REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

MEDIUM TERM

DRAFT 2022 BUDGET POLICY STATEMENT

ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

NOVEMBER 11, 2021

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Foreword

The 2022 Budget Policy Statement (BPS) is prepared against a background of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID-19 pandemic. The global economy is projected to grow by 5.9 percent in 2021, from a contraction of 3.1 percent in 2020. However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies reflects the anticipated additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

On the domestic scene, Kenya's economy rebounded strongly in the second quarter of 2021, with real GDP growing 10.1 percent supported by easing of COVID-19 containment measures. Economic growth is projected to rebound to 6.0 percent in 2021 from the contraction of 0.3 percent in 2020. In terms of fiscal years, economic growth is projected to recover to 5.9 percent in FY 2021/22 from 2.9 percent in FY 2020/21. The economic recovery is supported by the prevailing stable macroeconomic environment, ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the third Economic Stimulus Programme.

To further reinforce this growth outlook, this 2022 Budget Policy Statement outlines policy measures that will continue to stimulate resilient and sustainable economic recovery. The policies are anchored on the Medium-Term Plan III of the Vision 2030 and focuses on creating an enabling environment for businesses and industrial recovery, job creation, and safeguarding livelihoods. In this respect, the Government will strengthen implementation of programmes and strategies that ensure a more inclusive growth, foster macroeconomic stability and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).

With regard to fiscal policy, performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic and the ensuing containment measures adopted in March 2020. In the first quarter of FY 2021/22, revenues grew in pace with targets and supported smooth implementation of the budget. However, there are unfavorable economic conditions, which might adversely affect revenue performance and will be taken into account during finalization to the FY 2022/23 budget.

In light of this, the Government fiscal policy continues to focus on enhanced revenue mobilization, expenditure prioritization and reduction of the fiscal deficit. The Government will continue implementation of cost–cutting measures including parastatals reforms and alignment of resources to programmes in the MTP III with particular focus on the "Big Four" Agenda and Economic Recovery Strategy to accelerate growth, employment creation and poverty reduction. In this regard, detailed budgets of all MDAs have been scrutinized to curtail growth of recurrent budgets, and ensure completion of ongoing projects with particular emphasis placed on projects nearing completion to ensure that citizens benefit from such public investments. Further, the fiscal policy will focus on activities aimed at ensuring successful conduct of the 2022 General Elections.

As such, the FY 2022/23 budget is being prepared under a revised budget calendar that takes into account the preparations for the 2022 General Elections. Therefore, Ministries, Departments and Agencies (MDAs) are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization of the FY 2022/23 Budget by March 2022.

The policy measures outlined in the 2022 BPS have benefited from wide consultations. I would like to thank H.E. The President and H.E. The Deputy President for their guidance while developing this document. Much appreciation also to my colleagues in the Cabinet, staff of the National Treasury and Planning, Stakeholders and the general public for their valuable contributions.

HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY/ NATIONAL TREASURY & PLANNING

Acknowledgement

The 2022 BPS is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans as a basis for the FY 2022/23 budget. The publication of the 2022 BPS aims to improve the public's understanding of Kenya's public finance management and guide debate on economic and development matters.

As we finalize the budget for the FY 2022/23 and the medium term, I wish to emphasize that we are operating under tight resource constraints amidst significant revenue shortfalls occasioned by declining economic activities as a result of the adverse effects of the COVID-19 Pandemic. On the other hand, the Government is confronted with significant expenditure demands including financing the Economic Recovery Strategy and the "Big Four" Agenda. This called for proper prioritization to ensure focus is on critical expenditures with the highest positive impact on the well-being of Kenyans. In this regard, the Government will continue to prudently manage the use of public resources over the 2022/23-2024/25 Medium Term Expenditure Framework (MTEF).

Towards this end, while developing the budget proposals for the medium-term, the Sector Working Groups (SWGs) undertook a critical scrutiny of individual MDAs' budgets execution reports to curtail growth of recurrent budgets and ensured that funding priority is accorded to completion of ongoing projects, which are supportive to accelerate inclusive growth and development.

The preparation of the 2022 BPS was a collaborative effort among various Government MDAs and we are grateful for their timely inputs. We are also grateful for the comments received from the Macro Working Group, participants of the October 2021 Public Sector Hearings and the general public who provided invaluable inputs to this 2022 BPS. Finally, we are grateful to the core team from the Macro and Fiscal Affairs Department and Budget Department who worked tirelessly to put together inputs from different MDAs and stakeholders and ensured the document was produced in time while maintaining high quality standards.

JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY/THE NATIONAL TREASURY

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About the Budget Policy Statement

The Budget Policy Statement (BPS) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent financial year and over the medium term.

In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

Section 25 of the PFM Act, 2012, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15th of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. In view of the revised budget calendar to accommodate the General Elections scheduled for August 2022, the 2022 BPS will be submitted to Parliament by 30th November, 2021. The Cabinet Secretary, the National Treasury and Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2022/23 and the medium term.

The Budget Policy Statement contains:

(a) an assessment of the current state of the economy including macroeconomic forecasts;
(b) the financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;
(c) the proposed expenditure ceilings for the National Government, including those of Parliament and the Judiciary and indicative transfers to County Governments;
(d) the fiscal responsibility principles and financial objectives over the medium-term including limits on total annual debt; and
(e) Statement of Specific Fiscal Risks.

Preparation of the BPS is a consultative process that involves seeking and taking into account the views of: The Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission; Judicial Service Commission; Ministries, Departments and Agencies; the public; and any other interested persons or groups.

I. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

1.1 Overview

1. The Kenyan economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. This performance reflects the adverse effects of the COVID-19 pandemic, which disrupted activities mainly in the services sectors particularly wholesale and retail trade, education, accommodation and restaurant, and transport and storage. The economy is expected to rebound to 6.0 percent in 2021, supported by the continued reopening of the services sectors, recovery in manufacturing, and stronger global demand. This is reflected robust performance of construction, manufacturing, education, real estate and transport and storage sectors.

2. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures.

3. The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020. The current account deficit is estimated at 5.5 percent of GDP in the 12 months to August, and is projected at 5.2 percent of GDP in 2021

1.2 Recent Economic Developments and Outlook

Global and Regional Economic Developments

4. Global growth in 2021 is projected at 5.9 percent from a contraction of 3.1 percent in 2020 (WEO October 2021). However, most of the emerging markets and developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their counterparts. This is largely on account of uneven access to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in these economies. Additionally, the rapid spread of Delta and the threat of new variants which have increased uncertainty about how quickly the pandemic can be overcome.

5. The advanced economies are projected to recover to 5.2 percent in 2021 from a contraction of 4.5 percent in 2020. This projected recovery, particularly in the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

6. Economic growth in the Sub-Saharan Africa region is projected at 3.7 percent in 2021 from a contraction of 1.7 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as

economies re-open. However, the recent increase in infection rates in sub-Saharan Africa are expected to weigh down the region's recovery in 2022 **(Table 1.1).**

Table 1.1: Global Economic Growth, Percent

Economy	2019	2020*	2021**	2022**
World	2.8	(3.1)	5.9	4.9
Advanced Economies	1.6	(4.5)	5.2	4.5
Of which: USA	2.2	(3.4)	6.0	5.2
Emerging and Developing Economies	3.7	(2.1)	6.4	5.1
Of which: China	6.0	2.3	8.0	5.6
India	4.0	(7.3)	9.5	8.5
Sub-Saharan Africa	3.2	(1.7)	3.7	3.8
Of which: South Africa	0.2	(6.4)	5.0	2.2
Nigeria	2.2	(1.8)	2.6	2.7
EAC-5	6.5	(0.2)	5.7	5.3
Of which: Kenya***	5.0	(0.3)	6.0	5.8
** Estimate ** Projected *** National Treasury Projection*				
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda				

Source of Data: October 2021 WEO; ***Projections by the National Treasury

Domestic Economic Developments

7. The National Accounts were revised and rebased in 2020 where the base year was changed from 2009 to a more current base year of 2016. The revised growth rates were relatively lower than in the previous estimates, largely on account of an expanded base, change of benchmark data, data sources as well as revision of time series indicators.

8. The economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures. The government's priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same time cushioning the economy from the effects of COVID-19 pandemic. Consequently, the health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted to negative impacts on some key sectors of the economy. Many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020. Pick up of economic activities resumed in the third quarter of 2020 with further improvements in subsequent quarters **(Table 1.2).**

9. The contraction was spread across all sectors of the economy but was more dismal in accommodation and food services activities, education, and transport sectors. The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in agricultural production (4.8 percent), mining and quarrying (6.7 percent), construction activities (11.8 percent) and health services (6.7 percent).

10. The agriculture sector was more vibrant in 2020 compared to 2019 despite a contraction in global demand in 2020. The sector's Gross Value Addition was 4.8 percent in 2020 compared to 2.6 percent in 2019. This was mainly on account of favorable weather conditions in 2020 which improved production of food crops

such as beans, rice, sorghum and millet and, livestock and related products such as milk and meat. Improved production of cash crops such as tea and sugarcane also supported the sectors growth.

Table 1.2: Sectoral GDP Performance

Sectors	Sector Growth (%)														
	2018					2019					2020				
	Q1	Q2	Q3	Q4	**Q1-Q4**	Q1	Q2	Q3	Q4	**Q1-Q4**	Q1	Q2	Q3	Q4	**Q1-Q4**
Primary Industry	4.1	4.8	5.3	6.7	**5.2**	4.5	3.4	0.9	1.6	**2.7**	4.4	4.9	4.3	6.0	**4.9**
Agriculture, Forestry and Fishing	4.1	5.3	6.3	7.6	**5.7**	4.8	3.2	0.7	1.3	**2.6**	4.3	4.9	4.2	5.8	**4.8**
Mining and Quarrying	4.4	(4.6)	(11.4)	(7.2)	**(4.7)**	(1.2)	7.0	5.5	6.4	**4.3**	6.4	4.4	7.0	9.2	**6.7**
Secondary Sector (Industry)	5.4	4.2	4.4	3.4	**4.4**	3.2	4.2	3.5	2.6	**3.4**	4.8	(0.5)	3.2	7.5	**3.8**
Manufacturing	5.2	2.9	2.7	3.5	**3.6**	2.5	4.1	2.6	0.9	**2.5**	2.2	(4.7)	(1.7)	3.8	**(0.1)**
Electricity and Water supply	4.1	3.0	4.1	3.2	**3.6**	3.0	1.5	1.5	0.9	**1.7**	1.5	(4.7)	0.2	3.5	**0.1**
Construction	6.6	7.0	7.6	3.3	**6.1**	4.6	5.5	6.1	6.2	**5.6**	11.0	8.3	12.3	15.7	**11.8**
Tertiary sector (Services)	5.4	5.9	5.5	7.2	**6.1**	6.7	7.6	6.6	5.9	**6.7**	3.8	(6.7)	(4.6)	(1.0)	**(2.2)**
Wholesale and Retail trade	5.1	6.4	5.8	6.4	**5.9**	4.6	6.4	5.3	4.8	**5.3**	4.9	(4.2)	(5.0)	2.6	**(0.4)**
Accomodation and Restaurant	16.8	15.9	10.9	18.5	**15.6**	15.6	11.7	11.9	17.6	**14.3**	(8.1)	(56.8)	(63.4)	(62.2)	**(47.7)**
Transport and Storage	4.3	6.7	5.3	7.7	**6.0**	6.8	8.8	4.6	5.2	**6.3**	2.2	(16.8)	(10.1)	(6.1)	**(7.8)**
Information and Communication	7.2	8.0	7.7	8.7	**7.9**	9.5	7.5	7.1	6.1	**7.5**	5.6	2.6	3.2	7.6	**4.8**
Financial and Insurance	2.7	0.9	0.7	6.3	**2.7**	6.1	8.0	9.3	4.4	**6.9**	7.5	4.4	3.0	7.4	**5.6**
Public Administration	5.8	7.3	9.3	9.1	**7.9**	9.0	10.8	10.2	9.7	**9.9**	4.0	2.7	6.3	8.4	**5.3**
Others	6.2	6.1	5.7	6.5	**6.2**	6.1	6.3	6.0	5.6	**6.2**	3.4	(7.9)	(5.6)	(3.2)	**(3.5)**
of which Real Estate	6.2	6.4	6.6	6.8	**6.5**	7.0	7.0	6.7	6.2	**6.7**	5.4	4.6	3.7	2.7	**4.1**
Education	7.9	6.2	5.9	5.6	**6.4**	3.8	3.4	5.6	6.2	**4.7**	1.8	(22.4)	(17.4)	(5.3)	**(10.8)**
Health	5.4	6.6	5.0	4.9	**5.4**	5.7	6.1	6.8	6.4	**6.2**	7.4	9.8	5.2	4.7	**6.7**
Taxes less subsidies	5.8	12.2	4.4	1.8	**5.9**	(1.5)	5.3	4.3	6.7	**3.7**	5.1	(20.8)	(8.5)	(6.4)	**(7.9)**
Real GDP	5.2	6.0	5.3	6.0	**5.6**	4.8	5.9	4.8	4.4	**5.0**	4.4	(4.7)	(2.1)	1.2	**(0.3)**
of which Non-Agriculture	5.4	5.5	5.1	6.2	**5.6**	5.6	6.8	5.9	4.8	**5.8**	4.4	(5.5)	(2.8)	1.1	**(0.7)**

Source of Data: Kenya National Bureau of Statistics

11. The performance of the industry sector improved to a growth of 3.8 percent in 2020 compared a growth of 3.4 percent in 2019. This was mainly on account of improved performance of the construction sector. The construction sector grew by 11.8 percent in the 2020 compared to a growth of 5.6 percent in 2019. The strong growth was attributed to the continued investments in road infrastructure by the Government, expanded construction in the housing sub-sector and the ongoing rehabilitation of the Metre Gauge Railway (MGR).

12. Electricity and water Supply sector grew by 0.1 percent in 2020 compared to a growth of 1.7 percent in 2019 mainly on account of decline in thermal and wind generation despite the increase in hydro generation. Activities in the manufacturing sector slowed down in 2020 mainly due to COVID-19 containment measures. The sector is estimated to have contracted by 0.1 percent in 2020 compared to 2.5 percent growth in 2019 mainly on account of significant contractions in production in key food products such as processing of coffee and manufacture of beverages. The manufacture of leather and wood products also contracted during the review period.

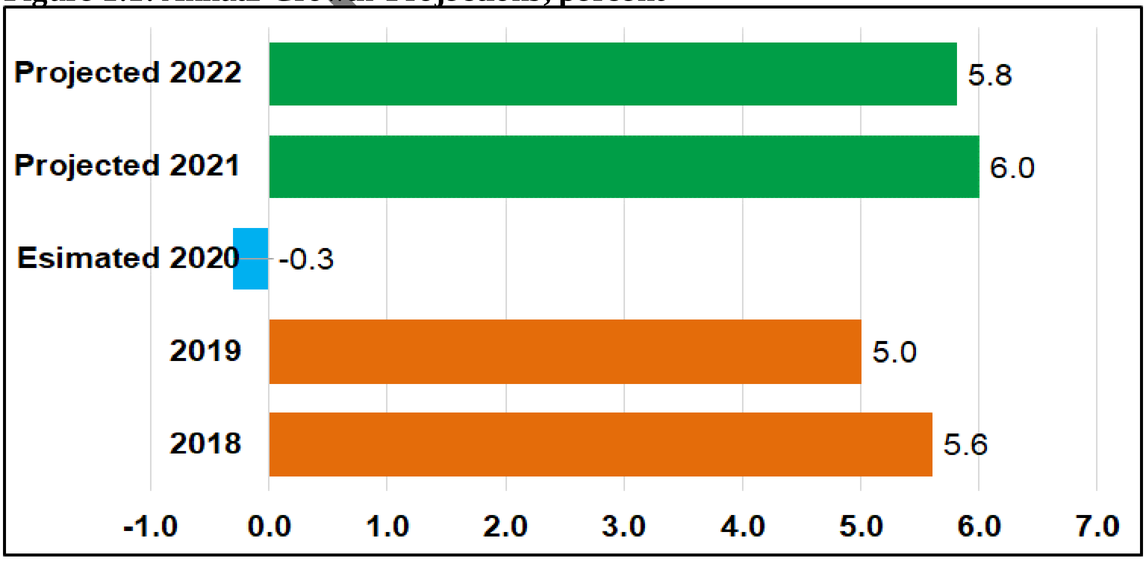
13. Services sector was adversely affected by the closure of the economy thereby recording negative growths in most of the sectors in 2020. The sector contracted

by 2.2 percent in 2020 compared to a growth of 6.7 percent in 2019. Accommodation and Food Services was adversely affected by the COVID -19 containment measures compared to other service sectors and contracted by 47.7 percent in 2020 compared to a growth of 14.3 percent in 2019. This was due to restrictions of international travels while domestic travel was negatively impacted on by restriction of movement to and from some counties and zones for some months especially in the second quarter of 2020. Most hotels and restaurants also either closed or scaled down their operations due to public health measures taken to prevent the spread of the pandemic as well significant reduction in the number of customers.

14. Transportation and storage sector contracted by 7.8 percent compared to a growth of 6.3 percent 2019. The sector's performance was constrained by the COVID-19 pandemic containment measures including restriction of movement across the borders as well as and within the country, social distance in public service vehicles and arrangements of working remotely. However, the sector was cautioned from a deeper contraction by an increase in freight transport through the Standard Gauge Railway from 4,159 thousand tonnes in 2019 to 4,418 thousand tonnes in 2020. Information and Communication sector's growth slowed to 4.8 percent in 2020 compared to 7.5 percent growth in 2019. The growth was mainly supported by increased uptake of digital services as the COVID-19 measures which resulted in increased remote working and learning activities remotely as well as rise in cashless payments for financial transactions.

15. Similar to the global economy, Kenya's economy is projected to rebound in 2021 to 6.0 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic **(Figure 1.1).**

Figure 1.1: Annual Growth Projections, percent



Source of Data: The National Treasury

16. The recovery in 2021 reflects the lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording

negative growths. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term of Vision 2030. Weather conditions are expected to be favourable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes.

17. The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the "Big Four" Agenda will promote inclusive growth and transform the lives of Kenyans.

Quarterly GDP growth of 2021

18. The economy grew by 10.1 percent in the second quarter of 2021 compared to a contraction of 4.7 percent in a similar period in 2020 (**Table 1.3**). This growth was mainly supported by the rebound in economic activities in Mining and quarrying, Construction, Wholesale and Retail, Information and Communication, Education and Health sub-sectors.

19. The agriculture, forestry and fishing sector declined by 0.9 percent in the second quarter of 2021 compared to a growth of 4.9 percent over the same period in 2020. This is mainly attributed to the depressed rainfall distribution that has affected production of crops such as Tea. However, the sectors performance was cushion from a steeper slump from a further decline by favorable performance in milk production, horticultural export and sugarcane production.

Table 1.3: Sectoral GDP Performance:

Sectors	Sector Growth (%)													
	2018				2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Primary Industry	4.1	4.8	5.3	6.7	4.5	3.4	0.9	1.6	4.4	4.9	4.3	6.0	0.7	(0.1)
Agriculture, Forestry and Fishing	4.1	5.3	6.3	7.6	4.8	3.2	0.7	1.3	4.3	4.9	4.2	5.8	(0.1)	(0.9)
Mining and Quarrying	4.4	(4.6)	(11.4)	(7.2)	(1.2)	7.0	5.5	6.4	6.4	4.4	7.0	9.2	16.4	17.7
Secondary Sector (Industry)	5.4	4.2	4.4	3.4	3.2	4.2	3.5	2.6	4.7	(0.5)	3.3	7.7	3.7	7.9
Manufacturing	5.2	2.9	2.7	3.5	2.5	4.1	2.6	0.9	2.2	(4.7)	(1.7)	3.8	1.5	9.6
Electricity and Water supply	4.1	3.0	4.1	3.2	3.0	1.5	1.5	0.9	1.5	(4.7)	0.2	3.5	2.0	5.1
Construction	6.6	7.0	7.6	3.3	4.6	5.5	6.1	6.2	10.4	8.2	12.5	16.2	7.9	6.5
Tertiary sector (Services)	5.4	5.9	5.5	7.2	6.7	7.6	6.6	5.9	3.8	(6.7)	(4.6)	(1.0)	2.1	15.7
Wholesale and Retail trade	5.1	6.4	5.8	6.4	4.6	6.4	5.3	4.8	4.9	(4.2)	(5.0)	2.6	7.4	9.5
Accomodation and Restaurant	16.8	15.9	10.9	18.5	15.6	11.7	11.9	17.6	(8.1)	(56.8)	(63.4)	(62.2)	(48.8)	9.1
Transport and Storage	4.3	6.7	5.3	7.7	6.8	8.8	4.6	5.2	2.2	(16.8)	(10.1)	(6.1)	(8.7)	16.9
Information and Communication	7.2	8.0	7.7	8.7	9.5	7.5	7.1	6.1	5.6	2.6	3.2	7.6	16.1	25.2
Financial and Insurance	2.7	0.9	0.7	6.3	6.1	8.0	9.3	4.4	7.5	4.4	3.0	7.4	9.4	9.9
Public Administration	5.8	7.3	9.3	9.1	9.0	10.8	10.2	9.7	4.0	2.7	6.3	8.4	9.1	13.0
Others	6.2	6.1	5.7	6.5	6.1	6.3	6.0	5.6	3.4	(7.9)	(5.6)	(3.2)	1.5	19.4
of which Real Estate	6.2	6.4	6.6	6.8	7.0	7.0	6.7	6.2	5.4	4.6	3.7	2.7	4.5	4.9
Education	7.9	6.2	5.9	5.6	3.8	3.4	5.6	6.2	1.8	(22.4)	(17.4)	(5.3)	10.0	67.6
Health	5.4	6.6	5.0	4.9	5.7	6.1	6.8	6.4	7.4	9.8	5.2	4.7	9.1	10.0
Taxes less subsidies	5.8	12.2	4.4	1.8	(1.5)	5.3	4.3	6.7	5.1	(20.8)	(8.5)	(6.4)	(14.5)	0.5
Real GDP	5.2	6.0	5.3	6.0	4.8	5.9	4.8	4.4	4.4	(4.7)	(2.1)	1.2	0.7	10.1
of which Non-Agriculture	5.4	5.5	5.1	6.2	5.6	6.8	5.9	4.8	4.4	(5.5)	(2.8)	1.1	2.7	14.7

Source of Data: Kenya National Bureau of Statistics

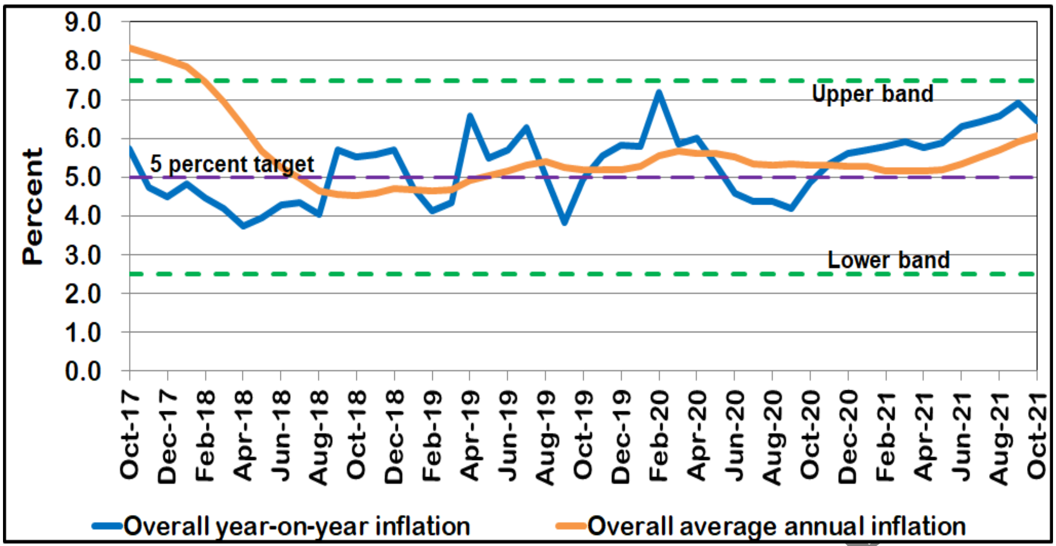
20. The Service sub sector grew by 15.7 percent in the second quarter of 2021 compared to a contraction of 6.7 percent over the same period in 2020. The growth was largely attributed to the growth in the Wholesale and retail trade (9.5 percent), Information and communication (25.2 percent), Transport and Storage (16.9 percent), Health (10.0 percent) and Education (67.6 percent) sectors.

21. The industry sector grew by 7.9 percent in the Second quarter of 2021 from a contraction of 0.5 percent in a similar quarter in 2020. The manufacturing and electricity and water supply sector grew by 9.6 percent and 5.1 percent in second quarter of 2021 from a contraction of 4.7 percent in both sector in similar period of 2019. The construction sectors decline to 6.5 percent in second quarter in 2021 over a growth of 8.2 percent in a similar period of 2020.

Inflation Rate

22. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures **(Figure 1.2).**

Figure 1.2: Inflation Rate, Percent

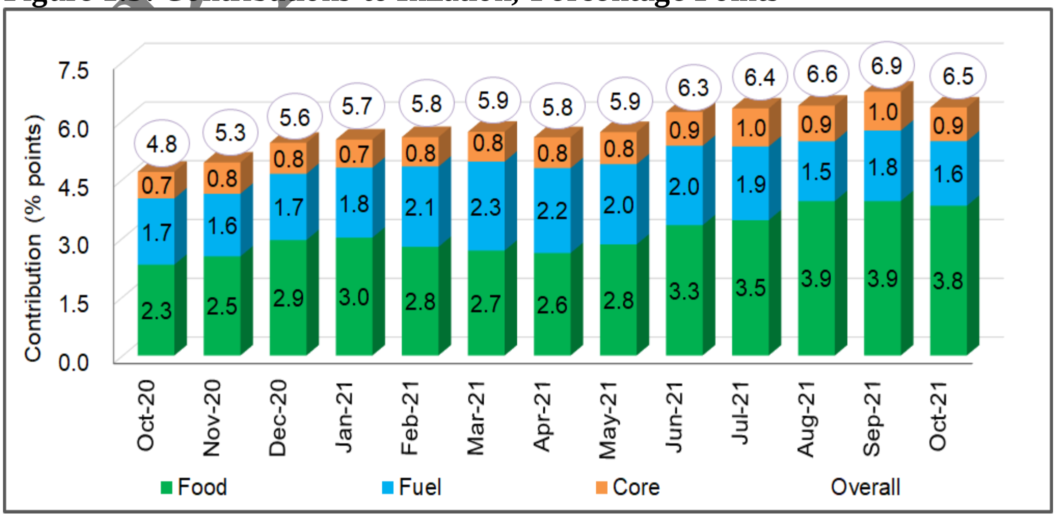


Source of Data: Kenya National Bureau of Statistics

23. Food inflation remained the main driver of overall inflation in October 2021, contributing 3.8 percentage points, an increase, compared to a contribution of 2.3 percentage points in October 2020. The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly tomatoes, spinach, beef with bones, onions, oranges and Potatoes (Irish). Fuel inflation contributed 1.6 percentage points to overall inflation in October 2021 compared to 1.7 percentage points in October 2020 following relatively lower international oil prices largely on account of buildup of oil inventories amid concerns on supply growth.

24. The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation increased to 0.9 percentage points in October 2021 from 0.7 percentage points in October 2020, reflecting a pick-up in economic activity and the effects of the implemented tax measures (**Figure 1.3**).

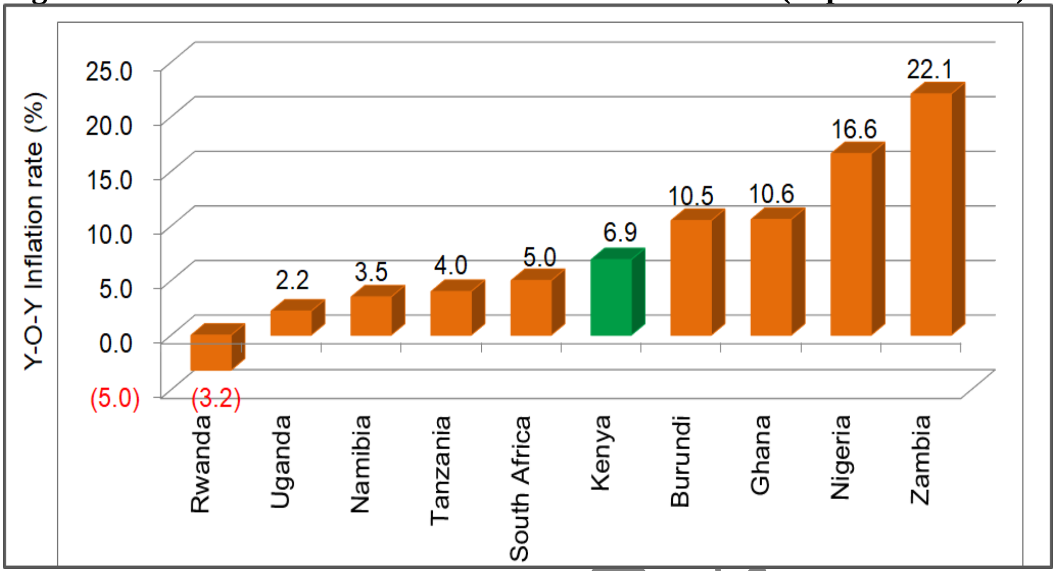
Figure 1.3: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

25. Kenya's year-on year inflation rate compares favorably with the rest of Sub-Saharan Africa countries. In September 2021, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria and Zambia **(Figure 1.4).**

Figure 1.4: Inflation Rates in selected African Countries (September 2021)

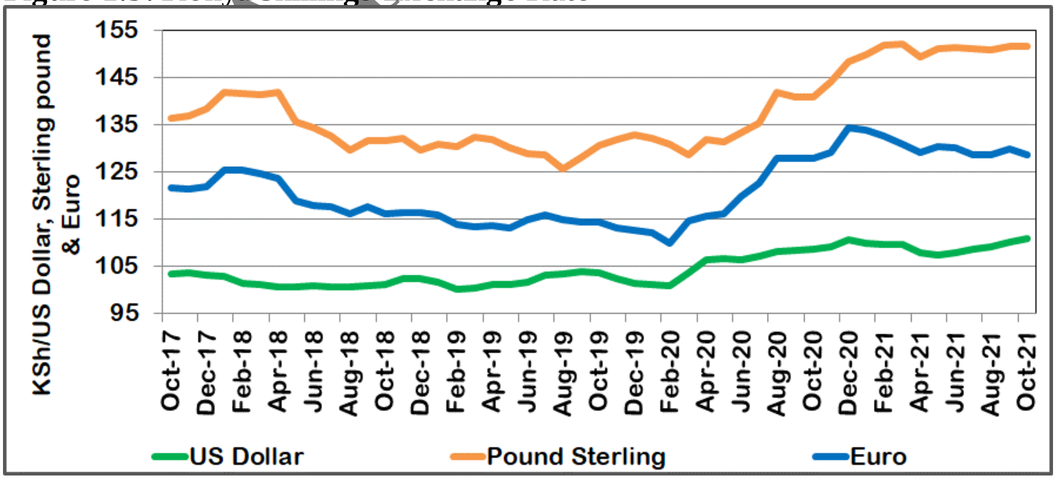


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

26. The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020 **(Figure 1.5).**

Figure 1.5: Kenya Shillings Exchange Rate

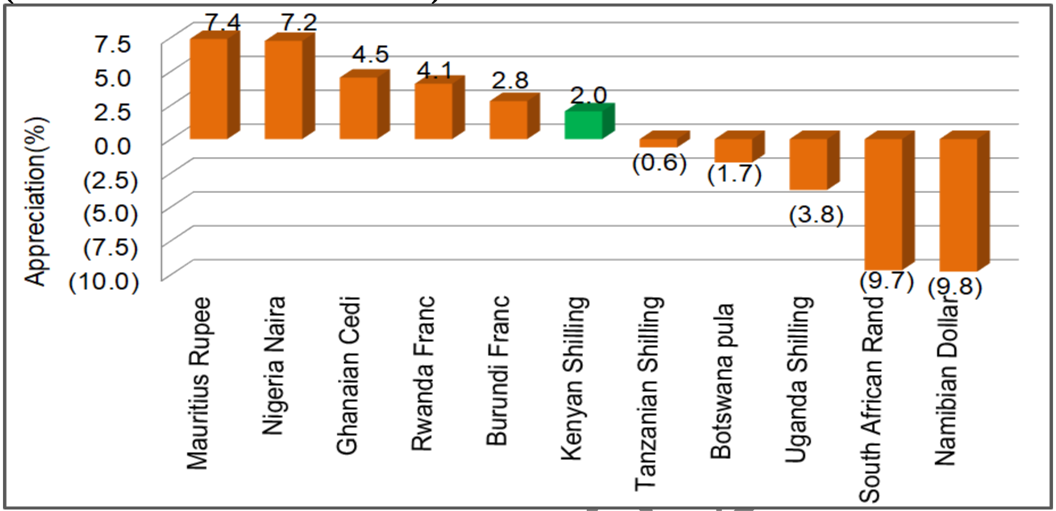


Source of Data: Central Bank of Kenya.

27. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 2.0 percent against the US Dollar in the year to October 2021 **(Figure 1.6).** This depreciation of the Kenya Shilling was

lower than that of Rwanda Franc, Nigerian Naira, Mauritius Rupee, Burundi Franc and Ghanian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favourable horticultural exports

Figure 1.6: Performance of Selected Currencies against the US Dollar (October 2020 to October 2021).



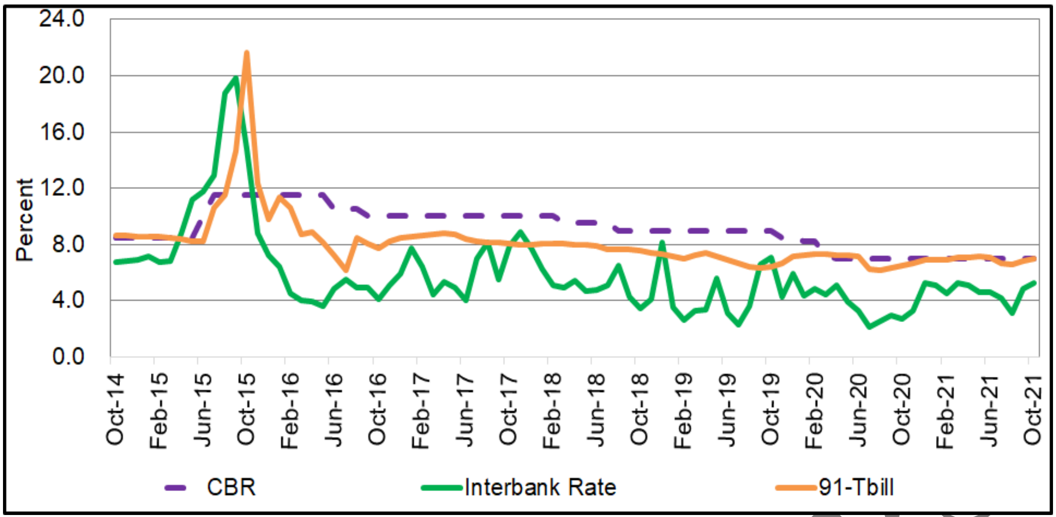
Source of Data: National Central Banks

Interest Rates

28. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on 28th September 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in October 2021 supported by Government payments. As such, the interbank rate remained low but increased slightly to 5.3 percent in October 2021 from 2.7 percent in October 2020 **(Figure 1.7).**

29. Interest rates on the Treasury bills remained relatively stable in October 2021. The 91-day Treasury Bills rate was at 7.0 percent in October 2021 compared to 6.5 percent in October 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.4 percent from 6.9 percent while the 364-day also increased to 8.3 percent from 7.8 percent.

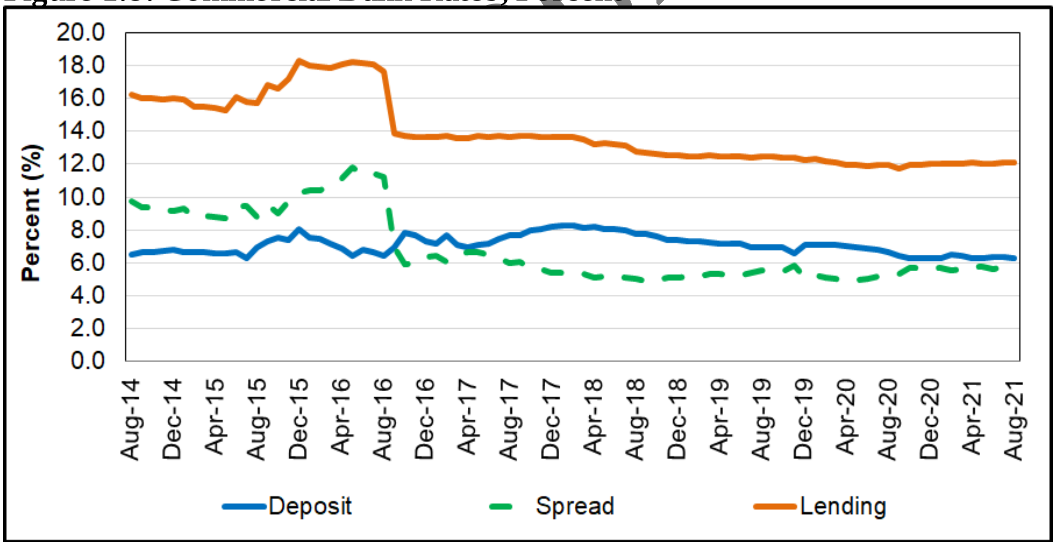
Figure 1.7: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

30. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.1 percent in August 2021 compared to 11.9 percent in August 2020 while the average deposit rates declined from 6.6 percent to 6.3 percent over the same period. This led to an increase in the average interest rate spread by 0.5 percentage points over the review period **(Figure 1.8).**

Figure 1.8: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Money and Credit

31. Broad money supply, M3, moderated to a growth of 8.7 percent in the year to September 2021 compared to a growth of 10.7 percent in the year to September 2020 **(Table 1.4).** This reflected a relatively lower Net Foreign Assets (NFA) and reduced growth in the net lending to Government component of the Net Domestic Assets (NDA).

32. Net Foreign Assets (NFA) of the banking system in the year to September 2021 contracted by 11.7 percent, compared to a contraction of 10.3 percent in the year to September 2020. The decline in NFA of the Central Bank was largely due to scheduled debt service and other central bank operations. The NFA of commercial banks also declined during the review period as a result of a decrease in deposits abroad.

Table 1.4: Money and Credit Developments (12 Months to September 2021 Ksh billion)

				Change		Percent Change	
	2019 September	2020 September	2021 September	2019-2020 September	2020-2021 September	2019-2020 September	2020-2021 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,459.7	1,665.8	1,770.8	206.0	105.0	14.1	6.3
1.1 currency outside banks (M0)	157.7	217.6	234.4	59.9	16.8	38.0	7.7
1.2 Demand deposits	1,190.6	1,371.0	1,421.3	180.4	50.3	15.2	3.7
1.3 Other deposits at CBK	111.4	77.2	115.1	(34.3)	38.0	(30.8)	49.2
2. Money supply, M2 (1+2.1)	2,866.0	3,180.5	3,408.1	314.5	227.6	11.0	7.2
2.1 Time and savings deposits	1,406.3	1,514.7	1,637.3	108.5	122.6	7.7	8.1
Money supply, M3 (2+3.1)	**3,473.4**	**3,843.5**	**4,177.7**	**370.1**	**334.2**	**10.7**	**8.7**
3.1 Foreign currency deposits	607.4	663.0	769.5	55.6	106.5	9.1	16.1
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**835.4**	**749.7**	**661.9**	**(85.8)**	**(87.8)**	**(10.3)**	**(11.7)**
1.1 Central Bank	871.5	804.9	760.8	(66.6)	(44.1)	(7.6)	(5.5)
1.2 Banking Institutions	(36.1)	(55.2)	(98.9)	(19.2)	(43.7)	(53.2)	(79.1)
2. Net domestic assets (2.1+2.2)	**2,637.9**	**3,093.8**	**3,515.8**	**455.9**	**422.0**	**17.3**	**13.6**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,566.6	4,051.4	4,588.0	484.9	536.6	13.6	13.2
2.1.1 Government (net)	**894.3**	**1,196.0**	**1,527.9**	**301.7**	**331.9**	**33.7**	**27.7**
2.1.2 Other public sector	99.8	88.7	80.8	(11.2)	(7.8)	(11.2)	(8.8)
2.1.3 Private sector	**2,572.4**	**2,766.7**	**2,979.3**	**194.3**	**212.5**	**7.6**	**7.7**
2.2 Other assets net	(928.6)	(957.6)	(1,072.2)	(29.0)	(114.6)	(3.1)	(12.0)

Source of Data: Central Bank of Kenya

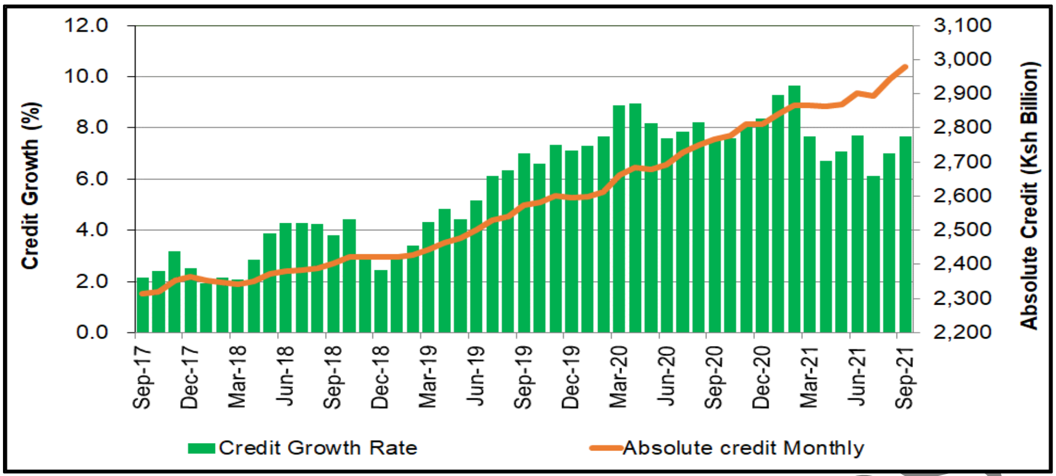
33. Meanwhile, Net Domestic Assets (NDA) registered a growth of 13.6 percent in the year to September 2021, a decline compared to a growth of 17.3 percent over a similar period in 2020. This moderation mainly reflected a slowdown in net lending to government resulting from a reduced utilization of Government deposits at the Central Bank of Kenya. Net credit flows to the private sector and other public sectors improved during the review period.

Private Sector Credit

34. Private sector credit improved to a growth of 7.7 percent in the 12 months to September 2021 compared to a growth of 7.6 percent in the year to September 2020 **(Figure 1.9).** All economic sectors, except mining and quarrying, registered positive credit growth rates reflecting improved demand as economic activities picked up in the first three quarters of 2021. Strong credit growth was mainly observed in consumer durables (17.6 percent); finance and insurance (11.7 percent); transport and communication (10.9 percent); manufacturing (9.8 percent) and business services (7.6 percent).

35. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs) that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the sector.

Figure 1.9: Private Sector Credit

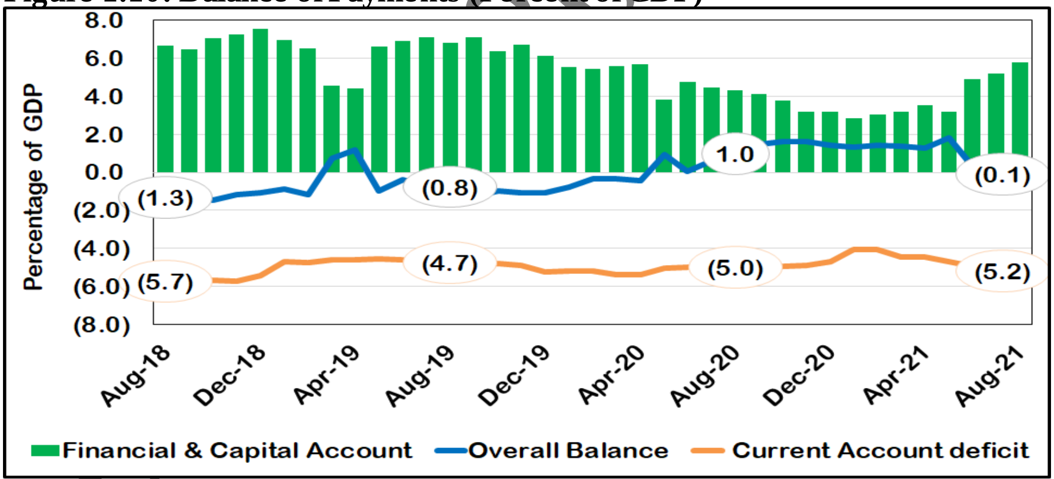


Source of Data: Central Bank of Kenya

External Sector Developments

36. The overall balance of payments position declined to a deficit of USD 107.6 million (0.1 percent of GDP) in the year to August 2021 from a surplus of USD 989.5 million (1.0 percent of GDP) in the year to August 2020 **(Figure 1.10)**. This was mainly due to a decline in receipts from services despite an improvement in the capital and financial accounts.

