waste separation sites/infrastructure.

63. To determine the resource requirements to implement these interventions, the following are the key costing assumptions:

i) The government will set up 1 million acres of agroforestry woodlots annually at a cost of Ksh. 2000 per acre.

64. The total cost is therefore estimated at Ksh. 24 billion. Notably, many of the proposed interventions are regulatory in nature and have therefore not been costed

Table 16: Cost of Proposals under Environment (Ksh, Million)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Establish 5 million acres of agroforestry woodlots in drylands	2,000	2,000	2,000	2,000	2,000	10,000
Support scaling up of clean cooking technologies	2,000	2,000	2,000	2,000	2,000	10,000
Provide "circular economy" waste separation sites/infrastructure	800	800	800	800	800	4,000
Total	**4,800**	**4,800**	**4,800**	**4,800**	**4,800**	**24,000**

Source: PBO.

4.11 Education

65. Education is a key indicator and driver for socio-economic development. The global development agenda as outlined in the Sustainable Development Goal 4 (SDG 4) strives to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Education is therefore viewed not just as an end in itself but also as a means of attainment and sustainability of the other SDGs. The Constitution of Kenya 2010, underpins the right to education for all children whereas the country's development blueprint, Vision 2030, reiterates the role of education as an enabler of its achievement. To this extent, the government has implemented policies such as free primary education, free day secondary education, subsidization of boarding secondary schools, expansion and reforms in university education, establishment, staffing and equipping of technical and vocational training institutions, and emphasis on 100% transition at all levels as well as the roll-out of the competency-based curriculum.

66. The bottom-up economic transformation agenda is conscious of education as the ultimate means of ensuring an equitable society. It ensures that every child has a chance to fulfill their potential and rise to the highest level of accomplishment irrespective of their social background. The plan has made the following additional commitments to promote equitable education: establishment of a Special Service Tariff for all learning institutions for basic utilities such as water, electricity and internet connection; review of the current exam-based system of academic progression by implementing alternative entry criteria; setting up of a National Open University to increase access and reduce the cost of university education while making 100 percent transition to higher education a reality; establishment of a one-year paid national internship programme for all students graduating from teacher, technical and medical colleges and universities through collaboration with industry players; and increase funding for research and development from the current 0.8 percent to 2 percent of GDP.

67. The plan however, does not indicate any financial commitment to these interventions though they have budgetary implications. It is estimated that Ksh. 635.3 billion will be required to fully fund this pillar. In determining the cost of the initiatives, the following assumptions were put into consideration:

i. A total of 70,000 in service teachers will be trained on an annual basis at a cost of Ksh. 6000 per teacher.
ii. An estimated annual recruitment of 20,000 primary school teachers and 38,000 secondary school teachers will be undertaken. The estimated average annual cost of maintaining a primary school teacher is Ksh. 300,000 and that of a secondary school teacher is Ksh. 480,000
iii. 50% of day secondary schools and 70% of day secondary schools lack laboratory facilities. The government will build 2 classrooms and an omnibus laboratory in each

school. The cost of building a classroom is estimated at Ksh. 800,000 and the cost of building an omnibus laboratory is Ksh. 4.5 million.

iv. It will cost Ksh. 40 million to construct a TTI. 52 TTIs will be constructed within two years.

v. The school feeding programme will require an additional Ksh. 1.9 billion to increase the number of beneficiaries from 2 million to 4 million.

vi. The number of ECD learners will increase annually by 0.5% and the learners will be provided with meals at a cost of Ksh. 25 per day.

68. Based on these assumptions, the cost estimates presented in table 17 were obtained.

Table 17: Cost of Interventions in the Education Sector (Million Kshs)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Pay for in-service teacher training initiated by the Government	409	409	409	409	409	2,046
Bridge the current teacher shortage of 116,000 within two financial years	24,240	49,692	52,177	54,785	57,525	238,419
Improve capacity of day schools to guarantee access to quality education and reduce their costs.	5,767	5,767	5,767	5,767	5,767	28,835
Establish a National Skill and Funding Council that amalgamates HELB, TVET, and UFB and increase funding to bridge the current 45% gap.	55,000	55,000	55,000	55,000	55,000	275,000
Build and equip TVETs in the remaining 52 constituencies in the first two years	1,040	1,040	-	-	-	2,080
Double the amount of money allocated to the school feeding program to double beneficiaries from to four million	1,900	1,900	1,900	1,900	1,900	9,500
Provide conditional grants to counties for school feeding to raise the numbers to 8 million in primary and ECD centers	15,727	15,806	15,885	15,964	16,044	79,426
Total	**104,083**	**129,614**	**131,138**	**133,826**	**136,645**	**635,306**

