REPUBLIC OF KENYA

MINISTRY OF LABOUR AND SOCIAL PROTECTION

STATE DEPARTMENT FOR SOCIAL PROTECTION AND SENIOR CITIZEN AFFAIRS

STRATEGY FOR EXTENSION OF SOCIAL PROTECTION COVERAGE TO WORKERS IN THE INFORMAL AND RURAL ECONOMY IN KENYA

NATIONAL SOCIAL PROTECTION SECRETARIAT

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First published 2023

Foreword

The Government's commitment to social protection is embedded within the Legislative Framework of Kenya. The right to social protection is enshrined in the Constitution of Kenya of 2010, Article 43 which recognizes social protection as an entitlement that all citizens should be able to access. More than 60 per cent of the global workforce are in rural and informal employment. In Kenya, there are more than 19.1 million active workers, of which 80 percent labour force is active in the informal and rural economy. Meaning that eight in every ten people in Kenya's labour force are in the informal and rural economy. There are laws and regulations that affect the provision of social protection to self-employed and wage-employed workers.

Work in the informal economy is often characterized by factors exposing majority of workers in Kenya to major life cycle risks and contingencies. As a result, many of these workers are locked in a vicious circle of vulnerability, poverty, and social exclusion, which constitutes an enormous challenge not only to their individual welfare but also to Kenya's economic and social development.

The Government of Kenya has developed a strategy with clear guidelines for extending coverage and ensuring adequacy of social protection interventions that provide adequate benefits for urban and informal sector workers over the next five years (2023-2027). The extended social protection coverage achieved through health insurance protection, retirement benefit schemes, maternity benefits, and improved income protection in old age, to those with children and persons with disabilities. Additionally, the strategy seeks to improve safety and health of informal sector workers and increase access to compensation, providing opportunities for improving livelihoods as well as providing food and nutrition security.

Across Kenya, large-scale shocks are becoming more numerous, frequent, and long-term. Aligned with measures in the field of disaster risk management and humanitarian response social protection schemes can efficiently and effectively be used to respond to such shocks. To provide relief and protection to workers in the informal and rural economy, the Government intends to extend shock-responsive social protection programmes and measures that provide predictable and time-bound support and thereby enhance quick recovery from shocks and improve long-term economic resilience to the victims. Extending Social Protection Coverage to informal economy workers is a priority for the government and a key factor in building a universal and sustainable social protection systems for all: generating positive results in terms of human capital and increased productivity. The Government of Kenya is committed to improving compliance and enforcement mechanisms through existing and newly developed Policies and Regulations.

Going forward, the Government together with its Partners have an overall goal to adequately protect all workers in Kenya against major life-cycle risks and covariate shocks through: Extend coverage and ensure adequacy of social protection programmes that are inclusive for workers in the informal and rural economy; and address major barriers faced by workers in the informal and rural economy when accessing social protection schemes.

Hon. Florence Bore,

Cabinet Secretary

Ministry of Labour and Social Protection

Acknowledgements

The Strategy on the Extension of Social Protection Coverage to Workers in the Informal and Rural Economy in Kenya is a result of a participatory process that involved a Technical Committee comprising of participants from the informal sector, Development Partners, State and Non-state organizations.

The Ministry of Labour and Social Protection provided policy direction while the International Labour Organization and the Food Agriculture Organization provided both financial and technical support. I acknowledge their efforts in ensuring the country develops a framework to ensure adequate coverage of social protection for the informal workers and those in the rural economy.

I also acknowledge the input from informal sector workers, union worker representatives and rural economy for whom the Strategy is targeting as the key beneficiaries. Their contributions enriched this strategic document by providing clarity on the issues involved. The several stakeholders that were reached during the validation process offered insightful feedback.

Lastly, I appreciate the officials from the National Social Protection Secretariat, led by the Director, Jane Muyanga-Kitili for facilitating the process and ensuring the strategy's high standard.

I encourage all stakeholders to participate in the implementation of this strategy to ensure Extension of Social Protection Coverage to Workers in the Informal and Rural Economy in Kenya.

Mr. Joseph Mogosi Motari, MBS

Principal Secretary

State Department for Social Protection and Citizen Affairs

Ministry of Labour and Social Protection

Abbreviations and acronyms

ASAL	Arid and Semi-Arid lands
BWC	Beneficiary Welfare Committees
COTU-K	Central Organization of Trade Unions, Kenya
CRS	Civil Registration Services
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
CT-PwSD	Cash Transfer for Persons with Severe Disabilities
DOSHS	Directorate of Occupational Safety and Health Services
FAO	Food and Agriculture Organization of the United Nations
ESR	Enhanced Single Registry
HISP	Health Insurance Subsidy Programme
HSNP	Hunger Safety Net Programme
ILO	International Labour Organization
KES	Kenyan Shillings
KIAMIS	Kenya Integrated Agriculture Management Information System
KNBS	Kenya National Bureau of Statistics
KSEIP	Kenya Social Economic and Inclusion Project
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MSE	Micro-and Small-Enterprises
MSEA	Micro-and Small-Enterprise Authority
MSME	Micro-,Small-and Medium-Enterprises
NHIF	National Health Insurance Fund
NICHE	Nutrition Improvement through Cash and Health Education (NICHE)
NSNP	National Safety Net Programme
NSPS	National Social Protection Secretariat
NSSF	National Social Security Fund
OSH	Occupational Safety and Health
OPCT	Older Persons' Cash Transfer
UB	Unemployment benefit
UHC	Universal Health Coverage

Introduction

There are more than 19.1 million workers active in Kenya's labour market outside agriculture, of whom 16 million are active in the informal economy. This accounts for 83.7 percent of total employment outside agriculture and pastoralist activities[1]. The number of informal enterprises is estimated at more than 5 million[2]. In addition, 6.4 million households in the country are practising agriculture to earn their livelihoods on an informal basis[3].

The informal and rural economy is plagued by low coverage of social protection. The jobs in this sector are precarious in nature, thus making it difficult to effectively provide social protection coverage to the workers. Enlisting workers and enterprises operating informally under the National Health Insurance Fund (NHIF) and the National Social Security Fund (NSSF) has remained a challenge due to various factors, including inconsistency of incomes from the businesses, lack of information and lack of trust in government institutions. At the same time, most workers in the informal and rural economy have no or limited access to non-contributory social protection schemes as they often do not fulfil the eligibility criteria for such programmes.

This situation leaves the majority of workers in the country unprotected against major life-cycle risks and contingencies, such as sickness, disability, maternity or old age, as well as covariate shocks, increasingly caused by weather and climate-related hazards and economic crises. As a result, many of these workers are locked in a vicious circle of vulnerability, poverty and social exclusion, which constitutes an enormous challenge not only to their welfare, but also the countries' economic and social development.

Against this background and in line with the political priorities of the current administration, the Government of Kenya, in close cooperation with various organizations representing the informal and rural economy, decided to increase its efforts to address the low participation of the non-formal wage workforce, namely entrepreneurs and workers in the informal economy, smallholder farmers, pastoralists, fisherfolk and other self-employed in health insurance, retirement benefit schemes and non-contributory social protection, for the purpose of achieving universal social protection.

The present document is the strategic and technical foundation for the implementation of future interventions to extend social protection to workers in the informal and rural economy. It provides a comprehensive framework that will enable the effective and coordinated establishment of policies and activities to be carried out by different stakeholders and sectors within the next five years (2023-2027). The strategy builds on the Draft Kenya National Social Protection Policy, 2023[4] to advance a more robust, efficient and comprehensive social protection system that effectively answers to increasing demands and the changing social protection landscape.

Vision

An inclusive and healthy society in which the people of Kenya, including those working in the informal and rural economy, benefit from and contribute to social and economic development.

Goal

The overall goal of the strategy is to facilitate adequate protection of all workers of Kenya against major life-cycle risks and contingencies, as well as covariate shocks.

Strategic objectives

The strategy will pursue the following strategic objectives:

A. Provide clear guidelines to extend coverage and ensure adequacy of social protection programmes that are inclusive for workers in the informal and rural economy, and

B. Outline specific steps to address major barriers faced by workers in the informal and rural economy when accessing social protection schemes

[1] KNBS 2023. Economic Survey 2023
[2] KNBS 2016. Micro, Small and Medium Establishments. Basic Report 2016.
[3] KNBS 2019. Kenya Population and Housing Census 2019.
[4] Yet to be approved

Guiding principles

The implementation of the strategy will be guided by a set of core principles, outlined in the Draft Kenya National Social Protection Policy, 2023, namely:

- Inclusive life cycle approach: addressing challenges faced by workers of all ages throughout their life cycle.
- Rights-based approach: the provision/implementation of social protection shall take note of every worker's right to social protection as an entitlement.
- Equity, non-discrimination and social justice: building a more equitable society in line with the Constitution of Kenya, which states that "the State shall not discriminate directly or indirectly against any person on any ground, including race, sex, pregnancy, marital status, health status, ethnic or social origin, colour, age, disability, religion, conscience, belief, culture, dress, language or birth."
- Gender equality and women's empowerment: promoting equal rights and opportunities for all genders in the design and implementation of social protection interventions.
- Leadership and integrity: the government will provide leadership and integrity for the social protection sector, in line with Chapter 6 of the Constitution of Kenya, 2010.
- Good governance, accountability and participation: social protection programmes will be transparent, consultative, and inclusive. Accountability to workers, as well as their participation in the policy setting and implementation will be integral to the sector.
- Adequacy, affordability and sustainability: the government will ensure sustainability and quality of benefits and services, considering the country's economic status.
- Flexibility and responsiveness: The system will respond to emergencies and social and economic shocks within changing contexts through coordinated institutional channels.
- Evidence-based: The government will ensure that social protection policy and programmes are informed by the evidence generated through research, monitoring, evaluation, research and learning (MERL), conducted regularly by credible and independent national and international institutions.
- Common standards: State and non-State actors involved in implementing and supporting the strategy will commit to common sets of performance and financial management standards and reporting procedures.

Target group

The main target group of the strategy are workers active in the informal and rural economy, including self-employed (employers, own-account workers, smallholder farmers, pastoralists, fisherfolk and unpaid contributing family members), as well as wage-employed (informal employees working either for formal or informal enterprises, or a household, casual, seasonal or day labourers, and industrial outworkers). Vulnerable groups, such as women workers, workers with disabilities or chronic diseases, migrant workers and refugees, as well as workers living in remote rural areas are a particular target group of this strategy.

Target audience

The target audience of the strategy includes all ministries and agencies involved in the field of social protection or in fields related to the formalization of workers and economic units in the country. It is also addressed to county governments engaged in improving access to social protection in their respective territories. Important partners for the implementation of the strategy will be organizations representing informal and rural economy workers and businesses, such as workers' and employers' representative organizations, associations, cooperative societies or self-help groups. Development partners, civil society organizations, faith-based organizations and private sector actors involved in activities relevant for social protection are another explicit target group of this strategy document.

The structure of the strategy

The remainder of the present strategy is presented in five parts:

Part 1: Situational analysis of workers in the informal and rural economy

Part 2: Legal frameworks and policies guiding the strategy

Part 3: Strategic direction

Part 4: Institutional arrangements

Part 5: Monitoring, Evaluation, Research, and Learning

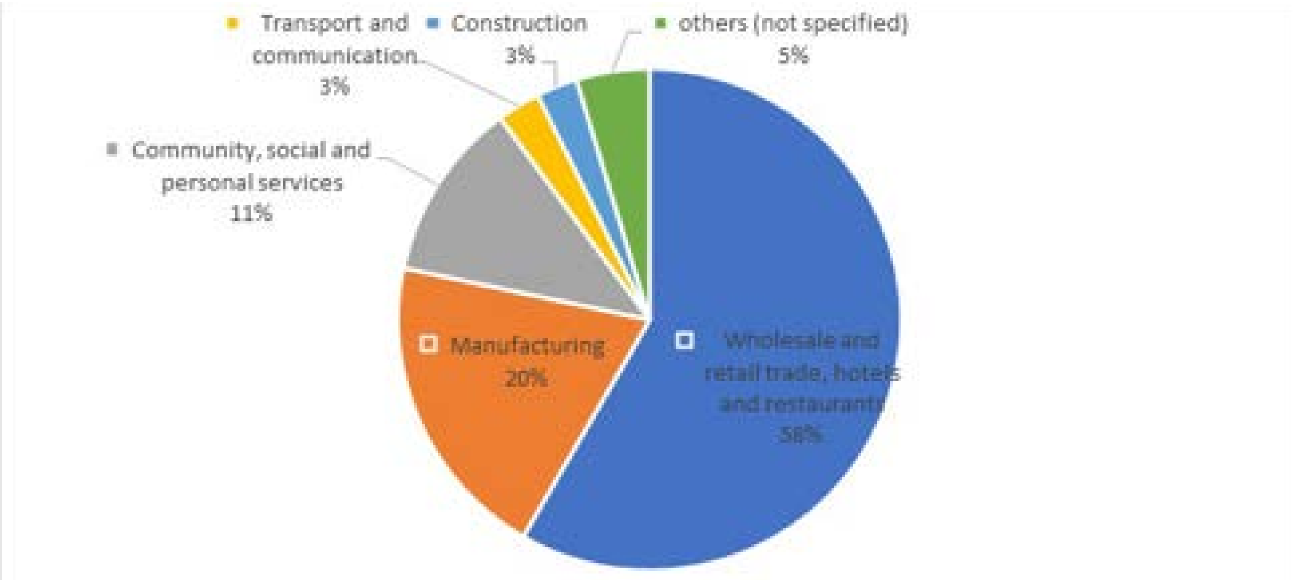
The main part is complemented by profiles of specific groups of informal and rural economy workers, options to address challenges of specific groups of informal and rural economy workers, an indicative implementation framework and a costing framework in the annex.

Part 1: Situational analysis of workers in the informal and rural economy

In the first quarter of 2021, the overall labour force participation rate outside small-scale agriculture among the age cohorts 15 to 65 was 68.2 percent (approximately 19.1 million persons - 17.8 million of them were employed and 1.3 million were unemployed). This indicates that slightly over 63 percent of the working age population was either working for pay, profit, family gain or seeking employment[5].

According to the Economic Survey, 2023 conducted by the Kenya National Bureau of Statistics (KNBS), around 19.1 million persons in Kenya were employed outside small-scale agriculture and pastoralist activities, in 2022. Out of them, 83.7 percent, roughly 16 million persons, are active in the informal economy. Therefore, the informal economy constitutes an important part of the Kenyan economy, being related to employment creation, production, and income generation. Service activities absorb most individuals engaged in the informal economy outside agriculture: 58 percent of workers in the informal economy work in wholesale and retail trade, hotels and restaurants, constituting an important part of the food system sectors. Manufacturing came next, being the source of employment for roughly 20 percent of all Kenyans engaged in the informal economy. Other important activities include community, social and personal services, transport and communication, as well as construction work (see figure 1).

Figure 1 Share of informal workers in key economic sectors (excluding agriculture)

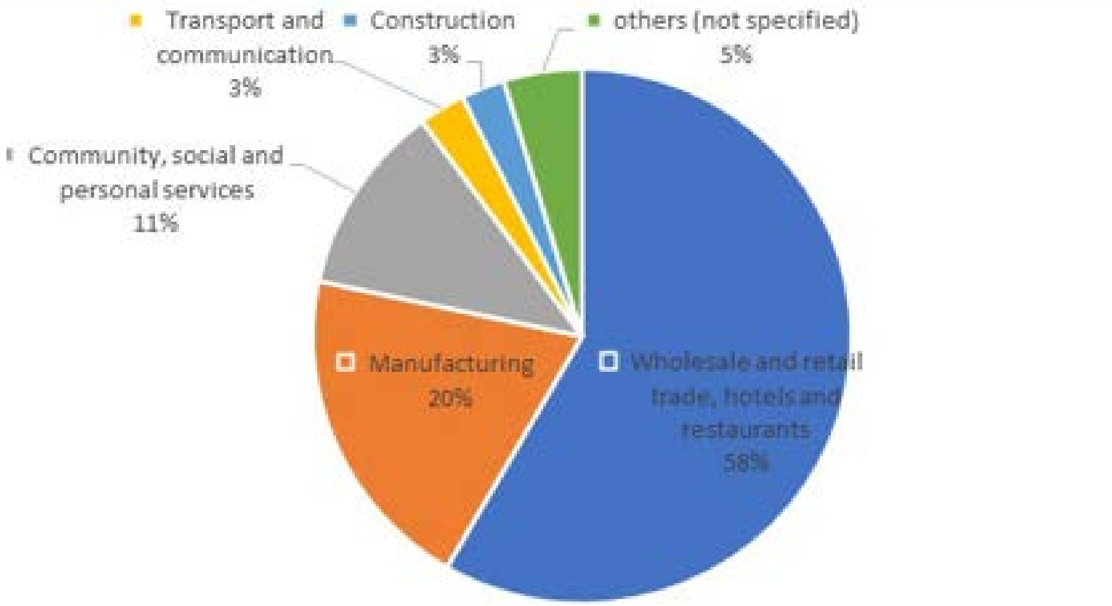


Source: KNBS 2023. Economic Survey 2023

The Micro-, Small- and Medium Enterprise (MSME) survey conducted in 2016 by the KNBS found that the majority (58.6 percent) of workers engaged in informal enterprises active outside agriculture are own-account workers, followed by working employers (17.3 percent), paid employees (16.5 percent), contributing family members (7.3 percent), and interns and apprentices (0.4 percent) (see figure 2). In fact, employment dynamics in Kenya show increasing trends towards non-standard forms of labour, subcontracting, piece-rating and temporary employment.

[5] KNBS 2021. Quarterly Labour Force Report. Quarter 1 January – March 2021

Figure 2 Share of informal workers by type of employment (excluding agriculture)



Source: KNBS 2016. Micro, Small and Medium Establishments. Basic Report 2016.

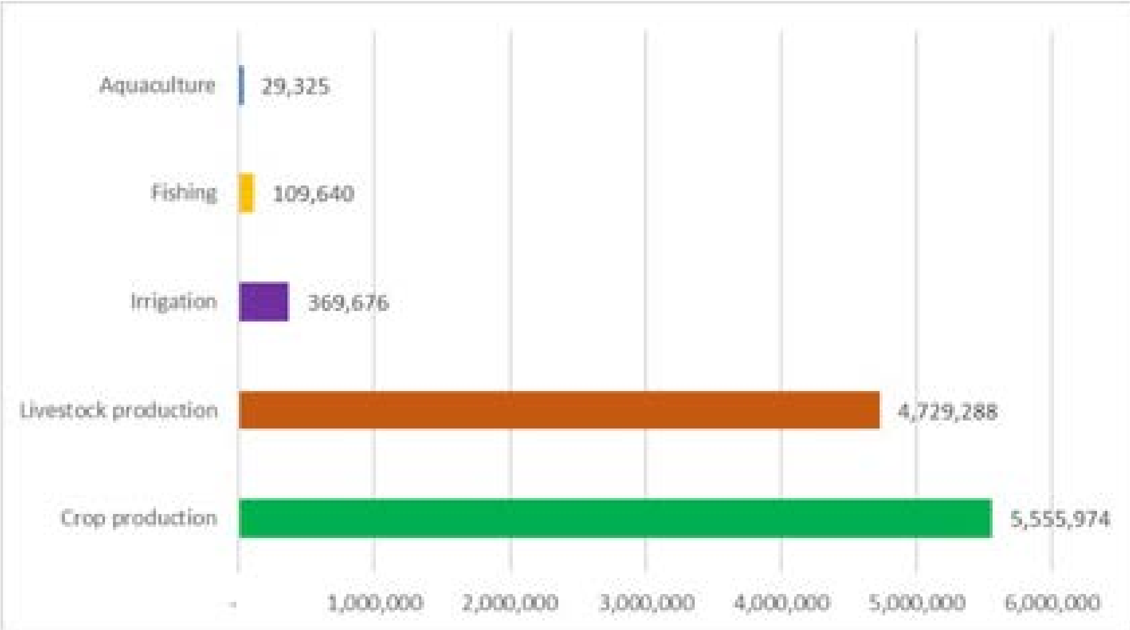
The MSME survey revealed that the counties with the highest proportions of the persons engaged in licensed MSMEs were in Nakuru, Meru and Kajiado at 65.4 percent, 63.1 percent and 62.8 percent, respectively. In contrast, more than 90 percent of persons employed in MSMEs in West Pokot County were found to be working in unlicensed businesses. Other counties with high proportion of employees in unlicensed businesses include Bomet (87.2 percent), Siaya (87 percent), Tana River (84.2 percent) and Marsabit (85.2 percent).

Accurate data and information about the working age population engaged in the agricultural sector in Kenya is scarce. According to the Population and Housing Census 2019 conducted by KNBS, 6.4 million out of a total of 12.1 million households (54 percent) are practicing agriculture, including crop production, livestock production, aquaculture fishing and irrigation (see Figure 3). Agriculture therefore comprises one of the main sources of income for Kenyan households. It is largely subsistence, with low levels of productivity and a high dependence on fluctuating seasonal incomes. Many farmers work without basic agricultural inputs or updated technology and lack adequate financial or extension services. Recurrent crises such as drought in Kenya's arid and semi-arid areas (ASALs) have exacerbated the vulnerability of basic livelihoods.

Working conditions of agricultural workers can mostly be defined as informal. Households often combine agriculture with other sources of livelihood outside agriculture. Off-farm employment complements farm income and contributes towards food security and poverty alleviation. It also provides an important risk management tool by diversifying income sources. In times of shocks that affect agriculture, such as droughts, families can rely on off-farm income to maintain their livelihoods.[6]

[6] Rapsomanikis, George (2015). The economic lives of smallholder farmers. An analysis based on household data from nine countries. Rome. Food and Agriculture Organization (FAO) of the United Nations.

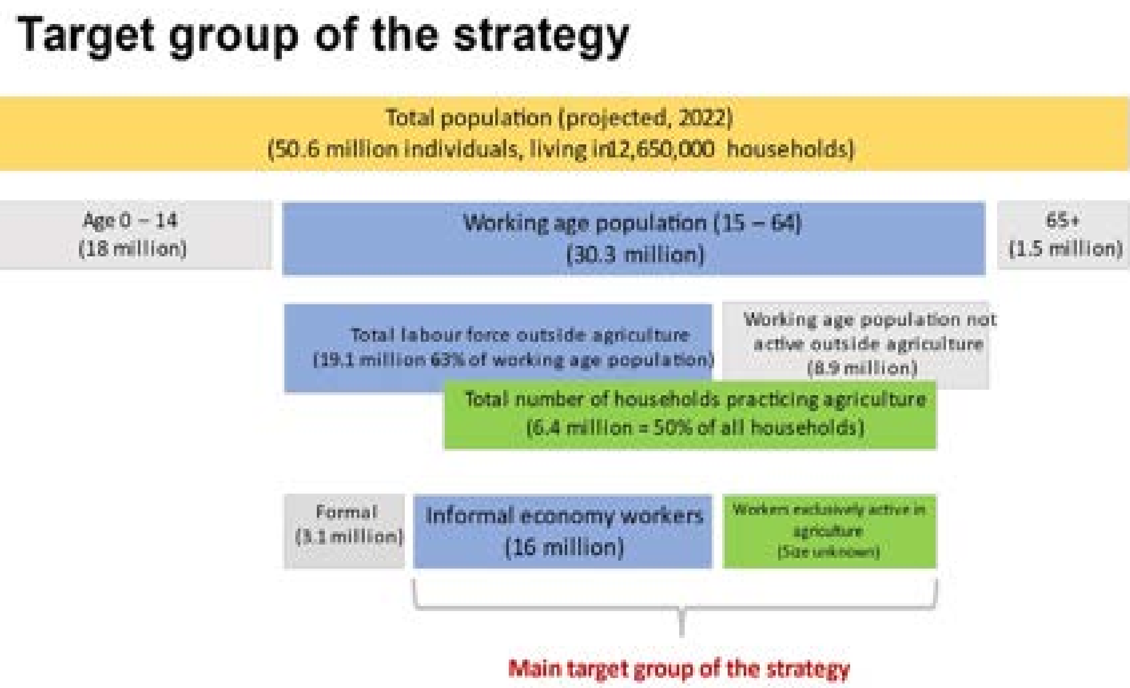
Figure 3: Distribution of households practicing different agricultural activities



Source: KNBS 2019. Kenya Population and Housing Census 2019.

Figure 4 below summarizes the main statistics on informal and rural economy workers presented above and indicates the specific target group of the present strategy.