Figure 1.10: Balance of Payments (Percent of GDP)



Source of Data: Central Bank of Kenya

37. The current account remained stable in the year to August 2021. The current account deficit was at USD 5,707.3 million (5.2 percent of GDP) compared to USD 4,975.6 million (4.8 percent of GDP) in the year to August 2020 **(Table 1.5).** The current account balance was supported by an improvement in the net primary income balance and the net secondary income balance.

Table 1.5: Balance of Payments (USD Million)

	Aug-19	Aug-20	Dec-20	Mar-21	Jun-21	Jul-21	Aug-21	Year to August 2021		Percent of GDP	
								change	Percent Change	Aug-20	Aug-21
Overall Balance	**(746.7)**	**989.5**	**1,426.8**	**1,501.3**	**361.5**	**566.6**	**(107.6)**	**(1,097.1)**	**(110.9)**	**1.0**	**(0.1)**
A) Current Account	(4,687.4)	(4,975.6)	(4,618.8)	(4,911.0)	(5,503.6)	(5,644.9)	(5,707.3)	(731.8)	14.7	(4.8)	(5.2)
Merchandise Account (a-b)	(10,242.2)	(9,089.8)	(8,430.2)	(8,797.0)	(9,597.5)	(9,838.7)	(10,069.7)	(979.9)	10.8	(8.8)	(9.1)
a) Goods: exports	5,866.4	5,940.9	6,062.0	6,038.2	6,402.5	6,469.4	6,529.3	588.5	9.9	5.8	5.9
b) Goods: imports	16,108.6	15,030.6	14,492.2	14,835.2	15,999.9	16,308.0	16,599.0	1,568.4	10.4	14.6	15.1
Net Services (c-d)	1,906.8	720.8	355.1	182.2	160.5	111.1	143.3	(577.4)	(80.1)	0.7	0.13
c) Services: credit	5,699.6	4,255.3	3,731.8	3,567.9	3,844.1	3,883.5	3,993.6	(261.7)	(6.1)	4.1	3.6
d) Services: debit	3,792.8	3,534.5	3,376.7	3,385.7	3,683.6	3,772.4	3,850.2	315.8	8.9	3.4	3.5
Net Primary Income (e-f)	(1,594.4)	(1,592.1)	(1,494.0)	(1,397.3)	(1,502.3)	(1,462.1)	(1,440.5)	151.6	(9.5)	(1.6)	(1.3)
e) Primary income: credit	216.3	172.1	143.7	128.3	150.7	149.5	159.0	(13.2)	(7.6)	0.2	0.1
f) Primary income: debit	1,810.7	1,764.3	1,637.7	1,525.7	1,653.0	1,611.6	1,599.5	(164.8)	(9.3)	1.7	1.5
Net Secondary Income	5,242.4	4,985.5	4,950.3	5,101.1	5,435.7	5,544.8	5,659.5	674.0	13.5	4.9	5.1
g) Secondary income: credit	5,294.7	5,034.5	5,026.0	5,193.9	5,534.0	5,636.5	5,750.7	716.3	14.2	4.9	5.2
h) Secondary income: debit	52.3	49.0	75.7	92.7	98.3	91.8	91.2	42.2	86.3	0.0	0.1
B) Capital Account	215.2	133.9	131.2	191.1	422.3	422.3	412.2	278.3	207.8	0.1	0.4
C) Financial Account	(6,540.0)	(4,157.9)	(3,022.6)	(3,298.1)	(5,060.2)	(5,337.3)	(5,923.5)	(1,765.7)	42.5	(4.0)	(5.4)

Source of Data: Central Bank of Kenya

38. The balance in the merchandise account reduced by USD 979.9 million to a deficit of USD 10,069.7 million in the year to August 2021 mainly due to increased payments on imports despite an improvement in the export earnings (Table 3). In the year to August 2021, exports grew by 9.9 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports of goods increased by 10.4 percent in the year to August 2021 mainly reflecting increases in imports of oil and other intermediate goods.

39. Net receipts on the services account declined by USD 577.4 million to USD 143.3 million in the year to August 2021 compared to USD 720.8 million in a similar period in 2020 mainly on account of lower receipts from transport and travel services. The balance on the primary account improved by USD 151.6 million to a deficit of USD 1,440.5 million in the year to August 2021, due to lower reinvestment related outflows. Secondary income inflows remained resilient and increased by USD 674.0 million during the review period supported by remittances.

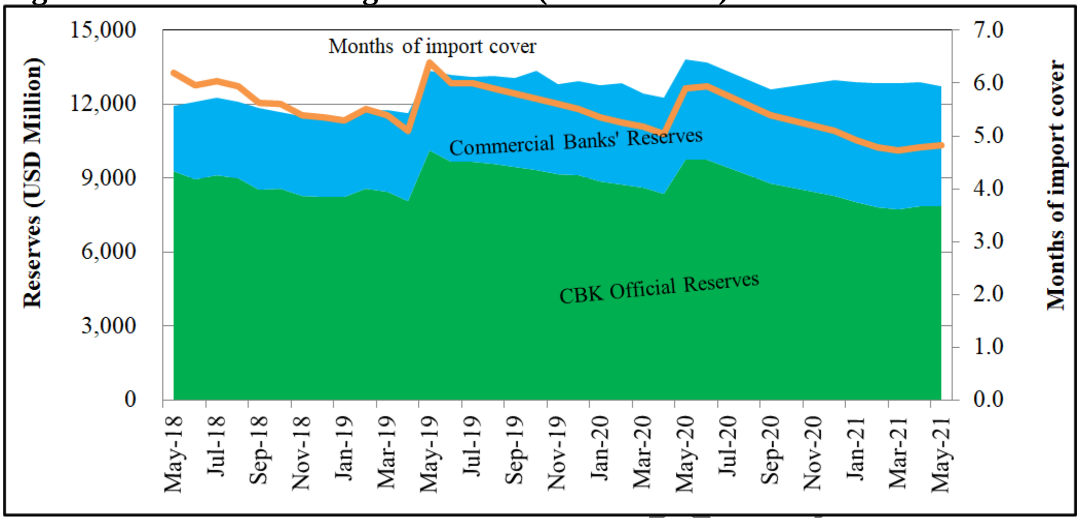
40. The capital account balance improved by USD 278.3 million and registered a surplus of USD 412.2 million in the year to August 2021. Net financial inflows also improved to USD 5,923.5 million in August 2021 compared to USD 4,157.9 million in August 2020. The net financial inflows were mainly in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.

Foreign Exchange Reserves

41. The banking system's foreign exchange holdings remained strong at USD 12,745.4 million in May 2021 from USD 13,805.7 million in May 2020. The official foreign exchange reserves held by the Central Bank was at USD 7,871.6 million (4.8 months of import cover) in May 2021 compared with USD 9,738.3 million (5.9 months of import cover) in May 2020 **(Figure 1.11).** This fulfills the requirement to maintain reserves at minimum of 4.0 months of import cover to

provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,873.8 million in May 2021 from USD 4,067.3 million in May 2020.

Figure 1.11: Official Foreign Reserves (USD Million)

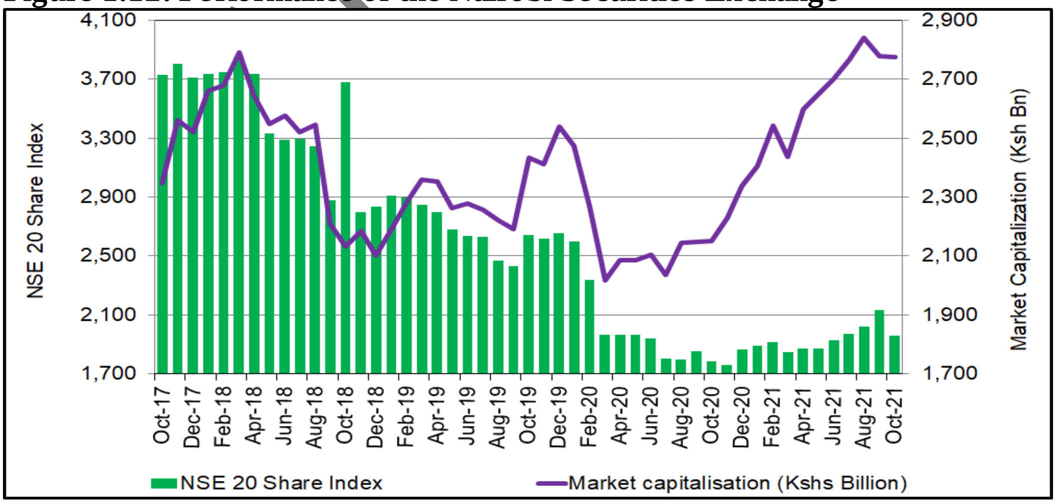


Source of Data: Central Bank of Kenya

CAPITAL MARKETS DEVELOPMENT

42. Activity in the capital markets improved in October 2021 compared to October 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,960 points by end of October 2021, an increase compared to 1,784 points by end October 2020. Market capitalization also increased to Ksh. 2,775 billion from Ksh. 2,150 billion over the same period indicating increased trading activities **(Figure 1.12).**

Figure 1.12: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

1.3 Fiscal Performance

43. Budget execution in the first three months of FY 2021/22 progressed well. Revenues recorded positive growth rates to reflect improvement in business environment, impact of reversal of some tax relief measures effected in January 2021, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority. Revenues are expected to progressively improve in the rest of the fiscal year following the reopening of the economy, uptake of the COVID-19 vaccine and the increased demand for imports as well as improved domestic sales. Revenue targets for the FY 2021/22 are also expected to be achieved considering the performance in the first quarter.

44. The Government has embarked on expenditure rationalization and prioritization to ensure that expenditures are on the most impactful programmes that yield the highest welfare benefits to Kenyans.

Revenue Performance

45. Revenue collection to September 2021 grew by 33.7 percent compared to a contraction of 10.0 percent in September 2020. This growth is attributed to the improved business environment following the reopening of the economy and ease on measures put in place to contain the spread of the COVID-19 pandemic. As at end September 2021, the cumulative total revenue inclusive of Ministerial Appropriation in Aid (AiA) was Ksh 506.3 billion against a target of Ksh 480.3 billion. This performance was Ksh. 26.0 billion above the set target.

46. Ordinary revenue to September 2021 recorded a growth of 29.0 percent compared to a 10.9 percent in September 2020. This growth was recorded in all broad categories of ordinary revenue. Specifically; Income tax grew by 29.2 percent, Value Added Tax (VAT) by 44.9 percent, Excise taxes by 23.4 percent and import duty by 16.8 percent. In nominal terms, ordinary revenue collection to September 2021 was Ksh 441.8 billion against a target of Ksh. 425.1 billion. This performance was Ksh. 16.7 billion above the target.

47. Ministerial A-I-A inclusive of the Railway Development Levy was Ksh 64.5 billion against a target of Ksh 55.2 billion reflecting timely reporting of SAGAs AiA. Ministerial AIA revenue, recorded 78.7 percent growth for the period ending September 2021 compared to a contraction of 1.9 percent over a similar period in 2020.

Expenditure Performance

48. Total expenditure and net lending for the period ending September 2021 was Ksh 631.7 billion which was below the projected amount by Ksh 34.7 billion. Recurrent spending amounted to Ksh 453.7 billion while development expenditures amounted to Ksh 117.0 billion. Transfer to County Governments amounted to Ksh. 61.1 billion.

49. Recurrent spending was above the projected target by Ksh 5.0 billion mainly on account of higher than targeted expenditures on domestic interest payments and on operation and maintenance.

50. Development expenditure was below target by Ksh 7.8 billion on account of below target disbursements to foreign financed programmes by Ksh 23.5 billion signaling continued challenges with absorption of externally financed projects as well as the effects of the COVID-19 pandemic. Disbursements to domestically financed programmes on the other hand, was above target by Ksh 16.4 billion reflecting accelerated absorption in the first quarter of the financial year.

51. Fiscal operations of the Government by end of September 2021 resulted in an overall deficit, including grants of Ksh 111.9 billion against a projected deficit of Ksh 174.9 billion. This deficit was financed through net domestic borrowing of Ksh 140.0 billion and net foreign repayment of Ksh 28.2 billion.

1.4 Fiscal Policy

52. Going forward into the medium term, the Government will continue with its revenue mobilization and expenditure prioritization policy geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the "Big Four" Agenda. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and strengthen management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. The fiscal deficit is projected to decline from 8.3 percent of GDP in FY 2020/21 to 3.8 percent of GDP by FY 2025/26.

53. To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. The Government has also been cutting down on non-priority expenditures such as: hospitality, training, travel and freezing of employment in non-priority sectors in order to manage the public wage bill.

54. Further, Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency and accountability of public spending. In particular, the implementation of PIM regulations under the PFM Act, 2012 will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

55. In order to ease the burden of pension payments in future, the Government will continue with implementation of the Super Annuation Scheme for all civil servants below the age of 45 years rolled out in January 2021. Further, the government will continue to support devolution and ensure quality services are offered by the devolved units. The National Government in FY 2021/22 has increased the shareable revenue to the counties to Ksh 370.0 billion.

56. In this regard, expenditures as a share of GDP are projected to decline from 24.3 percent in the FY 2020/21 to 21.5 percent in the FY 2025/26. On the other hand, revenues as a share of GDP are projected to increase from 15.8 percent in

the FY 2020/21 to 16.3 percent in the FY 2021/22 and 18.1 percent in the medium term.

57. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by implementation of priority programmes under the Economic Recovery Strategy, the "Big Four" Agenda and other priority programmes outlined in MTP III of Vision 2030. In particular, the reversal of tax cut measures which took effect from January 2021, will enhance revenue collection. In addition, in the FY 2021/22, the Government is implementing tax policy measures through the Finance Act, 2021 that will boost revenue performance.

58. Given the expenditure rationalization and the revenue recovery measures put in place, fiscal deficit inclusive of grants is projected to decline from Ksh 1,029.3 billion (8.2 percent of GDP) in the FY 2021/22 to Ksh 862.7 billion (6.0 percent of GDP) in the FY 2022/23 and further to Ksh 743.6 billion (3.8 percent of GDP) in the FY 2025/26 (**Table 1.6**). In the medium term, debt is projected to remain sustainable.

Table 1.6: Fiscal Framework (Ksh million)

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
		Prel.	*PROJECTIONS*				
TOTAL REVENUE	**1,796.0**	**1,783.7**	**2,063.1**	**2,405.3**	**2,818.2**	**3,145.9**	**3,408.9**
Ordinary revenue	1,573.7	1,562.0	1,800.0	2,141.6	2,516.3	2,822.6	3,073.6
Ministerial Appropriation in Aid	222.2	221.7	263.0	263.7	302.0	323.2	335.2
TOTAL EXPENDITURE AND NET LENDING	**2,627.5**	**2,749.5**	**3,154.3**	**3,298.3**	**3,548.9**	**3,865.0**	**4,205.7**
Recurrent	1,694.1	1,796.6	2,071.8	2,174.9	2,357.3	2,569.2	2,795.5
Development	608.1	553.9	667.7	711.8	774.3	873.3	962.8
County Transfer	325.3	399.0	409.9	406.5	412.3	417.5	442.5
Contigency Fund	-	-	5.0	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	**(831.5)**	**(965.7)**	**(1,091.3)**	**(893.0)**	**(730.6)**	**(719.1)**	**(796.8)**
Grants	19.8	31.3	62.0	46.9	48.1	49.3	53.2
BALANCE INCLUSIVE OF GRANTS	**(811.7)**	**(934.4)**	**(1,029.3)**	**(846.1)**	**(682.5)**	**(669.8)**	**(743.6)**
Adjustment to cash basis	11.8	5.1	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	**(799.9)**	**(929.3)**	**(1,029.3)**	**(846.1)**	**(682.5)**	**(669.8)**	**(743.6)**
Discrepancy	**(9.1)**	**20.9**	-	-	-	-	-
TOTAL FINANCING	**790.8**	**950.2**	**1,029.3**	**846.1**	**682.5**	**669.8**	**743.6**
Net Foreign Financing	340.4	323.3	412.5	363.0	192.3	95.4	125.5
Net Domestic Financing	450.4	626.9	616.8	483.1	490.3	574.4	618.1

Source of Data: National Treasury

1.5 Economic Outlook

Global Growth Outlook

59. The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, relaxation of COVID-19 restrictions particularly

in the major economies, ongoing deployment of vaccines, and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, global growth is projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.2 percent in 2020.

60. Global growth is expected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slower labour force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

61. The Sub-Saharan African region has not been spared the negative effects of the pandemic with the region estimated to have contracted by 1.8 percent in 2020. Consistent with forecast in other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 and 4.1 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

Domestic Growth Outlook

62. Like the rest of the world, the domestic economy was not spared from the adverse impact of the Pandemic in 2020. As such, economic growth is estimated to have contracted to 0.3 percent in 2020. The economic growth is projected to bounce back to 6.0 percent in 2021 reflecting recovery due to reopening after the closure associated with the COVID-19 Pandemic. This also in part reflects the lower base in 2020 when most service sectors especially accommodation and restaurant, education as well transport services contracted in second and third quarters of 2020 with huge margins.

63. In terms of fiscal years, the economy is projected to expand by 2.9 percent in the FY 2020/21, 5.9 percent in FY 2021/22 and 6.1 percent in FY 2025/26. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030 (**Table 1.7 and Annex Table 1**).

Table 1.7: Macroeconomic Framework

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
	annual percentage change, unless otherwise indicated														
National Account and Prices															
Real GDP	2.9	6.3	5.9	5.9	5.7	4.5	5.8	6.0	4.7	5.9	6.1	5.0	6.0	5.3	6.1
GDP deflator	5.9	5.2	5.5	5.5	5.0	4.9	4.8	5.4	5.4	5.3	5.3	5.3	5.2	6.0	6.0
CPI Index (eop)	5.7	5.0	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.8	5.0	5.6	5.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.6	1.1	0.2	1.1	-0.3	0.2	0.2	0.5	0.2	0.2	0.6	0.3	0.3	0.4	0.4
	in percentage of GDP, unless otherwise indicated														
Investment and Saving															
Investment	20.6	19.8	19.7	20.8	18.3	16.1	20.5	19.0	16.7	20.7	19.4	17.6	21.1	18.4	21.2
Central Government	#REF!	4.9	4.9	5.0	4.8	4.9	5.0	4.9	5.0	4.9	4.8	5.1	5.0	3.0	2.9
Other	#REF!	14.9	14.8	15.8	13.4	11.3	15.6	14.1	11.6	15.7	14.6	12.6	16.1	15.4	18.4
Gross National Saving	16.2	13.8	13.7	16.3	12.2	11.4	15.6	12.8	11.9	15.4	13.1	12.7	15.4	13.6	15.4
Central Government	-4.6	-2.6	-4.4	-4.7	-1.4	-3.0	-3.0	-0.4	-2.3	-2.0	-0.1	-2.0	-1.5	-0.1	-0.4
Other	20.8	16.4	18.1	21.0	13.6	14.4	18.7	13.2	14.1	17.3	13.2	14.7	16.9	13.7	15.7
Central Government Budget															
Total revenue	15.8	16.4	16.1	16.3	17.3	17.5	17.2	18.2	18.6	18.1	18.1	18.7	18.1	18.6	17.4
Total expenditure and net lending	24.3	24.3	24.0	25.0	23.3	23.5	23.6	22.7	23.5	22.7	22.0	23.1	22.2	22.8	21.5
Overall Fiscal balance excl. grants	-8.5	-7.9	-7.9	-8.6	-6.0	-6.0	-6.4	-4.6	-4.8	-4.7	-3.9	-4.4	-4.1	-4.2	-4.1
Overall Fiscal balance, incl. grants, cash basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.1	-3.8	-3.9	-3.8
Primary budget balance	-3.8	-3.0	-2.9	-3.4	-1.0	-0.8	-1.1	0.3	0.2	0.2	0.6	0.5	0.5	0.7	0.3
External Sector															
Current external balance, including official transfers	-4.4	-6.0	-4.5	-4.5	-6.1	-4.7	-4.9	-6.2	-4.8	-5.3	-6.3	-4.9	-5.7	-4.8	-5.9
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	5.9
Memorandum Items:															
Nominal GDP (in Ksh Billion)	11,304	12,393	12,628	12,628	13,760	13,721	14,002	15,373	15,140	15,605	17,128	16,735	17,402	18,682	19,577

Source of Data: National Treasury

1.6 Risks to the Economic Outlook

64. There are risks to this macroeconomic outlook emanating from domestic as well external sources. On the domestic front, the emergence of new COVID-19 variants that may require broader reinstatement of containment measures, in the country and its trading partners could lead to renewed disruptions to trade and tourism. Other risks relate to lower agricultural output due to potential adverse weather conditions and continued desert locust infestation in the northern region of the country, which could potentially reduce production of food crops and animal feeds. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.

65. The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support faster reduction in fiscal deficit and debt accumulation. Additionally, potential lower oil prices in the international market would result in improved terms of trade.

66. On the external side, risks will depend on how the world responds to the health crisis, including whether the new COVID-19 strains are responsive to vaccines. Additionally, growth would be weaker than projected if logistical hurdles in procuring and distributing vaccines especially in emerging market and

developing economies will be slow. The delays would allow the new variants to spread, with possibly higher risks of infections among the vaccinated populations. World economies will be shaped by policies taken to limit persistent economic disruptions; the evolution of financial conditions and commodity prices especially oil in the international market; and, the adjustment capacity of the economies.

67. On the upside, better global cooperation on vaccines could help prevent renewed waves of infection and the emergence of new variants, end the health crisis sooner than assumed, and allow for faster normalization of activity, particularly among emerging market and developing economies. The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects were the risks to materialize.

II. ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

2.1 Overview

68. The COVID-19 pandemic has both magnified the importance and the urgency to institute policy measures to strengthen economic resilience and cushion Kenyans and businesses from the adverse effects that result from economic shocks. From the outset of the pandemic, the Government took decisive actions to respond to the adverse effects of the pandemic by implementing initiatives such as offering tax reliefs and the Economic Stimulus Programme (ESP) whose objective was to return the economy to the pre COVID-19 growth trajectory by increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor, and creating employment and incomes. This Programme has been successful as it created over 200,000 jobs for the youth, enhanced liquidity by supporting credit access to businesses and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the pandemic.

69. Building on the gains made, the 2022 BPS therefore, articulates priority economic policies and structural reforms as well as sectoral expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2022/23 - 24/25 in order to provide an enabling environment critical to return the economy back to long term growth path while at the same time continue safeguarding livelihoods, jobs, businesses and industrial recovery. Towards this end, the Government will undertake the following targeted strategic interventions to support the realization of the "Big Four" Agenda and achieve a resilient and sustainable economic recovery:

i. Roll out the third Economic Stimulus Programme for sustainable growth;
ii. Maintain macroeconomic stability and enhance security to foster a secure and conducive business environment and security of Kenyans and their properties;
iii. Scale up development of critical infrastructure in the country such as roads, rail, energy and water to reduce the cost of doing business and ease movement of people and goods as well as promote competitiveness;
iv. Enhance investment in key economic sectors for broad based sustainable recovery by promoting agricultural transformation, growth in manufacturing, environmental conservation and water supply, stimulating tourism recovery, and sustainable land use and management;
v. Expand access to quality social services in health, education and appropriate social safety nets for the vulnerable population;
vi. Support the youth, women and persons living with disability through Government funded empowerment programs that leverages on partnerships with private sector organizations;
vii. Support County Governments through transfer of sharable revenues to strengthen their systems and capacity in service delivery; and
viii. Implement various policy, legal and institutional reforms to enhance efficiency of public service delivery.

70. The Government will also continue implementing an elaborate Economic Recovery Strategy (ERS) to mitigate the adverse impact of the Pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This Strategy seeks to enhance resource mobilization to ensure sustainable funding of our development programmes from diverse sources including Public Private Partnership and lease financing. The Strategy will also support the role of the private sector in the economy and further facilitate credit access by Micro, Small and Medium Enterprises through the Credit Guarantee Scheme.

2.2 Economic Stimulus Programme

71. The first and the second Economic Stimulus Packages were designed to ensure that the Kenyan economy could endure the shocks occasioned by the lockdown measures implemented in the early stages of the COVID-19 pandemic.

72. With significant progress registered in the containment of COVID-19, the Government has shifted focus from survival to co-existing with the disease. In this regard, the Government will roll out the third financial stimulus programme that is designed to accelerate the pace of our economic growth and to sustain the gains already made. The new Stimulus Programme will be targeting key productive and service sectors in thirteen strategic interventions that cover: agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. These include:

i. Supporting small scale tea farmers with fertilizer subsidy to a tune of Ksh 1.0 billion;
ii. Safeguarding the livelihoods of farmers within the nation's sugar belt by allocating an additional Ksh 1.5 billion in aid of the sugar sector. This will be appropriated towards factories maintenance and payment of farmer's arrears;
iii. Completing the ongoing targeted interventions in the Coffee Sub-Sector. To realize this, the Government will allocate Ksh 1.0 billion to the Ministry of Agriculture to be appropriated towards this intervention;
iv. Noting the effects of the ongoing drought situation, the Government will allocate Ksh 1.5 billion in support of the communities affected by the ongoing drought in especially in our ASAL counties as part of our National Livestock Offtake Programme;
v. To secure a reduction in the prices of animal feeds, the Government will issue a framework that will facilitate the reduction of the cost of animal and chicken feeds;
vi. To consolidate the gains made in the education sector, the Government will allocate Ksh 8 billion to the Ministry of Education for the CBC Infrastructure Expansion Programme;
vii. To enhance access to medical coverage across the nation, and as part of the Universal Health Coverage programme, the Government will establish an additional 50 New Level 3 Hospitals, to be situated in non-covered areas

and densely populated areas across our nation. To enable this, the Government will allocate Ksh 3.2 billion for immediate construction of these medical facilities;

viii. Building on the success of the Kazi Mtaani Programme and its effect in enhancing opportunities for the youth across the country, the Government will allocate Ksh 10 billion for the third phase of the "Kazi Mtaani" Programme. The programme covering over 200,000 youths will be rolled out to all counties, with priority given to densely populated areas.

ix. To cushion Kenyans against the turbulence caused by the current volatility in fuel prices, the Government will develop, a framework for stabilization of petroleum prices by 24th December, 2021. The Government will also secure the full implementation of the Report of the Presidential Taskforce on Review of Power Purchase Agreements that establishes a pathway for the reduction of electricity prices by 30 %.

x. The Government will continue to implement the Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) frameworks stipulated by the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) to better track and trace illicit flows of money. These include requirements for financial institutions to report cash transactions above USD 10,000. However, it should also be recognized that the implementation of the framework by banks has been onerous for Micro, Small and Medium Enterprises (MSMEs). Cash still remains an important payments channel for MSMEs, representing 80% of all their financial transactions. To boost growth of MSMEs, the Government will revise upwards the cash transactions reporting threshold from the current mark of Ksh 1 million applicable to both withdrawals and deposits by customers. The financial institutions will retain their reporting obligations to the Financial Reporting Centre.

xi. To further augment the interventions to give the Micro, Small, and Medium Enterprises reprieve, the Government will, for loans less than Ksh 5 million, effect a moratorium of listing in CRBs for a period of 12 months to end September 2022; and, for borrowers with loans below Ksh 5 million listed with CRBs from October 2020 to date will not have that listing incorporated in their credit reports for the next 12 months, ending September 2022.

xii. In recognition of the importance of digital financial services, especially to the small scale traders and the household at large, the Government will engage all digital payment providers with an aim of deepening and expanding the use of digital payment channels;

xiii. The Government will operationalize the Kenya Biovax Limited to 'form and fill' and eventual manufacture of our vaccine by Easter of 2022.

2.3 Harnessing the "Big Four" Agenda for Job Creation

73. The "Big Four" Agenda was initiated four years ago by the Government as an economic blueprint meant to foster economic development and to provide a solution to the various socio-economic problems facing Kenyans. Since initiation, the Government has continued to accelerate implementation of programmes under each pillar of the "Big Four" Agenda, by formulating enabling policies and enhancing resource allocations. These efforts have borne fruits in improving livelihoods through creation of jobs and alleviation of Kenyans from poverty. Further, the "Big Four" Agenda has played a key role in driving the Third Medium Term Plan (MTP III) of Vision 2030.

2.3.1 Supporting Growth of Manufacturing for Job Creation

74. The manufacturing pillar of the "Big Four" has enabled the Kenyan youth to acquire skills necessary for industrial growth, job creation and improved living conditions. This has hastened the process of shifting Kenyans from mere wage earners to owners of capital and developing productive capabilities to meet the growing domestic and regional demand. Key achievements that the Government has achieved in this pillar include:

75. In the textile sector, the Government has made great strides in developing a textile Hub at Athi River Export Processing Zone (EPZ), which has provided industrial warehouses, shed and basic infrastructure facilities that are key in attracting and retaining investors in textile value addition and creating more employment opportunities at the EPZ. This has also increased the level of exports from the EPZ firms.

76. The Government has also modernized the machinery and factory for the RIVATEX East Africa Limited leading to increased weaving, spinning, production and finishing of textile and apparel, and creation of job opportunities through linkages with cotton farmers. Further, through the cotton value addition and extension subsidy, the Government has expanded cotton production through provision of farm inputs including seeds, fertilizers and capacity building to farmers, extension services and the revival of the ginneries for processing of cotton that feed into the modernized RIVATEX factory.

77. In the leather industry, the Government is supporting development of leather and leather products manufacturing industry to take advantage of the large livestock population. Improvement of infrastructure at Kinanie Leather Industrial Park and the Kenya National Leather Development Policy developed by the Government has provided a roadmap for the transformation of the leather sector with the interventions expected to spur growth in the sector to meet the growing domestic and external demand. In addition, the Government has been giving tax incentives with the goal of making locally produced products competitive in the export markets.

78. Free ports and Industrial Parks – the Government has developed industrial parks in Naivasha, Dongo Kundu in Mombasa and a Special Economic Zone in Miwani. These parks have provided basic infrastructure facilities, promoted local industrial activities and unlocked additional employment opportunities for the

unemployed population. Building on these gains, the Government continues to prioritize establishment of SEZs in other regions to boast the manufacturing sector and create more employment opportunities.

79. Numerical Machining Complex – the Government is in the process of upgrading and modernizing the Foundry Plant at the Numerical Machining Complex to increase production of steel products and machinery. The completion of the Machining Complex will enhance the country's production of industrial spare parts and machinery, research and development, reverse engineering capability and foundry casting.

80. In order to enhance skills development, the Government has been transforming the Kenya Industrial Training Institute (KITI) to make it a centre of excellence that provides quality programmes that resonate well with the evolving industries' skills. This will create a pool of necessary skills and expertise required to boost manufacturing activities in the country. Teaching and learning facilities at the institute have been expanded in order to provide a conducive environment for skills development.

81. Further, in order to provide laboratories for industrial research and product development, the Government has been equipping the laboratories at the Nairobi Kenya Industrial Research Development Institute (KIRDI). This is geared at increasing the use of industrial technologies and facilitate growth of MSMEs through product development. The Government has also operationalized a leather laboratory at the Kisumu KIRDI. These laboratories are instrumental in providing incubation services to Micro, Small and Medium Enterprises (MSMEs), which form the backbone of Kenya's economy.

82. Local Value Addition – the Government has enhanced its efforts to revive and restore performance of major cash crops through agro-processing. The Government has been supporting tea and coffee farming through provision of diversified tea varieties, restructuring of the coffee value chain to increase productivity and boost value addition. Further, the Government will continue to promote local value addition for meat dairy, fruits, nuts and oils by operationalizing of various factories like the mango value chain factory located in Eldoret, integrated fruit and honey processing in Mombasa, gums arabic and raisins factory in Wajir. Construction of a tomato processing factory in Kajiado is also nearing completion.

83. Local Assembly of Motor vehicle and Motorcycles – the Government has supported local assembly of motor vehicles and motor cycles through provision of various tax incentives including removal of excise duty on locally assembled motor vehicles, duty-free importation of Completely Knocked Down kits and reduction of corporate tax from 30 to 15 percent for the first five years of operation. This has worked well leading to approved thirteen motor vehicle and seventeen motor cycle assemblers by the end of FY 2020/21. This has created employment opportunities and saved the country substantial foreign exchange. Building on these gains, the Government is developing a framework to support the assembly of affordable passenger vehicles and instituting comprehensive policy and administrative reforms to fully entrench local assembly of motor vehicles and motor cycles.

84. The attainment of these milestones cannot be realized without an elaborate enabling environment. In this regard, the Government has instituted policy, legal and institutional reforms that have provided an enabling environment for the development of MSMEs. Further, the fight against illicit trade and contrabands, which pose a detrimental impact on the substantial growth of legitimate business in the country has been enhanced. Specifically, the partnership between the Government's Multi-Agency Team against illicit Trade and the private sector has enhanced the fight against the illicit trade through the National Illicit Trade Observatory, a data management and reporting tool for enforcement agencies to report seized goods and provide industries with a platform to report on counterfeited products. The Government has also enhanced protection of industrial development, innovations and intellectual property through the Kenya Industrial Property Institute.

2.3.2 Food and Nutrition Security to all Kenyans

85. The aim of the Government in this pillar is to achieve 100 percent food and nutrition security for all Kenyans. In order to achieve this, the Government desired to increase the average daily income of farmers, create 1,000 Agro-processing SMEs, 600,000 new jobs and increase Agriculture's sector contribution to GDP at the same time reducing malnutrition among children under 5 years of age, cost of food and ultimately the number of food insecure Kenyans. This would in turn assist in developing a healthy working population to accelerate national productivity and enhance economic development.

86. Since the onset, the Government has implemented deliberate efforts including Agricultural Sector Transformation and Growth Strategy, Agricultural Inputs Subsidy Programme, expansion of irrigation schemes, supporting large-scale production of staples, implementation of programmes that support smallholder farming and promoting the use of appropriate farming techniques. To actualize these initiatives, resource allocation to the sector have been enhanced. This has led to the attainment of the following key milestones.

87. The Government reformed the Agricultural Inputs Subsidy Programme for farm inputs such as fertilizer and seeds. This has enhanced access to subsidized fertilizer and seeds, enabling farmers to increase productivity, earn more incomes and make Kenya more food secure. The Government is committed to improving production of main crops such as maize, coffee, tea, wheat among others through the provision of the subsidized fertilizer, developing partnerships with fertilizer blending companies to further reduce the cost and managing fall army worms and other pests.

88. Through giving support to local value addition for dairy, for instance by reviving the Kenya Meat Commission, the Government has provided a ready market for livestock and this will increase incomes to livestock farmers. Currently, farmers delivering livestock to the commission are paid within 72 hours at the rate of Ksh 185 per kilo. Money paid out to farmers between April – September 2020 was 52 million, under the new KMC management Ksh, 643 million has been paid out to farmers representing a 1200% increment.

89. The Government has also been supporting rice production by introducing reforms to address challenges along the rice value chain. Some of the interventions that the Government is implementing include: development and dissemination of improved production technologies, introduction of high yielding rice varieties, provision of improved knowledge and skills on harvest and postharvest handling and value addition in rice and rice by-products. Rice production is also set to get a boost following the expansion of Mwea Irrigation Scheme, Lower Nzoia Irrigation Project and the Lower Kuja Irrigation Development Project. Completion of the construction of Thiba dam will improve the reliability of irrigation water and rice production. The Government has directed the Kenya National Trading Corporation to purchase all the rice from Mwea and Kano Plains for onward selling to disciplined forces, prisons services as well as boarding schools which will promote rice farming subsequently increase revenue to the farmers and increase rice production in the country.

90. With the current reforms in the Tea and Coffee Sector, there has been big strides in recovering. Government's immense investment in the sector has seen the price of Tea increase by 42% in the last one year. Tea farmers are expected to benefit with the current price of USD 3 per kg, the highest price over the last 5 years. In the coffee sector, the Government is determined to root out all corrupt co-operatives that have been predating the coffee farmers. The revitalization of new Kenya Planters Cooperative Union (KPCU) by the Government has brought healthy competition into coffee milling activities. As a result, farmers are now receiving an upwards of Ksh 100 per kilogram for their coffee, up from an average of Ksh 25 per kilogram in 2019.

91. Promotion of smallholder farming to produce affordable and nutritious food has been achieved through enabling Kenyans to produce affordable and nutritious food through the Small-Scale Irrigation and Value Addition Project (SIVAP) and establishment of the Kitchen Gardens Initiative where Kenyan households are supported to set up kitchen gardens. Further, through projects such as the Kenya Climate Smart Agriculture Project (KSCAP) and the National Agricultural and Rural Inclusive Growth Project (NARIGP), the Government has been supporting large scale production of staples which has improved food security and nutrition status of Kenyans.

92. The Human Capital project and The Cost of Hunger Africa (COHA) study report has set the Government in motion to prevent child malnutrition in Kenya. Growth and development in the early years form the foundation for future learning, productivity and lifetime success and are the foundation for human capital. Following the launch of the COHA report, the Government developed and implemented a framework for securing a breastfeeding friendly environment at work and public places. The Government has also been developing social support systems to protect and facilitate the implementation of this framework to improve the health and nutrition status of Kenyans.

93. Moreover, through the Expanded National Irrigation Programme the Government has expanded the irrigation schemes to increase food production through construction of irrigation schemes across county governments, rehabilitation and modernization of existing irrigation schemes, and construction

of 47 water pans with a combined volume of 2,600,000 cubic metres in arid areas for domestic, animal consumption and irrigation in greenhouses. The water pans have ensured constant supply of irrigation water to households. Other specific projects that have increased land under irrigation are expansion of Galana Kulalu farm acreage from 52,000 to 100,000; Lower Nzoia Irrigation Project; and the rehabilitation of Bura Irrigation Scheme.

2.3.3 Universal Health Coverage to all Kenyans

94. The outbreak and rapid spread of the COVID-19 Pandemic necessitated an urgent need to upscale implementation of Universal Health Coverage to all our counties. In response to the Pandemic, the Government has transformed Pandemic obstacles into opportunities through expansion of health facilities. In Nairobi alone, the Government constructed over the period and operationalized 15 level two and three hospitals in various informal settlements, through the Nairobi Metropolitan Services. The Government is currently constructing another 15 level two and three hospitals.

95. The COVID-19 pandemic gave the Government an opportunity to increase ICU capacity from 108 to 651 ICU ready beds. Similarly, total hospital bed capacity has increased from 56,069 in 2013 to the current figure of 82,291 hospital beds which are spread across the country. The Government has also improved Oxygen generation capacity in public health facilities from 3 million litres per day in March 2020, to 32 million litres per day in October 2021. Further, the Government has increased the number of reference laboratories that can test for notifiable diseases of international concern and public health importance from one in March 2020 to the current 95.

96. The Government has made deliberate strategic diagnostic investments that have strengthened the country's health care system to respond to pandemics; propel the country towards attainment of UHC; and strengthen the preparedness for future global health security challenges. This has harnessed the Government's efforts and strides to provide access to quality and affordable healthcare by all Kenyans. Following the successful rollout of the Universal Health Coverage (UHC) programme pilot phase, utilization of health services across the country increased, with over 1.6 million additional hospital visits made during the 12-month period of the pilot phase. Further, the pilot phase provided the Government with critical learning points that have enhanced health policy priorities ahead of the national roll out.

97. In preparation for the national roll out of UHC, the Government and County Governments have signed Intergovernmental Participatory Agreements (IPAs) with a total of 26,280 Community Health Volunteers (CHVs) (84%) trained as part of establishment of Community Health Units. Further, the Government has developed a draft UHC Policy 2020-2030 to guide the realization of the UHC. The Government in collaboration with the World Health Organization (WHO) is digitalizing service delivery through the Digital Health project. This will see an end-to-end solution implemented in approximately 6,000 public health facilities as a unified system.

98. The Government has also provided health insurance cover for the elderly and severely disabled in society under the Health Insurance Subsidy Programme; established a UHC scheme to act as a national scheme for all persons resident in Kenya (Figure 13), notwithstanding one's social status; launched the Biometric Registration for the Universal Health Coverage Scheme to capture the biometric data within the framework of the UHC scheme and instituted reforms at NHIF to create a national social health insurer that is able to responsively meet the needs of Kenyans by strategically purchasing services for their health and wellbeing.

99. Moreover, to improve health outcomes, the Government has operationalized the Kenyatta University Teaching, Research, and Referral Hospital and Othaya National Teaching and Referral Hospital which have enhanced health service delivery. The Government has also decentralized the Beyond Zero mobile clinics to all 47 counties with an aim to reduce new HIV infections among children and improve maternal newborn and child health. This has led to a reduction in mother to child transmission of HIV.

100. In order to address the challenges caused by mental health, the Government established has established an Office in the Ministry of Health, with the full responsibility of spearheading the national response to the disruption caused by mental illness to our social order and the nation's wellness. The Government also elevated Mathari National Teaching and Referral Hospital, an ultra-modern National Mental Health Hospital, a semi-autonomous specialized hospital to offer training and research in psychiatry, specialized psychiatric services, forensic psychiatric services, child and adolescent mental services and substance abuse related and addictive disorders treatment and rehabilitation services.

101. These notwithstanding, the Government will continue to improve health outcomes and the reach of health care services in the country by fighting HIV/AIDS, malaria and tuberculosis. The Government will also continue to improve maternal, new-born and child health services, enhance early diagnosis and management of cancer through acquiring Cyber Knife Radiotherapy Equipment for Kenyatta University Teaching, Referral and Research Hospital. The Government is also in the process of establishing two cancer centres in Meru and Kakamega. This will help to reduce the burden of cancer treatment among Kenyans.

102. These strides notwithstanding, having a health workforce is key in developing the healthcare system and promote the attainment of UHC. To realize this, the Government is putting in deliberate efforts to bridge the gap in human resources for health. In the last nine years, the Government has progressively recruited an additional 36,900 healthcare workers, nearly a 100% increment in the country's total public health workforce which currently stands at nearly 75,000. The Government has also expanded the capacity of Medical Training Colleges to train mid-level healthcare workers who play a critical role in health service delivery throughout all the levels of care and specifically at the primary care level. This has seen the number of KMTC institutions increase from 28 campuses in 2013 to the current 71 campuses spread across 44 of our 47 counties.

2.3.4 Affordable and Decent Housing for All Kenyans

103. The Government set on a plan to provide decent homes to Kenyans by delivering five hundred thousand housing units by 2022 in major cities across the country. This would create additional 350,000 jobs, provide market for manufacturers as well as suppliers and raise the contribution of real estate and construction sector to 14 percent of GDP. To achieve this, the Government has been implementing policy and administrative reforms targeted at lowering the cost of construction and improving accessibility of affordable mortgages.

104. The Government is continuously focusing in raising low-cost funds from public and private sectors for investment in large-scale housing under the Affordable Housing Scheme. Specifically, the National Housing Development Fund and the various public-private partnerships that the Government has agreed to. The private sector continues to play a critical role in mobilizing resources for financing the Affordable Housing Programme. On the other hand, the incorporation and capitalization of the Kenya Mortgage Refinance Company (KMRC) has provided long term funds to primary house mortgage providers in the housing sector. This has led to mortgage affordability, increase in the number of qualifying borrowers, and expansion of the primary mortgage market in Kenya.

105. As at end of FY 2020/21, KMRC raised more than Ksh 2.0 billion in capital. To support the Company, the National Treasury also mobilized additional Ksh 35 billion from partners to support its operations. This has provided the much-needed liquidity to support the operations of the housing market.

106. Resources mobilized by the Government has supported construction of 1,370 housing units at Park Road and construction of other units in Mavoko and NHC Stoni Athi are at advanced stages of completion. The construction of 25,965 affordable housing units in Starehe (3,360), Shauri Moyo (4,470), Kibera Zone B (4,435) and Mukuru, Meteorological site (13,700) is set for commencement with the investors having already been identified. Some County Governments have provided free land for construction of affordable housing units with others like Nakuru and Kisumu having started construction.

107. In the past, the cost of land has been high limiting development of affordable houses. The Government implemented various reforms in the land sector to improve access to land for housing. The National Land Titling Programme, has led to over 4.5 million titles issued. Further, by digitizing all the land records across the Republic, the Government has improved land titling and credibility in land titles. This has in turn enhanced security of land records, improved accessibility, and significantly reduced the cost of land transactions. In addition, the Government has introduced 'Ardhi Sasa' a digital system in the land registry where single land transaction will only take 48hrs (2days) and land search result will take 3-5 minutes. With the digitization, it will ensure every inch of Kenya is mapped and all area are eligible for allocation and issuance of titles have an accurate, secure and fraud free system of issuance.