Source: PBO

4.12 Women Agenda

69. The Constitution of Kenya commits to gender equality and women empowerment and provides the national values and principles that bind all Kenyans in implementing public policies including those that relate to marginalized groups. Efforts to bridge the gender gap and promote equality include the constitutional gender and equality commission, establishment of the women enterprise fund and Uwezo fund to support women owned enterprises, and the roll out of the Access to Government Procurement Opportunities (AGPO) initiative that seeks to integrate women into government service provision. Despite these interventions however, there have been other setbacks including the failure to legislate on the one-third gender rule requirement for elective and appointive positions.

70. The bottom-up plan acknowledges that women are largely excluded from participation and decision-making in the country's governance and political institutions. In order to cement women's role in socio-economic transformation, the following commitments have been made: provide financial and capacity-building support for women through the Hustler Fund for women-led enterprises; increase the number of, and personnel at, gender desks in police stations; increase funding for the Anti-Female Genital Mutilation (FGM) Board and fully implement the anti-FGM law; establish a social welfare fund for Kenyan women working abroad to provide a safety net for distressed diaspora citizens; and provide free sanitary towels in all schools and public washrooms.

71. While most of the interventions are regulatory in nature and will not require additional budgetary allocations, others will have financial implications yet no financial commitment has been indicated in the manifesto. To determine the cost estimate of these interventions the following assumptions were made:

i. Government will provide at least 25 million sanitary towels each year.
ii. Each pack of sanitary towels is costed at Ksh. 90.

72. Based on these assumptions, the cost estimates presented in table 18 were determined.

Table 18: Cost of Implementing the Women Agenda (Millions, Kshs)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Provide free sanitary towels in all schools and public washrooms	2,250	2,363	2,481	2,605	2,735	12,433
Total	**2,250**	**2,363**	**2,481**	**2,605**	**2,735**	**12,433**

Source: PBO

4.13 Social Protection

73. Social protection is a critical need in Kenya due to the overwhelming number of people who face various threats to their livelihood given their vulnerability and low adaptive capacity. The most vulnerable are usually the aged, women, children, people living with disabilities and the marginalized. Aware of this, the government has put in place several social protection programmes. A notable intervention is the National Safety Net Programme (NSNP) which provides social security to persons who are unable to support themselves and their dependents. The programme incorporates four cash transfer programmes: the cash transfer to orphans and vulnerable children (CT-OVC), the older persons' cash transfer (OPCT), the persons with severe disabilities cash transfer (PWSD-CT) and the Hunger Safety Net Program (HSNP).

74. The Bottom Up economic transformation agenda is cognizant of the need to scale up and expand the social protection initiative. In this regard, the following commitments have been made: establishment of a universal social security system; encompassing pension; occupational hazard and unemployment insurance; eradicate malnutrition within five years; improve learning outcomes by pledging to connect all schools to the internet; Ensure 100 percent NHIF coverage for PWDs within 18 months; integrate schools to allow children with disabilities to start interacting with the general public at an early age; merge the National Fund for the Disabled of Kenya (NFDK) with National Council for Persons with Disabilities (NCPWD) and ensure parliamentary oversight for accountability; increase capitation of pupils with disabilities by 50 percent; set aside 15 per cent of all public funded bursaries for pupils with disabilities; and ring fence adequate percentage of the Hustler Fund for PWDs.

75. The following key assumptions were put into consideration while costing these interventions and the resultant cost estimates are presented in table 19.

i) Approximately 1.5 million children (of which 26% are under five years of age) are either facing or at risk of acute malnutrition annually.

ii) The government will provide Ready to Use Therapeutic Food (RUTF) rations for these children at the cost of Ksh. 14,000 for one child per year.

Table 19: Cost of Interventions under Social Protection (Ksh, Millions)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Eradicate malnutrition within 5 years	21,000	22,050	23,153	24,310	25,526	116,038
Total	21,000	22,050	23,153	24,310	25,526	116,038

Source: PBO

4.14 Governance

76. The Constitution of Kenya recognizes the rule of law and people-centered governance as key tenets of constitutionalism. Vision 2030, notes that for transformative socioeconomic development to be sustainable, there is need for progressive reforms in the governance structure to create an enabling environment for the private sector to thrive and drive economic growth. The role of public sector governance and the institutional capacity to undertake this mandate is a critical component of sustainable development.