Figure 4: The size of the informal and rural economy



For purposes of preparation of this strategy, the Government of Kenya commissioned a dedicated study on the extension of social protection coverage to workers in the informal and rural economy in Kenya, which explored the situation and characteristics of different categories of workers in more detail. It covered workers engaged in the following sectors: trading (30% of the sample), transport (13%), crafts (13%), construction (2%), domestic work (1%) casual and seasonal work (9%) entrepreneurship (7%), agriculture, including farming and fishing (9%), and other economic activities, including workers in the gig economy, performers and artists, small scale miners, guards or the no-profit sector (17%). Data collected for the study showed the following results[7]:

Income frequency: Most of the workers surveyed (55 percent) reported receiving their income on a daily basis (especially those active in trading, transport, crafts and fishing, as well as business owners), whereas 30 percent and six percent reported to receive income on a monthly or weekly basis, respectively. Ten percent of worker said that they receive their income on an irregular basis. Especially farmers depend on irregular or infrequent incomes (more than 60 percent). The high number of workers receiving their income on a daily, weekly or irregular basis is an indicator of their high vulnerability to adverse effects on their consumption should there be disruption in their income flow.

Average monthly earnings: The study did not collect any specific data on average monthly earnings of informal and rural economy workers. The Informal Sector Skills and Occupations Survey (ISSOS) conducted by the State Department of Labour in partnership with KNBS across all 47 counties in 2019 indicated that the overall gross average monthly earnings of owners and operators of informal enterprises were at KES 19,712, whereas the overall mean monthly earnings of employees engaged in informal enterprises were at KES 14,315 per month. Average earnings of both informal owners and employees of informal enterprises were significantly lower in rural areas, than in urban areas.

Income sufficiency: 73 percent of workers surveyed said that they are not able to meet all their needs. Income sufficiency is a problem primarily among domestic workers and fishers (100 percent), craftsmen and -women (87 percent), and casual workers (84 percent). Due to the inability to meet all their household needs, workers in the informal and rural economy resort to several coping strategies to survive during cyclic shocks. Some of these coping strategies are however negative, like selling household assets which expose them to further vulnerabilities.

Savings: 54 percent of workers said that they are making regular savings from their income. Most of the respondents saving on a regular basis reported that they are able to save between KES 500 and 3,000 per month. The ability to save is especially low among craftsmen and -women (45 percent), farmers (45 percent) and casual workers (38 percent). The group with the highest ability to save are business owners: more than 50 percent indicated that they are able to save more than KES 3,000 per month. It is also important to note that the ability to save is especially low among women: only 48 percent of women surveyed indicated that they are able to save, compared to 58 percent of all men. Only 16 percent of women workers said that they are able to save more than KES 3,000 per month, compared to 28 percent of all men.

Informal social safety nets: 35 percent of respondents interviewed belong to a local informal mutual self-help group. These informal groups play a key role in bridging the gap in coverage by formal social protection programmes and are instrumental in providing support to members in times of shock and increased vulnerability. Some of them have developed their forms of informal insurance mechanism as they provide financial support to contributing members in the case of the occurrence of a life-cycle risk of a member, such as sickness, work injury or death of a family member. However, such groups are usually only able to provide limited protection, resulting from their restricted membership, their small size and their lack of financial resources. Participation in informal self-help groups is highest among business owners (58 percent), transport workers (56 percent) and construction workers (50 percent). The membership in Village Savings and Loan Association (VSLA), so-called Chama groups that are used to pool and invest savings, is more common among women (50 percent), than men (38 percent).

Registration with and contributions to NHIF: According to the survey, enrolment of workers and their families to the NHIF is at 31 percent. Enrolment is highest among business owners (69 percent) and farmers (64 percent), and lowest among domestic workers (20 percent), traders (27 percent) and craftsmen and -women (29 percent). Enrolment to the NHIF among women and men is almost equal, with 30 percent and 31 percent, respectively. Only four percent of all workers (mostly active in trading, transport, construction and casual/seasonal work) indicated that their family is registered with the NHIF through salaried employment[8].

[7] More detailed information about the characteristics of specific groups of workers in the informal and rural economy and specific actions to address their needs can be found in Annex A.

[8] However, it is not clear if the persons surveyed were the principal contributors or if the family is insured through another family member.

. It is important to note that out of 748 respondents only one person indicated that her/his household is registered with the NHIF through the Health Insurance Subsidies Programme (HISP), through which the government pays contributions for poor families. Out of those enrolled to the NHIF, 79 percent indicated that they have the capacity to contribute to the NHIF on a regular basis. Out of all NHIF members, those active in the trade and transport sector had the most problems paying contributions on a regular basis.

Registration with and contributions to NSSF: Enrolment of workers to NSSF is at 14 percent, according to the survey conducted. Enrolment is highest among construction workers (50 percent), fishers (40 percent), and business owners (31 percent) and lowest among domestic workers (0 percent) and craftsmen and -women (11 percent). A significant difference can be observed when comparing coverage of male and female workers with NSSF: 91 percent of all women surveyed responded that they are not enrolled to the NSSF, compared to 82 percent of all men. Only six percent of all workers (mainly active in trading, transport, crafts, construction, casual/seasonal work and fishing) indicated that they are registered with the NSSF as salaried employees. Many groups, such as traders, transport workers, construction workers and casual workers, indicated that they are only able to contribute to the NSSF on an irregular basis (32 percent). The ability to contribute regularly is lower among women (63 percent) than among men (70 percent). It is noteworthy that only 35 percent of all respondents are aware that they could contribute to the NSSF voluntarily. Awareness is significantly higher among men, with 38 percent, compared to 31 percent among women.

Enrolment with non-contributory schemes: Coverage by the four main government-led cash transfer schemes under the National Safety Net Programmes (NSNP) (the Cash Transfer for Orphans and Vulnerable Children, the Universal Old Age Pension 70+, the Cash Transfer for Persons with Severe Disabilities and the Hunger and Safety Net Programme) and other non-contributory schemes provided by national and county governments, as well as non-governmental organizations among workers in the informal and rural economy was relatively low, at only 15 percent of respondents. Noteworthy, it was highest among business owners (38 percent), traders (20 percent), fishers (20 percent) and farmers (18 percent). Those enrolled mentioned various challenges in receiving benefits, including delays in registration, delays in disbursements of benefits and inadequacy of benefits.

Degree of representation and organization: It is noteworthy that many groups of workers operating informally have started to organize themselves in specific work-related associations over the past years[9]. Thereby, they have improved their opportunities to negotiate their rights as a group. Moreover, some of the existing unions have started to represent informal economy workers and establish partnerships with associations representing informal economy workers. Thereby, informal economy workers are indirectly represented by the Central Organization of Trade Unions (COTU-K) on the boards of NHIF and the NSSF. However, the informal economy is very fragmented. The degree of organization varies significantly across sectors. It is comparatively high among transport workers and very low among casual or domestic workers. Consequently, effective representation by COTU-K of all categories of informal workers remains a huge challenge. Workers in the informal and rural economy are therefore often not able to voice their own concerns adequately, even though that they dominate the Kenya labour force.

[9] A recent study on the relationship between association membership and access to formal social protection in Kenya and Tanzania suggests that 29 percent of workers engaged in construction, trade and transport located in urban areas of Nairobi and Kisumu belong to a work-related association and 64 percent belong to a local self-help group. The results of the study reveal that association members are more likely to access formal social insurance. Overall, the findings suggest a potentially important role for informal worker initiatives, both in terms of providing direct social cushioning and indirectly through enabling participation in existing social insurance schemes (Torm, Nina 2022. The relationship between association membership and access to formal social protection. A cross-sector analysis of informal workers in Kenya and Tanzania. In: Riisgard, Lone, Mitullah, Winnie and Torm, Nina 2022. Social Protection and Informal workers in Sub-Saharan Africa. Lived Realities and Associational Experiences from Kenya and Tanzania. London and New York. Routledge).

Part 2: Legal frameworks and policies guiding the strategy

The Government of Kenya commitment to social protection is embedded within the **legislative framework** of Kenya. The right to social protection is enshrined in the **Constitution of Kenya of 2010**. Article 43 recognizes social protection as an entitlement that all citizens should be able to access. It states that 'the State shall provide appropriate social security to persons who are unable to support themselves and their dependents'. In line with this, Kenya became a signatory to the International Labour Organization's (ILO) Social Protection Floors Recommendation (ILO 2012, recommendation No. 202), which advocates that all in need should have access to social protection over the life cycle.

Various **sectoral laws and regulations** regulate different social protection programmes. These include:

- The **National Health Insurance Fund (NHIF) Act** 1998 (amended in 2022) established the National Health Insurance Fund (NHIF) and sets the regulations for contributions to and payment of benefits under the Fund. Under the amended Act, it is mandatory for all Kenyan citizens who are economically active and have attained the age of eighteen years to register to the Fund as principal contributors. The Act foresees that salaried workers pay standard contributions financed out of employer and employee contributions (based on specific salary bands), whereas self-employed workers pay special contributions (based on a flat rate set by the relevant government body, currently set at KES 6,000 per year). It also states that the national government shall be liable as a contributor to the Fund on behalf of the indigent and vulnerable persons identified as such by the relevant government body.

- The **National Social Security Fund (NSSF) Act** of 1978 (amended in 2013) established the National Social Security Fund and provides for contributions to and the payment of benefits out of the Fund. The Act foresees the introduction of a pension fund, financed by employer and employee contributions, which is mandatory for all salaried workers, to pay monthly pensions upon retirement (tier 1) and individual savings accounts for self-employed, which are financed out of voluntary individual contributions to pay a one-time lump sum pension at the age of retirement (tier 2).

- The **Employment Act 2007** declares and defines the fundamental rights of employees, to provide basic conditions of employment of employees. Besides issues around employment relationships and protection of wages, it regulates employer liabilities that have to be provided in the case of specific risks and contingencies faced by employees, including maternity and sick leave, as well as in the case of termination of employment. The Act also legislates on employment contracts including modalities for termination of employment. According to the Act, employment contracts of at least three months should be in writing, otherwise it can be oral. The Act recognizes that employment contracts may be express or implied.

- The **Work Injury Benefits Act 2007** provides for compensation to employees for work-related injuries and diseases contracted in the course of their employment and for connected purposes. The act states that every employer has to obtain and maintain an insurance policy to cover work injuries and occupational diseases, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees. Besides the obligation of employers to be insured, it regulates the amount of compensation to be paid to employees in the case of a work-related injury or death, as well as in the case of an occupational disease. The Act applies to all employees, but explicitly excludes persons whose employment is of a casual nature and members of the employers' family dwelling in the employers' house.

- The **Occupational Safety and Health (OSH) Act 2007** provides for the safety, health and welfare of workers and all persons lawfully present at workplaces. All enterprises, including those operating in the informal economy, are subject to the Act.

- The Government of Kenya developed the regulations for the establishment of the **Social Assistance Fund** within the Public Finance Management Act No. 18 of 2012 to support expanded coverage for social protection, and provisions of timely, regular and adequate benefits to all targeted persons.

There are several **other laws and regulations** that affect the provision of social protection to self-employed and wage-employed workers and are therefore important to be considered for the strategy development:

- The **Trade Licensing Act 1968** provides for licensing of certain trades and businesses. Most informal economic activities are regulated under this Act. The Act requires applicants of trade licenses to state space ownership, titles/leases or other evidence of permission to access and utilize the space for which the application is being sought. In addition, prior to issuance of a trade license, the location of the business must be certified.

- The **Persons with Disabilities Act 2003** provides for the rights and rehabilitation of persons with disabilities to achieve equalization of opportunities for persons with disabilities[10].

- The **Micro-Finance Act 2006** regulates microfinance institutions (MFIs) in the country and the **SACCO Societies Act 2008** aims at regulating, licensing and supervising SACCOs. The Acts were introduced to enable MFIs and SACCOs to mobilize savings and take deposits for re-investment, thus building a sustainable base for financial inclusion particularly to the majority of rural and urban poor. The Acts have been crucial in facilitating access to financial services by the informal economy players who may not access the required finances through commercial banks due to stringent requirements of collateral. The MFIs provide for group lending where members without collateral can co-guarantee each other, while the SACCOs process loans on the basis of member's savings and individual members can guarantee one another.

- The **Labour Institutions Act 2007** establishes labour institutions, to provide for their functions, powers and duties. This includes the establishment of labour administrations and inspections, which are responsible for the enforcement of labour laws.

- The **Labour Relations Act 2007** consolidates the law relating to trade unions and trade disputes, to provide for the registration, regulation, management and democratization of trade unions and employer organizations or federations, to promote sound labour relations through the protection and promotion of freedom of association, the encouragement of effective collective bargaining and promotion of orderly and expeditious dispute settlement, conducive to social justice and economic development.

- The **Micro and Small Enterprises Act 2012** provides for the promotion, development, and regulation of micro and small enterprises (MSEs). One of its specific objectives is to facilitate the formalization and upgrading of informal micro and small enterprises. The Act establishes the Micro and Small Enterprise Authority (MSEA) whose mandate is to formulate and review policies and programmes for MSEs; monitor and evaluate the implementation of existing policies and programmes related to MSEs and advise the government on appropriate policies; and facilitate the integration of various public and private sector activities, programmes and development plans relating to MSEs. The MSE Act also establishes an MSE Registrar to register and regulate all MSE associations and an MSE Development Fund to provide affordable and accessible finance to MSEs, while at the same time financing the promotion and development of the enterprises.

- The **County Government Act 2012** mandates the county governments to develop county-integrated development plans, which integrate economic, social, environmental, physical and spatial planning. Section 48 of the Act require decentralized units within the counties to develop and implement policies and plans; undertake service delivery; implement developmental

[10] The act is currently under review.

activities to empower communities; and provide and maintain infrastructure. The Act also mandates the counties to undertake spatial planning and identify areas where strategic interventions can be taken. The proliferation of informal economy activities in residential areas can, therefore, be handled under the framework of the county government and zoning plans of towns.

- The **Children Act 2022** makes provisions for children rights, parental responsibility, and care and protection of children, and regulates the administration of children services. The Act states that every child has the right to social security and to access the highest attainable standard of healthcare services in accordance with Article 43 of the Constitution.
- The **Community Groups Registration Act 2022** provides a regulatory framework for the registration and regulation of community groups and for connected purposes. It regulates the registration and renewal procedures for community groups, the form of community group constitutions, the register of community group members, as well as financial provisions each community group must fulfil.
- The **Public Finance Management (Financial Inclusion Fund) Regulations 2022** establish the Financial Inclusion Fund with the objective to innovate, develop financial services and products that are affordable, accessible and appropriate for the unserved and under-served persons, including credit, saving, insurance and investment products. One specific objective is to address the low participation of informal and rural economy workers in health insurance and retirement benefit schemes, for the purpose of achieving Universal Health Coverage (UHC) and universal social security. The fund shall serve individuals, MSEs, cooperative societies, Chama groups or any other associations registered by the relevant government institution.

In addition, the following **policies and strategies** provide an important framework for the provision of social protection to workers in the informal economy:

- **Kenya's Vision 2030** aims to provide 'a high quality of life for all citizens by year 2030'. The Vision is built on three pillars – economic, social, and political. The social pillar seeks to build 'a just and cohesive society with social equity in a clean and secure environment.'
- The draft of the **Fourth Medium-Term Plan (MTP) (2023 – 2027) for the implementation of Kenya's Vision 2030** puts a special emphasis on the Social Sector, by aiming to improve the quality of life for all Kenyans through accelerating human capital development and social welfare, including through health, as well as labour and social protection. Moreover, the plan aims to strengthen the social and economic inclusion of marginalized sections of the society by promoting gender equality and empowerment of women, youth and other vulnerable groups through social protection interventions.
- Kenya developed its first **National Social Protection Policy** in 2011 to give strategic guidance on the implementation and delivery of social protection interventions in the country in unison with the constitutional provisions, Vision 2030, and other related international instruments. In 2022, the government drafted the Draft Kenya National Social Protection Policy, 2023, which takes stock of the achievements and challenges over the last 10 years and offers a stronger basis for the institutionalization of social protection. It adopts a rights-based and life-cycle approach to social protection, which supports the implementation of the population's right to social security/protection and contributes to ensuring the right to basic education, nutrition, food (security), health care, and employment. The implementation of this policy is a key instrument for the gradual realization of economic and social rights as mandated in the Constitution of Kenya and the overall global agenda of Universal Social Protection. The overall goal is to ensure that the people of Kenya live in dignity and can exploit their human capabilities to further their development and contribute to the economy. It comprises four pillars, namely (1) income security, (2) social health protection, (3) shock-responsive social protection and (4) complementary programmes aimed at promoting human capital development, facilitating access to social services and promoting livelihoods.

- The draft of the **Social Protection Investment Plan 2019** outlines proposals for expanding the national social protection sector up to 2030 to maximise the economic, social and political benefits from the investment. The Plan outlines the Government's proposals for investing in social protection, setting out the pattern of growth up to 2030. It outlines the Government's strategy to build a modern, multi-tiered social protection system, financed from both general taxation and contributions to social insurance and private schemes. The Plan also outlines proposals for developing a more shock-responsive social protection system and investments in complementary socially protective programmes in other sectors.

- The Kenya **Universal Health Coverage Policy 2020 – 2030** aims to move towards ensuring that the whole population shall progressively access a comprehensive package of quality health services while expanding protection from financial catastrophe.

- The **Employment Policy and Strategy** for Kenya 2013 has the goal to promote full employment as a priority in national, economic and social policy and to enable the economically active population to attain and secure sustainable livelihood through productive and freely chosen employment by the year 2030. One of its interventions is to establish a comprehensive social protection system by developing a broad-based and comprehensive Social Protection Policy, which provides the required framework for putting in place a universal social protection system for all. This should include the streamlining and harmonization of operations of social security providers, as well as awareness and sensitization campaigns of NSSF and NHIF, with a particular focus on the youth and informal sector operators and employees.

- The Kenya **Micro and Small Enterprises Policy** 2020 aims to provide an integrated enabling business environment for the growth and development of productive MSEs in Kenya that make significant socio-economic contributions to the economy through the provision of decent jobs and source of quality products. One of its specific objectives is to promote the formalization of MSEs, as the majority of them currently operate informally. Policy measures towards formalization include the creation of awareness on registration procedures and benefits of registration, the harmonization and streamlining of licensing and registration procedures, the promotion of creative approaches for licensing and registration, as well as the promotion of incentives towards formalization.

Part 3: Strategic direction

This section describes the overarching policy and planning framework to move towards an integrated and comprehensive approach to extend social protection to workers in the informal and rural economy. The implementation of the strategy is guided by its overall goal which is to **adequately protect all workers in Kenya against major life-cycle risks and covariate shocks.**

This overall goal is informed by national processes and respective targets, in particular the Vision 2030 and the Draft Kenya National Social Protection Policy, 2023 2023, as well as international agendas, including the 2030 Agenda for Sustainable Development (United Nations General Assembly 2015), the ILO Social Protection Floors Recommendation (No. 202) (ILO 2012), and the Transition from the Informal to the Formal Economy Recommendation of the ILO (No. 204) (ILO 2015).

To achieve the overall goal, the Government of Kenya and its partners have jointly set the following strategic objectives:

A. **Extend coverage and ensure adequacy of social protection programmes that are inclusive for workers in the informal and rural economy**

B. **Address major barriers faced by workers in the informal and rural economy when accessing social protection schemes**

Within the two strategic objectives, the strategy outlines a set of specific objectives. They provide the framework for dedicated results (outputs) and activities to be implemented to reach the strategy's overall goal. An overview of all strategic and specific objectives is given in the figure below. A detailed description of the strategic and specific objectives is provided in the remainder of this section. Corresponding results (outcome and outputs), indicators, and institutions/organizations involved are outlined in more detail in the Implementation Framework Annex B of the strategy.

Overall Goal:

Adequately protect all workers in Kenya aganist major life-cycle risks and covariate shocks

Strategic Objective A:

Extend the coverage and ensure adequacy of social protection programmes that are inclusive for workers in the in the informal and rural economy

Specific Objectives:

1. Expand Social Health Protection among workers in the informal and rural economy
2. Cushion income losses resulting from pregnancy and childbirth among workers operating in the inforvmal and rural economy
3. Ensure basic income of workers in the informal and rural economy with children
4. Expand income protection protection of workers in the informal and rural economy durin old age, incase of invalidity and survivors
5. Improve income protection for workers with disabilities
6. Improve safety and health at the workspace for workers in the informal and rural economy
7. Provide opportunities for the improvement of livelihoods and basic income security for workers in the informal and rural economy in the case of unemployment, insufficient earnings or loss of livelihoods
8. Provide basic income protection and food and nutrition security among workers in the informal and rural economy incase of coveriate shocks

Strategic Objective B:

Address the major barriers faced b workers in the informal and rural economy when accesing social protection schemes

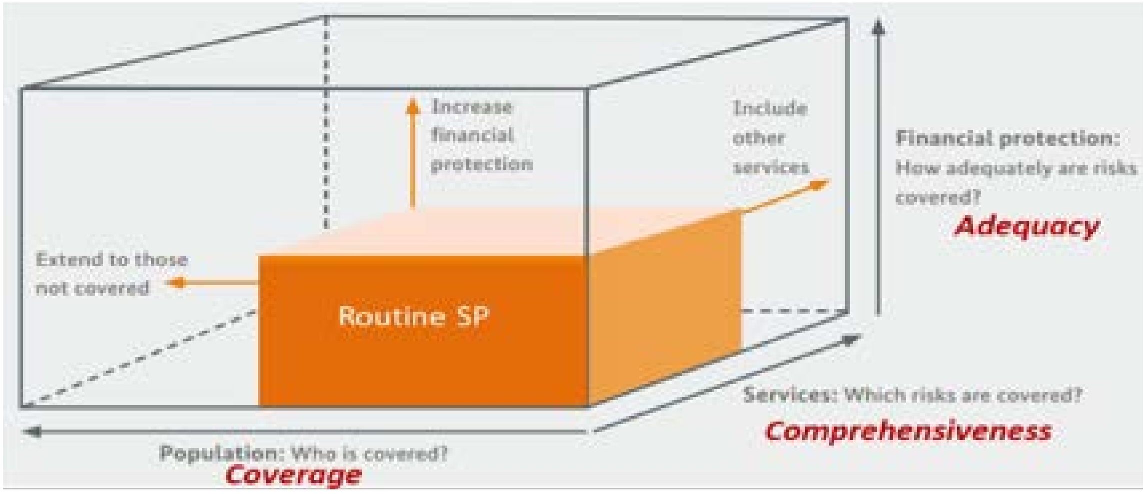
Specific Objectives:

1. Overcome legal barriers that impede access to adequate social protection
2. Ensure effective coverage through compliance and enforcement measures
3. Improve informal and awareness about social protection
4. Build trust in the government and it institutions
5. Abolish administrative and finacial barriers
6. intergrate and align measures to facilitate the transition from the informal to the formal economy

A. Extend coverage and ensure adequacy of social protection schemes that are inclusive for workers in the informal and rural economy

To better protect workers in the informal and rural economy against major life-cycle risks and contingencies, as well as covariate shocks, the Government of Kenya intends to strengthen the social protection system along three dimensions (see Figure below):

- Expanding the **comprehensiveness** of the social protection system by addressing all specific risks and contingencies faced by the working-age population through dedicated schemes
- Extending the **coverage** of existing and new schemes to workers not yet covered
- Ensuring **adequacy** of schemes available by increasing their benefit amounts and the quality of services



Source: based on Ulrichs and White-Kaba 2019.

The efforts to increase comprehensiveness, coverage and adequacy through the extension of already existing and introduction of new social protection programmes will lead to an increase in government spending on social protection from currently 0.3 percent of GDP per year[11] to approximately **1.1 percent in the financial year 2027/28**[12], to be at par with other lower-middle-income countries. More details on the costs of the proposed reforms are provided in the boxes in the subsequent sections, as well as Annex C[13].

1. Expand Social Health Protection among workers in the informal and rural economy

A majority of workers currently active in the informal economy still lack coverage with social health protection (see Part 1). As stated in the Draft Kenya National Social Protection Policy, 2023, the Government of Kenya will implement policies and programmes to realize Universal Health Coverage

[11] World Bank 2022. Draft Kenya Social Protection and Jobs Public Expenditure Review.
[12] This includes costs of all schemes costed in the present strategy (see boxes), as well as the HSNP (current expenditures at 0.03% of GDP, expected to increase with the rollout to additional counties, as suggested in section A8).
[13] Cost calculations do not include administrative costs for the respective schemes.

