



# **REPUBLIC OF KENYA**

**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

**MEDIUM TERM**

## **2024 BUDGET POLICY STATEMENT**

**SUSTAINING BOTTOM-UP ECONOMIC  
TRANSFORMATION AGENDA FOR  
ECONOMIC RECOVERY AND IMPROVED  
LIVELIHOODS**

**FEBRUARY 2024**

© Budget Policy Statement (BPS) 2024

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# Foreword

The 2024 Budget Policy Statement (BPS), the second to be prepared under the Kenya Kwanza Administration, reaffirms the priority policies and strategies under the Bottom-Up Economic Transformation Agenda (BETA) and prioritized in the Fourth Medium Term Plan of the Vision 2030.

Since coming to office in September 2022, the Government has implemented bold policy responses to mitigate the negative global and persistent shocks that have pushed the economy to its lowest vibrant level and embarked on structural reforms to stabilize Government finances and the economy. These shocks include global supply chain disruptions due to ongoing conflicts in Eastern Europe and the Middle East; high interest rates limiting access to credit and exacerbating debt servicing costs; significant losses and damages due to frequent extreme weather events; and elevated commodity prices such as petroleum products on account of increased geopolitical fragmentation and global oil supply cuts.

Against this background, the Government continues to implement interventions and policies to reduce the cost of living and improving livelihoods, while at the same time fostering a sustainable inclusive economic transformation through the Bottom-Up Economic Transformation Agenda. This is meant to reverse the economic recession and ignite economic recovery. This Development Agenda recognizes the importance of managing the cost of living through well-functioning markets to enhance increased production and productivity, availability and affordability of goods and services for all citizens. Indeed, market failures in sectors that supported the economy are glaring. The interventions target five core priority areas namely: i) Agricultural Transformation and Inclusive Growth; ii) Micro, Small and Medium Enterprise (MSME) Economy; iii) Housing and Settlement; iv) Healthcare; and v) Digital Superhighway and Creative Industry.

The Agenda places special focus on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. To realize this, the Government has targeted 9 value chains with the largest impact on jobs creation and economic recovery as follows: (i) Leather; (ii) Cotton; (iii) Dairy; (iv) Edible Oils; (v) Tea; (vi) Rice; (vii) Blue Economy; (viii) Natural Resources Including Minerals & Forestry); and (ix) Building Materials.

Despite the challenging environment, there is notable significant success following the various interventions rolled out during the past one year by the Government. Specifically, economic vibrancy has started. The economy remained strong in the first three quarters of 2023, growing by an average of 5.6 percent, a demonstration of resilience. This growth was well above estimated global and Sub-Saharan African region average of 2.9 percent and 3.3 percent, respectively. The economy is projected to expand by 5.5 percent in 2023 and 2024 from 4.8 percent in 2022. This growth outlook will be supported by a broad-based private sector growth, continued robust performance of the services sectors, the rebound in agriculture,

and the ongoing implementation of policy measures to boost economic activity in the priority sectors of the BETA.

Over the next four years, the Government will scale up efforts on policy interventions and structural reforms under BETA so as to navigate the global turbulence, accelerate economic recovery, and address overarching development challenges namely creating jobs, eradicating poverty and mitigating climate change. As part of the process, the Government will accelerate investments in: (i) human capital development; (ii) reforming markets some of which are in disarray and non-functional; (iii) domestic resource mobilization and application of those resources to development projects; (iv) reform and restructure of institutions; and (v) digitization so as to coordinate all the other four areas.

The fiscal policy stance for the FY 2024/25 and the medium term budget aims to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation will be supported by enhanced revenue mobilization and rationalization of non-priority expenditure while protecting essential social and development budget. As part of the process, the Government has embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that will further strengthen tax revenue mobilization efforts to over 20.0 percent of GDP over the medium term. In addition, tax administration by the Kenya Revenue Authority will be strengthened through scaling up use of technology to seal leakages. In part, this will involve enhancements of iTax and Integrated Customs Management System (iCMS) and usage of Tax Invoice Management System (e-TIMS). Further, the Government will scale up efforts on requiring the various Ministries, Departments and Agencies (MDAs) to not only mobilize more non-tax revenues but also transfer resources to exchequer. Eventually, majority of the MDAs are expected to be self-financing. These policy strategies are expected to expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position.

Given the limited resources, the hard sector ceilings provided for the FY 2024/25 and the medium term budget will form the basis of the detailed budget allocations for submission to Parliament by 30<sup>th</sup> April, 2024. In this regard, all Sector Working Groups and MDAs are expected to prepare their budgets consistent with the hard sector ceilings and adopt the value chain approach under the five clusters for the nine value chains as enumerated earlier to facilitate the finalization of the FY 2024/25 and the medium-term budget proposals.

**NJUGUNA NDUNG’U, CBS**  
**CABINET SECRETARY**

## Acknowledgement

The 2024 Budget Policy Statement is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the Government, highlights the current state of the economy, provides macro-fiscal outlook over the medium term together with a summary of Government spending plans as a basis for the FY 2024/25. The publication of the 2024 BPS aims to improve the public's understanding of Kenya's public finances and guide public debate on economic and development matters.

The Government is keen on fostering prudent management of public resources in order to support inclusive economic growth and development. In this respect, the Government has adopted a "hard budget constraint" principle in relation to the fiscal framework for FY 2023/24. Expenditure requirements arising within the year will be financed by cutting back on other expenditures thereby maintaining the expenditure ceilings and primary budget balance as per the fiscal framework. This policy has been operationalized in the current financial year - new expenditure requirements which have arisen during the year have been accommodated by an across the board 10 percent budget cut. Additionally, while preparing this budget, all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2024/25 have been scrutinized carefully to ensure quality and alignment to the Government's Bottom-Up Economic Transformation Agenda as outlined in this BPS and the Fourth Medium Term Plan and other strategic interventions of national interest.

The policy measures outlined in the 2024 BPS are expected to improve economy-wide efficiencies, create an enabling environment that supports growth in businesses and investment, reduce the cost of living as well as enhance the wellbeing of all Kenyans. The tight fiscal stance is expected to reduce debt vulnerabilities through implementation of reforms to broaden the domestic tax base and improve tax compliance. Expenditure rationalization will continue to focus on enhanced efficiency of public investments, better targeting of subsidies and transfers, addressing weakness in state corporations, and digital delivery of public services. Social safety nets and fiscal risk management framework will be enhanced.

The completion of this policy statement was as a result of collective effort by various MDAs who provided valuable information. We are grateful for their contributions. We are also grateful for the inputs we received while preparing this document from the Macro Working Group; stakeholders and the general public during the Country-Wide Public Participation in October-November 2023 and the Public Sector Hearings in December 2023. A dedicated team in the National Treasury spent substantial amount of time putting together this BPS. We are particularly grateful to them for their tireless efforts and dedication.

**DR. CHRIS KIPTOO, 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 15<sup>th</sup> 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. The Cabinet Secretary, the National Treasury and Economic Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2024/25 and the medium term.

The Budget Policy Statement contains:

- (a) an assessment of the current state of the economy, including macroeconomic forecasts as well as the priorities of the Government current pillars of growth and strategic directions;
- (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.

The preparation of the BPS is a consultative process that involves seeking and taking into account the current Government priorities and challenges in economic management and 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. SUSTAINING BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR ECONOMIC RECOVERY AND IMPROVED LIVELIHOODS

## 1.1 Overview

1. The 2024 Budget Policy Statement (BPS), the second to be prepared under the Kenya Kwanza Administration, reaffirms the priority policies and strategies outlined in the Bottom-Up Economic Transformation Agenda (BETA) and as prioritized in the Fourth Medium Term Plan of the Vision 2030. Since coming to office in September 2022, the Government has implemented bold policy responses to mitigate the negative global and persistent shocks that have pushed the economy to its lowest vibrant level, and embarked on structural reforms to stabilize Government finances and the economy. These shocks include, global supply chain disruptions due to ongoing conflicts in Eastern Europe and the Middle East; tightening of monetary policy in the developed world leading to high interest rates that limit access to credit and exacerbating debt servicing costs; significant losses and damages due to frequent extreme weather events; and elevated commodity prices such as petroleum products on account of increased geopolitical fragmentation and global oil supply cuts.

2. Against this background, the Government continues to implement policy reforms and programs interventions to reduce the cost of living and improve livelihoods. The critical focus here is that of ensuring poverty reduction after a series of negative shocks that is the underlying critical factor, while at the same time fostering a sustainable inclusive economic transformation through the Bottom-Up Economic Transformation Agenda. This is meant to reverse the economic recession and ignite economic recovery. This Development Agenda recognizes the importance of managing the cost of living through well-functioning markets to enhance productivity, availability and affordability of goods and services for all citizens. We have noted that market failures in sectors that supported the economy are glaring. The interventions target five core priority areas namely: i) Agricultural Transformation and Inclusive Growth; ii) Micro, Small and Medium Enterprise (MSME) Economy; iii) Housing and Settlement; iv) Healthcare; and v) Digital Superhighway and Creative Industry.

3. Despite the challenging environment, we have noted significant success following the various interventions rolled out during the past one year by the Government. Specifically, economic vibrancy has started. The economy in the first three quarters of 2023 remains strong at an average growth of 5.6 percent, a demonstration of resilience. This growth well above estimated global and Sub-Saharan African region average of 2.9 percent and 3.3 percent respectively. The economy is projected to expand by 5.5 percent in 2023 and 2024 from 4.8 percent in 2022. This growth outlook will be supported by a broad-based private sector growth, continued robust performance of the services sectors, the rebound in agriculture, and the ongoing implementation of policy measures to boost economic activity in the priority sectors of the BETA.

4. Other progress has been realised in the core pillars of the Bottom-Up Economic Transformation Agenda. In order to support livelihood and businesses, the Government through the Financial Inclusion Fund, or the ‘Hustlers Fund’ has provided access to affordable credit to over 20 million Kenyans and MSMEs at the bottom of the pyramid and encouraged savings. To ensure food security in the country thereby reducing the cost of living, the Government rolled out fertilizer and seeds subsidies to farmers across the country; and granted duty waiver for importation of key food products such as white maize, rice, yellow maize, soya beans, soya bean meal, assorted protein concentrates, and feed additives in order to bridge the food stocks deficit as well as lower and stabilize food prices.

5. To promote achievement of the universal health coverage, the Government has reformed the National Health Insurance Fund to meet the urgent needs of Kenyans at the bottom of the socioeconomic structure by actualizing its purpose as a social medical insurance facility. The Government is on track to facilitate delivery of affordable houses and enable low-cost housing mortgages. The Housing Levy that was enacted in Finance Act, 2023 is providing an off-take fund that will de-risk investors, and offer affordable finance to home-owners, bringing home ownership within the reach of the majority of urban population. To foster digital transformation, the Government has closed the digital divide between urban and rural areas by providing last mile connectivity to 25,000 small towns within proximity of fibre backbone, thereby positioning Kenya to expand the pool of its global digital workforce without requiring physical mobility.

6. Over the next four years, the Government will scale up efforts on policy and structural reforms under the BETA so as to navigate the global turbulence, accelerate economic recovery, and address overarching development challenges namely creating jobs, eradicating poverty and mitigating climate change. As part of the process, the Government will accelerate investments in: (i) human capital development; (ii) revive and sustain markets to play their pivotal function; (iii) develop diverse methods for domestic resource mobilization; (iv) reform and restructure of institutions to provide policy leadership and policy implementation; and (v) digitization so as to coordinate all the other four areas.

7. On human capital development, in order to achieve economic transformation, two driving factors are important, that is, human capital development and enhancement of savings. The Government will ignite a sustained economic transformation by raising capital accumulation. This is in addition to ongoing investments in education, health, nutrition and labour markets to boost human capital development.

8. On revival and sustaining markets to play their pivotal function, most Kenyans overtime sunk into abject poverty mostly because markets in their segments were interfered with or markets were not properly governed. This disrupted market development, and importantly curtailed further investments in those sectors. Examples are subsectors like sugar, coffee, pyrethrum, cotton, even tea and milk where markets were interfered with. The outcome of this is an institutional failure problem that pushed policies to fail and poverty because widespread. The interventions at the Bottom of the pyramid under this

Administration, are therefore targeted to ensure markets work for the poor and also markets should work for everybody.

9. On the development of diverse methods for domestic resource mobilization, the Government is keen to raise domestic resources to support implementation of various ongoing programmes. The National Treasury has embarked to redesign the taxation instruments to make them more supportive to economic activity without distorting the market and eroding investment incentives. This will boost revenue collection and raise tax effort from the current 16.0 percent of GDP in FY 2023/24 to where it was previously, above 20 percent of GDP. This will be done through the implementation of the National Tax Policy and the Medium-Term Revenue Strategy for the period FY 2024/25 - 2026/27 that will provide a combination of tax administration and policy measures to enhance revenue mobilization.

10. The Government has also scaled up efforts on requiring the various Ministries, Departments and Agencies (MDAs) to not only mobilize more non-tax revenues but also transfer resources to exchequer. Eventually, majority of the MDAs are expected to be self-financing. On the Tax Administration side, the Authority's capacity will be scaled up to rely more on technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System). These policy strategies will expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position. In order to boost supply of public goods, the Government will leverage on the Public Private Partnerships (PPP) framework so as to tap into capacity of private sector to deliver projects that have strong economic, commercial and environmental benefits and aligned to the BETA priorities.

11. On the reform and restructure of institutions, the Government has embarked on a process to wean some of the parastatals from reliance on exchequer. At the same time, some institutions have governance related issues. In line with the Privatisation Act, Entities have been identified and proposed to be included in the 2023 Privatisation Programme. These include eleven Government Owned Enterprises and Government Linked Corporations.

12. Lastly, the Government will leverage on digitization to coordinate all the above interventions. Specifically, the Government will digitize and automate all critical Government processes throughout the country, with a view of bringing greater convenience to citizens; support extension of National Fibre Optic Backbone infrastructure to ensure universal broadband availability and promote investment in the digital superhighway and the creative economy; raise revenue efficiently for Government services that are paid for electronically, thus eradicating leakage.

## **1.2 Core Pillars**

### **1.2.1 Agricultural Transformation and Inclusive Growth**

13. Agriculture remains a core pillar for the realization of the Bottom-Up Economic Transformation Agenda's aspiration of proving employment and a

means of livelihood to the majority of the Kenyan people. In order to support agricultural production, the Government rolled out a countrywide farmer registration and fertiliser subsidy programme that has made available 5.5 million bags to farmers across Kenya. The Government has also progressively reduced the cost of fertiliser from Ksh 6,500 to Ksh 2,500, increased maize acreage under production by an extra 200,000 acres and enhanced maize production by an additional 18 million bags.

14. To achieve efficiency, transparency and accuracy in fertiliser distribution, the Government enrolled farmers on a digital register, with accurate details of the location and acreage of their agricultural landholding. The database enabled the Government to implement an e-voucher system through which farmers received their fertiliser consignments for planting and top-dressing of maize, tea, coffee, rice, potatoes, cotton and edible oil crops.

15. Additionally, the Government has made adequate arrangements, including investment in necessary infrastructure, to facilitate post-harvest management and prevent losses. Seventeen certified warehouses, jointly managed by the National Cereals and Produce Board and private sector owners, with a combined capacity of 365,000 metric tonnes, or 4 million 90 kilograms' bags, have been prepared in the maize-growing areas. Further, the Government has mainstreamed nine priority value chains into the budget including those that have the highest potential to impact on the economic vibrancy and reduce cost of food stuffs, increasing exports (tea, dairy, leather), reducing food imports (rice, edible oils, blue economy).

16. Over the medium term, the Government will align all policies under the agriculture sector towards increasing food production, boosting smallholder productivity and reducing the cost of food. Overall, the strategies under the Agricultural Transformation and Inclusive Growth Pillar will be geared towards: addressing the cost, quality and availability of inputs; reducing the cost of food and cost of living in general; reducing the number of food insecure Kenyans; raising productivity of key food value chains; increasing access to affordable credit and agricultural extension services; creating direct and indirect jobs, increasing average daily income of farmers as well as foreign exchange earnings; and revamping underperforming and collapsed export crops while expanding emerging ones.

### **1.2.2 Transforming the Micro, Small and Medium Enterprise (MSME) Economy**

17. The Micro, Small and Medium Enterprise (MSME) Economy provides diverse enormous opportunities for Kenya's socio-economic transformation especially by providing income opportunities for economically excluded segments of the population including youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment.

18. In order to support individuals and MSMEs at the bottom of the pyramid, the Government established the Financial Inclusion Fund, or the Hustlers Fund in November 2022 as an intervention to correct market failure problems at the bottom of the pyramid and to cushion the MSMEs against high cost of credit. By the end of November 2023, the Fund had disbursed Ksh 36.6 billion and realized Ksh 2

billion in savings, benefitting 21.3 million customers with 7.7 million repeat borrowers whose overall repayment rate is at an impressive 73 per cent. The top borrower of the fund has so far accessed a total Ksh 4.5 million in 816 transactions, while the top voluntary saver is at Ksh 631,491.

19. In the intervening period, the Hustler Fund has also launched a group product, which has attracted 50,000 active groups to the platform, of which 20,000 have received Ksh 151 million. Going forward, the Fund will be enhanced with specific financial products to provide additional enterprise and business facilities for existing mama mboga and boda boda saccos.

20. Building on the progress made, to support MSMEs, the Government will review and rationalise all business licences, establish MSME Business Development Centre in every ward, an industrial park in each county and business incubation centre in every TVET institution.

### **1.2.3 Housing and Settlement**

21. As a core pillar in Bottom-Up Economic Transformation Agenda, the Government is committed to ensuring that the constitutional right to accessible and adequate housing is achieved. For this reason, through the Affordable Housing Programme, the Government targets to support provision of at least 250,000 affordable houses to Kenyans every year thereby increase the percentage of affordable housing supply from 2 percent to 50 percent. The Government is on track to facilitate delivery of affordable houses and enable low cost housing mortgages.

#### **1.2.3.1 Urban Housing**

22. The estimated shortfall of 200,000 urban housing units a year, has led to high cost for very poor quality housing including slums. In order to bridge the housing gap, the Government has launched several affordable housing projects across the country. The construction of 46,792 units in various parts of the country is already underway, while another 40,000 units are ready to commence construction. A total of 746,795 housing units are in the pipeline, undergoing various stages of delivery.

23. The Government is also implementing policy and administrative reforms to lower the cost of construction and improve access to affordable housing finance while creating jobs and entrepreneurial opportunities to all Kenyans. In this regard, the Government is structuring affordable long-term housing finance schemes, including a National Housing Fund and Cooperative Social Housing Schemes, that will guarantee off take of houses from developers. As part of the process, the Housing Levy that was enacted in Finance Act, 2023 is providing an off take fund that will de-risk investors, and offer affordable finance to home-owners, bringing home ownership within the reach of the majority of urban population.

24. The Affordable Housing Programme is also envisaged as a job creating economic stimulus that will offset the cutback in public infrastructure spending. The Programme is expected to create quality jobs for youths, employing graduates from TVETS, directly in construction sector and indirectly throughout every value chain in the housing development ecosystem. Already, 50,000 Kenyans, who were

previously unemployed, are now engaged directly and indirectly in this enterprise, and the numbers will significantly increase as the projects move into the next phases.

25. Towards this end, the Government will continue to upgrade and support Jua Kali capacity to produce high quality construction productions by linking it with technical and vocational education institutions. More jobs will be created with the formalisation of the Jua Kali clusters, providing products like doors, hinges and windows. Architects, engineers, quantity surveyors, masons, electricians, plumbers, transporters, steel and cement factory workers, and hardware merchants will be partakers of this transformative plan from the bottom up.

### **1.2.3.2 Rural Housing and Settlement**

26. To support rural housing and settlement, the Government will establish a Settlement Fund similar to the one that was used to acquire land from settler farmers after independence. The land purchased by the scheme will be subject to land use planning where beneficiaries will own transferable residential plots in planned settlement to stop land fragmentation.

### **1.2.4 Healthcare**

27. The Constitution guarantees Kenyans the right to the highest standards of health. For this reason, the Kenya Kwanza Administration identified healthcare delivery as one of the core pillars of the Bottom-Up Economic Transformation Agenda. In order to deliver Universal Health Coverage, the Government embarked on various interventions to: i) provide fully public financed primary health care system, an emergency care fund and a health insurance fund that will cover all Kenyans, ii) install digital health management information system, iii) set up a Fund for improving health facilities; iv) set up an Emergency Medical Treatment Fund, iv) establish a National Insurance Fund that covers all Kenyans, and v) avail medical staff who would deliver Universal Health Coverage.

28. Significant progress has been made in the delivery of the universal health care. Notably, the Government has reformed the National Health Insurance Fund to meet the urgent needs of Kenyans at the bottom of the socioeconomic structure by actualizing its purpose as a social medical insurance facility. Health insurance coverage in Kenya has generally been low at 26 percent, with those at the bottom of the economic pyramid having the least coverage of less than 5 per cent. Many Kenyans incur catastrophic expenditures from out-of-pocket healthcare payments, while many more do not seek care when they fall ill, because they simply cannot afford. Over the last decade, several measures have been put in place to enhance the capacity of the National Hospital Insurance Fund to effectively deliver on its mandate. While these reform initiatives have yielded significant progress, several gaps remain. Recent analysis shows that, among others, the NHIF operates as a passive, rather than a strategic purchaser, is plagued by inefficiency and governance challenges, and is potentially financially unsustainable.

29. To strengthen the legal basis for health financing, health service provision and achievement of UHC, four new health laws have been enacted. These are: i) Social



Health Insurance Act, 2023; ii) Primary Health Care Act, 2023; iii) Facility Improvement Financing Act, 2023; and iv) Digital Health Act, 2023. These laws will usher in and guarantee a new era in the provision of healthcare, covering all essential services from preventive, promotive, curative, palliative and rehabilitative services, guaranteeing every Kenyan access to comprehensive and quality care. The Social Health Insurance Act will among other things, establish the publicly financed Primary Health Fund, a fully publicly financed chronic, emergency and critical illness fund and the Social Health Insurance Fund. In order to enhance access to healthcare, the Government will be implementing a per-household payment system, where a flat rate applies to everyone, regardless of their income.

30. To increase the availability of human capital in public health sector, the Government has scaled up investment in healthcare workforce under Afya Nyumbani. Under the program, 8,429 workers whose contracts had lapsed have been renewed and 4,129 interns enrolled across the country. Additionally, the Government has collaborated with all the County Governments to recruit and deploy 100,000 community health promoters (CHP) throughout the country. In the last one month, CHPs have attended to 1.2 million households. The work of the promoters will include basic preventive and promotive health, health education, basic first aid for the treatment of minor injuries and ailments at the household level and referral for facility-based healthcare. Each community health promoter is allocated 100 homes within their neighbourhoods countrywide. Considering the pivotal role played by community health in the attainment of UHC, the long-term financial sustainability of community health is contingent on enhanced domestic resources for health. The National Government is working closely with the County Governments to strengthen the delivery of community health services through payment of stipends for CHPs, on a matching basis of 50:50.

31. To better deliver universal health coverage, the Government has leveraged on the digital health agenda starting from the community level. In this regard, the electronic community health information systems (e-CHIS), which is live and being used by the promoters across the country, is a simple and user-friendly mobile health application that will be used to collect real-time accurate household data, initiate planning for health service delivery and provide linkage to health facilities. Along with the CHP kits, the Government has provided 110,000 smartphones for use by the promoters and Community Health Assistants. This will provide quality community health data that is essential for the planning, resource allocation and monitoring of progress towards Universal Health Coverage.