2.4 Conducive Business Environment for Employment Creation

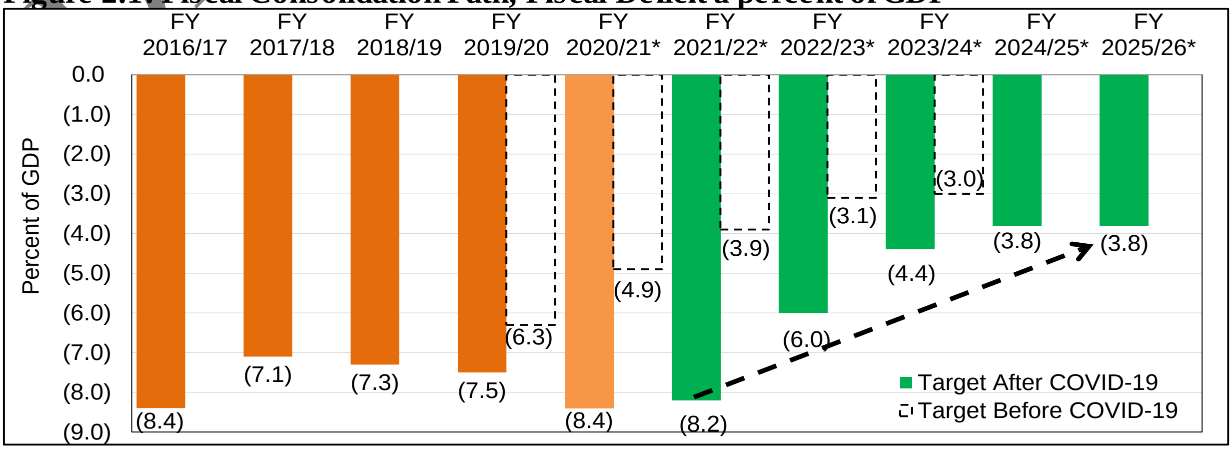
108. The business environment remains resilient and business growth has been on a positive trajectory despite the adverse effect of the COVID-19 pandemic. The Government has continued to implement various initiatives aimed fostering a stable macroeconomic environment; supporting business recovery and reducing the cost of doing business in the country which is critical for economic growth, enhance security to attract both domestic and international investors, and promote trade that is geared towards job creation.

2.4.1 Stable Macroeconomic Environment

109. The Government continues to maintain macroeconomic stability by pursing judicious fiscal and monetary policies that support strong economic growth, business and industrial recovery, job creation and attainment of the "Big Four" Agenda and the Economic Recovery Strategy. In particular, the Government has kept inflation rate within the policy target range of 2.5 to 7.5 percent, interest rates have remained fairly low and stable to support credit access by the Small and Medium Enterprises distressed by COVID-19 pandemic, and implementation of fiscal consolidation is on course. The Government has also strived to promote a stable and competitive exchange rate and to ensure sufficient exchange reserves as a cushion from external shocks. The Government will sustain this commitment in the years to come.

110. To complement the monetary policy, the Government continues to sustain fiscal consolidation efforts through revenue mobilization, expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio. The fiscal deficit is projected to decline from 8.2 percent of GDP in FY 2021/22 to 6.0 percent of GDP in FY2022/23 and further to 3.8 percent of GDP in FY 2025/26. This is intended to significantly improve Kenya's debt sustainability position and continue the fiscal consolidation programme to create fiscal space for the implementation of the "Big Four" Agenda, Economic Recovery Strategy and other priority programmes as outlined in the third Medium Term Plan (MTP III) of the Vision 2030 to foster a resilient and sustainable economic recovery and growth (**Figure 2.1**).

Figure 2.1: Fiscal Consolidation Path, Fiscal Deficit a percent of GDP



Source of Data: National Treasury

2.4.2 Deficit Financing Policy

111. Government borrowing needs will be met through external and domestic funding sources. External sources will be mainly from multilateral, bilateral and commercial lenders while for the domestic, resources will be from Treasury bonds and bills issuances. In this regard, the Government will continue to maximize contracting loans on concessional terms while non-concessional and commercial external borrowing will be limited to development projects with high financial and economic returns but cannot secure concessional financing and are in line with the Government development agenda. The Government will also continue to diversify its funding sources and maintain presence in the international and domestic capital markets. It will also explore use of green and climate change financing options.

112. The Government is committed to prudent improvements in debt management operations and improving on efficiency, transparency and reporting. In addition, the Government will continue to support the development of the domestic debt market by implementing various debt market reforms aimed at deepening and improving efficiency to reduce costs and yields on domestic debt and make credit affordable to all sectors.

113. Despite the impacts of the COVID-19 pandemic had on the economy, the Government is committed to fiscal discipline and consolidation to reduce fiscal deficits and tame the debt accumulation and thus reduce the debt service over the medium term progressively. In addition, the Government is working on debt portfolio re-profiling with an aim to retaining debt on a sustainable path. This will depend on the stability of the financial market in order to ensure the primary objective of debt management is achieved.

2.4.3 Business Regulatory Reforms

114. The Government remains committed to making Kenya secure and an attractive destination for investments that are critical for a strong and sustained economic recovery, job creation and the attainment of the “Big Four” Agenda. Towards this end, the Government has continued to develop and implement various business regulatory reform strategies aimed at reducing cost of doing business and encouraging private sector innovation and entrepreneurship for sustained economic recovery.

115. The Government’s business regulatory reforms and infrastructure investments over the years have improved Kenya’s competitiveness and ranking in the global ease of doing business. Indeed, for five consecutive years (2016-2020), Kenya has been ranked among the top four most improved in the ease of doing business in sub-Saharan Africa and a top investment destination. The Government has accelerated infrastructure investment, reduced regulatory burdens and the number of trade facilitation agencies involved in the clearance of goods at the port, enhanced customer relations and provision of credit to Micro, Small and Medium-Sized Enterprises. Notably, the Government commissioned a Transit Shed at the Kenya Railways, Nairobi, in 2020 to serve as a clearing point for cargo imported into the country. This Transit Shed will contribute to lower financial cost among small traders due to considerable reduction in time taken to clear trade wares.

116. Going forward, the Government will focus on measures to improve Kenya's ranking to be among the top 30 nations in the world in the ease of doing business. Particular focus will be on specific indicators of interest to small businesses and ordinary Kenyans including cut down the number of licenses at both National and County levels, as well as the processing times of licenses and permits; automate business registration processes and putting in place a wide range of attractive incentives to investors.

2.4.4 Enhancing National Security for Sustained Growth and Employment

117. A safe and secure society provides an enabling environment for sustaining economic recovery and attaining the "Big Four" Agenda and other priority programmes as outlined in the Third Medium Term Plan (MTP III) of the Vision 2030. For this reason, the Government has continued to invest significant resources and implement a wide range of reforms to improve the capacity of the security forces to protect Kenyans and their property against internal and external aggressions. In this respect, the current Kenya's police to population ratio is at the highest level in Kenya's history and higher than the United Nations prescribed standard.

118. Among the reforms that the Government is implementing include police modernization programme; construction of national forensic lab; equipping and training for the national forensic lab, training of security officers, and construction and upgrading of police stations. In particular, the Government upgraded the Manda Bay Station in Lamu into a full military base to provide security in the region. The upgrade is as a result of enhancing counter-terrorism efforts, provide maritime security and protecting the LAPSSET project and Lamu port infrastructure. Fundamentally, the move will make the base gain an expanded operational autonomy and transform it into a more geo-strategic facility for national, regional, and global security operations. The Government has also invested in the welfare of those charged with security personnel, by reviewing their remuneration benefits, and other allowances, upgrading of housing, provision of insurance and increasing the capacity of the health facilities used by our security personnel. In addition, the Government is building four additional hospitals to cater for the security personnel and their dependents, in recognition of the heavy toll placed on them and their families.

119. Going forward, the Government will heighten investment in the security agencies and strengthen implementation of reforms to protect Kenyans and their properties. Other reforms will include: enhancing of crime surveillance at both the national & county level, strengthening security communication, acquisition of modern security equipment, enhancing criminal investigation through training of criminal intelligence officers, enhancing forensic crimes' analysis and equipping of forensic laboratory, continuous investment in third generation ID cards, enhancing human capacity in the police forces, and improving welfare of security forces through continuous training and expanding housing units for the police officers. Further, the Government will expand and modernize police infrastructure to ensure that police officers have adequate access to advanced facilities and offices

for efficient rendering of services to the people. This will include acquisition of assorted vehicles and motorcycles to enhance the mobility for both police and National Government Administration (NGA) Officers.

2.5 Infrastructure Development for Inclusive Growth

120. The infrastructure development is critical for sustainable economic recovery, job creation, empowerment of small businesses and lays grounds for the achievement of the "Big Four" Agenda and other Government priorities as detailed in the Economic Recovery Strategy and the Third Medium Term of Vision 2030. For this reason, the Government has invested in roads, rails, marine, air and seaports, energy and ICT to enable Kenyans benefit from expanded infrastructure assets.

2.5.1 Expansion of the Road Network

121. Great strides have been made in the road construction and rehabilitation which include construction of new roads, rehabilitation and maintenance of existing roads. Notably, from the FY 2018/19 to FY 2020/21, the Government has constructed 4,795 kilometers of new roads, rehabilitated over 346 kilometers and maintained 108,343 kilometers of roads around the country. Over the medium term, the strategy is to expand, modernize and maintain the road transport in order to have an effective, efficient and secure road network. In this regard, the Government targets to construct 6,107 kilometers of new roads, rehabilitate 385 kilometers and maintain 150,788 kilometers of roads over the next medium term.

122. The major flagship road projects that the Government is undertaking include: Isiolo-Mandera Road; Garissa-Nuno-Modogashe-Wajir Road; Lokichar-Lodwar - Lokitaung-Nakodok Road; Dualling of Kenol–Sagana-Marua Road; Expansion of Mombasa–Mariakani Road; Garsen–Witu - Lamu Road; Expansion of Makupa Bridge and approach roads; Expansion of Athi River–Machakos Turnoff road; Ahero–Kisii –Isibania road; Kibwezi–Mutomo-Kitui road; Reconstruction of Kitale-Kapenguria–Lodwar–Nakadok road on the border with South Sudan. In honour of Mau fighters, the government is constructing a 582 kilometer road that will traverse different counties among them Meru, Embu, Kirinyaga and Tharaka Nithi.

123. The Government will also focus on developing urban roads to decongest cities and major towns key among them the Nairobi Expressway. The construction of the Nairobi Expressway Project - Africa's largest Public-Private Partnership funded project will decongest Nairobi city, reduce the cost of doing business and promote competitiveness. In order to boost regional trade, the Government will prioritize the fast tracking of the LAPSSET project implementation on the first three berths at the port of Lamu and the construction of major roads under the East African and Transport Facilitation Programs and the South Sudan – East African Regional Transport, Trade and Development Facilitation Program.

2.5.2 Rail, Marine and Air Transport

Standard Gauge Railway Line

124. The Government remains committed to developing and managing an efficient and safe railway transport. Notably, the Standard Gauge Railway (SGR) has presented a modern and efficient transport system that is safe, comfortable, and affordable for individuals and freight across the country. It has improved passenger and cargo transport activities with estimates showing that most businesses are currently transporting their cargo from Mombasa to Nairobi and Naivasha via the SGR, reducing roads congestion. As at August 2020, Madaraka Express had ferried about 9.9 million cargo tonnage and 4.3 million passengers. Moreover, SGR has led to increased economic activities in various towns in the Rift Valley region such as Naivasha, Mai Mahiu, Ongata Rongai, Ngong and Suswa.

Meter Gauge Railway

125. To consolidate the gains made through the SGR, reduce congestion in towns and improve interconnectivity across the country, the Government is rehabilitating the old meter gauge railway. Indeed, once complete, the Nairobi Commuter Rail will ease road traffic congestion and dramatically change the public transport in Nairobi and its Metropolitan Area. The Nairobi-Nanyuki railway will pave way for cheaper fuel while the old-meter-gauge railway from Longonot to the Western side of the country (Malaba and Nakuru to Kisumu) will enable seamless transport of cargo containers from Mombasa to Kisumu and Malaba border into Uganda. The Naivasha - Kisumu railway line will connect the recently refurbished Kisumu Port to enable ferrying of passengers and goods across East and Central Africa on ships via Lake Victoria. To further ease transportation of goods and people across the country, the Government plans to complete the construction of the Naivasha Inland Container Depot; rehabilitation of the Athi River Station East Africa Portland Cement Metro Line; and refurbishment of passenger coaches.

Airports

126. Air transport is one of the sectors that was adversely affected by COVID-19 pandemic due to the travel restriction put in place to curb its spread. To cushion the sector and boost air transport, the Government implemented a number of measures including waiving landing and parking fees. Going forward, the Government will continue to repair, expand and modernize aviation facilities to maintain their competitive edge in the region. The Government will also fast track rehabilitation of airstrips across the country, rehabilitation of the runway at the Moi International Airport and the construction of the Cargo Shed at Isiolo Airport.

Seaports

127. The Government has made good progress on reforms and modernization of key seaports, especially in expansion of the container terminals and cargo handling and storage, which has significantly reduced the time taken to clear cargo. Notably, the Government completed installing the Likoni Floating Bridge, the first automated floating bridge in Kenya which has decongested ferry transport at the Likoni Channel in the context of COVID-19 safety concerns and beyond. The

floating bridge provides alternative safe pedestrian connectivity between Liwatoni on Mombasa Island to Ras Bofu on the Likoni mainland side. The Government has also made tremendous strides in the construction of the Second Container Terminal Phase II at the Mombasa Port and is on track to complete construction of the first three berths at the Lamu Port and the relocation of the Kipevu Oil Terminal. Further, the Government

128. Building on the progress made, the Government will fast track the development of Kisumu Port Phase II which will enhance inter-county transport and trade among East African Countries around Lake Victoria. This rehabilitation will transform Kisumu into a regional and economic hub and consolidate the role of Lake Victoria as a crucial transport corridor in the shipment of cargo into and out of the East African region. The Government will also continue to undertake massive investments in various ports and harbours across the country including construction of the first berth of Dongo Kundu Special Economic Zones, construction of permanent landing ramps on island and mainland sides and rehabilitations of a number of ferries to ensure safety of ferry passengers.

2.5.3 Adequate, Affordable and Reliable Energy Supply

129. The realization of the development objectives set out in the Government's "Big Four" Agenda, the Third Medium Term Plan of Vision 2030 will only be feasible if quality energy services are availed in a sustainable, competitive, cost effective and affordable manner to all sectors of the economy. Towards this end, the Government has programmed to boost power generation from the current 3,024 MW to over 6,700MW by end of FY 2024/25 with major sources being renewable geothermal, wind and coal. This will expand access to reliable and clean energy to all households in line with Government's target of attaining full transition to renewable energy by 2030.

130. Significant progress has been attained in this endeavor with 525MW electricity added to the National grid in the last three fiscal years, significantly increasing power connectivity. Currently, more than 8.3 million households have been connected to power. This implies the country is on track to attaining 100% universal electricity access.

131. To improve system reliability and stability and reduce electricity losses, the Government plans to construct an additional 524.5 kilometres of transmission lines and 6 transmission substations and 520 kilometres of distribution lines and 11 distribution substations in the FY 2022/23. This will connect 750,000 new customers and 869 public facilities to the grid. The Government will also install street lighting points in designated areas and provide electricity connectivity to public facilities, including schools, trading centres, health centres, water points and administrative offices. The Government will further install and maintain solar P.V systems in public institution; construct domestic household biogas digesters; install standalone solar home systems; and disseminate clean cooking units. This will increase security of persons and property, boost socio-economic activities for small businesses through extended trading hours and enhanced ease of doing business.

132. To improve access to competitive, reliable and secure supply of petroleum products, the Government will enhance commercialization of discoveries, develop the requisite skills and infrastructure for production of oil, gas and other minerals. In this regard, over the next three fiscal years, the Government will strengthen enforcement and operationalization of provisions of the Mining Act 2016, the Petroleum Act, 2019 and other extractive policies for well-coordinated oil, gas and mining sub-sectors; marketing of petroleum blocks and gazettment of a new Block Map; finalize the Field development Plan for the South Lokichar Oil Field development to inform Final Investment Decision (FID); drilling of 1 exploratory and 200 development wells; distribution of 64.5 million metric tonnes of petroleum products; distribution of 300,000 - 6kg LPG cylinders to low-income households.

2.5.4 Promoting the Use of Information, Communication and Technology (ICT)

133. Information, communication and technology is an integral component of today's digital economy and has a strong potential to accelerate economic growth and improve the lives of Kenyans in fundamental ways. The COVID-19 pandemic has given insight on the role of technology and the gaps in the sector. The need to work from home and virtual meetings has made ICT one of the major drivers of the economic activities. In light of this, the Government has leveraged on ICT to improve Government service delivery through initiatives such as e-Procurement, Huduma Kenya, e-Citizen, iTax and IFMIS. The Government has also continued to invest in critical infrastructure including the Optic Fibre Backbone Infrastructure across the counties; Constituency Innovation Hubs; Internet Based 4000 Network; the Basic Voice Infrastructure in 67 sub-locations in unserved areas in order to facilitate internet connectivity, reduce the cost of doing business and access to information and e-government services. Additionally, the Government has invested in Konza Technopolis Special Economic Zone in order to promote investment in the growth of the ICT sector in Kenya as well as the country's overall economy.

134. Going forward, the Government will build on the progress made so far to improve ICT infrastructure and increase ICT skills and innovation in order to drive the attainment of Government priorities as detailed in the Third Medium Term Plan of Vision 2030 and prioritized in the "Big Four" Agenda. The strategy will focus on expanding ICT Infrastructure connectivity by further rolling out the National Optic Fibre Backbone (NOFBI) Broadband; connecting all State Departments to a Unified Government Communications System; management and improving cyber security; enhancing ICT skills among the youths to enhance their employability through such programmes as the Digital Literacy Programme, Ajira Programme and the Presidential Digital Talent Programme.

135. Further, the Government will continue to deploy public digital TV Broadcasting Infrastructure to achieve 100% national coverage. The infrastructure will enhance universal access to TV broadcasting services by providing affordable quality digital infrastructure for both public and private media houses including small and medium enterprises. The Government will also finalize the development

of National Spectrum Policy and the National Film Policy to improve regulatory and business environment in the sector.

2.6 Sectoral Transformation for Broad Based Sustainable Economic Growth

2.6.1 Environmental Conservation and Water Supply

136. Environmental conservation and access to adequate supply of clean water is fundamental for the achievement of the socio-economic development as envisioned by the Kenya Vision 2030. Indeed, the national policy blue print envisions the country to be a nation that prides in a clean, secure and sustainable environment and targets universal access to clean water and basic sanitation for all by the year 2030. Towards this end, the Government continues to prioritize sustainable exploitation, utilization, management and conservation of the environment as well as protection of water catchment areas. This has seen an additional 1.5 million people having access to clean, secure and adequate water. To address water shortage and floods, the Government is in the process of constructing 57 large dam and 500 small dams over the MTP III period, implementing the Northern connector tunnel in Nairobi which will inject additional 140,000 cubic meters of water per day into the city. In order to increase sanitation infrastructure coverage, the Government has constructed 56 sanitation projects in informal settlements and rural marginalized areas enabling over 200,000 people to access basic sanitation.

137. The Government has also prioritized the implementation of environmental conservation programs. As part of this process, the Government has undertaken various water catchment and conservation activities such as the recent completed 21 water supply projects that has further increased access to water. The water projects consist of drilling and equipping new boreholes, rehabilitation of existing boreholes, construction of elevated steel tanks and construction of water kiosks. To devolve functions of water and sewerage provision for the citizens, the Government has initiated the groundwater mapping for counties including Marsabit and Turkana, providing practical groundwater maps, tools and information for the national and County Governments. Schools have also benefited from the connection to clean water and construction of small dams for water storage.

138. Further, the Government has developed policies and programmes touching on conservation and management of forests, wildlife resources, conservation of catchment areas, and management of water. Towards this end, the Government finalized the Wildlife Conservation and Management Policy which will guide wildlife conservation efforts in the country. Building on this, the Government will continue to sensitize the public on environmental justice awareness, increase ground security patrols in parks; award best practices on green innovations and installed Airport Weather Observing Systems (AWOS) with intelligent sensors in Kisumu, Eldoret, and Nairobi.

2.6.2 Stimulating Tourism Recovery, Sports, Culture, and Arts

139. Tourism, sports, arts, culture and heritage sector are critical sectors in the growth and development of our economy as they unlock employment opportunities, present investment opportunities and generate foreign exchange. For these reasons, despite the adverse effect of COVID-19 pandemic on the sector, the Government continues to implement initiatives to support sports development, promote Kenya as the preferred tourism destination through Magical Kenya, support growth in the film industry, preserve Kenya's natural heritage and cultural identity; and nurture talents and arts.

140. The tourism sector is undoubtedly one of the worst hit sector in Kenya following the outbreak of COVID-19 pandemic and the resultant containment measures including travel restrictions. Nevertheless, the sector is expected to recover gradually following the ease of travel restrictions, implementation of protocol for management of restaurants and eateries, execution of Magical Kenya Tourism and Travel health and safety protocols and subsequent 'Safe Travels' Stamp endorsements and Safer Tourism Seal. The ongoing vaccination program is also expected to boost recovery in the sector. Implementation of the tourism and hospitality guidelines on health and safety by the National Tourism and Hospitality Taskforce will further ensure that Kenya is a safe and secure destination to visit.

141. To support sports development in the country, the Government is embracing sport tourism as a way of marketing magical Kenya as preferred travelling destination. Hosting international sport event such as the World Under-20 IAAF and the return of Fédération Internationale de l'Automobile (FIA) World Safari Rally Championship in Kenya supported sports development, boosted tourism and unlock investment opportunities. The World Rally Championship event attracted over 800 million streams and television viewership to over 150 countries providing a perfect opportunity to market Kenya as a preferred tourist destination. Additionally, the Government is investing in upgrading various sport stadiums for events and tournaments in a bid to grow her international stature with a long-term goal of positioning Kenya as a sporting destination in Africa but also a tourism hub.

142. Going forward, the Government working, in partnership with key stakeholders, will, among other measures: continue supporting the development and performance of music, drama, and dance; exhibition of works of art and crafts; and fostered discussions of matters of literacy, historical, scientific, and education importance.

2.6.3 Sustainable Management of Land for Social-Economic Development

143. Sustainable management of land is vital for the attainment of national development goals as espoused in the Third Medium Term Plan of Vision 2030 and prioritized in the "Big Four" Agenda and the Economic Recovery Strategy. For this reason, the Government has continued to scale-up investment towards policies and programs covering land use, security of tenure, access to land title, transparent and secure land registration system. By doing this, the Government has

increased the scope for enhanced food and nutrition security, growth in investments and industries and increased household incomes from agriculture.

144. Tremendous progress has been realized in the lands sector including: development of the National Land Value Index; development of the National Land Use Policy; processing and registration of title deeds; review of the Sectional Properties Regulations 2020 and Physical Planning Regulations; and development of Natural Resources Inventory. As part of land reforms, the Government launched the National Land Information Management System, Ardhi Sasa, which has digitized land records and streamlined land transactions and ownership to eliminate fraud, corruption and manipulation of critical land records. Ardhi Sasa is a one-shop for all land transactions operationalized in Nairobi and aims to digitalize the rest of the country by end of 2022.

145. Building on the progress made, the Government will strengthen implementation of key reforms in the lands sector to ensure that all land transactions across the country are digitized and the fast-track processing and registration of title deeds. Government will also continue to strengthen implementation of National Spatial Plan (NSP) and National Land Use Policy (NLUP), construct and renovate more land offices, enhance land survey by developing topographical and thematic maps and geo-referencing land parcels, develop a policy framework for public land management strategy, and fast track implementation of the Public Land Information Management System (PLIM).

2.7 Expand Access to Quality Social Services

146. In order to foster sustainable economic recovery, reduce the burden of economic shocks on households and enhance access to services by most Kenyans, the Government will continue to invest in quality and relevant education, scale up social safety nets programme as well as strengthen implementation of initiatives to empower the vulnerable groups of the society including women and youth.

2.7.1 Quality and Relevant Education for all Kenyans

147. The Government has continued to allocate significant resources to the education sector and implement key reforms to spur recovery to the sector from the adverse effects of the COVID-19 pandemic. As a result, access to education at all levels has improved substantially as evidenced by increased enrolment in the basic and tertiary institutions. Additionally, infrastructure including ICT infrastructure in learning institutions has improved thereby enhancing the teaching and learning experiences as well as ICT integration. Other achievements in the sector include: enhanced implementation of the Competency Based Curriculum (CBC) and a book student ratio of 1:1 in targeted primary and secondary subjects; increased candidature in both KCPE and KCSE examination; and enhanced capacity including increased number of Special Needs Education (SNE) teachers trained.

148. To improve education outcomes, the Government will strengthen implementation of a number of reforms in the sector including: development of critical infrastructure such as construction, rehabilitation and equipment of

classrooms, laboratories for primary and secondary schools; provision of desks to primary and secondary schools; recruitment of additional teachers and interns to address the 100% transition; expansion, upgrading, rehabilitation and equipping of Technical, Vocation and Education Training (TVET) institutions; training them on competency-based curriculum (CBC); and scaling up curriculum development.

149. On curriculum development, the Competency Based Curriculum launched in 2019 has significantly brought more gains by instilling creativity and innovativeness among learners which are necessary for emerging industrial needs. The implementation of the new curriculum is currently underway and it is being undertaken despite the challenges being experienced. Already, the Government has developed curriculum designs for Grade 4-12; developed and disseminated curriculum support materials; built curriculum implementers capacity; developed curriculum support materials for SNE learners; and developed Competence Based Education and Training (CBET) for TVETs. Building on this progress, the Government plans to strengthen human capital capacity for curriculum development and review; scale up the development of learning guides, curriculum designs and support services, learning guides a; roll out of the CBC up to Grade 5; procure and distribute text books in all learning areas aligned to CBC for Grade 1-5; training of teachers on CBC aspects; expand infrastructure and ICT equipment in schools to enable them accommodate the shift to CBC and their delivery of CBC curriculum designs.

150. To improve skills development and competencies of learners to match the fast-growing global job market, the Government will finalize development of the National Skills Development Policy; National Career Guidance and Counselling Policy and the National Skills Development Bill.

2.7.2 Strengthening the Social Safety Nets

151. Social grants provided by the Government to vulnerable members of the society remain a vital lifeline by cushioning them against economic shocks such as COVI9-19. For this reason, the Government continues to undertake decisive steps to share and care for the vulnerable members by offering support through the Social Safety Nets Programmes (Inua Jamii), the Kenya Hunger Safety Net Programme and the National Council for Persons Living with Disabilities Fund. Since the onset of the COVID-19 pandemic in 2020, the Government has provided significant resources – to cushion the vulnerable members of the society through the injection of cash and provision of disposable income to people and businesses. To mitigate impact of the current drought and famine in the country, the Government provided Ksh 500 million to spearhead efforts to contain drought in Turkana, Marsabit, Wajir and Mandera counties.

152. Going forward, the Government will continue to extend the cash transfers to the vulnerable groups and develop a financing plan for the Hunger Safety Net Programme. The adoption of the financing plan will increase resources for the programme. Further, the Government will establish an institutional framework to coordinate social protection in the country.

2.7.3 Empowering Youth and Women for Employment Creation

153. Youth unemployment has been one of the most pressing challenge that Kenya continue to face. To mitigate the challenge of youth unemployment, the Government is undertaking reforms that will create opportunities for the young people and has consistently allocated resources for the youth empowerment programs including: Kenya Youth Empowerment and Opportunities Project, National Youth Service, Youth Enterprise Development Fund (YEDF), the Women Enterprise Fund (WEF), Uwezo Fund and Youth Empowerment Centers (YECs) which have been consolidated to enhance efficiency.

154. To cushion and support the youths during the COVID-19 pandemic period, the Government is implementing initiatives including "Kazi Mtaani" Programme to equip the youths with industry-relevant skills to ensure they are employable and productive post COVID-19 crisis as well as provide them with income generating opportunities. So far, the Government has committed and disbursed over Ksh 16.0 billion under the "Kazi Mtaani" Programme which has seen over 200,000 youths been trained on entrepreneurship, financing for business, financial savings skills, life skills, citizenship and national values. The Government has also invested in youths by offering them opportunities and training through the Ajira Digital Programme where about 1.2 million young people are currently working online and earning a living.

155. Going forward, the Government will leverage on the partnership with stakeholders in the private sector and business owners to create job opportunities for the youths through offering internships, mentorship and apprenticeship programmes as well as prioritizing the youth in offering them job opportunities and tenders. Further, the Government will commit more resources to different youth empowerment programmes as well as provide supportive ICT infrastructure to the Ajira Programme through the installation of free Wi-Fi in the empowerment centres.

2.8 Enhancing Service Delivery through Devolution

156. In line with Article 203 (2) of the Constitution of Kenya, the National Government has since the advent of devolution allocated and disbursed more than fifteen per cent of all revenue raised nationally to County Government as equitable share. Since FY 2013/14 to FY 2020/21, the National Government has disbursed a total of Ksh. 2.2 trillion as equitable share to the forty-seven County Governments. Article 202 (2) provides that County governments may be given additional allocations from the National Government's share of the revenue, either conditionally or unconditionally. In this regard, in addition to the equitable share, County Governments' also received Ksh. 86.6 billion as additional conditional grants from the National Governments share of revenue raised nationally. Furthermore, County Governments have received a total of Ksh 131.7 billion from proceeds of loans and grants from development partners for the eight financial years of devolution to FY 2020/21.

157. Optimum collection of Own Source Revenue by the County Governments will play a critical role in providing more financial resources to fund the budget

and improve service delivery to the citizens. In this regard, the National Treasury in collaboration with other stakeholders is in the process of implementing the National Policy to Support Enhancement of County Governments' Own-Source Revenue. This is expected to address challenges around OSR collection and administration faced by the County Governments. One of the key initiative underway currently is the development of the National Rating Bill 2021 on Property Rates to replace the outdated Valuation for Rating Act (Cap. 266) and Rating Act (Cap.267). The proposed Bill is expected to guide rating and valuation for rating in county governments and enable county governments to maximize property related revenues.

158. Section 12 (1) (j) of the PFMA, 2012 requires the National Treasury to assist County Governments to develop their capacity for efficient, effective and transparent financial management. In line with this legal requirement, the National Treasury will continue to build the capacity of the county governments on public financial management especially given that there will be new leadership in most of the county governments after the 2022 elections.

2.9 Entrenching Structural Reforms to Facilitate Business and Employment Growth

2.9.1 Strengthening Governance and the Fight against Corruption

159. Corruption has been one of the main drawbacks to the socio-economic development of the country. Nevertheless, the Government has scaled up the fight against corruption through implementing a raft of measures that deter public officers to engage in corrupt dealings and strengthen accountability at all stages of public finance management. Additionally, the Government has increased resources to various Government Agencies involved in the fight against corruption. As a result, tremendous progress has been realized on this front over the last three fiscal years including: investigation of 170 corruption and economic crime cases and 83 ethical breaches; aversion of Ksh 6.2 billion of loss to corruption; recovery of Ksh 8.0 billion of corruptly acquired assets.

160. To further instil good governance in Kenya, the Government shall continue strengthening the selection, accountability and replacement of authorities; efficiency of institutions, regulations, and resource management. The Government shall also avail resources to the Independent Electoral and Boundaries Commission and other institutions to enable them manage the 2022 general elections in a free and fair manner.

161. To strengthen administration of justice, the Government has enhanced capacity of the Judiciary through recruitment and training of judges, judicial officers and judicial staff; operationalized the Judicial Fund and its Regulations. The enactment of the Judicial Fund Act, 2016 is expected to contribute immensely towards how the Judiciary fulfils its mandate. To expedite justice, the Government has expanded infrastructure by establishing new courts, automation of courts registries and digitization of Judicial Process by embracing technology.

162. To expand access to justice, the Government has operationalized Small Claims Courts (SCC); entrenched Alternative Dispute Resolution initiatives such as mediation, arbitration and traditional justice systems; facilitated special benches, operationalization of small claims courts, court annexed mediation, enhanced customer-centricity during service weeks and pro bono services; decentralized tribunal services; use of mobile courts to serve far flung and underserved regions; and adopted virtual hearing of proceedings. Virtual court sessions have proved beneficial and effective in ensuring that justice continues to be delivered regardless of prevailing challenges like the COVID-19 pandemic.

2.9.2 Deepening Public Financial Management Reforms

163. Prudent public financial management is critical for the achievement of the country's development aspiration as detailed in the Third Medium Term Plan of Vision 2030 and prioritized by the "Big Four" Agenda. Great strides have been made in improving the efficiency of institutions and resource management including rolling out of the IFMIS Module to all the counties; conducted capacity building among institutions implementing public financial management reforms; and implementation of e-Procurement platform.

164. Building on the progress made, the Government will continue to strengthen the institutional capacity of the PFM oversight agencies by reviewing legal and regulatory frameworks governing public procurement, promoting accountability in the use of public resources by conducting National and County audits, and expanding the use of e-Procurement platform to all Government operations. Government will also continue to strengthen expenditure control and improve the efficiency of public spending through public financial management reforms. Special focus will be placed on expenditure prioritization, implementation of cost–cutting measures including cost budgeting and curtailing initiation of new projects; review of portfolio of externally funded projects to restructure and re-align with the Government priority programmes; parastatals reforms and alignment of resources to programmes under the "Big Four" Agenda and those supporting the Economic Recovery Strategy.

165. The Government continues to implement reforms geared towards enhancing efficiency, effectiveness, transparency and accountability of public spending. Towards this end, the publication of Public Finance Management (Public Investment Management) Regulations 2021 under the PFM Act, 2012 will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among project implementation actors for timely reporting and delivery of development projects.

166. In addition, the Public Investment Management (PIM) Unit at the National Treasury conducted a baseline survey / stock-take on all public investment projects to establish the baseline as at 30th June 2020. A detailed analysis was carried out and a report documented. Further, a Cabinet Memorandum was prepared on the same giving policy recommendations. Critical in this is that a review on the existing portfolio of projects be conducted with a view to determine performance,

relevance, viability and rationalize the projects that are not performing to free the fiscal space for other public investments.

2.9.3 Fostering Financial Sector Developments and Reform

167. The Government continues to implement measures and reforms aimed at further deepening financial markets, enhancing access to financial services and improving efficiency while maintaining financial stability. Kenya's banking sector remains stable and resilient despite the adverse effects of the COVID-19 pandemic. To foster financial stability, the Government through the Central Bank of Kenya will continue to monitor and regulate commercial banks and other appropriate financial institutions to ensure that unethical practices are tamed. This will enhance economic stability that will attract both foreign and local investors to invest in various sectors of the economy.

168. The COVID-19 pandemic has both magnified the urgency of technological change and the opportunity to do so. To catalyze the growth in digital finance, the Government implemented measures to reduce the cost of mobile transactions and internet banking and enhance cashless payments. To further exploit Kenya's established lead in digital finance, the Government is developing a Policy on Digital Finance, which aims to provide a framework to harness the potential of digital finance to contribute to the nation's aspirations towards a competitive, prosperous and sustainable digital economy. The Government is also fast-tracking a Bill in Parliament to amend the Central Bank of Kenya Act (No. 491 laws of Kenya) to regulate the business of digital lenders and safeguard the interests of consumers of digital lending products by introducing the following changes: (i) mandatory licensing of digital lenders (ii) management of digital money lending institutions (iii) disclosure of interest rates by digital money lenders.

169. The domestic capital markets remained resilient amid the COVID-19 Pandemic, supported by the positive investor sentiments and measures implemented by the Government to improve business environment and stimulate sustainable economic recovery. A new Central Securities Depository System is being installed at the CBK's fiscal agency office to support expected reforms in secondary trading on government bonds and issuance of retail bonds. To deepen capital markets, the Government is undertaking review of the legal and regulatory framework to address emerging issues in the capital markets space. This includes, among others, aspects on collective investment schemes and investment-based crowd funding. In addition, a mid-term review of the Capital Markets Master Plan is being undertaken in order to make revisions necessary to achieve the overall goal of the Plan.

170. To enhance access to credit, the Government established the Micro, Small and Medium Enterprises (MSMEs) Credit Guarantee Scheme (CGS) to promote enterprise development through access to quality and affordable credit to MSMEs. As at 30th June, 2021, the Scheme had guaranteed 334 credit facilities amounting to Ksh 634.5 million. The Scheme has seven Participating Financial Intermediaries (PFIs) who issued the credit facilities to enterprises in 36 different counties representing 77 percent county coverage. The facilities were issued to enterprises dispersed over 11 different economic sectors. The number and value of credit

facilities provided under the Scheme indicates a positive trend and is expected to continue providing much needed financial support for local enterprise development in the long term. Going forward, the Government intends to adopt a sustainable model for the Scheme, on-board additional PFIs and grow the leverage ratio on the current Ksh 4 billion capital. In addition, the Government will also engage development partners to increase the capital from the current Ksh 4 billion to Ksh 10 billion in order to enhance the coverage of the Scheme.

III. BUDGET FOR FY 2022/23 AND THE MEDIUM TERM

3.1 Fiscal Framework Summary

171. The FY2022/23 budget and the Medium Term Budget Framework builds on the Governments effort to support economic recovery and mitigate against the adverse effects of the COVID-19 pandemic. This will be done by prioritizing implementation of programs outlined in the Third Medium Term Plan III (MTP III) of the vision 2030, Economic Recovery Strategy and the "Big Four" Agenda. The Government will also continue with the fiscal consolidation plan by containing expenditures and mobilization of revenues. In this regard, MDAs will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reviewing the portfolio of externally funded projects to restructure and re-align with the Government priority programmes and reduce non-priority spending.

172. The fiscal framework for the FY2022/23 and the medium term budget is based on the Government's policy priorities and macroeconomic policy framework set out in Chapter I and Chapter II.

Revenue Projections

173. In the FY 2022/23 revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 2,405.3 billion (17.2 percent of GDP) up from the projected Ksh 2,036.1 billion (16.3 percent of GDP) in the FY 2021/22. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration. Ordinary revenues will amount to Ksh 2,141.6 billion (15.3 percent of GDP) in FY 2022/23 from the estimated Ksh 1800.0 billion (14.4 percent of GDP) in FY 2021/22.

Expenditure Projections

174. While the Government expenditure as a share of GDP for FY 2022/23 is projected to decline to 23.6 percent, the overall nominal expenditure and net lending is projected at Ksh 3,298.3 billion from the projected Ksh 3,154.3 billion (25.0 percent of GDP) in the FY 2021/22 budget. The expenditures comprise of recurrent of Ksh 2,174.9 billion (15.5 percent of GDP) and development of Ksh 712.0 billion (5.1 percent of GDP).

Deficit Financing

175. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 846.1 billion (6.0 percent of GDP) in FY 2022/23 against the estimated overall fiscal balance of Ksh 1,029.3 billion (8.2 percent of GDP) in FY 2021/22.

176. The fiscal deficit in FY 2022/23, will be financed by net external financing of Ksh 363.0 billion (2.6 percent of GDP), and net domestic borrowing of Ksh 483.1 billion (3.4 percent of GDP).

3.2 FY2022/23 and Medium-Term Budget Priorities

177. The Government is committed to implementing priority programmes under the MTP III to achieve the aspirations of Kenyans as outlined in the Vision 2030 while taking into account the need to optimize use of taxes and other resources during the period.

178. The Government will in this regard develop a framework for better quality services based on strong links between resources, budgeting, monitoring and clear expectations for delivering planned outcomes.

179. Whilst consolidating earlier gains, the Medium-Term Budget for 2021/22 – 2023/24 will primarily focus on priority programmes aimed at economic recovery and achieving the "Big Four" Agenda. These priorities notwithstanding, the Government will strive to ensure that public spending leads to high quality outcomes within a sustainable and affordable framework

180. In this regard, spending will be directed towards the most critical needs of the country with the aim of achieving quality outputs and outcomes with existing or lower level of resources. Further the Government will ensure MDAs request for resources are realistic and take into account the resource constraints, in light of the fiscal consolidation policy.

3.3 Budgetary Allocations for the FY2022/23 and the Medium-Term

181. The budgetary allocations to the three arms of Government including sharable revenues to County Governments is summarized in **Table 3.1:**

Table 3.1: Summary Budget Allocations for the FY2022/23 – 2024/25 (Ksh Million)

S/NO.	Details	Financial Years			
		Approved Original Budget	BPS Projection		
		2021/22	2022/23	2023/24	2024/25
1.0	National Government	1,942,008.8	2,075,014.6	2,192,370.0	2,306,421.9
	Executive	1,886,207.9	2,017,653.3	2,132,412.3	2,242,698.8
	Parliament	37,882.8	38,476.6	39,883.9	41,349.4
	Judiciary	17,918.2	18,884.7	20,073.8	22,373.7
2.0	Consolidated Fund Services	718,316.8	864,125.0	908,804.0	982,520.0
3.0	County Government	370,000.0	370,000.0	375,000.0	380,220.0
	Total……………….Kshs.	**3,030,325.6**	**3,309,139.6**	**3,476,174.0**	**3,669,161.9**
% Share in the Total Allocation					
1.0	National Government	64.1	62.7	63.1	62.9
	Executive	62.2	61.0	61.3	61.1
	Parliament	1.3	1.2	1.1	1.1
	Judiciary	0.6	0.6	0.6	0.6
		-	-	-	-
2.0	Consolidated Fund Services	23.7	26.1	26.1	26.8
3.0	County Government	12.2	11.2	10.8	10.4

Notes**

**** Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest and pension***

*****County Government allocation is composed of sharable allocation***

Source of Data: National Treasury

Allocation Baseline Ceilings

182. The baseline estimates reflect the current ministerial spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of public debts and interest therein, salaries for Constitutional office holders and pensions.

183. Development expenditures have been allocated on the basis of the flagship projects in Vision 2030, the "Big Four" Agenda, Post Covid -19 Economic Recovery Strategy and the MTP III priorities. The following criteria was used in apportioning capital budget:

a. *On-going projects:* emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation;

b. *Counterpart funds:* priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners;

c. *Post-Covid 19 Recovery:* Consideration was further given to interventions supporting Post-Covid 19 recovery; and

d. *Strategic policy interventions:* further priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

Criteria for Resource Allocation

184. The FY2022/23 Medium-Term Budget will be finalized after Parliamentary approval, and thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. The following criteria will serve as a guide for allocating resources:

i. Linkage of Programmes to Post-Covid-19 Economic Stimulus Programme (PC-ESP);
ii. Linkage of Programmes to the 'Big Four' Plan either as drivers or enablers;
iii. Linkage of the programme with the objectives of Third Medium-Term Plan of Vision 2030;
iv. Degree to which the programme is addressing the core mandate of the MDAs;
v. Cost effectiveness and sustainability of the programme;
vi. Requirements for furtherance and implementation of the Constitution; and
vii. Meeting debt service obligations as a first charge.

185. Detailed budgets will be scrutinized and should additional resources become available in the process of firming up the resource envelope, the Government will redirect them to inadequately funded strategic priorities.

3.4 Details of Sector Priorities

186. The medium-term budget framework for 2022/23 – 2024/25 has taken into account the need to ensure that resource allocation is aligned to prioritized programmes in the MTP III. In particular, the budget framework has focused on the "Big Four" Agenda, Post Covid-19 Economic Recovery Strategy and the strategic policy initiatives of the Government to accelerate growth, employment creation and poverty reduction. **Table 3.2** provides the projected baseline ceilings for the FY2022/23 and the medium-term, classified by sector

Table 3.2: Summary of Budget Allocations for the FY2022/23 – 2024/25 (Ksh Million)

Code	Sector		Approved Budget Estimates	BPS Ceiling	Projection		%Share In Total Ministerial Expenditure			
			2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	**Sub_Total**	**75,725.9**	**63,897.9**	**56,665.5**	**66,261.6**	**3.9**	**3.1**	**2.6**	**2.9**
		Rec_Gross	24,847.2	26,352.9	28,713.5	31,341.7	2.0	2.0	2.0	2.0
		Dev_Gross	50,878.6	37,545.0	27,952.0	34,919.9	7.6	5.1	3.7	4.6
020	ENERGY, INFRASTRUCTURE AND ICT	**Sub_Total**	**335,812.3**	**368,300.0**	**364,289.0**	**370,539.0**	**17.3**	**17.7**	**16.6**	**16.1**
		Rec_Gross	88,624.6	107,807.0	114,630.0	130,435.0	7.0	8.0	7.9	8.5
		Dev_Gross	247,187.6	260,493.0	249,659.0	240,104.0	37.0	35.7	33.4	31.4
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	**Sub_Total**	**20,583.1**	**24,870.0**	**24,967.9**	**28,380.7**	**1.1**	**1.2**	**1.1**	**1.2**
		Rec_Gross	14,000.7	18,396.8	18,593.9	20,104.2	1.1	1.4	1.3	1.3
		Dev_Gross	6,582.4	6,473.2	6,374.0	8,276.5	1.0	0.9	0.9	1.1
040	HEALTH	**Sub_Total**	**121,090.3**	**126,352.0**	**140,606.0**	**155,040.0**	**6.2**	**6.1**	**6.4**	**6.7**
		Rec_Gross	64,870.7	70,373.0	76,727.0	83,068.0	5.1	5.2	5.3	5.4
		Dev_Gross	56,219.5	55,979.0	63,879.0	71,972.0	8.4	7.7	8.5	9.4
050	EDUCATION	**Sub_Total**	**503,971.1**	**525,949.5**	**539,906.5**	**558,423.5**	**26.0**	**25.3**	**24.1**	**23.6**
		Rec_Gross	482,595.4	501,449.5	512,834.5	538,528.5	37.9	36.9	35.4	35.0
		Dev_Gross	21,375.7	24,500.0	27,072.0	19,895.0	3.2	1.2	1.2	0.9
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	**Sub_Total**	**217,318.9**	**231,930.4**	**220,275.5**	**231,896.7**	**11.2**	**11.2**	**10.0**	**10.1**
		Rec_Gross	206,319.4	221,351.1	207,392.3	215,732.3	16.2	16.5	14.4	14.0
		Dev_Gross	10,999.5	10,579.3	12,883.2	16,164.4	1.6	1.4	1.7	2.1
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	**Sub_Total**	**332,524.1**	**346,998.1**	**413,589.2**	**448,215.4**	**17.1**	**16.7**	**18.9**	**19.4**
		Rec_Gross	171,124.7	162,158.1	228,176.8	254,558.2	13.4	12.1	15.8	16.5
		Dev_Gross	161,399.4	184,840.0	185,412.4	193,657.2	24.1	25.3	24.8	25.3
080	NATIONAL SECURITY	**Sub_Total**	**162,202.7**	**203,097.0**	**230,601.5**	**218,423.8**	**8.4**	**9.8**	**10.5**	**9.5**
		Rec_Gross	157,122.7	170,743.0	182,716.5	188,208.8	12.3	12.7	12.6	12.2
		Dev_Gross	5,080.0	32,354.0	47,885.0	30,215.0	0.8	4.4	6.4	3.9
090	SOCIAL PROTECTION, CULTURE AND RECREATION	**Sub_Total**	**72,194.3**	**72,891.5**	**74,785.9**	**79,027.5**	**3.7**	**3.5**	**3.4**	**3.4**
		Rec_Gross	39,635.2	41,293.1	46,003.9	47,549.1	3.1	3.1	3.2	3.1
		Dev_Gross	32,559.1	31,598.5	28,782.0	31,478.4	4.9	4.3	3.9	4.1
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	**Sub_Total**	**100,585.9**	**110,728.0**	**126,683.0**	**150,214.0**	**5.2**	**5.3**	**5.8**	**6.5**
		Rec_Gross	24,489.2	24,500.0	29,394.0	31,523.0	1.9	1.8	2.0	2.0
		Dev_Gross	76,096.7	86,228.0	97,289.0	118,691.0	11.4	11.8	13.0	15.5
	GRAND TOTAL	**Sub_Total**	**1,942,008.5**	**2,075,014.4**	**2,192,370.0**	**2,306,422.2**	**100.0**	**100.0**	**100.0**	**100.0**
		Rec_Gross	1,273,629.9	1,344,424.4	1,445,182.4	1,541,048.9	**65.6**	**64.8**	**65.9**	**66.8**
		Dev_Gross	668,378.6	730,590.0	747,187.6	765,373.4	**34.4**	**35.2**	**34.1**	**33.2**

Source of Data: National Treasury

Agriculture Rural and Urban Development (ARUD) Sector

187. The Agriculture Rural and Urban Development Sector play a major role in socio-economic development of the country contributing 18.9 per cent to the GDP in 2018, 19.4 per cent in 2019 and 21 per cent in 2020. Real GDP in absolute terms for the Sector amounted to KSh.1,491 billion in 2018, KSh.1,535 billion in 2019 and KSh.1,616 billion in 2020, representing growth rate of 5.4 per cent in 2020 compared to the revised growth of 3.0 per cent in 2019.