(UHC), which primarily increases access to quality health care and reduces medical costs. In the progressive realization of UHC, priority will have to be given to workers in the informal and rural economy and their families, as well as poor and vulnerable households.

Extending coverage:

The NHIF has proven to be a successful means to flexibly provide affordable, accessible and quality health protection to the Kenyan population. NHIF membership reached around 7 million principal contributors, which translates into a total coverage of 12 million Kenyans, or around 24 percent of the country's population. The Demographic and Health Survey 2022 also estimates a coverage rate of 24 per cent of the population. Coverage of workers in the informal and rural economy is particularly low: only 1.7 million out of more than 16 million workers in the informal economy (i.e. less than 11 percent) are registered as principal members and actively paying contributions.

As shown in Part 1, the financial ability to pay regular contributions remains one of the major impediments for workers to register to the NHIF and stay enrolled on a continuous basis. Because of inconsistent and irregular incomes, some workers are only able to contribute on an irregular basis, which translates into interrupted coverage. Starting in 2014, the NHIF rolled out the Health Insurance Subsidy Programme (HISP), covering approximately 312,000 out of a total of more than 1 million households that are benefitting from programmes under the NSNP schemes[14]. The main objective of HISP is to improve health outcomes of the poor and vulnerable households and remove the financial barriers to accessing healthcare services. The targeted households are enrolled on NHIF through the full subsidization of their contributions by the Government of Kenya. In addition, approximately 1 million households across all 47 counties that are not benefitting from HISP and are identified as poor by county governments are covered through subsidies provided by the UHC programme, which is also funded by the national government. Further, County Governments like Kisumu and Laikipia have also subsidized NHIF contributions of poor households residing in the counties.

The government and its partners will take the following efforts to achieve full coverage with NHIF among workers in the informal and rural economy towards Universal Health Coverage:

a. Coverage of poor households and vulnerable individuals through government subsidies

As foreseen in the NHIF Amendment Act 2022, the Government of Kenya will be liable as a contributor to the Fund on behalf of those individuals and households identified as poor and vulnerable through the Health Insurance Subsidy Programme (HISP). This includes (1) the poorest 20 percent of all Kenyan households[15], as well as (2) families with a member benefitting from the OPCT or the Cash Transfer for Persons with Severe Disabilities (CT-PwSD), regardless of their socioeconomic situation. All eligible households shall be identified on an annual basis, based on data provided by the Enhanced Single Registry (ESR). The Government of Kenya will pay an annual contribution rate of KES 6,000 per household, which will be indexed to inflation. The estimated costs for the gradual extension until 2027 are outlined in Box 1 below.

County governments should partly or fully subsidize the contributions of other vulnerable groups (e.g. poor households above the poverty threshold or specific groups of informal or rural economy workers) located in their territory, based on their specific priorities and targets to reach UHC. The national government will issue guidelines for county governments in this regard. The basis for eligibility determination for partial or full subsidies of NHIF contributions provided by county governments or any other party should be the ESR.

Through the continuation of an existing Memorandum of Understanding between NHIF and the UNHCR targeted households in refugee camps and refugees in urban settings will have access to NHIF[16]. Annual subsidies in line

[14] Approximately 193,000 families benefitting from the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), 46,000 persons benefitting from Older Persons' Cash Transfer (OPCT), 13,000 families benefitting from Cash Transfer for Persons with Severe Disabilities (CT-PwSD), as well as 60,000 families benefitting from the Hunger and Safety Nets Programme (HSNP), 2022

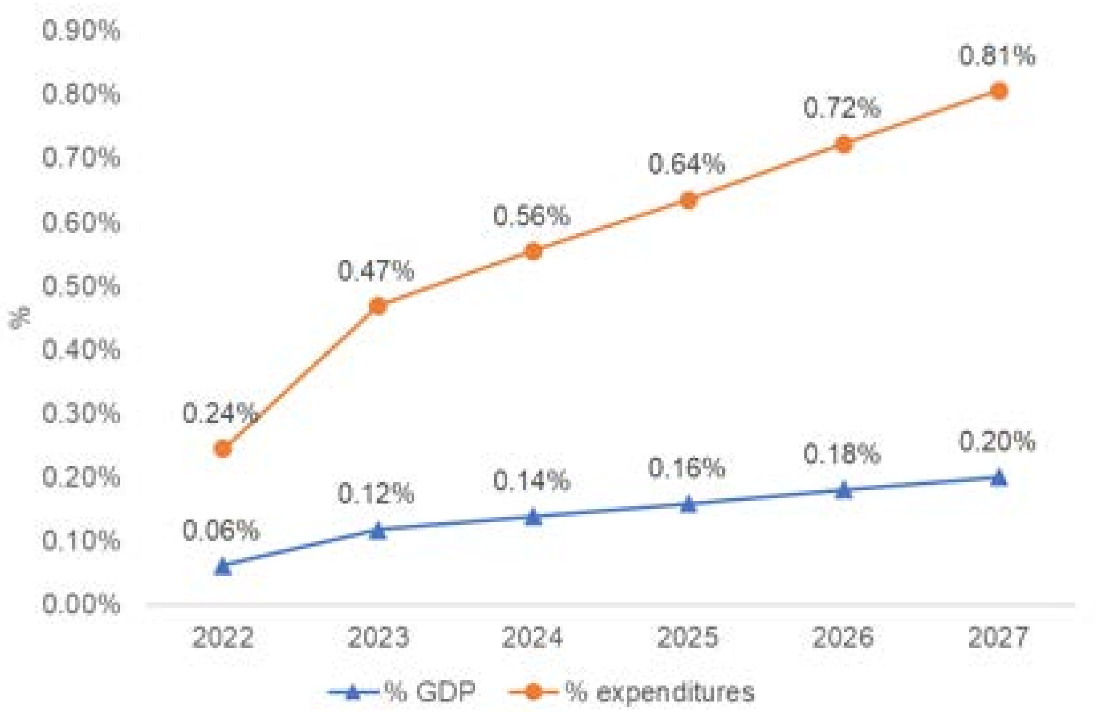
[15] According to the World Bank's Macro Poverty Outlook as of October 2022, approximately 30 percent of the population live below the international poverty line (USD 2.15 in 2017 PPP).

[16] In 2022, more than 22,000 refugee households (approximately 16 percent of all refugees) were covered by NHIF contributions paid by UNHCR.

with those paid by the national and county governments are paid by UNHCR. Refugees registered with NHIF have access to the same benefit package as other members.

▶Box 1 Estimated cost of the extension of the Health Insurance Subsidy Programme (HISP) 2022 - 2027

	2022	2023	2024	2025	2026	2027
Poor families covered	1,304,000	1,610,570	1,927,034	2,253,459	2,590,556	2,938,598
Beneficiaries of OPCT	50,000	1,089,588	1,427,185	1,777,535	2,227,636	2,703,436
Beneficiaries of CT-PwSD	8,000	41,796	49,626	57,793	66,310	75,188
Annual family subsidy (in KES)	6,000	6,330	6,678	7,045	7,433	7,842
Total annual costs (in million KES)	8,172.0	17,356.6	22,731.4	28,807.3	36,306.2	44,833.1



b. Further extension of NHIF to self-employed and own-account workers

Through the enforcement of the NHIF Amendment Act 2022, all persons self-employed and working on their own accounts who do not qualify for subsidized contributions (see section a) shall be mandated to register themselves and their family members with NHIF and pay monthly flat-rate contributions (currently set at KES 6,000 per year). In future, annual flat rate contributions shall be indexed to inflation to avoid their continued erosion in real terms. In order to ensure that the further extension of coverage to informal and rural economy workers through flat rate contributions does not jeopardize the financial sustainability of the NHIF, an actuarial assessment shall be conducted and, if necessary, contribution rates will be adjusted accordingly[17]. In the context of increased flat rate contributions, options for the introduction of partial subsidies shall be explored to ensure that additional costs are covered without exceeding the contributory capacities of informal and rural economy workers.

Dedicated measures will be implemented to ensure increased coverage among this group of workers. This includes the following (see also strategic objective B):

- The Government of Kenya and its partners intend to initiate a campaign to inform self-employed workers (and enterprises) about the NHIF Amendment Act 2022, including their rights and responsibilities under the NHIF Amendment Act 2022. This will be guided by differentiated

[17] Annex D provides some estimations how the financial sustainability of NHIF would evolve with increased coverage of informal and rural economy workers at current annual flat rate contribution rates and stable utilization rates.

communication strategies, which shall provide guidance on how to best reach out to specific groups of workers (e.g. women, youth, workers engaged in different sectors, etc.) The campaign will use simple, straightforward and accessible language and different communication channels, including social media, radio, TV, banners and newspaper advertisements. The Ministry of Cooperatives and Micro, Small and Medium Enterprises, the State Department of Social Protection, the Ministry of Health, the Micro and Small Enterprise Authority, (MSEA), county governments, organizations representing specific groups of informal and rural economy workers, COTU-K, the Federation of Kenya Employers (FKE) and the National Chamber of Commerce and Industry, are important partners to support the campaign and promote the new act among their clients and interest groups.

- In unison with the regulations for the Financial Inclusion Fund (see Part 2), the NHIF intends to develop, test and roll out a model to arrange insurance agreements with cooperative societies, associations and MFIs representing specific categories of informal and rural economy workers or workers located in dedicated geographic areas. Such a model will include mechanisms that allow organizations to collect contributions from members on behalf of the NHIF and to cross-subsidize contributions of members who are temporarily unable to pay. Specific emphasis will be given to arrange cooperation with organizations representing women, such as women-led cooperative societies and social welfare (chama) groups, in close cooperation with the Financial Inclusion Fund.
- Affordable and flexible contribution financing schemes shall be linked to the newly initiated Financial Inclusion Fund that provides loans to individuals, as well as MSE, cooperative societies and Chama groups or any other associations registered by the relevant government institution. This will allow that contributions are financed in advance, while contributors repay the loans weekly or in any other interval aligned with their income streams.
- Agreements with payment service providers will be made to allow for direct debit payments/auto deduction of NHIF contributions from members' accounts and mobile money wallets on a regular basis, e.g. on a weekly or monthly basis or in any other interval aligned with income streams of the respective members.
- The national government shall explore the possibility to directly collect contributions from parties disproportionally benefiting from the services of specific groups of workers in the informal and rural economy along the respective value chains. This can be seen as an additional levy on the commercial relationship. This option could be considered, for example, in the case of construction workers who are usually hired through intermediaries by property developers, platform workers or for certain groups of agricultural producers selling to exporting agricultural companies.
- The current penalty policy will be reviewed to allow self-employed workers, as well as MSEs who face economic stress due to individual and covariate shocks or structural seasonality of income more flexibility in paying contributions and reduce dropouts. In the case of larger covariate shocks the temporary waiver of contributions in geographic areas or economic sectors particularly affected will be considered as an option to bridge the financing constraints.

c. Extension of NHIF among private sector workers

To ensure the long-term financial sustainability of the NHIF it will be important to keep the share of workers in formal employment paying contributions based on their actual salary consistent or to further extend it. In this regard it will be important to take further measures to ensure effective coverage through compliance and enforcement of existing legislations among employers (see objective B2) and to take further steps towards formalization of informal enterprises (see objective B6).

Moreover, the NHIF has taken steps to move away from salary band contributions towards a system that ties contribution rates for wage-employed workers to a percentage of their salary that will automatically adjust with economic growth and inflation. This is more progressive than the previous model as it avoids that those with lower incomes pay a higher share of their income for NHIF contributions than those better off. This will give further incentives for low salaried wage-employed workers and their employers to register to the NHIF.

Ensuring adequacy:

All NHIF members are entitled to the National Scheme benefit package, 'SUPA COVER" accessible to over 7,800 NHIF-declared and accredited healthcare providers. The NHIF has made its benefit package more attractive over the last years and has added hospital-based outpatient treatment to the package of benefits provided to its standard membership, including cancer treatment, renal care, diagnostic testing, mental health and rehabilitation cover, and maternity package, among others. The benefit package will be reassessed periodically and adapted, based on results of regular consultations with different stakeholders, including representatives of workers in the informal and rural economy. In conformity with the Kenya UHC Policy 2020 - 2030, more preventive and promotive services shall be included in the package to prevent serious diseases and medical problems and associated costs before they become major. The community health workforce and e-health solutions will play an important role in this regard.

To encourage uptake of NHIF and increase effective coverage, concerted efforts of national and county governments should improve the access to high quality health services provided under NHIF in all geographic areas, especially in rural and remote counties. In cooperation with dedicated county governments, the government will continue prioritizing investments in disadvantaged geographic areas to further narrow socio-economic inequalities and inequities alongside efforts to expand UHC. To ensure their effective access to health services options shall be explored to set up NHIF-affiliated health centres in locations of strategic importance for specific groups of workers in the informal and rural economy (e.g. at markets, workshop areas or ports).

As stated in the Draft Kenya National Social Protection Policy, 2023, there is also an increased need to cushion workers during periods of sickness and recuperation, aligned with internationally accepted minimum standards and the right to reasonable working conditions. Income loss in the case of sickness is currently only covered by the employer liabilities, as stated in the Employment Act 2007[18], which excludes all workers outside formal employment. Therefore, the Government of Kenya will explore options to add the provision of sickness benefits to the NHIF benefit package.

2. Cushion income losses resulting from pregnancy and childbirth among workers operating in the informal and rural economy

Lack of income security during the final stages of pregnancy and after childbirth forces many women active in the informal and rural economy to keep working into the very late stages of pregnancy and to return to work prematurely. Thereby, they are exposing themselves and their children to significant health risks. The Government of Kenya intends to introduce a maternity benefit to cushion mothers from maternity- or pregnancy-related income losses, with a particular focus to reach out to informal and rural economy workers.

Extending coverage

Income loss in the case of maternity is currently exclusively covered by the employer liabilities, as stated in the Employment Act 2007[19] and therefore only applies for wage-employed workers. This leaves 95 percent of pregnant women, namely those outside formal employment uncovered and creates an important risk of impoverishment, with further impact on the health and well-being of mothers and children alike. In 2021, out of approximately 1.5 million pregnant women, only around 76,000 were eligible for the employer liability[20].

To better cushion income losses resulting from pregnancy and childbirth among workers in the informal and rural economy the national government plans to introduce a universal maternity cash benefit

[18] According to the Act, an employee is entitled to sick leave of not less than seven days with full pay and thereafter to sick leave of seven days with half pay, in each period of twelve consecutive months of service, subject to production by the employee of a certificate of incapacity to work signed by a duly qualified medical practitioner or a person acting on the practitioner's behalf in charge of a dispensary or medical aid centre.
[19] According to the Act, a female employee is entitled to three months (12.9 weeks) of maternity leave with full pay and is also entitled to return to the same job she held before going on maternity leave, A male employee is also entitled to two weeks' paternity leave with full pay.
[20] ILO and NHIF 2022. Report on the Introduction of a Maternity Cash Benefit in Kenya (draft version).

scheme that provides income protection for all women not covered by the employer liability. The new scheme would be attached to and managed by the NHIF. To ensure easy access and registration to the scheme options will be explored how health care centres affiliated to the NHIF and offering ante-, peri- and post-natal services could be engaged to reach out and register beneficiaries. In coordination with employer and employee representatives it will also be explored to extend and adapt the model to formally wage-employed workers and thereby (partially) replace the current employer liability – with the aim to reduce the risks of discrimination against women in childbearing age at the workplace, as well as the disadvantages faced by small enterprises mainly reliant on female labour.

Ensuring adequacy:

As the maternity cash benefit constitutes mainly an income replacement, the proposed benefit amount of the maternity cash benefit could be determined based on the current minimum wage (KES 15,000), with a monthly stipend paid to each eligible woman over a period of 3 months (12.9 weeks) after giving birth. The benefit amount should be adjusted to inflation on a regular basis to avoid its continued erosion in real terms. The box below shows the estimated annual costs of the Maternity Cash Benefit at an amount of KES 2,000.

In addition to providing income protection during pregnancy and childbirth, an explicit objective of the planned new scheme will be to promote mother and child health through appropriate practice, care and institutional service utilization during pregnancy, delivery and lactation. To receive the benefit the eligible woman must have completed the recommended four antenatal and postnatal care visits and accessed delivery services in a hospital[21]. Services are accessible without additional costs either through NHIF membership or through Linda Mama[22]. This approach will improve uptake of ante-, peri- and postnatal care and improve health outcomes of both mother and child during and after pregnancy. Another precondition to receive all instalments of the maternity benefit will be the registration of the child with the Civil Registration Service (CRS) after giving birth. Through this mechanism, the national government shall also ensure that beneficiaries can seamlessly transition from the maternity benefit to the universal child benefit and that synergies with the Nutrition Improvement through Cash and Health Education (NICHE) programme are actively used in counties where the latter is implemented (see below).

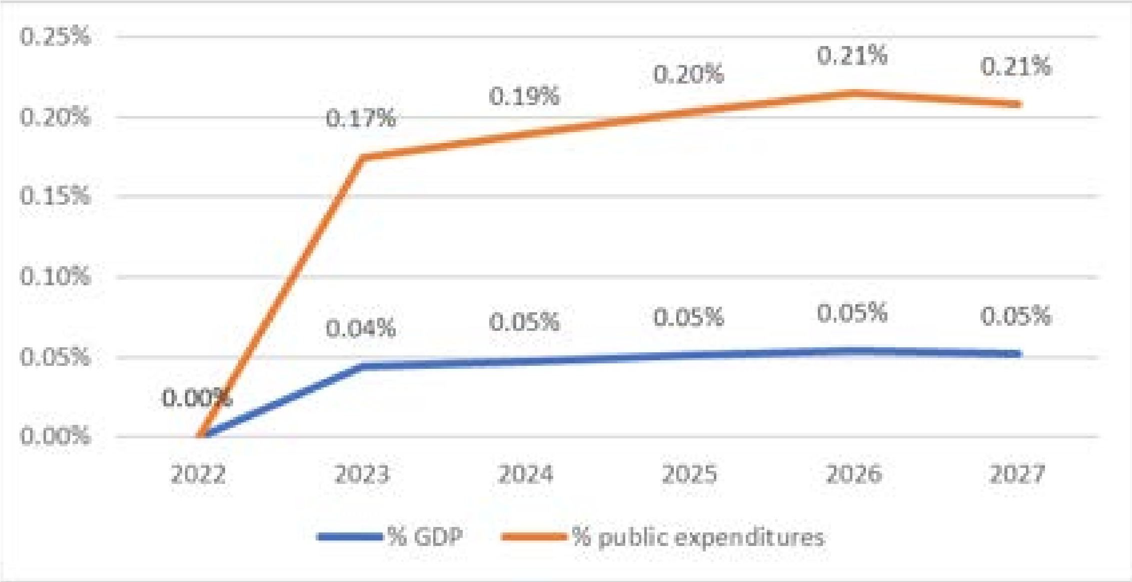
Beneficiary data of households receiving the maternity cash benefit shall be automatically included and updated in the ESR, by using the national identification number of the principal care giver as unique identifier, to ensure that the system can provide an overview of who is receiving which benefits.

▶Box 2 Estimated cost of the introduction of a universal non-contributory Maternity Cash Benefit of KES 2,000 per month for 3 months, 2022 - 2027

	2022	2023	2024	2025	2026	2027
Eligible persons (thousand)	0	1,021	1,159	1,304	1,449	1,471
Total benefit provided (3 months)	6,000	6,330	6,678.15	7,045.45	7,432.95	7,841.76
Total annual costs (in million KES)	0	6,467.9	7,742.9	9,185.6	10,772.9	11,538.4

[21] In geographic areas with limited access to relevant health services exceptions might need to be conside

[22] The Linda Mama programme offers a package of health benefits specifically on maternity care for any pregnant woman who is not already covered by the NHIF. Pregnant women need to voluntarily enrol into the Linda Mama programme to benefit from free pre-natal and ante-natal care as well as delivery.



3. Ensure basic income security of workers in the informal and rural economy with children

Social protection systems are an essential mechanism for realizing children's rights. They play a critical role in improving children's development and well-being, helping all children attain their full potential and supporting family livelihoods and care needs. The Government of Kenya therefore aims to increase income security of workers with children through the introduction and gradual expansion of a universal child benefit.

Extending coverage

The Cash Transfer for Orphans and Vulnerable Children (CT-OVC) programme currently in place aims at supporting orphans and vulnerable children facing poverty and dealing with the negative effects of the HIV and AIDS epidemic by providing regular cash transfers to families they live in. In the Financial Year 2020/21, the CT-OVC covered approximately 295,000 beneficiary households across all 47 counties who receive KES 2,000 per month. However, due to its narrow targeting method, the CT-OVC is leaving out the majority of children with working caregivers – even those living in poor and vulnerable households.

A non-contributory universal child benefit paid to all children in Kenya, regardless of the socioeconomic characteristics of the households they live in, would contribute to increase income security of workers in the informal and rural economy with children[23]. The approach is currently being pilot-tested in eight selected locations in the counties of Kajiado, Embu and Kisumu. Based on the results of the pilot, the scheme will be rolled out at national scale. If successful, it shall gradually replace the categorical and poverty-targeted CT-OVC.

Universal coverage of all children aged 0 - 17 would be reached by 2038. In the period from 2023 until 2027, the government would make sure that all newborns are enrolled in the scheme, which will translate into full coverage of children aged 0 – 4 years. In case of limited fiscal space, prioritization of enrolment in the initial years until 2027 would be given to poorer counties and sub-counties – especially locations with high numbers or rates of stunting among children - and the poorest households, based on data of the ESR. Standardized outreach and registration guidelines will be developed to ensure equitable opportunities for registration in all locations. In addition, measures will be taken to strengthen

[23] As a first stage in the process, the Government in cooperation with Unicef and other development partners already commissioned a feasibility study for the design of a universal child benefit in Kenya, which was conducted in 2020. In addition, a policy proposal is currently being finalized.

institutional and human capacities of offices and officials responsible for the implementation of the scheme at all levels of government (national, county, sub-county and location).

Provided that new-borns will continuously be registered, the programme would expand gradually over time, as children should stay on the scheme until their 18th birthday, so that all children aged 0-17 years would be covered by 2038. The decision for further rollout to children 5 – 17 will be based on the results of an impact evaluation and on fiscal space available for further extension.

Ensuring adequacy

The benefit amount is expected to be KES 800 per month paid per child (approximately 4 percent of GDP, equivalent to 50 per cent of the average expenditure on a child's food) and would be paid to the principal caregiver. The benefit amount shall be adjusted to inflation on a regular basis to avoid its continued erosion in real terms. Options for automatic indexation of the benefit amount will be explored.

As a precondition to receive the benefit caregivers would have to register the birth of children with the CRS. Options will be explored to automatically register and enrol children for the benefit upon birth registration (as an alternative to continuous on-demand registration). Beneficiary data of households receiving the universal child benefit shall also be automatically included and updated in the ESR, by using the national identification number of the principal caregiver as unique identifier, to ensure that the system can provide an overview of who is receiving which benefits.