32. To further deliver universal health coverage, the Government has instituted a paradigm shift to preventive and promotive health rather than curative. The shift will further be strengthened by the promotive services provided by community health promoters at the household units, and integration of preventive services at the primary health care levels. These services will include screening for conditions such as hypertension, diabetes and eye conditions; offer the necessary health education on water and sanitation, nutrition and provide community rehabilitation services, among others. These services will be provided through multidisciplinary teams that will be established at the level of the Primary Care networks.

## **1.2.5 Digital Superhighway and Creative Economy**

### **1.2.5.1 Digital Superhighway**

33. The Government recognizes that digital economy is the emerging frontier of opportunity, productivity and competitiveness. In order to entrench Kenya's lead in digital economy, the Government under the BETA committed to: i) promote investment in the digital superhighway and the creative economy; ii) support extension of National Fibre Optic Backbone infrastructure to ensure universal broadband availability; and iii) digitize and automate all critical Government processes throughout the country, with a view of bringing greater convenience to citizens.

34. The Government has made progress to honor these commitments. Indeed, when the Kenya Kwanza Administration came to office, only 320 Government services were available online. Today, there are 16,000 services and with a target of onboarding all services by the end of the year. This has increased efficiency in service delivery, revenue collection and enhanced accountability. Working with the private sector, the Government launched the local assembly of affordable smartphones in November 2023 in Athi River. In particular, the Government has prioritized digital registration in order to promote a reliable identification and authentication system for all citizens and reduce fraud linked to identity theft. A reliable and centralized identification system will also support better management of social programmes, delivery of essential services and transparency and accountability in Government operations. As part of the digitized registration system, the Government has developed the following: i) Maisha Namba; ii) Maisha Card; iii) Digital ID; and iv) National Population Master Register.

35. The Government is currently rolling out the last mile 100,000 km of fibre optic infrastructure throughout the country to improve internet connectivity in health facilities, schools, Judiciary offices in far flung areas, and other public institutions. The Government is also concurrently setting up 25,000 WiFi hotspots targeting fresh produce markets, bus parks and other public spaces. Further, the Government is working with Members of Parliament in the set-up of 1,450 ICT Hubs equipped for digital innovation in every ward in the country, 8 remote working and other online enterprises to enable our youth to find opportunities.

36. The Government has also prioritised the teaching and learning of digital skills, including coding, from the primary school level to tertiary education, be it technical and vocational education and training (TVET) institutions, or other colleges and universities, including the recently launched Open University of Kenya to prepare children to be competitive in the economy of the future. The curriculum for primary and secondary schools as well as tertiary learning institutions, will continuously be reviewed to make sure that Kenya's youth stay up to speed in terms of global technological changes. These initiatives are expected to spur e-commerce, the creative arts and the digital economy; the frontier of our Bottom-Up Economic Transformation Agenda.

37. Over the medium, the Government will continue to: increase and fast-track broadband connectivity across the country by construction of national fibre optic



connectivity network; enhance Government service delivery through digitization and automation of all government critical processes; establish Africa Regional Hub and promote the development of software for export; implement the Digital Master Plan will adhere to environmental agreements in which Kenya is a signatory; and strengthen Konza Technopolis to bring together industry, academic institutions, and other innovators to co-invest in emerging technologies to create high-quality jobs that leverage artificial intelligence, robotics, and other technologies.

### **1.2.5.2 Creative Economy**

38. The Government is committed to leverage digital prowess in order to enhance the creative economy's position as a significant sector and increase its contribution to fashion and value addition to leather and crafts export. Towards this end, the Government will continue protecting intellectual property rights as the foundation of effective monetisation and mainstream the development of arts and culture infrastructure. Further, the Government will extend incorporating the creative economy into the Brand Kenya and commercial diplomacy initiatives, establish a vibrant film ecosystem and facilitate the monetisation of music to promote entrepreneurship.

39. The creative industry will significantly add value to Kenya's exports such as fashion, leather products and craft industries among others. The Government will mainstream the creative economy into Brand Kenya and our commercial diplomacy, including appointing accomplished Kenyan artistes and creative sector personalities as cultural ambassadors. Government will continue to partner with other stakeholders such as Hollywood's Invention Studios that will open doors for rapid growth of Kenya's film industry.

## **1.3 Enablers**

40. Attainment of Government's Bottom – Up Economic Transformation Agenda will be underpinned by sound and innovative policy and structural reforms targeted at all socio-economic sectors, building efficient infrastructure, climate-change mitigation mechanisms, as well as foster strict compliance with the Constitution and the rule of law. This will create a strong and solid foundation for economic transformation and industrialization as envisaged in the Kenya Vision 2030 and supported by BETA. This will improve the living conditions of all Kenyans and fight poverty that has engulfed majority of Kenyans. The following enablers will be prioritized to enhance the attainment of the Agenda:

### **1.3.1 Infrastructure**

41. Development of critical infrastructure is key to economic growth as well as key enabler to the implementation of Bottom-Up Economic Transformation Agenda (BETA). The Government will continue to intensify national and regional connectivity through water, road, rail, port, energy and fibre-optic infrastructure in order to achieve socioeconomic transformation in the country, enhance Kenya's competitiveness, and facilitate cross-border trade and regional integration.

Infrastructure lowers transactions costs and hence enhances profitability of private investments.

### **1.3.1.1 Water**

42. In Kenya, more than 90 percent agricultural products are grown in rain-fed farming systems and only 20 percent of land is deemed suitable for rain-fed agriculture. The remaining land requires irrigation to ensure optimal production due to inadequate rainfall. To enhance access to safe water for domestic, irrigation and industrial use, the Government has made significant progress by developing the Water (Amendment) Bill, 2023 which seeks to promote private investment in the water sector through the Public-Private Partnerships (PPPs) model. The amendments seek to expand the role of National Government entities such as the Water Works Development Agencies (WWDAs) and National Water Storage Authority (the NWSA) to provide water services by allowing them to enter into bulk water purchase agreements under the PPP Act, 2021 which was previously the preserve of county water service providers (WSPs). Additionally, the Government also plans to construct 100 dams in the next five years and are likely to use the PPP model.

### **1.3.1.2 Roads**

43. The Government will continue to strengthen the institutional framework for road development in order to accelerate the speed of completion of new and stalled road construction projects to cater for the growing population. In order to minimize waste of resources, the Government will ensure all projects are completed within two years and no new project will be launched before the ongoing ones are complete.

44. Over the medium term, the Government will prioritize upgrading and maintaining rural access roads to open up the rural areas to enable farmers to get their produce to markets faster and cheaply. The Government will also improve road infrastructure in urban informal settlement and critical national and regional trunk roads that have the highest immediate economic impact. To streamline transport accident investigations, the Government will establish the Kenya Transport Accident Investigation Bureau (KTAIB) as part of institutional and legal reforms proposed. The Bureau will utilize international best practices and will pursue safety interventions in road, rail, pipeline and marine transport.

### **1.3.1.3 Electricity**

45. Access to affordable and efficient energy is crucial for the achievement of the socioeconomic transformation as envisioned in the Bottom-Up Economic Transformation Agenda and the Kenya's Vision 2030. While generation capacity and total electricity connections have increased considerably in the recent years, electricity in the country remains expensive in comparison to other countries.

46. To reduce electricity prices, the Government has introduced a myriad of interventions to provide relief for electricity consumers while at the same time ensure the long-term viability and sustainability of the energy sector. This includes

Renewable Energy Feed-in Tariffs (REFIT), investment in geothermal energy, rural electrification, and engagement of independent power producers in keeping with the Renewable Energy Auction Policy. The Government has also lifted the moratorium on Power Purchase Agreements (PPAs) as a way of enhancing the nation's energy security through opening up the energy sector for continued investments.

47. Building on these interventions, the Government has set up a team to advise on how to bring down the cost of electricity to lower the cost of living by the end of 2023. The Government will continue to support the use of renewable energy. Kenya has abundant renewable energy sources such as wind, solar, and geothermal power. By investing in these sources of energy, Kenya can reduce its dependence on expensive fossil fuels and lower the cost of electricity.

48. In order to meet the growing demand for electricity, the Government has successfully completed key transmission projects that connect most parts of the country to the national grid. The Athi River Substation, 400kV Suswa – Isinya Transmission Line, 500kV HVDC Ethiopia – Kenya Transmission Line and Converter Substation at Suswa, 132kV Olkaria – Narok Transmission Line, 132kV Mwingi – Kitui Transmission Line, Kitui Substation and 220/400kV Isinya – Namanga Substation have been completed and commissioned, among other projects.

#### **1.3.1.4 Petroleum and E-mobility**

##### ***Petroleum***

49. Price volatility of petroleum products remains a key challenge for consumers and economic stability. In order to stabilize consumer prices against unpredictable swings in global oil prices, the Government has developed a strategy to revive and commercialize the National Oil Corporation of Kenya (NOCK). Under this strategy, NOCK will benefit from a partnership that restructures it into three subsidiaries segmented around the petroleum products value-chain along the following streams: NOC Upstream Limited, focused on exploration and upstream production activities and services; NOC Downstream Limited, focused on marketing and distribution of petroleum products; and NOC Trading Limited, specializing in holding strategic stocks of petroleum products for import and export.

50. The Government has also approved the acquisition of the Kenya Petroleum Refineries Limited (KPRL) by the Kenya Pipeline Company Limited (KPC). This is expected to enhance petroleum supply chain infrastructure and thereby result in security of supply and cost efficiency through reduced demurrage costs and enhanced penetration of LPG usage in the country. This will enhance efficiency and also foster synergy in the petroleum value chain by optimizing the use of our existing downstream petroleum infrastructure.

51. Further, to cement the country as a leader in green energy, the Government has developed the Liquefied Petroleum Gas (LPG) Growth Policy. The Policy seeks to steer our nation along an irreversible path towards securing the dignity of all households through the use of safe and affordable LPG. The Policy provides a

pathway for progressively weaning-off the 70 percent of Kenyan households from using dirty fuels as their primary cooking fuel. The Policy proposes that all housing developments to have provisions for liquefied petroleum gas reticulation infrastructure. This provision will be embedded as a prerequisite for approval of any housing development projects, including those under the Affordable Housing Programme. The policy further seeks to encompass establishing common-user LPG import terminals, distributing subsidized LPG cylinders to low-income households, promoting LPG use in institutions, facilitated by partnerships with finance institutions, LPG players, and the Ministries of Education and Health. These measures aim to reduce consumer prices, improve public safety and contribute to both public health and environmental sustainability.

### ***E-Mobility***

52. BETA identifies the adoption of electric mobility, or e-mobility, as a priority intervention to achieve the win-win outcomes of reducing greenhouse gas emissions, providing cheaper transport and leveraging our large local and regional motorcycle market to build an electric and battery electric vehicle industry.

53. Motorcycles comprise the fastest growing form of transport in many countries. This has had serious implications for climate change and air quality. Africa now faces a tremendous carbon dioxide emissions challenge owing to its huge two-wheeler, internal combustion engine powered fleet. Ageing fleets and unsustainable technologies are to blame for this hazard. In Kenya, two and three-wheeler vehicles comprise the largest share of the national fleet, at 67 percent. This puts Kenyan cities and urban areas in danger of turning into heavily polluted and unhealthy places, placing millions of enterprising people at great risk.

54. For this reason, the Government has adopted e-mobility is a high-priority intervention to address the challenges of pollution, adverse health effects and fuel costs that raises operational and health costs across the board. Successful transition to e-mobility requires intensive investment to reconfigure transportation system through electrification and the provision of all necessary services and infrastructures throughout the ecosystem. To attract investment, the Government has developed a compelling package of incentives for serious investors in e-mobility to stake their capital on opportunities in the country's green growth agenda.

### **1.3.2 Manufacturing Sector**

55. Manufacturing sector in Kenya plays an important role in driving economic growth by promoting and supporting productivity, boosting employment and enhancing competitiveness of the country in exports markets. The Government's value chain approach is expected to revamp the sector, and encourage competitiveness and growth of local industries. The Government has implemented the following initiatives across the value chains:

### **1.3.2.1 Agro-Processing**

56. To promote growth of the agro-processing sector, the Government will continue supporting value addition to agricultural produce across the value chain. This will involve processing tea, coffee, meat, sugar, dairy, fruits and vegetables locally in order to obtain more value and create additional jobs and wealth for Kenyans.

57. In Kenya, post-harvest management has been a major challenge in the agricultural sector with estimated loss of 20 percent to 50 percent of harvested crops, fruits, vegetables and fresh horticultural produce, mainly due to poor storage and handling practises. In the view of addressing the post-harvest losses and enhance farmers income, the Government has begun the construction of the initial 18 County Aggregation and Industrial Parks (CAIPs). The CAIPs are special zones being set-up by the Government with the aim of having the project implemented in all 47 Counties by FY 2025/26. This CAIPs will provide value addition centres for agricultural products as well as storage facilities.

### **1.3.2.2 Leather and Leather Products**

58. Kenya remains a leading producer of hides and skins in Africa. The leather industry has the capacity to deliver 80,000 jobs and 100 billion dollars. To support the growth of the leather industry in the country, the Government will build on the ongoing interventions to facilitate local processing of all hides and skins that include; setting up of leather cottage industries and expansion of existing tanneries; completing the development of leather parks such as the Kenya Leather Industrial Park (KLIP) and Kenanie; and supporting establishment of processing clusters in Isiolo, Wajir, Narok, Ewaso Ng'iro.

### **1.3.2.3 Building and Construction Materials**

59. The Government will continue to support building and construction value chains, by: initiating the establishment of industrial park for construction materials; enhancing local manufacturing of construction materials (clinker, cement, cabros, prefabs) and electrical and electronics fittings, cables and products; and ring fencing certain components of the low cost housing project for MSMEs.

### **1.3.2.4 Garments and Textiles**

60. Garments and textiles sector has huge untapped potential of employing thousands of Kenyans and earning significant foreign exchange. However, the sector is confronted by numerous challenges including high cost of labour and low agricultural productivity that hampers the competitiveness of Kenya's garment export. To unlock the potential of the sector, the Government will build on ongoing measures including: attracting investment in manufacture of garments and apparels, promoting modernization of textiles mills and cotton ginneries; and promoting linkage of MSMEs (tailors) with schools, institutions to provide a market for uniforms.

### **1.3.2.5 Dairy Products**

61. Dairy and livestock sub-sectors are an integral part to the Government's plan to improve food security, create jobs and boost exports. To support value chains under the dairy sub-sector, the Government targets to double milk production in the next five years to expand opportunities for farmers. The Government has already put in place a solid plan that will boost increase in production from 5.2 billion litres to 10 billion litres a year.

62. As part of the process, the Government will modernise Kenya Cooperative Creameries plants and install milk coolers countrywide so that more milk can be processed boosting milk quality and income of dairy farmers. The Government will also eliminate brokers from agricultural value chain using the county aggregation and industrial parks so that farmers can earn maximum returns from their milk. Other interventions include: duty free importation of raw materials for manufacture of animal feeds to lower the cost production and make animal feeds affordable; establishment of cottage industries at the Nasewa Industrial Park to promote animal feeds production; supply and installation of dairy mechanization and value addition equipment including bulk milk coolers; and promotion of investment in the cold chains.

### **1.3.2.6 Edible and Crop Oils**

63. Currently, Kenya's edible oil consumption is estimated to surpass 900,000 metric tonnes annually, with only 80,000 metric tonnes produced domestically. This vast production deficit, amounting to 820,000 metric tonnes, is primarily bridged through imports, translating to an import bill of around Ksh 120 billion annually. To reverse this trend, the Government will continue to implement measures targeted at increasing the annual production of edible oils from 80,000 metric tonnes to 240,000 metric tonnes within five years. This will reduce Kenya's dependence on imports and thus generate savings of almost Ksh 100 billion spent annually on imports. Towards this end, the Government will continue to attract investment to support edible oil cottage industries; provision of CMFs and processing machinery for small industries; and expand processing capacity of existing industries.

64. As part of the process, the Government launched dispensing machines made-in-Kenya dubbed "Mama Pima" geared towards lowering the cost of cooking oil in August 2023. The machines are expected to provide employment to thousands of citizens and reduce the cost of the commodity. The initiative showcases the Government's commitment to address the needs of the most economically disadvantaged citizens and empowering them to improve the quality of life

### **1.3.2.7 Tea and Coffee Sub-sectors**

65. Tea and coffee sub-sectors remain a key sector providing livelihoods to millions of Kenyans and contributing significant foreign exchange earnings. To revitalize the sub-sectors, the Government will build on the ongoing efforts including: reforming the legal and policy frameworks; promote value addition through provision of processing equipment; export market development and export



promotion; and establishment of warehouse for value added tea and coffee in key development markets.

66. The Government's reforms in the coffee sector are bearing fruit, with farmers set to earn four times advance pay for their crop, from a low of Ksh 20 to Ksh 80, following the allocation of Ksh 4 billion from the Coffee Cherry Fund. Coffee reforms regulations will give farmers' the necessary representation and weight at the Nairobi Coffee Auction. These measures are expected to aid ongoing efforts, including expanding production to new counties and double coffee output in the next 4 years.

### **1.3.2.8 Sugar Sub-sector**

67. The Government is currently restructuring public sugar mills, expediting the leasing of five companies for rehabilitation and expansion to boost industry competitiveness before the COMESA sugar safeguards expire. The objective includes creating a competitive sector, raising farmer incomes and enhancing their productivity. As part of the process, the Government has waived Ksh 117 billion non-performing debt for government-owned sugar factories.

### **1.3.3 Blue Economy**

68. The Kenya's lakes, coastal and marine environment are endowed with rich natural resources that have an immense economic and cultural value to the region's inhabitants and the nation at large. Indeed, the blue economy provides a massive potential for economic growth, livelihoods and jobs, and ocean ecosystem health. However, the potential of the blue economy remain largely untapped in Kenya.

69. In order to support the blue economy, the Government has: established 22 new fish landing sites and 2 fish markets in 9 counties in the Nyanza and Coast regions; funded and organised beach management units into cooperatives; set up two aquaculture development and training centres in Sagana and Kiganjo; developed two hatcheries at Kabonyo and Shimoni; and is in the process of completing Liwatoni fish processing plant and Shimoni fish port; modernized a Fisheries Monitoring, Control and Surveillance Centre.

70. The Government has also commissioned MV Uhuru II, a wholly newly-built merchant marine vessel that demonstrates the rapid maturation of the national shipbuilding industry especially the Kenya Shipyards and highlights its dynamic capacity to undertake different important assignments and deliver various types of vessels for diverse markets. Notably, the Kenya Shipyards is quickly emerging as a leader in high-quality shipbuilding for our local and regional needs. In this regard, the Kenya Shipyards have been contracted to repair and maintain ships for Government Ministries, Departments and Agencies, including the Kenya Coast Guard Services, the Kenya Ports Authority, the Kenya Maritime Authority, the Kenya Marine Fisheries Research Institute, Kenya Fisheries Service, Kenya Fishing Industries Corporation, and private operators in the Indian Ocean coast as well as Lake Victoria. In addition, the Kenya Shipyards remains Kenya's strategic anchor in the development of the blue economy by channelling technology as well

as local and foreign direct investment into a diverse industrial ecosystem with distinct clusters assembled around shipbuilding.

### **1.3.4 The Services Economy**

#### **1.3.4.1 Financial Services**

71. Safeguarding financial stability and expanding access to affordable finance remain key priorities under the Government's Bottom - Up Economic Transformation Agenda (BETA). Towards this end, the Government will continue to take steps to improve prudential regulation and supervision, with a view to addressing the increased sophistication of the financial sector. This will promote sustainability and resilience of the Kenyan financial sector along four pillars: customer centricity; risk-based credit pricing; transparency; and ethical practices. This will also enhance the financial sector's capacity to provide affordable financial services to all Kenyans and help millions of ordinary citizens overcome pressing economic challenges and achieve prosperity.

72. To expand access to affordable financing to individuals and Micro, Small and Medium Enterprises (MSMEs) excluded at the bottom of the pyramid, the Government will continue implementing the Financial Inclusion Fund, or the 'Hustlers' Fund. The Government will also convert the Credit Guarantee Scheme into the Kenya Credit Guarantee Scheme Company (KCGSC) to ensure sustainability and develop a Credit Guarantee Policy whose objective is to provide a clear framework for a sustainable model for credit guarantee scheme for MSMEs.

73. To promote agricultural productivity and transformation, the Government has initiated an Agricultural Financing and Inclusion Programme. The objective of the Programme is to enhance access, efficiency and stability of agricultural rural finance to facilitate transformation of the agricultural sector into an innovative, commercially oriented and modern agriculture, livestock and fisheries sector as envisaged in the Kenya Vision 2030. In this regard, the Government established a Rural Kenya Financial Inclusion Facility (RK-FINFA). This will pursue the objective of increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalized rural households, women and youth.

74. The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios, although some risks are emerging. Helped by proactive policies, credit to the private sector expanded at a broadly steady pace throughout the pandemic and accelerated with the economic recovery, though it has moderated recently with the tightening of financial conditions.

75. To strengthen resilience of the financial system, the Government will continue to stress preservation of capital and liquidity buffers, and closely monitor foreign exposures. In this regard, the Government will enhance surveillance while encouraging banks to strengthen their governance frameworks and business models, embark on mergers and acquisitions, and other capital strengthening efforts. The Government will also continue monitoring of foreign exchange loans, deposits, and on-and off-balance sheet exposures in the banking system, with a



view to, identifying any potential liquidity risks and strengthening resilience and contingency policies should these risks materialize.

76. As part of the process, the Central Bank of Kenya (CBK) is currently reviewing the licensing fees for commercial banks. The licensing fees for commercial banks was last reviewed in 1990. This was based on the number of branches that a bank has. The banking sector has transformed significantly since 1990 with technology and innovations and moved towards branchless banking. For this reason, the review will consider, among other things: the changing banking sector landscape, increased supervisory or surveillance costs, and international best practice. To further strengthen the resilience of the banking sector and increase commercial banks' capacity to finance large projects, the CBK will review the minimum capital requirements for commercial banks. The current minimum capital requirements of Ksh 1.0 billion for commercial banks has been in effect since 2012. The banking sector has been transformed since 2012, growing from an asset base of Ksh 2.3 trillion to over Ksh 7.0 trillion currently. The banking sector's risk profile has also changed in the last 10 years with growing prominence of among others, cyber security risk, cross border risk and climate-related risks.

77. In order to position Kenya as premier green financial hub, CBK will work with banks to build capacity and climate related risk management in their day to day operations. The initiative will attract global funds that are looking for opportunities to finance initiatives that build climate resilience. As a strategy, CBK will build on the progress that has been made in this areas which include issuance the Guidance on Climate-Related Risk Management on 15<sup>th</sup> October, 2021. The Guidance was aimed at enabling banks to integrate climate-related risks into their governance, strategy, risk management and disclosure frameworks. It was also intended to enable banks leverage on business opportunities from efforts to mitigate and adapt to climate change. These include the adoption of low emission energy sources, development of new products and services, access to new markets, housing, and resilient infrastructure.