188. During the 2018/19-2020/21 Medium-Term period, the Sector implemented ten (10) programmes and achieved the following: processed 1.24 million title deeds; fully digitized land records in Nairobi registry; developed 14 maritime maps to support the blue economy; settled 22,777 households (squatters and landless); resolved 500 long outstanding land disputes through Alternative Dispute Resolution and Traditional Dispute Resolution mechanisms; processed 16 compulsory land acquisitions for government flagship projects; installed 210 bulk milk coolers; produced and distributed 133.38 million doses of assorted animal vaccines; insured 90,060 Tropical Livestock Units; provided crop insurance for 1.32 million farmers in 37 counties; 60,000 farmers benefitted from 32,239 MT of subsidized fertilizer; supported 74,046 farmers with assorted inputs worth KSh.912 million through the e-voucher; and distributed 427,950 litres of pesticides for control of pests (Desert Locusts, Fall Army Worm, Quelea quelea). The Sector also supported 2,290 farmers with fish farming inputs; established Liwatoni Fishing Industries Corporation and operationalized Liwatoni Fish Port; established fish quality control laboratories in Nairobi, Mombasa and Kisumu; restocked water bodies with 25,000 fish brooders and 2million fingerlings; established a monitoring, control and surveillance center for marine resources; established a KSh.3 billion Coffee Cherry Advance Revolving Fund; facilitated recovery of outstanding SACCOs remittances amounting to KSh.3.1 billion; automated 225 co-operative coffee factories; and modernized New KCC factories at Kiganjo, Eldoret, Sotik, Kitale, Nyahururu, Kericho, Nakuru and set up a new plant in Nyambene.

189. In the MTEF period 2022/23-2024/25, the Sector will implement 11 programmes intended to facilitate attainment of food nutrition and security through its six sub-sectors. Key interventions during this period include: registration and issuance of 1.15 million title deeds; settlement of 30,000 landless households; digitization of land records in 54 land offices; development of National Land Value Index in 14 counties; geo-referencing of 240,000 land parcels; acquisition of land for government flagship projects; vesting of compulsorily acquired public land; resolution of historical land injustice claims; production of 149 million doses of assorted animal vaccines; establishment of Livestock Export Zone in Lamu; completion of infrastructure works at Kenya Leather Park in Kenanie and Kenya Dairy Laboratory Complex; equipping of Bio-Safety Level III laboratory; insurance of at least 50,000 Tropical Livestock Units annually in 8 counties; and provision of a 50% subsidy crop insurance cover to 1.45 million farmers. The Sector will also support 688,808 registered farmers in 40 counties to access assorted agricultural inputs through e-voucher system; distribute 120,000 litres of pesticides for the management of pests (Fall Army Worm and Quelea quelea);

production of 3.65 million doses of bull semen and establishment of goat semen production facility; development of 11 modern fish landing sites in the Lake Victoria and coastal region; development of National Mariculture Resource Center at Shimoni, Kwale County; establishment of Liwatoni Ultra-modern Fish Hub and Lamu fish processing plant; development of marine spatial plan; modernization and expansion of New KCC plants; and modernization of coffee co-operative factories and cotton co-operative ginneries.

190. The Sector has budgetary allocations of KSh.63.9 billion, KSh.56.7 billion and KSh.66.3 billion in the FY 2022/23, FY 2023/24 and FY 2024/25 respectively for implementation of the programmes.

Energy, Infrastructure and ICT Sector

191. The Energy, Infrastructure and ICT (EII) Sector plays a significant role as a driver and an enabler in the implementation of the Big Four Action Plan. The Sector aims at providing efficient, affordable and reliable infrastructure which is critical for socio-economic transformation underscored in the Third Medium Term Plan (MTP III) 2018-2022 of the Kenya Vision 2030.

192. During FY2018/19-2020/21, the Sector made major achievements which included: completion of Nairobi to Naivasha Standard Gauge Railway (SGR) line; construction of 4,795 km of new roads; maintenance of 110,625 km of roads; completion of Second (2) Container Terminal at the Port of Mombasa; completion of Berth one of the Lamu Port and completion of Kisumu port rehabilitation. A new ferry - MV Safari - was acquired and rehabilitation of Moi and Isiolo airports was completed. In addition, a total of 1,370 affordable housing units, 540 National Police and Kenya Prison Services housing units and 670 Civil Servants housing units for were constructed. A total of 2,500Km of fibre optic cable was laid connecting sub-counties, hospitals and police stations and the Konza National Data Centre was equipped under ICT infrastructural investments. The country's electricity generation capacity increased by 525MW and an additional 1,655,729 customers were connected to the national grid during the same period. Regarding exploitation of the oil, gas and mineral resources, 63 petroleum blocks were reviewed, and 415,032 Barrels of Crude Oil were delivered to KPRL Storage terminal.

193. With the resources available for the 2022/23-2024/25 MTEF Period, the Sector intends to: construct 4,540 Km of roads; generate an additional 85.7MW from geothermal; construct 524.5 Km and 520 Km of transmission and distribution lines respectively; connect 750,000 new customers to electricity; modernize the Jomo Kenyatta International Airport (JKIA) and Moi Internal airport as well as expand the Malindi and Isiolo airport. The Sector will develop a ship construction and repair yard at Kisumu and equip Bandari Maritime Academy to effectively train seafarers. To increase internet speeds and coverage, the Sector Upgrade terrestrial cable from 10 GBPS to 100 GBPs as well as Roll out Kenya Digital Economic Acceleration Programme Concerning Konza Smart City, the sector will complete the horizontal infrastructure and operationalize the Konza Data Centre. The Sector will also construct 38,489 social and affordable houses, 1,550 police and prison houses and 3,150 government housing units in order to provide the

citizens with decent housing. Towards decongestion of Nairobi, the Sector will construct 45 Kms of Bus Rapid Transport (BRT) line, 60 BRT stations and acquire 8 new BRT buses. Relating to sustainable exploitation of oil, gas, and mineral resources, the Sector will finalize the Field Development Plan for the South Lokichar oil filed to inform Final Investment Decision (FID), drill exploratory wells, market petroleum blocks, and undertake geological assessments of rare earth minerals occurrences, iron ore deposits, coltan and copper to promoted investments.

194. To achieve the above the Sector has been allocated a total budget of Kshs368.3 billion, Kshs. 364.3 billion and Kshs.370.5 billion in FY 2022/23, FY 2023/24 and FY2024/25 respectively.

General Economic and Commercial Affairs (GECA) Sector

195. GECA Sector is a significant player in the delivery of the 'Big Four' Agenda in terms of manufacturing, value addition and food and nutrition security. The Sector also contributes to: employment and wealth creation; promotion of industrial investments, trade and tourism; basin-based development; and regional integration.

196. During 2018/19-2020/21 MTEF period, the Sector made remarkable achievements which include: Contribution of KShs.728 billion on retail and wholesale trade to GDP; 154,075 job opportunities created; Total export earnings increase from 517 Billion to 642 Billion; Refurbishment of 38 Constituency Industrial Development Centres (CIDCs); Industrial credit through KIE, ICDC & IDB Capital stood at Kshs 2,606.40 million, Kshs 1,210.55 million and Kshs 1,388.80 million respectively; Modernization of the Rivatex Machinery reached 93% level of completion; Value of exports from the EPZs firms reached Kshs 229,545 million and attracted investments worth Kshs 117,509 million; Tourist arrivals grew from 2.03 million in 2018 to 2.04 million in 2019 while earnings increased from Kshs. 157.4 billion in 2018 to Kshs. 163.6 billion in 2019; 1 million bamboo seedlings were propagated; 2000 households supplied with clean drinking water; 2000 tonnes of maize seeds harvested; 78,000 mango seedlings raised; 2500 ha of catchment conserved; 1500 ha of land placed under irrigation; Improvement in Kenya's global ease of doing business ranking to Position 50 from 56 out of 190 countries globally; Increased Kenya's value of exports to the EAC from Ksh. 130 billion in 2019 to Ksh. 158.3 billion in 2020.

197. During the 2022/23 to 2024/25 MTEF period, the sector will play a key role in delivery of the 'Big Four' Agenda and implement the Post-Covid-19 Economic Recovery Strategy (PC-ERS) which is designed to mitigate the adverse socio economic effects of the COVID-19 pandemic, facilitate opening up of the economy, accelerate economic recovery and attainment of higher and sustained economic growth. This will include increasing manufacturing contribution to GDP from 8.4% in 2018 to 15% by 2025, undertake targeted investments in manufacturing and agro-processing industry, create a conducive environment for business, mobilize resources for investments and industrial development, promote exports, promote sustainable tourism, deepen the EAC integration, and promote equitable regional socio-economic basin-based development.

198. In the FY2022/23 and the Medium-Term, the Sector has been allocated Kshs. 24.9 billion, Ksh 25.0 billion and Ksh 28.4 billion for financial years 2022/23, 2023/24 and 2024/25 respectively.

Health Sector

199. The Health Sector is an important contributor to the national economic growth through ensuring that all Kenyans are productive and live a healthy life The Constitution underscores the "right to health" while the Vision 2030, the Medium-Term Plan III as well as the "Big Four" (4) agenda for the Government recognizes provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans. The National and County Governments have their specific functions that are complementary towards achievement of quality, efficient and affordable Universal Health Coverage (UHC) for all Kenyans, being one of the pillars of the "Big Four" Agenda.

200. Significant achievements were realized during the FY 2018/19- 2020/21 period: HIV and AIDS prevalence reduced from 4.8% in 2019/20 to 4.5% in 2020/21, with the number of people on antiretroviral therapy (ART) increasing from 1,116,260 in 2018/19 to 1,253,423 in 2020/21 and a reduced number of new HIV infections from 77,648 to 52,767 in 2018 and 2020 respectively. There was a marked increase in the proportion of successfully treated drug resistant TB cases from 68% to 79% in 2018/19 and 2020/21 respectively, the incidence of Malaria per thousand population dropped from 86.2 in 2018/19 to 78.8 in 2020/21 where Malaria prevalence stood at 5.6% 2020.

201. The Sector through 'Linda Mama' programme and other health interventions relating to reproductive health, resulted in improved skilled birth attendance from 67% in 2018/19 to 78.3% in 2020/21. Access to modern methods of family planning stands at 43% in 2020/21. There was increased immunization coverage from 81% to 84% in 2018/19 and 2020/21 respectively. Regarding COVID-19 prevention and management, vaccinating against COVID-19 began in March 2021 achieving a coverage of fully vaccinated adults of 2.7% by the end of the financial year, conducted three rapid health facility COVID-19 assessments that informed the status of infrastructure for COVID-19 management. The diagnostic capacity for COVID-19 has been maintained at 38 public and private laboratories in 12 counties with 523,998 samples tested in the FY 2020/21. A total of 7,411 isolation beds and 319 ICU beds across the 47 counties.

202. Kenyatta National Hospital has conducted several specialized surgeries including reattachment of a severely chaffed hand and specialized minimally invasive surgeries including heart surgeries, expanded the critical care unit from 79 beds to 82 beds, that saw an increase in patients admitted from 4,139 in 2018/19 to 5,278 in 2020/21 and established a tissue typing laboratory. KNH-Othaya has installed a bulk oxygen plant with a capacity of 3000 liters, which offered oxygen to an average of 35 people per day. Moi Teaching and Referral Hospital (MTRH) continued to provide Specialized and Excellent Quality Health Care in the region through installation and operationalization of Linear Accelerator and Brachytherapy Equipment, Pressure Swing Adsorption Plant (PSA)/Oxygen generating Plant (OGP) producing 2,000 Litres Per Minute. In addition, 31 Bed

Capacity COVID-19 Isolation Facilities and 32 Intensive Care Units were commissioned. Kenyatta University Teaching Referral and Research Hospital (KUTRRH) procured highly specialized surgical equipment that has ensured faster recovery of patients with minimal scarring, established a comprehensive cancer care center with 180 patients seen daily in the outpatient unit, 70 patients received radiotherapy and 30 received chemotherapy.

203. Towards achievement of UHC, Kenya Medical Supplies Authority (KEMSA) procured Health Products and Technologies (HPTs) worth KShs. 35.84 billion, and health facilities managed to draw down 97% of these commodities; KEMRI is at an advance stage of establishing a Center of Excellence for Stem Cell Research to develop technologies for tissue regeneration and skin replacement and formulations of indigenous technologies for manufacture of niche herbal remedies. KEMRI also spearheaded clinical trials and development of innovative locally produced rapid test kits. Key among them malaria (in support of Africa Leaders Malaria Alliance (ALMA)), HIV and Covid-19 PCR kit.

204. The key sector Programme priorities for the FY 2022/2023 - 2024/25 include i) Preventive and promotive and RMNCAH services; ii) National Referral and Specialized Services; iii) Health Research and Development; iv) General Administration and Support services; and v) Health Policy, Standards and Regulations. The prioritized programs and projects aim at achieving improved accessibility, affordability of health services, and reduction of health inequalities and optimal utilization of health services across the sector, additionally, the programs aim to revitalize and sustain the aspirations of UHC.

205. During the MTEF period FY 2022/23-2024/25, the Sector has been allocated Ksh 126.4 billion, Ksh 140.6 billion and Ksh 155.0 billion for the financial years 2022/23, 2023/24 and 2024/25 respectively.

Education Sector

206. The Sector envisions attaining "Quality and inclusive education, training and research for sustainable development." The Sector is committed to the provision of quality education, training, science, technology, research and skills development to all Kenyans, in an effort to contribute to the building of a just and cohesive society that enjoys inclusive and equitable social-economic development. In this regard, the Sector focused on achieving the objects of the Kenya Constitution 2010, with regard to Education and Training and national priorities as envisaged in the Kenya Vision 2030, the "Big 4" Agenda, Post Covid-19 Economic Recovery Strategy (ERS), and other international commitments.

207. In the period under review gross enrolment rate (GER) in primary schools improved from 104.4 % in 2018 to 100.2% in 2019 and then reduced to 99.6% in 2020. Enrolment of special needs pupils increased from 121,392 in FY 2018/19 to 136,081 in FY 2019/20 and dropped to 132,466 in FY 2020/21. A total of 8,592,810 pupils received capitation under the free primary education programme in FY 2020/21. The number of students enrolled in Public Secondary Schools increased from 2,954,330 in 2018/19 to 3,289,885 in FY 2020/21. The GER for secondary education increased from 70.3% in 2018 to 71.2% in 2019.

208. Enrolment in public TVET increased from 162,071 in FY 2018/19 to 235,607 in the FY 2020/21. In addition, enrolment in Special Needs TVET institutions increased from 1,757 in FY 2018/19 to 3,301 in FY 2020/21. The number of public and private TVET institutions rose from 2,028 in 2018 to 2,191 in 2019 and further to 2,379 in 2020. Enrolment of students pursuing university education in 74 universities rose by one per cent from 542,005 in 2018/19 to 547,133 in 2019/20 and further by three per cent to 566,042 in 2020/21. The Sector provided 297,703 university students and 65,813 trainees in TVET institutions with loans, 104 students with awarded postgraduate scholarships. The Sector developed the education, training and research framework which was adopted by Parliament (Sessional Paper No. 01 of 2019). A number of policy documents were developed including the National Curriculum Policy, National Education Sector Strategic Plan 2018- 2022 and ECDE Policy and Service Standards Guidelines. The Sector also undertook the Joint Sector Review as well as the Mid Term Evaluation of the National Education Sector Strategic Plan (NESSP) 2018-2022.

209. The pupil teacher ratio was maintained at 40:1 through recruitment of 15,000 additional teachers on Permanent and Pensionable terms and engagement of 4000 interns annually for a one-year contract throughout the MTEF period. In addition, the Sector trained all primary school teachers for the implementation of Competence Based Curriculum for Grade 1 to Grade 5.

210. In order to promote innovativeness and popularize research, technology and innovation in industry and learning institutions, the sector funded three hundred and eighty-four (384) research projects, registered seven (7) research institutions and issued 5,843 licenses of which 5,585 were issued to Kenyans/East Africans and 258 to non-Kenyans.

211. The Sector is undergoing reforms in order to enhance access and inclusivity as well as improve quality and relevance. This will ensure that the education system promotes innovativeness and lifelong learning. These reforms require additional investments in order to meet the expectations of the citizens through improvement of education outcomes.

212. To implement these programmes, the Sector has been allocated Kshs.525.9 billion, Kshs.539.9 billion and Kshs. 558.4 billion in the financial years 2022/23, 2023/24 and 2024/25 respectively.

Governance, Justice, Law and Order Sector

213. The Sector is anchored on the political pillar of the Vision 2030 and plays a pivotal role in the maintenance of law, order and social cohesion thereby creating an enabling environment for economic, social and political prosperity of the country.

214. During the MTEF review period, 2018/19 -2020/21, the Sector recorded achievements in various programmes and activities notably: acquisition and modernization of assorted security equipment, improved police and prison officers' welfare through provision of additional housing units, enhanced mobility for police and administrative officers, enhanced surveillance system and enhanced corruption

prevention measures. The Sector also concluded 3,575 cases dismissing liability worth Kshs.131.7 billion, provided 2,908 legal advisories and opinion and vetted more than 208 procurement contract for MDAs, successfully identified, traced and seized approximately assets worth Kshs.5.7 billion, preserved assets worth Ksh.685 billion and forfeited to the state Kshs.267 million from proceeds of crime, subjected 595 disputes to Alternative Dispute Resolution (ADR) mechanism and amicably settled 308 in addition to finalizing 13,109 estates and trust files and digitized 12,216 complaint files. Other notable achievements include provision of online public services, increase in the rate of investigation and prosecution of corruption-related cases, conducted 34 by-elections, reviewed and developed various sectoral policies, provided protection to witnesses and promotion of human rights.

215. The Sector intends to continue implementation of projects in the following broad areas: police modernization programme, undertaking the General elections, establishment of a forensic laboratory, security roads and airstrips, construction of new prisons and staff houses and refurbishment of existing ones, connecting agencies to the Integrated Population Registration System (IPRS), installation of surveillance cameras in Nairobi, Kisumu and Mombasa, Issuance of Huduma Namba ID Cards, Expansion of Police Training Colleges, the decentralization of the functions of the Attorney General to counties and the roll out of national legal aid services to indigent persons, among others.

216. To implement these programmes, the Sector has been allocated Kshs.231.9 billion, Kshs.220.3 billion and Kshs. 231.9 billion in the financial years 2022/23, 2023/24 and 2024/25 respectively.

Public Administration and International Relations (PAIR)

217. The Sector plays a pivotal role in the economy by: providing leadership for National Prosperity, ensuring effective and efficient Public Finance management and accountability, promoting devolution, ensuring an effective and efficient Public Service, promoting foreign relations and youth empowerment and their mainstreaming in all aspects of national development. .

218. During the period FY 2018/19 – 2020/21 the sector: Successfully conducted the 2019 Kenya Population and Housing Census (KPHC); Strengthened the national planning function through operationalization of 17 national planning offices in the counties; tracked implementation of the Kenya Vision 2030 flagship projects, MTP III, SDGs, Big Four Agenda; fast tracked implementation of sixty-four (64) Kenya Vision 2030 Flagship Projects; supported, through NG-CDF, infrastructural development for education and security sectors through construction of 27,446 and 2,859 facilities respectively, and awarded bursaries to 1,385,988 beneficiaries. Developed Alternative Dispute Resolution (ADR) regulations and resolved 14 Intergovernmental disputes using ADR mechanism; supported all County governments to respond to COVID-19 to the tune of Ksh.1.4 billion; and completed eighty-two (82) investment projects under the Kenya Devolution Support Programme (KDSP).

219. The Sector enhanced Foreign Relations and Diplomacy through: operationalizing 4 New Missions in Accra-Ghana, Dakar-Senegal, Djibouti and Bern-Switzerland; held 27 Joint Commissions for Cooperation sessions, signed 94 agreements/MoUs and & Hosted Country Agreements covering various sectors of the economy; successfully lobbied for 25 Individual and Country Candidatures including the UN Security Council; hosted 13 international conferences; co-hosted the 9th Summit of the Africa Caribbean and Pacific (ACP) Heads of State and Government, and the International Conference on Population and Development (ICPD25) Nairobi Summit. The Sector: reviewed and developed 16 Human Resource Management policies, guidelines and frameworks to guide the public service; Developed a master plan for scarce and high priority skills under the "Big Four Agenda"; undertook guidance and counselling to 14,274 officers; recruited 27,740 people for Paramilitary training and trained 10,048 youth in specialized skills;

220. To promote Youth Empowerment, the Sector Disbursed Kshs.1.4 Billion to youth enterprises for business startups and expansion creating employment opportunities for 106,156 youth; operationalized 109 Youth Empowerment Centre's (YECs) in various constituencies; Trained 55,253 youth in life and core business skills; Engaged 49,350 youth in leadership and governance; and 135,531 youth enrolled and participated in character building development programme; Engaged 9,760 young university graduates as interns under the Public Service Internship Programme and deployed them to MDAs. For efficient Public Finance Management and Oversight, the Sector: Injected KSh. 3 billion towards operationalization of the Credit Guarantee Scheme; Public Service delivery was improved where the Sector served over 26 million people and addressed over 11 million service requests through Huduma Centres and Huduma Mashinani & Huduma Contact Centre respectively; Resolved 93% of public complaints on maladministration and Enhanced transparency and accountability through Issuance of 6 policy guidelines on implementation of Access to Information Act, 2016. The sector provided food and non -food assistance to 3.5 million food insecure and disaster stricken persons and facilitated 526,174 clients with agriculture loans under the microfinance sector support and development; and ensured smooth implementation of Nairobi County Government functions through the Nairobi Metropolitan Services.

221. In the MTEF planning period, 2022/23-2024/25, the Sector will continue to strengthen administration of public services at all levels of Government to enhance effective and efficient implementation of programmes as provided under the MTP III of the Kenya Vision 2030. The Sector will also upscale its activities in line with the Big Four Plan and MTP III to promote dynamic, inclusive and sustainable development.

222. In the FY2022/23 and the Medium Term the Sector has been allocated of Ksh 347.0 billion, Ksh 413.6.7 billion and Ksh 448.2billion for the financial years 2022/23, 2023/24 and 2024/25 respectively.

National Security

223. The Sector is key in facilitating a secure and conducive environment for socio- economic and political development. The sector entails promoting a

cohesive, egalitarian, technologically efficient and progressive society with a good quality of life. It is therefore a critical enabler in the realization of the “Big Four” Agenda.

224. The Sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges. In view of the current school indiscipline, unrest and lawlessness, the Sector will work on modalities to strengthen security and safety of public schools, tertiary training institutions and universities.

225. In order to implement the prioritized programmes and minimize the above mentioned threats, the sector has been allocated Ksh 203.1 billion, Ksh 230.6 billion and Ksh 218.4 billion in FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Social Protection, Culture and Recreation Sector

226. The Sector plays a critical role towards the achievement of the Third Medium Term Plan (2018-2022) of the Kenya Vision 2030 and the ‘Big Four’ Agenda programmes and projects. The Sector also contributes to the fulfillment of various regional and international obligations including the Sustainable Development Goals (SDGs) and Africa Union Agenda 2063. The strategic roles played by the Sector in the country’s transformation and socio-economic development include: implementation of special programmes for the development of the ASALs; promotion of sustainable employment, harmonious industrial relations, productive workforce; promotion of gender equity and equality; empowerment of communities and vulnerable groups, safeguarding children’s rights; and advancement of diverse cultures, arts and sports to enhance cohesiveness and Kenya’s regional and international competitiveness.

227. Major achievements during the MTEF period 2018/19 - 2020/21 include: Implementation of programmes geared towards providing alternative livelihoods in the ASALs such as establishment of alternative livelihood enterprises; development and solarization of boreholes on selected strategic sites; Production and dissemination of drought early warning information; Supporting the vulnerable and drought affected households through cash transfers and food for assets; Capacity building of stakeholders on gender and leadership skills; Supporting groups through grants for socio-economic development; Provision of sanitary towels to school girls, Supporting Women, Youth and PWD through the affirmative action funds, and accelerated the fight on eradication of FGM and campaign against GBV; Facilitated placement of job seekers in employment through the Public Employment Services; enhanced labour migration and protection of Kenyan migrant workers; and developed the National Policy on Labour Migration.

228. Further, the Sector provided cash transfers to Orphan and Vulnerable Children (OVCs), persons with severe disability and the elderly; supported OVCs with education scholarship through the Presidential Secondary School Bursary Fund; provided PWDs with assistive and supportive devices and services;

completed the construction of the ultra-modern national library; established COVID-19 testing and research Centre at IPR; established the National Heroes Council; presented teams in regional and international sports competitions; constructed the Kenya Academy of Sports; and developed sports infrastructure/facilities to international standards

229. In the FY2022/23-2024/25 and medium term period, the Sector will prioritize the implementation of the following key strategic interventions: Cash Transfers to Vulnerable Persons; Ending female genital mutilation by 2022 and gender-based violence by 2030; Skin care for Persons with Albinism; Presidential Bursary for Orphans and Vulnerable Children; Kenya Social Economic Inclusion Project (KSEIP); Government Affirmative Programmes (NGAFF, WEF and UWEZO); and Sports, Arts and Social Development Fund (SASDF) to promote and develop Sports, Arts and social development including Universal Health. The sector will also prioritise: promotion of harmonious industrial relations;provision of skilled manpower for the industry; improvement of youth employability; conservation of heritage and facilities; generation of natural products-based and new biomedical knowledge for priority diseases including COVID-19 pandemic; build resilience of ASAL communities and cushion drought-prone vulnerable households; improve social and economic amenities for refugee host communities; implementation of inter-county and cross border peace dividend projects; talent development in the areas of sports, music and arts; development of sports infrastructure to international standards;and establishment and operationalization of Government-run shelters for victims of human trafficking.

230. To implement these programmes, the Sector has been allocated Kshs.72.9 billion, Kshs.74.8 billion and Kshs.79.0 billion in the financial years 2022/23, 2023/24 and 2024/25 respectively.

Environment Protection, Water and Natural Resources Sector

231. The Sector plays a critical role in Kenya's economy, securing, stewarding and sustaining the environment and natural capital of the country. The sector has a great potential in contributing to the attainment of the targeted annual GDP growth rate of 10% as envisioned in the Kenya Vision 2030 and successive 5-year Medium Term Plans (MTPs).

232. During the Period under review, the Sector aligned its programmes and projects with priorities of Post-COVID-19 Economic Recovery Strategy (ERS), 'Big Four' plan, and the Medium Term Plan III of the Kenya Vision 2030 and realized he following achievements: implemented the National Climate Change Action Plan; the Green Economy Strategy and Implementation Plan; and the National Adaptation Plan; initiated review of three (3) additional policy documents in the FY 2020/21 namely: Environmental Management and Coordination Act (EMCA) 2015; National Forestry policy; and the Forest Conservation and Management Act, 2016; finalized the Extended Producer Responsibility (EPR) regulations and developed the code of conduct for doing business for the Climate Change Council.

233. About 85% reduction in use of banned carrier plastics in the environment was realized through enforcement of plastic ban, a total of 8,100 environmental audit reports were reviewed and all environmental cases presented were prosecuted

during the period under review. Similarly, 14,500 environmental justice awareness creation was undertaken while 82 best practices on green innovation were recognized and awarded. The Sector implemented pollution control strategy for the Nairobi River Basin from Ondiri Swamp to Athi River and identified 23-point sources of pollution; carried out quarterly air quality monitoring in Nairobi and Mombasa; updated the map for pollution sources in Nairobi River Basin, Eldoret and Kisumu; assessed water quality in Athi and Tana River basins; sensitized all sectors under schedule one (1) of the EPR regulations; established two (2) PROs; implemented E-waste management strategy; and undertook mapping of dumpsites in Nairobi, Mombasa, Kisumu and Eldoret urban areas.

234. In addition, Meteorological Department services were modernized by installing three (3) Airport Weather Observing System (AWOS) with intelligent sensors in Kisumu, Eldoret and Nairobi. A total of 6,573 Ha, 12474 Ha and 70 Ha of forest, farm forest and woodlots respectively were established while 58,581.4 Ha were gazzetted. Further, 196.8 million tree seedlings were produced, 588,393 Ha of degraded critical indigenous forest protected, restored 7,000 Ha of degraded mangrove ecosystems, and established 1,100 Ha of Bamboo Forest. The Sector further developed 66 forest research technologies and produced 117,920 Kg of high-quality tree seeds. Additionally, during the period under review, the sector rehabilitated and protected a total of 1,216 Ha and 17,101 Ha of the water tower respectively.

235. A number of Water policies and strategies were developed and completed while others are in various stages, among them are: the National water policy; National irrigation policy, four sets of Regulations in Water Resources, Water Harvesting and storage, Water Services and Irrigation Regulations. These Regulations are meant to operationalize the implementation of the Water Act, 2016 and the Irrigation Act, 2019. Four (4) Water and Irrigation Strategies and Irrigation Guidelines 2020 were also finalized.

236. Access to water services increased from 62.9% in FY 2018/19 to 65.5 % in FY 2020/21.Urban sewerage services increased from 26% to 27.7% while the national sanitation coverage increased from 68% to 78%. Further, 187 schools were connected to clean water. The total area under irrigation grew from 504,800 acres in FY2018/19 to 599,860 acres in FY2020/21 resulting in production of 245,100 tons of rice. In addition, the Sector in collaboration with other sectors put in place measures to contain the spread of COVID-19 which included drilling of 193 boreholes and installation of water service infrastructure within Nairobi Metropolitan Area that benefitted 620,000 people living in the informal settlements.

237. Under wildlife conservation; there was a reduction in elephant poaching, increased response rate to Human Wildlife Conflicts cases, construction and maintenance of 136.5 km and 2,011km of fences respectively, rehabilitation and maintenance of 115.8km and 7,000km of access park roads respectively. Under Economic Stimulus Program (ESP); 5,500 community scouts were recruited and engaged to support KWS operations, 3,500 Conservancy rangers in 169 wildlife conservancy were paid their monthly stipends; and 2,020 Wildlife and Environment conservation awareness programs were conducted. The Wildlife

Conservation Trust Fund Regulations were formulated towards the establishment of the fund.

238. The Sector intends to achieve the following in the MTEF period 2022/23-2024/25: Develop and implement six (6) environmental policies; enhance waste management in 47 counties; support 30 green innovations; install 300 Automatic Weather Stations (AWS); Construct two (2) Airport Observatories systems; Produce 351 million tree seedlings; Protect 142,000 Ha of forest plantations against poaching, diseases & fires; Establish 27,000 ha of forest plantations; Rehabilitate 24,400 ha of degraded natural forest, gazette 30,000 ha; Rehabilitate 400 Ha of degraded areas in the ASAL and 8,000 Ha of degraded mangrove forest; Produce 189,400 Kgs of quality tree seeds; Develop 105 forest research technologies; Protect 350,000 Ha water towers; Fence 160km of Maasai Mau Water tower; rehabilitate 3,000 Ha of degraded landscapes, establish 11 Bamboo Demo-sites, and produce 1,150,000 bamboo seedlings for stock enhancement in water towers ecosystems.

239. The Sector anticipates that by the end of FY 2024/25, 85% of the population will have access to safe drinking water, access to improved sanitation will increase from 72% to 90%, sewerage coverage in urban areas will increase from 26% to 40% while acreage under irrigation will expand by 80,000 acres through completion of dams; and construction of various sewerage and sanitation infrastructure. The Sector aims to reduce poaching to zero; fully respond to Human Wildlife cases; develop 30 Wildlife Research innovations; settle all pending Human Wildlife Conflict Compensation claims; and construct, rehabilitate and maintain 362 Km, 494 Km and 5,105 Km of fences respectively; establish 3 sanctuaries; Construct and rehabilitate 472 and 200 ranger houses respectively; undertake wildlife census and prepare 27 reports; conduct 16 disease surveillance and outbreaks; and develop 6 wildlife technologies. Further 6 wildlife corridors and dispersal areas will be mapped; 4 research and training centers constructed; research training facility in Naivasha will be renovated; research and training conferencing facility in Naivasha will be constructed; 6 wildlife resource centers will be established and renovated; and new Wildlife Conservation and Management Act will be developed, published and gazetted.

240. To successfully implement programmes, projects and activities in the FY 2022/23 and the Medium Term, the Sector has been allocated Kshs. 110.7billion, Kshs. 126.7 billion, and Kshs. 150.2billion respectively for the financial years 2022/23, 2023/24 and 2024/25 respectively.

Programme Performance Information for 2022/23 - 2024/25 MTEF Period

241. **Annex Table 4a** of this BPS provides a summary of expenditures by programmes for the 2022/23– 2024/25 period.

242. **Annex Table 4b** of this BPS provides a detailed report with information on programmes outputs, key performance indicators, and the set targets for the 2022/23 – 2024/25 period.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

243. The law requires that the input of the public be taken into account before the Budget proposals are firmed up. In this regard, Public Hearings for the FY 2022/23 and medium term budget were held between 13th and 15th October, 2021. **Annex Table 5** provides a summary of policy issues raised during the Public Hearings and the responses.

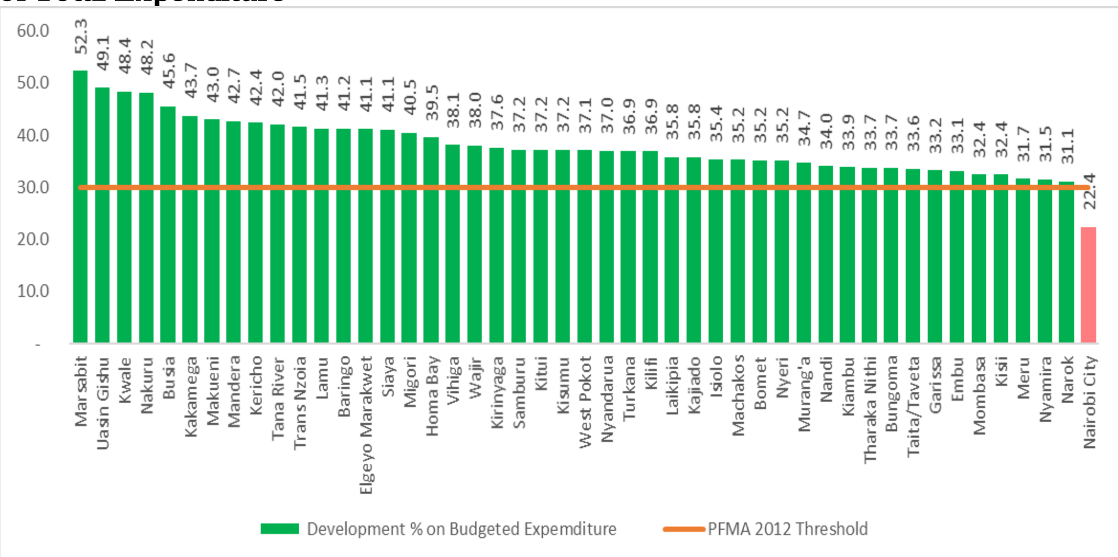
IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principle

4.1.1 Compliance with the Requirement for Development Spending Allocations

244. Section 107 (2) (b) of the Public Finance Management Act, 2012 provides that County Governments should allocate a minimum of thirty percent of their budget over the medium-term to development expenditure. All the County Governments except Nairobi City County complied with this legal requirement and allocated at least thirty percent of their approved budget to development in FY 2020/21 (**Figure 4.1**).

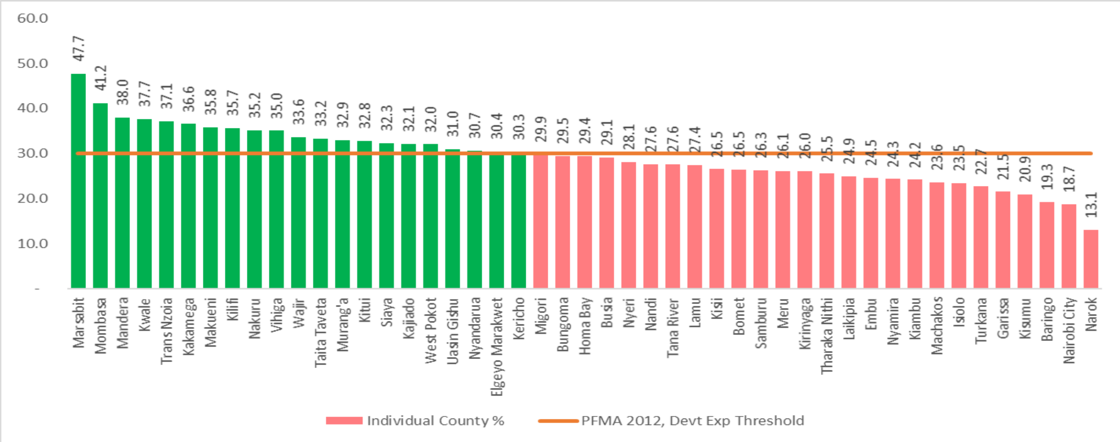
Figure 4.1: FY 2020/21 Budgeted Development Expenditure as a Percentage of Total Expenditure



Source of Data: Controller of Budget

245. In terms of actual development expenditure for the FY 2020/21, only twenty-one (21) County Governments were able to utilize at least thirty (30) percent of their total expenditure on development. The County Government of Marsabit spent 47.7% of its expenditure on development followed by Mombasa and Mandera Counties at 41.2% and 38% respectively. On the other hand, a total of twenty-six (26) County Governments spent less than thirty (30) percent on development in FY 2020/21. Narok County Government utilized only 13.1% on development while Nairobi City and Baringo Counties spent 18.7% and 19.3% on development respectively (**Figure 4.2**).

Figure 4.2: FY 2020/21 Actual Development Expenditures as a Percentage of Total Expenditure

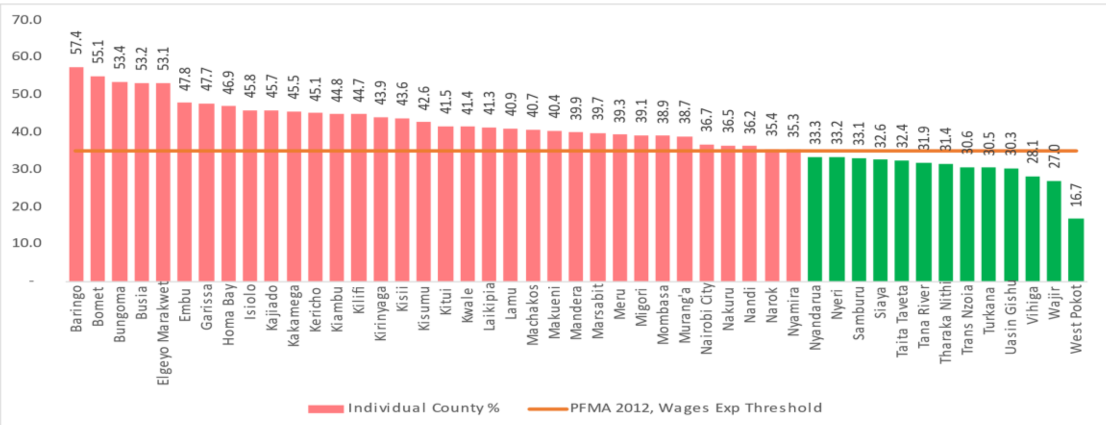


Source of Data: Controller of Budget

4.1.2 Compliance with the Requirement for Expenditure on Wages

246. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. A review of the Report by the Controller of Budget on County Government's budget implementation for FY 2020/21 shows that only thirteen (13) County Government's expenditure on wages and benefits for its public officers were within the legal threshold of thirty-five percent of the County Government's total revenue. The County Government of West Pokot spent 16.7% of its total actual revenue on wages and benefits for its employees followed by Wajir and Vihiga Counties at 27.0% and 28.1% respectively. On the other hand, thirty-four (34) county governments were beyond the legal threshold and spent more than 35% of their total actual revenue on wages and benefits for its employees. Baringo County Government used up 57.4% of its total revenue on wages and benefits for it's employees followed by Bomet at 55.1% and Bungoma at 53.4% (**Figure 4.3**). In this regard, the wage bill remains a major challenge hence the need for concerted effort to find viable solutions to keep the wage bill within the legal threshold.

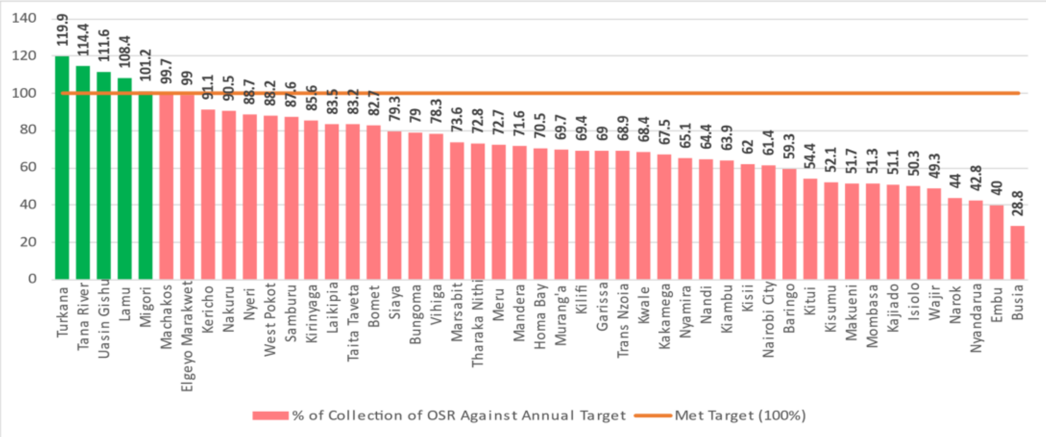
Figure 4.3: FY 2020/21 County Governments' Actual Expenditures on Personnel Emoluments as a Percentage of Total Actual Revenue



4.2 Enhancement of County Governments' Own-Source-Revenue

247. County Governments collected a total of Ksh 34.4 billion in Own Source Revenue (OSR) against an annual target of Ksh. 53.7 billion in the FY 2020/21 (Figure 4). This represents 64.1 percent of the annual OSR target in FY 2020/21. Only five (5) County Governments were able to collect more than one hundred percent (100%) of their annual OSR target in FY 2020/21. These County Governments are Turkana, Tana River, Uasin Gishu, Lamu and Migori.

Figure 4.4: FY 2020/21 Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target



Source of Data: Controller of Budget

248. Despite the COVID-19 pandemic, OSR collections did not deviate much from the collections in FY 2019/20. Available data from the Controller of Budget over the years, reveals that a number of County Governments have continued to miss their revenue targets which may be an indication of unrealistic OSR projections or failure to put efficient fiscal effort in revenue collection. This is, indicating that there is need for more capacity building on areas of tax analysis and revenue forecasting. In this regard, The National Policy to Support Enhancement of County Governments' Own-Source Revenue and the County Governments (Revenue Raising Process) Bill 2018 which is currently before Parliament for legislation into law will play a crucial role in enhancing county governments' OSR. The objective of the bill is to regulate the manner in which Counties introduce/vary fees and charges. The rationale for the proposed legislation is to address multiplicity of fees and charges and avoid infringement of Article 209(5) of the Constitution which provides that county government revenue raising powers should not prejudice national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labor.