77. The bottom-up plan is conscious of the need to continuously strengthen the institutional capacity of governance structures. In this regard, it commits to the following: bolstering the financial and technical capabilities as well as the independence of all independent institutions as per chapter 15 of the constitution; institutionalization of human rights-based approaches to Counter-Terrorism (CT) including strengthening the Special CT Courts to ensure speedy and fair trials; ending the weaponization and politicization of anti-corruption efforts by allowing relevant institutions to freely exercise the independence given to them by the Constitution; entrenching the independence of the Judiciary by operationalizing the Judiciary Fund; promote accountability and openness in the management of public affairs; and institutionalization of open governance in all state agencies, and publish an annual State of Openness Report. To determine the cost implication of these proposals, the following assumptions were considered:

i. The office of the Attorney General will recruit 100 additional state counsels. The cost of hiring and maintaining one legal counsel per year is Ksh. 4 million.
ii. Government will operationalize the 36 remaining county offices for the Office of the Registrar of Political Parties (ORPP). The cost of running each of the county offices per year is Ksh. 7.2 million.
iii. Establishment of the Coroner General's office will require an estimated 50 employees and will cost approximately Ksh. 10 million annually for day to day operations.
iv. The National Police Service will contribute Ksh. 400 per officer per month to the Benevolent Fund for families of fallen and terminally ill officers. The number of police and prison officers is currently 130,000. There will be a net growth in the number of police officers at 2% per annum.
v. Government will increase the terms and benefits of security officers by 9.2% - the current inflation rate.

78. Based on these assumptions the cost estimates presented in table 19 were derived.

Table 20: Cost of Proposals in the Governance Sector (Ksh, Millions)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Equipping the Attorney-General with the resources and ability to safeguard the public interest in court	400	420	441	463	486	2,210
Strengthen Office of the Registrar of Political Parties	259	272	286	300	315	1,432
Ending all forms of extra-judicial executions by security services, and establishing the Coroner-General's Office	120	126	132	139	146	663
Establish a contributory Benevolent Fund for families of fallen and terminally ill officers.	624	636	649	662	675	3,247
Harmonize affordable housing mortgage (similar to that of the Judiciary and Parliament)	6,200	1,000	1,000	1,000	1,000	10,200
Commission review of terms of service for all security officers to be commensurate with the cost of living	5,980	6,279	6,593	6,923	7,269	33,043
Total	**13,583**	**8,734**	**9,101**	**9,487**	**9,891**	**50,796**

Source: PBO

4.15 Foreign Policy and Regional Integration

79. In the contemporary globalized world, the need for cooperation, collaboration and building partnerships across borders cannot be understated. Kenya's foreign policy orientation is geared towards improving and enhancing mutually beneficial bilateral networks and multilateral relations which seek to promote and guarantee national and socioeconomic interests of the country. In this regard, the country has established missions and diplomatic offices in various countries, ratified numerous global treaties and protocols and entered into bilateral and multilateral agreements that not only secure the interest of the country but of humanity as a whole. In return, the country has secured markets for its products and source of commodities it requires. It has also defined itself as a key recipient of diaspora remittances that play a central role as a source of foreign exchange earnings.
80. The bottom-up economic transformation agenda seeks to continue promotion of national interests in the global arena as well as strengthen and deepen cooperation at the regional, continental and global level. The plan commits to the following: leverage international engagements to create opportunities for citizens, businesses and investors; create a Ministry for Diaspora Affairs; establish new and enhanced trade and investment channels in order to promote further local investment by Kenyans living in the diaspora; raise Kenya's profile as a regional anchor state and amplify our partnership with the rest of the world.

81. The following assumptions were taken into consideration while estimating the cost of delivering these interventions.

i. For improved service delivery of the Kenyan missions abroad, the budgetary allocation for domestic travel will double from the current Ksh. 120 million to Ksh. 240 million.
ii. An annual inflation rate of 5% is considered.

Based on these, the cost estimates presented in table 20 were derived.

Table 21: Cost of Proposals under the Foreign Policy Domain (Ksh. Millions)

Intervention	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Improve service delivery through decentralizing functions of Kenyan missions abroad	120	125	130	135	140	650
Total	**120**	**125**	**130**	**135**	**140**	**650**

Source: PBO.