78. In order to deepen the domestic financial markets, CBK in partnership with the National Treasury has spearheaded market development initiatives aimed at increasing liquidity, reducing market segmentation as well as establishing a stable yield curve which extends to twenty-five years. Notably, the Central Bank introduced DhowCSD, an upgraded Central Securities Depository infrastructure that offers a simple, efficient, and secure portal by the CBK to enable the public to invest in Government of Kenya securities. The platform enables investors to participate and trade in Government securities market (Treasury Bills and Bonds) on their mobile phones and on web-based devices. The DhowCSD will transform Kenya's financial markets through enhanced operational efficiency and expansion of digital access, market deepening for broader financial inclusion, and improved monetary policy operations. The DhowCSD will also improve the functioning of the interbank market by facilitating collateralized lending amongst commercial banks and further reduce segmentation in the interbank market. The Treasury Mobile Direct (TMD) is also available to retail investors as well as the Internet Banking (IB) platform targeting institutional and corporate clients to access services such as bidding and dissemination of auction results for Government securities and view their portfolio positions.

79. To deepen capital markets, the Government is undertaking a comprehensive 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, public offers and listings, alternative investment mechanisms, and streamlining credit rating operations in Kenya.

80. To further exploit Kenya's established lead in digital finance, the Government will continue to implement the National Payment Strategy (2022-2025) and fast-track finalization of a National Policy on Digital Finance. Notably, the National Payments System has undergone major changes and transformation, which include establishment of national payments infrastructure, automation and upgrades of various payment systems. These efforts have resulted in increased efficiency for large-value, retail, and cross-border payment services. Together with the introduction of mobile financial services in 2007, these modernisation efforts revolutionized the payments landscape in Kenya, and boosted financial inclusion.

81. Building on the progress made, the Government will undertake a comprehensive review of the National Payments System legal and regulatory framework. The amendments are aimed at: i) strengthening CBK's national payments mandate and oversight to ensure that Kenya operated a safe, efficient and effective national payments system; and ii) broadly, enhancing CBK payments policy and supervisory framework in order to protect Kenyans from abuse by entities that are operating without the required authorization and licensing. Additionally, the review is intended to provide CBK with a comprehensive consumer protection framework tailored on for the unique context of digital payments, guide CBK's oversight of Payments Service Providers from a market conduct point of view, and mitigate current and future consumer protection risks.

82. The Kenya National Payments System (NPS) does not operate in isolation; it is linked to payment systems in other countries in the EAC and COMESA regions through the East African Payment and Settlement System (EAPS) and the Regional Electronic Payment and Settlement System (REPSS) for the EAC and COMESA. CBK has worked closely with regional and continental counterparts in ensuring that payment systems are supported by regional cooperation to facilitate trade at an EAC, COMESA and pan-African level. In order to deepen co-operation and emergence of integrated and efficient regional payment system that can support the continent's trade and investments agenda, CBK will continue to participate in various initiatives at the regional and continental level. This continued cooperation with sister central banks and regional partners will be anchored on ongoing initiatives such as implementation of regional interoperability systems and upgrading of the EAPS to run on a single shared technology platform.

83. To further improve domestic and cross-border payments, CBK has been implementing a security programme, the SWIFT Customer Security Programme (CSP), to ensure that Kenya is meeting set global security standards for payments. With an increased digitisation of the payment infrastructure and the ever-growing cyber threat, CBK will continue to build strong security systems in order to ensure the safety, confidentiality and confidence in the NPS is maintained. This will also protect payments infrastructure against cyber-attacks and other threats. Further, Kenya joined and accepted to host the Pan-African Payment and Settlement

System (PAPSS). PAPSS, which is a brainchild of African Export-Import Bank (Afreximbank), is a centralized financial market infrastructure that allows a trader in one country to instruct his or her financial institution to pay another trader in a different country using their local currency. The platform is projected to save the continent billions that are incurred when traders have to convert and trade in dollars. With 12 African central banks having already been incorporated into PAPSS so far, and many more expected to join up, the system will be effective in the continent by when the platform will be adopted by African Union's Assembly of Heads of State and Government, later in 2024.

#### **1.3.4.2 Tourism Sector**

84. Tourism sector is a critical enabler of the Bottom-Up Economic Transformation Agenda in terms of unlocking employment opportunities and generate foreign exchange which is important for enhancing the welfare of Kenyans. For this reason, the Government will continue to implement initiatives targeted at increasing tourist visits in the country in order to increase the sector contribution to GDP over the next 10 years. In part, the Government will promote investments in adventure, relaxation, sports, conference and medical tourism among others aimed at growing tourist visit from the current 1.4 million to 200 million over the next 10 years that will increase foreign earnings to the country. In this regard, the National Government in collaboration with the County Governments will map out potential tourism products and sites for development and marketing to attract tourist with focus on a bottom-up job-creation. The Government will also engage sector stakeholders in re-examining the tourism and wildlife sector and redesign tourism ecosystem to improve flow to the country.

85. The Government successfully hosted the Africa Climate Summit (ACS) at the Kenyatta Convention Center and the first Wildlife Scientific Conference that brought together wildlife researchers, scientists, conservationists, policy makers and Government officials across the world. Following the success of the conference, the Government tourism marketing model will focus on a more inclusive approach in order to maximize the economic potential and create employment opportunities. This also provides an opportunity to divert from the usual wildlife and traditional safari tourism, but also showcase Kenya's rich cultural heritage, pristine beaches, adventure tourism, and emerging markets such as eco-tourism.

#### **1.3.4.3 Aviation Sector**

86. The Government will continue to entrench Kenya's position as regional aviation hub by expanding, modernizing and managing the aviation sector. In this regard, the Government will continue to expand and modernize airstrips to connect various parts of the country and enhance Kenya connectivity and competitiveness in the region.

### **1.3.5 Environment and Climate Change**

87. The Government remains committed to the provision of a clean, secure and sustainable environment and adequate drinking water and sanitation for all Kenyans. Sustainable environment and water management is critical for the realization of the Bottom –Up Economic Transformation Agenda and the Kenya Vision 2030. For this reason, the Government will strengthen actions to halt and reverse biodiversity loss, prevent deforestation, combat desertification and restore degraded landscapes as part of a broader programme to fulfil the commitments to reduce emissions by 32 percent by 2030. This is expected to achieve land degradation neutrality, implement a global biodiversity framework and enhance the integrity and efficacy of carbon markets.

88. Over 80 percent of Kenya's land area is arid and semi-arid, with only 12 percent tree cover. This makes Kenya vulnerable to climate hazards such as droughts, floods and landslides. In order to reverse this, the Government will continue to implement its National Tree Growing Programme as part of its plan to grow 15 billion trees across the country by 2030 to promote and support more resilient livelihoods. This will ensure that the country attains the Constitutional mandate of at least 10 percent land area forest cover. Towards this end, the Government has launched the National Landscapes, Ecosystem Restoration Strategy that is aligned with the UN Decade for Ecosystem Restoration and Land Degradation Neutrality Targets under UNCCD, Global Biodiversity Framework and NDC targets. This programme is expected to contribute to climate change mitigation and adaptation, and employment creation for vulnerable groups and the youth. In addition, the Government in collaboration with County Governments and Development Partners will continue to commit funds towards the National Tree Growing Programme through the Financing Locally-led climate Action (FLLoCA) Program.

89. Restoration and rehabilitation of wetlands remains a key priority of the Government. Towards this end, the Government has unveiled the Wetlands Restoration Strategy to facilitate ecosystem restoration through the National Tree Growing Programme, circular economy and climate action. To initiate the process, Toniqo and Horri Ghudha wetlands were commissioned after being rehabilitated by NEMA through fencing and tree planting to allow them to regenerate. The wetlands offered a restoration model which will be replicated in the rehabilitation of other wetlands across the country.

90. In order to sustainably manage waste, the Government is working on developing a vibrant circular economy that will transform over 8 million metric tonnes of waste Kenya generates annually into raw material for industrial production.

### **1.3.6 Education and Training**

91. Education and training is a key enabler of the Government's Bottom-Up Economic Transformation Agenda for inclusive growth. For this reason, the Government has continued to heavily invest in education to facilitate development of the necessary skills and competencies to learners from pre-primary to the tertiary

level to enable them effectively play their part by contributing to the nation building effort, and partake of the dividends of shared prosperity.

92. The investment by Government has significantly reduced the teacher-student ratio, with 56,760 new teachers employed, while 8,200 primary school teachers were retrained to equip them with capacity to effectively deliver learning and teaching at the Junior School level. In subsequent years, the Government is committed to recruit more to further bridge the teacher-student ratio gap. Government has also engaged 46,000 teacher interns to equip Kenyan youth with practical skills and competencies.

93. Funding TVET and Universities in Kenya over the years, has continued to experience challenges over time. TVET has grown exponentially in the number of institutions and enrolment rate because it provides opportunities for youths to acquire employment and entrepreneurship skills. The rapid change in technology and the dynamics in the labour market, require that TVET links with industries to update skills and training. To address this, the Government plans to increase tutors in the Technical and Vocational Education and Training (TVETs) by another 2,000 to facilitate the value of technical and vocational training in the provision of skills, knowledge and competencies.

94. To address the financing gaps which denied many young Kenyans the opportunity to pursue tertiary education, the Government has unveiled a new funding model for higher education and technical and vocational training that guarantees needy students free college studies. The new model for financial support is student-centred and deploys a rigorous, impartial means testing instrument to establish their level of need, which then becomes the primary consideration in allocating scholarships and loans. Additionally, to fully democratise Kenya's education system and make higher education accessible and affordable to all, the Government has chartered the Open University of Kenya following requisite Cabinet and parliamentary approvals.

95. Information and technology (ICT) is a key factor in the developing world and there is need to leverage technology at all levels of education by developing ICT infrastructure for curriculum and improve digital literacy among teachers, parents, and other stakeholders. In this regard, KNEC in line with the global trends and expectations of the 21<sup>st</sup> Century has incorporated digital literacy by ensuring that the assessments for teacher trainees are conducted electronically. This will entrench digital literacy among the teachers and provide skills that the teachers can impart to the learners in schools. Additionally, digital literacy is one of the core competencies that learners are expected to acquire under the CBC and is a key target needed to ensure Kenya's industrial development.

96. Further, the Government has prioritised the teaching and learning of digital skills, including coding, from the primary school to tertiary education, including TVET institutions. The recently launched Open University of Kenya will prepare students to be competitive in the economy of the future. The curriculum for primary and secondary schools as well as tertiary institutions, will continuously be reviewed to make sure the students are in touch with global technological change.



### **1.3.7 Women Agenda**

97. Gender equality, women empowerment especially representation in decision making and economic empowerment, and breaking the silence on Gender Based Violence (GBV) remains key priorities of the Government. To protect women against domestic violence, the Government launched Protection against Domestic Violence Rules (PADV). This is a remarkable milestone in the collective efforts to combat domestic violence. PADV rules are designed to provide a robust legal framework that strengthens the support and protection mechanisms available to survivors of domestic violence. These rules emphasize protection, intervention, and holistic support, reflecting a multi-sectoral approach that involves collaboration between Government agencies and civil society organizations.

98. Over the medium term, the Government will continue to provide financial and capacity building support for women through the Hustler Fund for women-led co-operative societies, ‘chamas’, merry-go-rounds and table banking initiatives and protect them from predatory interest rates charged by unscrupulous money lenders. Specifically, the Government will; i) prioritize Women’s Economic Empowerment, ending GBV and implementation of the Constitutional provisions of Article 81(b) of not more than two thirds of either gender; ii) develop an Affirmative Action Policy; iii) finalize the process of merging the Affirmative Action Funds into the proposed Biashara Bank.

### **1.3.8 Social Protection**

99. Social Safety Nets Programs in Kenya play a pivotal role in reducing poverty, improving social inclusion and enhance economic stability. By providing financial and non-financial support to vulnerable populations, these programs contribute to the well-being and resilience of elderly citizens. For this reason, the Government will continue to develop and expand its social safety nets, addressing coverage gaps, improve targeting, and building administrative capacity will be crucial to achieving the goal of reducing poverty and promoting social inclusion. In part, the Government will continue to enhance the capabilities of communities and officially register Self Help Groups and Beneficiaries Welfare Committees (BWCs), granting them formal recognition and opportunities to connect with Micro Finance Institutions (MFIs) and non-state entities.

100. The National Council for Persons Living with Disabilities Fund has made significant strides in promoting the welfare and inclusion of persons with disabilities in Kenya. However, challenges such as resource constraints, ensuring that funds are utilized effectively and raising public awareness about the rights of individuals with disabilities continue to be areas of focus and improvement by the Government. In order to effectively support people with disabilities (PWDs), the Government is developing programs designed to provide support persons with disabilities and their caregivers. Special focus will be placed on offering respite care services and strengthen psychosocial support systems. The Government is also developing the National Disability Policy that seeks to advance the inclusion and participation of persons with disabilities.

101. Street families is one of the impediments to socio-economic developments of a country as potential human capital is wasted in the streets. The National Government in collaboration with County Governments will create a well-planned strategy on the rehabilitation of street families to ensure dignified reintegration of persons living in the streets to society.

102. To ensure attainment of 100 percent NHIF coverage for senior citizens, the Government has enacted the Social Health Insurance Bill, which extend health insurance to all Kenyans based on member contributions, with government-subsidized coverage for the poor; expand the cash transfer programmes for elderly and vulnerable households to improve operational efficiency, prompt payment accountability and coverage; invest in education and training for caregivers and medical staff to fill the gap of skills in the provision of specialised care for older people.

103. To enhance savings rate that have consistently been among the lowest globally, and to correct the delayed transformation of our social security architecture, fundamental reforms are underway in our savings and social security space. In this regard, the Government has taken deliberate measures to foster a strong culture of saving among Kenyans and enable them to mobilise resources for investment and development of intergenerational capital, to eliminate old age poverty and ensure comfort in retirement. As a result of these initial interventions, contributions to the National Social Security Fund have grown to Ksh 6.5 billion monthly from the previous level of Ksh 1.4 billion a month. The implication of this growth in national savings is that it will significantly consolidate Kenya's ability to invest in development using domestic pension industry financing.

### **1.3.9 Sports, Culture and Arts**

#### **1.3.9.1 Sports and Arts**

104. Sports, Culture and Arts sectors are critical for revenue generation by availing the foreign exchange through a sports economy value chain, inclusive growth and employment creation. To realize these benefits, the Government continues to facilitate the development of legal framework, economic institutions, and organisational mechanisms to promote the effective and sustainable monetisation of all talent in sports and creative economies. To foster talent development, the Government developed the Sports and Creative Economy Master Plan, or Talanta Hela. The program is intended to support and nurture the talents of Kenyan youth, providing them with opportunities to turn their skills and abilities into viable sources of income. The endpoint of Talanta Hela is 'pesa mfukoni' or competitive incomes that can sustain livelihoods and reward talent, dedication, discipline and focus. Talanta Hela program is a demonstration of the Government's commitment to turn competitive capabilities across all sporting disciplines and the expansive spectrum of the creative industry, including music and dance, film and theatre, fashion and pageantry, digital content creation as well as literary and fine arts.

105. Over the medium term, the Government will establish a National Academy by expanding the resident academy at the Moi International Sports Centre-Kasarani, to incorporate modern training and accommodation facilities that meet international standards. The Government will also prioritize the completion and upgrading of stalled/ old sports facilities in optimal utility areas and high potential talent zones.

Currently, the Government is upgrading the Moi International Sports Centre, Kasarani, Nyayo National Stadium and the Kipchoge Keino Stadium in Eldoret to provide the infrastructure for international football in Kenya.

106. Kenya is poised to co-cost the Africa Cup of Nations (AFCON) in 2027, jointly with Uganda and Tanzania. AFCON is the premier sporting event in Africa, with significant socio- economic benefits, well beyond the immense positive impact on sports development. Hosting the event requires significant infrastructural investment, in stadia, roads, airports, hospitality, communications, security and related infrastructure. AFCON 2027 is among national priorities, particularly with regard to construction of a new Talanta Stadium and upgrading of the existing Kasarani, Nyayo and Kipchoge Keino stadia and the attendant training grounds.

107. As a build up to AFCON'27 Kenya will also co-host in September, 2024 the African Nations Championship (CHAN), earmarked for Kakamega and Bungoma, with Bukhungu Stadium and Masinde Muliro Stadium, Kanduyi undergoing significant upgrades. The hosting of major international sporting events, including the WRC Safari Rally, Magical Kenya Open and Kipchoge Keino Classic remain key avenues for the global branding of Kenya and for Sports Tourism, generating significant revenues and contributing to the national economy.

108. To grow the sports and creative economy, the Talanta Hela flagship initiative will continue to expand through grassroots youth talent identification, nurturing and monetisation, and strengthening of institutions like the Kenya Academy of Sports, the new Kenya Rallying School, the Kenya Film Commission and the Kenya National Theatre. To effectively anchor this, the Sports Act and Sports Policy are undergoing review, while enactment of the Creative Economy Policy, the Creative Industries Bill and the Start-Ups Bill has been accelerated.

### **1.3.9.2 Culture**

109. Culture serves as a critical repository of identity, knowledge, skills and practices, including sustainable solutions to the pressing challenges of our time. Article 11, the Constitution recognizes culture as the foundation of our nation and the cumulative civilization of the Kenyan people and nation. Therefore, the Government will promote all forms of national and cultural expression in various forms, including traditional celebrations. The Government has approved the Culture Bill and is developing Creative Economy Framework, National Kiswahili Council of Kenya Bill, the Kenya Film Bill, the National Heritage and Museums Bill.

### **1.3.10 Youth Empowerment and Development Agenda**

110. Youth empowerment and development is an integral part of the Government's Bottom-up Economic Transformation Agenda and essential to the entire plan. For this reason, the Government will continue providing education, employment, and engagement opportunities that is aimed at empowering the youth to drive Kenya's socio-economic development and foster a generation of informed, responsible, and empowered citizens. This comprehensive approach is essential for building a more inclusive and prosperous future for Kenya. Government interventions for the youth will be anchored on the Kenya Young People's Agenda.

### **1.3.11 Governance**

111. To strengthen the framework for governance as envisaged under Article 10 of Constitution on national values and principles of governance, the Government



has approved the Public Relations and Communication Management Bill and the Statute Law (Miscellaneous Amendments) Bill, 2023. Further, the Government has identified the significant improvement of productivity in key sectors an urgent priority of national economic governance efforts. Such improvements require immense investments and the resources from revenues generated. There is simply no space for wastage and corruption because that would be the recipe for disastrous failure. In line with this, the Cabinet approved the Public Audit (Amendment) Bill, 2023 in November 2023, which will enhance the Auditor General's independence and transparency to ensure proper utilization of public resources through audits.

112. Corruption, wastage, inefficiency and negligence are serious threats to the Transformation Agenda, and unacceptable practices that have no place in the nation. To address these challenges, the Government will continue to scale-up the implementation of the provisions of the Kenya 2010 Constitution, strengthen the rule of law, increase access to justice, and ensure respect for human rights. As part of the process, the Government will continue to strengthen various institutions that are mandated to fight corruption in the country, implement reforms on good governance and enhance the capacity to recover corruptly acquired assets. Additionally, enactment of the Assets Declaration and Conflict of Interest Bill will further tighten Kenya's anti-corruption policy framework, and eliminate space for misbehaviour.

113. The attainment of the Government's BETA agenda will be underpinned by sound and innovative policy and structural reforms targeted at all socio-economic sectors, building efficient infrastructure, climate change, mitigation mechanisms, and fostering strict compliance with the Constitution and the rule of law. Parliament is an enabler in the prosecution of the agenda by way of its legislation, oversight and representation roles. Parliament will specifically facilitate the achievement of this agenda by approving the budget estimates submitted by the National Treasury, passing the necessary pieces of legislation to enable the implementation of the agenda and oversight the implementation of the agenda to ensure transparency and accountability.

#### **1.3.11.1 Public Service Transformation**

114. Kenya has one of the world's finest human capital with huge potential to drive socio-economic transformation envisaged under the Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. For this reason, the Government will continue to transform public service sector to make it more responsive to people needs. In particular, the Government will continue to facilitate Public Service Commission so as to exhibit high levels of productivity, good governance, diligence and excellent performance.

115. In order to improve human resource management, the Government has developed a Unified Human Resource (UHR) system - which will consolidate Human Resource and Payroll data in the Public Service for access through a single warehouse. Since July 2023, the UHR system is linked to Kenya Revenue Authority i-Tax to facilitate filing of PAYE tax element associated with individual employees and total monthly PAYE tax obligation from the State Departments. The Government will incorporate the other deductions to enable all remittances to

be sent to respective entities including Pension Funds and other employees' contributions schemes by July 2024.

116. The Government intends to roll out the UHR system for the entire Public Service by July 2024. The roll out of the UHR will be carried out in phases. Phase 1 entailed rolling out the system to all MDAs and Counties, implemented in September 2023. Phase 2 involved the roll out to all State Agencies that have adopted the Unified Payroll Numbering (UPN) System—including Teachers Service Commission (TSC). The 349,000 teachers under TSC have been issued with UPN. Phase 3 will entail issuing the UPN to all Commissions and Independent Offices, State Corporations, Public Universities, and Agencies by July 2024.

117. Public Service Internship Program is a transformative program that is currently in its third year with 16,500 young university graduates having successfully completed a 12-month internship period since its inception. The Government's commitment is to onboard at least 10,000 interns every year to offer an opportunity for university graduates. The internship programme has immense value not only to the individual intern but also to the country. At the individual level, the programme has afforded the interns opportunity to gain work experience and enhance their employability chances. It has provided hands-on experience by building upon skills acquired in the classroom while also instilling public service etiquette, values and ethics. The programme has also enabled the Government to establish a database of skills available to the public service for future human resource needs. Further, the programme has also helped to promote inclusivity and diversity as envisaged in the Constitution. The internship programme is therefore a clear testimony of the Government's commitment to empower Kenyan youth and enable them to contribute significantly to the socio-economic transformation of our country.

### **1.3.11.2 Strengthening Leadership Accountability and De-Personalising Politics**

118. The Government has implemented various initiatives and strategies to strengthen leadership and governance. These efforts are aimed at enhancing transparency, accountability, and leadership effectiveness. Specifically, the Government has been engaging public participation in decision-making processes. This includes public consultations and other forums for citizens to engage and hold the Government accountable. Additionally, efforts have been made to improve the efficiency and professionalism of the civil service. This includes hiring, training, and performance evaluation of civil servants.

### **1.3.11.3 Strengthening Devolution**

119. The Government remains committed to ensuring the success of devolution. Delays in disbursing allocations to County Governments have had tremendous negative effects overtime. This has been due to inadequate revenues flowing to the exchequer. To reverse this trend, the Government for the first time in seven years, disbursed 100 percent of equitable share to the 47 County Governments amounting to Ksh 399.6 billion by 30<sup>th</sup> June 2023. This included Ksh 370.0 billion equitable share and the arrears of Ksh 29.6 billion for the FY 2022/23.

120. Over the medium term, the Government will continue disbursing funds to counties in a more efficient and timely way; and supporting counties to improve their capacity to generate their own source revenue reduce over-reliance on transfers from the National Government. Government will also complete transfer of all functions constitutionally earmarked to counties and develop a framework for ensuring that state-owned firms carrying out devolved or shared functions adhere to the principles of governance and ensure that the principle of funding-follows-functions is adhered to with respect to all devolved functions.