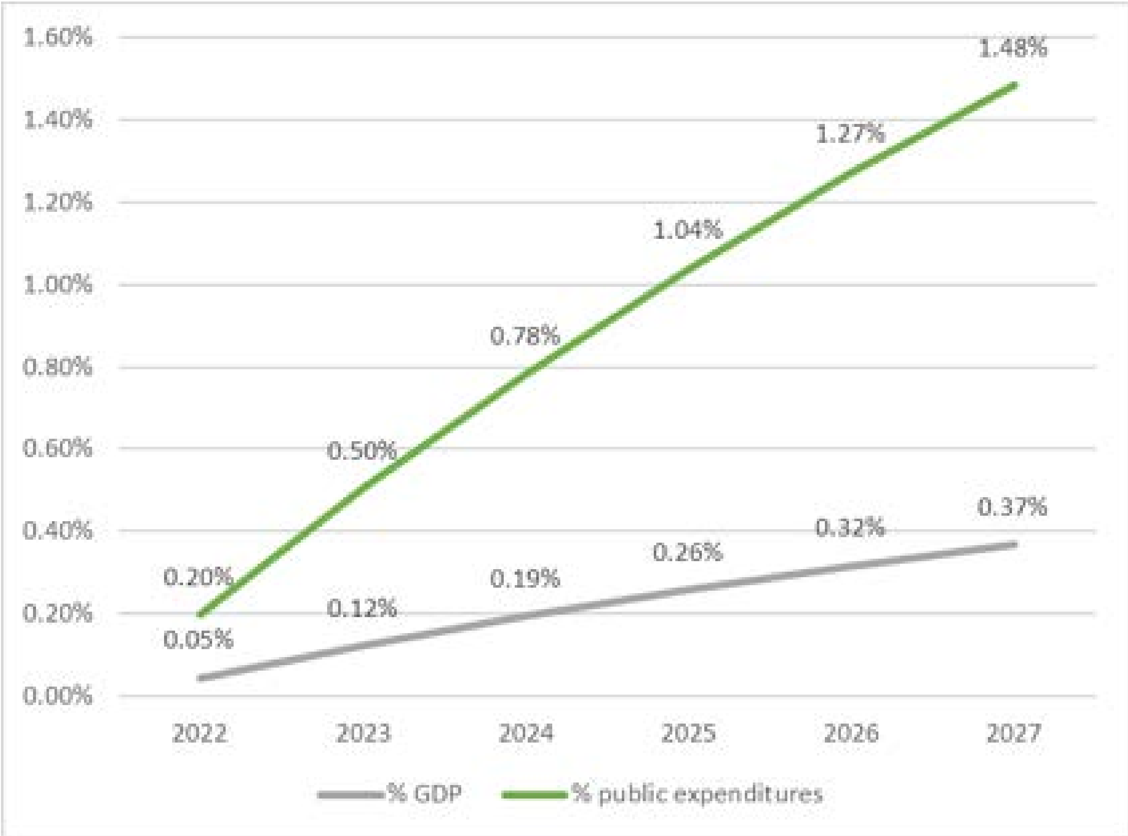
In addition to providing income security for children and their families, another explicit objective of the new scheme will be to improve enrolment, attendance, retention and completion of school among children. Therefore, the payment of the benefit would be conditional upon compliance with various prerequisites pertaining school enrolment and attendance, as soon as it reaches children of school age.

Box 3 below shows the estimated annual costs for the introduction and rollout of the Universal Child Benefit programme, reaching all children 0-4 until 2027, and the phasing out of the CT-OVC[24].

▶Box 3 Estimated cost of the introduction of a Universal Child Benefit 0-4 and the CT-OVC (phasing out) 2022 - 2027

	2022	2023	2024	2025	2026	2027
Total beneficiaries UCB (all children 0-4)	0	1,263,214	2,517,282	3,789,529	5,069,905	6,338,757
Amount of UCB per year in KES	9,600	10,128	10,658	11,273	11,893	12,547
Total annual costs UCB (in million KES)	0	12,793.8	26,897.3	42,718.3	60,294.9	79,531.2
Total beneficiary HH CT-OVC	275,767	245,126	214,485	183,845	153,204	122,563
Amount of CT-OVC per year in KES	24,000	24,000	24,000	24,000	24,000	24,000
Total annual costs CT-OVC (in million KES)	6,618.4	5,883.0	5,147.7	4,412.2	3,676.9	2,941.5
Total annual costs UCB 0-4 + CT-OVC (in million KES)	6,618.4	18,676.9	32,044.9	47,130.6	63,971.8	82,472.7

[24] It is expected that the phasing-out of the CT-OVC will be completed until 2032.



The Government of Kenya will explore opportunities to provide top-ups for particularly vulnerable children, such as those living in poor households, children with disabilities or orphans. One important mechanism in this regard is the Nutrition Improvement through Cash and Health Education (NICHE) programme currently implemented in the counties of Kitui, Kilifi, Marsabit, Turkana and West Pokot is expected to benefit approximately 138,600 individuals by the end of 2023[25]. It seeks to improve the nutritional status of children in their first 1,000 days, including 270 days in utero and the first two years after birth. Thereby, it addresses high stunting and wasting by providing intense nutritional counselling and additional cash to beneficiary households. In close coordination with county governments, the national government will explore options to expand coverage of the NICHE programme to other counties with high levels of deprivation related to overall child poverty, chronic and acute malnutrition (stunting and wasting), level of food insecurity, and the prevailing challenges in the delivery of healthcare, nutrition. Specific measures will be taken to strengthen institutional and human capacities of responsible offices and officials at the county and sub-county level for the implementation of the programme, in particular community health workers and volunteers. In future, the ESR will be the key mechanism for eligibility determination for NICHE. The already established on-demand registration mechanism will be further strengthened and adapted[26].

4. Expand income protection of workers in the informal and rural economy during old age, in the case of invalidity and for survivors

While Kenya's society is relatively young at the moment, population ageing will eventually become a reality in the country. Elderly people tend to be more prone to poverty, largely owing to the absence of old-age benefits. Today, the majority of workers active in the informal and rural economy are not

[25] World Bank 2022. Draft Kenya Social Protection and Jobs Public Expenditure Review.
[26] Government of Kenya 2021. Guidelines for the On-Demand Registration of NICHE Beneficiaries.

covered by a pension scheme that provides income security after retirement, in the case of invalidity or for their survivors in the case of death.

The Government of Kenya is committed to expand income protection for all workers during old age, in the case of invalidity and for survivors. This objective will be realized through the roll-out of the three-tier pension scheme, with all tiers comprehensively aligned and complementing each other. The three tiers are as follows: a) non-contributory universal pension for all Kenyan citizens not receiving a regular old-age pension, b) a provident fund based on individual savings accounts open for all workers, and c) a contributory publicly-administered pension scheme providing regular pensions for wage-employed workers. The first two tiers are of particular importance to expand coverage among informal and rural economy workers.

a. Universal old age pension

Extending coverage

In 2017, the Government of Kenya introduced the Universal Older Persons' Cash Transfer (OPCT) for all citizens 70 years and above, a tax-funded social pension aimed at alleviating poverty and improving the welfare of older people in Kenya. Under the programme, all Kenyans aged 70 years and above who are not in receipt of a regular civil service or other contributory pension receive KES 2,000 per month, which is paid bi-monthly into a bank account. In July 2017, over a period of less than a month, more than half a million older persons aged 70 years and above were registered and enrolled in the scheme through meticulous planning and effective mobilization of all departments within the Ministry and through mass media campaigns, with the national leadership deployed at regional levels to oversee the registration process. However, since then no regular enrolment options have been established and registration has been closed. As of Financial Year 2020/21, the cash transfer only covered 763,670 out of a total of 1.4 million persons aged 70 and above.

Against this background, steps need to be taken to significantly increase the coverage of the programme and attain universal coverage. The national government therefore intends to introduce an on-demand registration mechanism for the pension, which ensures continuous enrolment of all persons reaching the age of eligibility. Moreover, the eligibility age shall be gradually lowered to the age of 65 to partly close the gap between the age of eligibility for the universal pension and the official retirement age.

Universal coverage of all persons aged 65 and above could be reached by 2030 if rollout is to be effected in the following three stages:

- Stage 1: ensure the establishment of a mechanism for continuous enrolment by 2023 and thereby allow all persons aged 70 and above to enrol into the programme
- Stage 2: extend coverage to all persons aged 67 and above by 2028
- Stage 3: reach universal coverage for all persons aged 65 and above not receiving a regular pension by 2030[27]

In each stage, prioritization of enrolment would need be given to poorer counties and the poorest households, based on data of the ESR. The ESR is to be linked to the management information systems of the NSSF and the Civil Service Pension Scheme to support administration of the scheme and allow for automatic exclusion of those who receive a regular pension.

Standardized outreach and registration guidelines will be developed to ensure equitable opportunities of registration in all locations. In addition, measures will be taken to strengthen institutional and human capacities of offices and officials responsible for the implementation of the scheme at all levels of government (national, county, sub-county and location).

Ensuring adequacy

The benefit amount of the old age pension is set with KES 2,000 per month paid to each person above the age of eligibility. This equals approximately 13 percent of the current minimum wage (KES 15,000). To ensure

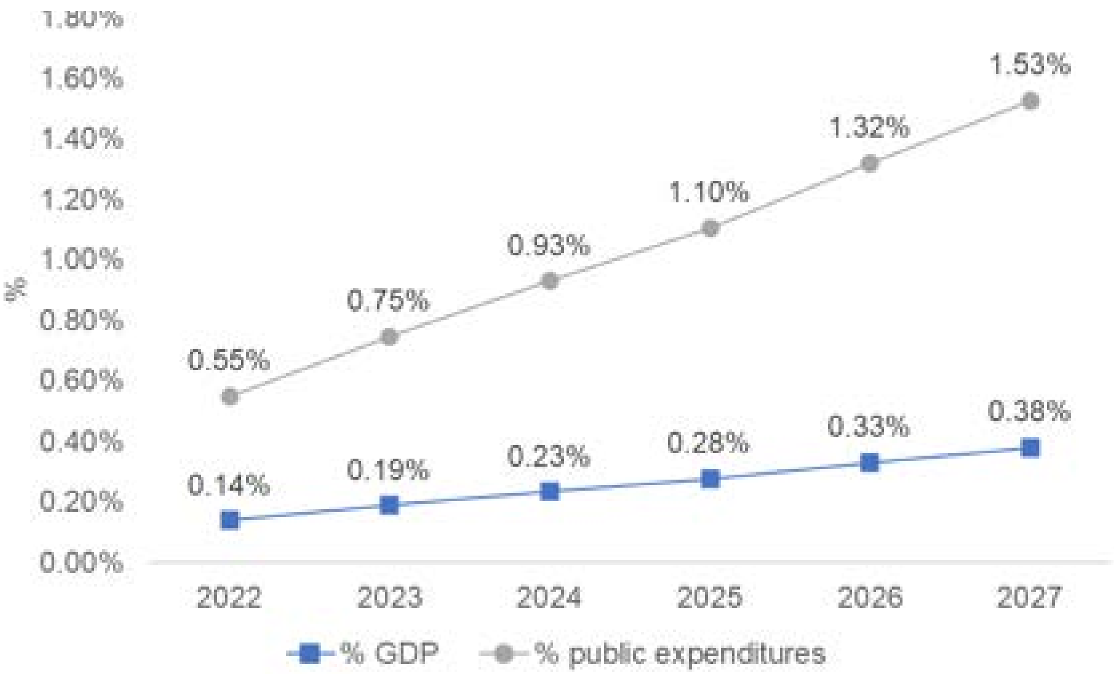
[27] Stage 3 will be beyond the duration of the current strategy and its implementation will depend on the results of an impact evaluation and fiscal space available.

adequacy in the long-run the benefit amount shall be adjusted to inflation on a regular basis. Options for automatic indexation of the benefit or to tie the pension to the minimum wage will be explored.

The box below shows the estimated annual costs for the rollout of the Universal OPCT[28].

▶Box 4 Estimated cost of the extension of the Universal Old Age Pension 2022 - 2027

	2022	2023	2024	2025	2026	2027
65-66	0	0	0	0	85,836	182,199
67-69	0	95,220	202,119	321,771	455,338	604,077
70 or over	763,670	994,368	1,225,066	1,455,764	1,686,462	1,917,160
Total older persons covered	763,670	1,089,588	1,427,185	1,777,535	2,227,636	2,703,436
% of coverage of all persons 65+	34.3%	46.2%	57.1%	67.1%	79.3%	90.8%
Amount of pension per year (in KES)	24,000	25,320	26,713	28,182	29,732	31,367
Total annual costs (in million KES)	18,328	27,588	38,124	50,094	66,232	84,799



b. Individual savings account Haba Haba

Extending coverage

To increase coverage of workers outside formal employment the NSSF launched Haba Haba in November 2019 - a flexible arrangement that allows workers in the informal and rural economy to voluntarily make regular contributions to their individual pension accounts, depending on their financial resources available. The NSSF has been partnering and working with different public and private actors such as NHIF, Kenya Commercial Bank (KCB), and Safaricom Company to facilitate member registration and collection of contributions, and to promote the uptake of the product among the target group. NSSF membership of workers outside formal employment rose significantly since the

[28] The calculations do not exclude recipients of regular pensions as related data were not available.

introduction of Haba Haba - from 155,807 in 2017 to 249,485 in December 2021, with member's contributions amounting to KES 5,536,840[29].

However, coverage among workers in the informal and rural economy is still low, with less than two percent of them registered[30]. Their financial ability to pay regular contributions resulting from low and fluctuating incomes remains one of the major impediments to register to the NSSF (see Part 1). Another reason for the low coverage rates is their limited awareness for the need to save for old age and the prioritization of short-term needs, as compared to long-term investments. Therefore, workers prefer more flexible saving mechanisms, which allow them to withdraw their savings anytime. Only a fraction of workers registered through Haba Haba contribute to the NSSF on a continuous and regular basis. High rates of withdrawal after only a few years of contributions have led to a slow growth of fund reserves and the depletion of savings for members.

Against this background, the Government of Kenya will increase its efforts to enrol new members to the NSSF and encourage them to pay regular contributions. The government, together with strategic partners, aims at increasing the share of voluntary NSSF members among workers outside formal employment to ten percent until 2027.

Dedicated measures to improve coverage include, but are not limited, to the following (see also strategic objective B):

- The Government of Kenya and its partners intend to initiate an awareness raising campaign and sensitization forums to inform self-employed workers (and enterprises) about the legal framework, including their rights and responsibilities under the NSSF Act. This will be guided by differentiated communication strategies, which shall provide guidance how to best reach out to specific groups of workers (e.g. women, youth, workers engaged in different sectors, etc.) The campaign will use simple, straightforward and accessible language and different communication channels, including social media, radio, TV, banners and newspaper advertisement. Organizations providing services for and representing informal and rural economy workers and enterprises, such as MSEA, associations representing specific groups of informal and rural economy workers, COTU-K, FKE and the National Chamber of Commerce and Industry, are important partners, be closely engaged to support the campaign and promote the new act among their clients and interest groups.

- Access and registration channels to Haba Haba will be further increased by establishing strategic partnerships with county governments, banks, MFIs, MSEA, organizations representing workers in the informal and rural economy and the private sector.

- To increase the outreach of Haba Haba, the NSSF will develop a plan to build a network of community agents / mobilizers, including among others dedicated coordinators at county level, as well as volunteers at village level.

- In unison with the regulations for the Financial Inclusion Fund (see Part 2) the NSSF intends to develop, test and roll out a model to arrange insurance agreements with cooperative societies, associations and MFIs representing specific categories of informal and rural economy workers or workers located in dedicated geographic areas. Such a model will include mechanisms that allow organizations to collect contributions from members on behalf of the NSSF and to cross-subsidize contributions of members who are temporarily unable to pay. Specific emphasis will be given to arrange cooperations with organizations representing women, such as women-led cooperative societies and chama groups, in close cooperation with the Financial Inclusion Fund.

- Affordable and flexible contribution financing schemes for Haba Haba shall be linked to the newly initiated Financial Inclusion Fund that provides loans to individuals, as well as MSE, cooperative societies and Chama groups or any other associations registered by the relevant government institution. This will allow those contributions are financed in advance, while contributors repay the loans weekly or in any other interval aligned with their income streams.

- Agreements with payment service providers will be made to allow for direct debit payments/auto deduction of NSSF contributions from member's accounts and mobile money wallets on a regular

[29] Republic of Kenya 2022. Sector Plan for Labour and Employment 2023 – 2027. Decent and Gainful Employment for Kenya Labour force (draft version).
[30] Based on calculations with data from KNBS 2022. Economic Survey 2022

basis, e.g. on a weekly or monthly basis or in any other interval aligned with income streams of the respective members.

To achieve quick wins, the measures outlined above will be initially mostly dedicated to those groups of workers in the informal and rural economy that are closer to the formal economy (e.g. because they have registered the businesses, have access to certain services related to their business or are organized in associations and unions) than others and have a higher propensity to overcome financial barriers to save for old age[31]. This applies for example to registered business owners, construction, transport and trading workers, as well as workers located in urban areas. Additional analyses using panel data, phone survey and focus group discussion results will be undertaken to provide a better understanding of saving patterns, risk-coping strategies, and the intrinsic value specific groups of informal and rural economy workers place on old age savings.

Ensuring adequacy

Voluntary NSSF members are mandated to contribute with a minimum of KES 25 per day, KES 200 per month or KES 4,800 per year. Individual savings are complemented by annual interest rates, determined by the Funds' returns of investment. The model provides some flexibility for members to address short-term needs (e.g. in the case of unemployment, loss of income or housing needs): A member may claim up to 50 percent of savings after five years of contributions. However, at least 50 percent of savings must be kept until the age of 60, except for cases of invalidity, death of the member or emigration.

To increase the attractiveness and promote regular contributions to the NSSF the national government intends to develop and offer a special insurance benefit package, including life and funeral insurance, for its members who pay the proposed minimum contributions of KES 4,800 per year (to be offered in the subsequent year after fulfilling the conditions). Insurance premiums would be paid by the national government on behalf of its members.

One specific measure to increase coverage and adequacy of savings among workers in the informal and rural economy would be the introduction of a special fiscal incentives package in the form of matching subsidies (e. g. 30 percent) as top-up to annual contributions paid on an individual basis, up to a predefined annual ceiling. This approach will be pilot-tested, evaluated and further rolled out, if deemed feasible and effective.

The NSSF will take adequate measures to increase its returns of investment - thereby increasing the benefit at the age of retirement and further incentivize workers to join the scheme and contribute on a regular basis. It will undertake socially responsible investments in low and medium cost housing in selected counties. This is aimed at addressing the housing challenges in the counties while at the same time responding to ethical investing needs which considers needs of Fund members, stakeholders and the overall social good. These projects will be implemented through Public Private Partnership (PPP). Feasibility studies on the proposed areas will be carried out and a Master Plan developed prior to the commencement of the pilot phase. In addition, the Fund will seek to increase interest rates offered to members through diversification of the investment portfolio by investing private equity and venture capital in areas with high returns in order to attract more members.

The NSSF also intends to take concrete steps to reduce its administrative costs to increase the trust of its members and allow higher returns for pension savings. As a regulator, the Retirement Benefits Authority (RBA) shall develop administrative guidelines in this regard. Additional reforms shall be initiated to reform business processes, management and corporate governance to enable the NSSF to manage higher contributions, register members on a continuous basis, administer a larger fund and guarantee the timely and full pay-out of old-age, invalidity and survivor pensions.

The Haba Haba arrangement only provides a lump sum benefit at the time of retirement, based on individual savings accounts, for each member voluntarily contributing. To increase the adequacy of

[31] A cross-sectional analysis using KIHBS 2015/16 survey reveals that 24 percent of Kenyan households are in the informal sector but above the poverty line and do not report facing severe economic shocks. They are found to be comparable to formal households with regard to consumption, ownership of mobile phones, and mobile money usage. These households are much more prevalent in some regions (for example, Kiambu, Kirinyaga, Meru, and Nyandarua) than others (Marsabit and Nyamira), and they tend to work in the services and construction industries (World Bank 2022. Draft Kenya Social Protection and Jobs Public Expenditure Review).

the scheme in the medium to long-term, the national government will develop a long-term strategy how to transition the model into a retirement scheme based on the principles of solidarity and risk pooling, which can serve as a mechanism to smooth consumption after retirement by offering pension payments on a predictable monthly basis (in line with the 2013 NSSF Amendment Act which introduced monthly pensions for workers in formal employment). An increased share of persons above retirement age with a regular contributory pension would also reduce the costs of government for the OPCT in the long run.

5. Improve income protection for workers with disabilities

As of June 2022, around 602,000 persons were registered as having a disability with the National Council for Persons with Disabilities. According to the Kenya Population and Housing Census 2019, more than two percent of Kenya's population (333,520 individuals) live with a disability.[32] Persons with disabilities are more likely to be poor, to face catastrophic health expenditures, to have lower levels of education and economic participation and to live in households that are more exposed to economic insecurity and shocks. Those inequalities arise from multiple barriers faced at all ages, such as stigma, inaccessibility to infrastructures, transport and information systems as well as the lack of inclusive public policies and services. The barriers generate significant disability-related extra costs for persons with disabilities and their families, thereby further increasing their vulnerabilities. The Government of Kenya will work towards improving income protection of workers in the informal and rural economy with a disability, as well as workers who are engaged as the principal carer for a person with a disability.

Extending coverage

The Cash Transfer for Persons with Severe Disabilities (CT-PwSD) programme currently in place aims at supporting households living in poverty with household members with severe disabilities requiring 24-hour support from a caregiver. The programme seeks to enhance the capacities of care givers through cash transfers and as such, improve the livelihoods of persons with severe disabilities as well as reduce negative impact of disability on households. The scheme covered approximately 35,000 beneficiary households across all 47 counties in Financial Year 202/21. The CT-PwSD is rather limited in coverage and therefore leaves out the majority of the working-age population with a disability or who have to care for a person with disabilities.

In the Draft Kenya National Social Protection Policy, 2023, the Government of Kenya is proposing to replace the poverty-targeted cash transfer programme by a universal and more inclusive scheme for all persons with severe disabilities living in the country and ensure full coverage of the scheme by 2030. This would need to go hand-in-hand with increased efforts to classify the severity of a disability, to register persons with severe disabilities with the National Council for Persons with Disabilities, as well as to collect data on household members with disabilities in the ESR. In order to support the agency of persons with disabilities, the cash transfer shall be paid to them directly. Yet in case of children and other persons not in a position to claim the benefit, the benefit would need to be paid to the care giver. On-demand registration mechanisms will be explored to ensure continuous access of all eligible persons to the cash benefit.

Ensuring adequacy

The current benefit amount of the CT-PwSD is set with KES 2,000 and does not reflect the financial burden that comes with the extra costs persons with disabilities and their carers are facing. In

[32] However, overall numbers of persons with disabilities and severe disabilities in the country are expected to be much higher.

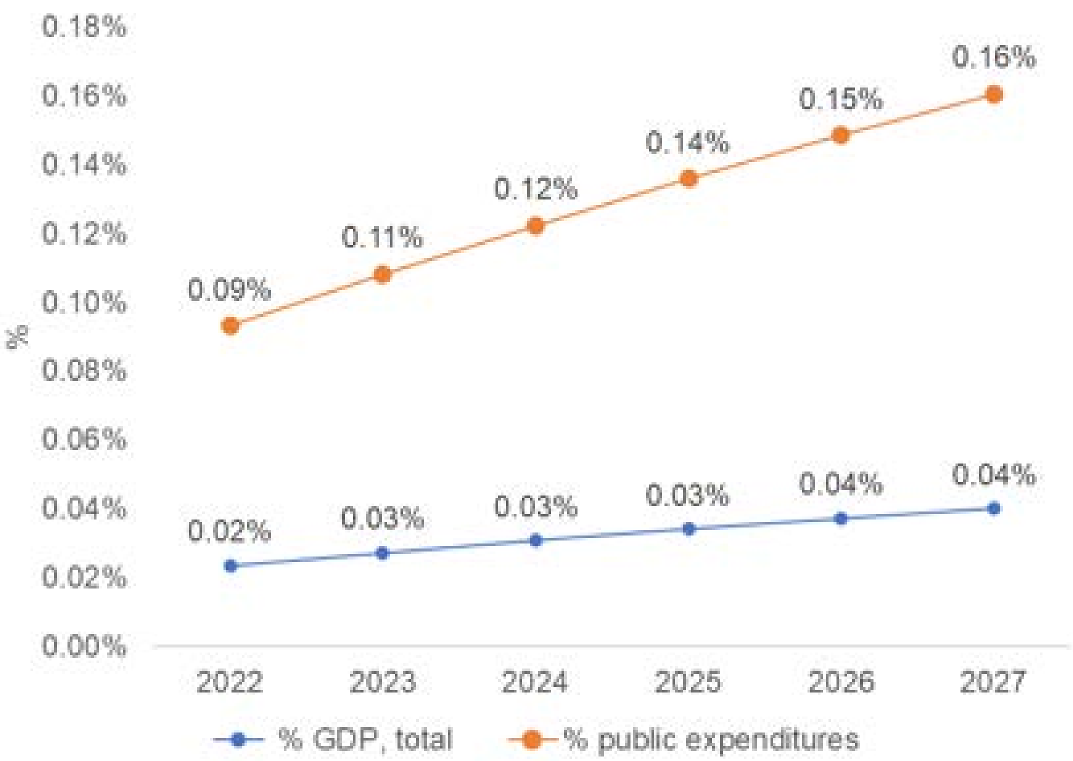
conformity with the ILO Convention 128[33], the universal benefit for persons with severe disabilities could offer a monthly benefit equal to 50 percent of the minimum wage (KES 7,500 as of 2022).