249. The National Policy to Support Enhancement of County Governments' Own-Source Revenue aims to address challenges in collection and administration of decentralized taxes, fees and charges. In order to support implementation of the Policy, a range of national level legislative reforms have been proposed, which are intended to improve performance of County Governments' revenue sources. To this end, the National Treasury in collaboration with the Ministry of Lands and Physical Planning is in the process of developing National Rating Bill on Property Rates to replace the outdated Valuation for Rating Act (Cap. 266) and Rating Act

(Cap.267). The proposed Bill is expected to guide rating and valuation for rating in county governments and enable county governments to maximize property related revenues.

250. The Commission on Revenue Allocation is in the process of developing a model tariffs and pricing policy and guidelines on the same. Once the model tariffs and pricing policy is developed, county governments are expected to customize this model policy to develop their respective tariffs and pricing policy to guide the provision of public services as provided for in Section 120 of the County government Act. The tariffs and pricing policy will provide the rationale for levying fees and charges, as well as a basis for setting fee/charge levels. The policy will also provide the citizens with information in understanding and interpreting fees and charges they pay and the services they should expect to receive.

4.3 Prudent Management of Fiscal Risks

4.3.1 Pending Bills

251. The Public Finance Management Act, 2012, provides for mechanisms to assess and determine financial problems encountered by national government entities and County Governments. Section 94 (1)(a) of the PFM Act, 2012, identifies as a material breach failure to make any payments as and when due by a State organ or a public entity. Article 225 of the Constitution read together with Section 96 of the PFM Act gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to the concerned State organ found to be in material breach. Office of the Auditor General (OAG) conducted a special audit to verify the stock of pending bills by county governments as at 30th June 2018. The Special Audit indicated that out of a total **Kshs. 88.98 billion** pending bills presented for audit to the OAG, bills amounting to **Kshs. 51.2 billion** were reported as payable while **Kshs. 37.7 billion** lacked sufficient documentations to support services rendered or work done and therefore were not recommended for payment.

252. A report by the Controller of Budget (CoB) indicates that by 30th June 2021, Counties had paid **Ksh. 40.49 billion** (79.1% of the eligible pending bills) leaving an outstanding balance of **Kshs. 10.79 billion (Table 4.1)**. During this period, the National Government released to the Counties significant resources to enable them clear their pending bills. As at 30th June 2021, the National Treasury had released to County Governments Ksh 399.0 billion as their equitable share of revenue raised nationally and conditional grants for FY 2020/21.

253. The Intergovernmental Budget and Economic Council (IBEC) through a resolution of 18th June 2019 instructed all County Governments to establish an Ineligible Pending Bills Committee to verify these bills. Once verified, it was resolved that the arrears should be prioritized and paid. As at 30th June 2021, county governments had verified and paid **Kshs 6.88 billion** of the ineligible pending bills.

254. Additionally, the National Treasury is awaiting the OAG special audit of the County Governments' pending bills for the Financial Years 2018/2019 and 2019/2020 which was conducted in May 2021 at the request of the National Treasury.

255. In order to ensure that pending bills do not accumulate, a number of mechanisms have been put in place. These measures include;

a) All Counties are to regularly report on pending bills in accordance with the financial reporting template by the Public Service Accounting Standards Board (PSASB) in which they disclose in a note to the financial statements, details of all pending bills, including the date, beneficiary, description and amount and the reason why the amount was not settled by the due date.
b) The CoB will continue to provide regular updates on the progress made on settlement of eligible pending bills; and,
c) To ensure that pending bills are settled the County Governments are to budget for the outstanding pending bills and submit a payment plan and a status report to the Controller of Budget, with a copy to the Cabinet Secretary, the National Treasury and Planning. County Governments should aim at settling the pending bills on a First-In First-Out basis.

Table 4.1: Pending Bills of the County Governments' as at 30th June 2021

A SUMMARY OF PENDING BILLS AFTER THE AUDIT BY THE OAG AND STATUS ON PAYMENTS BY COUNTY GOVERNMENTS AS OF 30 TH JUNE, 2021									
County	**List Presented to OCOB By Counties as of 30th June, 2018 (Kshs)**	**List Presented to OAG By Counties for Special Audit (Kshs)**	**Eligible Pending Bills as per the OAG Special Audit (Kshs)**	**Ineligible Pending Bills as per the OAG Special Report (Kshs)**	**Eligible Pending Bills Paid (Kshs.)**	**Ineligible Pending Bills Paid (Kshs.)**	**Total Pending Bills Paid (Kshs.)**	**Outstanding Eligible Pending Bills (Kshs.)**	**Overall Outstanding Pending Bills(Kshs)**
	A	**B**	**C**	**D**	**E**	**F**	**G=E+F**	**H=C-E**	**I=B-G**
Baringo	63,600,000	45,765,998	24,046,826	21,719,172	24,046,826	0	24,046,826	0	21,719,172
Bomet	1,155,473,480	1,253,551,181	1,190,167,877	63,383,304	999,878,620	12,154,239	1,012,032,859	190,289,257	241,518,322
Bungoma	326,391,974	601,481,507	376,038,793	225,442,714	362,774,197	128,225,677	490,999,874	13,264,596	110,481,633
Busia	993,600,000	1,013,493,163	972,895,883	40,597,280	971,644,606	0	971,644,606	1,251,277	41,848,557
Elgeyo Marakwet	136,750,039	908,679,275	225,216,395	683,462,880	225,216,395	428,978,838	654,195,233	0	254,484,042
Embu	1,278,735,548	1,362,958,792	435,114,432	927,844,360	435,114,432	50,250,949	485,365,381	0	877,593,411
Garissa	980,059,238	2,553,348,202	2,307,530,407	245,817,795	2,285,141,562	0	2,285,141,562	22,388,845	268,206,640
Homa Bay	1,332,417,888	1,663,245,610	40,447,020	1,622,798,590	40,447,020	241,871,783	282,318,803	0	1,380,926,807
Isiolo	101,330,098	1,334,674,795	1,258,372,703	76,302,092	691,253,320	0	691,253,320	567,119,383	643,421,475
Kajiado	769,805,900	366,353,650	88,191,609	278,162,041	88,191,609	0	88,191,609	0	278,162,041
Kakamega	634,742,603	593,950,376	583,093,452	10,856,924	583,093,452	8,082,840	591,176,292	0	2,774,084
Kericho	1,255,284,413	1,094,470,975	490,184,743	604,286,232	490,184,743	141,827,944	632,012,687	0	462,458,288
Kiambu	785,758,702	2,312,759,531	1,831,618,030	481,141,501	1,593,032,095	93,819,557	1,686,851,652	238,585,935	625,907,879
Kilifi	1,224,706,197	1,377,012,031	1,116,043,558	260,968,473	1,116,043,558	16,360,234	1,132,403,792	0	244,608,239
Kirinyaga	250,092,562	1,328,459,563	741,080,963	587,378,600	319,440,751	42,359,883	361,800,634	421,640,212	966,658,929
Kisii	865,075,580	1,414,104,629	1,200,573,919	213,530,710	1,184,810,134	121,245,444	1,306,055,578	15,763,785	108,049,051
Kisumu	2,047,603,022	2,475,722,125	1,792,200,077	683,522,048	1,788,450,077	79,999,527	1,868,449,604	3,750,000	607,272,521
Kitui	1,167,092,734	1,443,011,641	572,033,419	870,978,222	572,033,419	304,308,790	876,342,209	0	566,669,432
Kwale	1,830,121,075	2,501,631,906	809,734,393	1,691,897,513	809,734,393		809,734,393	0	1,691,897,513
Laikipia	760,611,928	989,444,917	77,539,708	911,905,209	77,539,708	0	77,539,708	0	911,905,209

A SUMMARY OF PENDING BILLS AFTER THE AUDIT BY THE OAG AND STATUS ON PAYMENTS BY COUNTY GOVERNMENTS AS OF 30 TH JUNE, 2021									
County	**List Presented to OCOB By Counties as of 30th June, 2018 (Kshs)**	**List Presented to OAG By Counties for Special Audit (Kshs)**	**Eligible Pending Bills as per the OAG Special Audit (Kshs)**	**Ineligible Pending Bills as per the OAG Special Report (Kshs)**	**Eligible Pending Bills Paid (Kshs.)**	**Ineligible Pending Bills Paid (Kshs.)**	**Total Pending Bills Paid (Kshs.)**	**Outstanding Eligible Pending Bills (Kshs.)**	**Overall Outstanding Pending Bills(Kshs)**
	A	**B**	**C**	**D**	**E**	**F**	**G=E+F**	**H=C-E**	**I=B-G**
Lamu	179,490,878	143,663,524	85,050,899	58,612,625	85,050,899	31,528,323	116,579,222	0	27,084,302
Machakos	975,461,203	1,286,526,181	942,363,607	344,162,574	752,932,691	0	752,932,691	189,430,916	533,593,490
Makueni	33,571,164	34,902,732	33,018,202	1,884,530	33,018,202	0	33,018,202	0	1,884,530
Mandera	107,580,050	552,137,062	349,433,313	202,703,749	349,433,313	0	349,433,313	0	202,703,749
Marsabit	799,153,814	776,411,111	728,259,831	48,151,280	728,259,831	0	728,259,831	0	48,151,280
Meru	2,000,925,093	2,265,112,691	1,845,545,178	419,567,513	1,793,635,716	148,518,534	1,942,154,250	51,909,462	322,958,441
Migori	290,942,340	1,275,250,208	1,007,373,410	267,876,798	750,178,806	202,231,030	952,409,836	257,194,604	322,840,372
Mombasa	3,705,503,765	5,347,786,393	3,545,800,427	1,801,985,966	1,962,722,116	0	1,962,722,116	1,583,078,311	3,385,064,277
Murang'a	469,485,623	2,038,047,918	1,531,778,008	506,269,910	1,531,778,008	388,780,019	1,920,558,027	0	117,489,891
Nairobi City	64,802,987,771	23,139,794,063	11,783,829,072	11,355,964,991	5,766,868,720	146,440,676	5,913,309,396	6,016,960,352	17,226,484,667
Nakuru	2,379,815,709	2,504,561,905	420,164,604	2,084,397,301	393,978,523	0	393,978,523	26,186,081	2,110,583,382
Nandi	1,394,228,985	1,447,847,605	942,307,841	505,539,764	942,307,841	0	942,307,841	0	505,539,764
Narok	1,725,444,405	2,056,439,795	1,980,736,070	75,703,725	1,754,791,016	27,609,076	1,782,400,092	225,945,054	274,039,703
Nyamira	1,349,587,238	435,328,993	275,698,127	159,630,866	275,698,127	36,301,873	312,000,000	0	123,328,993
Nyandarua	906,921,152	1,138,159,128	297,078,779	841,080,349	297,078,779	317,016,227	614,095,006	0	524,064,122
Nyeri	1,411,372,489	360,535,590	152,196,769	208,338,821	152,196,769	146,652,290	298,849,059	0	61,686,531
Samburu	792,663,564	846,492,795	762,579,174	83,913,621	714,377,693	0	714,377,693	48,201,481	132,115,102
Siaya	614,507,285	709,770,238	637,310,697	72,459,541	527,943,130	0	527,943,130	109,367,567	181,827,108
Taita/Taveta	239,653,602	451,282,264	390,269,112	61,013,152	390,269,112	0	390,269,112	0	61,013,152
Tana River	946,029,550	1,202,679,386	507,082,631	695,596,755	507,082,631	0	507,082,631	0	695,596,755
Tharaka -Nithi	260,776,492	1,112,652,892	701,871,919	410,780,973	682,223,937	0	682,223,937	19,647,982	430,428,955
Trans Nzoia	781,572,410	1,079,983,912	666,047,614	413,936,298	659,157,124	0	659,157,124	6,890,490	420,826,788
Turkana	633,660,494	5,660,295,757	1,816,400,453	3,843,895,304	1,570,376,862	2,699,226,332	4,269,603,194	246,023,591	1,390,692,563
Uasin Gishu	319,347,197	366,384,594	76,566,231	289,818,363	60,435,232	207,973,124	268,408,356	16,130,999	97,976,238
Vihiga	1,184,810,000	2,037,052,291	1,151,148,522	885,903,769	729,179,706	156,175,561	885,355,267	421,968,816	1,151,697,024
Wajir	2,619,575,061	2,357,171,365	2,039,742,167	317,429,198	2,039,742,167	65,740,429	2,105,482,596	0	251,688,769
West Pokot	113,054,409	1,725,540,240	483,053,261	1,242,486,979	384,982,834	637,341,945	1,022,324,779	98,070,427	703,215,461
Total	**108,997,374,724**	**88,985,930,500**	**51,284,830,125**	**37,701,100,375**	**40,493,770,701**	**6,881,021,143**	**47,374,791,844**	**10,791,059,424**	**41,611,138,656**

Source of Data: Office of the Auditor General and Controller of Budget

4.4 Division of Revenue between the Two Levels of Government

4.4.1 Shortfall in Ordinary Revenue

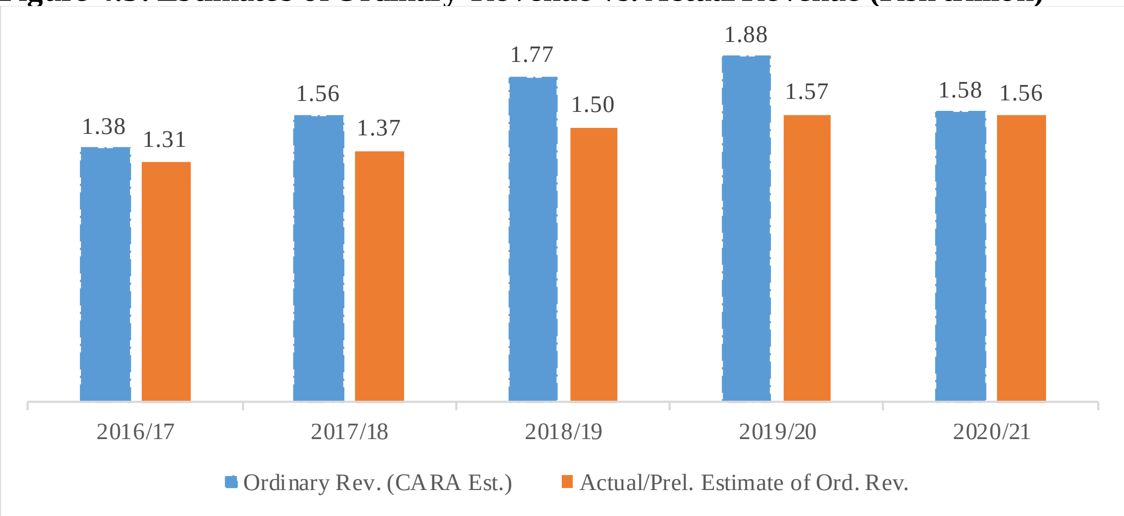
256. Ordinary revenue collected in FY 2020/21 was Ksh. 1,562 billion against a target of Ksh. 1,578.8 billion. This represents a shortfall of Ksh. 16.8 billion as

shown in (**Figure 4.5**). It is evident that over the years, the ordinary revenue has been underperforming resulting in revenue shortfalls that has necessitated the need for implementation of austerity measures.

257. Ordinary revenue performance improved in the second half of FY 20220/21 from January 2021 following stoppage of implementation of tax relief measures to cushion Kenyans against adverse effects of the pandemic in FY 2020/21. The improved performance in ordinary revenue is an indication of economic recovery from the effects of COVID-19.

258. As per the annual Division of Revenue Act (DoRA), if the actual revenue raised nationally in the financial year falls short of the expected revenue, the shortfall shall be borne by the National Government, while County allocations have to be disbursed in full.

Figure 4.5: Estimates of Ordinary Revenue vs. Actual Revenue (Ksh trillion)



Source of Data: National Treasury

4.4.2 County Allocations for FY2022/23

259. The Division of Revenue Bill (DoRB), 2022 proposes to allocate to County Governments Ksh. 370 billion as their equitable revenue share, a retention of the equitable share allocation in FY 2021/22. The retention in County Governments' equitable revenue share is informed by the following prevailing circumstances:

a) the FY 2022/23 budget is formulated at a time of Covid 19 which has affected revenue mobilization and brought with it significant uncertainty in revenue projection. With this environment of uncertainty on resource mobilization it would be imprudent to raise county shareable above the levels in the approved BPS 2021 more so taking into account the fact that unlike the national government's allocations that may be reviewed downwards when the economy fails to pick as projected, allocations and transfers to county governments as equitable share are guaranteed under Article 219 of the Constitution; and.

b) the Government is implementing a fiscal consolidation plan so as to lower the fiscal deficit and slow down debt accumulation. This consolidation is expected to be shared by the two levels of government including a retention of the equitable share at the same level as FY 2021/22. To reflect this fiscal tightening, the National Government ceiling growth has been restricted, declining from a growth of 10.3 percent in 2017/18 to a mere 3.3 percent in FY 2022/23. The fact that the growth in recurrent ceiling is below growth in wages, implies that the National Government is cutting significantly it's operations budget.

c) the Consolidated Fund Services (CFS) budget for FY 2022/23 has been revised upwards by Ksh 18.4 billion and therefore in order to retain the deficit at the BPS 2021 level, the National Government ceilings have already been revised downwards by Ksh 20.0 billion while maintaining the county equitable share at the same level.

260. Based on the proposal contained in the DoRB, County Governments will therefore receive a total of Ksh 370 billion in FY 2022/23 as equitable share of revenue raised nationally (**Table 4.2**).

Table 4.2: County Governments' Equitable Revenue Share (Ksh Million)

Budget item	2018/19	2019/20	2020/21	2021/22	2022/23
Baseline *(i.e. allocation in the previous FY)*	**302,000**	**314,000**	**316,500**	**316,500**	**370,000**
1. Adjustment for revenue growth	12,000	2,500	-	36,100	-
2. Revenue share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics				**17,400**	**-**
Computed equitable revenue share allocation	**314,000**	**316,500**	**316,500**	**370,000**	**370,000**

261. In addition to their proposed equitable share of revenue, County Governments will continue to receive the following additional allocations:

- From the National Governments' equitable revenue share, conditional allocations amounting to **Ksh 5.65 billion** for: i) leasing of medical equipment; and, ii) construction of County headquarters (**Table 4.3**).
- Equalization Fund to the marginalized areas amounting to **Ksh 7.4 billion**;

Table 4.3: Division of Revenue Raised Nationally FY 2018/19 – 2022/23 (Ksh Million)

Type/level of allocation	2018/19	2019/20	2020/21	2021/22	2022/23
National Government	1,367,069	1,554,916	1,517,700	1,398,799	1,764,100
Of which:					
Leasing of Medical Equipment	9,400	6,205	6,205	7,205	5,200
Supplement for construction of county headquarters	605	300	300	332	454
Equalization Fund	4,700	5,760	6,500	6,788	7,485
County equitable share	314,000	316,500	316,500	370,000	370,000
Total shareable revenue	**1,681,069**	**1,877,176**	**1,840,700**	**1,775,624**	**2,141,584**

- **Ksh 31.38 billion** from proceeds of external loans and grants, which will finance devolved functions in accordance with the signed financing agreement for each loan/grant. **Table 4.4** shows the disaggregation of total proposed transfers to the Counties.

Table 4.4: Disaggregation of County Governments' Allocation (Ksh. Million)

Type/level of allocation	2018/19	2019/20	2020/21	2021/22	2022/23
County equitable share	314,000	316,500	316,500	370,000	370,000
Additional conditional allocations, of which:					
Leasing of medical equipment	9,400	6,205	6,205	7,205	5,200
Supplement for construction of county headquarters	605	300	300	332	454
Allocations from loans and grants	33,242	39,090	30,204	32,334	31,382
Total County Allocations	**372,741.9**	**378,305**	**369,868**	**409,871**	**407,036**

4.5 Horizontal Allocation of Revenue among the County Governments

262. Horizontal allocation of revenue among the County Governments shall be based on the third basis formula, which was considered and approved by Parliament in September, 2020. The third formula takes into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iii) Urban Index (5%); (iv) Poverty Index (14%); (v) Land Area Index (8%); (vi) Roads Index (8%), and; (vii) Basic Share index (20%). Application of the Third Basis is on condition that the formula's implementation would be preceded by a Ksh 53.5 billion increase in the Counties' equitable revenue share, which has now been achieved.

263. Accordingly, in FY 2022/23, the Counties will share an estimated Ksh 370 billion as equitable share. Table 5 shows the projected transfer to each County in FY 2021/22

Table 5: Revenue Allocation for Each County Government

County	FY 2021/2022					FY 2022/2023				
	0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio)		Total Equitable Share****	0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio) *(Formula***)		Total Equitable Share****
	Allocation ratio	Equitable Share	Allocation ratio	Equitable Share		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share	
	column A	column B	column C	column D	column E = B+D	column F	column G	column H	column I	column J = G+I
Baringo	1.61	2,547,825,000	1.80	3,821,569,592	6,369,394,592	1.61	2,547,825,000	1.80	3,821,569,592	6,369,394,592
Bomet	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118
Bungoma	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192
Busia	1.90	3,006,750,000	1.97	4,165,412,009	7,172,162,009	1.90	3,006,750,000	1.97	4,165,412,009	7,172,162,009
Elgeyo/Marakwet	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480
Embu	1.36	2,152,200,000	1.40	2,973,043,762	5,125,243,762	1.36	2,152,200,000	1.40	2,973,043,762	5,125,243,762
Garissa	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254
Homa Bay	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300
Isiolo	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265
Kajiado	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229
Kakamega	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168
Kericho	1.70	2,690,250,000	1.77	3,740,414,924	6,430,664,924	1.70	2,690,250,000	1.77	3,740,414,924	6,430,664,924
Kiambu	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720
Kilifi	3.30	5,222,250,000	3.03	6,419,342,941	11,641,592,941	3.30	5,222,250,000	3.03	6,419,342,941	11,641,592,941
Kirinyanga	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952
Kisii	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509
Kisumu	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240
Kitui	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413
Kwale	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516
Laikipia	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679
Lamu	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643
Machakos	2.45	3,877,125,000	2.50	5,285,179,232	9,162,304,232	2.45	3,877,125,000	2.50	5,285,179,232	9,162,304,232
Makueni	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562
Mandera	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598
Marsabit	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032
Meru	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338
Migori	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448
Mombasa	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061
Muranga	1.99	3,149,175,000	1.90	4,030,980,855	7,180,155,855	1.99	3,149,175,000	1.90	4,030,980,855	7,180,155,855
Nairobi	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414
Nakuru	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323
Nandi	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041
Narok	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456
Nyamira	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036
Nyandarua	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228
Nyeri	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555
Samburu	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037
Siaya	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531
Taita Taveta	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698
Tana River	1.85	2,927,625,000	1.70	3,600,783,765	6,528,408,765	1.85	2,927,625,000	1.70	3,600,783,765	6,528,408,765
Tharaka Nithi	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593
Trans Nzoia	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670
Turkana	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994
Uasin Gishu	2.00	3,165,000,000	2.32	4,903,858,318	8,068,858,318	2.00	3,165,000,000	2.32	4,903,858,318	8,068,858,318
Vihiga	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827
Wajir	2.70	4,272,750,000	2.46	5,201,976,151	9,474,726,151	2.70	4,272,750,000	2.46	5,201,976,151	9,474,726,151
West Pokot	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329
GRAND TOTAL	**100**	**158,250,000,000**	**100**	**211,750,000,000**	**370,000,000,000**	**100**	**158,250,000,000**	**100**	**211,750,000,000**	**370,000,000,000**

4.6 Intergovernmental Fiscal Transfers

264. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the national government's share of revenue, either conditionally or unconditionally. Management of intergovernmental fiscal transfers is provided in the PFM Act 2012, its Regulations and National Treasury Circular No.8 of 2017. To ensure efficiency, accountability and impact of programs and services funded through grants, all grants to Counties shall be coordinated by the line ministry which shall oversee development of frameworks and conditions to be met by Counties to receive grants including financial and non-financial reporting. The Accounting Officer has sole authority for the approval of funds and must review/approve financial reports prior to submission to the National Treasury.

4.6.1 Conditional Grants

265. In FY 2022/23, the National Treasury proposes to allocate Ksh 37.0 billion as additional allocations to County Governments. This comprises additional conditional allocations from the National Government share of revenue raised nationally and conditional allocation from proceeds of external loans and grants. The additional conditional allocations are meant to support specific national policy objectives to be implemented by County Governments.

266. The additional conditional grants were allocated through Division of Revenue Act and administered pursuant to provisions of Regulation 129-135 of the Public Finance Management (National Government) Regulations, 2015 and the Treasury Circular No. 8/2017 on "Guidelines for the Management of Intergovernmental Fiscal Transfers in Kenya.

267. However, the High Court Ruling on Petition No. 252 of 2016 in December, 2020 directed that the conditional or non-conditional allocations are not items to be provided for in the Division of Revenue Act and Consequently the Senate approved the Division of Revenue Bill, 2021 without the conditional grants. Subsequently, the Division of Revenue Bill, 2022 shall not contain the proposed additional conditional allocations to counties.

268. Further the Court also directed that there should be developed an alternative mechanism for disbursement of conditional grants to counties. In this regard, the Senate developed a County Governments Grants Bill, 2021 which has been passed by the Senate and is now at the National Assembly. The Bill is expected to provide mechanisms for disbursing and accounting for the additional allocations to counties going forward. The Bill is be expected to be an annual Bill.

269. The proposed additional conditional allocation shall be distributed based on its objectives, criteria for selecting beneficiary Counties and distribution formula determined in the Project Appraisal Documents and respective financing agreements.

4.6.2 Equalisation Fund

270. Equalization fund is established under article 204 of the Constitution where it is allocated one half percent of all revenue collected by the national government each year on the basis of most recently audited accounts. The fund was operationalized using guidelines on administration of equalization fund published in gazette notice No. 1711 of 13th March 2015. The High Court ruling on petition No. 272/2016 on 5th November, 2019 quashed the guidelines and declared them unconstitutional. This in effect disbanded the Equalization Fund Advisory Board (EFAB) and stopped any further expenditure from Equalization Fund.

271. The National Treasury was directed to develop a statutory instrument on the administration of the Equalisation Fund and it is on this basis that a multi-agency committee comprising of representatives from National Treasury, National Assembly, Senate, Council of Governors, Commission of Revenue Allocation and Controller of Budget was put in place to develop new Equalisation Fund statutory instrument. This team developed the PFM (Equalization Fund Administration) Regulations 2021 which have been approved by the Parliament.

272. The purpose of these Regulations includes; (i) to provide guidance on the administration and management of the Equalization Fund; (ii) provide for the completion of ongoing projects under the first policy, and; (iii) provide for implementation of new projects under the second policy and subsequent policies to be financed under the Equalization Fund.

273. The National Treasury is in the process of constituting the Equalization Fund Advisory Board. Accordingly, the National Treasury has requested for nominations for appointment to the Board from the Council of Governors, the Senate and the National Assembly, in accordance with Regulations 4 and 5 of the PFM (Equalization Fund Administration) Regulations 2021. Further, the National Treasury is in consultation with the State Department for Public service on development of a Human Resource Instrument that will form the basis for terms of service for the Board and the Secretariat of the Fund.

274. The appointment of the Board and Secretariat will operationalize the Fund and ensure the completion of projects as identified by the first policy on marginalization in fourteen counties and the implementation of programmes in the second policy. The Board will oversee the preparation of operational guidelines, strengthening of public participation, deliberately targeting minorities within marginalized areas and efficient utilization of funds.

4.7 Emerging Issues and Policy Interventions

4.7.1 Transfer of Functions between the national and county Governments and cooperation between national and county governments

275. Articles 187 and 189 of the Constitution provides for the transfer of functions and powers between levels of Government as well as cooperation between the National and County Governments. In order to operationalize the provisions of Articles 187 and 189, Parliament enacted the Intergovernmental Relations Act, 2012 (IGRA) to establish a framework for consultation and cooperation between the national and county governments and amongst county governments; to establish mechanisms for the resolution of intergovernmental disputes pursuant to Articles 6 and 189 of the Constitution, and for connected purposes.

276. Pursuant to Article 187 of the Constitution as read with Section 26 of the Intergovernmental Relations Act, 2012, the Nairobi City County Government (NCCG) on 25th February, 2020, transferred four of its functions to the National Government. The transfer was legally effected through a mutual Deed Agreement vide Gazette Notice No. 1609. The National Treasury was mandated in the Deed of Transfer as well as in the Addendum to the Deed of Transfer to develop an appropriate framework to ensure that the resources necessary for the performance of the transferred functions are transferred from NCCG to the National Government.

277. However, during implementation of the Deed of Transfer of functions from the Nairobi City County Government to the National Government, it emerged that PFMA 2012 and IGRA 2012 does not provide for the resourcing framework for transferred functions. In view of the identified gaps in operationalizing Articles 187 and 189, the National Treasury constituted an Inter-Agency Taskforce to develop a legislation for operationalization of Articles 187 and 189 of the Constitution on transfer of functions and cooperation between National Government and County Governments, respectively. The Taskforce has prepared a zero draft Public Finance Management (Amendment) Bill, 2021 which once approved will undergo public participation.

278. It is expected that cooperation between national and county governments or among county governments has a potential to reduction of adverse externalities and a full exploitation of positive externalities and synergies from cooperating governments actions and policies, as well as of economies of scale. Some of these potential policy benefits include but not limited to: (i) Strengthening County Governments revenue autonomy; (ii) The design and reform of intergovernmental fiscal arrangements; (iii) Sectoral policies, including service delivery; and (iv) County Government revenue and expenditure management.

279. It is expected that once a framework is in place, cooperation by participating governments will facilitate the exchange of relevant information among participating governments, leading to a better understanding of respective

objectives and constraint and the identification of viable policy synergies and trade - offs that can be taken into account in the design and implementation of the country's' development agenda including Vision 2030 and the BIG FOUR Agenda.

4.7.2 Policy on Transfer of Functions and Cooperation between Governments

280. The Taskforce formed to develop a legislation for operationalization of Articles 187 and 189 of the Constitution on transfer of functions and cooperation between national and county Governments while developing the draft legislation, noted that there was no Policy currently in place to address the matter and also for anchoring the legislation on. The team therefore proposed for the development of a Policy on Transfer of Functions and Cooperation between Governments. In this regard, the National Treasury in collaboration with other stakeholders will develop a Policy to address gaps identified in implementing Article 187 and 189 of the Constitution.

4.7.3 Analysis of County Governments Fiscal Documents

281. In a bid to build more capacity to the County Governments, the National Treasury is analyzing fiscal documents from the County Governments to identify their training needs. This analysis entails assessing the quality of the fiscal documents, their compliance with the requirements in the PFM Act 2012, their correctness, relevance and alignment to the national policies.

4.7.4 County Governments OSR Potential

282. The Commission on Revenue Allocation in collaboration with the National Treasury and Planning, County Governments, and other stakeholders with the support of the World Bank commissioned a comprehensive County Own Source Revenue Potential and Tax Gap Study. The main objective of the study is to produce robust and reliable estimates of county own source revenue potential and tax gap for each county government. The team has already received and reviewed the draft report which will be subjected to stakeholders for validation and a final report produced. The report will play a key role in informing counties on their revenue streams with the greatest potential in a bid to enhance their own source revenue. This will guide future decision making by the county governments on where to put more emphasize in a bid to enhance their own source revenue and reduce reliance on the equitable share.

4.7.5 Integrated County Governments Revenue Management System

283. In the revenue systems evaluation exercise, 23 revenue management systems were evaluated. Two systems from the County Governments, namely Kwale Pay and Bungoma BARMS met more than 80 per cent of the evaluation criteria of an ideal revenue management system. The Steering Committee, on 29th June 2020

tasked the Technical Committee to re-evaluate three systems namely; (i) Bungoma BARMS; (ii) Kwale Pay; and, (iii) County Revenue Management System by KRA. The technical team observed that:

a) Both Kwale Pay and Bungoma BARMS are technically viable systems for adoption for revenue management across the counties.
b) Both Kwale pay and Bungoma BARMS systems are owned by the respective County Governments.
c) KRA System was still in the early stages of development.

284. To implement any of the above systems the technical committee indicated that;

a) Kwale Pay and Bungoma BARMS; the National Government need to engage the respective Counties to take over the system (and compensate them).
b) For both of the county systems, third party support would be required for roll out since the capacity in the counties is limited.
c) KRA system requires significant development to cater for all the revenue collection processes and streams.
d) A multi-agency ICRM implementation team led by the National Treasury should be established to steer the implementation and roll out of the system adopted.
e) Policy decision and communication to Counties to halt further procurements of other revenue systems.

285. For implementation of any of the systems approval of the steering committee would be required to; (i) Provide guidance/decision on the system to be adopted for roll out to all County Governments; (ii) Approve formation of a multi-agency implementation team; (iii) Approve decision for counties to halt further procurement and implementation of other systems (National Treasury to issue circular).

4.7.6 Sharing of Mineral Royalty Revenue with County Governments and Communities

286. The Principal Secretaries for the National Treasury and the State Department of Mining together with the Chairperson of the Commission on Revenue Allocation (CRA) met on September 9th, 2020 to discuss implementation of the presidential directive on sharing of mineral royalty revenue. In the meeting, the National Treasury was tasked to constitute a taskforce including representatives from the: i) National Treasury; ii) Ministry of Petroleum and Mining; iii) Ministry of Industrialization, Trade and Enterprise Development; iv) Commission on Revenue Allocation (CRA); v) State Law Office; and, vi) Council of Governors (CoG). The taskforce was directed to: consider the issue of double payment of mineral levies in respect of extractive activities and recommend a way forward; and, consider and recommend modalities of sharing the mineral royalty between the two levels of Government in line with the law and best international practices. In this regard, the National Treasury constituted the Taskforce which has been

meeting to deliberate on the matter and has already produced a draft report. Once this report is finalized, its recommendations will provide the most appropriate mode of disbursing and distributing the share of mineral royalty due to Counties and communities.

4.7.7 Capacity Building of the Urban Areas and Cities' Boards and Secretariat

287. Section 12 of the Urban Areas and Cities Act provides that the management of a city and municipality shall be vested in the county government and administered on its behalf by a board. A number of County Governments have established these boards to manage the cities and urban areas within their jurisdiction. In a bid to ensure that these boards and secretariat are managed in accordance with the law, the national government endeavours to develop their capacity for efficient, effective and transparent financial management. This will strengthen the financial and fiscal relations between the national and county governments and encourage support for county governments in performing their functions. Moreover, intergovernmental fiscal technical support will enhance sustainable operations as per the urban and cities act, revenue generation and financial recovery plans for municipalities in financial distress.

4.7.8 Delineation of Disaster Management Function

288. The Inter-Governmental Relations Technical Committee (IGRTC) through a Legal Notice No. 86 of 2nd March 2021, delineated the disaster management function between the National Government and County Government. The IGFRC indicated that the delineation was guided by the National Disaster Risk Management Policy. The Legal Notice provides that disaster occurrence and effects are sector specific and that the responsibility for managing sector related disaster is guided by the functional assignment of both levels of government as specified in the Fourth Schedule to the Constitution 2010.

4.7.9 Implementation of the Transfer of the Library Function

289. The Inter-Governmental Relations Technical Committee in consultation with sector stakeholders finalized the modalities to transfer the library function to the county governments. Legal Notice No. 142 of August 2019 delineated the functions and distributions of libraries. Consequently, through this Legal Notice, fifty-nine (59) libraries and their attendant resources were to be transferred to the respective thirty-three (33) County Governments with effect from 1st July 2020. This has not been materialized since the attendant resources were not provided for by the sector as a transfer to the 33 county governments in the financial year 2020/21. In this regard, the National Treasury calls upon the Ministry of Culture and Heritage in collaboration with the Sector to prioritize setting aside the attendant resources for the transferred function to be channeled to the County Governments

as a conditional grant for the management of the devolved library function in line with the Legal Notice.

4.7.10 Hosting of the 9th Edition of Africities Conference in 2022

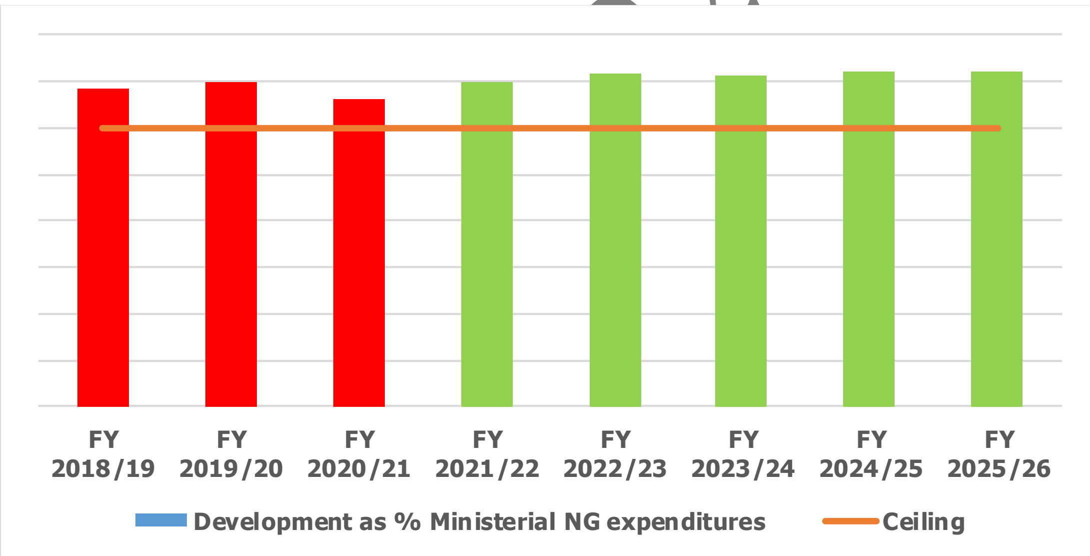
290. The 9th edition of the Africities which was to be held in April 2022 will now be held from 17th to 23rd May 2022 in Kisumu City. The rescheduling of the conference was necessitated by the need to complete the ongoing infrastructural development on the venue of the conference as well as the transit infrastructure to the venue. This is a Pan-African event that is held every three years in one of the five regions of Africa. As per the rotational calendar, it is the opportunity for East Africa to host the 9th Edition of Africities. By hosting the 9th Edition of the Africities, Kenya will get an opportunity to share its experience in implementation of devolution thereby contribute to knowledge sharing among the African countries as well as learn from them. In addition, Kenya will develop a network of academia and practitioners in devolution that will be valuable in improving its devolved system of government. The Africities Conference will cement Kenya's position as a leader and substantial contributor in the discourse on devolution in Africa besides fostering close relations with other African Nations. Finally, the conference will provide a good platform for the County Governments to learn from the rest of Africa on establishment of regional blocks which a number of Counties have been proposing to establish.

ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

1 In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM National Government Regulations, 2015 and in keeping with prudent and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows:

a) Consistent with the requirements of the law, the National Government's allocation to development expenditures has been above the 30 percent of its Ministerial expenditures. In the FY 2020/21, the allocation to development expenditures to the total expenditures was 33 percent meeting the set threshold. In the fiscal outlays presented in this BPS, the National Government continues to observe this requirement and has allocated more than 30 percent of its ministerial expenditures to development in FY 2021/22 and over the medium term **(Figure 1).**

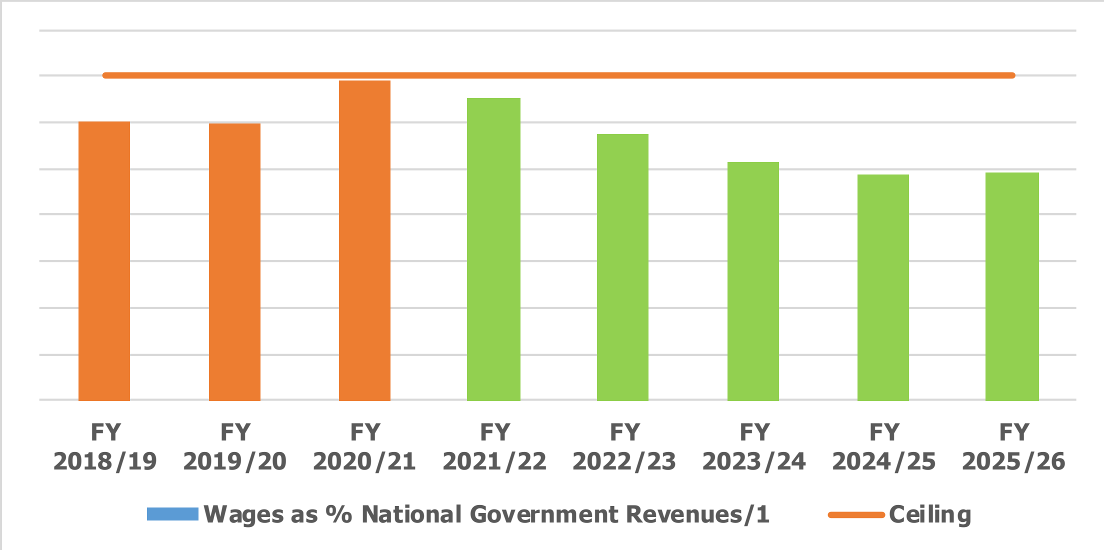
Figure 1: Development Expenditures as a Percent of Total National Government Budget



Source: National Treasury

b) The law requires that the National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National Government pursuant to Article 209 (4) of the Constitution. In conformity to this regulation, the National Government share of wages and benefits to revenues was 34.5 percent in the FY 2020/21, and is projected at 32.7 percent in the FY 2021/22, and to further decline to 24.6 percent by FY 2025/26 (**Figure 2**).

Figure 2: Wages as a Percentage of National Government Revenues



1Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme

Source: National Treasury

c) The Government is committed and continues to adhere to the principle as per the PFM Act section 15(2) (c) which requires that national government`s borrowed resources be used only for purposes of financing development and not for recurrent expenditure.

d) The PFM Act also requires that public debt and obligations remain at sustainable levels. The Government is committed to adhering to this at all times. Kenya`s debt is sustainable, however, with the negative impact of COVID-19 pandemic, exports and domestic resources have declined, which have in turn have deteriorated the debt service to exports ratio and the present value (PV) of debt to exports ratio.

e) Kenya's risk remains high in the context of the ongoing global Covid-19 shock. However, the impact of the pandemic on the economy is expected to ease with the global and domestic vaccinations efforts. In addition, the Government will continue with the fiscal consolidation programme which is expected to reduce debt vulnerabilities and ensure a stronger debt sustainability position going forward.

f) To manage fiscal risks prudently as required, the Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget. Potential fiscal risks arising from contingent liabilities, including from Public Private Partnership projects among others are taken into account and a contingency provision made to cushion the economy from unforeseeable shocks.

g) On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government is in the process of developing National tax policy to guide taxation process in Kenya. Further, the Government continues to carry out tax reforms through modernizing and simplifying tax laws in order to lock in predictability and enhance compliance within the tax system.

h) The Government has maintained tax rates at stable levels. However, to cushion individuals and corporates from the adverse impact of the COVID-19 pandemic, the VAT and Income tax rates were temporarily adjusted in April 2020. These temporary reliefs included reduction in tax rates (Value Added Tax from 16 percent to 14 percent; reduction in tax rates for both corporate income tax and individual income tax top rate from 30 percent to 25 percent.

i) The tax rates for both corporate income tax and individual income tax top rate were reversed with effect from January 1, 2021 in an effort to support revenue mobilisation. The Government will continue to maintain stable tax rates and build confidence in the Kenyan taxation system, enhance compliance and improve predictability while improving tax administration. The Government will also use tax policy initiatives to address areas where the tax base has been eroded, to strengthen revenue mobilization.

ANNEX 2: STATEMENT OF SPECIFIC FISCAL RISKS

Introduction

1. Kenya's economic growth has remained strong and resilient amidst emerging global challenges, unfavourable weather conditions and elevated public expenditure pressures coupled by revenue underperformance. However, the economy is prone to both domestic and external shocks. For prudent management of risks, the PFM Act, 2012 requires the preparation of a "Statement of Fiscal Risks.

2. This section provides an assessment of fiscal risks that the Kenyan economy is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this Budget Policy Statement. The fiscal risks arise from assumptions that underlie fiscal projections, the dynamics of public debt, and operations of state corporations, contingent liabilities, financial sector vulnerabilities and natural risks. Emergence of these risks could make it difficult for the Government to actualize and sustain macroeconomic policies detailed in this BPS. Thus, this section also details the measures that the Government is implementing to mitigate such risks.

Risk in Changes in Macroeconomic Assumptions

3. Macroeconomic variables play a key role in the formulation of the budget. Kenya's economy contracted by 0.3 percent in 2020 on account of COVID-19 pandemic and is expected to rebound to 6.0 percent in 2021. In terms of fiscal years, economic growth slowed by 2.9 percent in the FY 2020/21. The economy is expected to pick up to a growth of 5.9 percent in FY 2021/22, 5.8 percent in FY 2022/23 and 6.1 percent in FY 2025/26. Inflation rate expected to remain within the Government target range. The economy is expected to remain competitive in the external market with the exchange rate against major currencies remaining stable even amid COVID-19 pandemic. Due to the uncertainties in the economy since the onset of the pandemic, the unexpected changes in these outcomes may pose risks to both revenue and expenditure projected in this BPS. **Table 1** summarizes the likely impact of such changes on the fiscal outcomes.