#### **1.3.11.4 Security**

121. The security and safety of all citizens is the Government's foremost commitment and most fundamental obligation, without which every other endeavour including attaining the Bottom-Up Economic Transformation Agenda is not possible. For this reason, the Government continues to implement reforms targeted at improving the operational capacities of our security forces to protect Kenyans against external and internal threats.

122. As part of the process, the Government has increased funding to all security agencies to improve their operations including addressing the spectre of terrorism that is a continuing threat, banditry, cattle-rustling and armed lawlessness have besieged and devastated communities in the Rift Valley, North-Eastern and, occasionally, parts of Eastern and the Coast regions. As a strategy, the Government will endeavour to achieve a corrupt free law enforcement sector and restoring public confidence in the country's security apparatus. The Government will also cultivate a culture of open communication and information sharing among different stakeholders, with a special focus on local communities, to aid in the ongoing campaign against violent extremism.

123. Cybersecurity threats are becoming a growing concern for Kenyan online business especially with the rise of payment portals which have rendered them vulnerable by cybercriminals. To mitigate these risks, the Government will continue employing a robust security measure, educate business owners, and collaborate with various actors both state and non-state. The use of electronic payment systems and inclusion is a critical infrastructure deliberated through a National Computer and Cybercrimes Coordination Committee (NCCCC).

124. The Government's commitment to peace initiatives is unwavering as enshrined within the Global Public Security Framework. The Government aim to deepen cooperation in peace and security initiatives as well as law enforcement programs. To ensure peace in the region, the Government launched a security operation dubbed Operation Maliza Uhalifu North Rift to deal with security challenges caused by pastoralist militia activity. This has significantly reduced insecurity across North Rift region. However, its long-term impact is less certain due to the country's multiple security challenges and the risk of overstressing Government security forces. To enhance boarder security, the Government will earmark more Ports of Entry (PoE) in different parts of the country.

#### **1.3.12 Foreign Policy and Regional Integration**

125. The Kenyan economy is firmly interconnected with regional, continental and global economic systems. Our security and stability is likewise integrated with those of our neighbours. Kenya has a fundamental, essential, legitimate and clear

interest in conducting robust diplomacy in the form of bilateral and multilateral engagements.

126. Notably, for the past 12 months, the Government has continued to fulfil international obligations through Kenya's leadership in the international arena. This is underscored by the high-level summits Kenya has hosted and participated in. Kenya successfully hosted the inaugural Africa Climate Summit (ACS 23), the 43<sup>rd</sup> Ordinary Session of the Executive Council, the 5<sup>th</sup> MidYear Coordination meeting of the African Union and the Regional Economic Communities, and the first-ever African edition of the Berlin Climate and Security Conference in Nairobi, bringing over 30 Heads of State and Governments to our country and over 30,000 delegates from different parts of the world.

127. Over the medium term, to entrench Kenya's significance in world affairs, the Government will continue to promote friendly relations with our neighbours, play a leading role in regional and pan-African affairs, collaborate with international partners, and uphold commitment to the international community.

### **1.3.12.1 Economic and Commercial Diplomacy**

128. To unlock the potential of Kenya's commercial and trade relations, the Government will continue developing bilateral cooperation in trade and investment, agriculture, forestry, capacity development in the public service and transport and communications, among others. Other MOUs are on telecommunications and ICT, oil and gas, mining and geology, health collaboration, capacity building of the Public Service and cooperation of our respective diplomatic academies.

129. The Government has also set up a highly experienced economic advisory team to forge the right policies and create an enabling environment for foreign investors to support Kenya's economic development agenda. Part of the critical pillars of the foreign policy and regional integration agenda will include:

- i) deepening bilateral ties and work with other countries at various multilateral fora. Kenya is fully committed to a just and rules-based multilateral order that works for the betterment of humanity;
- ii) ensuring that existing bilateral agreements and memorandums of understanding (MOUs) are constantly reviewed and updated for maximum benefit;
- iii) ensuring a mutually beneficial partnership that will seek more initiatives, particularly for vocational training where young Kenyans can acquire critical innovation skills in agriculture, science and technology, and health systems, among others;
- iv) considering easing entry visa requirements for this category of visitors including diplomats, legislators, and businesspeople, in order to capitalize on these opportunities. This would necessitate a reciprocal agreement for us to ease access to visas into Kenya; and
- v) expanding the market for our products and services by taking advantage of our membership in regional organisations such as the East African

Community, the Common Market for Eastern and Southern Africa (COMESA), the African Continental Free Trade Area (AfCTA), and the Intergovernmental Authority on Development (IGAD).

### **1.3.12.2 Anchor State**

130. The Government will continue to strengthen Kenya's profile as regional role as an anchor state in regional, continental, and global affairs. Underlying Kenya's peace and security diplomacy is the recognition of peace and stability as necessary pre-conditions for development and prosperity. Linked to this, is Kenya's conviction that its own stability and economic wellbeing are dependent on the stability of the sub-region, Africa and the rest of the world. To realize these benefits, the Government will continue to:

- i) promote the resolution of conflicts by peaceful means drawing on Kenya's experiences in mediation, conflict resolution and peacekeeping;
- ii) collaborate with other African countries to strengthen the conflict prevention, management and resolution capacity of regional institutions, including the East African Community (EAC), Inter Governmental Authority on Development (IGAD), Common Market for Eastern and Southern Africa (COMESA) and the African Union (AU with the aim of promoting sustainable peace and development;
- iii) support peace efforts by the African Union and the United Nations through contributing troops and providing leadership in peacekeeping missions within the continent and globally; and
- iv) create conflict analysis and prevention capacity nationally and in the region through the foreign service academy.

### **1.3.12.3 Global citizenship**

131. The Government recognizes the role played by international organizations in the global arena. These include the African Union, the East African Community and the UN and its affiliates. For this reason, as part of global cooperation, the Government will deepen bonds with long-standing international and bilateral partners to address various issues such as peace and security, trade, human rights and environmental protection shaped by its foreign policy objectives, economic interests, and regional dynamics. Special focus will be placed on causes that improve the welfare of Africans worldwide.

### **1.3.12.4 Diaspora**

132. The Government recognizes the huge and untapped potential of Kenyans living abroad which can contribute to the country's national socio-economic transformation as envisaged in the Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. For this reason, the Government will implement the National Diaspora Policy that seeks to engage the Kenyan Diaspora in a more constructive and productive manner to harness the diverse skills, knowledge, expertise and resources of Kenyans living abroad, and facilitating their integration into the national development agenda.

## **1.4 Medium Term Revenue Strategy**

133. Domestic resource mobilization is a major source of long-term financing for sustainable development and has been a concern of many developing countries. To

address this, a number of countries have embarked on the development of a framework for guiding tax reforms to enhance domestic revenue mobilization. Since 2016, over twenty-five countries globally have formulated Medium Term Revenue Strategy (MTRS) and are at various stages of implementation geared towards boosting tax revenues and improving efficiency of tax systems.

134. In Kenya, revenue as a percentage of GDP has been declining over the years from 18.1 percent in FY 2013/14 to 14.3 percent in FY 2022/23 while expenditure pressure has been rising resulting in increased borrowing to bridge the revenue gap. In this respect, the Government with the support of development partners, in 2021, embarked on the development of the MTRS to enhance domestic revenue mobilization.

135. The MTRS is aligned to the National Tax Policy and will guide tax administration to improve efficiency in the administration of tax laws, close loopholes for tax evasion, and enhance voluntary tax compliance. The MTRS is expected to hasten the fiscal consolidation process thus reducing the fiscal deficit to facilitate the achievement of the EAC target of 3.0 percent of GDP.

136. The additional resources raised from the MTRS will facilitate the implementation of the Government's Bottom-up Economic Transformation Agenda geared towards economic turn-around and inclusive growth through the Fourth Medium Term Plan (MTP IV) of the Vision 2030, as well as the Medium-Term Expenditure Framework (MTEF).

137. The objectives of the Medium-Term Revenue Strategy (MTRS) are to: (i) improve efficiency in revenue administration; (ii) ensure equity and fairness in the tax regime; (iii) enhance tax-payer compliance with tax obligations; (iv) expand the tax base; (v) create certainty in the tax regime to attract investment; and (vi) promote investment across various sectors by removing market distortions.

138. The implementation of MTRS is expected to among others: (i) raise revenue to GDP ratio from 14.3 percent in FY 2022/23 to 20.0 percent by end of the FY 2026/27; (ii) increase tax compliance rate from 70 percent in FY 2022/23 to 90 percent by FY 2026/27; and (iii) increase investment to GDP ratio from 19.3 percent in FY 2022/23 to 25.7 percent in FY 2026/27.

139. The MTRS will be implemented within a three-year period beginning from FY 2024/25 to FY 2026/27. Tax policy reforms will be implemented through the Finance Acts and Regulations, beginning with the Finance Act, 2024 while revenue administration reforms will begin from January 2024 as per the implementation matrix annexed to the MTRS.

140. The implementation of the Strategy will involve Ministries, Departments and Agencies; the Legislature, Judiciary; County Governments; private sector players and development partners.

## **1.5 National Tax Policy**

141. The National Tax Policy that was approved by Parliament in December 2023 sets out broad parameters on tax policy and other tax related matters. The policy provides broad guidelines for governing tax administration and the tax system in Kenya. More specifically, the policy provides a set of guidelines for taxation of



income, goods and services and forms the basis for review of tax legislation, development and administration.

142. The overall objective of the policy is to guide the development of a progressive tax system that enhances revenue mobilization by the Tax administration, promotes investment and fosters a flexible fiscal space. The aim is to ensure that tax rates do not affect the demand of the product and the tax structure do not distort markets and to ensure that taxes do not affect investment.

143. The principles to guide tax reforms include: (i) economic efficiency - the tax system shall minimize discrimination in favour of, or against, any economic choice to mitigate distortions and expand the productive capacity of the economy; (ii) equity and fairness - the tax system shall be designed to treat equally all taxpayers placed in similar circumstances (horizontal equity), and treat differently those placed under different circumstances (vertical equity); (iii) simplicity - tax laws and administrative processes shall be clear so that it is easy to comply and difficult to evade; (iv) administrative efficiency - the cost of compliance by taxpayers and the administration cost to the Revenue Authority, shall be kept at a minimum level; (v) flexibility - while the tax system shall provide certainty of “direction”, it will be dynamic and responsive to changing circumstances in the economy; (vi) revenue adequacy-the tax system will be designed to mobilize adequate tax revenues to meet the needs of public expenditure; (vii) transparency and accountability - the tax system shall enhance disclosure of information on revenues collected and tax expenditures; and (viii) consultative - there will be wide consultation of key players in developing and implementing changes to the tax system to ensure it adheres to the guiding principles and meets the constitutional requirements.

## II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

### 2.1 Overview

144. The global economy is experiencing challenges arising from global supply chain disruptions due to heightened geopolitical tensions, weakening demand particularly in China and Eurozone, elevated global interest rates on account of inflationary pressures limiting access to credit and exacerbating debt servicing costs and significant losses and damages due to frequent extreme weather events increasing fiscal pressures. As such, global growth is projected to slow down to 3.0 percent in 2023 and 2.9 percent in 2024 from 3.5 percent in 2022 which is below the historical (2000–2019) average of 3.8 percent (**Table 2.1**).

145. Additionally, most currencies in emerging market and frontier economies weakened against the U.S. Dollar, mainly due to the tightening of U.S. monetary policy. Inflation in advanced economies has continued to ease, reflecting effects of monetary policy tightening and lower energy prices. Nevertheless, core inflationary pressures remained elevated.

**Table 2.1: Global Economic Performance**

Economy	Growth (%)			
	Actual		Projected	
	2021	2022	2023	2024
World	6.3	3.5	3.0	2.9
Advanced Economies	5.4	2.6	1.5	1.4
<i>Of which: USA</i>	5.9	2.1	2.1	1.5
<i>Euro Area</i>	5.3	3.3	0.7	1.2
Emerging and Developing Economies	6.8	4.1	4.0	4.0
<i>Of which: China</i>	8.4	3.0	5.0	4.2
<i>India</i>	9.1	7.2	6.3	6.3
Sub-Saharan Africa	4.7	4.0	3.3	4.0
<i>Of which: South Africa</i>	4.7	1.9	0.9	1.8
Nigeria	3.6	3.3	2.9	3.1
Kenya*	7.6	4.8	5.5	5.5

Source: IMF World Economic Outlook, October 2023. \*National Treasury Projection

146. Advanced economies are projected to record a slower growth of 1.5 percent in 2023 and 1.4 percent in 2024 from 2.6 percent in 2022 mainly driven by lower growth in the Euro Area. The slowdown in growth in the advanced economies is as a result of aggressive monetary policy tightening that has contributed to a significant deterioration of global financial conditions.

147. Growth in the emerging market and developing economies is projected to decline relatively modestly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, although with notable shifts across regions. In sub-Saharan Africa, growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting worsening climate change related shocks, inflationary and exchange rate pressures, and domestic supply issues, including, notably, in the electricity sector.



Growth in the region is expected to rebound to 4.0 percent in 2024, picking up in four fifths of the sub-Saharan Africa's countries, and with strong performances in non-resource intensive countries.

## 2.2 Domestic Economic Developments

148. Despite the challenging environment, the Kenyan economy is demonstrating resilience with growth performance well above the global and SSA average. In the first three quarters of 2023, the economic growth averaged 5.6 percent (5.5 percent Q1, 5.5 percent Q2 and 5.9 percent Q3). This growth was primarily underpinned by a rebound in the agricultural activities which grew by an average of 7.0 percent in the first three quarters of 2023 compared to a contraction of 1.8 percent during the same period in 2022. All economic sectors recorded positive growth rates in the first three quarters of 2023, though the magnitudes varied across activities (Table 2.2).

**Table 2.2: Sectoral GDP Performance**

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2021	2022	2022 Q1	2022 Q2	2022 Q3	2023 Q1	2023 Q2	2023 Q3
<b>1. Primary Industry</b>	<b>0.5</b>	<b>(1.0)</b>	<b>(0.4)</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>5.9</b>	<b>8.0</b>	<b>6.4</b>
1.1. Agriculture, Forestry and Fishing	(0.4)	(1.6)	(1.7)	(2.4)	(1.3)	6.1	8.2	6.7
1.2. Mining and Quarrying	18.0	9.3	23.8	16.6	(4.5)	3.3	5.2	1.1
<b>2. Secondary Sector (Industry)</b>	<b>6.8</b>	<b>3.5</b>	<b>4.4</b>	<b>4.2</b>	<b>3.0</b>	<b>2.4</b>	<b>1.7</b>	<b>2.9</b>
2.1. Manufacturing	7.3	2.7	3.8	3.6	1.8	2.0	1.4	2.6
2.2. Electricity and Water supply	5.6	4.9	3.2	5.6	6.0	2.5	0.8	1.9
2.3. Construction	6.7	4.1	6.0	4.5	3.5	3.1	2.6	3.8
<b>3. Tertiary sector (Services)</b>	<b>9.6</b>	<b>6.7</b>	<b>8.5</b>	<b>7.7</b>	<b>5.7</b>	<b>5.9</b>	<b>5.9</b>	<b>6.9</b>
3.1. Wholesale and Retail trade	8.0	3.8	4.9	4.1	3.6	5.7	4.2	4.8
3.2. Accommodation and Restaurant	52.6	26.2	40.1	44.0	16.9	21.5	12.2	26.0
3.3. Transport and Storage	7.4	5.6	7.7	7.2	5.1	6.2	3.0	2.8
3.4. Information and Communication	6.1	9.9	9.0	11.2	11.8	9.0	6.4	7.3
3.5. Financial and Insurance	11.5	12.8	17.0	16.1	9.6	5.8	13.5	14.7
3.6. Public Administration	6.0	4.5	6.2	3.8	3.4	6.6	3.8	4.2
3.7. Others	10.8	5.2	6.7	5.5	4.7	4.8	4.9	6.3
of which: Professional, Admin & Support Services	7.1	9.4	13.1	10.9	9.0	7.3	5.5	9.5
Real Estate	6.7	4.5	6.0	5.0	4.0	5.2	5.8	6.2
Education	22.8	4.8	4.6	4.4	3.9	3.0	4.0	4.7
Health	8.9	4.5	5.7	4.4	3.7	5.4	5.0	5.1
Taxes less subsidies	11.9	7.0	9.5	6.1	7.3	5.3	4.0	2.8
<b>Real GDP</b>	<b>7.6</b>	<b>4.8</b>	<b>6.2</b>	<b>5.2</b>	<b>4.3</b>	<b>5.5</b>	<b>5.5</b>	<b>5.9</b>

Source of Data: Kenya National Bureau of Statistics.

149. **Agriculture:** In the first three quarters of 2023, the agriculture sector rebounded strongly following improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government. The sector grew by 6.1 percent in the first quarter, 8.2 percent in the second quarter and 6.7 percent in the third quarter. The strong performance was reflected in enhanced production, especially of food crops that led to significant increase in exports of tea, coffee, vegetables and fruits. However, production of cut flowers and sugarcane declined during the period.

150. **Services:** The services sector continued to sustain strong growth momentum in the first three quarters of 2023 growing by an average of 6.2 percent (5.9 percent in the first quarter, 5.9 percent in the second quarter and 6.9 percent in the third quarter). The robust performance was reflected in the notable growth of information and communication (driven by increases in wireless internet and fiber-to-home subscriptions), wholesale and retail trade, accommodation and food services (driven by recovery in tourism), financial and insurance (due to strong private sector credit growth, increased yield on investment and increased return on deposits by commercial banks) and real estate (supported by sustained expansion of the construction industry).

151. **Industry:** In the first three quarters of 2023, the industrial sector remained positive and recorded growths of 2.4 percent in the first quarter, 1.7 percent in the second quarter and 2.9 percent in the third quarter compared to growths of 4.4 percent, 4.2 percent and 3.0 percent, respectively in similar quarters in 2022. Growth in the sector was supported by increased activities in the construction sector mainly reflected in the increased consumption of cement and imports of bitumen, iron, and steel. Activities in the manufacturing sector, which accounts for nearly half of the industrial sector output, was hampered by a decline in the manufacture of both food (particularly sugar production) and non-food products while electricity sub-sector slowed down due to a notable decrease in electricity generation from all sources, except geothermal.

### *Inflation outcomes*

152. Inflation had remained above the Government target range of 5±2.5 percent from June 2022 to June 2023. In order to anchor inflation expectations, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023 and further to 12.50 percent in December 2023. The tightening of the monetary policy was to address the pressures on the exchange rate and mitigate second round effects including from global prices. This ensured that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range. This policy action was complemented by Government interventions and favourable weather conditions that increased food supply. Consequently, inflation eased gradually to 6.6 percent in December 2023 from a peak of 9.6 percent in October 2022 and has been within the target range for the first half of FY 2023/24 (**Figure 2.1**). However, inflation has remained sticky in the upper bound of the Government's target range since July 2023 due to relatively higher energy prices.

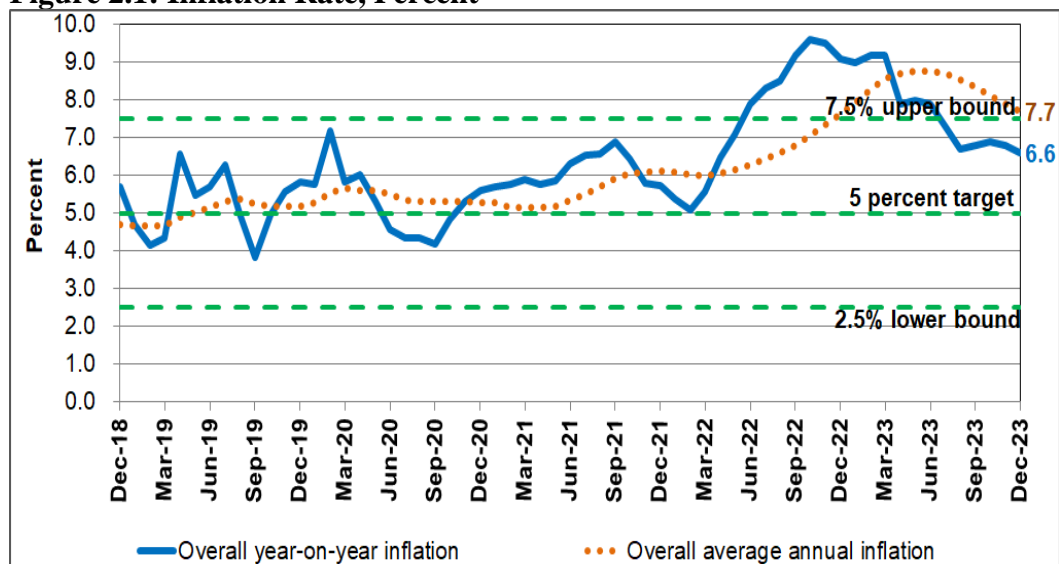
153. Food inflation remained the dominant driver of overall inflation in December 2023. However, it declined to 7.7 percent in December 2023 from a peak of 15.8 percent in October 2022 supported by general decline in international food prices, government interventions through zero rating of select food commodities, and improved weather conditions that enhanced production of fast-growing food items, thus moderating their prices. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

154. Fuel inflation declined to 13.7 percent in December 2023 from 15.5 percent in November 2023, driven by a downward adjustment in pump prices by the

Energy and Petroleum Regulatory Authority (EPRA). However, fuel inflation has remained elevated reflecting the impact of higher international oil prices, depreciation in the shilling exchange rate and gradual withdraw of the fuel subsidize from September 2022 and the upward adjustment of electricity tariff from April 2023. In addition, the upward adjustment of VAT on petroleum product in July 2023 from 8.0 percent to 16.0 percent to eliminate tax credits from the sector exacted upward pressures on prices. However, prices of cooking gas continued to decline and moderated inflation reflecting the impact of the zero-rating of VAT on liquefied petroleum gas (LPG).

155. Core (non-food non-fuel) inflation remained stable at 3.4 percent in December 2023, from a peak of 4.4 percent in March 2023. The decline is attributed to the tight monetary policy and muted demand pressures.

**Figure 2.1: Inflation Rate, Percent**



Source of Data: Kenya National Bureau of Statistics

### Monetary and Credit Developments

156. Broad money supply, M3, grew by 21.1 percent in the year to November 2023 compared to a growth of 5.3 percent in the year to November 2022 (**Table 2.3**). The primary source of the increase in M3 was an improvement in the Net Foreign Assets (NFA) of the banking system and resilient domestic credit. The increase in NFA mainly reflected the improvement in commercial banks’ foreign assets.

157. Net Domestic Assets (NDA) registered a growth of 10.7 percent in the year to November 2023, compared to a growth of 14.6 percent over a similar period in 2022. The growth in NDA was mainly supported by an increase in domestic credit particularly resilient private sector credit and net lending to government. Growth of domestic credit extended by the banking system to the Government declined to a growth of 14.4 percent in the year to November 2023 compared to a growth of 15.2 percent in the year to November 2022.