The box below shows the estimated annual costs for the extension of the CT-PwSD.

In the medium- to long-term the government envisions to extend the universal cash transfer to all persons with disabilities at reduced benefit rates.

▶Box 5 Estimated cost of the extension of the Cash Transfer for Persons with Severe Disabilities (CT-PwSD) 2022 - 2027

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Beneficiaries of CT-PwSD	34,294	41,796	49,626	57,793	66,310	75,188
% of coverage	33.2%	39.6%	45.9%	52.3%	58.6%	65.0%
Amount of cash transfer per year (in KES)	90,720	95,710	100,974	106,527	112,386	118,567
Total annual costs (in million KES)	3,111.2	4,000.3	5,010.9	6,156.5	7,452.3	8,914.8



6. Improve safety and health at the workplace for workers in the informal and rural economy, including access to compensations in the case of work-related injury and diseases

Many workers in the informal and rural economy face dangerous, hazardous, unsafe and unhealthy working conditions, which often lead to occupational injuries and diseases. The Occupational Safety and Health (OSH) measures have traditionally focused on formal workplaces, and therefore have few programmes addressing the reality of working conditions of those working informally.

The government intends to develop, adapt and strengthen mechanisms for occupational safety and health to prevent work-related injuries and diseases among informal and rural economy workers.

[33] The convention foresees periodic payments of at least 50 percent of a reference wage; to be adjusted following substantial changes in general level of earnings or of the cost of living.

Further, there is ongoing conversation towards the establishment of a social insurance-based system for work injury and illness compensation that is inclusive of all workers including those in the informal and rural economy.

Improving occupational safety and health at the workplace

All enterprises, including those operating informally are subject to the Occupational Safety and Health Act 2007, which aims at the prevention of accidents and diseases at the workplace through the application of adequate OSH measures. However, in practice the Act suffers from weak compliance and enforcement, especially in the informal and rural economy. Various measures to improve OSH have been made over the past years by the Directorate of Occupational Safety and Health Services (DOSHS)[34].

To further improve OSH standards for workers in the informal and rural economy the government, together with various strategic partners, intends to implement a set of different measures and activities, including carrying out awareness creation on safety and health; providing advisory on safety and health services; as well as formation of joint safety and health committees at workplaces of informal and rural economy workers to improve their work environment. The following specific measures will be carried out[35]:

- The DOSHS intends to develop and implement an occupational safety and health communication strategy that is inclusive for and targets workers in the informal and rural economy, especially those working in sectors particularly exposed to work-related injuries and diseases.
- Dedicated studies will be conducted in up to five sectors dominated by informal workers and enterprises to reveal issues around OSH and the institutional challenges that need to be tackled to ensure safe and healthy working conditions in the respective sectors.
- To further sensitize and train workers and businesses engaged in sectors with dangerous, hazardous, unsafe and unhealthy working conditions and their partners for the importance of OSH and improve the compliance with OSH standards in the respective sectors the DOSHS intends to initiate tailored cooperation with
    - county and sub-county governments and associations representing small traders and craftsmen and -women, such as the Kenyan Union of Commercial Food, the Kenya National Alliance of Street Vendors and Informal Traders and local organizations representing traders to improve OSH standards at local markets, vending centres and vending zones, as well as in worksites and production areas provided and maintained by local governments,
    - the Kenya Transport Workers Union, transport associations and SACCOs, as well as booking platforms to improve OSH among transport workers,
    - associations representing construction workers and property developers, contractors and sub-contractors to improve OSH among construction workers,
    - the Union of Hair and Beauty Workers and producers and distributors of beauty products to promote safe handling of chemicals among hair and beauty workers,
    - The Agriculture Sector Network (ASNET), agricultural associations and purchasers producing for global supply chains to improve OSH among agricultural workers, and
    - the MSEA and associations of micro and small businesses to strengthen OSH in MSEs

[34] Between 2017 until 2022, the DOSHS has inspected and audited 18,590 workplaces for compliance with the Occupational Safety and Health Act (2007); examined 65,747 plants and equipment and medically examined 221,099 workers in classified hazardous workplaces for early detection and effective mitigation of hazardous conditions; sensitized 634 farmers on OSH practices; and undertook Training of Trainers (ToT) where 20 leaders of SACCO were trained on best occupational safety and health practices (Republic of Kenya 2022. Sector Plan for Labour and Employment 2023 – 2027. Decent and Gainful Employment for Kenya Labour force (draft version)).

35 The Ministry of Labour is currently establishing an Occupational Safety and Health Institute, which is a specialized training Centre for professional skills in Occupational Safety and Health. The newly established institute could be a potential anchor point for these activities.

- As a step towards formalization of workers currently engaged informally employers will be sensitized on the importance of registration of their workplaces with DOSHS in order to bring them into visibility and access to OSH programmes, and to enhance the Fund's collections with a view of enhancing surveillance of workplaces on OSH.

Enabling access to Employment Injury Insurance

The Work Injury Benefits Act 2007, which provides for compensation to employees for work-related injuries and diseases, requires the employer to obtain and maintain an insurance policy to cover work injuries and occupational diseases. There are several challenges associated with this approach, based on employer liabilities: employers are often not complying with the law as they do not pay compensation of workers who die or suffer disability following work-related injury. Compliance is especially low among MSEs, due to comparatively high costs they are facing, resulting from the lack of risk pooling mechanisms. As many employers do not obtain insurance for their employees (as required by law) they face high financial costs in the case of a work-related injury or disease of one of their employees as they have to cover the costs themselves. Informal and rural economy workers are excluded from the Act by default because they lack an identifiable employment relationship.

To overcome these bottlenecks, the government intends to introduce an Employment Injury Insurance (EII) scheme that will provide medical care and associated care over the lifetime of severely injured workers; vocational rehabilitation to workers who are injured on the job or who develop occupational diseases during or after their employment term; compensation for the loss of income; and survivors' benefits for families of victims of occupational fatalities. The scheme shall be in place by 2026. The development of a new scheme provides a window of opportunity to cover workers engaged in the informal and rural economy, especially those who are highly exposed to work-related injuries and diseases. Therefore, it will be ensured that the Act to be issued for the EII will be inclusive for specific categories of workers, such as self-employed workers, agricultural workers, domestic workers, casual workers and other particularly vulnerable groups of workers.

Concrete options to be further explored include, but are not limited, to the following:

- establish opportunities for self-employed workers to opt in to the new scheme on a voluntary basis through flat rate contributions,
- effect mandatory and/or group-based inclusion of informal economy workers in sectors that face proportionately high risks for work-related injuries and diseases, such as workers in the transport sector, construction workers or hair and beauty workers,
- develop tailor-made matching contributions schemes through cooperations with parties that work with and benefit from the services of informal economy workers, such as booking platforms in the case of transport workers, purchasers in the case of agricultural workers (with a particular focus on those who produce for global supply chains), as well as developers, contractors and sub-contractors in the case of construction workers.

7. Provide opportunities for the improvement of livelihoods and basic income security for workers in the informal and rural economy in the case of unemployment, insufficient earnings or loss of livelihoods

The outbreak of COVID-19 pandemic led to a rise in job losses in Kenya with the rate of unemployment rising from 5.2% in March 2020 to 10.4% in June 2020[36]. The majority of those who lost their livelihoods did not have any form of social protection, which prompted the national government to initiate temporary measures to cushion them against the loss of employment. To provide a lasting solution to individual and covariate economic shocks that may affect workers' livelihoods in future, the Government of Kenya will provide opportunities for workers in the informal and rural economy to improve their livelihoods and

[36] KNBS 2022. Economic Survey 2022

will work on a model to ensure their basic income in the case of unemployment, insufficient earnings or loss of livelihoods.

Enhancing economic inclusion

The National Government has recently initiated the Kenya Social and Economic Inclusion Project (KSEIP), which aims to test various models of economic inclusion in five counties of the country (Kisumu, Makueni, Marsabit, Murang'a, and Taita Taveta). The KSEIP will enable Kenyans living in extreme poverty to engage in sustainable livelihoods and develop resilience by supporting them to establish and expand MSEs, based on local market conditions. It offers tailor-made support packages to its participants, including seed capital, support in creating business groups, asset transfers, skills trainings and a mentorship programme. The project also builds the capacity of county governments to scale the reach of the economic inclusion approach. The pilot project will help to determine the optimal model that can be implemented by the national government, in close cooperation with county governments, on a national scale. The design and operational approach of a future country-wide approach will also be informed by international experiences and economic inclusion models applied in other countries.

To further improve the model and better adapt it to the needs of informal and rural economy workers the national government intends to take the following measures:

- Wherever possible informal and rural economy worker organizations, associations and cooperative societies shall be involved in the specific design of the approach and in different steps of implementation. This will help to adapt the economic inclusion model to their specific needs and existing capacities. At the same time, economic inclusion programmes will contribute to the creation of such organizations.
- Potential beneficiary households for economic inclusion programmes shall be identified through the ESR, in close cooperation with local communities and associations and organizations representing different groups of workers engaged in the informal and rural economy.
- Economic inclusion programmes shall establish cooperations with NHIF and NSSF to raise awareness of these schemes and promote uptake among participants of economic inclusion measures.
- Participants of economic inclusion programmes shall be sensitized about the importance of enterprise formalization and supported in registering and obtaining licenses for their businesses and complying with all relevant laws. This could be done through establishing cooperation with MSEA.
- Options will be explored to better link and align future economic inclusion programmes to already existing or planned agricultural programmes and policies that aim at enhancing productivity of smallholder farmers and improve their market linkages, such as livestock protection, input finance and extensive agricultural extension support, provision of agricultural subsidies, agricultural insurance, commodity market instruments or the Homegrown School Meals Programme (see below).
- Priority in economic inclusion programmes will be given to economic activities that add value to agricultural export products as agriculture is Kenya's most globally competitive sector, as well as those contributing to sustainable tourism, high-quality construction building of affordable housing, waste management, as well as arts and crafts.
- Existing approaches and lessons learnt from the pilot phase will be used to scale up a model that contributes to increasing the resilience of informal and rural economy workers to climate change and help them to transition to a greener economy.
- Priority in economic inclusion programmes will be given to women and persons with disabilities.

- As county governments will be assigned a key role to design, implement and roll out area-specific economic inclusion programmes under a national framework, specific guidelines will be developed, including the determination of roles and responsibilities of different government levels and sectoral departments, as well as cost-sharing models.

As foreseen in the National School Meals and Nutrition Strategy 2017 – 2022, the Ministries of Education, Health and Agriculture, Livestock and Fisheries, will take a specific approach to promote economic inclusion by further extending the Home-Grown School Meals Programme to additional locations and schools. The programme provides a hot lunch to children at schools to support educational achievements while also stimulating local agricultural production through purchase of food from smallholder farmers and local food suppliers. Funds for the programme shall be significantly increased and ringfenced to reach up to 4 million beneficiaries within the next 5 years. Conditional grants shall be provided to county governments to further extend to programme. Procurement from local smallholder farmers shall be accompanied by specific measures to diversify and improve their production.

Enabling access to unemployment benefits

Income loss in the case of unemployment is currently only covered by the employer liabilities, as stated in the Employment Act 2007 and therefore only applies for wage-employed workers. This excludes all workers outside formal employment. Moreover, severance payments as regulated by the employer liabilities only provide one-off payments based on previous salaries and working periods, and are therefore often insufficient to protect workers against the financial impact of job loss. The actual payment depends on the employer's financial capacity, and on workers' capacities to enforce payment, which could be and often is problematic.

The national government has recently initiated the process of establishing a contributory Unemployment Benefit (UB) with the aim of cushioning workers against loss of incomes as a result of unemployment and facilitating a fast transition to employment after job loss. The benefit will provide short-term cash relief during involuntary unemployment and promote active labour market participation through the facilitation of job search, including reskilling and career guidance to enable return to employment as soon as possible. Workers and employers will be sensitized on the benefit, registered and their contributions collected and credited in the Fund. The process will be actively used to promote formalization and registration of wage-employed workers and enterprises currently operating informally. Options will be explored to cover those categories of informal and rural economy workers that are affected by seasonal income losses, such as fisherfolk or seasonal workers in agriculture.

8. Provide basic income protection and food and nutrition security among workers in the informal and rural economy in the case of covariate shocks

Across Kenya, large-scale shocks are becoming more numerous, frequent and long-term. Kenya is highly exposed and vulnerable to recurrent climate-induced shocks, most commonly droughts and floods, which adversely affect mostly poor and vulnerable households in rural areas in the country's lagging regions, exacerbating geographic inequalities and vulnerabilities further. In addition, economic shocks, such as the COVID-19 pandemic and recent food price hikes, threaten Kenya's recent socioeconomic achievements. Aligned with measures in the field of disaster risk management and humanitarian response social protection schemes can efficiently and effectively be used to respond to such shocks. To provide relief and protection to workers in the informal and rural economy affected by emergencies, social and economic shocks such as droughts, floods, forced displacement, and pandemics the Government of Kenya intends to extend shock-responsive social protection programmes and measures that provide predictable and time-bound support and thereby enable them to quickly recover from shocks and improve their long-term economic resilience.

Enabling vertical and horizontal extension of existing social protection schemes in the case of shocks

To ensure rapid response, shock-responsive social protection interventions have to be anchored in the existing social protection system. Therefore, emergency cash transfers are to be gradually integrated into the systems of regular social assistance programs that are inclusive for most workers in the informal and rural economy and their families (e.g. the OPCT, the universal child benefit or the CT-PwSD). The integration allows for rapid vertical expansion of emergency cash support and to reach out to broad parts of the population. Moreover, the Hunger Safety Net Programme (HSNP) shall be further extended to additional counties to better protect agricultural workers from climate- and weather-related shocks. To reach groups that are not covered by regular programmes in the case of emergencies, a dedicated temporary emergency cash transfer could be designed. It could piggy-pack on already existing delivery mechanisms of the social protection system, in particular the ESR for identification, registration and verification purposes.

Improving data and information on informal and rural economy workers affected by shocks

Data and information are key for shock-responsive social protection. There is a need to invest in a stronger understanding of risk and household vulnerability to shocks in order to understand who is likely to be most at risk to which kinds of shocks, as a basis for designing appropriate programs. To improve the collection, updating, analysis and utilization of data and information in this context, various measures have to be taken:

- The ESR shall be enhanced over the next years to have a social registry that will improve its functionality to identify potential beneficiaries of shock-responsive measures during and after emergency situations.
- Since the ESR can be expected to have high but not total coverage of the population it will be necessary to develop interoperability between the ESR and other information systems. To identify informal and rural economy workers affected by shocks ESR data will be combined and interlinked with information from the MSE Registrar to be developed under MSEA, as well as the Kenya Integrated Agricultural Management Information System (KIAMIS) (see B6).
- In addition, appropriate Early Warning Systems and trigger mechanisms related to different types of shocks will be further developed and linked to social protection information systems to allow for appropriate early action and response to each type of covariate shock.

Providing predictable and adequate disaster risk financing mechanisms

For social protection programmes to become more responsive to shocks, risk financing strategies will need to be developed with appropriate risk financing instruments prepositioned and linked to the respective social protection schemes. The national government will make funding for these purposes readily available to allow for quick disbursement. This is a precondition to provide timely response to workers in the informal and rural economy affected by shocks and thereby help them to quickly recover, rebuild their respective livelihoods and ensure their family's' well-being in the long run. Various measures will be taken to improve financing for shock-responsive social protection:

- The national government will explore the potential cost of shock response, leveraging a variety of data sources including historical hazard data to shed light on the anticipated contingent liability of using existing social protection programmes to respond to shocks.
- Building from these costing models, a risk financing strategy that layers multiple instruments according to the frequency and severity of the shock will be developed. Potential instruments for financing shock-responsive social protection will include sectoral and/or contingency and reserve funds, contingency loans, market-based risk transfers, including insurance, reinsurance

and catastrophe bonds, as well as discretionary post-disaster relief aid from international partners.

- As county governments have ringfenced budgets for emergency response the national government will issue guidelines for counties how to best make use of such funds to design and implement their own shock-responsive programmes, complementing programmes managed by the central government.
- To enable the disbursement of these risk financing instruments to those affected existing payment mechanisms for social protection programmes will be assessed in terms of their capacity to deliver benefits in the wake of shocks. Building from the payment conduits used for regular programmes, the requisite rules and capacity among payment service providers to deliver in the case of a shock will be established ex ante to ensure quick and reliable delivery. This includes the establishment of robust governance and fiduciary arrangement with telecom service companies for emergency delivery of cash through their mobile money platforms.
- To improve individual access to disaster risk financing for smallholder farmers and thereby enable them to manage risks and potential losses, the government will accelerate initiatives to extend the penetration and coverage of agricultural insurance products.

B. Address the major barriers faced by workers in the informal and rural economy when accessing social protection schemes

Besides the initiatives to enhance the design of social protection schemes to improve coverage, adequacy and comprehensiveness of the system as whole outlined in the previous sub-section, the Government of Kenya and its strategic partners will strive towards removing the remaining barriers that currently impede access of informal and rural economy workers to social protection. Thereby, various factors will have to be addressed simultaneously and consequently a set of specific objectives will be pursued.

1. Overcome legal barriers that impede access to adequate social protection

The legal barriers to accessing the existing contributory social protection schemes are considerably low for all workers in the informal and rural economy in Kenya, compared to other low and middle-income countries. In general, labour laws, in particular the Employment Act 2007, apply to all wage-employed workers and do not exclude specific types of workers. In this regard, all workers have equal rights under the law. This also applies to specific legal frameworks regarding social protection: Neither the NHIF Act, nor the NSSF Act explicitly excludes or constrains the participation of certain categories of workers in these contributory schemes. Moreover, both legislations define modalities, which allow those workers without an identifiable employment relationship between an employer and a dependent worker to contribute. To close remaining legal gaps the government intends to review all current and future Acts related to social protection to explicitly include specific categories of workers typically excluded from social protection, e.g. domestic workers, casual and seasonal workers, agricultural workers, or refugees and migrant workers.

It has to be noted that the entitlements of non-contributory schemes under the NSNP are not enshrined in legislation, meaning that no legal claims can be made to be covered and receive benefits. This constitutes a significant gap in the current social protection system and is not complying with a rights-based approach towards social protection. The Government of Kenya therefore intends to work towards establishing social assistance benefits, both poverty-targeted as well as categorical, as an entitlement of each citizen anchored in national legislation.

Moreover, the national government will conduct a gap analysis to review if and to what extent other existing laws would have to be reviewed to ensure better access to and coverage of specific groups of informal and rural economy workers with social protection. Laws to be analysed and reviewed based on the results include among others the Persons with Disabilities Act 2003, the Labour Institutions Act 2007, the Occupational Safety and Health Act 2007, and the Micro and Small Enterprises Act 2012.

The Government of Kenya will also take specific measures to strengthen the role of employers' and workers' representatives, including organizations representing informal and rural economy workers, as well as organizations representing vulnerable population groups, such as persons with disabilities, in legislative processes (see objective B4).

2. Ensure effective coverage through compliance and enforcement measures

A lack of effective enforcement of applicable legal frameworks, such as the Employment Act 2007, the Work Injury Benefits Act 2007, as well as the NHIF and NSSF Acts leads to a low level of compliance and is one of the reasons for the high share of informal employment in the country. This affects in particular wage-employed workers engaged in enterprises operating informally (reflected in the low levels of registration as employees with NHIF and NSSF as presented in Part 1).

Labour offices are only active in 41 out of 47 counties, whereas the Directorate of Occupational Safety and Health Services (DOSHS) is only present with staff in 29 counties. The Labour Inspectorate staff (under the Ministry of Labour and Social Protection) to employment ratio is low, currently at approximately 1:59,000 (compared to the international benchmark of 1:40,000)[37]. As labour, OSH and social security inspections focus primarily on registered enterprises they do not actively contribute to the transition of workers from the informal to the formal economy, which would also entail increased social protection coverage.

In order to address these challenges, the Government of Kenya intends to improve compliance and enforcement mechanisms through various measures, including

- recruiting additional labour and social security inspectorate staff at the county labour offices, the DOSHS, as well as NSSF and the NHIF branches,
- ensuring the presence of labour and social security inspection staff of all concerned entities in all 47 counties,
- developing specific training modules for labour and social security inspection staff to apply inspections in contexts with a high degree of informality, e.g. domestic work, agriculture, construction or in micro and small enterprises (the module shall include measures to strengthen the role of inspectors in providing information and guidance on how to respect legislation related to social protection),
- increasing labour and social security inspections in workplaces, including in sectors with high informality, in order to enforce compliance with existing laws,
- testing and rolling out of a joint inspection model of all responsible entities to work more efficiently and align the respective mechanisms (potentially coordinated by the Kenyan Revenue Authority),
- developing and rolling out data exchange mechanisms between different authorities (including NHIF, NSSF, DOSHS, Kenya Revenue Authority and county labour offices), as well as a joint electronic case management system to facilitate collection, storage, analysis, retrieval and dissemination of information related to compliance with labour laws,

37 Republic of Kenya 2022. Sector Plan for Labour and Employment 2023 – 2027. Decent and Gainful Employment for Kenya Labour force (draft version).

- developing model procedures for workplace cooperation and workplace-level grievance handling,
- developing strategic training programmes for workers in the informal and rural economy with the objective of making them understand the provision of labour laws,
- conducting tailored campaigns to create awareness of the rights and obligations of workers in the informal and rural economy among stakeholders involved in the labour sector,
- the initiation and rollout of an MSE Registrar and the KIAMIS Registration system (see objective B6).

It is, however, important to give priority to sensitization for compliance with social security laws, before effecting enforcement mechanisms. Therefore, specific measures will be taken to ensure the effective provision of information and to build the capacities of various actors (see objective B3), as well as assistance in complying with the relevant laws and regulations (see objective B5 and B6). In addition, adequate transition periods should be planned whenever new legislations concerning social protection are being introduced, which allow employers, employees and own-account workers alike to adapt to the new circumstances before enforcement mechanisms are being applied.

3. Improve information and awareness about social protection

A lack of information and awareness about social protection remains one of the main factors that contribute to low registration and participation rates in existing schemes among workers in the informal and rural economy. Both, the NHIF and the NSSF have made considerable efforts in the past years to raise awareness among this group of workers and have been partially successful in reaching out to and registering more members into the respective schemes.

However, the awareness about social protection among many groups of workers remains low, especially for NSSF: most workers in the rural and informal economy are not aware that they could enrol on NSSF as voluntary contributors (see Part 1). More needs to be done to provide information about the importance and basic functions of social protection programmes among the general public and to reach out to specific groups of informal and rural economy workers that face the highest barriers in accessing information with tailor-made information and sensitization campaigns. This includes among other groups women, workers in remote and marginalized rural areas, as well as workers with disabilities.

The following specific measures will be taken in this regard:

- initiating concerted media campaigns in English, Swahili and local languages to promote the access to a comprehensive package of social security for informal and rural economy workers, including social health protection and maternity protection (through the NHIF), pensions and unemployment benefits (through the NSSF) and protection in the case of work-related accidents and diseases (through DOSHS), using traditional (radio, TV, newspapers, banners) and social media,
- developing specific training modules on social security for MSEs in cooperation with and to be offered by MSEA in all counties,
- making use of testimonials from different categories of informal and rural economy workers to demonstrate the usefulness of social protection schemes, in particular the NHIF and the NSSF
- enhancing cooperations with organizations representing workers in the informal and rural economy, including unions, associations, cooperative societies and extension services provided by the Ministry of Agriculture and Livestock Development, to actively support information and awareness-raising campaigns,
- obligating contractors of public institutions to provide visible and easily accessible information on existing social security provisions for their workers,

- further establishing cooperations with persons and institutions of influence at the grass root level, such as local chiefs and religious leaders, including in forming a cadre of local community volunteers who could serve as resource persons at the village level to complement government services and educate communities on social protection,

- reforming Beneficiary Welfare Committees (BWCs)[38] to reflect the ongoing reforms in programme design, and ensuring their functionality to ensure meaningful citizenry engagement through dedicated capacity-building measures.

- making existing information accessible for persons with disabilities, e.g. by providing information in audio, sign language or plain language.

- developing sensitization modules as an integrated part of curricula for schools and TVET institutes to raise awareness and create an understanding of social protection and the state's role among the youth and build a culture of social security in the long run.