Table 1: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2021/22 – 2024/25

	Revenue				Expenditures				Budget Balance			
	2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25
Reduction in real GDP (%) by 1.0 % point	-8.2	-9.1	-10.0	-11.1	-8.7	-9.6	-10.5	-11.6	0.5	0.5	0.5	0.5
Increase in inflation rate (%) by 1.0 % Point	8.3	9.1	10.1	11.2	9.1	10.0	11.1	12.2	-0.9	-0.9	-0.9	-1.0
Depreciation in exchange rate (Ksh/US$) by 10%	13.0	-1.6	-1.7	-1.8	9.2	1.6	1.8	1.9	3.8	-3.2	-3.5	-3.7
Increase in value of imported goods (US$) by 10%	7.9	-0.6	-0.7	-0.7	0.0	0.0	0.0	0.0	7.8	-0.7	-0.7	-0.7
All shocks Combined	21.6	-2.2	-2.3	-2.4	9.6	2.0	2.2	2.4	12.0	-4.2	-4.5	-4.9

Source of Data: National Treasury

Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

4. Overall, the macroeconomic assumptions underlying the recent budgets and actual budget outturn have generally been accurate with minimal deviations as shown in **Table 2**.

5. Over the period 2017/18-2020/21, the average deviation between the assumed and provisional actual real GDP growth rates was -1.2 percentage points with a standard deviation of 1.3 percentage point. With respect to inflation assumptions, the standard deviation was at 0.4 percentage point over the four years, with the largest deviation being recorded in FY 2020/21 at 0.8 percent. Despite the advent of COVID-19 pandemic that has threatened the stability of the domestic currency, the Government has strived to promote a stable and competitive exchange rate to support external trade. The Kenya Shilling is estimated to exchange at 107.6 per USD in FY 2020/21 compared to 104.2 per USD in FY 2019/20.

6. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2017/18 and FY 2020/21 fell short of its target by an average of Ksh 215.0 billion mainly on account of underperformance in ordinary revenue which was below target by an average of Ksh 193.6 billion. The average deviation of total expenditure and net lending between FY 2017/18 and FY 2020/21 was an underspending of Ksh 160.9 billion. This shortfall was mainly due to lower absorption in development expenditures by Ksh 99.7 billion.

7. The lower-than-projected spending on development expenditure poses a risk to the fiscal program, going forward. In order to prevent this risk from materializing and improve efficiency of public investments, the National Treasury froze initiation of new capital projects until the completion of the ongoing ones. The National Treasury has also established the Public Investment Management Unit which is responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget.

Table 2: Deviations in Macroeconomic and Fiscal Aggregates

	2017/18			2018/19			2019/20			2020/21*			2021/2022	Average	Standard
	Proj.	Act.	Dev.	Proj.	Act.	Dev.	Proj.	Act	Dev.	Proj.	Prel Actual	Dev.	Proj	Deviations	Deviations
I. Key Macroeconomic Assumptions															
Real GDP	6.2%	4.7%	-1.5%	5.9%	5.3%	-0.6%	4.0%	2.3%	-1.6%	4.0%	2.9%	-1.1%	5.9%	-1.2%	1.3%
Inflation Rate (avg)	5.0%	5.2%	0.2%	5.0%	4.9%	-0.1%	5.1%	5.2%	0.1%	5.0%	5.8%	0.8%	5.6%	0.3%	0.4%
Exchange rate (Ksh/US$), avg		102.4			102.4			104.2			107.6				
Export growth		2.9%			0.6%			-0.3%			6.6%				
Import growth		10.5%			2.7%			-5.6%			-4.0%				
II. Fiscal Aggregates (in Ksh billion)															
Total Revenue	1704.5	1522.5	-182.0	1949.2	1704.4	-244.8	2115.9	1737.0	-378.9	1837.8	1783.7	-54.1	2063.08	-215.0	244.74
Ordinary Revenue	1549.4	1365.1	-184.3	1769.2	1499.8	-269.5	1877.2	1573.4	-303.8	1578.8	1562.0	-16.8	1800.04	-193.6	223.12
AiA	134.0	136.6	2.7	155.2	204.6	49.4	238.7	163.6	-75.2	259.0	221.7	-37.3	263.04	-15.1	48.70
Grants	58.8	27.6	-31.2	48.5	19.7	-28.8	38.8	19.8	-19.0	72.8	31.3	-41.5	62.00	-30.1	31.16
Total Expenditure	2298.8	2146.7	-152.1	2557.2	2433.7	-123.5	2796.0	2565.4	-230.6	2886.9	2749.5	-137.4	3154.35	-160.9	166.16
Recurrent	1335.3	1349.9	14.6	1550.0	1759.3	209.3	1760.3	1762.3	2.0	1765.3	1766.3	1.0	1766.33	56.7	104.90
Development	612.8	469.5	-143.3	625.7	541.9	-83.8	652.3	594.9	-57.4	668.2	553.9	-114.4	667.72	-99.7	104.80
Domestic	366.3	266.0	-100.2	364.9	307.0	-57.9	390.2	396.6	6.5	417.8	386.9	-30.9	359.28	-45.6	60.00
External	236.4	201.0	-35.5	249.8	225.4	-24.4	255.8	197.6	-58.1	250.4	167.0	-83.4	301.61	-50.4	55.20
Net Lending	2.4	2.5	0.1	2.5	2.5	0.0	0.6	0.7	0.0	0.0	0.0	0.0	0.00	0.0	0.07
Equalization Fund	7.7	0.0	-7.7	8.5	7.0	-1.5	5.8	0.0	-5.8	0.0	0.0	0.0	6.83	-3.8	4.88
County Allocation	345.7	327.3	-18.4	376.5	360.7	-15.7	378.3	325.3	-53.1	399.6	399.0	-0.6	409.88	-22.0	29.17
Balance	-535.5	-631.3	-95.9	-559.6	-709.6	-150.1	-641.3	-808.6	-167.3	-976.2	-934.4	41.8	-1029.26	-92.8	123.94
Financing	535.5	631.3	95.9	559.6	721.1	161.5	641.3	790.8	149.5	976.2	950.2	-26.0	1029.26	95.2	120.71
Net Foreign Financing	256.0	355.0	99.0	287.0	414.5	127.5	331.3	340.4	9.1	417.6	323.3	-94.2	412.50	35.4	93.59
Net Domestic Financing	275.7	273.7	-2.0	268.7	306.5	37.9	310.0	450.4	140.3	558.7	626.9	68.3	616.76	61.1	80.30
Memo Items:															
Nominal GDP (Ksh billion)	8689.9	8922.3	232.5	9726.6	9745.6	19.0	10765.7	10620.8	-144.8	11275.8	11304.1	28.3	12514.51	33.7	138.00

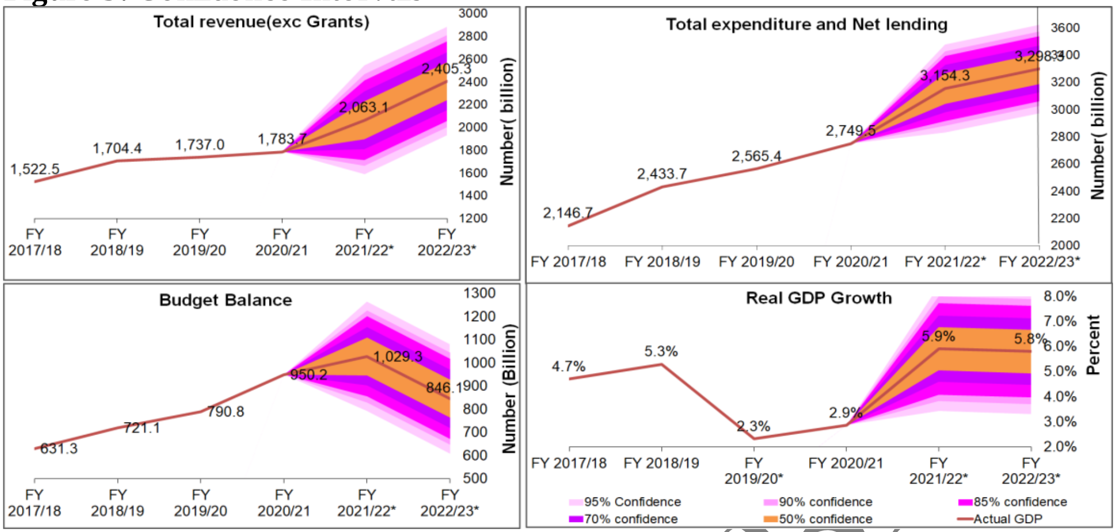
Source: National Treasury

8. The outbreak and spread of the COVID-19 Pandemic and the ensuing containment measures have devastated the economic activities. As a result, real GDP was at 2.9 percent in FY 2020/21. The economy is projected to rebound to a growth of 5.9 percent in FY2021/22 with a 95 percent confidence level ranging between 8.4 percent and 3.4 percent at 1.3 percent standard deviation. This will decline marginally to a growth of 5.8 percent FY 2022/23 and at a growth range of around 8.3 percent and 3.3 percent using the same standard deviation at 95 percent confidence interval (**Figure 3**).

9. There is a 95 percent chance that the forecasted total revenue of Ksh 2,063.1 billion in FY 2021/22 will be within the actual revenue range of Ksh 2,542.8 billion and Ksh 1,583.4 billion and a 50 percent possibility between Ksh 2,229.5 billion and Ksh 1,896.7 billion with a standard deviation of Ksh 244.7 billion. The Projected revenue of 2,405.3 billion for FY 2022/23 will fall at an actual range of Ksh 2885.0 and Ksh 1925.6 at 95 percent confidence interval.

10. The forecasted expenditure of Ksh 3,154.3 billion in FY 2021/2022 has a 90 percent chance to range between Ksh 3,427.7 billion and Ksh 2,881.0 billion with a 166.2 billion standard deviation. The expenditure is projected to increase further in FY 2022/23 at Ksh 3298.3 billion and to range between Ksh 3623.9 and Ksh 2972.6 billion at 95 percent confidence interval. The fiscal deficit at a standard deviation of 120.7 billion, within the four financial years, will therefore fall between Ksh 1,082.7 billion and Ksh 609.5 billion in FY 2022/23 at a 95 percent confidence level.

Figure 3: Confidence Intervals



Source of Data: National Treasury

SPECIFIC FISCAL RISKS

11. This section covers specific fiscal risk that Kenya faces and elevates the importance of effective risk management. The specific fiscal risks include:

i. High debt levels;
ii. Potential macroeconomic instability and risks attendant to election cycle;
iii. Exchange rate instability which could affect external debt servicing cost
iv. SOEs related Implicit Contingent Liabilities (Increased stock of unguaranteed debt owned by SOEs);
v. PPP Explicit Contingent Liabilities;
vi. Capital markets instability;
vii. Volatile climatic conditions which affect revenue; and
viii. High public expenditure as a percentage of GDP;

Sustainability of Public Debt

12. Prudent macroeconomic management including reduced fiscal deficits contributes to Kenya's debt sustainability. Poor performance of the economy particularly the export sector leads to the worsening of liquidity and solvency indicators, hence debt unsustainability. However, fiscal consolidation commitment by the Government will reduce the debt ratios.

13. Government's exposure to fiscal risks and contingent liabilities arising from state owned enterprises and recorded off balance sheet. Materialization of these liabilities may pose severe fiscal difficulties in the budget year. The government will continue monitoring the liabilities and will be able to mitigate the risk before they materialize.

14. To cushion the country against the downsides of the risks emanating from the global sphere and potential currency depreciation, the Government is deepening reforms in the domestic debt market to ensure a stable and strong financial system in Kenya capable of funding increasing share of the fiscal deficits.

15. To manage refinancing risk, the Government will implement liability management plans both on the external and domestic debt portfolio with the aim of lengthening the maturity structure in the debt portfolio. In addition, long term new debt will be contracted to extend maturity and manage the refinancing risk.

Foreign Exchange Depreciation Effect on the Public Debt Service

16. About 52 percent of the Kenya's debt is held in foreign currencies and this poses a fiscal risk in the event of depreciation of the Kenya shilling. Exchange rate depreciation could lead to increase in debt service beyond what is budgeted for in the Consolidated Fund Services (CFS) budget in local currency. To ensure the stability of the exchange rate, prudent macroeconomic management will be maintained.

Materialization of Explicit Contingent Liabilities

State Corporations/State Owned Enterprises (SOEs)

Governance

17. The Government has continued to strengthen corporate governance of State Corporations through the Mwongozo guidelines and subsequent trainings in the area of governance. Further, the Government recommended establishment and operationalization of audit committees and risk management frameworks for Government entities including State Corporations. The Public Finance Management Act and the Public Audit Act were geared towards enhancing effective financial management and oversight for efficient delivery of strategic objectives by State Corporations. In addition, the Capital Market Authority issued Regulations under the Capital Market Act (Cap 486) on code of governance requirements to be observed by companies listed at the NSE. This will enhance accountability, transparency and full disclosure by Companies listed in NSE which include Government-linked entities.

Restructuring of State Corporations/State Owned Enterprises (SOEs)

18. The presidential taskforce constituted in 2014 had restructuring and reforms of State Corporations as one of its key recommendations. In line with these recommendations the process for merging of Industrial and Commercial Development Corporation (ICDC), Industrial Development Bank (IDB) Capital, and Tourism Finance Corporation (TFC) is at an advanced stage. The merging of ICDC with the IDB and the TFC to create the Kenya Development Corporation will enhance capacity to meet the financing requirements of key sectors of the economy at below commercial rates and long tenure debt financing.

19. Under the State Corporations Act, State Corporations have legal capacity to contract debts and other liabilities to finance their requirements. Approval to procure such loans however, must be obtained from the Parent Ministry with the concurrence of the National Treasury as required under the State Corporations Act. Government Loans to State Corporations are either direct or on-lent. Direct loans refer to loans that the Government lends to State Corporations from exchequer resources.

20. The merging of Export Promotion Council and Brand Kenya was completed 2018 to form the Kenya Export Promotion and Branding Agency (KEPROBA). Further, merging of KEPROBA on one hand with Ken-Invest, KTB and Kenya Year Book on the other hand to form Promotion Kenya Agency is at an advanced stage.

21. On privatization, the Government Privatization Programme remains on course. The Privatization objectives aims at unlocking the potential of the identified institutions to capacity expansion, modernization, performance and efficiency improvement, mobilization of private capital, improved competitiveness and reduced reliance on public financing. Due to the challenges the privatization of sugar companies has faced over the years, a decision has been reached to proceed with privatization of these companies by way of long-term lease model which will transfer the Rights of Use (ROU) of each factory to the lessor for development and operation.

22. In 2021/22 FY there are ongoing reforms targeting Kenya Post Office savings bank and Postal Corporation of Kenya.

National Government Loans and Guarantees to State Corporations

23. The National Treasury has guaranteed a number of loans to State Corporations and Government linked Corporations mainly to undertake strategic projects and investments. The total outstanding Government guaranteed debt was Kshs 157,220 million as at June 30, 2021 from Kshs 165,248 million at end June 202.0. The decrease was mainly due to repayment of the guaranteed loans to by the guaranteed SoEs.

Fiscal risk analysis of State Corporations

24. State Corporations (SCs) can be a major source of fiscal risk to public finances if they underperform financially. In 2021/22 FY fiscal risk analysis was performed on a sample of eighteen (18) State Corporations whose report identified and disclosed the fiscal risk exposure to Government arising from State Corporations.

25. In the eighteen (18) major state corporations, detailed financial evaluations and the assessment highlighted a number of fiscal risks that could materialize. These stem primarily from liquidity challenges resulting from unfavorable revenue and economic performance. They also reflected a high liquidity risk demonstrated by their quick ratios being less than one implying their inability to service short term obligations when they fall due. Subsequently, 14 SCs were found to have accumulated sizable arrears. These SCs were chosen, given their size and strategic importance to the economy and society, thus holding a high implicit risk to government in that many of them are too strategic to fail.

26. A summary of their financial statistics in the **Table 3** below estimates a maximum fiscal exposure of Ksh 1.3 trillion, which equates to 13.6 percent of GDP. This creates a high degree of fiscal risk for Government through potentially stepping in for the repayment of on lent loans (Ksh 664 billion.), potential bailouts for guaranteed and non-guaranteed commercial loans (Ksh 343 billion.), other contingent liabilities such as pending court cases (Ksh 109 billion) and potential liquidity injections for the clearance of arrears (Ksh 211 billion).

Table 3: Summary of Fiscal Risks Associated to State Corporations

	Ksh. millions						
Group	Operating profit/loss	On lent loans	Guaranteed Debt	Commercial debt (non-guaranteed)	Contingent liabilities	Arrears	Quick ratio
Profitable strategic	30,683	95,809	96,343	42,703	55,340	3,200	1.54
Unprofitable strategic	-12,356	543,000	51,900	53,800	7,100	132,500	0.56
Marginal strategic role	-5250	0	91500	1720	42,694	33,800	0.32
Service provider	-5,276	25,231	0	4,847	3,418	41,523	0.77
Total	**7,801**	**664,040**	**239,743**	**103,070**	**108,552**	**211,023**	
Percent of GDP	**0.1**	**6.8**	**2.5**	**1.1**	**1.1**	**2.2**	**0.8**

Source: The National Treasury and Planning

27. The evaluation further assessed agencies projected cash flows for the period FY 2021/2022 – 2024/2025 and contingent liabilities which may crystalize to the National Budget. It was deduced that the estimated liquidity gap over the next (5) year period is Kshs 382 Billion taking cognizant of the effects of COVID 19 pandemic and that no further budgetary support nor borrowing to be availed.

28. Debt stricken state corporations constitute a potential source of fiscal risk. However, the government is cautious in issuance of guarantees and other support measures to state corporations upon such requests. However, as the principal owner

of all State Corporations the Government is the natural underwriter of risk that they face.

29. Contingent liabilities are potential liabilities that may occur depending on the outcome of uncertain future event. They are not reflected in the Budget Policy Statement financial position, but must be given adequate disclosure. However, a contingent liability is only recorded in the financial statements if the contingency is probable and the amount of the liability can reasonably be estimated. Contingent liability can be explicit or implicit. Explicit contingent liabilities are specific government obligations established by law or a contract authorized by law. The government is legally mandated to settle such an obligation when it becomes due. On the other hand, implicit contingent liabilities represent a moral obligation or expected burden for the government not in the legal sense, but based on public expectations and political intervention.

30. Contingent liabilities are frequently not recorded directly in the budget and thus are not subjected to budgetary oversight. These could lead to poor quantification of Contingent Liabilities and the possibility of large unplanned expenditures if the guarantee materializes. There is need for monitoring of these contingent liabilities to avoid fiscal difficulties in the budget year in the event they happen.

31. State Corporations are body corporates and have the legal capacity to contract debts and other liabilities to finance their requirements. Approval to procure such loans however, must be obtained from the Parent Ministry with the concurrence of the National Treasury as required under the State Corporations Act. Government Loans to State Corporations are either direct or on-lent. Direct loans refer to loans

32. While Government at times has a stake in state owned enterprises and other Government investments in public companies, its contractual obligations may be limited. However, due to the strategic nature of those state owned enterprises and public companies in view of the national interest and the overall impact of their failure to the economy, the Government may be morally obligated to bail out those state owned enterprises and public companies in financial distress. This may pose serious fiscal risk and challenge to budget implementation as The National Treasury has to provide budgetary resources to bail out these state owned enterprises and public companies in the course of the budget year. National Government Loans and Guarantees to State Corporations

33. In 2021/22 FY the Government is in the process of establishing a High Level Fiscal Risk Committee (FRC) with a view of identifying, evaluating, and reporting and to a deeper extent propose strategies of mitigating and tackling the same. However, the committee established and mandate should be within the law consistent with other established agencies with a similar mandate.

Contingent Liabilities of SOEs

34. As the principal owner (shareholder) of all State Corporations, the Government is the natural underwriter of risk that they face. Contingent liabilities are frequently not recorded directly in the budget and thus are not subjected to budgetary oversight. There is need therefore, for monitoring of these contingent liabilities to avoid fiscal difficulties in the budget year in the event they happen. Analysis of contingent liabilities therefore, is important in understanding the extent of the Government fiscal risks exposure. In FY 2019/20, total exposure in form of contingent liabilities was Ksh 174,574 million compared with Ksh 223,483 million in FY 2018/19.

Revitalization of the Public Private Partnerships (PPP) Program

35. The Government enacted the Public Private Partnerships (PPPs) Act in 2013 to prioritize PPPs as a mechanism to address major infrastructure funding gap in a time of constrained fiscal space, competing development pressures, particularly in the social sectors, and rising public expenditure demands from the national and devolved structure. Kenya has now gained traction with its PPP Programme, with a total of 45 projects under implementation or in active operation (6 being roads projects, totaling 639 km under the Roads Annuity and Tolling Programmes, on the one hand, and 39 electricity generation projects both renewable and thermal energy projects, totaling 3,034 MW of installed capacity). To accelerate and sustain the pace of implementation of PPPs, Government has in 2021 completely reformed the legal and institutional framework supporting PPPs through enacting a new comprehensive and highly efficient PPP law, that strengthens PPP institutions and reduces implementation bureaucracy, improves governance, focuses execution strategies, and promotes the framework for balancing risk with affordability and value for money, while guaranteeing rapid service delivery through cutting down execution timelines, and promoting local content for greater national value capture in PPPs.

36. The new PPP Directorate, headed by the Director General, will be at the centre of PPP programme design and implementation going forward, and will play a central role in public investment programming and design, alongside the Public Investment Management function at the National Treasury. This centralized coordination of all public investment programmes will directly contribute to budget efficiency while promoting private sector participation in public service delivery.

Priority Sectors for PPP Projects in Kenya

37. As part of driving the economic recovery of the country and enhance sustainable development, the Government has re-prioritized the PPP Pipeline. The key priority sectors now include Ports, Roads, Power Transmission, Urban Development Resilience and Mobility, Health, Housing, Affordable Real Estate, Water and Sanitation and the Blue Economy. The PPP targets to unlock at least

Ksh. 350 billion in the next 12 months in new development capital for priority projects in these sectors. Climate proofing of the PPP projects portfolio is additionally at the centre of PPP project design, with the view to promoting government's commitment to environmental and social sustainability.

Government Support Measures and Termination Terms for PPP Projects

38. The Government has issued Government Support Measures (GSMs) to various PPP projects, details of which GSMs are listed in the **Table 4** below:

Table 4: Public Private Partnership (PPP) Projects with effective Project Agreements or Power Purchase Agreements (PPAs) – Kenya, Government's Support Measures and Termination Terms

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
ROADS SECTOR PROJECTS								
1	LOT 33 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards the roads in Lot 33 (90.55km) Ngong-Kiserian-Isinya and Kajiado-Imaroro under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	98.8	Date of contract execution: 16th November 2016 Financial Close: February 2018 Status: Construction was completed. Operations commenced on 1st November 2020.	Letter of Support covering political risks issued on 4th August 2017	-Debt Due -The NPV and -Sub-Contractor Costs	N
2	Nairobi Expressway	Construction of the Mlolongo – JKIA- South C- Uhuru Highway – Westlands- James Gichuru (27Km) section of A8 road, a dual	30	667.8	Date of contract execution: 15th October 2019 Financial Close: Pending	Letter of Support covering political risks issued on 20th August 2020.	-Debt Due -The NPV and -Contract Breakage Costs	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		carriageway with Class A standard under a Design, Construct, Finance, Operate, Maintain and Transfer PPP arrangement.			Status: Early works are ongoing			
3	LOT 15 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards identified roads in Nyeri, Kirinyaga, Murang'a, Tharaka Nithi, Embu and Laikipia (45 km) under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	73.065	Date of contract execution: 23rd April, 2021 Financial Close: Pending Status: Fulfilling Conditions Precedent to Financial Close	Letter of Support covering political risks issued on 23rd April, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments	N
4	LOT 18 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards identified roads in Busia, Kakamega, Vihiga & Bungoma (35km) under a Finance, Design, Build, Maintain	10	59.176	Date of contract execution: 23rd April, 2021 Financial Close: Pending	Letter of Support covering political risks issued on 23rd April, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments of the Project Company	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		and Transfer PPP arrangement			Status: Fulfilling Conditions Precedent to Financial Close			
5	LOT 3 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards Wajir–Samatar (68Kms) and Rhamu-Mandera (75Kms) roads under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	188.88	Date of contract execution: 9th July, 2021 Financial Close: Pending Status: Fulfilling Conditions Precedent to Financial Close	Letter of Support covering political risks issued on 12th July, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments for employees of the Project Company	N
6	LOT 32 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards the Illasit – Njukini – Taveta road (66.5km) under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	79.03	Date of contract execution: 22nd May 2019 and amended on 9th July, 2021 Financial Close: Pending Status: Fulfilling Conditions	Letter of Support covering political risks issued on 12th July, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments for employees of the Project Company	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
					Precedent to Financial Close			
INDEPENDENT POWER PRODUCERS (IPPs)								
7	Africa Geothermal International 140 MW	25year Power Purchase Agreement on a Build, Own, Operate (BOO) basis at Longonot geothermal power project adjacent to Olkaria, Kenya	25	760	Date of contract execution: 3rd April 2013 Date of PPA Effectiveness: 2nd October 2015. Financial Close: Pending	Letter of support covering political risks issued on 29th January 2015.	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
8	Lake Turkana Wind Power – 300 MW	The wind turbine farm is being developed on BOO basis in Loyangalani, Marsabit West, on a 20 Year PPA with Kenya Power	20	847	Date of contract execution: 13th May 2013 Financial Close: 24th March, 2014 Status: Operational	Letter of support covering political risks issued on 28th February, 2013 Indemnity Agreement LC to be replaced with Escrow Account	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
9	Gulf Power – 80.32 MW	The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, in the Athi River	20	108	Date of contract execution: 17th December 2012	Letter of support covering political risks issued on 2nd July 2012	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		region, on a 20-year PPA with KPLC.			Financial Close: 18th November, 2013 Status: Operational	Indemnity Agreement covering PRG payments was signed on 14th March 2013. PRG amount US$ 35 Mn and Euros 7 Mn		
10	Triumph Power – 83 MW	The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20- year PPA with KPLC.	20	156.5	Date of contract execution: 14th June 2012 Financial Close: 7th August 2013 Status: Operational	Letter of support covering political risks issued on 2nd July 2012 Indemnity Agreement covering PRG payments was signed on 5th December 2012. PRG Amount US$ 45 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
11	Thika Power - 87MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at located near Thika town in Kiambu County, on a 20-year PPA with KPLC.	20	146	Date of contract execution: 2nd July 2012 Financial Close: 11th October 2012	Letter of support covering political risks issued on 2nd July 2012 Indemnity Agreement covering PRG	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
					Status: Operational from August 2013	payments was signed on 28th August 2014. PRG Amount US$ 35 Mn and Euros 7.7 Mn		
12	Orpower 150MW Olkaria III Geothermal power plant** (Expanded 1st plant 63.8MW,2nd Plant 39.6MW,3rd plant 17.6 MW and 4th Plant 29MW)	Description: 20 year – BOO, Geothermal. Location – Naivasha in Nakuru County		***558	Date of contract execution: 26th November 2014 Financial Close: January 1999 Status: Operational	Letter of support covering political risks issued on 16th April, 2015 Indemnity Agreement LC covering PRG payments of Amount US$ 31Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Losses incurred by the Seller	N
12	Rabai Power Plant – 90 MW	20 year – BOOT, Thermal Power (Diesel) Plant. Located at Rabai in Kilifi County	20	155	Date of contract execution: 4th September 2008 Financial Close: October, 2008 Status: Operational	Indemnity Agreement LC Account	Net Present Value of Non- Escalabe Capacity Charges for the remaining period to the expiry of the term discounted at 12% per annum	N
13	Mumias Power Plant – 35MW	10 Years-BOO, Biomass power Plant (Bagasse)	10	50	Date of contract execution: 15th May 2008	None	None	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		Located at Mumias Sugar Factory, Kakamega County			Financial Close: July, 2008 Status: PPA Expired			
14	KenGen Kipevu III, 120MW	Located at Kipevu in Mombasa, Diesel power plant, on a BOO basis for a 20-year period	20	134	Date of contract execution: 20th August 2014 Status: Operational	None	None	N
15	Kipevu II 74MW	Located in Mombasa next to Kilindini seaport, the Heavy Fuel Oil (HFO) power plant is on BOO basis over a 20-year period	20	85	Date of contract execution: 28th January 2000 Financial Close: Sept, 1999 Status: Operational	Indemnity Agreement	1. Net Present Value of Non-escalabe Capacity Charges for the remaining period to the expiry of the term discounted at 10% per annum. 2. Expenses incurred by the Seller as a result of termination. 3. The value of the stock of fuel and other consumables and spare parts at the Plant	N
16	Imenti tea Factory Limited 0.28MW	Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Meru County	20	1.11	Date of contract execution: 1st September 2009 Status: Operational	None	None	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
17	Power Technology Solutions Ltd. Gikira Kianjora Small Hydro Power Stations 0.514MW	Feed in Tariff, Hydro Power Plant on a BOO basis PPA period -20 years Location – Nyeri County	20	2.01	Date of contract execution: 12th June 2013 Status: Operational	None	None	N
18	1050 MW Lamu Power Project	Located in Manda Bay, the Lamu Coal Power Plant is on a BOO basis over a 20- year period	25	2,000	Date of contract execution: 4th August 2017 Status: PPA not yet effective	Letter of support covering political risks issued on 4th August, 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
19	100 MW Kipeto Wind Power	Feed in Tariff, Wind Power Plant on a BOO basis PPA period – 20 years Location - Kajiado County	20	323	Date of contract execution: 17th June 2016 Status: Plant commissioning underway	Letter of support covering political risks issued on 4th August 2017.	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years' profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
20	35MW Geothermal Quantum Power Project	25-year Power Purchase Agreement to finance, design, construct, install, operate and operate a 35MW geothermal power plant on a Build, Own, Operate (BOO) basis at Menengai.	25	90	Date of contract execution: 30th October 2014 Status: Financial Close pending	Letter of support covering political risks issued on 4th August 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 4. Redundancy payments/ Termination & Breakage costs 3. Value of unpaid construction works as at termination	N
21	35MW Sosian Menengai Geothermal Power Project	25-year Power Purchase Agreement to finance, design, construct, install, operate and operate a 35MW geothermal power plant on a Build, Own, Operate (BOO) basis at Menengai.	25	79	Date of contract execution: 30th October 2014 Status: Financial Close pending	Letter of support covering political risks issued on 19th December 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
22	40 MW Cedate Solar Power	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Uasin Gishu County	20	77	Date of contract execution: 5th June 2017 Status: Commissioning underway	Letter of support covering political risks issued on 4th August 2017.	1 The total project costs as derived from the audited Selenkei/Cedate Financial Model depreciated at 5% per annum. 2. The compensation amount to Cedate/ Selenkei shall be limited in aggregate to an amount equal to net present value calculated at 10% discount rate of the audited profit of Selenkei for the last 5 years for the loss of return on equity.	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
23a	40 MW Selenkei Solar Power	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Uasin Gishu County	20	84	Date of contract execution: 5th June 2017 Status: Commissioning underway	Letter of support covering political risks issued on 4th August 2017.		N
24	40 MW Malindi Solar Power Project	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Kilifi County	20	82	Date of contract execution: 5th June 2017 Status: Under construction	Letter of support covering political risks issued.	1. Total amount total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
25	40 MW Alten Solar Power Project	Feed in Tariff Power Plant on BOO basis PPA period – 20 years Location – Uasin Gishu County	20	105	Date of contract execution: 5th June 2017 Status: Review of Interconnection Facility designs underway.	Letter of support covering political risks issued on 14th December 2017.	1. The total project costs as derived from the audited Financial Model depreciated at 5% per annum. The compensation amount to Alten shall be limited in aggregate to amount equal to net present value calculated at 10% discount rate of the audited profit of Alten for the last complete five (5) Contract Years prior to the date of termination of the PPA	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
26	Chania Green 50MW Wind Power Plant	Feed in Tariff Wind Power Plant on a BOO basis PPA period – 20 years Location – Kajiado County	20	102	Date of contract execution: 24th August 2017 Status: Construction ongoing	Letter of support covering political risks issued on 26th January 2018.	1.Total amount Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. All amounts paid to Seller by way of subscription in Seller capital, less dividends and other distribution made to shareholders of Seller 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
27	Iberafrica 52.5MW	Thermal power Diesel Power Plant on a BOO basis PPA period – 25 years Location – Nairobi County	25	65	Date of contract execution: 10th November 2010 Status: Operational			N
28	Biojoule 2MW	Feed in Tariff, Biogas, 2MW Power Plant on a BOO basis PPA period – 20 years Location – Nakuru County	20	6	Date of contract execution: 25th January 2016 Status: Operational		Monthly Liquidated Damages, until the operating year when the agreement would have terminated by effluxion of time, an amount equivalent to the average monthly revenue which the seller would have earned.	N
29	Regen Terem	Feed in Tariff Power Plant 5.0MW on a BOO basis PPA period – 20 years	20	20	Date of contract execution: 28th January 2014	-	Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date.	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		Location – Bungoma County			Status: Operational			
30	Chania Power 0.5MW	Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Murang'a County	20	1.4	Date of contract execution: 25th May 2017 Status: under Commissioning	-	Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date. However, Seller and Buyer may agree on alternative arrangements.	N
31	Gura (KTDA), 2.8MW	Feed in Tariff, Hydro Power Plant on a BOO basis PPA period – 20 years Location – Nyeri County	20	12	Date of contract execution: 25th May 2017 Status: Operational	-	All amounts owed between the parties shall be paid upon termination	N
32	KTDA Ltd, North Mathioya-Metumi	3.60MW small hydro in Meru County	20	7	Date of contract execution: 25th May 2017 Status: Under commissioning Expected Commercial	-		N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
					Operation Date- 30th June 2021			
33	Kirinyaga Power Company Ltd & KTDA Power Company Ltd (Lower Nyamindi)	0.80MW in Kirinyaga County	20	5.3	Date of contract execution: 25th May 2017 Status: Under construction Expected Commercial Operation Date – 31st December 2021			N
34	Greater Meru Power Company Ltd (Iraru) & KTDA Power Company Ltd	1.0MW Hydro, Meru County	20	2.4	Date of contract execution: 25th May 2017 Status: Under construction Expected Commercial Operation Date – 31st December 2021			N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
35	Greater Meru Power Company Ltd (South Maara) & KTDA Power Company Ltd	1.50MW, Hydro, Meru County	20	6.2	Date of contract execution: 25th May 2017 Status: Under construction Expected Commercial Operation Date – 30th June 2021			N
36	KTDA Ltd, Nyambunde	0.50MW, Hydro, Kisii County	20	6.1	Status: Date of contract execution: 23rd June 2016 Status: Under construction Expected Commercial Operation Date 30th June 2021			N
37	Kleen Energy Limited.	6MW Hydro, Embu County	20	18	Date of contract execution: 12th August 2015			N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
					Status: Under construction Expected Commercial Operation Date – 31st December 2021			
38	Kwale International Sugar Limited (KISCOL)	10MW, Biomass co-generation, Kwale County	20		Date of contract execution: 15th October 2015 Status: Under construction			N
39	Marco Borero Co Ltd.	1.50MW, Solar, Nyeri County	20	2.5	Date of contract execution: 31st August 2017 Status: Under construction			N
40	Hannan Arya Energy (K) Ltd	10MW Solar, Kajiado County	20	12.2	Date of contract execution: 5th December 2017			N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
					Status: Financial Close pending			
41	DWA Estates Ltd (Rea Vipingo)	1.44MW Biomass, Makueni	20	4.23	Date of contract execution: 8th November 2017 Status: Under construction			N
42	Kianthumbi Small Hydro	0.51MW, Hydro, Meru County	20	1.4	Date of contract execution: 19th February 2018 Status: Under construction Expected Commercial Operation Date – 18th April 2021			N
43	REA Garissa	50MW Solar, Garissa County	20	85	Date of contract execution: 28th September 2016 Status: Plant is operational			

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
44	Olkaria V	158 MW, Nakuru County	25	433	Date of contract execution: 2nd April 2019 Status: Plant is operational			
45	Strathmore University	Feed in Tariff, Solar, 0.25MW Power Plant on a BOO basis PPA period – 20 years Location – Nairobi County	20	0.4	Date of contract execution: 22nd November 2017 Status: Operational			N

Materialization of Implicit Contingent Liabilities

Natural Disasters and Man-made Hazards

39. In the recent past, Kenya has been exposed to multiple disasters ranging from floods, desert locust invasion, COVID-19 and drought. The compounding effects of these disasters have had sever impacts on lives, livelihoods and the economy. While there exist several interventions to address these disasters, more needs to be done to further strengthen the country's disaster risk management frameworks. The Government will fast track the enactment of the Disaster Risk Management Policy and Bill, and finalize the Disaster Risk Management Strategy, as critical tools for disaster risk management in the country.

40. To increase the financial capacity for disaster preparedness, mitigation, response and recovery, the Government will Capitalize and operationalize the National Drought Emergency Fund (NDEF), and fast track the finalization of the Public Finance Management (Disaster Management Fund) Regulations. The Government will also review and update the Disaster Risk Financing Strategy in order to further increase the ability of the National and County Governments to respond effectively to disasters, thereby protecting the development goals, fiscal stability and wellbeing of its citizens.

41. To enhance sectoral resilience, the Government will fast track the finalization of the National Building Code that will incorporate Multi Hazard Resilient Design Standards in order to secure the country's-built environment. In addition, the Government will fast track the updating of the National Physical and Land Use Planning Handbook to incorporate climate change adaptation, mitigation and disaster risk management. The Government will also fast track the development of Urban Resilience Strategies to enhance city management. In addition, the Government will continue to support crop and livestock Insurance Programs, and cash transfer Programs in order to protect crop and livestock farmers, and the vulnerable communities against climate and disaster shocks.

42. To further strength Disaster Risk Management capacity at the County Level, the Government will upscale the development of County Emergency Operations Plans and County Multi Hazard Risk Profiles in a phased manner to cover all the 47 Counties.

Climate Change Related Fiscal Risks to the Economy

43. Climate change occasioned by increased human activities continues to cause temperature increases that pose serious threats to Kenya's development goals. These threats cause changes in precipitation patterns, rise in sea level, more intense

and frequent extreme weather events, and increased prevalence of catastrophic events, such as prolonged droughts and flooding in many Counties as well as vector-borne diseases and pests as witnessed by the invasion of desert locusts in the country and Horn of Africa.

44. The twin global challenges of COVID-19 and climate change has increased the debt burden and directly affected the fiscal capacities through their impact on tax bases and spending programs and use of fiscal instruments to respond to climate change related effects so as to limit the damage.

45. In recognition of the serious threats posed by climate change, the Government will deliver on the climate agenda through a focus on some the following interventions in the FY 2022/23:

i. Implement the Kenya Financing Locally Led Climate Action Program which aims to strengthen local communities' resilience to the impact of climate change, natural hazards and other shocks;
ii. Development of a National Framework Policy on Green Fiscal Incentives to guide and provide modalities for promoting private sector investment in green projects and programmes;
iii. Tapping into green financing by issuing the first Sovereign Green Bond to finance green and climate related projects and programmes;
iv. Development of a Long Term Strategy for climate change;
v. Development of the 3rd National Climate Change Action Plan (2022-27); and
vi. Review the National Policy on Climate Finance and develop the Climate Finance Strategy.

46. To enhance environmental sustainability, the Government will continue to implement the Green Economy Strategy. Notably, over the last three years, the Government in collaboration with key stakeholders locally and internationally has been developing the green bonds market with a view to mobilize adequate resources to support the implementation of climate and environmental actions in the country. The Green Bonds Regulatory Framework, which includes Capital Markets Authority's Policy Guidance Note for Issuance of Green Bonds, set the foundation for the development of a Green Bond Market for financing green projects and programmes in Kenya. In addition, the National Treasury has developed a Kenya Sovereign Green Bond Framework.

47. Further, in order to increase mobilization to finance climate from the Green Climate Fund (GCF), the National Treasury in its role as the National Designated Authority will spearheaded an accelerated development of bankable funding proposals and accreditation of entities.

Evolving Acts of Terrorism (Violent Extremism)

48. Terrorism remains one of the biggest threats to our security and economic growth and development not just in Kenya, but around the World. These attacks

lead to the destruction of property, closure of businesses, loss of lives, reduced foreign and domestic investment and increased government expenditure to counter the same. Al-Shabaab terror group has been one of the main groups that have consistently been a threat to our national security especially in areas such as Mandera, Garissa, Wajir and Lamu counties. The terror group has been behind several attacks in Kenya including an attack in Garissa University College, 2015; Dusit D2 attack in 2019; Lamu attack on a convoy of 3 passenger busses in 2020 and attack in Jabibar area of Mandera in 2021 county where three people were killed.

49. Fire outbreaks that have constantly evolved in the Gikomba area of Nairobi County have posed a threat to the economic well-being of thousands of self-employed traders. In the past decade, the Gikomba market has reported cases of fire outbreaks that have constantly been linked to arson attacks as opposed to a natural occurrence. In 2021, the market reported an incidence of the fire outbreak that ensued the Government to take initiatives to prevent such occurrences. Some of the measures the Government is undertaking to curb these incidences include the establishment of a call centre to collect sufficient intelligence that will assist in apprehending the perpetrators of the act; installation of high mast CCTV cameras for real-time surveillance in the market; building of a perimeter wall of the new market that is coming up; drilling of a borehole and provide a 100, 000-litre steel tank to provide running water in case of fire emergencies.

50. Going forward, the Government will continue to immensely invest in the progressive upgrading of security infrastructure, deployment of personnel, and improvement of intelligence-gathering mechanisms in areas prone to terror attacks. The Government will also pursue reforms that will enhance security and sustain a conducive environment that will attract investors. These reforms include counter-terrorism strategies that involve partnership between the public and the security agencies, enhance training in gathering and use of intelligence information, acquisition of modern security equipment and raising awareness on terrorism.

Technological Risk

51. Information, Communication and Technology play a revolutionary role in improving ways of doing business, expanding access to financial services as well as it plays a critical role in achieving "the Big Four" Agenda and other priority programmes as outlined in the Third Medium Term of Vision 2030. Technological advancement continues to evolve in the country especially in the provision of essential services and financial sector where most of the transactions are carried out on a digital platform.

52. The emergence of the COVID-19 virus in 2020 and the resultant containment measures have accelerated the use of technology in the country in the provision of essential services. The drive towards digitization continues to thrive and the Government has continued to put more focus on digitizing records and transactions to enhance transparency in public service delivery. The rollout of the e-citizen

platform has improved and made it easier to access Government services. Since its launch, in August of 2014, 350 Government services have been migrated to the e-Citizen platform. Consequently, the platform has in 7 years since its inception, served 27.2 million unique customers and has collected over Ksh 87.1 billion in revenues for the government. Other digital platforms created by the government include IFMIS, GHRIS, IPPD, i-Tax, e-procurement portal.

53. However, with every technological and digital advancement, there is potential security risk. Cybercriminals continue to take advantage of the high uptake and usage of internet to lodge cyber-attacks. In the quarter ending June 2021, cybercrime rose by 37.8 per cent to 38.7 million. Majority of these threats were malware attacks which recorded the highest jump of 6.9 per cent to stand at 23 million. Given the importance of the ICT and the extensive application in service delivery and business transactions, challenges such as cybercrime, fraud and system breakdown continue to pose risks that deter the smooth operation of the digital platforms and leads to loss in Government revenue, data corruption and loss, reduced customer deposits in the financial sector and loss of confidence in digital processes by the public.

54. In order to mitigate these threats, the Government through the Kenya Computer Incidence Response Team together with other stakeholders is sensitizing all users of digital platforms on the importance of enhancing cyber security. To promote data security in the digital platforms, the Government developed a Data Protection Act in 2019 and in subsequent established the Office of the Data Protection Commissioner whose mandate is to establish the legal and institutional mechanism to protect personal data and provide data subjects with rights and remedies to protect their data from processing that is not in accordance with the Act.

55. The Government has also developed policies and regulatory framework to ensure that data protection is enhanced through the Central Bank of Kenya amendment Act, 2021, that gives CBK the power to suspend or revoke the licenses of digital lenders that breach the conditions of the Data Protection Act or the Consumer Protection Act. Further, the Government has enhanced Government Common Core Network (GCCN) security, deployed firewall at all the gateways, and has implemented cyber security policies to secure the use of ICT in government.

56. The use of technology in learning institutions has exposed children to a wealth of benefits and opportunities, but also a host of risks including access to harmful content, sexual exploitation, abuse and cyber bullying. To mitigate these risks, the Government has launched the Child Online Protection (COP) Phase II awareness campaign to protect children and their digital footprint, and promote social awareness on benefits and vulnerabilities in the cyber space.

Financial Integrity

57. In compliance with the international standards on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Kenya is currently undergoing the second mutual evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) from September 2021 to January 2022. This evaluation will amongst others, focus on the effectiveness of the country's AML/CFT framework, whether the country is applying a risk-based approach in addressing money laundering and terrorism financing (ML/TF), the risks posed by financial inclusion products like M-Pesa, whether Kenya has on-boarded the AML/CFT responsibility on lawyers or not, among others.