4.16 Summary of Cost Estimates by Sector

82. The cost estimates for interventions under each sector were aggregated and summarized in table 22. The sectors with the largest resource requirement include the roads (823 billion), Education (635 billion) MSME (398 billion), healthcare (259 billion) and Agriculture (250 billion). The low resource requirement under the manufacturing may be explained by the fact that there are multiple interventions across other sectors that are enablers of the manufacturing sector. These interventions are in the energy, MSME, agriculture, housing among other sectors.

Table 22: Summary of Cost Estimates (Ksh, Billions)

Sector	Estimated Cost (Ksh. billions)					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**
Agriculture	50.0	50.0	50.0	50.0	50.0	**250.0**
Micro Small & Medium Enterprises	76.0	77.7	79.4	81.3	83.2	**397.7**
Housing, Settlement & Lands	11.5	12.0	12.6	13.1	13.7	**62.9**
Healthcare	37.0	44.0	51.4	59.2	67.3	**259.0**
Digital and Creative Economy	2.1	2.1	2.1	2.1	2.1	**10.6**
Roads	149.0	156.5	164.3	172.5	181.1	**823.3**
Energy	0.2	5.2	5.2	5.2	5.2	**20.9**
Manufacturing	0.3	0.3	0.3	0.3	0.3	**1.5**
Sports	1.0	1.0	1.0	1.0	1.0	**5.2**
Environment and Climate Change	4.8	4.8	4.8	4.8	4.8	**24.0**
Education	104.1	129.6	131.1	133.8	136.6	**635.3**
Women Agenda	2.3	2.4	2.5	2.6	2.7	**12.4**
Social Protection	21.0	22.1	23.2	24.3	25.5	**116.0**
Governance	13.6	8.7	9.1	9.5	9.9	**50.8**
Foreign Policy and Regional Integration	0.1	0.1	0.1	0.1	0.1	**0.6**
Total	**473.0**	**516.5**	**537.1**	**559.9**	**583.8**	**2,670.3**

Source: PBO

V. Emerging Issues

83. **Fiscal Consolidation**: The proposed fiscal consolidation plan is laudable, however, cutting expenditure in the existing fiscal framework while accommodating the cost of implementing the manifesto proposals may prove an arduous task.

84. **Financing:** The financing plan proposes to halt commercial borrowing, reduce domestic borrowing and capitalize on concessional financing. Given the cost implication for the agenda in the aforementioned costing scenarios, overreliance on concessional financing may not be achievable in the short-run due to the volatility of concessional financing and the time required to negotiate for the same. Further, the agenda proposes the securitization of pending bills, however, it is not elaborate since converting them to a long term debt instrument that will be redeemed over time may seriously hurt concerned MSMEs, who are individually owed considerably smaller sums of money by the government.

85. **Prioritization:** The interventions within specific sectors are not prioritized as proposed in the framework. Therefore, it's not possible to rank them in order of priority and optimally allocate the scarce resources. Further an attempt to implement multiple interventions may result to some not being adequately funded and others not realized.

86. **Implementation:** some of the proposed interventions such as the MSME fund will require enactment of an enabling legal instruments, as such their architecture may significantly be altered from what is proposed. Further, some interventions such as those under agriculture and healthcare are devolved, there is no implementation arrangement that has been proposed in the plan to ensure efforts are not duplicated and the principle of complementarity prevails.

87. **Budget Neutrality:** There are proposals that the plan has alluded to as being budget neutral but in reality they require additional resources. This include intervention under healthcare that may require over Ksh. 259 billion over the five years. This may have a negative implication on the envisioned fiscal framework.

88. **The Public-Private Partnership:** Exploring a PPP financing model for projects in the Energy, ICT, Housing, Health, Water and Sanitation will fast-track the actualization of priorities in the agenda. However, interventions to be undertaken through PPP require a cautious approach. The experiences from the previous arrangements have revealed some challenges in terms of timeliness, cost and institutional rigidities. A critical consideration of the PPP proposals will be important to ensure relatively more favorable terms. Some PPP may also result in contingent liabilities if not properly designed and implemented.

89. **Universal Health Care:** The cost of providing UHC has not been factored in the cost estimates. Such costing is usually complex and it involves deeper analysis of supply factors such as available health facilities, level of technology, protocols and demand factors such as demography, epidemiology amongst other factors. However according to World Health Organization, a low income country would need to spend $ 60 per capita to ensure health system capable of providing current and emerging health care needs.