4. Build trust in the Government and its institutions responsible for social protection

Lack of trust in existing social protection schemes and the administering government is one important reason for the reluctance of workers in the informal and rural economy (and their employers) to join such schemes – and thereby move one step ahead towards the formal economy. There is poor confidence among the public towards government-led programmes and schemes, resulting from poor investment choices that led to the loss of public funds in the past. Workers and employers in the informal economy also often complain that they are not sufficiently involved in the design of reforms of social protection schemes, such as the amendment of the NHIF Act (2022) and the NSSF Act (2013).

To overcome these bottlenecks, the Government of Kenya intends to take a range of specific measures:

- The role of employers' and workers' representatives, including organizations representing informal and rural economy workers, in strategic planning and decision-making processes shall be further strengthened. Relevant parties shall be enabled to participate in the development of legal provisions right from the conception phase and their engagement at different stages of the legislative process will be promoted. To ensure that all relevant institutions are involved stakeholder mappings will be conducted in the inception phase.

- Periodic reports on the utilization of funds invested in social protection and the outcomes and impacts of specific schemes shall be published to increase accountability (in line with the M&E system to be established – see Part 5). The results could be disseminated through various channels, including through barazas and open forums at the grassroot level,

- Digital technology will be further leveraged to automate processes and thereby eradicate human bias

- The national and county authorities responsible for the implementation of relevant social protection schemes will review and improve programme-specific grievance redress mechanisms (GRM) to better handle the appeals, complaints and redress requests of current and potential beneficiaries. This will help to meet agreed standards of performance, transparency, and accountability and improve the trust of the population in national social protection mechanisms. Moreover, the government intends to establish and further strengthen already existing accountability mechanisms and safeguards to monitor and combat fraud among actors involved in the delivery of social protection programmes.

38 A Beneficiary Welfare Committee (BWC) is a group of representatives of beneficiaries of all cash transfer programs at the location level. BWCs work as a link between the beneficiaries and officers on matters related to cash transfer programs to ensure community participation and ownership. They organize meetings and information sharing sessions to educate cash transfer beneficiaries about their rights, responsibilities and entitlements. BWC members are the first contact points to respond to beneficiaries if they seek any information, have complaints or need to update their information/record with the cash transfer program.

- Some categories of workers in the informal and rural economy are confronted with constant harassment by local authorities, as well as punitive taxation and collection of bribes. These common practices are further hampering their trust in local, as well as national governments and their willingness to pay for state-led social protection schemes. The County Government Act 2017 provides a suitable environment to improve this situation by actively promoting the growth and development of the informal economy at the local level. It gives an implied right to workers and economic units in the informal economy to demand to be provided with a conducive environment for conducting their business, including construction of decent markets and workplaces. To further build trust in local authorities, county governments will be supported to better put in place laws that promote the growth and development of the informal economy in a conducive legal and regulatory framework, while also ensuring that the environment, security and social and economic activities are safeguarded. This will go hand in hand with the extension of an MSE Registrar and the KIAMIS to be implemented in cooperation with county and sub-county governments (see objective B6).

5. Abolish administrative and financial barriers

Complex and burdensome procedures often discourage informal and rural economy workers (and their employers) from registering for contributory social protection schemes. Several initiatives have been made by the NSSF, as well as the NHIF to ease access through the introduction and expansion of innovative modes for registration and enrolment: The NHIF has various modes of registration including a mobile platform using the USSD code, online registration via the NHIF App or via the NHIF website, as well as registration at NHIF branches. Efforts to ease payment of contributions have seen the introduction of the NHIF Wallet which allow one to save and remit payments at the end of the month. Registration with NSSF can be done through mobile phones, using a USSD code, via the NSSF website, and at local NSSF branches. Contributions can be paid through mobile money transfers. Members can also access their savings statements without having to visit an NSSF branch. Both, the NHIF and the NSSF offer services, including information, registration, replacement of membership cards, amendment of existing membership, or claiming of benefits at Huduma Centres[39].

Despite these efforts, many informal and rural economy workers still have to contend with a range of administrative barriers when trying to register: many workers, especially older generations, have limited digital literacy to file online applications or claim benefits online. Others, in particular those living in remote rural areas such as nomadic populations in the ASAL counties, suffer from the wide distances they have to travel to access the nearest access point. Persons with disabilities face additional barriers resulting from limited physical accessibility of service points. Last but not least, some workers still lack an ID, which is a precondition to access any of the available social protection programmes.

The Government of Kenya intends to increase its efforts to overcome the remaining administrative barriers through the following initiatives:

- All contributory and non-contributory schemes open for workers in the informal and rural economy shall establish mechanisms that allow potential participants to register on-demand at local offices or digitally (in unison with the commitment of the national government to make available 80 percent of government services online). To support on-demand registration processes the potential to establish Social Protection Committees at the community level to help in the ongoing identification and verification of potential beneficiaries for categorical and poverty-targeted schemes will be assessed. Registration processes, especially for poverty-targeted schemes, will be guided by the ESR.

- Digital solutions for registration and delivery of benefits will be further leveraged for all social protection schemes (e.g use of USSD codes, mobile phone applications, biometric identification, digital payment methods, etc.).

- The role of the Huduma centres in the delivery of social protection will be further extended by better streamlining existing services and adding new services, including the registration

39 Physical one-stop shop service centres that provide public services from a single location

of beneficiaries to universal schemes, such as the universal child benefit, the OPCT, and the CT-PwSD.

- To increase outreach to remote rural areas, the national government intends to establish Huduma centres at the sub-county level and set up rotating mobile Huduma offices (Huduma Mashinani) providing outreach services once a month in each sub-county, where services related to contributory and non-contributory social protection schemes will be offered. This will also lead to an increased coverage with national IDs and registration of births.

- In cooperation with organizations representing informal and rural economy workers, such as trade unions, associations and cooperative societies, the national government intends to develop a peer system, where selected members of these organizations will be capacitated to provide information about existing social protections schemes to other members and support them in registering, paying contributions and claiming benefits.

6. Integrate and align measures to facilitate the transition from the informal to the formal economy

The extension of social protection coverage is one of many components of a larger strategy to facilitate the transition from the informal to the formal economy in Kenya. It will be important to link different policy areas, strengthen their synergies and implement multisectoral approaches to multiply positive impacts. Against this background, the following broader measures will be contributing directly and indirectly to increasing the social protection coverage of workers in the informal and rural economy:

- Formalization of currently informal economic units and workers should be further enhanced through cooperation with occupational associations and cooperative societies representing workers in the informal and rural economy (see Specific objectives A1, A4, and A6). As outlined above, such organizations could play a key role in overcoming the remaining barriers of informal and rural economy workers in accessing social protection, but also in registering and complying with regulations.

- The National Government intends to work in close cooperation with county governments to increase efforts to reduce the barriers to formally run a business through various measures, including the enactment of a right-to-work law, improved access to trading licenses and trading locations and enhanced access to finance for start-up and growth-oriented MSEs through the Financial Inclusion Fund. At the same time NHIF membership could be made a precondition to access these services.

- The MSEA has already developed a Registration Management System to facilitate online registration of MSEs. This has been geared towards enhancing easy, faster and efficient registration. In cooperation with county and sub-county governments, the national government intends to establish and roll out a national MSE Registrar, with the aim to register at least 5,000 MSEs, associations and umbrella organizations. Registered MSEs will have enhanced access to finance, markets, capacity building, infrastructure and government services. Moreover, the Registrar could serve to facilitate their access to social protection schemes.

- The Ministry of Agriculture and Livestock Development, in coordination with the Ministry of Information, Communication and Digital Economy, is setting up the Kenya Integrated Agricultural Management Information System (KIAMIS), which seeks to list all farmers in the country capturing farm and farmer details, farm enterprises, and farm inputs and services. With support from FAO KIAMIS has been piloted in two counties of Uasin Gishu and Nyandarua and is currently being rolled out to an additional 22 counties. The registration system could be used to facilitate their access to social protection schemes.

- The responsible ministries and agencies will explore possibilities to integrate the ESR, as well as the management information systems of the NHIF and the NSSF with the MSE Registrar and the KIAMIS – via interoperability or ad-hoc data sharing mechanisms – to improve identification, coordination, delivery and monitoring of dedicated measures to extend social protection to the informal and rural economy. The ESR also contains data that is critically useful to the programming of policies to support MSEs and small-scale farmers, including measures to facilitate their formalization.
- The already existing one-stop model for business registration, licensing and renewal for MSEs currently operating in Nairobi, Kisumu, Eldoret and Mombasa and run by the local offices of the MSEA, could be extended to cover additional services, including registration with work-related social protection of business owners and employers, and be rolled out to ten additional counties. In unison with the commitment of the national government to make available 80 percent of government services online, a model for an online one-stop shop for services dedicated to MSEs could be developed, tested and rolled out. Registration and renewal of membership for contributory social protection schemes, such as the NHIF and the NSSF, could be offered as an integrated service in the one-stop shops.

Part 4: Institutional arrangements

The Government of Kenya recognizes that the successful achievement of the strategic objectives of this strategy requires multisectoral planning and intervention. This will be coordinated by the State of Social Protection through the National Social Protection Secretariat (NSPS) under the Ministry of Labour and Social Protection. A wide range of ministries will have an important role in implementing the strategy, in particular the Ministry of Cooperatives and Micro, Small and Medium Enterprises Development, the Ministry of Agriculture and Livestock Development, the Ministry of Health, the Ministry of Education, the Ministry of Public Service, Gender and Affirmative Action, the Ministry of Information, Communication and Digital Economy, as well as the National Treasury. In addition, various government agencies under these ministries will play a key role in its implementation, among others the NHIF, the NSSF, the National Drought Management Agency (NDMA), MSEA, the Revenue Authority, the Huduma Centres Institute and the newly established Financial Inclusion Fund. Synergies between the respective sectors are crucial for high-quality implementation and maximum utilization of available government financial resources, institutional capacities and personnel. Moreover, subnational governments and non-governmental organizations will play an important role in the implementation of the strategy.

Therefore, strong multi-sectoral institutional arrangements are required at the national level. Specific responsibilities regarding the implementation of the strategy will be shared across the above-mentioned ministries and agencies, national and subnational actors, governmental and non-governmental stakeholders. This underscores the need for an effective governance structure across all actors involved, which relies on a clear leadership and clear roles and responsibilities.

The governance structure will comprise dedicated entities at three levels:

1. National Social Protection Steering Committee:

The National Social Protection Steering Committee was established through the National Social Protection Policy 2022. This Committee will meet quarterly to promote sector-wide cross-pillar coordination. It will agree on a joint work programme and set up technical working groups to foster synergies across programmes within and between Pillars and to address any additional need for harmonization and/or coordination identified by the steering committee, including between national and county-level governments.

The same Steering Committee will be tasked with oversight and high-level decision-making to provide strategic orientation throughout the implementation of the strategy. The composition of the members of the National Social Protection Steering Committee shall be revisited to make sure that all relevant parties are involved. This includes in particular the active participation of employer and employee organizations.

The NSPS will serve as a member and executive coordinator of the work of the Steering Committee.

2. Secretariat

The functions of the Secretariat will be carried out by the NSPS. It will be charged with the following tasks:

- Supporting oversight and high-level decision-making within the mandate of the Steering Committee,
- Coordinating strategy implementation on a day-by-day basis,
- Preparation of appropriate concepts, tools and guidelines for mainstreaming approaches to extend social protection to informal and rural economy workers into policies, strategies, programmes and service-delivery mechanisms at all levels of government,
- Building partnerships between local, national, and international stakeholders and government and non-government actors contributing to the implementation of the strategy,

- Coordinating monitoring and evaluation of the strategy implementation (see Part 5),
- Preparing annual strategic and operational updates of the Implementation Framework (see Annex B),
- Creating a national platform for the compilation and sharing of relevant data, information, and good practices on the extension of social protection to workers in the informal and rural economy,
- Communicating key messages to the public regarding progress in strategy implementation,
- Coordinating the work of the Focal Points, and
- Fulfilling any other tasks that the Steering Committee may assign to it.
- The Secretariat shall be headed by a senior government official with a strong interdisciplinary professional background and practical management skills.

3. Technical Working Group

The Technical Working Group will be tasked with the coordination of the implementation of the strategy. It shall consist of:

- Chairperson (Head of the Secretariat),
- Focal persons of ministries and agencies concerned with the topic
- Representatives of county governments interested to join, e.g. Social Protection County Coordinators,
- Representatives of organizations representing informal and rural economy workers and businesses, such as workers' and employers' representative organizations, associations, cooperative societies or self-help groups, and
- Development partners, civil society organizations and private sector actors supporting objectives and activities outlined in the strategy

The Technical Working Group will convene on a quarterly basis to discuss specific implementation issues and find adequate and coordinated solutions for challenges and bottlenecks faced during the implementation of the strategy.

The above three-tier governance structure will be **replicated at the subnational level** with due regard to specific contexts, needs and priorities in selected counties. It will make use of already existing County Steering Committees for Social Protection, Social Protection County Coordinators, and County-level Technical Committees, as foreseen in the Draft National Social Protection Policy 2022.

Part 5: Monitoring, Evaluation, Research, and Learning

It is imperative to monitor and evaluate the progress and impacts of interventions envisioned in this strategy. In addition, new evidence for informing future policy decisions will be an integral component of policy formulation and programming. The results will be used within and across other sectors in a broad context of reporting and learning for decision-making, planning, resource allocation and delivery of improved services in the sector. Establishing common standards, indicators, and interoperable Information Management Systems, and gathering and analysing essential data regularly and consistently, as well as reporting, are critical elements to support the monitoring, evaluation and impact assessment of social protection programmes. A sound M&E Framework also fosters coordination, accountability, and synergy.

The M&E Framework will provide a tool for the systematic and routine Monitoring, evaluation and research of high-level indicators regarding the progress and achievements of the strategy to extend social protection to workers in the informal and rural economy. It provides an understanding and leads to the development of actions regarding vital cross-cutting issues such as gender, equity and social inclusion. It will help build synergies in the sector and enhance coordination, consensus and ownership of relevant policies and programmes through reporting. This will provide a basis for linkages between the various sectoral ministries and agencies involved, as well as between the various levels of government, especially between the national and the county governments and stakeholders.

The core of the M&E framework is the implementation framework in Annex B, which outlines strategic and specific objectives, outputs and indicators in more detail.

Monitoring of this strategy will be done bi-annually through joint reviews, involving various stakeholders, including national ministries and agencies involved in the field of social protection or in fields related to the formalization of workers and economic units in the country (see Part 4), selected county government representatives, organizations representing informal and rural economy workers and businesses, and development partners supporting objectives and activities outlined in the strategy. This will entail collecting data on activities carried out, discussing findings, and deciding on the way forward.

In order to evaluate the strategy, baselines will be set for all indicators presented in the implementation framework three months after completion of the strategy. A mid-term assessment will be undertaken during the third year of implementation and a final assessment will be undertaken during the last three months.

Evaluation processes will

- assess and document progress towards outcomes associated with the planned objectives as well as assess the policy impacts (impact/outcome monitoring);
- examine effectiveness, including cost-effectiveness, of the specific initiatives, lessons learned and best practices so that corrective measures can be taken promptly to inform activities; and
- mainstream results of monitoring and related analytical activities into the development of new policies and strategies related to the topic.

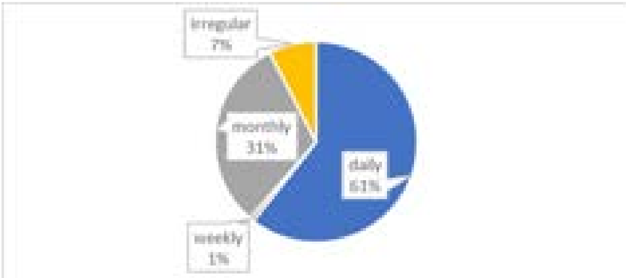
Annex A: Profiles of selected groups of workers and specific actions to address existing gaps and barriers

1. Traders

A total of 132 small-scale traders participated in the survey. The majority of them (36%) was located in peri-urban areas. 34% were located in urban areas and 30% were located in rural areas. 75% of all traders surveyed were females. Most of them have primary (23%) or secondary (58%) education.

Income frequency and sufficiency:

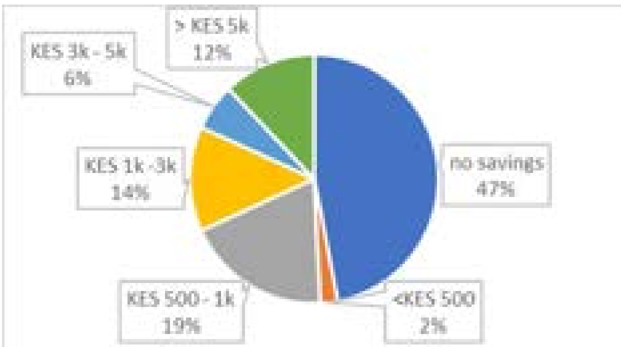
More than half (61%) of the traders surveyed reported to receive their income on a daily basis. 31% of them receive their income on a monthly basis. When asked whether their income could meet all their household needs, a majority of traders (79%) indicated that they were not able to meet all their needs.



Savings:

Most traders surveyed (47%) indicated that they have no savings. Most respondents who indicated that they were able to save on a regular basis could save between KES 500 and KES 3,000 per month. Only a minority of traders (18%) are able to save more than KES 3,000 per month.

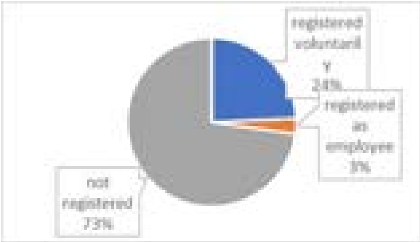
Most of the traders surveyed do not belong to an informal self-help group. Those who belong to such a group usually make their payments on a daily (8%) or weekly (18%) basis.

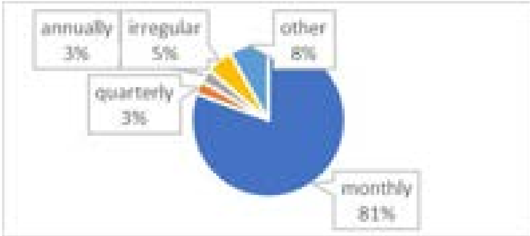


Registration with and contributions to NHIF:

73% of all traders surveyed are not registered with the NHIF, 24% are registered voluntarily, and 3% are registered as employees. The main reasons for not being registered with the NHIF indicated by respondents are the low incomes and correspondingly, the high monthly premiums. Some traders also indicated that they were not aware of the NHIF. Out of those who are registered with NHIF, the majority (81%) makes monthly contributions.

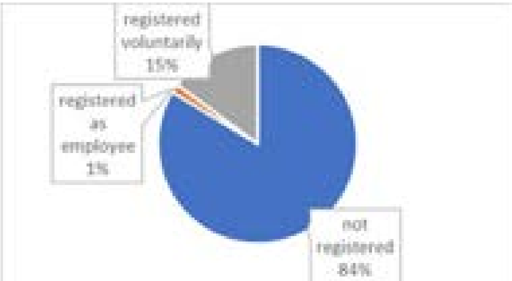
1 The profiles are generated from quantitative data collected for the unpublished study on extension of social protection coverage to workers in the informal and rural economy in Kenya undertaken by PwC Kenya.

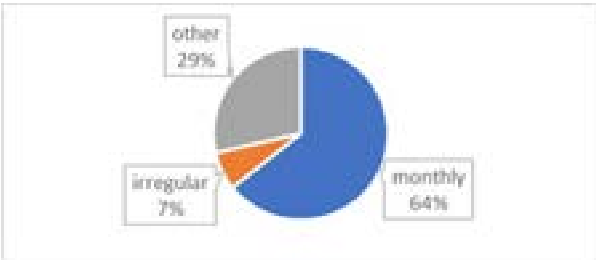




Registration with and contributions to NSSF:

Enrolment of traders to NSSF is at 16%, according to the survey conducted. Out of those registered, many respondents indicated that they are not able to contribute to the NSSF on a monthly basis (36%). Only 33% of all respondents were aware that they could contribute to the NSSF voluntarily.





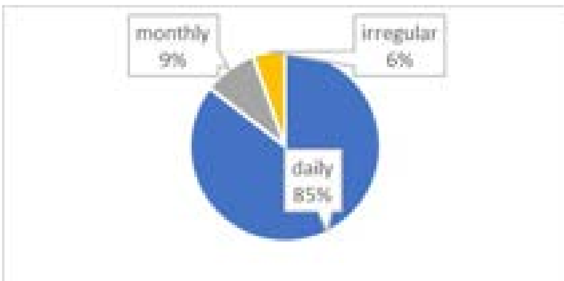
Specific actions to address existing gaps and barriers:

- Introduction of universal maternity benefit (see Part 2A. 2)
- Allow for frequent, small and flexible contribution payments into contributory schemes (see part 2A.1 and 2A. 4, as well as Part 2B.5)
- Provide access to full or partial subsidies or matching contributions for contributory and savings schemes (see Part 2A.1 and 2A.4)
- Support the creation of informal self-help groups as a vehicle to collectively approach traders with contributory social security mechanisms (see Part 2B.6)
- Increase awareness for contributory schemes (see part 2A.1 and 2A.4, as well as Part 2B.3)

2. Transport workers

Income frequency and sufficiency:

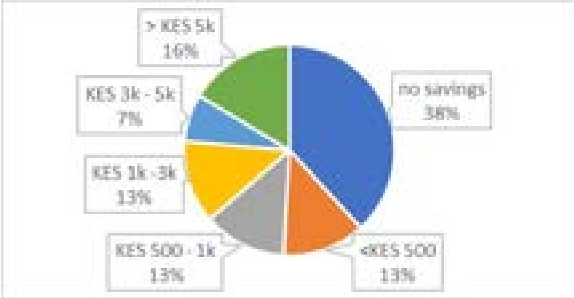
The vast majority (85%) of the transport workers surveyed reported to receive their income on a daily basis. When asked whether their income could meet all their household needs, a majority of traders (73%) indicated that they were not able to meet all their needs.



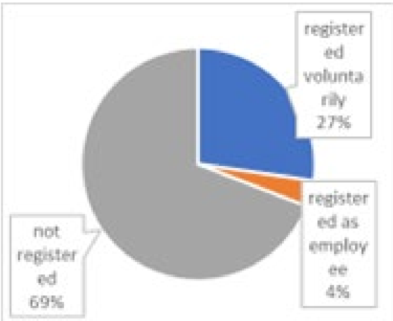
Savings:

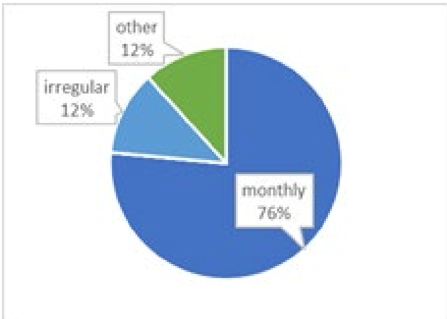
38% of the transport workers surveyed indicated that they have no savings. The average amount of monthly savings of those who indicated to be able to save differed widely, reaching from 13% with the ability to save less than KES 500 to 16% with the ability to save more thank KES 5,000.

More than half of the transport workers surveyed belong to an informal self-help group. Most of them save on a daily (15%), weekly (14%) or quarterly/semi-annual or annul (13%) basis

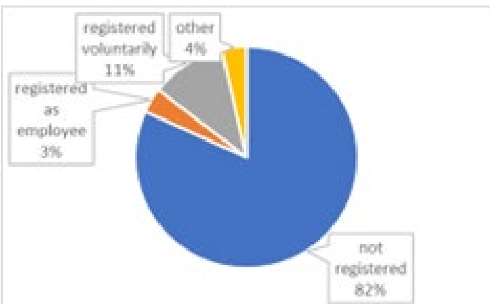


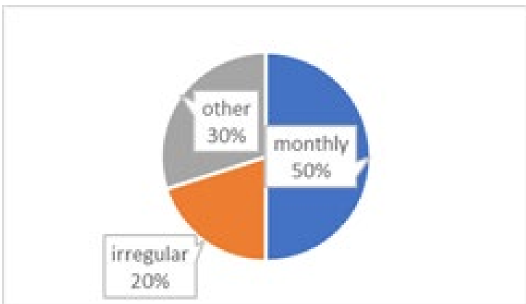
Registration with and contributions to NHIF: 69% of all transport workers surveyed are not registered with the NHIF, 27% are registered voluntarily, and 4% are registered as employees. Most of the respondents did not specify the reasons why they are not registered. Out of those who specified the reasons most responded that low incomes hinder them in registering with the NHIF. Out of those who are registered with NHIF, the majority (76%) makes monthly contributions.