58. Kenya was first evaluated on its AML/CFT regime in 2010, and the report revealed significant deficiencies, including non-designation of advocates, notaries and other legal professionals as reporting entities under the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA). The Government is therefore in the process of enacting the Proceeds of Crime and Anti-Money Laundering (Amendment) Bill, 2021 to among others, provide a legal basis for designating lawyers as reporting entities under POCAMLA.

Fiscal Risks Related to Devolution

59. County Treasuries are required under Section 107 of the PFM, Act 2012 to manage their public finances in accordance with the principles of fiscal responsibility. Among the fiscal responsibility principles set out in Section 107 (2) is the requirement for the County Treasury to manage its fiscal risks prudently. A number of fiscal risks that require prudence in its management by the County Governments are as follows;

i. High expenditure on personnel emoluments contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 that sets the limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

ii. Below target Own Source Revenue Collections that results in budget deficits and effects negatively on service delivery to the citizens

iii. County Governments continue to report high levels of pending bills that remain unpaid that has a negative effect on the business community as well as the economy in general.

iv. Low actual expenditure on development expenditure which is not in line with the County Governments approved budgets and contrary to Section 107(2) (b) of the Public Finance Management (PFM) Act, 2012, that provides that over the medium term, a minimum of thirty per cent of the County Government budget shall be spent on the development expenditure.

Annex Table 1: Macroeconomic Indicators

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
	annual percentage change, unless otherwise indicated														
National Account and Prices															
Real GDP	2.9	6.3	5.9	5.9	5.7	4.5	5.8	6.0	4.7	5.9	6.1	5.0	6.0	5.3	6.1
GDP deflator	5.9	5.2	5.5	5.5	5.0	4.9	4.8	5.4	5.4	5.3	5.3	5.3	5.2	6.0	6.0
CPI Index (eop)	5.7	5.0	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.8	5.0	5.6	5.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.6	1.1	0.2	1.1	-0.3	0.2	0.2	0.5	0.2	0.2	0.6	0.3	0.3	0.4	0.4
Money and Credit (end of period)															
Net domestic assets	12.6	10.2	11.9	11.9	12.0	10.0	10.5	13.0	11.1	11.4	12.6	11.2	11.4	11.9	12.0
Net domestic credit to the Government	22.4	21.1	18.2	18.2	13.5	10.1	12.1	11.1	11.3	10.9	9.6	12.2	11.5	11.0	11.1
Credit to the rest of the economy	7.7	7.7	12.5	12.5	13.8	12.1	11.4	13.7	12.1	12.6	13.2	12.3	12.8	14.9	14.8
Broad Money, M3 (percent change)	6.3	11.0	11.7	11.7	11.0	9.6	10.9	11.7	10.3	11.4	11.4	10.5	11.5	11.6	12.5
Reserve money (percent change)	5.4	6.5	-10.9	-10.9	6.6	-2.5	-1.4	7.2	-1.9	-0.9	6.9	-1.7	-0.8	-0.7	0.1
	in percentage of GDP, unless otherwise indicated														
Investment and Saving															
Investment	20.6	19.8	20.8	20.8	18.3	16.1	20.5	19.0	16.7	20.7	19.4	17.6	21.1	18.4	21.2
Central Government	5.3	4.9	5.0	5.0	4.8	4.9	5.0	4.9	5.0	4.9	4.8	5.1	5.0	3.0	2.9
Other	15.3	14.9	15.8	15.8	13.4	11.3	15.6	14.1	11.6	15.7	14.6	12.6	16.1	15.4	18.4
Gross National Saving	16.2	13.8	16.3	16.3	12.2	11.4	15.6	12.8	11.9	15.4	13.1	12.7	15.4	13.6	15.4
Central Government	-4.6	-2.6	-4.7	-4.7	-1.4	-3.0	-3.0	-0.4	-2.3	-2.0	-0.1	-2.0	-1.5	-0.1	-0.4
Other	20.8	16.4	21.0	21.0	13.6	14.4	18.7	13.2	14.1	17.3	13.2	14.7	16.9	13.7	15.7
Central Government Budget															
Total revenue	15.8	16.4	16.1	16.3	17.3	17.5	17.2	18.2	18.6	18.1	18.1	18.1	18.1	18.6	17.4
Total expenditure and net lending	24.3	24.3	24.0	25.0	23.3	23.5	23.6	22.7	23.5	22.7	22.0	22.7	22.2	22.8	21.5
Overall Fiscal balance excl. grants	-8.5	-7.9	-7.9	-8.6	-6.0	-6.0	-6.4	-4.6	-4.8	-4.7	-3.9	-4.7	-4.1	-4.2	-4.1
Overall Fiscal balance, incl. grants, cash basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.8	-3.9	-3.8
Statistical discrepancy	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	8.4	7.4	8.2	0.0	5.6	5.7	6.0	4.2	4.5	4.4	3.6	4.4	3.8	3.9	3.8
Primary budget balance	-3.8	-3.0	-2.9	-3.4	-0.9	-0.8	-1.1	0.3	0.2	0.2	0.6	0.2	0.5	0.7	0.3
Net domestic borrowing	5.5	5.4	5.2	4.9	3.2	3.0	3.4	2.7	3.3	3.1	2.7	3.1	3.3	3.3	3.2
External Sector															
Exports value, goods and services	10.8	11.0	11.0	11.0	10.5	10.7	10.9	10.0	10.3	10.7	9.5	9.8	10.4	9.4	10.1
Imports value, goods and services	17.9	18.6	17.4	17.4	17.8	16.6	17.3	17.0	15.9	17.1	16.2	15.1	16.7	14.3	16.4
Current external balance, including official transfers	-4.4	-6.0	-4.5	-4.5	-6.1	-4.7	-4.9	-6.2	-4.8	-5.3	-6.3	-4.9	-5.7	-4.8	-5.9
Gross reserves in months of next yr's imports	5.6	5.5	5.5	5.5	5.5	5.6	5.5	5.5	5.6	5.5	5.5	5.6	5.5	5.7	5.6
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	5.9
Public debt															
Nominal central government debt (eop), gross	68.2	69.3	68.1	68.1	68.1	68.6	67.5	65.2	66.7	64.9	62.1	64.5	62.1	58.8	59.1
Nominal debt (eop), net of deposits	63.2	65.3	63.6	63.6	64.4	64.5	63.4	61.9	63.0	61.3	59.1	61.1	58.8	55.7	56.2
Domestic (gross)	32.7	35.4	34.2	34.2	35.6	34.7	34.3	35.0	34.8	33.9	34.1	35.1	33.7	34.7	33.1
Domestic (net)	27.7	31.3	29.7	29.7	31.9	30.6	30.2	31.7	31.1	30.3	31.1	31.7	30.5	31.7	30.2
External	35.5	34.0	33.9	33.9	32.5	33.9	33.2	30.2	31.9	31.0	28.0	29.4	28.4	24.1	26.0
Memorandum Items:															
Nominal GDP (in Ksh Billion)	11,304	12,393	12,628	12,628	13,760	13,721	14,002	15,373	15,140	15,605	17,128	16,735	17,402	18,682	19,577
Nominal GDP (in US$ Million)	105,062	114,334	114,431	114,431	126,082	125,357	122,311	139,749	137,220	131,276	155,429	151,402	141,823	168,416	154,252

Source: National Treasury

Annex Table 2: Government Fiscal Operations, Ksh Billion

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
TOTAL REVENUE	**1,783.7**	**2,033.6**	**2,038.7**	**2,063.1**	**2,379.3**	**2,405.3**	**2,405.3**	**2,795.9**	**2,817.6**	**2,818.2**	**3,099.3**	**2,818.2**	**3,145.9**	**3,479.6**	**3,408.9**
Ordinary Revenue	1,562.0	1,775.6	1,775.6	1,800.0	2,141.6	2,141.6	2,141.6	2,516.3	2,516.3	2,516.3	2,807.4	2,516.3	2,822.6	3,144.3	3,073.6
Income Tax	694.1	834.5	834.5	817.9	997.3	981.5	978.7	1,178.6	1,153.7	1,142.2	1,316.2	1,142.2	1,285.7	1,451.1	1,451.1
Import duty (net)	108.4	119.0	119.0	118.8	144.9	144.9	139.5	170.4	170.4	161.2	187.5	161.2	181.4	209.3	209.3
Excise duty	216.3	241.0	241.0	259.6	297.2	298.0	304.3	346.9	346.9	349.2	389.7	349.2	395.1	432.3	432.3
Value Added Tax	410.8	472.9	472.9	477.1	584.7	583.2	585.1	691.6	691.6	695.8	774.3	695.8	792.7	875.8	805.1
Investment income	45.1	30.0	30.0	35.5	31.5	31.5	31.5	33.1	33.1	34.7	34.7	34.7	34.7	35.1	35.1
Other	87.4	78.2	78.2	91.2	86.0	102.5	102.5	95.7	120.6	133.1	105.0	133.1	133.1	140.8	140.8
Ministerial Appropriation in Aid	**221.7**	**257.9**	**263.0**	**263.0**	**237.7**	**263.7**	**263.7**	**279.6**	**301.3**	**302.0**	**291.9**	**302.0**	**323.2**	**335.2**	**335.2**
EXPENDITURE AND NET LENDING	**2,749.5**	**3,010.0**	**3,030.3**	**3,154.3**	**3,199.4**	**3,228.0**	**3,298.3**	**3,495.6**	**3,551.1**	**3,548.9**	**3,762.9**	**3,548.9**	**3,865.0**	**4,258.6**	**4,205.7**
Recurrent expenditure	1,796.6	1,986.0	1,991.9	2,071.8	2,117.4	2,141.2	2,174.9	2,318.6	2,364.2	2,357.3	2,506.0	2,357.3	2,569.2	2,848.4	2,795.5
Interest payments	495.1	560.6	560.3	605.3	644.0	659.2	687.9	695.6	719.8	712.2	713.8	712.2	758.3	849.7	796.8
Domestic interest	388.8	421.7	421.9	479.2	482.4	515.2	553.4	508.0	563.3	572.3	518.7	572.3	615.0	671.3	637.2
Foreign Interest	106.3	138.9	138.4	126.0	161.5	144.1	134.5	187.6	156.4	139.9	195.1	139.9	143.3	178.4	159.6
Pensions & Other CFS	112.9	137.0	137.2	137.2	150.4	150.4	150.4	167.9	168.1	168.2	192.6	168.2	192.9	217.6	217.6
Pensions	110.3	132.8	132.8	132.8	146.0	146.0	146.0	163.5	163.5	163.5	188.1	163.5	188.1	212.5	212.5
Other CFS	2.6	4.2	4.4	4.4	4.4	4.4	4.4	4.4	4.6	4.6	4.6	4.6	4.9	5.1	5.1
Contribution to Civil ServicePension Fund	3.3	21.6	20.8	27.8	22.9	25.9	25.9	23.8	28.5	28.5	24.8	28.5	31.3	34.4	34.4
Net Issues/Net Expenditure	1,051.7	1,093.6	1,106.6	1,134.4	1,152.9	1,142.9	1,147.9	1,250.3	1,250.3	1,250.3	1,388.3	1,250.3	1,382.8	1,541.4	1,541.4
O/W: Wages & Salaries	493.0	524.5	526.1	526.1	550.7	550.7	560.7	588.3	602.8	600.0	635.3	600.0	645.3	703.4	703.4
IEBC	4.9	14.4	14.2	14.2	16.5	16.5	16.5	6.5	6.5	6.5	6.9	6.5	6.9	6.9	6.9
Defense and NIS	157.7	156.9	157.1	157.1	161.9	161.9	161.9	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0
Nairobi Metropolitan Service (NMS)	16.3	14.8	14.8	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	301.2	256.2	297.7	340.3	268.1	258.0	253.0	327.0	312.4	315.2	411.0	315.2	395.5	496.0	496.0
Ministerial Recurrent AIA	133.6	170.0	163.8	163.8	147.2	162.9	162.9	180.8	197.5	198.2	186.6	198.2	203.9	205.3	205.3
Ministerial Recurrent AIA - NMS	0.0	3.2	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**553.9**	**609.1**	**623.5**	**667.7**	**670.5**	**675.2**	**712**	**760**	**770**	**774.3**	**834.4**	**774.3**	**873.3**	**962.8**	**962.8**
Domestically financed (Gross)	386.9	317.6	335.2	359.3	350.3	355.0	391.6	401.8	411.7	416.4	436.8	416.4	475.7	522.8	522.8
O/W Domestically Financed (Net)/NMS	308.2	243.6	249.7	270.3	274.2	264.2	293.8	318.4	318.4	323.1	347.3	323.1	367.3	404.1	404.1
Ministerial Development AIA	128.9	64.8	79.8	79.8	76.0	90.7	90.7	83.4	93.3	93.3	90.7	93.3	110.6	141.9	141.9
Foreign financed	167.0	284.7	281.4	301.6	312.7	312.7	312.7	349.9	349.9	349.9	390.0	349.9	390.0	431.7	431.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	6.8	6.8	6.8	7.5	7.5	7.5	8.0	8.0	8.0	7.6	8.0	7.6	8.3	8.3
County Tranfers	**399.0**	**409.8**	**409.9**	**409.9**	**406.5**	**406.5**	**406.5**	**412.3**	**412.3**	**412.3**	**417.5**	**412.3**	**417.5**	**442.5**	**442.5**
Equitable Share	346.2	370.0	370.0	370.0	370.0	370.0	370.0	375.0	375.0	375.0	380.2	375.0	380.2	405.2	405.2
Conditional Allocation	52.8	39.8	39.9	39.9	36.5	36.5	36.5	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3
Contingency Fund	**0.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-965.7**	**-976.5**	**-991.7**	**-1,091.3**	**-820.1**	**-822.7**	**-893.0**	**-699.7**	**-733.6**	**-730.6**	**-663.6**	**-730.6**	**-719.1**	**-779.1**	**-796.8**
Grants	**31.3**	**46.1**	**62.0**	**62.0**	**46.9**	**46.9**	**46.9**	**48.1**	**48.1**	**48.1**	**49.3**	**48.1**	**49.3**	**53.2**	**53.2**
Fiscal Balance *(incl. grants)*	**-934.4**	**-930.4**	**-929.7**	**-1,029.3**	**-773.2**	**-775.8**	**-846.1**	**-651.6**	**-685.5**	**-682.5**	**-614.3**	**-682.5**	**-669.8**	**-725.8**	**-743.6**
Adjustment to Cash Basis	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance *(incl. grants) Cash Basis*	**-929.3**	**-930.4**	**-929.7**	**-1,029.3**	**-773.2**	**-775.8**	**-846.1**	**-651.6**	**-685.5**	**-682.5**	**-614.3**	**-682.5**	**-669.8**	**-725.8**	**-743.6**
Statistical discrepancy	20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**950.2**	**930.4**	**929.7**	**1,029.3**	**773.2**	**775.8**	**846.1**	**651.6**	**685.5**	**682.5**	**614.3**	**682.5**	**669.8**	**725.8**	**743.6**
Net Foreign Financing	**323.3**	**267.3**	**271.2**	**412.5**	**326.4**	**367.8**	**363.0**	**235.7**	**181.2**	**192.3**	**154.3**	**192.3**	**95.4**	**115.6**	**125.5**
Disbursements	**451.6**	**880.6**	**884.3**	**965.1**	**605.5**	**617.8**	**605.5**	**517.8**	**674.2**	**674.2**	**381.1**	**674.2**	**381.1**	**415.4**	**415.4**
Commercial Financing	114.3	475.3	475.3	475.3	0.0	105.6	105.6	0.0	270.0	270.0	0.0	270.0	0.0	0.0	0.0
O/W Export Credt	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	107.6	124.3	124.3	124.3	0	105.6	105.6	0	270	270.0	0	0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	351.0	351.0	351.0	0.0	0.0	0.0				0.0	270.0	0.0	0.0	0.0
Semi conssessional Loans	0.0	0.0	0.0	0.0	105.6	0.0	0.0	113.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	168.7	273.5	273.5	319.9	302.0	302.0	302.0	338.8	338.8	338.8	377.6	338.8	377.6	415.4	415.4
O/W Project Loans AIA	104.8	181.6	170.3	176.3	204.3	204.3	204.3	239.1	239.1	239.1	263.0	239.1	263.0	289.3	289.3
Project Loans Revenue	52.4	91.9	103.2	103.2	97.7	97.7	97.7	99.7	99.7	99.7	114.6	99.7	114.6	126.1	126.1
Project Loans SGR _Phase I_ AIA	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation				40.3											
Programme Loans	168.6	131.8	135.4	169.9	197.8	210.1	197.8	65.4	65.4	65.4	3.5	65.4	3.5	0.0	0.0
Debt repayment - Principal	-128.3	-613.4	-613.1	-552.6	-279.1	-250.0	-242.5	-282.1	-493.0	-482.0	-226.9	-482.0	-285.7	-299.8	-289.9
of which: External Debt Operations - Refinancing	0.0	-351.0	-351.0	-351.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Financing	**626.9**	**663.1**	**658.5**	**616.8**	**446.8**	**408.0**	**483.1**	**415.9**	**504.3**	**490.3**	**460.0**	**490.3**	**574.4**	**610.2**	**618.1**
Memo items															
Gross Debt (Stock)	7,713.3	8,593.8	8,601.2	8,601.2	9,369.1	9,418.7	9,447.3	10,020.3	10,104.1	10,129.8	10,634.1	10,129.8	10,799.6	10,977.9	11,573.3
External Debt	4,015.2	4,209.0	4,286.4	4,286.4	4,472.2	4,654.2	4,649.4	4,646.0	4,835.4	4,841.7	4,800.2	4,841.7	4,937.1	4,496.0	5,092.6
Domestic Debt (gross)	3,698.0	4,384.8	4,314.8	4,314.8	4,897.0	4,764.5	4,797.9	5,374.3	5,268.8	5,288.2	5,833.9	5,288.2	5,862.6	6,481.9	6,480.7
Domestic Debt (net)	3,134.5	3,881.5	3,751.2	3,751.2	4,393.6	4,200.9	4,234.3	4,871.0	4,705.2	4,724.6	5,330.6	4,724.6	5,299.0	5,918.3	5,917.1
Financing gap	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**11,304.1**	**12,393.1**	**12,628.1**	**12,628.1**	**13,759.9**	**13,721.3**	**14,002.1**	**15,373.1**	**15,140.0**	**15,604.6**	**17,128.4**	**15,604.6**	**17,401.9**	**18,682.1**	**19,577.0**

Source: National Treasury

Annex Table 3: Government Fiscal Operations, Percent of GDP

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	PROJ.	BROP'21	BPS'22	BROP'21	BPS'22
TOTAL REVENUE	**15.8**	**16.4**	**16.1**	**16.3**	**17.3**	**17.5**	**17.2**	**18.2**	**18.6**	**18.1**	**18.1**	**18.1**	**18.1**	**18.6**	**17.4**
Ordinary Revenue	**13.8**	**14.3**	**14.1**	**14.3**	**15.6**	**15.6**	**15.3**	**16.4**	**16.6**	**16.1**	**16.4**	**16.1**	**16.2**	**16.8**	**15.7**
Income Tax	6.1	6.7	6.6	6.5	7.2	7.2	7.0	7.7	7.6	7.3	7.7	7.3	7.4	7.8	7.4
Import duty (net)	1.0	1.0	0.9	0.9	1.1	1.1	1.0	1.1	1.1	1.0	1.1	1.0	1.0	1.1	1.1
Excise duty	1.9	1.9	1.9	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.2	2.3	2.3	2.2
Value Added Tax	3.6	3.8	3.7	3.8	4.2	4.3	4.2	4.5	4.6	4.5	4.5	4.5	4.6	4.7	4.1
Investment income	0.4	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.8	0.6	0.6	0.7	0.6	0.7	0.7	0.6	0.8	0.9	0.6	0.9	0.8	0.8	0.7
Ministerial Appropriation in Aid	**2.0**	**2.1**	**2.1**	**2.1**	**1.7**	**1.9**	**1.9**	**1.8**	**2.0**	**1.9**	**1.7**	**1.9**	**1.9**	**1.8**	**1.7**
EXPENDITURE AND NET LENDING	**24.3**	**24.3**	**24.0**	**25.0**	**23.3**	**23.5**	**23.6**	**22.7**	**23.5**	**22.7**	**22.0**	**22.7**	**22.2**	**22.8**	**21.5**
Recurrent expenditure	**15.9**	**16.0**	**15.8**	**16.4**	**15.4**	**15.6**	**15.5**	**15.1**	**15.6**	**15.1**	**14.6**	**15.1**	**14.8**	**15.2**	**14.3**
Interest payments	4.4	4.5	4.4	4.8	4.7	4.8	4.9	4.5	4.8	4.6	4.2	4.6	4.4	4.5	4.1
Domestic interest	3.4	3.4	3.3	3.8	3.5	3.8	4.0	3.3	3.7	3.7	3.0	3.7	3.5	3.6	3.3
Foreign Interest	0.9	1.1	1.1	1.0	1.2	1.0	1.0	1.2	1.0	0.9	1.1	0.9	0.8	1.0	0.8
Civil service Reform	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pensions & Other CFS	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1
Pensions	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.1	1.1
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil ServicePension Fund	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	9.3	8.8	8.8	9.0	8.4	8.3	8.2	8.1	8.3	8.0	8.1	8.0	7.9	8.3	7.9
O/W: Wages & Salaries	4.4	4.2	4.2	4.2	4.0	4.0	4.0	3.8	4.0	3.8	3.7	3.8	3.7	3.8	3.6
IEBC	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defense and NIS	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.1	1.0	0.9	0.9
Nairobi Metropolitan Service (NMS)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.7	2.1	2.4	2.7	1.9	1.9	1.8	2.1	2.1	2.0	2.4	2.0	2.3	2.7	2.5
Ministerial Recurrent AIA	1.2	1.4	1.3	1.3	1.1	1.2	1.2	1.2	1.3	1.3	1.1	1.3	1.2	1.1	1.0
Ministerial Recurrent AIA - NMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**4.9**	**4.9**	**4.9**	**5.3**	**4.9**	**4.9**	**5.1**	**4.9**	**5.1**	**5.0**	**4.9**	**5.0**	**5.0**	**5.2**	**4.9**
Domestically financed (Gross)	3.4	2.6	2.7	2.8	2.5	2.6	2.8	2.6	2.7	2.7	2.5	2.7	2.7	2.8	2.7
O/W Domestically Financed (Net)/NMS	2.7	2.0	2.0	2.1	2.0	1.9	2.1	2.1	2.1	2.1	2.0	2.1	2.1	2.2	2.1
Ministerial Development AIA	1.1	0.5	0.6	0.6	0.6	0.7	0.6	0.5	0.6	0.6	0.5	0.6	0.6	0.8	0.7
Foreign financed	1.5	2.3	2.2	2.4	2.3	2.3	2.2	2.3	2.3	2.2	2.3	2.2	2.2	2.3	2.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0
County Tranfers	**3.5**	**3.3**	**3.2**	**3.2**	**3.0**	**3.0**	**2.9**	**2.7**	**2.7**	**2.6**	**2.4**	**2.6**	**2.4**	**2.4**	**2.3**
Equitable Share	**3.1**	**3.0**	**2.9**	**2.9**	**2.7**	**2.7**	**2.6**	**2.4**	**2.5**	**2.4**	**2.2**	**2.4**	**2.2**	**2.2**	**2.1**
Conditional Allocation	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-8.5**	**-7.9**	**-7.9**	**-8.6**	**-6.0**	**-6.0**	**-6.4**	**-4.6**	**-4.8**	**-4.7**	**-3.9**	**-4.7**	**-4.1**	**-4.2**	**-4.1**
Grants	**0.3**	**0.4**	**0.5**	**0.5**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-8.3**	**-7.5**	**-7.4**	**-8.2**	**-5.6**	**-5.7**	**-6.0**	**-4.2**	**-4.5**	**-4.4**	**-3.6**	**-4.4**	**-3.8**	**-3.9**	**-3.8**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.8	-3.9	-3.8
Statistical discrepancy	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**8.4**	**7.5**	**7.4**	**8.2**	**5.6**	**5.7**	**6.0**	**4.2**	**4.5**	**4.4**	**3.6**	**4.4**	**3.8**	**3.9**	**3.8**
Net Foreign Financing	**2.9**	**2.2**	**2.1**	**3.3**	**2.4**	**2.7**	**2.6**	**1.5**	**1.2**	**1.2**	**0.9**	**1.2**	**0.5**	**0.6**	**0.6**
Disbursements	**4.0**	**7.1**	**7.0**	**7.6**	**4.4**	**4.5**	**4.3**	**3.4**	**4.5**	**4.3**	**2.2**	**4.3**	**2.2**	**2.2**	**2.1**
Commercial Financing	**1.0**	**3.8**	**3.8**	**3.8**	**0.0**	**0.8**	**0.8**	**0.0**	**1.8**	**1.7**	**0.0**	**1.7**	**0.0**	**0.0**	**0.0**
O/W Export Credt	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	1.0	1.0	1.0	1.0	0.0	0.8	0.8	0.0	1.8	1.7	0.0	0.0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	2.8	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.5	2.2	2.2	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1
O/W Project Loans AIA	0.9	1.5	1.3	1.4	1.5	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Project Loans Revenue	0.5	0.7	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.6
Project Loans SGR _Phase I_ AIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Programme Loans	1.5	1.1	1.1	1.3	1.4	1.5	1.4	0.4	0.4	0.4	0.0	0.4	0.0	0.0	0.0
Debt repayment - Principal	**-1.1**	**-4.9**	**-4.9**	**-4.4**	**-2.0**	**-1.8**	**-1.7**	**-1.8**	**-3.3**	**-3.1**	**-1.3**	**-3.1**	**-1.6**	**-1.6**	**-1.5**
of which: External Debt Operations - Refinancing	0.0	-2.8	-2.8	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Financing	**5.5**	**5.4**	**5.2**	**4.9**	**3.2**	**3.0**	**3.4**	**2.7**	**3.3**	**3.1**	**2.7**	**3.1**	**3.3**	**3.3**	**3.2**
Memo items															
Gross Debt (Stock)	68.2	69.3	69.8	68.1	68.1	68.6	67.5	65.2	66.7	64.9	62.1	64.9	62.1	58.8	59.1
External Debt	35.5	34.0	34.7	33.9	32.5	33.9	33.2	30.2	31.9	31.0	28.0	31.0	28.4	24.1	26.0
Domestic Debt (gross)	32.7	35.4	35.1	34.2	35.6	34.7	34.3	35.0	34.8	33.9	34.1	33.9	33.7	34.7	33.1
Domestic Debt (net)	27.7	31.3	30.5	29.7	31.9	30.6	30.2	31.7	31.1	30.3	31.1	30.3	30.5	31.7	30.2
Financing gap	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Treasury

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	**AGRICULTURE, RURAL & URBAN DEVELOPMENT**	**24,847.2**	**50,878.6**	**75,725.9**	**26,353.0**	**37,545.0**	**63,898.0**	**28,713.8**	**27,951.2**	**56,665.0**	**31,341.3**	**34,919.4**	**66,260.7**
	1112 Ministry of Lands and Physical Planning	**3,045.0**	**2,431.1**	**5,476.1**	**3,160.4**	**2,731.8**	**5,892.2**	**3,312.4**	**3,908.6**	**7,221.0**	**3,464.6**	**4,718.6**	**8,183.2**
	0101000 Land Policy and Planning	3,045.0	2,431.1	5,476.1	3,160.4	2,731.8	5,892.2	3,312	3,909	7,221	3,465	4,719	8,183
	1162 State Department for Livestock.	**3,428.2**	**5,651.1**	**9,079.3**	**3,458.7**	**3,779.4**	**7,238.1**	**3,724.3**	**3,647.6**	**7,371.9**	**4,029.2**	**4,779.9**	**8,809.1**
	0112000 Livestock Resources Management and Development	3,428.2	5,651.1	9,079.3	3,458.7	3,779.4	7,238.1	3,724	3,648	7,372	4,029	4,780	8,809
	1166 State Department for Fisheries, Aquaculture & the Blue Economy	**2,267.4**	**10,736.2**	**13,003.6**	**2,192.6**	**8,967.0**	**11,159.6**	**2,408.1**	**9,138.5**	**11,546.6**	**2,653.7**	**13,420.7**	**16,074.4**
	0111000 Fisheries Development and Management	1,963.3	7,352.6	9,315.8	1,870.0	6,268.0	8,138.0	2,072	5,340	7,412	2,285	4,018	6,303
	0117000 General Administration, Planning and Support Services	187.9	50.0	237.9	217.6	50.0	267.6	209	92	301	211	106	317
	0118000 Development and Coordination of the Blue Economy	116.2	3,333.6	3,449.8	105.0	2,649.0	2,754.0	127	3,707	3,834	158	9,297	9,455
	1169 State Department for Crop Development & Agricultural Research	**13,436.4**	**31,496.7**	**44,933.1**	**14,331.6**	**21,376.0**	**35,707.6**	**15,802.0**	**10,328.0**	**26,130.0**	**17,446.3**	**10,493.0**	**27,939.3**
	0107000 General Administration Planning and Support Services	4,803.8	1,840.4	6,644.2	5,074.6	3,158.0	8,232.6	5,606	944	6,550	6,171	918	7,089
	0108000 Crop Development and Management	2,911.7	27,248.3	30,160.0	3,518.0	15,685.0	19,203.0	3,682	7,065	10,747	3,912	6,904	10,816
	0109000 Agribusiness and Information Management	118.9	1,485.0	1,603.9	140.0	1,459.0	1,599.0	122	1,483	1,605	122	1,465	1,587
	0120000 Agricultural Research & Development	5,602.1	923.0	6,525.1	5,599.0	1,074.0	6,673.0	6,392	836	7,228	7,241	1,206	8,447
	1173 State Department for Cooperatives	**1,226.3**	**524.6**	**1,750.9**	**1,741.7**	**600.5**	**2,342.2**	**1,935.4**	**823.5**	**2,758.9**	**2,160.7**	**1,336.0**	**3,496.7**
	0304000 Cooperative Development and Management	1,226.3	524.6	1,750.9	1,741.7	600.5	2,342.2	1,935	824	2,759	2,161	1,336	3,497
	2021 National Land Commission	**1,444.0**	**38.9**	**1,482.9**	**1,468.0**	**90.3**	**1,558.3**	**1,531.6**	**105.0**	**1,636.6**	**1,586.8**	**171.2**	**1,758.0**
	0116000 Land Administration and Management	1,444.0	38.9	1,482.9	1,468.0	90.3	1,558.3	1,531.6	105.0	1,637	1,586.8	171.2	1,758
020	**ENERGY, INFRASTRUCTURE AND ICT**	**88,624.6**	**247,187.6**	**335,812.3**	**107,807.0**	**260,493.0**	**368,300.0**	**114,630.0**	**249,659.0**	**364,290.0**	**130,435.0**	**240,104.0**	**370,539.0**
	1091 State Department for Infrastructure	**57,169.9**	**138,033.7**	**195,203.6**	**69,478.0**	**141,927.0**	**211,405.0**	**73,045.0**	**151,016.0**	**224,061.0**	**77,232.0**	**154,436.0**	**231,668.0**
	0202000 Road Transport	57,169.9	138,033.7	195,203.6	69,478.0	141,927.0	211,405.0	73,045	151,016	224,061	77,232	154,436	231,668
	1092 State Department for Transport	**9,428.2**	**1,346.3**	**10,774.5**	**9,442.0**	**1,350.0**	**10,792.0**	**9,459.0**	**1,610.0**	**11,069.0**	**9,486.0**	**1,737.0**	**11,223.0**
	0201000 General Administration, Planning and Support Services	271.8	70.0	341.8	276.0	431.0	707.0	287	450	737	304	309	613
	0204000 Marine Transport	801.7	327.0	1,128.7	802.0	258.0	1,060.0	803	-	803	803	-	803
	0205000 Air Transport	8,342.3	603.0	8,945.3	8,352.0	661.0	9,013.0	8,356	1,160	9,516	8,365	1,428	9,793
	0216000 Road Safety	12.4	346.3	358.7	12.0	-	12.0	13	-	13	14	-	14

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**ENERGY, INFRASTRUCTURE AND ICT**	**88,624.6**	**247,187.6**	**335,812.3**	**107,807.0**	**260,493.0**	**368,300.0**	**114,630.0**	**249,659.0**	**364,290.0**	**130,435.0**	**240,104.0**	**370,539.0**
	1093 State Department for Shipping and Maritime	**2,037.3**	**750.2**	**2,787.5**	**2,167.0**	**1,219.0**	**3,386.0**	**2,260.0**	**1,240.0**	**3,500.0**	**2,372.0**	**1,139.0**	**3,511.0**
	0220000 Shipping and Maritime Affairs	2,037.3	750.2	2,787.5	2,167.0	1,219.0	3,386.0	2,260	1,240	3,500	2,372	1,139	3,511
	1094 State Department for Housing & Urban Development	**1,233.6**	**14,054.6**	**15,288.2**	**1,263.0**	**18,782.0**	**20,045.0**	**1,465.0**	**15,475.0**	**16,941.0**	**2,403.0**	**15,413.0**	**17,816.0**
	0102000 Housing Development and Human Settlement	632.6	8,178.0	8,810.6	715.0	13,663.0	14,378.0	732	11,921	12,654	756	11,031	11,787
	0105000 Urban and Metropolitan Development	223.9	5,876.6	6,100.5	285.0	5,119.0	5,404.0	443	3,554	3,997	1,335	4,382	5,717
	0106000 General Administration Planning and Support Services	377.1	-	377.1	263.0	-	263.0	290	-	290	312	-	312
	1095 State Department for Public Works	**3,111.7**	**1,127.8**	**4,239.5**	**3,363.0**	**1,310.0**	**4,673.0**	**4,145.0**	**1,460.0**	**5,605.0**	**7,979.0**	**1,692.0**	**9,671.0**
	0103000 Government Buildings	516.0	598.3	1,114.3	551.0	630.0	1,181.0	567	634	1,201	598	408	1,006
	0104000 Coastline Infrastructure and Pedestrian Access	159.5	158.5	318.0	173.0	321.0	494.0	178	326	504	187	579	766
	0106000 General Administration Planning and Support Services	309.0	14.0	323.0	360.0	14.0	374.0	427	15	442	550	30	580
	0218000 Regulation and Development of the Construction Industry	2,127.3	357.0	2,484.3	2,279.0	345.0	2,624.0	2,973	485	3,458	6,644	675	7,319
	1122 State Department for Information Communication Technology & Innovation	**1,585.4**	**21,204.0**	**22,789.4**	**2,028.0**	**14,206.0**	**16,234.0**	**2,009.0**	**4,992.0**	**7,001.0**	**3,803.0**	**5,685.0**	**9,488.0**
	0207000 General Administration Planning and Support Services	259.8	-	259.8	323.0	-	323.0	304	-	304	340	-	340
	0210000 ICT Infrastructure Development	535.5	19,947.5	20,483.0	574.0	12,904.0	13,478.0	679	3,736	4,415	946	4,307	5,253
	0217000 E-Government Services	790.1	1,256.5	2,046.6	1,131.0	1,302.0	2,433.0	1,026	1,256	2,282	2,517	1,378	3,895
	1123 State Department for Broadcasting & Telecommunications	**6,456.9**	**496.9**	**6,953.8**	**6,601.0**	**697.0**	**7,298.0**	**6,550.0**	**835.0**	**7,385.0**	**6,630.0**	**1,019.0**	**7,649.0**
	0207000 General Administration Planning and Support Services	197.8	-	197.8	213.0	-	213.0	249	-	249	309	-	309
	0208000 Information And Communication Services	5,143.9	271.4	5,415.3	5,213.0	398.0	5,611.0	5,142	405	5,547	5,156	439	5,595
	0209000 Mass Media Skills Development	224.5	120.5	345.0	228.0	110.0	338.0	231	200	431	234	200	434
	0221000 Film Development Services Programme	890.8	105.0	995.8	947.0	189.0	1,136.0	928	230	1,158	931	380	1,311
	1152 Ministry of Energy	**6,636.0**	**67,248.0**	**73,884.0**	**7,446.0**	**77,700.0**	**85,146.0**	**8,535.0**	**69,259.0**	**77,794.0**	**10,461.0**	**54,571.0**	**65,032.0**
	0211000 General Administration Planning and Support Services	413.0	130.0	543.0	411.0	208.0	619.0	429	360	789	455	449	904
	0212000 Power Generation	2,267.0	9,888.0	12,155.0	2,714.0	15,291.0	18,005.0	2,748	14,760	17,508	3,174	13,701	16,875
	0213000 Power Transmission and Distribution	3,744.0	54,693.0	58,437.0	4,109.0	59,824.0	63,933.0	5,132	52,420	57,552	6,599	38,193	44,792
	0214000 Alternative Energy Technologies	212.0	2,537.0	2,749.0	212.0	2,377.0	2,589.0	226	1,719	1,945	233	2,228	2,461
	1193 State Department for Petroleum												
	0215000 Exploration and Distribution of Oil and Gas												
	1194 Ministry of Petroleum and Mining	**965.6**	**2,926.1**	**3,891.7**	**6,019.0**	**3,302.0**	**9,321.0**	**7,162.0**	**3,772.0**	**10,934.0**	**10,069.0**	**4,412.0**	**14,481.0**
	0215000 Exploration and Distribution of Oil and Gas	336.0	2,649.4	2,985.4	87.0	2,925.0	3,012.0	102	3,265	3,367	90	3,660	3,750
	1007000 General Administration Planning and Support Services	275.6	23.3	298.9	5,583.0	-	5,583.0	6,666	-	6,666	9,617	-	9,617
	1009000 Mineral Resources Management	292.8	126.2	419.0	287.0	162.0	449.0	321	195	516	298	230	528
	1021000 Geological Survey and Geoinformation Management	61.2	127.2	188.4	62.0	215.0	277.0	73	312	385	64	522	586

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	**14,000.7**	**6,582.4**	**20,583.1**	**18,396.7**	**6,473.3**	**24,870.0**	**18,593.9**	**6,374.0**	**24,967.9**	**20,104.2**	**8,276.5**	**28,380.7**
	1174 State Department for Trade and Enterprise Development	**2,286.1**	**1,739.0**	**4,025.1**	**2,465.1**	**1,536.7**	**4,001.8**	**2,576.6**	**450.6**	**3,027.1**	**2,938.6**	**652.9**	**3,591.6**
	0307000 Trade Development and Promotion	2,286.1	1,739.0	4,025.1									
	P 1: Domestic Trade and Enterprise Development				570.2	1,436.7	2,006.9	632	351	983	742	653	1,395
	P 2: Fair Trade practices and compliance of Standards				496.6	100.0	596.6	547	100	647	646	-	646
	P 3: International Trade Development and Promotion				1,060.1	-	1,060.1	1,053	-	1,053	1,195	-	1,195
	P 4: General Administration, Support Services and Planning				338.3	-	338.3	345	-	345	356	-	356
	1175 State Department for Industrialization	**3,112.4**	**3,272.9**	**6,385.3**	**3,267.9**	**3,668.5**	**6,936.4**	**3,399.4**	**4,364.5**	**7,763.9**	**3,782.9**	**5,364.5**	**9,147.4**
	0301000 General Administration Planning and Support Services	426.5	-	426.5	514.3	-	514.3	471	-	471	498	-	498
	0302000 Industrial Development and Investments	1,439.2	840.3	2,279.4	1,468.6	1,182.3	2,650.9	1,548	1,358	2,906	1,684	3,502	5,187
	0303000 Standards and Business Incubation	1,246.8	2,432.6	3,679.4	1,285.0	2,486.2	3,771.2	1,381	3,006	4,387	1,601	1,862	3,463
	1202 State Department for Tourism	**5,207.3**	**475.0**	**5,682.3**	**8,755.6**	**302.2**	**9,057.8**	**8,875.3**	**371.5**	**9,246.8**	**9,121.3**	**538.4**	**9,659.7**
	0306000 Tourism Development and Promotion	5,207.3	475.0	5,682.3									
	Total P. 1: Tourism Promotion and Marketing				1,032.3	50.2	1,082.5	1,096	150	1,246	1,239	150	1,389
	Total P.2: Tourism Product Development and Diversification				7,324.1	200.0	7,524.1	7,349	100	7,449	7,431	300	7,731
	Total P.3: General Administration Planning and Support services				399.2	52.0	451.2	431	122	552	452	88	540
	1221 State Department for East African Community	**609.8**	**-**	**609.8**	**650.9**	**-**	**650.9**	**691.4**	**-**	**691.4**	**739.8**	**-**	**739.8**
	0305000 East African Affairs and Regional Integration	609.8	-	609.8	650.9	-	650.9	691	-	691	740	-	740
	1222 State Department for Regional and Northern Corridor Development	**2,785.0**	**1,095.5**	**3,880.5**	**3,257.3**	**965.9**	**4,223.1**	**3,051.3**	**1,187.4**	**4,238.7**	**3,521.7**	**1,720.7**	**5,242.3**
	1013000 Integrated Regional Development	2,785.0	1,095.5	3,880.5	3,257.3	965.9	4,223.1	3,051	1,187	4,239	3,522	1,721	5,242
040	**HEALTH**	**64,870.7**	**56,219.5**	**121,090.3**	**70,373.0**	**55,979.0**	**126,352.0**	**76,727.0**	**63,879.0**	**140,605.0**	**83,068.0**	**71,972.0**	**155,041.0**
	0401000 Preventive, Promotive & RMNCAH	3,020.7	22,498.3	25,519.0	3,322.0	28,657.0	31,979.0	3,929	39,383	43,312	4,280	44,188	48,468
	0402000 National Referral & Specialized Services	36,103.6	11,595.2	47,698.8	39,453.0	10,195.0	49,648.0	43,933	2,501	46,433	48,387	3,302	51,689
	0403000 Health Research and Development	9,665.5	787.5	10,453.0	10,470.0	899.0	11,369.0	11,028	1,078	12,106	11,988	1,082	13,070
	0404000 General Administration, Planning & Support Services	5,938.2	1,060.0	6,998.2	5,349.0	1,200.0	6,549.0	5,666	900	6,566	5,891	600	6,491
	0405000 Health Policy, Standards and Regulations	10,142.7	20,278.5	30,421.2	11,779.0	15,028.0	26,807.0	12,171	20,017	32,188	12,522	22,800	35,323

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
050	**EDUCATION**	**482,595.4**	**21,375.7**	**503,971.1**	**501,449.5**	**24,500.0**	**525,949.5**	**512,834.5**	**27,072.0**	**539,907.1**	**538,528.5**	**19,895.0**	**558,424.0**
	1064 State Department for Vocational and Technical Training	**18,647.5**	**4,648.4**	**23,295.9**	**18,912.2**	**6,495.0**	**25,407.2**	**19,842.4**	**3,975.0**	**23,818.0**	**21,471.0**	**2,932.0**	**24,403.0**
	0505000 Technical Vocational Education and Training	18,466.2	4,638.4	23,104.7	18,711.2	6,495.0	25,206.2	19,615	3,975	23,591	21,220	2,932	24,152
	0507000 Youth Training and Development	38.7	10.0	48.7	39.0		39.0	40		40	41		41
	0508000 General Administration, Planning and Support Services	142.6	-	142.6	162.0		162.0	187		187	210		210
	1065 State Department for University Education	**91,057.2**	**4,355.6**	**95,412.8**	**91,135.0**	**5,713.0**	**96,848.0**	**96,147.0**	**6,131.0**	**102,278.0**	**105,573.0**	**7,850.0**	**113,423.0**
	0504000 University Education	89,913.2	4,315.6	94,228.8	89,785.0	5,683.0	95,468.0	94,708	6,012	100,720	103,987	7,700	111,687
	0506000 Research, Science, Technology and Innovation	901.0	40.0	941.0	890.0	30.0	920.0	962	119	1,081	1,095	150	1,245
	0508000 General Administration, Planning and Support Services	243.0	-	243.0	460.0	-	460.0	477	-	477	491	-	491
	1066 State Department for Early Learning & Basic Education	**91,563.7**	**11,726.6**	**103,290.3**	**94,842.0**	**11,502.0**	**106,344.0**	**96,337.0**	**15,903.0**	**112,240.0**	**102,909.5**	**8,754.0**	**111,664.0**
	0501000 Primary Education	16,871.2	2,171.2	19,042.4	18,025.0	1,935.0	19,960.0	18,110	2,609	20,719	20,642	2,770	23,412
	0502000 Secondary Education	66,389.4	8,830.4	75,219.8	68,392.0	8,771.0	77,163.0	69,452	12,494	81,946	72,860	4,804	77,664
	0503000 Quality Assurance and Standards	3,701.0	650.0	4,351.0	3,701.0	646.0	4,347.0	3,895	650	4,545	4,271	950	5,221
	0508000 General Administration, Planning and Support Services	4,602.1	75.0	4,677.1	4,724.0	150.0	4,874.0	4,880	150	5,030	5,137	230	5,367
	1068 State Department for Post Training and Skills Development	**268.0**	**-**	**268.0**	**268.0**	**134.0**	**402.0**	**277.0**	**264.0**	**541.0**	**286.0**	**264.0**	**550.0**
	0508000 General Administration, Planning and Support Services	136.0	-	136.0	168.0	-	168.0	177	-	177	186	-	186
	0512000 Work Place Readiness Services	85.0	-	85.0	86.0	134.0	220.0	70	264	334	52	264	316
	0513000 Post Training Information Management	47.0	-	47.0	14.0	-	14.0	30	-	30	48	-	48
	Implementation of Curriculum Reforms				**339.3**	**-**	**339.3**	**142.1**	**-**	**142.1**	**145.0**	**-**	**145.0**
	P1: Coordination of the Curriculum reforms Implementation				339.3	-	339.3	142.1	-	142.1	145	-	145
	2091 Teachers Service Commission	**281,059.0**	**645.1**	**281,704.1**	**295,953.0**	**656.0**	**296,609.0**	**300,089.0**	**799.0**	**300,888.0**	**308,144.0**	**95.0**	**308,239.0**
	0509000 Teacher Resource Management	272,634.3	600.0	273,234.3	287,858.0	600.0	288,458.0	291,289	718	292,007	299,151	-	299,151
	0510000 Governance and Standards	1,012.5	-	1,012.5	1,161.0	-	1,161.0	1,178	-	1,178	1,196	-	1,196
	0511000 General Administration, Planning and Support Services	7,412.2	45.1	7,457.3	6,934.0	56.0	6,990.0	7,622	81	7,703	7,797	95	7,892