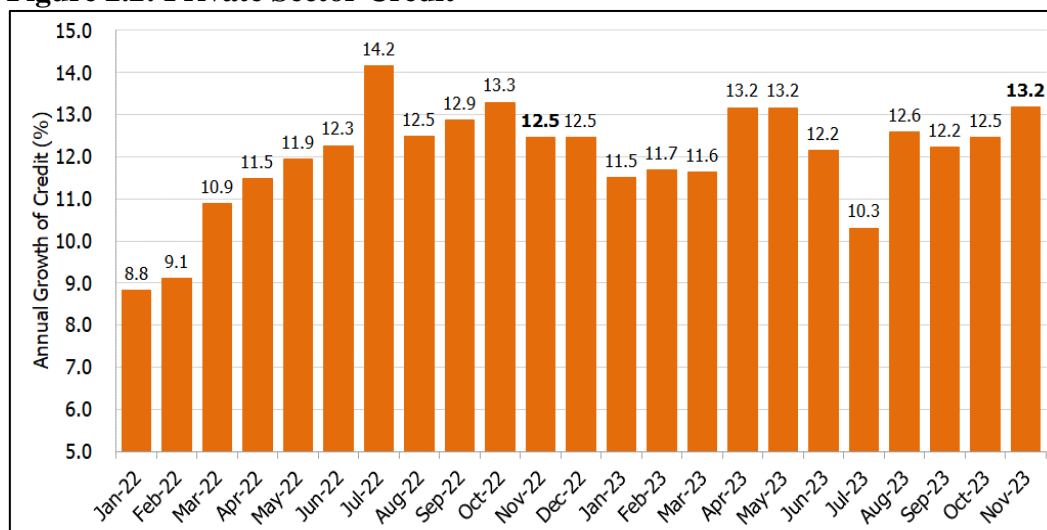
**Table 2.3: Money and Credit Developments (12 Months to November 2023, Ksh billion)**

				Change		Percent Change	
	2021 November	2022 November	2023 November	2021-2022 November	2022-2023 November	2021-2022 November	2022-2023 November
<b>COMPONENTS OF M3</b>							
1. Money supply, M1 (1.1+1.2+1.3)	1,822.0	1,902.0	2,012.5	80.0	110.5	4.4	5.8
1.1 currency outside banks (M0)	238.6	252.2	272.7	13.6	20.5	5.7	8.1
1.2 Demand deposits	1,496.6	1,560.6	1,632.7	64.0	72.1	4.3	4.6
1.3 Other deposits at CBK	86.8	89.2	107.1	2.4	17.9	2.7	20.1
2. Money supply, M2 (1+2.1)	3,435.3	3,537.3	3,906.3	102.0	369.0	3.0	10.4
2.1 Time and savings deposits	1,613.3	1,635.3	1,893.8	22.01	258.5	1.364	15.8
<b>Money supply, M3 (2+3.1)</b>	<b>4,234.0</b>	<b>4,460.2</b>	<b>5,402.6</b>	<b>226.2</b>	<b>942.4</b>	<b>5.3</b>	<b>21.1</b>
3.1 Foreign currency deposits	798.7	922.9	1,496.3	124.2	573.4	15.6	62.1
<b>SOURCES OF M3</b>							
<b>1. Net foreign assets (1.1+1.2)</b>	<b>581.4</b>	<b>276.0</b>	<b>771.8</b>	<b>(305.3)</b>	<b>495.8</b>	<b>(52.5)</b>	<b>179.6</b>
1.1 Central Bank	710.4	531.7	497.1	(178.7)	(34.5)	(25.2)	(6.5)
1.2 Banking Institutions	(129.0)	(255.7)	274.6	(126.6)	530.3	(98.2)	207.4
<b>2. Net domestic assets (2.1+2.2)</b>	<b>3,652.7</b>	<b>4,184.2</b>	<b>4,630.8</b>	<b>531.5</b>	<b>446.6</b>	<b>14.6</b>	<b>10.7</b>
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,797.6	5,425.2	6,186.8	627.6	761.6	13.1	14.0
2.1.1 Government (net)	1,684.4	1,940.4	2,220.7	256.0	280.4	15.2	14.4
2.1.2 Other public sector	84.9	79.3	111.6	(5.5)	32.3	(6.5)	40.7
2.1.3 Private sector	<b>3,028.3</b>	<b>3,405.5</b>	<b>3,854.5</b>	<b>377.2</b>	<b>448.9</b>	<b>12.5</b>	<b>13.2</b>
2.2 Other assets net	(1,145.0)	(1,241.1)	(1,556.0)	(96.1)	(315.0)	(8.4)	(25.4)

Source of Data: Central Bank of Kenya

158. Growth in private sector credit from the banking system remained resilient partly reflecting improving business conditions and demand for working capital. Credit advanced to the private sector grew by 13.2 percent in the year to November 2023 compared to a growth of 12.5 percent in the year to November 2022 (**Figure 2.2**). Strong credit growth was observed in finance and insurance, agriculture, transport and communications and manufacturing. Growth in private sector credit is expected to remain relatively stable, supported by, among other factors, resilient economic activity, and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs.

**Figure 2.2: Private Sector Credit**

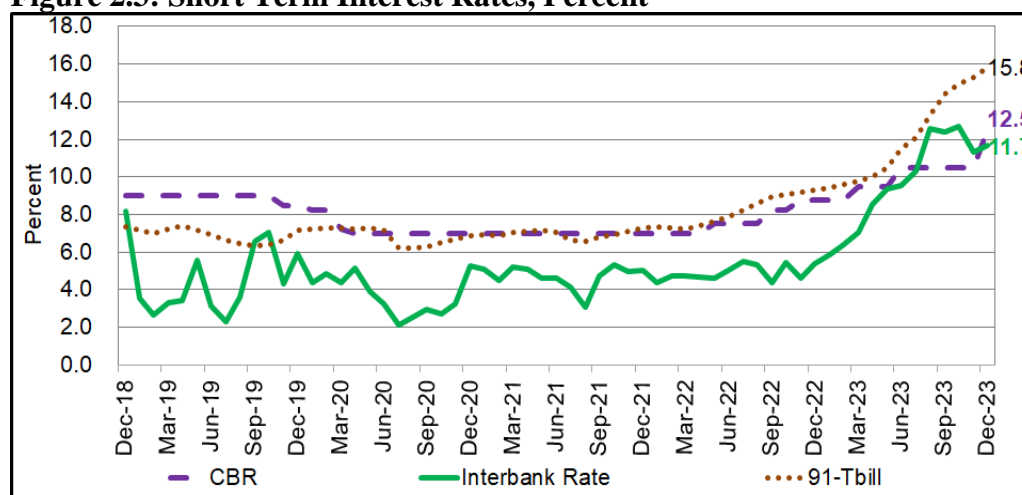


Source of Data: Central Bank of Kenya

## Interest Rates Developments

159. Short-term interest rates increased in December 2023, partly reflecting the tight monetary policy stance and liquidity conditions in the money market. The interbank rate increased to 11.7 percent in December 2023 compared to 5.4 percent in December 2022 while the 91-day Treasury Bills rate increased to 15.8 percent compared to 9.3 percent over the same period (**Figure 2.3**). The introduction of the interest rate corridor around the CBR (set at  $\text{CBR} \pm 250$  basis points by the MPC in August 2023) has aligned the interbank weighted average rate to the Central Bank Rate and thereby improving the transmission of the monetary policy.

**Figure 2.3: Short Term Interest Rates, Percent**



Source of Data: Central Bank of Kenya

160. Commercial banks average lending and deposit rates increased in the year to October 2023 in tandem with the tightening of the monetary policy stance. The average lending rate increased to 14.2 percent in October 2023 from 12.4 percent in October 2022 while the average deposit rate increased to 9.1 percent from 7.0 percent over the same period. Consequently, the average interest rate spread declined to 5.1 percent in October 2023 from 5.4 percent in October 2022.

## External Sector Developments

161. The current account deficit improved to USD 4,196.5 million (4.2 percent of GDP) in November 2023 compared to USD 6,012.3 million (5.4 percent of GDP) in November 2022. The current account balance was supported by an improvement in the trade balance account and resilient remittances (**Table 2.4**).

162. In the year to November 2023, exports contracted by 2.9 percent mainly due to a decline in horticultural exports particularly cut flowers despite an improvement in receipts from tea, chemicals and manufactured exports. The increase in receipts from tea exports reflects higher prices attributed to lower global supply due to drought amid resilient demand from traditional markets while the increase in manufactured exports receipts reflects strong regional demand.

163. On the other hand, imports declined by 11.4 percent in the 12 months to November 2023, mainly reflecting lower imports of infrastructure related equipment, manufactured goods, oil, and chemicals. Oil prices remain elevated on

account increased geopolitical fragmentation and global oil supply cuts by major oil exporters particularly Saudi Arabia and Russia. As a result, the trade account balance improved by USD 2,015.0 million to a deficit of USD 10,002.2 million in November 2023.

**Table 2.4: Balance of Payments (USD Million)**

				Year to November 2023		Actuals as a Percent of GDP	
	Nov-21	Nov-22	Nov-23	Change	Percent Change	Nov-22	Nov-23
<b>Overall Balance</b>	<b>(1,005.0)</b>	<b>1,802.8</b>	<b>1,321.4</b>	<b>(481.3)</b>	<b>(26.7)</b>	<b>1.6</b>	<b>1.3</b>
<b>A) Current Account</b>	<b>(5,637.6)</b>	<b>(6,012.3)</b>	<b>(4,196.5)</b>	<b>1,815.9</b>	<b>30.2</b>	<b>(5.4)</b>	<b>(4.2)</b>
<i>Merchandise Account (a-b)</i>	(10,669.5)	(12,017.2)	(10,002.2)	2,015.0	16.8	(10.8)	(10.1)
a) Goods: exports	6,699.7	7,472.9	7,258.5	(214.4)	(2.9)	6.7	7.3
b) Goods: imports	17,369.2	19,490.1	17,260.7	(2,229.4)	(11.4)	17.5	17.4
<i>Net Services (c-d)</i>	876.9	1,290.4	768.2	(522.2)	(40.5)	1.2	0.8
c) Services: credit	4,792.2	6,466.9	5,641.8	(825.0)	(12.8)	5.8	5.7
d) Services: debit	3,915.4	5,176.5	4,873.7	(302.8)	(5.8)	4.7	4.9
<i>Net Primary Income (e-f)</i>	(1,823.9)	(1,742.6)	(1,988.7)	(246.1)	(14.1)	(1.6)	(2.0)
e) Primary income: credit	62.0	40.6	103.4	62.7	154.3	0.0	0.1
f) Primary income: debit	1,885.9	1,783.2	2,092.0	308.8	17.3	1.6	2.1
<i>Net Secondary Income</i>	5,979.0	6,457.0	7,026.2	569.2	8.8	5.8	7.1
g) Secondary income: credit	6,116.5	6,519.5	7,150.5	631.0	9.7	5.9	7.2
h) Secondary income: debit	137.5	62.5	124.3	61.8	98.9	0.1	0.1
<b>B) Capital Account</b>	<b>196.8</b>	<b>144.5</b>	<b>133.7</b>	<b>(10.8)</b>	<b>(7.4)</b>	<b>0.1</b>	<b>0.1</b>
<b>C) Financial Account</b>	<b>(5,828.8)</b>	<b>(4,329.1)</b>	<b>(3,030.6)</b>	<b>1,298.6</b>	<b>30.0</b>	<b>(3.9)</b>	<b>(3.1)</b>

Source of Data: Central Bank of Kenya

164. Net receipts on the services account declined by USD 522.2 million to USD 768.2 million in November 2023 compared to a similar period in 2022. This was mainly on account of a decline in receipts from transport despite an increase in receipts from tourism as international travel continues to improve. Net Secondary income remained resilient owing to an increase in remittances which amounted to USD 4,174.6 million in the 12 months to November 2023, and were 3.8 percent higher compared to a similar period in 2022.

165. The capital account balance declined by USD 10.8 million to register a surplus of USD 133.7 million in November 2023 compared to a surplus of USD 144.5 million in the same period in 2022. Net financial inflows slowed down but remained vibrant at USD 3,030.6 million in November 2023 compared to USD 4,329.1 million in November 2022. The net financial inflows were mainly in the form of other investments, financial derivatives, and direct investments. Portfolio investments registered a net outflow during the period.

166. The overall balance of payments position slowed down to a surplus of USD 1,321.4 million (1.3 percent of GDP) in November 2023 from a surplus of USD 1,802.8 million (1.6 percent of GDP) in November 2022.

### **Foreign Exchange Reserves**

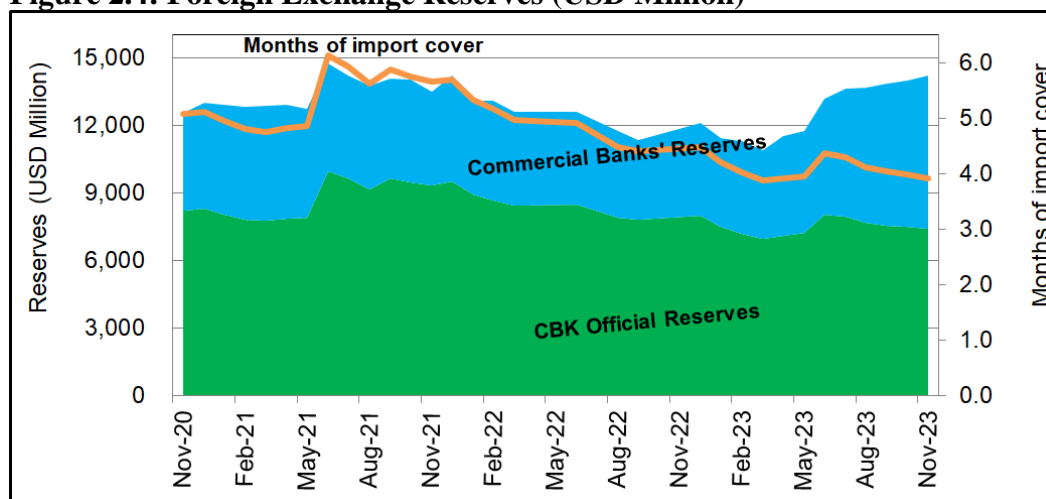
167. The banking system's foreign exchange holdings remained strong at USD 14,211.1 million in November 2023, an improvement from USD 12,084.7 million in November 2022. The official foreign exchange reserves held by the Central



Bank stood at USD 7,397.6 million compared to USD 7,969.5 million over the same period (**Figure 2.4**). Commercial banks holdings improved to USD 6,813.5 million in November 2023 from USD 4,115.2 million in November 2022.

168. The official reserves held by the Central Bank in November 2023 represented 4.0 months of import cover as compared to the 3.9 months of import cover in November 2022. It, however, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short-term shocks in the foreign exchange market.

**Figure 2.4: Foreign Exchange Reserves (USD Million)**



Source of Data: Central Bank of Kenya

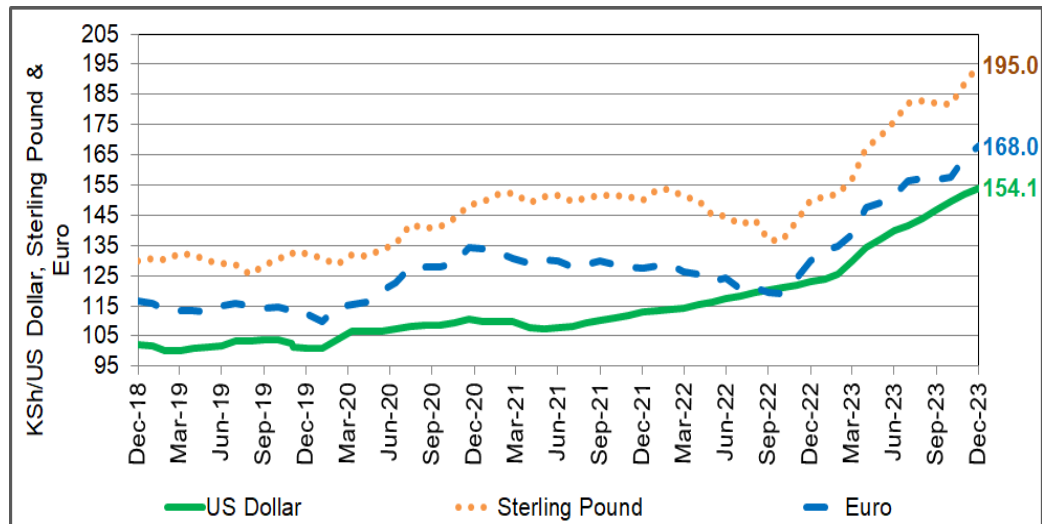
### **Exchange Rate Developments**

169. Kenya like several other countries is experiencing foreign exchange challenges due to the rise of US interest rates. In December 2023, the Kenya Shilling weakened by 25.3 percent against the US Dollar, 30.2 percent against the Sterling Pound and 29.2 percent against the Euro, compared to a similar period in 2022.

170. The Kenya Shilling against the US Dollar exchanged at an average of Ksh 154.1 in December 2023 compared to an average of Ksh 122.9 in December 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 168.0 in December 2023 compared to Ksh 130.0 in December 2022 while against the Sterling Pound the Kenyan Shilling also weakened to exchange at Ksh 195.0 compared to Ksh 149.8, over the same period (**Figure 2.5**). The Kenyan Shilling was supported by increased remittances, adequate foreign exchange reserves and strong exports receipts.

171. The Government has taken measures to stabilize the foreign exchange market which include resuscitating the inter-bank forex market and the Government-to-Government petroleum supply arrangement. This arrangement is mainly intended to address the US Dollar (USD) liquidity challenges and exchange rate volatility caused by the global dollar shortage and spot market reactions that was driving volatility and a false depreciation that was a scarcity value as well as market distortion.

**Figure 2.5: Kenya Shillings Exchange Rate**

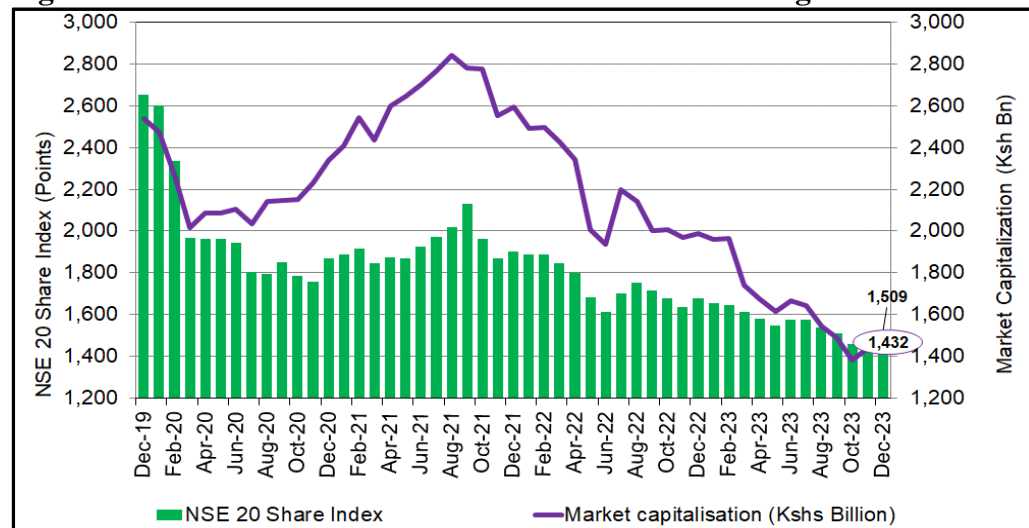


Source of Data: Central Bank of Kenya

**Capital Markets Developments**

172. Activity in the capital markets slowed down in December 2023 compared to December 2022 as advanced economies tightened their monetary policy amid inflationary pressures. The NSE 20 Share Index declined to 1,509 points in December 2023 compared to 1,676 points in December 2022 while Market capitalization declined to Ksh 1,432 billion from Ksh 1,986 billion over the same period (Figure 2.6).

**Figure 2.6: Performance of the Nairobi Securities Exchange**



Source of Data: Nairobi Securities Exchange

## 2.3 Fiscal Performance

173. Budget execution during the first five months of FY 2023/24 progressed relatively well with revenues recording a growth of 13.2 percent in November 2023 compared to a growth of 10.6 percent in November 2022. Total revenue recorded a shortfall of Ksh 98.7 billion with ordinary revenue missing the November 2023 target by Ksh 98.2 billion and Ministerial Appropriation in Aid (AiA) recording a shortfall of Ksh 0.5 billion. Revenue performance is anticipated to improve over the course of the fiscal year, mainly supported by the improved revenue administration by the Kenya Revenue Authority.

174. Similarly, overall expenditures were below target by Ksh 335.7 billion in November 2023 on account of below target disbursements towards; recurrent expenditures by Ksh 166.7 billion, development expenditure by Ksh 106.1 billion, and County Governments by Ksh 62.8 billion. The below target performance in expenditures is largely explained by the shortfalls in revenue performance (**Table 2.5a**).

**Table 2.5a: Fiscal Performance as at 30<sup>th</sup> November, 2023(Ksh billion)**

	Nov-22		Nov-23		% of GDP	
	Ksh. Billion				Target Prl. Act.	
	Prel. Act.	Target	Prl. Act.	Deviation	Target	Prl. Act.
<b>A. Total Revenue including External Grants</b>	<b>897.1</b>	<b>1,116.7</b>	<b>1,016.4</b>	<b>(100.3)</b>	<b>6.9</b>	<b>6.3</b>
<b>Total Revenues (1+2)</b>	<b>893.8</b>	<b>1,110.2</b>	<b>1,011.5</b>	<b>(98.7)</b>	<b>6.9</b>	<b>6.3</b>
1. Ordinary Revenue	786.5	977.1	878.9	(98.2)	6.1	5.4
Import duty	54.9	68.8	56.2	(12.6)	0.4	0.3
Excise duty	108.9	133.1	116.1	(17.1)	0.8	0.7
Income tax	342.5	457.0	380.4	(76.6)	2.8	2.4
VAT	222.1	263.9	266.1	2.2	1.6	1.6
Other Revenue	58.1	54.3	60.1	5.8	0.3	0.4
2. Ministerial Appropriation in Aid	107.3	133.2	132.7	(0.5)	0.8	0.8
o/w RDL	16.8	14.2	13.7	(0.4)	0.1	0.1
3. External Grants	3.3	6.5	4.9	(1.6)	0.0	0.0
<b>B. Total Expenditure and Net Lending</b>	<b>1,093.8</b>	<b>1,496.4</b>	<b>1,160.8</b>	<b>(335.7)</b>	<b>9.3</b>	<b>7.2</b>
1. Recurrent Expenditure	822.8	1,087.5	920.8	(166.7)	6.7	5.7
2. Development	149.0	238.6	132.4	(106.1)	1.5	0.8
3. County Allocation	122.1	170.4	107.5	(62.8)	1.1	0.7
4. Contingency Fund	-	-	-	-	-	-
<b>C. Balance Exclusive of Grants</b>	<b>(200.0)</b>	<b>(386.2)</b>	<b>(149.2)</b>	<b>236.9</b>	<b>(2.4)</b>	<b>(0.9)</b>
<b>D. Grants</b>	<b>3.3</b>	<b>6.5</b>	<b>4.9</b>	<b>(1.6)</b>	<b>0.0</b>	<b>0.0</b>
<b>E. Balance inclusive of Grants (Cash basis)</b>	<b>(196.7)</b>	<b>(379.7)</b>	<b>(144.4)</b>	<b>235.3</b>	<b>(2.4)</b>	<b>(0.9)</b>
Discrepancy	23.0	-	(11.6)	(11.6)	-	(0.1)
<b>F. Total Financing</b>	<b>219.7</b>	<b>379.7</b>	<b>132.7</b>	<b>(247.0)</b>	<b>2.4</b>	<b>0.8</b>
1. Net Foreign Financing	39.0	0.9	(23.4)	(24.3)	0.0	(0.1)
2. Net Domestic Financing	180.7	378.8	156.2	(222.7)	2.3	1.0
<b>Nominal GDP (Fiscal Year)</b>	<b>14,002.5</b>	<b>16,131.5</b>	<b>16,131.5</b>	<b>-</b>	<b>100.0</b>	<b>100.0</b>

Source of Data: National Treasury

### Revenue Performance

175. Revenue collection to November 2023 recorded a slightly higher growth of 13.2 percent compared to a growth of 10.6 percent in November 2022. This revenue performance is partly explained by rising cost of living which has negatively affected the business environment. As at end November 2023, the

cumulative total revenue inclusive of Ministerial Appropriation in Aid (A-i-A) was Ksh 1,011.5 billion against a target of Ksh 1,110.2 billion recording a shortfall of Ksh 98.7 billion.