Registration with and contributions to NSSF: Enrolment of transport workers to NSSF is at 18%, according to the survey conducted. Out of those registered, half of the respondents indicated that they are able to contribute to the NSSF on a monthly basis. 51% of all respondents were aware that they could contribute to the NSSF voluntarily.





Specific actions to address existing gaps and barriers:

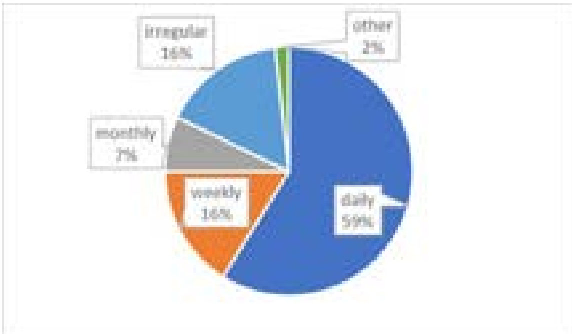
- Introduction of an Employment Injury Insurance (EII) (see Part 2A.6) – possible linked to NHIF or NSSF registration
- Allow for frequent, small and flexible contribution payments into contributory schemes (see part 2A.1 and 2A. 4, as well as Part 2B5)
- Promote savings behaviour and provide access to matching contributions for savings schemes (see Part 2A.4)
- Make use of informal self-help groups to reach out to transport workers and further encourage their membership in such groups
- Increase awareness for contributory schemes, in particular Haba Haba (see part 2A.1 and 2A.4, as well as Part 2B.3)

3. Craftsmen- and women

A total of 56 craftsmen and -women participated in the survey. The majority of them was located in rural areas (52%), whereas 32% and 16% were located in peri-urban and urban areas respectively. 64% of all traders surveyed were males. Most of them have primary (37%) or secondary (39%) education.

Income frequency and sufficiency:

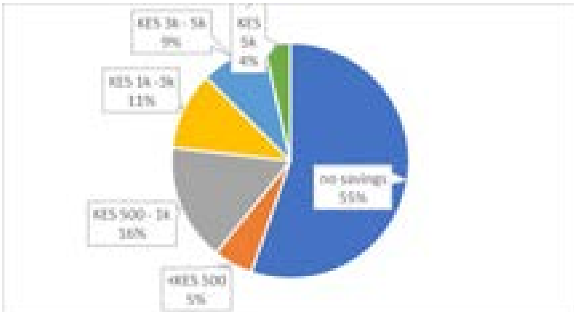
The majority (51%) of craftsmen and -women surveyed reported to receive their income on a daily basis. 16% and 17% indicated to receive their income on a weekly or monthly basis respectively. 16% reported to have irregular incomes. When asked whether their income could meet all their household needs, a majority of craftsmen and -women (87%) indicated that they were not able to meet all their needs.



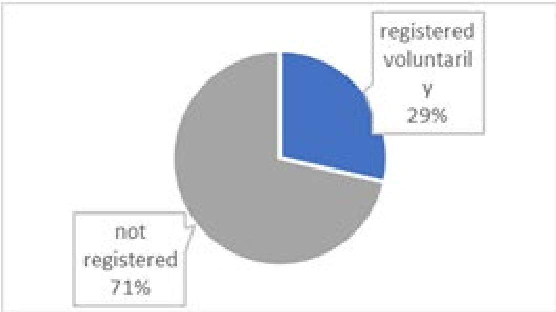
Savings:

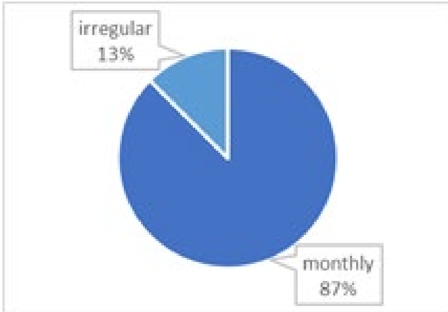
More than half of craftsmen and -women surveyed (55%) indicated that they have no savings. Most respondents who indicated that they were able to save on a regular basis could save between KES 500 and KES 3,000 per month. Only a minority of craftsmen- and women (13%) are able to save more than KES 3,000 per month.

Only 20% of all craftsmen- and women surveyed belong to an informal self-help group. Most of them save on a weekly (8%) or quarterly/semi-annual or annul (8%) basis.



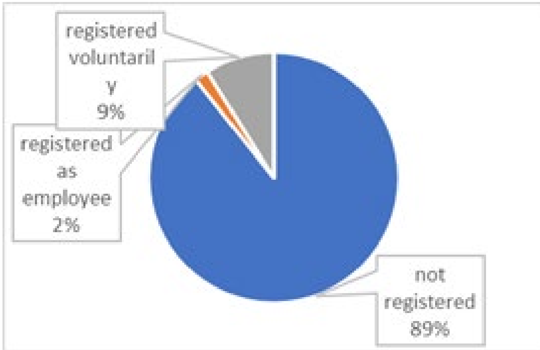
Registration with and contributions to NHIF: 71% of all craftsmen and -women surveyed are not registered with the NHIF and 29% are registered voluntarily. Most of the respondents did not specify the reasons why they are not registered. Out of those who specified the reasons most responded that low incomes and high premiums hinder them in registering with the NHIF. Out of those who are registered with NHIF, the majority (76%) makes monthly contributions. The rest indicated to make irregular contributions only.





Registration with and contributions to NSSF:

Enrolment of craftsmen and -women to NSSF is at 11%, according to the survey conducted. All of those registered indicated that they pay their contributions to the NSSF on a monthly basis. 46% of all respondents were aware that they could contribute to the NSSF voluntarily.



Specific actions to address existing gaps and barriers:

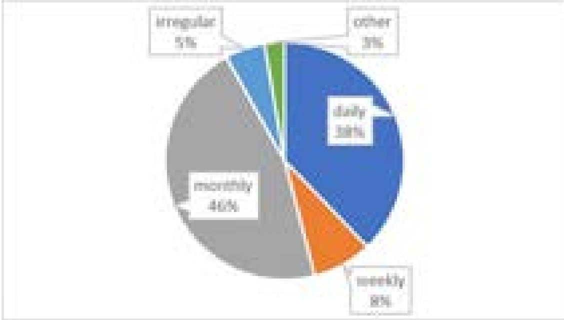
- Introduction of an Employment Injury Insurance (EII) (see Part 2A.6) – possible linked to NHIF or NSSF registration
- Allow for frequent, small and flexible contribution payments into contributory schemes (see part 2A.1 and 2A. 4, as well as Part 2B5)
- Provide access to full or partial subsidies or matching contributions for contributory and savings schemes (see Part 2A.1 and 2A.4)
- Support the creation of informal self-help groups as a vehicle to collectively approach craftsmen and -women with contributory social security mechanisms
- Increase awareness for contributory schemes, in particular Haba Haba (see part 2A.1 and 2A.4, as well as Part 2B.3)

4. Casual workers

A total of 37 casual workers participated in the survey. The majority of them was located in urban areas (43%), whereas 30% and 27% were located in rural and peri-urban areas respectively. 57% of all casual workers surveyed were males. 8% of them indicated to have no schooling. Most of them have primary (41%) or secondary (35%) education.

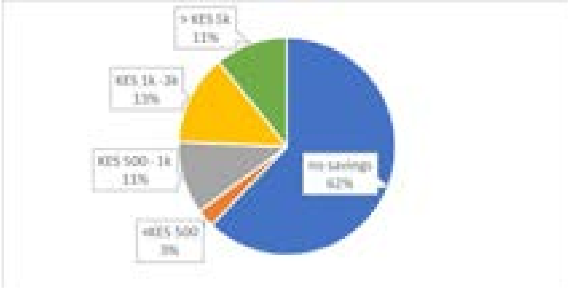
Income frequency and sufficiency:

The majority of the casual workers surveyed reported to receive their income on a daily basis (38%) or monthly (46%) basis. When asked whether their income could meet all their household needs, a majority of them (84%) indicated that they were not able to meet all their needs.



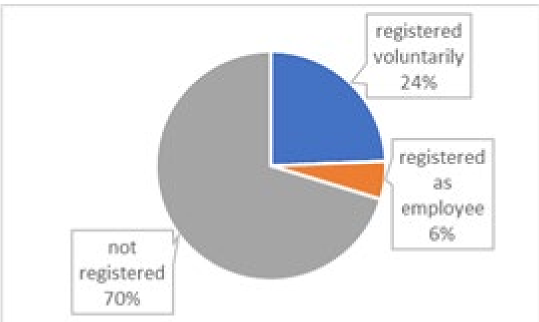
Savings:

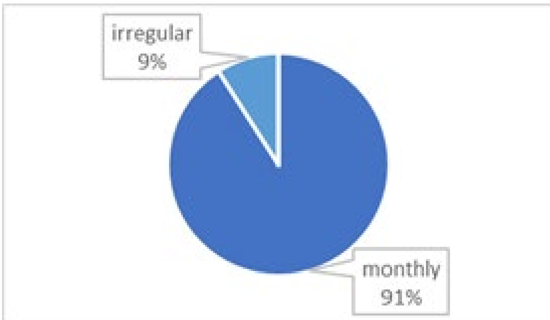
More than half of all casual workers (62%) indicated that they have no savings. Most respondents who indicated that they were able to save on a regular basis could save between KES 500 and KES 3,000 per month. Only a minority (11%) are able to save mor than KES 3,000 per month.



Only 24% of all craftsmen- and women surveyed belong to an informal self-help group. Most of them save on a weekly (8%) or quarterly/semi-annual or annul (8%) basis.

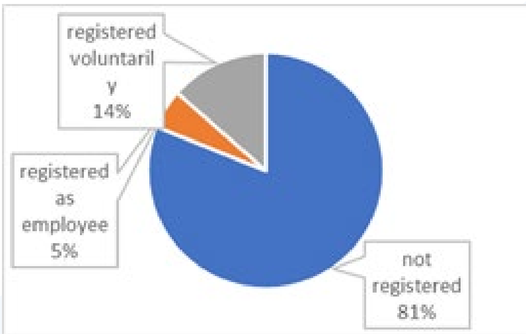
Registration with and contributions to NHIF: 70% of all casual workers surveyed are not registered with the NHIF, 24% are registered voluntarily and 6% are registered as employees. Most of the respondents indicated that low incomes and high premiums hinder them in registering with the NHIF. Some also mentioned their unsecure employment status as one reason for not registering. Out of those who are registered with NHIF, the majority (91%) makes monthly contributions. The rest indicated to make irregular contributions only.





Registration with and contributions to NSSF:

Enrolment of casual workers to NSSF is at 19%, according to the survey conducted. Only 38% of all respondents were aware that they could contribute to the NSSF voluntarily.



Specific actions to address existing gaps and barriers:

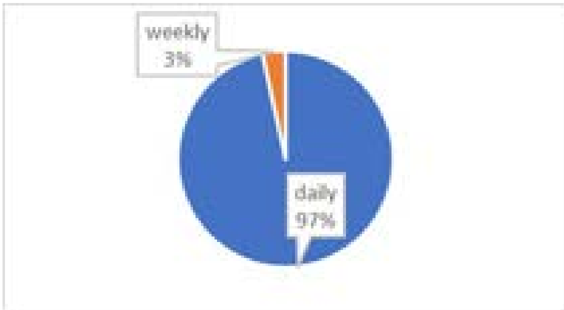
- Introduce and strengthen schemes to provide basic income security (see part 2A.7)
- Strengthen compliance and enforcement mechanisms to ensure effective coverage (see Part 2B.2)
- Provide access to full or partial subsidies or matching contributions for contributory and savings schemes (see Part 2A.1 and 2A.4)
- Increase awareness for contributory and non-contributory schemes (see part 2A.1 and 2A.4, as well as Part 2B.3) with tailored campaigns, taking into account literacy and education levels

5. Business owners

A total of 29 business owners participated in the survey. The majority of them was located in rural (42%) and urban areas (41%). 17% were located in peri-urban areas. 55% of all business owners surveyed were males. Most of them have secondary (41%) or tertiary (31%) education, whereas 10% have a university degree.

Income frequency and sufficiency:

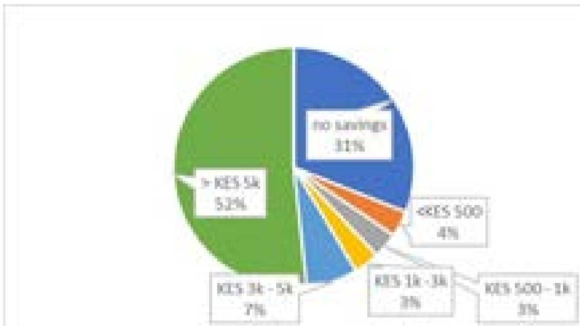
The vast majority of the business owners surveyed reported to receive their income on a daily basis (97%). When asked whether their income could meet all their household needs, a majority of them (62%) indicated that they were able to meet all their needs.



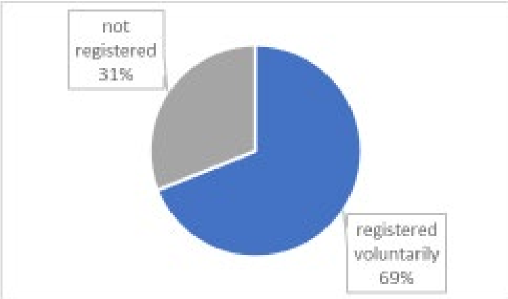
Savings:

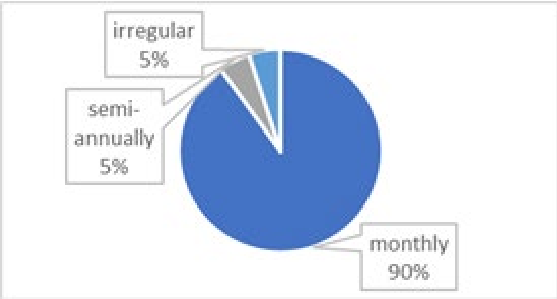
Less than a third (31%) of all business owners indicated that they have no savings. Most of them (52%) are able to save more than KES 5,000 per month.

More than half of all business owners surveyed belong to an informal self-help group. Most of them save on a weekly (24%) or quarterly/semi-annual or annul (24%) basis.

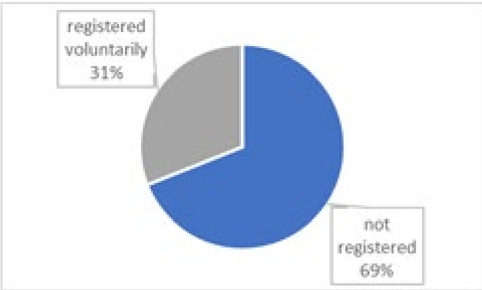


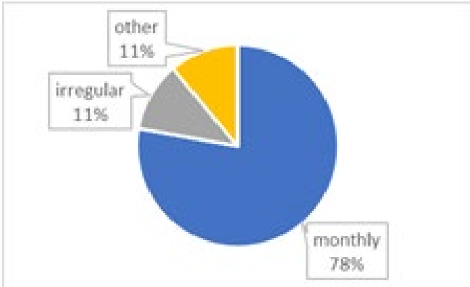
Registration with and contributions to NHIF: Registration with the NHIF among business owners is considerably high: Less than a third of all business owners surveyed are not registered with the NHIF. Out of those who are registered with NHIF, the majority (90%) makes monthly contributions.





Registration with and contributions to NSSF: Enrolment of business owners to the NSSF is at 31%, according to the survey conducted. Most of the NSSF members contribute on a monthly basis. With 59%, awareness among business owners about the possibility to contribute to the NSS on a regular basis, is significantly higher than among other categories of workers.





Specific actions to address existing gaps and barriers:

- Allow for frequent, small and flexible contribution payments into contributory schemes (see part 2A.1 and 2A.4, as well as Part 2B.5)
- Further promote savings behaviour with a focus on long-term savings schemes (see Part 2A.4) – potentially by combining Haba Haba with other insurance products to make the benefit package more attractive
- Make use of informal self-help groups to reach out to business owners and further encourage their membership in such groups
- Initiate and rollout the MSE Registrar as a vehicle to increase outreach to micro and small business owners (see Part 2B.6)

6. Small-scale farmers

A total of 33 farmers participated in the survey. The majority of them was located in rural areas (55%) 73% of all farmers surveyed were males. Most of them have primary (46%) or secondary (39%) education, whereas 6% indicated that they have never been to school.

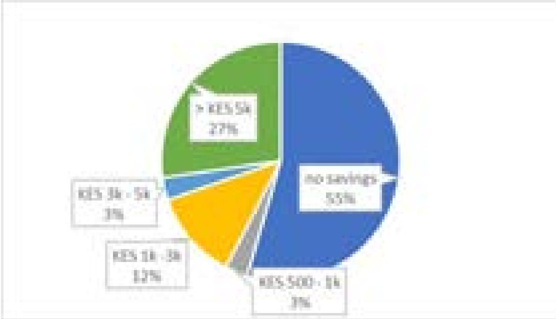
Income frequency and sufficiency:

Income patterns among farmers vary significantly. The majority of them indicated to receive their income at a monthly (18%), annual (24%) or irregular basis (37%). When asked whether their income could meet all their household needs, 52% of them indicated that they were able to meet all their needs, whereas 48% indicated that they were not.

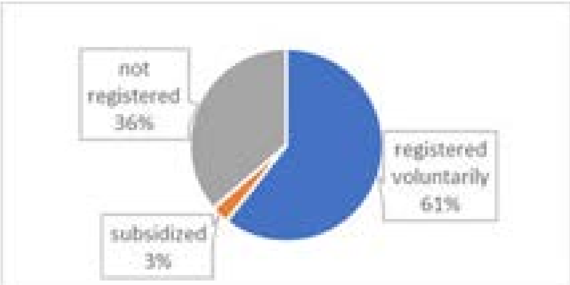
Savings:

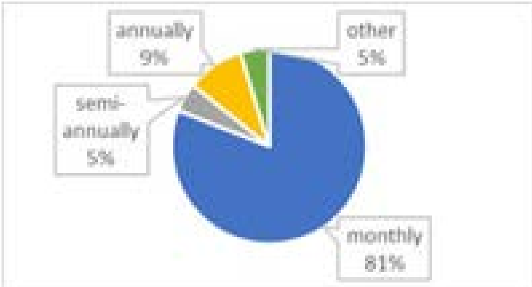
More than half of all farmers (55%) indicated that they have no savings. Most of those able to save (27%) are able to save more than KES 5,000 per month.

65% of all farmers surveyed do not belong to an informal self-help group.



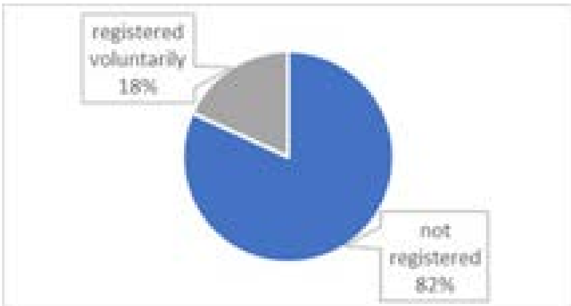
Registration with and contributions to NHIF: Registration with the NHIF among farmers is considerably high: 61% are registered with the NHIF. A small share of them also indicated to benefit from subsidized NHIF contributions. Out of those who are registered with NHIF, the majority (81%) makes monthly contributions. 9% indicated to make annual contributions.





Registration with and contributions to NSSF:

Enrolment of farmers to the NSSF is at 18%, according to the survey conducted. All of the NSSF members contribute on a monthly basis. Only 39% of all respondents were aware that they could contribute to the NSSF voluntarily.



Specific actions to address existing gaps and barriers:

- Introduce and strengthen schemes to enhance and transform rural livelihoods, and to strengthen long-term resilience in the wake of climate change (see Part 2A.7 and 2A.8)
- Allow for flexible contributions in line with income patterns of farmers (see part 2A.1 and 2A.4, as well as Part 2B.5)
- Further promote savings behaviour with a focus on long-term savings schemes (see Part 2A.4)
- Initiate and rollout the KIAMIS as a vehicle to increase outreach to farmers (see part 2B.6)

Annex B: Implementation framework

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A1. Expand Social Health Protection among workers in the informal and rural economy Outcome indicator (OI) A1.1: % of Kenyans covered by NHIF Baseline: ~ 24% of Kenyans enrolled in NHIF (end of 2022) Target: 80% of Kenyans enrolled in NHIF OI A1.2: % of catastrophic Out-of-Pocket health expenditures Baseline: 20.9% (2021/22) Target: 19%	Full coverage with NHIF among poor and vulnerable workers in the informal and rural economy through subsidies	Percentage of poorest households (20%), OPCT beneficiaries and CT-PwSD beneficiaries covered through full subsidies for NHIF	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)
		No. of agreements with county governments to provide additional subsidies	Government ministries, departments and agencies Selected country governments	2023 - 2027 (specific targets to be set for each year)
	Dedicated measures to increase compliance with NHIF Act among workers in the informal and rural economy implemented	Percentage of workers outside formal employment not benefitting from full subsidies actively contributing to NHIF	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)
		Adjusted annual flat rate contributions, based on result of actuarial assessment	Government ministries, departments and agencies	2023
		NHIF information campaign conducted	Government ministries, departments and agencies County governments Employer and employee organizations Selected organizations representing informal and rural economy workers	2023 – 2027
		No. of insurance agreements with cooperatives, associations and MFIs	Government ministries, departments and agencies Cooperative societies, associations and MFIs	2023 - 2027 (specific targets to be set for each year)
		Auto debit process operational	Government ministries, departments and agencies Selected payment service providers	2024

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
	Dedicated measures to extend NHIF coverage through formal employment relationship implemented	All measures to ensure effective coverage for workers with formal employment relationship realized (see Objectives B2 and B6)	See B2 and B6	See B2 and B6
		Regulation to change from grated salary bands to a system that ties contribution rates to a share of salary implemented	Government ministries, departments and agencies	2023
	NHIF benefit package adjusted	Periodical assessments and adjustments of benefit package, taking into account results of consultations with representatives of informal and rural economy workers	Government ministries, departments and agencies	2024 and 2026
		Amount of investment (in KES) per FY to improve NHIF services in disadvantaged geographic regions (including to improve access to pre-, peri- and post-natal services – see A2)	Government ministries, departments and agencies	2023 -2027 (annually)
		Study to explore options to set up NHIF-affiliated services in locations of strategic importance for specific groups of workers in the informal and rural economy conducted	Government ministries, departments and agencies Development partners	2025
		Pilot to explore options to add the provision of sickness benefits to the NHIF benefit package conducted	Government ministries, departments and agencies Development partners	2026

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A2. Cushion income losses resulting from pregnancy and childbirth among workers operating in the informal and rural economy OI A2.1: % of pregnant women outside formal employment relationship benefitting from a maternity cash benefit (MCB) Baseline: 0% (end of 2022) Target: 100% OI A2.2.: % of pregnant women making use of pre-, peri- and post-natal services Baseline: ~ 66% (129,000 covered by NHIF membership and 797,000 covered by Linda Mama, out of a total of 1.5 million pregnant women in 2021) Target: 90%	MCB accessible for all pregnant women	Legal and policy framework, including financing arrangements, adopted	Government ministries, departments and agencies Development partners	2024
		Delivery mechanisms established (including mechanisms for outreach, (automatic) registration, verification, enrolment, provision and grievance)	Government ministries, departments and agencies Development partners	2024
		Module for MCB established in ESR, including potential option for automatic referral to UCB and complementary services for children available (see A3)	Government ministries, departments and agencies	2024
		Rollout of MCB initiated in all counties (including prior recruiting and training of staff responsible for the rollout)	Government ministries, departments and agencies County governments Development partners	2025
		Benefit amount adjusted to inflation on an annual basis	Government ministries, departments and agencies	2023 – 2027 (annually)
	Conditions and complementary services in place	Mechanism to check compliance with package for pre-, peri- and post-natal care (NHIF or Linda Mama) established	Government ministries, departments and agencies	2024
		Agreement for cooperation with CRS adopted to enable compliance check for birth registration	Government ministries, departments and agencies	2023

