

Kenya's 2022 Elections

Given the ongoing campaigns environment, we shall be tracking campaign promises that have economic implications and thereafter analyze their feasibility and impact to the budget

Date	Promise	Sources	Impact on the Economy	Our view
May 2021	Bottom-Up Economic Model (UDA): <ul style="list-style-type: none"> A blueprint targeting to promote the informal sector to spur economic growth and job creation, UDA promises to change the current economic model from Capital Intensive to a Labor intensive model that promotes job creation, The bottom-up model seeks to empower ordinary Kenyans and Small and Medium Enterprises (SMEs) through creation of a business environment where SMEs can thrive. They intend to achieve this through; promotion of Entrepreneurship, access to cheap credit, removal of the high tax environment as well as the hostile working environment for businesses, (but the specifics have not yet been detailed out), and, Through the Bottom-up economic model, the party promises to expand Kenya's tax base whereby a progressive tax structure will be enforced. The progressive tax structure will ensure that the higher income earners in Kenya pay more tax than low income earners, We await the specifics of the announced economic model to see the details 	<ul style="list-style-type: none"> DP William Ruto's Interviews at Citizen TV The Sunday Standard, July and August 2021 The Star, July 2021 Capital FM, September 2021 	<ul style="list-style-type: none"> Acceleration of economic growth through equitable distribution of resources, Growth in the informal sector as more jobs are created, Through the expansion of the tax base, Kenya's revenue collection which continues to lag behind the target will improve as KRA will be able to collect more taxes from high income earners. 	The Pros: <ul style="list-style-type: none"> Given that the bottom up model seeks to spur the growth of the informal sector, we believe that this will only be achieved through the accessibility of cheaper sources of financing. However, the high credit risk associated with lending to the informal and private sector will continue to hamper the growth of the sector as banks continue to shy away from lending, The Cons: <ul style="list-style-type: none"> The party promises to commit finances to grow the SMEs in Kenya, however, given Kenya's high Corruption levels, we might continue to see more misappropriation of funds as has been seen previously, and, Our Take: <ul style="list-style-type: none"> We await the details of exactly what UDA means by bottom up economic model, how it will be financed and the expected impact to the economy
July 2021	Monthly Disbursements to Families (ODM): <ul style="list-style-type: none"> Disbursement of Kshs 6,000 per month to approximately 2 mn households with no income once elected, Focus on the revitalization of the rural economy through improved infrastructure, provision of clean water and access to cheap electricity, and, Conversion of student loans offered by the Higher Education Loans Board (HELB) into a grant. 	<ul style="list-style-type: none"> The Sunday Standard, October 2021 Raila Odinga's speech in Meru County, Raila Odinga's speech at 	<ul style="list-style-type: none"> The promise to disburse Kshs 6,000 per month to 2 mn households will cost the government at least Kshs 144.0 bn per year, representing approximately 4.8% of the FY'2021/2022 budget, and, High tax environment and increased government borrowing in order to finance the initiatives 	The Pros <ul style="list-style-type: none"> This will provide a safety net for citizens at the bottom of the financial pyramid The Cons <ul style="list-style-type: none"> We believe that the disbursement of approximately Kshs 144.0 bn to 2 mn Kenyans per year may lead to higher taxes given the dismal revenue performance in the country. As at FY'2020/2021, Kenya's revenue collection had

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		Meru University		<p>amounted to Kshs 2.4 tn which was 80.1% of the government's target, and,</p> <ul style="list-style-type: none"> Consequently, Kenya's debt to GDP ratio will continue rising from the high ratios of 67.5% in June 2021 and as such, Kenya will continue to be at a risk of debt distress <p>Our Take:</p> <ul style="list-style-type: none"> We await the details of exactly how ODM intends to fund the social disbursements
October 2021	<p>Repayment of Kenya's total debt in 2 years and free secondary education (OKA):</p> <ul style="list-style-type: none"> The party promises to utilize the untapped natural resources in Kenya such as Copper, which will be used to clear Kenya's debts within two years after coming into power Food Security – OKA plans on boosting agriculture by offering subsidies on farm inputs and Guaranteed Minimum Returns (GMR) for farmers Free Secondary Education – OKA has promised reforms in the education sector, including the introduction of free secondary education. Expanding the tax base – The party has also promised to widen the tax base by increasing the corporate tax 	<ul style="list-style-type: none"> Kalonzo Musyoka's speech at ATG Church, Thika KTN News, Nov 5th 2021 	<ul style="list-style-type: none"> The guarantee to clear all debts within two years will cost the government at least Kshs 2.0 tn per year to service just the external debt, this represents approximately 54.1% of the budget for the current fiscal year, Increased government borrowing in order to deliver on their promises of offering subsidies to farmers, GMRs and provision of Free Secondary Education, The widening of the tax base will provide additional revenue for the government as KRA will be able to collect more tax from the corporates 	<p>The Pros:</p> <ul style="list-style-type: none"> The plan to explore untapped mineral resources will provide an additional contributor to the country's GDP and hence support economic growth, Employment opportunities created in the mining sector will provide an income source to many individuals and help improve living standards, and, Improved revenue performance which has historically lagged behind its target <p>The Cons:</p> <ul style="list-style-type: none"> The allocation of such a substantial amount of the budget to debt payment will leave insufficient funds to be utilised in other more vital areas of the economy, and, High risk of debt distress given the increased borrowing in order to fund some of these initiatives. We believe that these initiatives are not feasible given that it is highly unlikely that the mineral exploration project will generate Kshs 8.0 tn, the current outstanding public debt, within two years <p>Our Take:</p> <ul style="list-style-type: none"> We await more details on the draft manifesto recently released by the alliance in order to understand exactly how they intend to deliver on their promises