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**206,319.4**	**10,999.6**	**217,319.0**	**221,351.1**	**10,579.3**	**231,930.4**	**207,392.4**	**12,883.2**	**220,275.6**	**215,732.3**	**16,164.4**	**231,896.7**
	1021 State Department for Interior and Citizen Services	**131,356.0**	**7,233.1**	**138,589.1**	**136,376.3**	**6,823.9**	**143,200.2**	**139,238.5**	**7,572.6**	**146,811.1**	**143,566.8**	**8,833.8**	**152,400.5**
	0601000 Policing Services	98,902.9	1,669.0	100,571.9	102,128.3	1,655.0	103,783.3	104,221	1,729	105,950	107,088	2,133	109,221
	0603000 Government Printing Services	694.3	50.0	744.3	708.1	300.0	1,008.1	730	500	1,230	768	500	1,268
	0605000 Migration & Citizen Services Management	2,037.1	852.2	2,889.2	2,492.5	750.0	3,242.5	2,565	775	3,341	2,684	914	3,598
	0625000 Road Safety	2,204.4	520.9	2,725.3	2,204.4	520.9	2,725.3	2,337	544	2,881	2,570	671	3,241
	0626000 Population Management Services	3,817.7	1,025.5	4,843.2	3,928.0	1,536.5	5,464.5	4,052	1,566	5,618	4,273	1,730	6,003
	0629000 General Administration and Support Services	22,737.0	3,015.5	25,752.6	23,952.4	2,011.5	25,964.0	24,313	2,397	26,710	25,061	2,761	27,822
	0630000 Policy Coordination Services	962.6	100.0	1,062.6	962.6	50.0	1,012.6	1,020	61	1,082	1,122	125	1,247
	1023 State Department for Correctional Services	**28,749.2**	**909.1**	**29,658.2**	**29,009.2**	**1,265.4**	**30,274.6**	**29,113.1**	**1,365.1**	**30,478.3**	**30,226.3**	**1,667.8**	**31,894.1**
	0623000 General Administration, Planning and Support Services	354.5	8.9	363.4	339.7	15.0	354.7	348	40	388	377	49	426
	0627000 Prison Services	26,529.1	693.2	27,222.3	26,970.2	980.4	27,950.6	27,046	975	28,021	28,063	1,368	29,430
	0628000 Probation & After Care Services	1,865.6	207.0	2,072.6	1,699.3	270.0	1,969.3	1,719	350	2,069	1,787	251	2,038
	1252 State Law Office and Department of Justice	**4,978.3**	**181.3**	**5,159.7**	**5,099.3**	**188.5**	**5,287.8**	**5,288.0**	**152.9**	**5,440.8**	**5,673.7**	**266.2**	**5,939.9**
	0606000 Legal Services	2,395.2	-	2,395.2	2,444.3	-	2,444.3	2,505	-	2,505	2,639	-	2,639
	0607000 Governance, Legal Training and Constitutional Affairs	1,876.2	90.5	1,966.7	1,879.5	98.5	1,978.0	1,987	42	2,029	2,182	42	2,224
	0609000 General Administration, Planning and Support Services	707.0	90.8	797.8	775.5	90.0	865.5	796	111	907	853	224	1,077
	1261 The Judiciary	**15,003.0**	**2,333.4**	**17,336.4**	**16,297.4**	**2,000.0**	**18,297.4**	**16,260.9**	**3,200.0**	**19,460.9**	**17,513.1**	**4,200.0**	**21,713.1**
	0610000 Dispensation of Justice	15,003.0	2,333.4	17,336.4	16,297.4	2,000.0	18,297.4	16,261	3,200	19,461	17,513	4,200	21,713
	1271 Ethics and Anti-Corruption Commission	**3,258.5**	**67.5**	**3,326.0**	**3,420.5**	**158.0**	**3,578.5**	**3,625.8**	**144.0**	**3,769.8**	**3,988.1**	**291.7**	**4,279.8**
	0611000 Ethics and Anti-Corruption	3,258.5	67.5	3,326.0	3,420.5	158.0	3,578.5	3,626	144	3,770	3,988	292	4,280
	1291 Office of the Director of Public Prosecutions	**3,126.0**	**150.3**	**3,276.2**	**3,282.0**	**143.5**	**3,425.5**	**3,478.9**	**226.0**	**3,704.8**	**3,826.6**	**454.1**	**4,280.7**
	0612000 Public Prosecution Services	3,126.0	150.3	3,276.2	3,282.0	143.5	3,425.5	3,479	226	3,705	3,827	454	4,281
	1311 Office of the Registrar of Political Parties	**1,961.7**	**-**	**1,961.7**	**2,076.9**	**-**	**2,076.9**	**2,042.6**	**-**	**2,042.6**	**2,081.3**	**-**	**2,081.3**
	0614000 Registration, Regulation and Funding of Political Parties	1,961.7	-	1,961.7	2,076.9	-	2,076.9	2,043	-	2,043	2,081	-	2,081
	1321 Witness Protection Agency	**489.0**	**-**	**489.0**	**614.1**	**-**	**614.1**	**521.7**	**-**	**521.7**	**548.4**	**-**	**548.4**
	0615000 Witness Protection	489.0	-	489.0	614.1	-	614.1	522	-	522	548	-	548

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**206,319.4**	**10,999.6**	**217,319.0**	**221,351.1**	**10,579.3**	**231,930.4**	**207,392.4**	**12,883.2**	**220,275.6**	**215,732.3**	**16,164.4**	**231,896.7**
	2011 Kenya National Commission on Human Rights	**408.7**	**-**	**408.7**	**424.4**	**-**	**424.4**	**420.5**	**-**	**420.5**	**441.8**	**-**	**441.8**
	0616000 Protection and Promotion of Human Rights	408.7	-	408.7	424.4	-	424.4	420	-	420	442	-	442
	2031 Independent Electoral and Boundaries Commission	**14,226.7**	**125.0**	**14,351.7**	**21,686.8**	**-**	**21,686.8**	**4,465.9**	**222.6**	**4,688.5**	**4,738.4**	**450.9**	**5,189.2**
	0617000 Management of Electoral Processes	14,124.7	125.0	14,249.7	21,365.4	-	21,365.4	3,967	223	4,189	4,656	451	5,107
	0618000 Delimitation of Electoral Boundaries	102.0	-	102.0	321.5	-	321.5	499	-	499	82	-	82
	2051 Judicial Service Commission	**581.8**	**-**	**581.8**	**587.3**	**-**	**587.3**	**612.9**	**-**	**612.9**	**660.6**	**-**	**660.6**
	0619000 General Administration, Planning and Support Services	581.8	-	581.8	587.3		587.3	612.9		612.9	660.6		660.6
	2101 National Police Service Commission	**794.1**	**-**	**794.1**	**1,009.3**	**-**	**1,009.3**	**875.4**	**-**	**875.4**	**930.8**	**-**	**930.8**
	0620000 National Police Service Human Resource Management	794.1	-	794.1	1,009.3	-	1,009.3	875	-	875	931	-	931
	2141 National Gender and Equality Commission	**436.6**	**-**	**436.6**	**463.2**	**-**	**463.2**	**446.2**	**-**	**446.2**	**474.0**	**-**	**474.0**
	0621000 Promotion of Gender Equality and Freedom from Discrimination	436.6	-	436.6	463.2	-	463.2	446	-	446	474	-	474
	2151 Independent Policing Oversight Authority	**949.8**	**-**	**949.8**	**1,004.6**	**-**	**1,004.6**	**1,002.1**	**-**	**1,002.1**	**1,062.5**	**-**	**1,062.5**
	0622000 Policing Oversight Services	949.8	-	949.8	1,004.6	-	1,004.6	1,002	-	1,002	1,063	-	1,063
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**171,124.6**	**161,399.6**	**332,524.2**	**162,158.0**	**184,840.2**	**346,998.2**	**228,176.5**	**185,412.5**	**413,589.0**	**254,558.3**	**193,657.2**	**448,215.5**
	1011 Executive Office of the President	**25,267.7**	**9,327.2**	**34,595.0**	**7,580.6**	**556.0**	**8,136.6**	**8,304.0**	**853.8**	**9,157.8**	**9,321.1**	**689.4**	**10,010.5**
	0702000 Cabinet Affairs	1,301.7	245.1	1,546.8	1,538.8	452.3	1,991.0	1,882	465	2,347	2,050.1	465.0	2,515.1
	0703000 Government Advisory Services	617.6	71.1	688.7	649.3	-	649.3	676		676	755.1		755.1
	0704000 State House Affairs	3,908.4	73.4	3,981.8	3,945.1	83.3	4,028.4	4,235	339	4,574	4,859.2	174.4	5,033.6
	0734000 Deputy President Services	1,400.6	17.6	1,418.2	1,447.4	20.4	1,467.9	1,511	50	1,561	1,656.7	50.0	1,706.7
	0745000 Nairobi Metropolitan Services	18,039.4	8,920.0	26,959.4	-	-	-	-		-	-		-
	1032 State Department for Devolution	**1,753.9**	**1,489.7**	**3,243.6**	**1,479.3**	**420.4**	**1,899.7**	**1,243.5**	**312.1**	**1,555.6**	**1,326.5**	**236.5**	**1,563.0**
	0712000 Devolution Services	1,303.2	1,384.7	2,687.9	285.2	420.4	705.7	188	312	500	195	237	432
	0732000 General Administration, Planning and Support Services	417.4	-	417.4	437.7	-	437.7	452	-	452	469	-	469
	0713000 Special Initiatives	33.2	105.0	138.2	44.4	-	44.4	45	-	45	46	-	46
	Management of Intergovernmental Relations				712.0	-	712.0	559	-	559	615	-	615

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**171,124.6**	**161,399.6**	**332,524.2**	**162,158.0**	**184,840.2**	**346,998.2**	**228,176.5**	**185,412.5**	**413,589.0**	**254,558.3**	**193,657.2**	**448,215.5**
	1052 Ministry of Foreign Affairs	**17,023.9**	**1,796.1**	**18,820.0**	**17,754.1**	**1,796.1**	**19,550.2**	**17,971**	**1,957**	**19,928**	**18,677**	**3,018**	**21,695**
	0714000 General Administration Planning and Support Services	2,056.3	176.5	2,232.8	2,436.9	116.1	2,553.0	2,486	187	2,673	2,627	481	3,109
	0715000 Foreign Relation and Diplomacy	14,775.3	1,499.6	16,274.9	15,132.0	1,480.0	16,612.0	15,258	1,570	16,828	15,816	2,237	18,053
	0741000 Economic and Commercial Diplomacy	51.8	-	51.8	46.0	-	46.0	50	-	50	50	-	50
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	140.4	120.0	260.4	139.2	200.0	339.2	176	200	376	183	300	483
	1071 The National Treasury	**57,409.5**	**100,335.9**	**157,745.4**	**57,834.1**	**132,126.5**	**189,960.6**	**124,403.6**	**122,602.5**	**247,006.1**	**146,254.6**	**122,710.9**	**268,965.6**
	0717000 General Administration Planning and Support Services	49,135.7	13,524.5	62,660.2	47,010.6	8,824.5	55,835.1	98,701.7	13,524.5	112,226.2	110,881	13,525	124,405
	0718000 Public Financial Management	6,737.1	28,644.6	35,381.7	9,286.8	82,390.2	91,677.0	24,157.2	67,823.2	91,980.3	33,821	67,782	101,602
	0719000 Economic and Financial Policy Formulation and Management	1,159.9	428.8	1,588.7	1,159.9	428.8	1,588.7	1,166.8	428.8	1,595.6	1,174	429	1,603
	0720000 Market Competition	302.1	30.0	332.1	302.0	30.0	332.0	302.0	30.0	332.0	302	30	332
	0740000 Government Clearing Services	74.8	-	74.8	74.8	-	74.8	75.9	-	75.9	77	-	77
	0203000 Rail Transport	-	34,494.0	34,494.0	-	35,122.0	35,122.0	-	37,696.0	37,696.0	-	37,696	37,696
	0204000 Marine Transport	-	23,214.0	23,214.0	-	5,331.0	5,331.0	-	3,100.0	3,100.0	-	3,250	3,250
	1072 State Department for Planning	**3,598.0**	**42,387.2**	**45,985.2**	**3,811.0**	**45,088.6**	**48,899.6**	**4,201.9**	**54,427.5**	**58,629.3**	**4,539**	**61,966**	**66,506**
	0706000 Economic Policy and National Planning	1,804.1	42,095.5	43,899.6	1,991.6	44,781.1	46,772.7	2,297.6	54,102.4	56,400.0	2,555	61,634	64,190
	0707000 National Statistical Information Services	1,317.6	209.4	1,527.0	1,317.6	223.3	1,540.9	1,369.5	225.2	1,594.7	1,427	228	1,654
	0708000 Monitoring and Evaluation Services	172.0	82.3	254.2	169.3	84.3	253.5	180.0	99.4	279.4	188	105	293
	0709000 General Administration Planning and Support Services	304.4	-	304.4	332.5	-	332.5	354.7	-	354.7	369	-	369
	1213 State Department for Public Service	**18,325.0**	**568.0**	**18,893.0**	**24,578.1**	**602.9**	**25,181.1**	**21,383.3**	**724.8**	**22,108.1**	**21,874**	**771**	**22,646**
	0710000 Public Service Transformation	7,859.0	410.2	8,269.2	9,555.1	532.9	10,088.1	9,825.9	724.8	10,550.8	9,966	771	10,737
	0709000 General Administration Planning and Support Services	492.2	107.8	600.1	599.8	-	599.8	586.4	-	586.4	608	-	608
	0747000 National Youth Service	9,973.8	50.0	10,023.8	14,423.2	70.0	14,493.2	10,971.2	-	10,971.2	11,300	-	11,300
	1214 State Department for Youth Affairs	**1,439.9**	**3,210.5**	**4,650.4**	**1,504.3**	**1,937.8**	**3,442.1**	**1,497**	**1,388**	**2,884**	**1,549**	**1,115**	**2,663**
	0711000 Youth Empowerment	452.4	468.7	921.1	469.3	481.7	950.9	483	601	1,084	498	292	790
	Youth Development Services	740.7	2,741.8	3,482.6	749.9	1,456.1	2,206.0	764	787	1,550	796	823	1,619
	General Administration, Planning and Support Services	246.8	-	246.8	285.2	-	285.2	250	-	250	255	-	255
	Parliament	**35,817.2**	**2,065.6**	**37,882.8**	**36,411.0**	**2,065.6**	**38,476.6**	**37,818**	**2,066**	**39,884**	**39,284**	**2,066**	**41,349**
	2061 The Commission on Revenue Allocation	**485.6**	**-**	**485.6**	**492.0**	**-**	**492.0**	**509**	**-**	**509**	**529**	**-**	**529**
	0737000 Inter-Governmental Transfers and Financial Matters	485.6	-	485.6	492.0	-	492.0	509	-	509	529	-	529

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23– 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**171,124.6**	**161,399.6**	**332,524.2**	**162,158.0**	**184,840.2**	**346,998.2**	**228,176.5**	**185,412.5**	**413,589.0**	**254,558.3**	**193,657.2**	**448,215.5**
	2071 Public Service Commission	**2,372.2**	**19.3**	**2,391.5**	**2,515.8**	**26.3**	**2,542.1**	**2,536.7**	**31.6**	**2,568.3**	**2,595.4**	**33.7**	**2,629.1**
	0725000 General Administration, Planning and Support Services	772.8	19.3	792.1	876.8	26.3	903.1	878	32	910	922	34	955
	0726000 Human Resource management and Development	1,419.3	-	1,419.3	1,445.7	-	1,445.7	1,458	-	1,458	1,468	-	1,468
	0727000 Governance and National Values	145.7	-	145.7	147.7	-	147.7	152	-	152	156	-	156
	0744000 Performance and Productivity Management	34.4	-	34.4	45.6	-	45.6	48	-	48	49	-	49
	2081 Salaries and Remuneration Commission	**621.4**	**-**	**621.4**	**612.5**	**-**	**612.5**	**633**	**-**	**633**	**658**	**-**	**658**
	0728000 Salaries and Remuneration Management	621.4	-	621.4	612.5	-	612.5	633	-	633	658	-	658
	2111 Auditor General	**5,706.5**	**200.0**	**5,906.5**	**6,158.5**	**219.9**	**6,378.3**	**6,283.6**	**1,050.0**	**7,333.6**	**6,505.7**	**1,050.0**	**7,555.7**
	0729000 Audit Services	5,706.5	200.0	5,906.5	6,158.5	219.9	6,378.3	6,284	1,050	7,334	6,506	1,050	7,556
	2121 Office of the Controller of Budget	**689.1**	**-**	**689.1**	**702.4**	**-**	**702.4**	**713**	**-**	**713**	**740**	**-**	**740**
	0730000 Control and Management of Public finances	689.1	-	689.1	702.4	-	702.4	713	-	713	740	-	740
	2131 The Commission on Administrative Justice	**614.8**	**-**	**614.8**	**724.3**	**-**	**724.3**	**679.3**	**-**	**679.3**	**704.7**	**-**	**704.7**
	0731000 Promotion of Administrative Justice	614.8	-	614.8	724.3	-	724.3	679	-	679	705	-	705
080	**NATIONAL SECURITY**	**157,122.7**	**5,080.0**	**162,202.7**	**170,743.0**	**32,354.0**	**203,097.0**	**182,716.5**	**47,885.0**	**230,601.5**	**188,208.8**	**30,215.0**	**218,423.8**
	1041 Ministry of Defence	**114,671.7**	**5,080.0**	**119,751.7**	**125,215.3**	**32,354.0**	**157,569.3**	**133,582**	**47,885**	**181,467**	**137,422**	**30,215**	**167,637**
	0801000 Defence	111,786.5	5,080.0	116,866.5	121,969.4	32,354.0	154,323.4	130,731	47,835	178,566	134,499	30,115	164,614
	0802000 Civil Aid	700.0	-	700.0	400.0		400.0	400		400	400		400
	0803000 General Administration, Planning and Support Services	1,985.2	-	1,985.2	2,625.9		2,625.9	2,101		2,101	2,174		2,174
	0805000 National Space Management	200.0	-	200.0	220.0		220.0	350	50	400	350	100	450
	1281 National Intelligence Service	**42,451.0**	**-**	**42,451.0**	**45,527.7**	**-**	**45,527.7**	**49,135**	**-**	**49,135**	**50,787**	**-**	**50,787**
	0804000 National Security Intelligence	42,451.0	-	42,451.0	45,527.7		45,527.7	49,135		49,135	50,787		50,787
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	**39,635.2**	**32,559.1**	**72,194.3**	**41,293.1**	**31,598.5**	**72,891.5**	**46,003.9**	**28,782.0**	**74,785.9**	**47,549.1**	**31,478.4**	**79,027.5**
	1035 State Department for Development of the ASAL	**1,061.2**	**9,080.1**	**10,141.2**	**1,092.5**	**9,294.2**	**10,386.7**	**1,092.5**	**6,531.8**	**7,624.3**	**1,124.6**	**7,111.0**	**8,235.6**
	0733000 Accelerated ASAL Development	1,061.2	9,080.1	10,141.2	1,092.5	9,294.2	10,386.7	1,092	6,532	7,624	1,125	7,111	8,236
	1132 State Department for Sports Development	**1,338.9**	**15,147.8**	**16,486.6**	**1,380.5**	**16,008.0**	**17,388.5**	**1,407.3**	**16,269.0**	**17,676.3**	**1,443.0**	**17,207.0**	**18,650.0**
	0901000 Sports	1,338.9	15,147.8	16,486.6	1,380.5	16,008.0	17,388.5	1,407	16,269	17,676	1,443	17,207	18,650
	1134 State Department for Culture and Heritage	**2,931.2**	**55.9**	**2,987.1**	**3,057.4**	**77.5**	**3,134.9**	**2,995.8**	**171.0**	**3,166.8**	**3,067.1**	**170.0**	**3,237.1**
	0902000 Culture/ Heritage	1,880.2	43.6	1,923.8	1,920.0	47.5	1,967.5	1,879	106	1,985	1,922	10	1,932
	0903000 The Arts	142.3	-	142.3	159.4	-	159.4	153	35	188	158	100	258
	0904000 Library Services	791.5	11.0	802.5	792.9	30.0	822.9	800	30	830	815	60	875
	0905000 General Administration, Planning and Support Services	117.2	1.3	118.5	185.2	-	185.2	164	-	164	171	-	171

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	**39,635.2**	**32,559.1**	**72,194.3**	**41,293.1**	**31,598.5**	**72,891.5**	**46,003.9**	**28,782.0**	**74,785.9**	**47,549.1**	**31,478.4**	**79,027.5**
	1184 State Department for Labour	**2,782.8**	**2,560.7**	**5,343.5**	**2,830.7**	**572.5**	**3,403.2**	**2,852.9**	**308.9**	**3,161.8**	**2,938.0**	**376.8**	**3,314.8**
	0910000 General Administration Planning and Support Services	442.9	0.3	443.2	488.6	-	488.6	482	-	482	512	-	512
	0906000 Promotion of the Best Labour Practice	669.1	63.8	732.9	661.7	111.8	773.4	670	163	834	687	227	914
	0907000 Manpower Development, Employment and Productivity Management	1,670.8	2,496.6	4,167.4	1,680.4	460.7	2,141.1	1,700	146	1,846	1,738	150	1,888
	1185 State Department for Social Protection, Pensions & Senior Citizens Affairs	**30,485.4**	**3,082.6**	**33,568.1**	**31,731.6**	**2,870.3**	**34,601.9**	**36,084.5**	**2,921.3**	**39,005.8**	**37,716.2**	**3,533.6**	**41,249.8**
	0908000 Social Development and Children Services	3,870.9	263.3	4,134.3	4,240.3	318.8	4,559.1	4,241	379	4,620	4,517	530	5,047
	0909000 National Social Safety Net	26,394.3	2,819.3	29,213.6	27,265.5	2,551.5	29,817.0	31,610	2,542	34,152	32,955	3,004	35,958
	0914000 General Administration, Planning and Support Services	220.2	-	220.2	225.8	-	225.8	234	-	234	245	-	245
	1212 State Department for Gender	**1,035.8**	**2,632.0**	**3,667.8**	**1,200.4**	**2,776.0**	**3,976.4**	**1,570.9**	**2,580.0**	**4,150.9**	**1,260.3**	**3,080.0**	**4,340.3**
	0911000 Community Development	-	2,130.0	2,130.0	-	2,130.0	2,130.0	-	2,130	2,130	-	2,130	2,130
	0912000 Gender Empowerment	729.9	502.0	1,231.9	874.2	646.0	1,520.2	1,234	450	1,684	906	950	1,856
	0913000 General Administration, Planning and Support Services	305.9	-	305.9	326.1	-	326.1	337	-	337	355	-	355
0100	**ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES**	**24,489.2**	**76,096.7**	**100,585.9**	**24,500.0**	**86,228.0**	**110,728.0**	**29,394.0**	**97,289.0**	**126,683.0**	**31,522.0**	**118,691.0**	**150,213.0**
	1108 Ministry of Environment and Forestry	**10,481.6**	**4,245.4**	**14,727.0**	**10,636.0**	**4,290.0**	**14,926.0**	**12,675.0**	**5,130.0**	**17,805.0**	**13,646.0**	**7,658.0**	**21,304.0**
	1002000 Environment Management and Protection	1,949.9	1,368.1	3,318.0	1,958.0	1,384.0	3,342.0	2,319	1,578	3,897	2,505	2,291	4,796
	1010000 General Administration, Planning and Support Services	421.7	-	421.7	460.0	-	460.0	861	-	861	962	-	962
	1012000 Meteorological Services	1,032.0	403.0	1,435.0	1,139.0	413.0	1,552.0	1,676	412	2,088	1,734	562	2,296
	1018000 Forests and Water Towers Conservation	7,078.0	2,474.3	9,552.3	7,079.0	2,493.0	9,572.0	7,819	3,140	10,959	8,445	4,805	13,250
	1008000 Resources Surveys and Remote Sensing												
	1109 Ministry of Water & Sanitation and Irrigation	**6,395.7**	**71,218.5**	**77,614.2**	**6,700.0**	**81,015.0**	**87,715.0**	**7,529.0**	**91,090.0**	**98,619.0**	**8,105.0**	**109,406.0**	**117,511.0**
	1001000 General Administration, Planning and Support Services	761.8	150.0	911.8	788.0	366.0	1,154.0	1,052	200	1,252	1,130	800	1,930
	1004000 Water Resources Management	1,663.9	14,667.0	16,330.9	1,777.0	14,478.0	16,255.0	1,870	24,494	26,364	2,015	32,545	34,560
	1017000 Water and Sewerage Infrastructure Development	3,227.3	33,539.5	36,766.8	3,375.0	45,132.0	48,507.0	3,585	54,832	58,417	3,859	54,907	58,766
	1014000 Irrigation and Land Reclamation	712.5	9,649.0	10,361.5	729.0	8,737.0	9,466.0	982	9,095	10,077	1,060	17,614	18,674
	1015000 Water Storage and Flood Control	-	10,783.0	10,783.0	-	9,872.0	9,872.0	-	1,270	1,270	-	1,890	1,890
	1022000 Water Harvesting and Storage for Irrigation	30.3	2,430.0	2,460.3	31.0	2,430.0	2,461.0	40	1,199	1,239	41	1,650	1,691
	1203 State Department for Wildlife	**7,611.8**	**632.8**	**8,244.6**	**7,164.0**	**923.0**	**8,087.0**	**9,190.0**	**1,069.0**	**10,259.0**	**9,771.0**	**1,627.0**	**11,398.0**
	1019000 Wildlife Conservation and Management	7,611.8	632.8	8,244.6	7,164.0	923.0	8,087.0	9,190	1,069	10,259	9,771	1,627	11,398
	TOTAL	**1,273,629.9**	**668,378.9**	**1,942,008.8**	**1,344,424.4**	**730,590.2**	**2,075,014.6**	**1,445,182.5**	**747,186.9**	**2,192,370.0**	**1,541,047.5**	**765,372.9**	**2,306,421.9**

Annex Table 5: Summary of Public Participation Highlights

Sector	Issues	Proposed way forward/Action taken/Response
Agriculture, Rural and Urban Development Sector	**Policy Issues**	
	• Sale and consumption of Genetically Modified Organisms (GMOs)	• The GMOs that are available for sale and consumption have been analyzed and found to be fit for consumption. There is no evidence that they have caused any harm to consumers hence allowed for use in Kenya.
	• Rising Lake levels	• The Government set up a taskforce under the leadership of the Ministry of Environment and Forestry which has developed a report with actionable recommendations on mitigating the effects of rising water in the lakes.
	• Uncontrolled land subdivision	• The Ministry of Lands and Physical Planning has developed a draft Bill on maximum and minimum land ownership that is meant to regulate land subdivision. In addition, each County should have a land use plan that controls subdivision based on the proposed land use in the County.
	• Spatial Planning	• Most of the spatial planning is devolved to Counties in line of Schedule 4 of the Constitution. The Ministry of Lands and Physical Planning deals with strategic planning partnering with Counties through the KISIP project.
	• Food importation from neighboring Countries	• Kenya is a member of the EAC and COMESA which allows member states to access food markets within these free trade areas. In view of the above, Kenya has an obligation to allow the neighboring Countries

Sector	Issues	Proposed way forward/Action taken/Response
		to access its market. The role of the Sector is to ensure that food products produced locally compete favorably with imported food products through reduction of cost of production through interventions like fertilizer subsidies, crop and Livestock insurance among other interventions.
	Governance Issues • Public participation during development of potatoes regulations • Capture of fishermen in Lake Victoria • Integrity of title deeds	• The potatoes regulations were subjected to stakeholder participation to ensure that potatoes are sold in 50KG bags. The objective was to protect exploitation of farmers by middlemen • The Government has set up a multi-agency team lead by the Regional Commissioner for Nyanza to work with our counterparts in Tanzania and Uganda to ensure that our fishermen are not harassed while fishing within Kenyan waters • Title deeds integrity is being secured through digitization through the Ardhi Sasa System. This ensures that no one can transact with your land without your knowledge since any activity will be reported to your respective phone numbers
	Resource Allocation issues • Implementation of Malabo Declaration	• Kenya has committed to implement the Malabo Declaration that is aimed at increasing the Budget allocation to Agriculture to 10%. This is aimed at increasing contribution of Agriculture to GDP. Given that Agriculture is devolved there are also County Budgets towards Agriculture that also help in achievement of the Malabo Declaration. In addition, allocations through the Big 4 plan focusing

Sector	Issues	Proposed way forward/Action taken/Response
	• Increase in resource allocation to the ARUD Sector	on Food and Nutrition Security is also part of the Malabo Declaration to reduce stunted growth. • Resource Allocation towards the ARUD sector has been increasing gradually overtime. In addition, the Sector has actively been seeking other sources of funding other that from exchequer.
	<u>Project Implementation Issues</u> • Status of Galana Kulalu project • Climate change and climate smart agriculture	• The model farm has been developed and viable crops have been tested. The next step is to have private stakeholders to come in and invest in commercial production • The Sector has been implementing two projects with financing from the World Bank addressing issues on climate change and climate smart Agriculture. These programmes will be funded in the coming medium term to ensure that farmers are supported to ensure the adopt climate smart agriculture hence mitigating the negative effects of climate change.
Health Sector	**<u>Policy Issues</u>** • Affordability of COVID-19 treatment by Kenyans • Extent to which research by KEMRI translating to better medicines and health outcomes	• Government through the Ministry of Health covers the costs associated with the COVID-19 treatment at any public health facility. • The Government through KEMRI remains committed to quality medical research so as to produce tangible outcomes. KEMRI has made progress in terms of innovations and new products such as locally produced sanitizers. KEMRI is also

Sector	Issues	Proposed way forward/Action taken/Response
	• Cost benefit analysis of telemedicine	working to come up with vaccines for COVID-19 and other illnesses. • Ministry of Health is in the process of reviewing the curriculum for telemedicine in conjunction with the Ministry of Education.
	Governance Issues • Use of Gender disaggregated targets in the programmes and challenges	• The Ministry of Health developed a robust health information system where data on gender as well as targets is sourced from the system
	Resource Allocation Issues • Department of NCDs & Tobacco Control have small budgetary allocations • There is a reduction in Health Products and Technologies (HPT) budget requirements in the next FY 2022/23 as compared to the current FY 2021/22	• Government will endeavour to enhance budgetary allocations for MDAs • Budget for HPT was not sustainable. Ministry of Health's focus is on Health Insurance under Universal Health Coverage (UHC). As a result, the budgetary resources have been channelled away from HPT towards Health Insurance under UHC
	Project Implementation Issues • Malaria intervention in informal settlement to reduce maternal mortality rates	• Government through Ministry of Health and National Health Insurance Fund is currently implementing Free Maternity Programme dubbed "Linda Mama" specifically offering free maternity services to mothers and this has greatly reduced the mortality rates even in the informal settlements even as alluded by the member of public raising the issue. With regards to malaria more

Sector	Issues	Proposed way forward/Action taken/Response
		emphasis has of course been in the malaria prevalent regions in western and coastal Kenya. However, the ministry is committed to also looking into the issue of malaria in the informal settlements within Nairobi city
Energy, Infrastructure and ICT Sector	**Project Implementation Issues** • Key issues and lessons learnt from M&E to inform future planning and budgeting • Affordable housing project does not cater for the low-income earners in informal settlements	• Monitoring and Evaluation (M& E) for projects within the sector is key as it helps in unlocking projects that have implementation challenges as well as ensuring the projects are completed as scheduled and within budget. • The affordable housing project is all inclusive and caters for different categories of income earners where it is envisaged that people should not spend more than 30% of their incomes to own or rent a house. For people in the informal settlements, the project has social housing which designed for income earners of KShs. 20,000 and below per month. More information on the affordable housing project can be accessed on the website: www.bomayangu.go.ke
	Policy issues • Inclusion of Coal in sector plans yet it is not a clean source of energy	• The sector is aware that the international practices are moving away from coal usage to the greener energy sources that are environmentally friendly. What the sector is undertaking and intends to carry out in the medium term is coal exploration which entails mapping of the resources to know what is available in the country and not really the usage of coal.
	Governance issues	

Sector	Issues	Proposed way forward/Action taken/Response
	• Rampant cases of collapse of buildings	• There are efforts to ensure that there is registration and accreditation of the required professionals in the construction space. This is in addition to having the National Construction Authority inspect buildings. The few rogue
Public Administration and International Relations (PAIR)	**<u>Policy Issues</u>** • There is an increase in the number of leased/hired motor vehicles by MDAs • Recruitment of youths into the National Youth Service (NYS) should be done at every Sub-County • Equipping youths with Skills	• Leasing of motor vehicles is mainly to substitute the current policy of purchasing of motor vehicles. • Recruitments by NYS are now decentralized and are conducted from Sub-County • The Government is training youths on entrepreneurial skills through various initiatives such as KYEOP
	<u>Governance Issues</u> • To avoid accumulation of pending bills, Law or Legal reforms should be in place to compel Accounting Officers to pay suppliers/contractors • Collaboration of Civil Society with the Government Ministries, Departments and Agencies (MDAs) to oversee implementation of projects	• Government is exploring legal mechanisms to resolve the issue of pending bills. The Accounting Officers will be compelled to clear pending bills and failure do so, penalties will be charged against the Accounting Officers. • One of the requirements for Civil Society to engage with MDAs is that they should registered. The Registered Civil Society should therefore sign Memorandum of Understanding with relevant MDAs
	<u>Resource Allocation Issues</u> • Other than emphasizing on expenditures, how is Government	• The National Treasury through Kenya Revenue Authority (KRA) raises ordinary revenue through taxes as outlined in the Finance Act.

Sector	Issues	Proposed way forward/Action taken/Response
	going to raise funds? In other words, how is income/revenue generated?	There is a comprehensive plan by KRA to raise more revenues through broadening of the tax base
	<u>Project Implementation Issues</u> • Are there any plans to have a follow on expanded intervention after the end of the Kenya youth Employment and Opportunities project	• Government is implementing "Kazi Mtaani" mainly targeting the youths to cushion them from the negative effects of COVID-19 pandemic such as unemployment/joblessness.

Sector	Issues	Proposed way forward/Action taken/Response
General Economic and Commercial Affairs (GECA) Sector	**Policy Issues** • The contribution of the GECA sector to employment in terms of the GDP. • Performance of AGPO in the sector, allocation and projection. • How government collaborate with civil societies in providing oversight on the activities of the sector. • Weak linkage between MSMEs and large enterprises and how it is affecting the sector. • The collapsing sugar industry and the plan for the sector in reviving the Industries.	• The sector accounts up to 21% of the GDP and is one of the largest employing sectors. • It's a legal requirement for women, youth and people living with disabilities to access 30% of government procurement opportunities. Women, youth and PWDs are encouraged to register their business enterprises and apply for Government tenders • Civil societies are encouraged to register with the registrar of societies to offer their contribution to policy formulation and play an oversight role in the implementation process. • There are various Government entities including MSEA, KIRDI and KIE that supports the sector. The sector is working to operationalize the MSE development fund which is in the Micro and Small Enterprise Act 2012 that is yet to be gazetted. The sector is also working to fast tract the implementation of the session paper no 5 of 2020 on the Kenya Micro and Small Enterprises Policy that will help to mainstream inclusive development of the MSMEs. • The government is in the process of reviving the Mumias Sugar Company by privatization.

Sector	Issues	Proposed way forward/Action taken/Response
	<u>Governance Issues</u> • Strategies on how treasury and the GECA sector collaborate on licensing of business. • The sector recorded growth in retail and wholesale stores in Kenya yet some are struggling to an extent of closing down. Case of Nakumatt and Turskys Supermarkets. What the sector is doing to address the challenges faced by the retail operators. • Low technology adoption among the MSMEs.	• SAGA called Micro and Small Enterprise Authority (MSEA) that deals with the licensing of business. The SAGA has recently recruited a registrar who will facilitate ease registration and licensing of SME. • Most of the challenges facing retail outlets are expansion programmes beyond their ability, poor management and nonpayment of their suppliers. The state department for trade is coming up with guidelines and regulation on the payment of suppliers. Also, KIBT plans to hold capacity building to the managers of the retail stores to address the issues faced. • There is need for diversification into the medium and high technology. This will require proper investment in appropriate skills set (STEM). The government to also provide conducive business environment and incentives for research and development investment within the sector.
Education Sector	**<u>Policy Issues</u>** • Teacher to Pupil Ratio	• TSC is determined to see teachers are properly staffed. TSC is working with ministry of Education to ensure enough teachers are

Sector	Issues	Proposed way forward/Action taken/Response
	• CBC Implementation particularly on issue of resource overburden on parents and acceptance. • Pending bills for Universities • Insurance of students in primary	provided by recruiting 5000 teachers every year and also by engaging intern teachers. • To reduce misunderstanding correct information is key and the state department is addressing complains through public education and awareness. In addition, the state department has formed a Multi-agency communication committee including stakeholders to reach out to the public. • There are clear policies on the distribution of learning materials and the government gives normal capitation to buy materials overburdening of parents with resources belongs to private sector. • Universities have Pending bills and are challenges that are currently being handled together with National Treasury. • Assumption is that at primary school the pupils are with parents and for secondary it is intended because they are away from home
	Governance Issues • Schools underperformance as a result of underperforming head teacher and teachers.	• TSC has Teachers Performance Appraisal development requires every teacher signs and their performances are reviewed. In addition, every head teacher signs performance contract evaluated

Sector	Issues	Proposed way forward/Action taken/Response
		every year and measure are taken against underperformance based on code of regulation of TSC.
	• Entry grades for TSC	• TSC ensures that every teacher joining Teachers Training College has qualifications, requirements and entry grades that are needed.
	• Sustainability of HELD given high rate of unemployment	• Government has put effort and requirement to ensure every HELB beneficiary repays back. In addition the government prioritizes higher education and hence allocates funds every year on grants and loans to needy students
	• Loans to Universities from commercial Banks	• Loans to universities from commercial Banks can only be authorized by the National Treasury since the government is the guarantor of loans. Only partnership with other entities with willingness to support funding to particular projects are authorized.
	• Gains in relation to Learners and trainers of Persons with Disabilities	• The Ministry of Education has enhanced learning materials to special needs learners and has provided Kshs. 655million extra funding to them and Kshs 35000 extra to every in secondary school and extra 2300 on top of normal capitation for those in primary.
	• Disaggregation public primary enrolment by sex in order to track progress made in tackling gender parity or disparity in education	
	• Ownership and Management of Undugu and Mathare VTCs Society	• Recommendation noted.

Sector	Issues	Proposed way forward/Action taken/Response
	• Ministry of education degree programmes that are not marketable • 100 percent transition and underperformance	• VTCs management is under the Counties and the state department only assists in terms of policies. However, government allocated Kshs. 2 Billion conditional grant to County government to assist in Management of VTCs • The ministry has come up with University industry collaboration policy where the unis align there courses to the needs in the market. TSC also guides universities on subject combination requirement for teaches so as they get employed as the complete. • Basic education is compulsory and 100 percent transition also includes those going to secondary and vocational
Environment Protection, Water and Natural Resources Sector	**<u>Policy Issues</u>** • Equity of water access in counties of Baringo, Nakuru and Bomet, Elgeyo Marakwet • Modernization of water payments	• Disparity in terms of coverage is due to not fully operationalized water act 2016 since the basis of future budget will be an integrated county water and sanitation investment into one named national water sector investment programme which is an aggregate of all the county investment plans. • In addition, addressing in equally in counties is due to little information on County Integrated Development Plans.

Sector	Issues	Proposed way forward/Action taken/Response
	• Conflict between wildlife and human	• Installation of water ATMs/dispensers is a good recommendation. However, is needs resource mobilization in terms of costs. • In the Economic Stimulus Programme the government recruited scouts to assist KWS in terms of managing the situation.
	<u>Project Implementation Issues</u> • Forest coverage assessment in the country • Monitoring of water quality • Mercury free mining and purification • Plastic bags usage and ban in the country • Nairobi River pollution	• Forest is affected by various dynamics and currently at 7.2 percent and the achievement in terms of forest cover will be able with the latest technology in place. • The Ministry of Water and Sanitation is working with the department of public health within Nairobi Metropolitan and water purification units have been installed to ensure the water is of quality. • The effect of mercury is not instant and the ministry is implementing a project across the value chain to come up with environment friendly and affordable technologies that are not using mercury. Also, the ministry is doing capacity building to miners on sustainable and safe mining. • The Ministry has come up with necessary regulations and effective implementation of the policy on the ban of plastic bags and its success is a collective responsibility.

Sector	Issues	Proposed way forward/Action taken/Response
	• Delay in the implementation of projects • None operational boreholes in the informal settlement.	• Currently the Ministry through a Cabinet memorandum and inter - ministerial technical committee has been formed to look into Nairobi river. • There is gaps arising from land compensation and particularly the during COVID-19 pandemic. Further, court cases arising due to land acquisition that delay projects. • The Ministry had 29 boreholes that were not working as a result of being disconnected from power due to lack of payment of power bills. The sub-Sector has already cleared the power bills.
	<u>Resource Allocation Issues</u> • Low budgetary provision on sustainable waste management and slow results • Budget for the Sector has been increasing but access to water has only been 3 percent	• The government has already come with sustainable solid waste management policy and also through robust waste management awareness creation programme through socio media and partnering with stakeholders. • The Budget is not adequate due to population increase. However, the sector is developing National Water Sector Investment and Financing plan where coverage scenario has been mapped with the financing scenario that will enable resources required mapped to meet universal coverage. • In addition, most of the projects are multi-year and the outcome of provision of water can only be seen after completion of projects.

Sector	Issues	Proposed way forward/Action taken/Response
	• Budget allocation on mitigating rising Lakes.	• The government has organized Inter-ministerial team and developed report on the same awaiting cabinet decision. Upon completion the amount of funds required in handling the rising Lakes.
Social Protection, Culture and Recreation Sector	**Policy Issues** • Targeting of cash transfer beneficiaries • Commitment on generation equality forum	• The state department for social protection currently implements 3 cash transfer programme including older persons, orphans and vulnerable and persons with severe disability cash transfer programmes. All the 3 programmes have a total of 1,200 million households enrolled. The orphans and vulnerable cash transfer program targeting was done in 2015 using proximate test. Older person cash transfer is universal programme that targets senior citizens of 70 years and above. • The Generation Equality Fund (GEF) is a global initiative and Kenya co-chairs one of the action coalition on GBV. The president presented Kenya's 12 commitments to deliver on elimination GBV during generation equality forum meeting in Paris. The Ministry of Gender and Public Service has incorporated the commitments in terms of priorities for implementation in current financial year and the subsequent financial years.
	Project Implementation Issues	• The ministry of sports has come up with stadiums to engage the young generation in sports activities. The ministry recognizes need to come up

Sector	Issues	Proposed way forward/Action taken/Response
	• Setting up of sports entrepreneurship centre	with entrepreneurship centres by engaging the federation and the association.
Governance Justice Law and Order Sector	**Policy Issues** • Community Policing • Registration on business/companies	• Community policing is done at the police station level. Different communities have different needs. Currently there are specific budgets for the Ward Commanders and the State Department for Interior and Citizen Services is trying to harmonize community policing with Nyumba Kumi and Peace Committees so as to optimize use of resources. • The process for the registration for businesses has been digitized hence the increase in numbers
	Governance Issues • Mental health for the police • Security in higher learning education • Value for money from the taxes in terms of assets	• Government is creating awareness and has established Directorate for counselling to provide psychosocial support 5to the police and avert mental health problems. • The government provides security officers to all higher learning institutions. In addition, the government has also partnered with various stakeholders to enhance security in higher learning institutions

Sector	Issues	Proposed way forward/Action taken/Response
		• Tracing of assets by EACC is a continuous process. In addition, EACC has partnered with police and ODPP in tracing of assets. Valuation of assets is based on projections and past trends.
	<u>Project Implementation Issues</u> • Suitability of voting materials suited for PWDs and visual impairment	• The IEBC is adopting in their programmes to suit PWDs and has materials that have been developed for use for that purpose. The IEBC is also doing voter education to create awareness on the use of such materials.
	<u>Resource Allocation Issues</u> • Allocation and operationalization for legal aid fund and judiciary fund • Development budget less than recommended percentage • Allocation for ICT support • Full disbursement of allocations	• The judiciary fund will be operationalized in the next financial year and the implementation will be rolled out thereafter. • Allocations is guided by available resources • Allocations are in the individual sector reports. • National treasury has done well in terms of disbursement as indicated in the absorption rates of the sub sectors which has been reported to be up to an average of 94 percent

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