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A3. Ensure basic income security of workers in the informal and rural economy with children OI A3.1: % of children 0-4 benefitting from the Universal Child Benefit (UCB) Baseline: 0% (end of 2022) Target: 100% OI A3.2: % of children benefitting from NICHE programme Baseline: 13,800 households in 5 counties (2021/2022) Target: 23,500 households	UCB accessible for children aged 0-4	Legal and policy framework, including financing arrangements, adopted	Government ministries, departments and agencies Development partners	2023
		Delivery mechanisms established (including mechanisms for outreach, (automatic) registration, verification, enrolment, provision and grievance)	Government ministries, departments and agencies Development partners	2023
		Module for UCB established in ESR	Government ministries, departments and agencies	2023
		Rollout of UCB initiated in all counties (including prior recruiting and training of staff responsible for the rollout)	Government ministries, departments and agencies County governments Development partners	2024
		Benefit amount adjusted to inflation on an annual basis	Government ministries, departments and agencies	2023 – 2027 (annually)
		Decision for further coverage extension to all children 5-17 taken, based on results of impact evaluation and available fiscal space	Government ministries, departments and agencies Development partners	2027
		Assessment of CT-OVC to decide on phase-out	Government ministries, departments and agencies Development partners	2027
	Conditions and complementary services for children living in vulnerable households in place	Agreement for cooperation with CRS adopted to enable compliance check for birth registration and explore options for automatic enrolment	Government ministries, departments and agencies	2023
		Mechanism to check compliance with school attendance, retention and completion designed (implementation is depending on decision to further roll out UCB to children 5-17)	Government ministries, departments and agencies	2027
		No. of counties where NICHE programme has been rolled out (including measures to strengthen institutional and human capacities of responsible offices and officials)	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A4. Expand income protection of workers in the informal and rural economy during old-age, in the case of invalidity and for survivors OI A4.1: % of population aged 65+ not covered by a regular pension benefitting from the Older Persons Cash Transfer (OPCT) Baseline: 34% (763,670 persons aged 70+) (end of 2022) Target: 90% (all persons aged 67+) OI A4.2: % of workers outside formal employment contributing to NSSF through Haba Haba Baseline: ~ 2% (250,000 informal and rural economy workers contributing to Haba Haba) (end of 2021) Target: 10%	OPCT accessible for all persons aged 67+	Mechanisms for continuous outreach, registration, enrolment and exit established	Government ministries, departments and agencies Development partners	2023
		Continuous registration and enrolment of persons aged 70+ effective in all counties	Government ministries, departments and agencies County governments	2023
		Coverage extended to all persons aged 67+ in all counties	Government ministries, departments and agencies	2023 – 2027 (specific targets to be set for each year)
		Benefit amount provided and adjusted to inflation on an annual basis	Government ministries, departments and agencies	(2023 – 2027 (annually)
		Decision for further coverage extension to persons aged 65+, based on results of impact evaluation and available fiscal space	Government ministries, departments and agencies Development partners	2027
	Improved accessibility and adequacy to Haba Haba	NSSF information campaign conducted	Government ministries, departments and agencies County governments Employer and employee organizations Selected organizations representing informal and rural economy workers	2024
		Additional access and registration channels established	Government ministries, departments and agencies MFIs	2024
		Network of community agents / mobilizers at county, sub-county and village level established	Government ministries, departments and agencies County governments	2026
		No of insurance agreements with cooperatives, associations and MFIs	Government ministries, departments and agencies Cooperative societies, associations and MFIs	2023 - 2027 (specific targets to be set for each year)

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
		Auto debit process operational	Government ministries, departments and agencies Selected payment service providers	2024
		No. of dedicated measures for specific groups of workers in the informal and rural economy implemented, based on further analyses	Government ministries, departments and agencies	2023 - 2027 (specific targets to be set for each year)
		Results of pilot-testing of special insurance benefit package evaluated to inform potential rollout	Government ministries, departments and agencies Private insurance companies Development partners	2026
		Special fiscal incentives package introduced and accessible for members of Haba Haba	Government ministries, departments and agencies Development partners	2023
		Master plan for (socially responsible) investment strategies for NSSF Funds (including Haba Haba) adopted	Government ministries, departments and agencies	2024
		Administrative guidelines for NSSF (including Haba Haba) developed	Government ministries, departments and agencies Development partners	2024
		Business processes, management structures and corporate governance of NSSF reformed	Government ministries, departments and agencies Development partners	2025
		Long-term strategy to transition Haba Haba from savings scheme into retirement scheme adopted	Government ministries, departments and agencies Development partners	2027

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A5. Improve income protection for workers with disabilities OI A5.1: % of persons with severe disabilities benefitting from the Cash Transfer for Severe Disabilities (CT-PwSD) <u>Baseline</u>: ~ 33% (35,000 out of an estimated 100,000 persons living with a severe disability) (end of 2022) <u>Target</u>: 65% OI A5.2: % of person with disabilities benefitting from at least one other social protection scheme <u>Baseline</u>: no data available <u>Target</u>: 100%	CT-PwSD accessible for all persons with a severe disability	Design of CT-PwSD reviewed	Government ministries, departments and agencies Development partners	2023
		Mechanisms for continuous outreach, registration, enrolment and exit for all persons with severe disabilities registered with the NCPD established	Government ministries, departments and agencies Development partners	2023
		Continuous registration and enrolment of persons with a severe disability in all counties	Government ministries, departments and agencies County governments Development partners	2023
		Benefit amount provided and adjusted to inflation on an annual basis	Government ministries, departments and agencies	2023 – 2027 (annually)
		System to register and classify persons with disabilities, including those with a severe disability, improved	Government ministries, departments and agencies Development partners	2024
		Strategy for extension of CT to all persons with disabilities adopted	Government ministries, departments and agencies Development partners	2027

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A6. Improve safety and health at the workplace for workers in the informal and rural economy OI A6.1: % of workers outside formal employment following OSH standards Baseline: no data available Target: 50% OI A6.2: Design of EII inclusive for workers outside formal employment Baseline: EII is currently being designed Target: EII design functional and inclusive	OSH standards for informal and rural economy workers in place	OSH communication strategy adopted	Government ministries, departments and agencies County governments Organizations representing workers from the respective sectors	2024
		Studies identifying issues around OSH conducted for 5 sectors dominated by informal workers and enterprises conducted	Government ministries, departments and agencies Development partners	2024
		No of tailored cooperations with relevant actors to improve OSH in targeted sectors effective (trading, transport, construction, hair and beauty and agricultural sector, as well as MSE sector)	Government ministries, departments and agencies County governments Organizations representing workers from the respective sectors	2023 – 2027 (specific targets to be set for each year)
		Measures to sensitize employers for importance of registration to DOSHS implemented	Government ministries, departments and agencies Employer organizations	2024
	EII accessible for dedicated groups of workers in the informal and rural economy	EII operational	Government ministries, departments and agencies Development partners	2026
		Opportunity for opting-in for self-employed through flat rate contribution in place	Government ministries, departments and agencies	2026
		Mandatory/group-based inclusion of informal economy workers facing disproportionally high risks for work-related injuries and diseases in place	Government ministries, departments and agencies	2027
		Tailor-made matching contribution schemes through cooperations with parties working and benefitting from services of informal economy workers in place	Government ministries, departments and agencies Development partners	2027

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A7. Provide opportunities for the improvement of livelihoods and basic income security for workers in the informal and rural economy in the case of unemployment, insufficient earnings or loss of livelihoods OI A7.1: number of sub-counties where the economic inclusion (EI) model is initiated Baseline:5 pilot counties (covering 7,500 participants) (2022) Target: 10 counties OI A7.2: Proportion of food for the National School Meals Programme (HGSM) sourced directly from smallholder farmers Baseline: no data available Target: 30%	EI programmes accessible for workers in the informal and rural economy	Pilot phase of KSEIP completed and evaluated	Government ministries, departments and agencies County governments Development partners	2023
		Informal and rural economy worker organizations involved in design and implementation of EI approaches	Government ministries, departments and agencies Selected organizations representing informal and rural economy workers	2024
		ESR used as basis to identify participants of EI approaches	Government ministries, departments and agencies	2024
		Cooperation between EI programme and NHIF/NSSF established	Government ministries, departments and agencies	2024
		Module to sensitize EI participants for the importance of enterprise formalization, including registration with NHIF, NSSF and DOSHS, developed and implemented	Government ministries, departments and agencies	2024
		Links between EI programme and agricultural programmes established, based on prior assessment of synergies and complementarities	Government ministries, departments and agencies Development partners	2024
		Priority sectors reflected in EI programmes (value addition to agricultural export products and in key agrifood value chains, sustainable tourism, construction building for affordable housing, waste management, arts and crafts)	Government ministries, departments and agencies	2024
		Specific approaches to increase resilience of informal and rural economy workers to climate change and support them to transition to greener economy identified, based on lessons learnt from pilot phase	Government ministries, departments and agencies Development partners	2025

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
		Guidelines for county governments to design, implement and roll out EI approaches adopted	Government ministries, departments and agencies County governments Development partners	2024
	HGSM programme enhanced	Funds available to reach targeted beneficiaries (school children)	Government ministries, departments and agencies	2023 - 2027 (specific targets to be set for each year)
		Conditional grants to county governments provided to further extend programme	Government ministries, departments and agencies County governments	2023 – 2027 (annually)
		Further rollout of HGSM to selected schools in all counties	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		Measures to diversify and improve production of small holder farmers participating in the programme as producers implemented	Government ministries, departments and agencies Development partners	2026

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A8. Provide basic income protection and food and nutrition security among workers in the informal and rural economy in the case of covariate shocks OI A8.1: % of households in the lowest three income quintiles affected by a natura/climate change-induced shock occurring during the past year that benefit from at least one Shock-responsive SP programme Baseline: no data available Target: 100%	Shock-responsive measures accessible for all workers in the informal and rural economy	Protocols and mechanisms for vertical scaleup of MCB, UCB, OPCT and CT-PwSD adopted	Government ministries, departments and agencies Development partners	2025
		No. of counties where HSNP is effective	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		No. of households receiving regular cash transfers from HSNP	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		No. of households eligible for receiving scale up transfers from HSNP in case of shock	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		Design and implementation modalities of temporary emergency cash transfer set up	Government ministries, departments and agencies Development partners	2026
	Data and information on informal and rural economy workers affected by shocks improved	Shock-responsive module(s) of ESR in place	Government ministries, departments and agencies Development partners	2024
		Interoperability between ESR, MSE Registrar and KIAMIS to identify informal and rural economy workers affected by a shock established	Government ministries, departments and agencies Development partners	2024
		EWS and trigger mechanisms developed and linked to relevant SP information systems	Government ministries, departments and agencies Development partners	2026
	Disaster risk financing mechanisms for relevant SP programmes in place	Assessment of potential costs of shock response and costing models available	Government ministries, departments and agencies Development partners	2024

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
A8. Provide basic income protection and food and nutrition security among workers in the informal and rural economy in the case of covariate shocks OI A8.1: % of households in the lowest three income quintiles affected by a natura/climate change-induced shock occurring during the past year that benefit from at least one Shock-responsive SP programme Baseline: no data available Target: 100%	Shock-responsive measures accessible for all workers in the informal and rural economy	Protocols and mechanisms for vertical scaleup of MCB, UCB, OPCT and CT-PwSD adopted	Government ministries, departments and agencies Development partners	2025
		No. of counties where HSNP is effective	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		No. of households receiving regular cash transfers from HSNP	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		No. of households eligible for receiving scale up transfers from HSNP in case of shock	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
		Design and implementation modalities of temporary emergency cash transfer set up	Government ministries, departments and agencies Development partners	2026
	Data and information on informal and rural economy workers affected by shocks improved	Shock-responsive module(s) of ESR in place	Government ministries, departments and agencies Development partners	2024
		Interoperability between ESR, MSE Registrar and KIAMIS to identify informal and rural economy workers affected by a shock established	Government ministries, departments and agencies Development partners	2024
		EWS and trigger mechanisms developed and linked to relevant SP information systems	Government ministries, departments and agencies Development partners	2026
	Disaster risk financing mechanisms for relevant SP programmes in place	Assessment of potential costs of shock response and costing models available	Government ministries, departments and agencies Development partners	2024
		Risk financing strategy for SP adopted	Government ministries, departments and agencies Development partners	2025

Specific objectives (outcomes)	Output/results	Key performance indicators/milestones	Implementing partners	Timeframe
		Guidelines for counties how to make use of emergency response budgets to deliver shock-responsive SP adopted	Government ministries, departments and agencies County governments Development partners	2025
		Requisite rules for and capacities of payment services providers to enable disbursement of risk financing instruments through SP programmes in place	Government ministries, departments and agencies Payment service providers	2024
		Options to extend coverage with agricultural insurance products explored (including subsidized premiums, information campaigns, linkages to EI programmes, etc.)	Government ministries, departments and agencies Private insurance companies Development partners	2023 - 2027 (specific targets to be set for each year)

Address the major barriers faced by workers in the informal and rural economy when accessing social protection schemes

Specific objectives (outputs/results)[1]	Key performance indicators/milestones	Implementing partners	Timeframe
B1. Legal barriers that impede access to adequate social protection abolished	National Social Assistance Fund Regulations operationalized	Government ministries, departments and agencies	2025
	Relevant laws and regulations reviewed to ensure better access and coverage of specific groups of workers, based on gap analysis conducted (in particular Persons with Disabilities Act 2003, the Labour Institutions Act 2007, the Occupational Safety and Health Act 2007, and the Micro and Small Enterprises Act 2012)	Government ministries, departments and agencies Development partners	2023 – 2027 (continuously)

1 The outputs will contribute to reach specific objectives at outcome level under A and to fulfil the respective outcome indicators Therefore, no additional specific objectives and outcome indicators are defined under strategic objective B.

Specific objectives (outputs/results)[1]	Key performance indicators/milestones	Implementing partners	Timeframe
B2. Effective coverage ensured through compliance and enforcement measures	No. of additional labour and social security inspectorate staff recruited and trained (X at county labour offices, X at DOSHS, X at NSSF and X at NHIF branches)	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)
	No. of counties where labour and social security inspection staff is present	Government ministries, departments and agencies County governments	2023 - 2027 (specific targets to be set for each year)
	No. of labour and social security inspection staff who successfully completed specific training modules for labour and social security inspection staff to apply inspections in contexts with a high degree of informality	Government ministries, departments and agencies Development partners	2023 - 2027 (specific targets to be set for each year)
	No of labour and social security inspections conducted per year (including at workplaces active in sectors with high informality	Government ministries, departments and agencies	2023 - 2027 (specific targets to be set for each year)
	No. of counties with joint inspection model in place, based on result of pilot testing	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)
	Data exchange mechanisms and joint electronic case management system between relevant authorities in place	Government ministries, departments and agencies Development partners	2025
	Model procedures for workplace cooperation and grievance developed	Government ministries, departments and agencies Development partners	2025
	Tailored campaign to create awareness on rights and obligations of workers in the informal and rural economy among stakeholders involved in the labour sector conducted	Government ministries, departments and agencies	2025

Specific objectives (outputs/results)[1]	Key performance indicators/milestones	Implementing partners	Timeframe
B3. Information and awareness about social protection improved	Concerted media campaigns conducted	Government ministries, departments and agencies	2023 – 2027 (continuously)
	No. of micro and small entrepreneurs who successfully completed training module on social security provided by MSEA	Government ministries, departments and agencies	2023 - 2027 (specific targets to be set for each year)
	No. of cooperations of NHIF/NSSF with organizations representing the informal and rural economy	Government ministries, departments and agencies Organizations representing informal and rural economy	2023 - 2027 (specific targets to be set for each year)
	Regulation in place, obligating contractors of public institutions to provide information on existing social security schemes	Government ministries, departments and agencies	2025
	Model for cooperation with grass root level in place	Government ministries, departments and agencies	2025
	Information in social protection schemes available in audio, sign language and plain language	Government ministries, departments and agencies	2024
	Sensitization module on social protection integrated in curricula of schools TVET institutions	Government ministries, departments and agencies	2026
B4. Increased trust in the government and its institutions responsible for social protection	Participation of employer and employee representatives, as well as relevant organizations representing the informal and rural economy in all legislative processes concerning laws and regulations related to social protection	Government ministries, departments and agencies Employer and employee organizations Organizations representing informal and rural economy workers	2023 – 2027 (continuously)
	GRM mechanisms functional for all social protection schemes mentioned under Strategic objective A	Government ministries, departments and agencies Development partners	2025
	Accountability and safeguards mechanisms to monitor and combat fraud functional for all social protection schemes mentioned under Strategic objective A	Government ministries, departments and agencies Development partners	2025
	No. of counties with improved legal and regulatory framework for doing business of MSEs	County governments	2023 - 2027 (specific targets to be set for each year)

Specific objectives (outputs/results)[1]	Key performance indicators/milestones	Implementing partners	Timeframe
B5: Administrative and financial barriers abolished	On-demand registration functional for all social protection schemes mentioned under Strategic objective A (online and/or face-to-face)	Government ministries, departments and agencies Development partners	2024
	Tailored services for all social protection schemes mentioned under Strategic objective A available at all Huduma Centres	Government ministries, departments and agencies Development partners	2025
	No. of sub-counties where Huduma centres or Mobile Huduma Offices are functional	Government ministries, departments and agencies County governments	2023 - 2027 (specific targets to be set for each year)
	Peer system to support provision of information, registration, contribution payments and benefits claiming for contributory schemes in place	Government ministries, departments and agencies Organizations representing informal and rural economy	2025
B6: Measures to facilitate the transition to the informal and formal economy integrated and aligned	NHIF membership automatically linked to procedures to access trading licenses and locations, as well as financial services provided to MSEs	Government ministries, departments and agencies	2025
	No. of MSEs, associations and umbrella organizations registered with the MSE registrar	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)
	No. of small-scale farmers, cooperatives and umbrella organizations registered with KIAMIS	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)
	Interoperability of relevant MIS (ESR, NHIF and NSSR MIS) with MSE Registrar and KIAMIS established	Government ministries, departments and agencies Development partners	2024
	No. of counties where one-stop model for business registration, including provision of services related to social security	Government ministries, departments and agencies County governments Development partners	2023 - 2027 (specific targets to be set for each year)

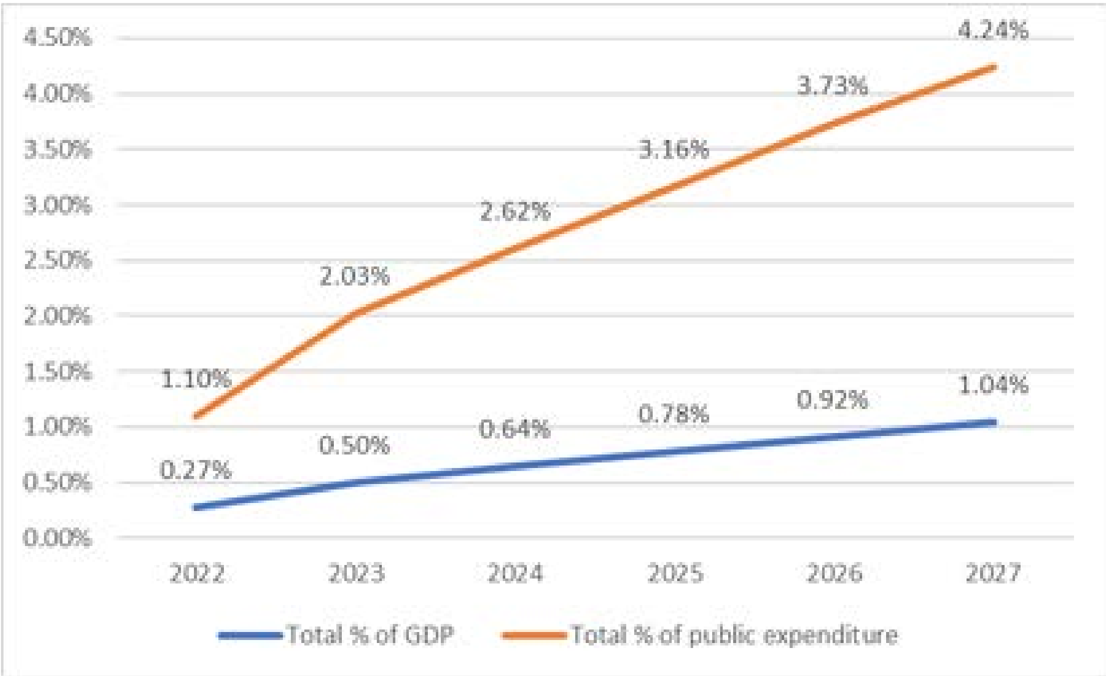
Annex C: Consolidated costing of the strategy

The costs of all new or revised schemes proposed in the present strategy are summarized in boxes under the respective sections (see Section 2A). The table and figure below consolidate the key results of all foreseen reforms. The total cost of the strategy for the selected interventions is estimated at KES 235,773,549,849.95 in 2027, translating into **1.04 percent of GDP** and **4.24 percent of public expenditures**.

Table 1: Consolidated costs of the strategy, 2027

	Total cost by 2027 (in KES)	% GDP	% public expenditures
Subsidies NHIF	44,833,082,054.10	0.20%	0.81%
Universal Maternity Cash Benefit	11,538,402,441.49	0.05%	0.21%
Universal Child Benefit 0 - 4 and CT-OVC	82,472,728,385.33	0.37%	1.48%
Universal Old Age Pension	84,798,793,633.28	0.38%	1.53%
Cash Transfer Persons with Severe Disabilities	8,914,834,272.37	0.04%	0.16%
TOTAL	**232,557,840,786.58**	**1.04%**	**4.19%**

Figure 5: Total costs of the strategy per year (as % of GDP and total public expenditure)



Given that the cost of the different interventions was 0.27 percent of GDP in 2022, then the estimated financing gap between 2022 (base year) and 2027 (target year of the strategy is equivalent to 0.77 percent of GDP. A Fiscal Space Analysis was conducted to identify viable options for social protection financing that may cover, fully or partially, the financing gaps.

Annex D: Estimated proportion of pay-outs to receipts in case of full NHIF coverage at current contribution rates

Table 1 presents annual NHIF members contributions and pay-outs of both formal and informal sector workers, as well as the balance and the proportion of pay-outs to receipts (pay-out ratio) for the latest financial year available (2021/22). The table shows that the balance is positive in the case of formal sector workers and negative in the case of informal sector workers. The total balance is positive with a pay-out ratio of 81 percent. This shows that formal sector workers are currently cross-subsidizing informal sector workers.

Table 2 presents estimations of NHIF member's contributions and pay-outs of both formal and informal sector workers, as well as the balance and the pay-out ratio for the hypothetical case of 100 percent coverage of households at current contribution rates (salary bands for formal sector and KES 6,000 per year for informal sector and subsidized households) and utilization rates. In this scenario, the overall balance would be negative, with a pay-out ratio of 197 percent.

The figure below summarizes the results for the current situation and the hypothetical case of 100 percent coverage of all households.

Table 2: Annual NHIF contributions (receipts) and benefits paid out FY 2021/22

	Current formal sector workers	Current informal sector workers	Current total (~ 24% coverage)
Annual contributions (receipts)	27,800,256,299	6,574,481,080	34,374,737,379
Annual benefits paid out (expenditures)			
Inpatient	3,387,288,761	3,531,290,152	6,918,578,913
Outpatient	2,785,112	1,369,336	4,154,448
Special benefits package	5,373,856,724	10,256,247,401	15,630,104,125
Capitation	1,488,492,960	3,473,150,241	4,961,643,201
Evacuation services	260,424,779	166,501,088	426,925,867
Subtotal	10,512,848,336	17,428,558,218	27,941,406,554
Balance	17,287,407,963	-10,854,077,138	6,433,330,825
proportion of pay-outs to receipts (Pay-out ratio)	38%	265%	81%

Table 3: Annual contributions (receipts) and benefits paid out, in case of 100% coverage at current contribution rates

	Current formal sector workers	Coverage of all households without formal sector workers	Estimations total (100% coverage)
Annual contributions (receipts)	27,800,256,299	65,466,286,800	93,266,543,099
Annual benefits paid out (expenditures)			
Inpatient	3,387,288,761	35,163,300,503	38,550,589,264
Outpatient	2,785,112	13,635,349	16,420,461
Special benefits package	5,373,856,724	102,127,974,159	107,501,830,883
Capitation	1,488,492,960	34,584,364,456	36,072,857,416
Evacuation services	260,424,779	1,657,957,160	1,918,381,939
Subtotal	10,512,848,336	173,547,231,626	184,060,079,962
Balance	17,287,407,963	-108,080,944,826	-90,793,536,863
proportion of pay-outs to receipts (Pay-out ratio)	38%	265%	197%

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