176. Ordinary revenue for the period to November 2023 was Ksh 878.9 billion against a target of Ksh 977.1 billion translating into a shortfall of Ksh 98.2 billion despite recording a growth of 11.7 percent. All broad tax categories of ordinary revenue save for Value Added Tax (VAT) fell short of the respective targets during the review period. Income tax recorded a shortfall of Ksh 76.6 billion, Excise taxes of Ksh 17.1 billion and Import duty of Ksh 12.6 billion. Value Added Tax (VAT) and other revenue were above target by Ksh 2.2 billion and Ksh 12.0 billion.

177. Ministerial A-i-A inclusive of the Railway Development Levy amounted to Ksh 132.7 billion in November 2023 against a target of Ksh 133.2 billion recording a shortfall of Ksh 0.5 billion.

### **Expenditure Performance**

178. Total expenditure and net lending in the period to November 2023 amounted to Ksh 1,160.8 billion against a target of Ksh 1,496.4 billion, translating to a shortfall in expenditure of Ksh 335.6 billion. This was largely on account of below target disbursement towards recurrent expenditure by Ksh 166.7 billion, development expenditure by Ksh 106.1 billion and below target disbursement to County Governments of Ksh 62.8 billion (**Table 2.5a**).

179. The below target recurrent expenditure as at November 2023 was on account of below target payments on domestic interest (Ksh 51.8 billion), operations and maintenance (Ksh 83.7 billion), pensions (17.0 billion), external interest (Ksh 6.2 billion) and below target contributions to civil service pension fund of Ksh 7.3 billion. Development expenditures were below target by Ksh 106.1 billion on account of below target disbursement towards domestically financed programmes by Ksh 91.1 billion and foreign financed programmes by Ksh 13.1 billion. Disbursement to County Governments was below target by Ksh 62.8 billion.

180. Fiscal operations of the Government by end of November 2023 resulted in an overall deficit including grants of Ksh 144.4 billion against a projected deficit of Ksh 379.7 billion. This deficit was financed through net domestic borrowing of Ksh 156.2 billion and net foreign repayment of Ksh 23.4 billion.

## **2.4 Fiscal Policy**

181. The medium-term fiscal policy approach seeks to support the Government's Bottom-Up Economic Transformation Agenda through continued implementation of a growth responsive fiscal consolidation plan that slows the yearly increase in the public debt and puts in place an efficient liability management strategy without affecting the provision of services to the public. In addition, the Government will put in place measures to broaden the revenue base and rationalize expenditures in order to reduce the fiscal deficits. Consequently, revenue collections are expected to rise to 20.2 percent of GDP in FY 2027/28 from 19.0 percent of GDP in the FY 2023/24 while total expenditures are projected to reduce to 23.7 percent of GDP from 24.2 percent of GDP over the same period. Implementation of the reforms on

revenue and expenditure is expected to result in reduction in the fiscal deficit including grants from Ksh 785.0 billion (4.9 percent of GDP) in the FY 2023/24 to Ksh 771.0 billion (3.1 percent of GDP) in the FY 2027/28 (**Table 2.5 b**).

**Table 2.5b: Fiscal Framework (Ksh billion)**

	FY 2021/22	FY 2022/23		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
	<i>Actual</i>	<i>Revised Estimates</i>	<i>Prel. Act.</i>	<i>PROJECTIONS</i>				
<b>TOTAL REVENUE</b>	<b>2,199.8</b>	<b>2,478.6</b>	<b>2,360.5</b>	<b>3,070.6</b>	<b>3,435.0</b>	<b>3,833.1</b>	<b>4,376.5</b>	<b>4,978.4</b>
Ordinary revenue	1,917.9	2,145.4	2,041.1	2,624.6	2,948.1	3,294.2	3,775.7	4,305.8
Ministerial Appropriation in Aid	281.9	333.2	319.4	445.9	486.9	538.9	600.8	672.6
<b>TOTAL EXPENDITURE AND NET LENDING</b>	<b>3,027.8</b>	<b>3,366.6</b>	<b>3,221.0</b>	<b>3,902.9</b>	<b>4,188.2</b>	<b>4,553.0</b>	<b>5,170.0</b>	<b>5,823.1</b>
Recurrent	2,135.3	2,367.7	2,311.6	2,760.1	2,859.3	3,026.5	3,403.7	3,799.9
Development	540.1	560.5	493.7	717.8	877.8	1,068.7	1,209.3	1,427.9
County Transfer	352.4	436.3	415.8	423.9	446.1	452.9	552.0	590.3
Contingency Fund	-	2.0	-	1.2	5.0	5.0	5.0	5.0
<b>BALANCE EXCLUDING GRANTS</b>	<b>(828.0)</b>	<b>(887.9)</b>	<b>(860.5)</b>	<b>(832.3)</b>	<b>(753.2)</b>	<b>(719.9)</b>	<b>(793.5)</b>	<b>(844.8)</b>
Grants	31.0	41.7	23.1	47.4	49.3	53.2	68.6	73.8
<b>BALANCE INCLUSIVE OF GRANTS</b>	<b>(797.0)</b>	<b>(846.2)</b>	<b>(837.4)</b>	<b>(785.0)</b>	<b>(703.9)</b>	<b>(666.7)</b>	<b>(724.9)</b>	<b>(771.0)</b>
Adjustment to cash basis	11.9	-	37.0	-	-	-	-	-
<b>BALANCE INCLUSIVE OF GRANTS(cash basis)</b>	<b>(785.1)</b>	<b>(846.2)</b>	<b>(800.4)</b>	<b>(785.0)</b>	<b>(703.9)</b>	<b>(666.7)</b>	<b>(724.9)</b>	<b>(771.0)</b>
<i>Discrepancy</i>	<i>(37.3)</i>	<i>-</i>	<i>(30.1)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(0.0)</i>
<b>TOTAL FINANCING</b>	<b>747.8</b>	<b>846.2</b>	<b>770.3</b>	<b>785.0</b>	<b>703.9</b>	<b>666.7</b>	<b>724.9</b>	<b>771.0</b>
Net Foreign Financing	142.5	362.7	310.8	362.2	326.1	103.7	230.8	217.5
Net Domestic Financing	605.3	483.6	459.5	422.7	377.7	563.0	494.1	553.5
<b>Nominal GDP (Fiscal year)</b>	<b>12,698.0</b>	<b>14,521.6</b>	<b>14,274.4</b>	<b>16,131.5</b>	<b>18,015.2</b>	<b>20,002.3</b>	<b>22,180.5</b>	<b>24,594.5</b>
	<i>As a share of GDP</i>							
<b>TOTAL REVENUE</b>	17.3	17.1	16.5	19.0	19.1	19.2	19.7	20.2
Ordinary revenue	15.1	14.8	14.3	16.3	16.4	16.5	17.0	17.5
Ministerial Appropriation in Aid	2.2	2.3	2.2	2.8	2.7	2.7	2.7	2.7
	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE AND NET LENDING</b>	23.8	23.2	22.6	24.2	23.2	22.8	23.3	23.7
Recurrent	16.8	16.3	16.2	17.1	15.9	15.1	15.3	15.5
Development	4.3	3.9	3.5	4.4	4.9	5.3	5.5	5.8
County Transfer	2.8	3.0	2.9	2.6	2.5	2.3	2.5	2.4
Contingency Fund	-	0.0	-	0.0	0.0	0.0	0.0	0.0
	-	-	-	-	-	-	-	-
<b>BALANCE EXCLUDING GRANTS</b>	(6.5)	(6.1)	(6.0)	(5.2)	(4.2)	(3.6)	(3.6)	(3.4)
Grants	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3
<b>BALANCE INCLUSIVE OF GRANTS</b>	(6.3)	(5.8)	(5.9)	(4.9)	(3.9)	(3.3)	(3.3)	(3.1)
Adjustment to cash basis	0.1	-	0.3	-	-	-	-	-
<b>BALANCE INCLUSIVE OF GRANTS(cash basis)</b>	(6.2)	(5.8)	(5.6)	(4.9)	(3.9)	(3.3)	(3.3)	(3.1)
<i>Discrepancy</i>	<i>(0.3)</i>	<i>-</i>	<i>(0.2)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(0.0)</i>
<b>TOTAL FINANCING</b>	5.9	5.8	5.4	4.9	3.9	3.3	3.3	3.1
Net Foreign Financing	1.1	2.5	2.2	2.2	1.8	0.5	1.0	0.9
Net Domestic Financing	4.8	3.3	3.2	2.6	2.1	2.8	2.2	2.3
<b>Nominal GDP (Fiscal year)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of Data: National Treasury

### **Domestic Revenue Mobilization**

182. The Government will implement a mix of tax administrative and tax policy measures in order to boost revenue collection efforts by the Kenya Revenue Authority (KRA) to over Ksh 4.0 trillion in the medium term thereby supporting economic activity. In particular, the Government will focus on domestic resource mobilization efforts that include:

- i) Implementation of the Finance Act 2023 that targets to boost revenue collection. This will lead to a tax effort of 16.3% of GDP in FY 2023/24;

- ii) Implementation of the National Tax Policy to improve the tax system's administrative effectiveness, offer uniformity and clarity in tax laws, and control tax expenditures;
- iii) Implementation of the Medium-Term Revenue Strategy (MTRS) for the period FY 2024/25 - 2026/27 to further strengthen tax revenue mobilization efforts to 20.0% of GDP over the medium term;
- iv) Focus on non-tax measures that MDAs can raise through the services they offer to the public e.g. Ministry of Land, Immigration and citizen services among others; and
- v) Strengthening of Tax Administration by KRA through scaling up use of technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System).

### ***Expenditure Reforms***

183. The Government will sustain efforts to improve efficiency in public spending and ensure value for money by: i) eliminating non priority expenditures; ii) rationalizing tax expenditures; iii) scaling up the use of Public Private Partnerships financing for commercially viable projects; iv) digitizing of asset reporting through operationalization of IFMIS asset module by all MDAs; and iv) rolling out of an end - to - end e-Government Procurement (e-GP) System to the National and County Governments in the FY 2024/25 where all public procurement and assets disposal transactions are undertaken online and are fully compliant with the Public Procurement and Asset Disposal Act of 2015 and its attendant Regulations 2020. The developed e-GP system will be interfaced with the Integrated Financial Management Information System (IFMIS) to process payments of contracted suppliers. Currently, the Government is piloting the new e-GP system in twelve (12) MDAs. Once the system is implemented, it is expected to promote savings of about 10-15 percent of the total Government procurement expenditure, value for money, efficiency, transparency, audit trail and enhance good governance in our public procurement.

184. In order to increase efficiency and effectiveness of the public spending, the Government will continue to implement Public Investment Management Regulations that aim to streamline initiation, execution and delivery of public investment projects. Ministries shall be required to finalize ongoing projects before commencing new projects in order to reduce the Government's exposure on stalled projects. Additionally, all PIM approved projects shall be required to factor environmental and climate related risks including carbon emission and disaster risk management as part of project appraisal. Going forward, the National Government will commence rolling out the PIM Regulations to County Governments. Further, the Government will roll out the Public Investment Management Information System (PIMIS) to all the Ministries, Departments and Agencies (MDAs). The System is aimed at improving the management of development projects in the country. All State Departments, SAGAs and SOEs shall be required to list all the projects.



185. To sustain and strengthen the pension reforms, the Government will monitor and completely separate and delink the governance of the Public Service Superannuation Scheme from that of the non-contributory scheme. The Government will also revamp the public service pension administration through digitization and re-engineering of the pension management system, expected to be completed by December 2024. Digitization will streamline processes, improve accuracy, and facilitate timely pensions payments. This also enable better monitoring and management of pension-related matters while re-engineering will complement the digitization by availing an end-to-end Enterprise Resource Planning (ERP) solution that takes advantage of the modern IT technologies.

186. In order to address the challenges faced by Government Owned Enterprises (GOEs), commonly known as Commercial State Corporations, the Government has embarked on the process of privatising and restructuring of these entities. Following the enactment of the Privatisation Act, 2023, the Government will fast-track the privatisation of GOEs and Government Linked Corporations (GLCs). As part of the process, the Government has identified and proposed eleven (11) entities to be included in the 2023/2024 Privatisation Program, in line with the provisions of the Privatisation Act, 2023. The privatisation is geared towards the Government's efforts for fiscal consolidation and spurring economic development through: Raising additional revenue; Reduction in the demand for Government resources; Improvement of regulatory framework in the economy by unbundling regulatory and commercial functions among some entities; and Improvement of efficiency in the economy by encouraging more participation of the private sector hence make the economy more responsive to market forces; among others.

### ***Deficit Financing Policy***

187. Consistent with the objective of minimizing costs and risks of public debt, the Government will mobilize resources mainly from multilateral and bilateral Development Partners (DPs). Commercial borrowing sources will be utilized as last resort to fund the fiscal deficit and repay maturing external debts. Net domestic financing requirements will be met through the issuance of Treasury bonds in the domestic market.

188. More emphasis will be on maximizing concessional loans while non-concessional and commercial external borrowing will be limited to economic enabler projects that cannot secure concessional financing and are in line with the Bottom-Up Transformation Agenda of the Government.

189. In light of increased cost of financing, the Government will continue to monitor the global financial market conditions before accessing the international capital market for any liability management operations. The Government will also explore other alternative sources of financing including climate Fund financing options, Debt for Nature Swaps, Samurai and Panda bonds depending on the prevailing market and macroeconomic conditions.

190. The domestic debt market remains one of central funding source to the Government as it contributes to half of the total required financing needs thus mitigating against external currency risks. The Government will continue to

implement reforms that are aimed at deepening, improving efficiency and diversifying the investor base within the domestic market.

191. Commitment to fiscal consolidation with a view to reducing fiscal deficits remains important to Government in restraining debt accumulation and thus progressively reduce the debt service over the medium-term amidst global shocks on Kenya's economy and its medium-term prospects.

## 2.5 Economic Outlook

192. The economy is projected to remain strong and resilient in 2023, 2024 and over the medium term supported by the continued robust growth of the services sectors, the rebound in agriculture, and the ongoing implementation of measures to boost economic activity in priority sectors by the Government. As such, the economy is expected to remain strong and expand by 5.5 percent in both 2023 and 2024 (5.5 percent in FY 2023/24 and in FY 2024/25) (**Table 2.6 and Annex Table 1**).

193. **From the supply side**, this growth will be driven by a strong recovery in the agriculture sector supported by the anticipated adequate rainfall in most parts of the country and a decline in global commodity prices that will reduce the cost of production. Additionally, Government intervention measures aimed at lowering the cost of production such as the ongoing fertilizer and seed subsidy program and provision of adequate affordable working capital to farmers will support growth of the sector.

194. The industry sector will be driven mainly by increased activities in manufacturing and construction subsectors. Manufacturing subsector will be supported by improved availability of raw materials following the recovery in agriculture production and a decline in global commodity prices which will support food processing. Construction subsector will be driven by sustained investment in the Affordable Housing programme, PPP infrastructure projects and the ongoing work on building and maintaining public infrastructure. Electricity and water supply subsector is expected to remain vibrant due to the anticipated increase in demand as the industrial and residential consumption grows.

195. Services sector will be supported by resilient activities in accommodation and restaurant, financial and insurance, information and communication, wholesale and retail trade and transport and storage, among others. Accommodation and restaurant subsector will be supported by the continued increase in tourists' arrivals as international travels recovers following the global economic slowdown and Government's effort to revamp the sector, through promotion of international conference, cultural festivals and promoting wildlife safaris. Transport and Storage subsector will be supported by improvement of critical national and regional trunk roads that have the highest economic impact and adoption of electric vehicles which signals new era of mobility. Activities in information and communication subsector will be supported by laying of additional National Fiber Optic network which will enable the Country to achieve the required national bandwidth to expedite the deployment and development of rural telecommunication services.

196. **On the demand side**, growth will be driven by an improvement in aggregate demand. Aggregate demand will be supported by household private consumption and robust private sector investments coupled with Government investments as the public sector consolidates. This growth will also be supported by improvement in the external account supported by strong export growth and resilient remittances.

197. Consumption will mainly be driven by strong Private consumption which is expected to increase to 78.9 percent of GDP in 2024 from 78.1 percent of GDP in 2023. The easing of inflationary pressures will result in strong household disposable income, which will in turn support household consumption. Government consumption is projected to decline in 2023 and 2024 in line with the fiscal consolidation program.

198. Aggregate investment is projected to remain stable at 19.4 percent of GDP in 2023 and 19.5 percent of GDP in 2024 mainly supported by the private sector. Investment will benefit from focus on public-private-partnership (PPP) projects and improvements in the Foreign Exchange market conditions. Additionally, private investments will be supported by stable macroeconomic conditions coupled with the ongoing fiscal consolidation which will provide the needed confidence for investors. Interventions by the Government through the Hustlers' Fund will strengthen MSMEs thereby correcting market failures for the vast majority of Kenya's at the bottom of the pyramid. This will strengthen the private sector led growth opportunities.

199. Growth over the medium term will also be driven by sustained Government investments in the Affordable Housing programme, PPP infrastructure projects and the ongoing work on building and maintaining public infrastructure. The development spending in the budget will be above 5.0 percent of GDP so as not to impact on growth momentum. The spending supports investments in key projects under the Bottom-Up Economic Transformation Agenda (BETA). Particularly, investments in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials).

200. The current account deficit is projected to improve to 4.4 percent of GDP in 2023 and 4.0 percent of GDP in 2024 compared to 5.1 percent of GDP in 2022. The expected narrowing of the current account deficit is driven by a decline in imports amid lower oil prices, exchange rate adjustment, and further rationalization of capital spending. Additionally, the current account balance will be supported by continued strong remittance inflows.

201. Kenya's exports of goods and services is expected to continue strengthening supported by receipts from tourism, and an increase in receipts from tea and manufactured exports. The strengthening of the dollar against the Shilling is also expected to support export receipts. The expected recovery of Kenya's trading partners and the implementation of Africa Continental Free Trade Area (AfCFTA) will enhance demand for exports of Kenyan manufactured products. Additionally, the implementation of crops and livestock value chains, specifically, exports of tea, coffee, vegetables and fresh horticultural produce, among others will support growth in export receipts.

202. In the Balance of Payments Statement, external financing needs will be met mainly by equity inflows and foreign direct investment given the conducive business climate that Government has created particularly the fiscal policy predictability.

### ***Monetary Policy Management***

203. The monetary policy stance is aimed at achieving price stability and providing adequate credit to support economic activity. With agriculture recovering, the contribution from food prices to headline inflation is expected to decline but pressures from fuel prices are expected to remain in the near term. Overall, inflation is expected to largely remain within the target band of  $5\pm 2.5$  percent in the medium term. This will be supported by muted demand pressures consistent with prudent monetary policy and easing of domestic and global food prices coupled with Government measures to lower cost of production through subsidizing farm inputs and support sufficient supply of staple food items through zero rated imports.

204. In order to ensure that inflationary expectations are well anchored and in line with maintaining external sustainability, the Government will continue to adjust the monetary policy stance decisively as needed, to mitigate the second-round effects, including from international oil price shocks, exchange rate adjustments, and risks from any other future shocks. In addition to inflation objectives, the Central Bank of Kenya (CBK) will ensure that the monetary policy stance and central bank policy operations are mutually consistent at all times with policy, in order to support confidence in macroeconomic stability, meeting Government's financing needs, maintaining Kenya's external sustainability, and ensuring adequacy of foreign exchange reserves.

205. The Government will also support a flexible exchange rate system to act as external shock absorber. To address the challenges of pricing and liquidity, CBK issued the Kenya FX code in March 2023. The code is aligned to best practices adopted in leading jurisdictions and incorporates relevant elements of the Global FX Code. The leading principles include practices on Execution, Governance, and Risk Management and Compliance which foster a robust, fair, open, liquid and appropriately transparent market. This was complemented by concerted efforts to reactivate the interbank FX market. Two foreign exchange inter-dealer brokers are already active in the interbank FX market, supporting price discovery.

206. Over the medium term, CBK will continue implementing reforms outlined in the White Paper on Modernization of the Monetary Policy Framework and Operations. The reforms aim at enhancing the effectiveness of monetary policy and support anchoring of inflation expectations through inflation targeting. In order to enhance monetary policy transmission, CBK adopted a new monetary policy implementation framework and launched the Centralized Securities Depository System (CSD) in 2023.

207. The new framework, adopted in August 2023, which is based on inflation targeting, introduced an interest rate corridor around the Central Bank Rate (CBR) set at  $CBR\pm 250$  basis points. Consequently, monetary policy operations are aimed at ensuring the interbank rate, the operating target, closely tracks the CBR within the corridor. To further improve the operation of the interest rate corridor

framework, access to the Discount Window was improved as the applicable interest rate was reduced from the 600 basis points above CBR to 400 basis points above CBR. The Centralized Securities Depository System, the DhowCSD, which went live on 31<sup>st</sup> July, 2023, is a versatile market infrastructure that will improve monetary policy transmission and implementation and enhance operational efficiency in the domestic debt market, further promoting capital growth, market deepening, expansion of digital access for broader financial inclusion, and positioning Kenya as the preferred financial hub in the region.

208. Additionally, the CBK will continue improving monetary policy formulation and implementation in Kenya by refining macroeconomic modelling and forecasting frameworks, fine tuning of monetary policy operations around the CBR and improving the communication of monetary policy decisions to make them more effective.

**Table 2.6: Macroeconomic Indicators and Projections**

	2020	2021	2022	2023	2024	2025	2026	2027
	Act	Prel. Act	Prel. Act	Proj.	BPS 2024	BPS 2024	BPS 2024	BPS 2024
<i>annual percentage change, unless otherwise indicated</i>								
<b>National Account and Prices</b>								
Real GDP	-0.3	7.6	4.8	5.5	5.5	5.5	5.5	5.6
Primary Sector	4.7	0.5	-1.0	6.6	4.2	4.4	4.1	3.9
of which: Agriculture	4.6	-0.4	-1.6	6.9	4.2	4.4	4.0	3.9
Industry	3.2	6.8	3.5	2.5	3.3	3.4	3.3	3.8
Services	-1.8	9.6	6.7	6.2	6.1	6.2	6.6	6.6
GDP deflator	4.9	4.3	6.0	7.2	6.2	5.8	5.8	4.6
CPI Index (eop)	5.6	5.7	9.1	6.3	5.0	5.0	5.0	5.0
CPI Index (avg)	5.3	6.1	7.6	7.7	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-5.3	-2.2	0.7	-6.3	1.3	2.5	2.8	3.9
<b>Money and Credit (end of period)</b>								
Net domestic assets	15.9	15.2	14.9	11.7	9.8	9.2	8.6	8.9
Net domestic credit to the Government	26.7	18.9	10.6	7.7	8.4	8.7	7.9	6.7
Credit to the rest of the economy	10.1	12.2	13.2	14.2	14.4	13.6	12.8	14.0
Broad Money, M3 (percent change)	6.9	10.5	13.2	12.3	11.3	11.0	10.9	11.3
Reserve money (percent change)	10.5	4.0	3.2	12.2	11.2	10.8	10.8	11.1
<i>in percentage of GDP, unless otherwise indicated</i>								
<b>Investment and Saving</b>								
<b>Consumption</b>	<b>88.3</b>	<b>88.7</b>	<b>90.1</b>	<b>88.6</b>	<b>88.8</b>	<b>86.3</b>	<b>86.1</b>	<b>85.1</b>
Central Government	12.5	12.1	12.3	10.5	9.9	9.2	9.0	9.2
Private	75.4	74.6	75.6	78.1	78.9	77.1	77.1	76.0
<b>Gross Fixed Capital Investment</b>	<b>19.7</b>	<b>20.4</b>	<b>19.2</b>	<b>19.4</b>	<b>19.5</b>	<b>19.9</b>	<b>19.9</b>	<b>19.9</b>
Central Government	5.5	4.5	3.8	3.6	4.1	4.6	4.9	5.1
Private	14.2	15.9	15.4	15.8	15.4	15.3	15.0	14.8
<b>Gross National Saving</b>	<b>14.9</b>	<b>15.6</b>	<b>14.1</b>	<b>14.9</b>	<b>15.5</b>	<b>15.8</b>	<b>15.9</b>	<b>15.9</b>
Central Government	-3.3	-4.4	-4.1	-4.1	-3.7	-2.3	-1.5	-1.3
Private	18.1	20.0	18.2	19.0	19.3	18.1	17.4	17.2
Exports value, goods and services	9.7	10.8	12.2	13.1	12.8	12.8	12.5	12.7
Imports value, goods and services	17.7	19.9	21.5	21.4	21.4	20.1	19.4	18.9
Current external balance, including official transfers	-4.8	-4.8	-5.1	-4.4	-4.0	-4.1	-4.0	-4.0
Gross reserves in months of next yr's imports	4.6	4.7	4.4	3.6	4.2	4.0	4.0	3.9
Gross reserves in months of this yr's imports	5.6	5.2	3.9	4.0	4.3	4.3	4.3	4.3
<i>fiscal year, in percentage of GDP, unless otherwise indicated</i>								
<b>Central Government Budget</b>								
Total revenue	16.5	16.0	17.3	16.5	19.0	19.1	19.2	19.7
Total expenditure and net lending	24.4	24.6	23.8	22.6	24.2	23.2	22.8	23.3
Overall Fiscal balance excl. grants	-7.9	-8.6	-6.5	-6.0	-5.2	-4.2	-3.6	-3.6
Overall Fiscal balance, incl. grants	-7.7	-8.3	-6.3	-5.9	-4.9	-3.9	-3.3	-3.3
Overall Fiscal balance, incl. grants, cash basis	-7.6	-8.3	-6.2	-5.6	-4.9	-3.9	-3.3	-3.3
Primary budget balance	-3.4	-3.9	-1.6	-0.8	0.7	1.7	1.8	1.5
<b>Public debt</b>								
Nominal central government debt (eop), gross	68.4	68.0	71.4	68.0	64.8	61.7	58.9	56.3
Nominal debt (eop), net of deposits	63.4	64.7	68.0	65.0	62.1	59.3	56.7	54.3
Domestic (gross)	32.8	34.1	33.9	32.6	31.3	31.0	30.2	29.5
Domestic (net)	27.9	30.8	30.5	29.6	28.6	28.6	28.0	27.5
External	35.5	33.9	37.5	35.5	33.6	30.7	28.8	26.8
<b>Memorandum Items:</b>								
Nominal GDP (in Ksh Billion)	10,715	12,028	13,368	15,180	17,083	18,948	21,057	23,304
Nominal GDP (in US\$ Million)	100,658	109,697	113,421	101,978	114,510	126,574	142,044	155,474

Source of Data: The National Treasury

## 2.6 Risks to the Economic Outlook

209. There are downside risks emanating from domestic as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result in domestic inflationary pressures and food insecurity. Additionally, tight fiscal space due to the impact of the multiple shocks that have affected the global and the domestic economy might lead to tight liquidity conditions for financing the budget.

210. On the external front, uncertainties in the global economic outlook stemming from the escalating geopolitical fragmentations could result in higher commodity prices which poses a risk to domestic inflation outcomes leading to further tightening of financial conditions. Additionally, weaker global demand due to the slowdown in the global economic recovery could adversely affect Kenya's exports, foreign direct investments and remittances. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

211. The upside risk to the domestic economy relate to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. Faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation.

212. 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 of the risks if they were to materialize.



## **III. BUDGET FOR FY 2024/25 AND THE MEDIUM TERM**

### **3.1 Fiscal Framework for FY 2024/25 and Medium Term Budget**

213. The FY 2024/25 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. To support the Bottom - Up Economic Transformation Agenda, the Government will continue with the growth friendly fiscal consolidation plan by containing expenditures and enhancing mobilization of revenues in order to slow down growth in public debt without compromising service delivery.

#### **Revenue Projections**

214. In the FY 2024/25, revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 3,435.0 billion (19.1 percent of GDP) up from the projected Ksh 3,070.6 billion (19.0 percent of GDP) in the FY 2023/24 (**Annex Table 2 and 3**). Revenue performance will be underpinned by the ongoing reforms in tax policy and revenue administration measures geared towards expanding the tax base and improving tax compliance. Ordinary revenues will amount to Ksh 2,948.1 billion (16.4 percent of GDP) in FY 2024/25 from the projected Ksh 2,624.6 billion (16.3 percent of GDP) in FY 2023/24.

#### **Expenditure Projections**

215. Government expenditure as a share of GDP for FY 2024/25 is projected to decline to 23.2 percent from the projection of 24.2 percent of GDP in the FY 2023/24. In nominal terms, the overall expenditure and net lending is projected at Ksh 4,188.2 billion compared to a projection of Ksh 3,902.9 billion in the FY 2023/24 budget. The FY 2024/25 expenditures comprise of recurrent of Ksh 2,859.3 billion (15.9 percent of GDP) and development of Ksh 877.8 billion (4.9 percent of GDP).

#### **Deficit Financing**

216. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 703.9 billion (3.9 percent of GDP) in FY 2024/25 compared to the projected fiscal deficit of Ksh 785.0 billion (4.9 percent of GDP) in FY 2023/24.

217. The fiscal deficit in FY 2024/25, will be financed by net external financing of Ksh 326.1 billion (1.8 percent of GDP), and net domestic borrowing of Ksh 377.7 billion (2.1 percent of GDP).

### **3.2 FY 2024/25 and Medium-Term Budget Priorities**

218. The FY 2024/25 and the Medium Term Framework will focus on the implementation of the Bottom-up Economic Transformation Agenda (BETA) as prioritized in the Medium Term Plan (MTP) IV. The Agenda is geared towards economic turnaround and inclusive growth, and aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on

household welfare. These include: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. Implementation of these priority programmes aims at bringing down the cost of living; eradicating hunger; creating jobs; and provide the greater majority of our citizens with much needed social security while expanding the tax revenue base and improving foreign exchange balance.

219. To achieve the pillars, the Government will implement strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection; Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

### 3.3 Budgetary Allocations for the FY 2024/25 and the Medium-Term

220. The total budget for FY 2024/25 is projected at Ksh 4,143.7 billion. The allocations to the three arms of government including sharable revenues to the County Governments is summarized in **Table 3.1**.

**Table 3.1: Summary Budget Allocations for the FY2024/25 – 2026/27 (Ksh Million)**

S/NO.	Details	Financial Years			
		Approved	BPS Projection		
		2023/24	2024/25	2025/26	2026/27
1.0	National Government	2,464,474.4	2,511,463.6	2,733,098.4	2,994,685.9
	Executive	2,400,067.0	2,438,939.0	2,662,848.9	2,918,504.4
	Parliament	40,742.0	41,623.4	43,168.3	44,777.7
	Judiciary	22,784.0	23,690.3	27,081.1	31,403.8
2.0	Consolidated Fund Services	1,131,650.1	1,241,151.7	1,279,212.4	1,351,034.5
3.0	County Government	385,424.6	391,117.1	415,591.0	515,051.0
	<b>Total.....Kshs.</b>	<b>3,981,549.0</b>	<b>4,143,732.3</b>	<b>4,427,901.8</b>	<b>4,860,771.4</b>
<b>% Share in the Total Allocation</b>					
1.0	National Government	61.9	60.6	61.7	61.6
	Executive	60.3	58.9	60.1	60.0
	Parliament	1.0	1.0	1.0	0.9
	Judiciary	0.6	0.6	0.6	0.6
		-	-	-	-
2.0	Consolidated Fund Services	28.4	30.0	28.9	27.8
3.0	County Government	9.7	9.4	9.4	10.6
<b>Notes**</b>					
<b>* Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest, Net lending and pension&amp; salaries for State Officers</b>					
<b>**County Government allocation is composed of sharable allocation</b>					

Source of Data: The National Treasury

221. The resource allocation for the priority programmes will be developed through a value chain approach under five clusters namely: Finance and Production Economy; Infrastructure; Land and Natural Resources; Social Sectors; and Governance and Public Administration. The nine (9) identified key value chain areas for implementation include: Leather; Cotton; Dairy; Edible Oils; Tea; Rice; Blue Economy; Natural Resources (including Minerals and Forestry); and Building Materials. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process also ensures adequate resources are allocated to any entity along the value chain and helps to eliminate duplication of roles and budgeting of resources. Spending in these critical needs are aimed at achieving quality outputs and outcomes with optimum utilization of resources. The momentum and large impact they will create will raise economic vibrancy and tax revenues.

222. Further, the MDAs will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reviewing the portfolio of externally funded projects. The MDAs are also encouraged to restructure and re-align with the Government priority programmes. Realization of these objectives will be achieved within the budget ceilings provided in this BPS. The following criteria will serve as a guide for allocating resources:

- i) Linkage of programmes with the value chains of the Bottom-Up Economic Transformation Agenda priorities;
- ii) Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
- iii) Linkage of programmes that support mitigation and adaptation of climate change;
- iv) Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
- v) Degree to which a programme addresses job creation and poverty reduction;
- vi) Degree to which a programme addresses the core mandate of the MDAs, Expected outputs and outcomes from a programme;
- vii) Cost effectiveness, efficiency and sustainability of the programme; and
- viii) Requirements for furtherance and implementation of the Constitution.

223. 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 and pensions.

224. Development expenditures have been allocated on the basis of the flagship projects in Vision 2030, the Bottom - Up Economic Transformation Agenda and the MTP IV 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.

### **3.4 Details of Sector Priorities**

225. **Table 3.2** provides the projected baseline ceilings for the FY2024/25 and the medium-term, classified by sector. **Annex Table 4** provides a summary of expenditures by programmes for the FY 2024/25– 2026/27 period. The BPS Sector ceilings were enhanced on account of additional programmes, completion of ongoing projects and additional expenditures tied to A-i-A revenue collection.

**Table 3.2: Summary of Budget Allocations for the FY2024/25 – 2026/27 (Ksh Million)**

Code	Sector		Suppl Estimates No.1	2024 BPS Ceiling				Suppl Estimates No.1	% Share in Total Ministerial Expenditure			
				2023/24	2024/25	2025/26	2026/27		2023/24	2024/25	2025/26	2026/27
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Sub_Total	98,089.1	87,808.0	95,811.3	97,228.6	4.03	3.50	3.51	3.25		
		Rec_Gross	32,506.7	29,819.9	31,320.7	32,931.0	1.97	1.80	1.78	1.66		
		Dev_Gross	65,582.3	57,988.1	64,490.6	64,297.6	8.37	6.79	6.65	6.39		
020	ENERGY, INFRASTRUCTURE AND ICT	Sub_Total	494,715.3	505,668.0	546,261.0	555,684.6	20.35	20.13	19.99	18.56		
		Rec_Gross	145,306.0	145,306.0	156,245.0	158,046.6	8.82	8.77	8.86	7.95		
		Dev_Gross	349,409.3	360,362.0	390,016.0	397,638.0	44.61	42.20	40.25	39.51		
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Sub_Total	72,443.0	56,715.2	66,981.5	62,360.8	2.98	2.26	2.45	2.08		
		Rec_Gross	39,575.5	32,305.2	35,101.9	40,297.0	2.40	1.95	1.99	2.03		
		Dev_Gross	32,867.5	24,410.0	31,879.6	22,063.8	4.20	2.86	3.29	2.19		
040	HEALTH	Sub_Total	138,845.9	147,599.8	155,507.7	160,080.8	5.71	5.88	5.69	5.35		
		Rec_Gross	88,191.2	87,325.1	91,930.2	95,303.5	5.35	5.27	5.21	4.79		
		Dev_Gross	50,654.6	60,274.7	63,577.5	64,777.3	6.47	7.06	6.56	6.44		
050	EDUCATION	Sub_Total	689,611.6	666,468.1	724,125.0	782,847.2	28.37	26.54	26.49	26.14		
		Rec_Gross	655,657.5	638,044.0	685,625.0	745,247.2	39.79	38.49	38.87	37.48		
		Dev_Gross	33,954.1	28,424.1	38,500.0	37,600.0	4.34	3.33	3.97	3.74		
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Sub_Total	240,335.8	250,919.2	272,956.5	308,239.0	9.89	9.99	9.99	10.29		
		Rec_Gross	225,163.4	232,772.7	248,802.1	280,342.8	13.66	14.04	14.10	14.10		
		Dev_Gross	15,172.5	18,146.6	24,154.4	27,896.2	1.94	2.13	2.49	2.77		
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Sub_Total	299,326.2	351,696.9	390,571.7	523,614.4	12.31	14.00	14.29	17.48		
		Rec_Gross	182,823.8	204,963.5	219,431.0	330,778.9	11.10	12.37	12.44	16.64		
		Dev_Gross	116,502.3	146,733.4	171,140.7	192,835.5	14.87	17.18	17.66	19.16		
080	NATIONAL SECURITY	Sub_Total	199,286.5	244,421.6	250,053.0	261,792.1	8.20	9.73	9.15	8.74		
		Rec_Gross	196,032.5	205,585.6	209,714.0	216,453.1	11.90	12.40	11.89	10.89		
		Dev_Gross	3,254.0	38,836.0	40,339.0	45,339.0	0.42	4.55	4.16	4.50		
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Sub_Total	72,853.5	72,201.8	73,230.7	75,119.5	3.00	2.87	2.68	2.51		
		Rec_Gross	47,822.2	46,858.5	47,559.3	48,148.4	2.90	2.83	2.70	2.42		
		Dev_Gross	25,031.3	25,343.3	25,671.4	26,971.1	3.20	2.97	2.65	2.68		
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Sub_Total	125,516.7	127,965.0	157,600.0	167,719.0	5.16	5.10	5.77	5.60		
		Rec_Gross	34,724.9	34,549.0	38,306.0	40,672.0	2.11	2.08	2.17	2.05		
		Dev_Gross	90,791.7	93,416.0	119,294.0	127,047.0	11.59	10.94	12.31	12.62		
	GRAND TOTAL	Sub_Total	2,431,023.4	2,511,463.6	2,733,098.4	2,994,686.0	100.0	100.0	100.0	100.0		
		Rec_Gross	1,647,803.7	1,657,529.5	1,764,035.2	1,988,220.5	67.78	66.00	64.54	66.39		
		Dev_Gross	783,219.7	853,934.1	969,063.2	1,006,465.5	32.22	34.00	35.46	33.61		

Source of Data: National Treasury

### Agriculture Rural and Urban Development Sector

226. The Agriculture Rural and Urban Development Sector is a major player in the delivery of national development agenda as envisaged in Kenya Vision 2030, the Kenya Kwanza Plan - Bottom-Up Economic Transformation Agenda (2022-2027), Agricultural Sector Transformation and Growth Strategy (ASTGS) and the Sustainable Development Goals (SDGs) and among other national and international policies and obligations.

227. During the 2020/21-2022/23 Medium-Term Expenditure Framework (MTEF) period, the Sector registered and issued 1,233,706 title deeds countrywide; settled 24,112 landless households; geo-referenced 144,951 land parcels; developed a national land value index in 25 counties, graduated 2,632 veterinary and animal production technicians from livestock industry training institutions; trained 2,293 actors in dairy, beef and apiculture value chains; produced 3.4 million straws of semen and 85.7 million doses of assorted vaccines for livestock; constructed a model feedlot in Baringo County; provided crop insurance cover to 1,004,651 farmers across 41 counties; supported 1,368,935 beneficiaries with fertilizers, seeds, chemicals, agricultural lime and storage bags and 227,189 litres of pesticides and 4,000 personal protective equipment; formalized and issued 6,023 letters of allotments in urban areas; facilitated compulsory land acquisition for 60 infrastructural development public projects; supported 19,395 groups in coastal areas with a grant of Ksh 1.5 billion for alternative livelihoods; trained 875 fishing crew to support deep sea fishing, completed 7 fish landing sites, and disbursed Ksh 251 million under the Coffee Cherry Advance Revolving Fund.

228. During the MTEF period 2024/25 – 2026/27, the sector plans to: register and issue 1,270,000 title deeds countrywide; settle 47,000 landless households; geo-reference 1,770,000 land parcels; produce and distribute 135 million doses of assorted livestock vaccines, 10.5 million doses of semen and 45,000 improved embryos; distribute 640 milk coolers to counties; complete Kenya Leather Industrial Park at Kenanie; train and recruit 1,000 fishing crew annually; construct 77 fish landing sites; develop 3 fishing ports; develop a fish processing plant in Kalokol; undertake fish stock assessments; support 6,400 smallholder fish farmers in aquaculture farming and 300 fisher folks interest groups with fish production technological packages; support 4,166,282 farmers with 1,583,835 MT of subsidized fertilizers and 9,102 MT of agricultural lime through the e-voucher input subsidy system; create an enabling environment through development of 3 policies and compliance to various quality standards and regulations; provide 1585 MT of assorted oil crop seeds, 800 MT of Cotton seeds to farmers, 16.4 MT of basic seed of cotton and 93.6 million of assorted clean crop planting materials; 41,500 MT of seed maize, 13,700 MT of seed potato and 900 MT of rice seed, issue 22,425 allotment letters; facilitate compulsory land acquisition for 70 infrastructural development projects; and address 4,500 land disputes through Alternative Dispute Resolution.

229. To implement the above interventions, the sector has a resource allocation of Ksh 87.8 billion, Ksh 95.8 billion, and Ksh 97.2 billion for the FY 2024/25, 2025/26 and FY 2026/27 respectively.

### **The Energy, Infrastructure, and ICT (EII)**

230. The Energy, Infrastructure, and ICT (EII) Sector emerges as a pivotal force, strategically propelling and expediting socio-economic progress within the country. Functioning both as a driver and an enabler to the other Sectors of the economy, EII steadfastly advances sustainable, efficient, and effective infrastructure aligned to the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium-Term Plan (MTP IV) 2023-2027 of Kenya Vision 2030, regional infrastructure commitments, Africa Agenda 2063 and Sustainable



Development Goals (SDGs). The Sector comprises of nine sub-sectors namely; Road, Transport, Shipping and Maritime, Housing and Urban Development, Public Works, Information Communication Technology and Digital Economy, Broadcasting and Telecommunications, Energy, and Petroleum.

231. During the period FY2020/21-2022/23, the Sector realized the following achievements: Roads: Constructed 3,805 Km of new roads and 73 Bridges; repaired 240 km of roads; and maintained and rehabilitated 122,736 Km; designed 4,923 Km of roads and trained 14,603 plant operators, contractors and technicians. Constructed Nairobi to Naivasha Standard Gauge Railway (SGR) and Naivasha Inland Container Depot; Revitalized 69 km of Kisumu-Butere, 65 Km Leseru-Kitale and 78Km Gilgil-Nyahururu rail branch lines; Rehabilitated Railway Training School in Kisumu; Rehabilitated Kisumu Port; Rehabilitated Moi and Isiolo Airports; Constructed and operationalization of East African Community Regional Centre for Aviation Medicine; Constructed the first three berths at Lamu Port; Completed relocation of Kipevu Oil Terminal; Completed development of the Second Container Terminal at the Port of Mombasa; rehabilitated 4 aerodromes; and completed construction of a new airstrip at Mandera. The Sector Trained 7,709 seafarers, 1,516 offered sea time; facilitated recruitment of 2,416 on foreign ships; Constructed 1,787 housing units across the country and 10,261 housing units are ongoing at an average of 56% completion level under various housing programs; Completed construction of Mtangawanda Jetty and Lamu Terminal Jetty Access and New Mokowe Jetty was implemented to 98% level of completion; Completed construction of 33 footbridges spread across the country; Deployed 640KM of fibre from Eldoret to Nadapal, and 2,501 KM to 290 sub-county sites; Connected and maintained 660 Government buildings with broadband Network; Connected 46 hospitals and 46 markets to Public Wi-Fi; Operationalized the Office of the Data Protection Commissioner in four regions Nairobi, Mombasa, Kisumu and Nakuru; Completed Konza National Data Centre with 72 clients on-boarded; Fully on-boarded 5084 Government services to E-citizen portal; Gathered and disseminated news and information in both print and electronic media; Developed twenty-one (21) media standards which include modules for accreditation guidelines; Increased the installed capacity from 2840MW as of June 2020 to 3312MW as of June 2023; Constructed 675 Km of transmission line, 4 new high voltage substations, 1,266.7 Km of medium voltage distribution lines and 30 distribution substations; Connected 1,681,404 new customers to electricity Reviewed the South-Lokichar Field Development Plan (FDP); Acquired Geoscientific Data in Block L16 covering 1,600KM2 and in Block L17 covering 600KM2;

232. During the FY 2024/25 and the Medium Term period, the sector will implement the following programmes to achieve key strategic interventions as highlighted; Construct 2,794 Km of new roads; Rehabilitate 560 Km of roads; Maintain 137,544 Km of existing roads and bridges; Construct 84 new bridges; and Train 16,230 Plant operators, contractors and technicians. Complete construction of Riruta – Lenana – Ngong Railway Line; Fast track completion of construction of phase I of Nairobi Railway City (NRC) ; Complete construction of the new MGR Link from Mombasa SGR Terminus - Mombasa MGR Station; Complete construction of the Railway Bridge across Makupa Causeway; Acquire ferry vessel

for Lake Victoria; Complete construction of Kisumu Airport Control Tower; Complete rehabilitation of terminal building and apron at Ukunda Airport; Automate and upgrade 9 Motor Vehicle inspection centres; and Establish 5 new inspection centres. Develop Bills and Regulations; Develop and implement the Maritime Spatial Plan; Complete development of survival training centre for upscaling of Bandari Maritime Academy; Develop Maritime Rescue Coordination Centre in Kisumu and Search and Rescue Centres in Busia, Migori, Homabay and Siaya; and Train 21,500 seafarers and facilitate recruitment of 12,000 seafarers under the Vijana Baharia Programme; Development: Construct 151,081 affordable and 40,992 social housing units; Construct 5,000 hostel units in higher learning institutions; Implement Second Kenya Informal Settlement Improvement Project (KISIP II) in 33 Counties; Implement Second Kenya Urban Support Programme (KUSP II) in 79 Municipalities in 45 Counties; and Construct 434 markets; Design, document and supervise 330 new Government buildings and 495 for rehabilitation and maintenance; Construct 197 footbridges; Construct 9 jetties and 1,150 meters of seawall; Complete construction of 5 County Government Headquarters; Inspect and audit 8,500 buildings and structures for safety; Test 60 buildings for structural integrity; and Register 29,500 contractors and accredit 156,000 skilled construction workers and site supervisors; Install 6,700 Kms of Fiber Cable; Provide internet connectivity to 42,697 public institutions; Install 15,000 public Wi-Fi hotspots for the Digital Superhighway; Modernize Kenya News Agency and Government Advertising Agency; Establish 12 KBC Studio Mashinani; Connect 1,350,000 additional customers to electricity including 9,514 public institutions, and install 110,000 stand-alone solar home systems to enhance electricity access (both On Grid and Off Grid); Acquire Geo-Scientific data in 4,350 Km<sup>2</sup> to establish oil and gas potential in the petroleum blocks; Complete evaluation of gas potential in Block 9 in Anza Basin in Marsabit and Isiolo Counties; Provide 227 public learning institution with Clean Cooking Gas (CCG); Distribute 6 Kg LPG cylinders to 210,000 low-income households;

233. To implement these programmes, the Sector has been allocated Kshs. 505.7 billion, Kshs. 546.3 billion and Kshs. 555.7 billion in FY2024/25, FY 2025/26 and FY2026/27 respectively.

### **General Economic and Commercial Affairs Sector**

234. The General Economic and Commercial Affairs (GECA) Sector comprises eight subsectors namely: ASALs and Regional Development; Cooperatives; Trade; Industry; Micro, Small and Medium Enterprises Development; Investment Promotion; Tourism; and East African Community Affairs. The sector contributes to the Bottom-Up Economic Transformation Agenda (BETA) priorities through promotion of job and wealth creation; industrial development, promotion of investments and trade, tourism development, regional development; co-operative development and widening regional economic integration while observing the need for environmental conservation and climate change mitigation.

235. During the MTEF period 2020/21 - 2022/23 the sector implemented twenty programmes and forty sub programmes which resulted to remarkable achievements that include: Increase in the value of wholesale and retail trade by 12.1% from Ksh 727.6 billion in 2020 to Kshs. 815.9 billion in 2022; Increase in the value of

Kenya's exports by 35.6% from Ksh 643.7 billion in 2020 to Ksh 873.1 billion in 2022; manufacturing sector output increased from Ksh 2.376 million to Ksh 3.175 million in 2022; Growth in national SACCO savings from Ksh 846 billion in 2020 to Ksh 1,047 billion in 2022; Registered a total of 720,821 Micro and Small Enterprises (MSEs) in the data system and 195,498 MSE Associations and groups in collaboration with other government agencies; Constructed and refurbished 20 Constituency Development Centres across the country; Completed main works and equipping of the Nyandarua Cold Storage facility; On-boarded 22 million Kenyans within the Hustler platform with a repeat customer base of 7.5 million. Modernization of NKCC has resulted in the increase of processing capacity of milk from 300,000 litres to 800,000 litres per day in the last 5 years.

236. During the MTEF period 2024/25 - 2026/27 the sector will play a key role in delivery of the Government's Bottom-up Economic Transformation Agenda for attainment of higher and sustained economic growth. As a driver, the Sector will undertake targeted investments in manufacturing, agro-processing industry, growth and promotion of MSMEs. As an enabler, the sector will create a conducive environment for business, mobilize resources for investments and industrial development, promote exports, promote sustainable tourism, deepen the EAC integration, implement special programmes for accelerated development of the ASALs and promote equitable regional socio-economic basin-based development.

237. The sector will also implement other earmarked priority programmes such as: Modernization of processing/ storage facilities and enhancement of value addition; Promotion, aggregation and value addition for smallholder tea growers; National feed subsidy; Establishment of aggregation centres and export warehouses; Sensitization of Kenya's exporters on export market requirements and opportunities for dairy value chain, edible oils, garments/textile, leather and leather products, rice and tea value chains; Promotion of Linkage of small enterprises to large enterprises; Enhancement of Infrastructure for MSMEs; Establishment of County Aggregation and Industrial Parks (CAIPs), Modernization of RIVATEX machinery; promotion of consumption of locally manufactured goods/services; Attraction of Investments both local and foreign into SEZs; Development of Athi River Textile Hub, Railway siding and Industrial Sheds; Establishment of a Convention center at Mombasa Beach Hotel; and Hosting of 5 international sporting events.

238. To implement the above interventions, the sector has a resource allocation of Ksh 56.7 billion, Ksh 67.0 billion and Ksh 62.4 billion in the FY2024/25, FY2025/26 and FY2026/27 respectively. This comprises Ksh 32.3 billion, Ksh 35.1 billion and Ksh 40.3 billion for recurrent expenditure and Ksh 24.4 billion, Ksh 31.9 billion and Ksh 22.1 billion for development expenditure for the same period.

## **Health Sector**

239. 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 while the Vision 2030, the MTP IV as well as the Bottom-Up Economic Transformation

Agenda recognize provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans.

240. Significant achievements were realized during the FY 2020/21 to FY2022/23 period: Reduction of Prevalence of HIV from 4.3% in 2020 to 3.7% in 2022; new HIV infections from 32,027 to 22,154; and AIDS related mortality from 19,486 to 18,473. Kenya made strident efforts to combat Drug-Sensitive tuberculosis (DSTB), Multi-Drug Resistant Tuberculosis (MRTB) and malaria by developing new TB drugs, optimization of the existing ones, production of 244,927 units of bleach (TBCide) and developing, piloting and adopting a new malaria vaccine.

241. The Sector established a diagnostic and reporting centre at KNH in the FY 2020/21, constructed and operationalized an Oxygen plant with a capacity to produce 1,500 litres of oxygen per minute at Mwai Kibaki Hospital and development and equipping the Chandaria Cancer and Chronic Diseases Centre (CCCDC) at Moi Teaching and Referral Hospital (MTRH).

242. In FY 2022/23 over 6,000 primary health workers were trained on early cancer diagnosis through e-learning platforms on the MOH Virtual Academy and another 6,500 primary health workers on cervical and breast cancer screening and treatment of precancerous lesions across the 47 counties. 257 community health promoters in 10 counties were trained in cancer screening. Through support from partners 150 thermal ablation devices were distributed in 22 counties.

243. In the FY 2021/22 and 2022/23, 270 healthcare workers were trained on trauma and injury management. For the FY 2022/2023, 200 Community Health Promoters (CHP's) and other community members such as boda boda riders were trained on prevention of injuries and basic first aid in Nairobi and Nakuru counties.

244. During the period under review, KNH performed specialized surgeries that include thirty-two (32) major liver resections, increased kidney transplants from fifteen (15) FY 2021/22 to nineteen (19) in the FY 2022/23. A total of 30,451, 33,523 and 37,307 specialized surgeries were conducted in FY 2020/21, 2021/22 and 2022/23 respectively. These specialized surgeries include maxillofacial, obstetrics and gynaecology, paediatrics surgery, cardiothoracic surgery, neurosurgery, plastic surgery, general surgery, ENT surgery, orthopaedic surgery, ophthalmology. In addition, a total of 16,106 specialized renal services were provided in the FY 2022/23 that included Continuous Renal Replacement Therapy (CRRT), Tissue Typing, Venesection, Haemodialysis, Peritoneal dialysis, dialysis Catheter procedures and Renal Biopsy. The hospital established heart surgery, cancer treatment, diagnostics and imaging, laboratory medicine, tissue and organ transplantation, gastroenterology, diabetes and endocrinology centres.

245. In FY 2022/2023, MTRH Laboratory performed 1,426,746 tests against 1,119,596 in FY 2020/21; 27.43% Improvement over the last 3 years. The Laboratory was the first to hit over 1 million in East & Central Africa. This was made possible through the construction of a modern laboratory. Further, fifteen (15) Corneal Transplants were conducted in FY 2022/2023 against 7 in FY 2020/2021; 118.28% Improvement over the last 3 years. In addition, MTRH performed the first Cochlear Transplant Surgery in June 2023, being the first public Hospital to undertake specialized Surgery in East and Central Africa.

246. KUTRRH commissioned the Integrated Molecular Imaging Center (IMIC) and IMIC Hospitality Centre on 16<sup>th</sup> October, 2021. The center started operations on 10<sup>th</sup> January 2022 and since then, the facility has been able to perform 1,169 successful FDG PET/CT scans in the year 2021/22 and 3685 in the year 2022/23 and 592 PSMA in the year 2022/23. A total of 395 Brachytherapy sessions were carried out in the year 2021/22 and 851 in the year 2022/23. To enhance capacity for cancer detection, treatment and care, the sector established an Integrated Molecular Imaging Center (IMIC) and IMIC Hospitality Centre at KUTRRH and established.

247. In FY 2021/22 KEMRI supported the Ministry of Health in undertaking the public Health Initiatives such as National school-based deworming programme, Malaria Survey in school children, National Trachoma impact assessment survey, capacity building for school health and nutrition and capacity building and technical support for NTDs control and elimination by providing technical support and field operationalization.

248. During the period under review the Ministry put several measures and interventions in place to prevent and contain AMR. Key policy documents were developed including the National Action Plan for containment and prevention of antimicrobial resistance (2021), National antimicrobial stewardship guidelines for health care settings in Kenya (2021) and the Patient and healthcare worker and quality of care policy (2022).

249. Over the period in review 10 counties have established PCNs translating to 21% as per the target of 47 counties during the financial year in review. The country has established 30 primary health care networks spread across ten counties since 2020, with the bulk having been established in 2022/23. To strengthen community reporting, the Sector developed an e-community health information system for roll out to all the counties in 2022/23. It also collaborated with the county governments to set up seven (7) primary care networks in seven counties, namely Makueni, Kisumu, Garissa, Mombasa, Nakuru, Kakamega and Marsabit.

250. All essential HPT lists were reviewed to increase the scope and depth of coverage by increasing the number of products available and the level of care decentralized to improve accessed to UHC. The National Medicines and Therapeutics Committee was operationalized to enhance rational use of Medicines in the Country. Subsequently, 47 counties also formed and operationalized their County MTCs.

251. One Million indigent households identified were covered under the government social health insurance scheme nested in NHIF. 254,368 orphans and vulnerable children (OVC) household were covered under Health Insurance Subsidy Program (HISP). Number of mothers who registered through the Linda mama program were 3,580,916 and 2,532,794 successful deliveries were reported over the period. 58,800 households were covered under Older Persons and Persons with Severe Disability (OPSD) program annually over the period.

252. Electronic patient health records system for diabetes and hypertension was rolled out in 98 health facilities during the period. Three (3) regional cancer centres were established in Garissa, Mombasa, and Nakuru counties. Health care facilities



with laboratory capacity to detect and report on Antimicrobial Resistance (AMR) increased from 12 (2020/21) to 17 (2022/23). The proportion of laboratories with capacity to conduct molecular testing of High-risk HPV increased from 9.1% to 10.6% in the period. Proportion of national and county reference laboratories able to conduct molecular testing for emerging and re-emerging diseases stood at 31%.

253. Proportion of Women of reproductive age receiving Family Planning commodities also increased from 43% in 2020/21 to 74% in 2022/23. Number of facilities based neonatal deaths was 9.5 in 2020, 9.4 2021 and 10.1 in 2022. In FY 2021/22, a total of 2.2 million copies of Mother Child Health Handbook (MOH 216) were printed and distributed to all 47 counties. Proportion of fully immunized children was 84%, 88% and 84.7% in 2020/21, 2021/22 and 2022/23 respectively. Orthopaedic Trauma Registers (MOH 274) was developed. Vitamin A Supplementation coverage was 82.1% in 2020, 86.3% in 2021, and 83.7 in 2022 due to Malezi Bora.

254. 121 hospitals across all the 47 counties facilities benefitted from the Managed Equipment Services with Uninterrupted services due to an uptime of more than 95%.

255. Number of students enrolled at KMTCS increased from 17,241 in 2020/21, 21,700 in 2021/22 to 25,889 in 2023. KEMRI conducted 2.45 million specialized laboratory test and produced 1,147,490 diagnostic kits over the period. KHPOA inspected for compliance to standards in service delivery a total of 13,996 facilities while 17 level 5 hospitals assessed for emergency care preparedness.

256. 13 Medical oxygen was installed in six (6) national referral hospitals, (11) county referral facilities, and 83 sub-county referral hospitals (L4s), with KUTRRH, MTRH and KNH having 20,000-Litre capacity. 5 Pressure Swing Adsorption (PSA) plants were installed. 10 facilities received liquid oxygen tanks and 20,620 oxygen cylinders were delivered to facilities.

257. Electronic Community Health Information System (eCHIS) piloted in 2021/2022 in Isiolo and Kisumu and expanded to Kakamega, Siaya, Vihiga, Migori, Nakuru, and Nyeri in 2022/2023. Further, Operationalization of existing Community Health Units increased from 81 per cent in 2021/2021 to 86% in 2022/2023.

258. In the FY 2022/23 the Ministry of Health undertook a health facilities census of equipment at all health facilities in Kenya, both public and private. The census revealed a large gap in equipment with some facilities lacking up to 70% of key equipment for the level of the hospital. The Ministry has prioritised National Equipment Support Programme to Counties which seeks to ensure each facility has the minimum equipment for that level of hospital.

259. The key Sector programme priorities for the FY 2024/2025 – FY 2026/27 include: National Referral and Specialized Services, Curative and Reproductive Maternal Neonatal Child & Adolescent Health (RMNCAH) Services, Health Innovations and Research, General Administration and Support Services, Preventive & promotive health services, Health resource development & innovation and Health policy standards & regulations.



260. To implement these programmes, the Sector has been allocated Ksh 147.5 billion, Ksh 155.5 billion and Ksh 160.1 billion in the FY 2024/25, 2025/26 and 2026/27 respectively.

### **Education Sector**

261. Education Sector is comprised of four sub-sectors namely; Basic Education, Technical Vocational Education and Training, Higher Education and Research, and Teachers Service Commission. The Sector is a critical player in promoting political, social, and economic development through education and training to create a knowledge-based economy.

262. The Sector realized a number of achievements during the 2020/21-2022/23 MTEF period. These includes: Enrolment in Public Primary Schools grew from 8,592,810 in FY 2020/21 to 8,849,268 in FY 2021/22 before declining to 8,123,952 in FY 2022/23, due to transition of grade 6 learners to junior school in grade 7. Enrolment of learners with special needs increased from 132,466 in FY 2020/21 to 146,313 in FY 2022/23. All learners in public primary schools were supported by the government through capitation under the free primary education programme. During the MTEF period, enrolment in Public Secondary Schools increased from 3,289,885 to 3,690,376, representing a 12.17% growth.

263. Overall enrolment in Public TVET institutions depicted a positive trend having increased from 250,733 to 380,638 (51.81% change) .At the same time, the number of trainees enrolled in TVET SNE institutions increased from 3,301 to 4,487.

264. The combined enrolment in public and private universities increased by 11.72% from 571,510 in FY 2020/21 to 638,479 in FY 2022/23. The enrolment corresponded to a rise in demand for university student loans with the number of undergraduate students receiving loans increasing from 229,727 in FY 2020/21, 244,552 in FY 2021/22 before declining to 228,453 in FY 2022/23.

265. The Sector increased its skilled workforce in public schools by recruiting 5,000 teachers in FY 2020/21 and FY 2021/22 and 13,000 teachers in FY 2022/23. In the FY 2020/21, 8,000 teacher interns were recruited, while 4,000 were recruited and finally a total of 22,000 interns were recruited in the FY 2022/23. The sector also promoted 42,564 teachers to various cadres to effectively implement the curriculum. In addition to reduction of staffing gaps, 148,819 teachers were retooled on CBC reforms. To improve service delivery, 145,300 teacher files were digitized in the period under review. Presently, a total of 356,321 teacher's files are accessible online. The sector recruited 1,918 and 1,300 TVET trainers in FY 2020/21 and FY 2022/23 respectively.

266. The MTEF 2024/25- 2026/27 coincides with a period when the sector is undergoing major reforms in line with the Presidential Working Party on Education Reform Report. These reforms aim to promote quality and inclusive education, training and research for sustainable development and ensure socio-economic development.

267. Under Basic Education, the Sector targets to enroll 10,058,422 learners in pre-primary schools; enroll 21,773,321 students in public Primary School and 10,523,218 in Junior Secondary Schools; enroll 465,867 SNE learners in Primary

Schools; enroll 10,430,181 students in public Secondary Schools; construct 3,320 classrooms and 1,110 Laboratories in public Secondary Schools; Construction of 4,500 classrooms in Junior Secondary Schools; 8,992 learners provided with Elimu scholarships; 16,000,000 vulnerable students to benefit from the School Feeding Programme; enroll 61,409 SNE learners in Secondary Schools and 5,272 SNE learners in Junior Secondary Schools; 155 curriculum designs developed for Grade 10 to 12 and 48,000 institutions assessed for quality and standards.

268. Under TVET, the sector intends to enroll 441,200 trainees in National Polytechnics; enroll 637,350 trainees in TVCs; 13,620 students to be enrolled in Special Needs TVCs; 7,500 TVET trainers accredited; 195 CBET curriculum developed/reviewed; 9,000 TVET trainers recruited and 77 workshops equipped in the existing TVCs.

269. Under Universities, the sector targets to enroll 1,982,583 students in universities; award loans to 2,413,042 students in Universities and TVET through HELB and support 570 Research projects.

270. The Teachers Service Commission plans to recruit 8,000 teachers and 6,000 intern teachers for Primary Schools; promote 12,000 Primary School teachers; recruit 58,000 teachers and 54,000 intern teachers for Secondary Schools; promote 5,760 Secondary School teachers; train 270,000 teachers on Competency Based Curriculum and digitize 90,000 employee Records.

271. To implement these programmes, the Sector has been allocated Ksh 666.5 billion, Ksh 724.1 billion, and Ksh 782.9 billion in FY 2024/25, FY 2025/26 and FY 2026/27 respectively. This comprises of Ksh 638.0 billion, Ksh 685.6 billion, and Ksh 745.2 billion for recurrent expenditure and Ksh 28.4 billion, Ksh 38.5 billion, and Ksh 37.6 billion for development expenditures for the same period.

### **Governance, Justice, Law and Order Sector**

272. Governance, Justice, Law and Order (GJLO) Sector consists of sixteen sub-sectors namely: State Department for Internal Security and National Administration, National Police Service, State Department for Immigration and Citizen Services, State Department for Correctional Services, State Law office, The Judiciary, Ethics and Anti-Corruption Commission (EACC), Office of the Director of Public Prosecutions (ODPP), Office of the Registrar of Political Parties (ORPP), Witness Protection Agency (WPA), Kenya National Commission on Human Rights (KNCHR), Independent Electoral and Boundaries Commission (IEBC), Judicial Service Commission (JSC), National Police Service Commission (NPSC), National Gender and Equality Commission (NGEC), and Independent Policing Oversight Authority (IPOA).

273. During the MTEF review period, 2020/21 -2022/23, the Sector recorded achievements in various programs and activities notably: On-boarding of 5,127 government services on the e-citizen platform; Enhanced public safety through coordination of national police services and modernization of assorted security equipment; Improved police and prison officers' welfare through provision of additional housing units, counselling services, enhanced mobility for police and administrative officers, and fully operationalized 3 counselling centres and regional offices; Clearance of 6,944 independent candidates for election;

Upgrading of Integrated Political Parties Management Systems for verifying political parties membership list; Conducted elections for 1874 electoral positions (General Elections); Rehabilitated 3,625 persons with substance use disorders at Miritini rehabilitation centre; registered 65 NGOs; Conducted psychosocial assessments to 421 witnesses and related persons; trained 3,303 duty bearers' officers on human rights and fundamental freedoms; 92.4% Successful Conviction rate of all prosecuted cases; concluded 3,749 cases filed against the Attorney General; and inspected 1,639 police premises. Further, in the bid to reduce the level of corruption, 369 cases of corruption crimes were investigated where the value of loss of Ksh 14.94 billion was averted and Ksh 13.14 billion corruptly acquired assets traced and recovered.

274. In the 2024/25 to 2026/27 MTEF period and line with the vision for a secure, just, cohesive, democratic, accountable and a transparent environment for a globally competitive and prosperous Kenya, the sector endeavours to: Facilitate effective compliance with the Constitution to maintain peaceful coexistence, security, law and order as well as enhance administration of and access to justice; Strengthen the administrative, legal and policy coordination; Enhance and promote digitization of information gathering, processing, recording and sharing for effective service delivery; Increase use of geographical information systems in crime surveillance and mapping; Promote anti-corruption, ethics and integrity, national values and cohesion, as well as professionalism and impartiality in service delivery; and Enhance compliance with the principles of equality and inclusion for state and non-state actors and strengthen regional & international cooperation and collaboration.

275. The sector has been allocated Ksh 250.9 billion, Ksh 273.0 billion and Ksh 308.2 billion in FY 2024/25, FY 2025/26 and FY 2026/27 respectively. This comprises Ksh 232.8 billion, Ksh 248.8 billion and Ksh 280.3 billion for recurrent expenditure and Ksh 18.1 billion, Ksh 24.2 billion and Ksh 27.9 billion for development expenditure for FY 2024/25, FY 2025/26 and FY 2026/27 respectively.

### **Public Administration and International Relations**

276. Public Administration and International Relations sector is comprised of twenty-three Sub- Sectors. They include: Executive Office of the President; Office of the Deputy President; Office of the Prime Cabinet Secretary; State Department for Parliamentary Affairs; State Department for Performance and Delivery Management; State Department for Cabinet Affairs; State House; State Department for Devolution; State Department for Foreign Affairs; State Department for Diaspora Affairs; The National Treasury; State Department for Economic Planning; State Department for Public Service; Parliamentary Service Commission; National Assembly; Parliamentary Joint Services; Senate; Commission on Revenue Allocation; Public Service Commission; Salaries and Remuneration Commission; Office of the Auditor General; Office of the Controller of Budget; and Commission on Administrative Justice.

277. During the implementation of the FY 2020/21 to FY 2022/23 budgets the 23 sub sectors realized various achievements of the targeted outputs and outcomes. This includes facilitated the executive to fulfil the Constitutional mandate,

facilitated retired Presidents, Vice Presidents and designated State Officers in accessing statutory benefits, Coordinated the implementation of key Government strategic priorities and interventions, coordinated Intergovernmental Budget and Economic Council (IBEC) meetings, fostered international relations and cooperation, promoted sound public financial management and accountability, strengthened coordination between policy formulation policy, planning and budgeting, ensured efficiency of the Public Service, strengthened intergovernmental relations and financial matters, promoted citizen centric public service and promoted accountability and transparency in public financial management.

278. During the 2024/25-2026/27 Medium Term Budget Framework the sector will ensure the proposed programmes and projects are in line with the priorities of the Kenya Vision 2030, the Fourth Medium Term Plan and the Government priorities related Bottom-Up Economic Transformation Agenda (BETA). The sector plans to implement the prioritized activities within 43 programs and 126 sub-programs despite a decrease in resource allocation for the FY 2024/25. In addition, the Sector will continue to enhance efficiency and effectiveness in service delivery and promote comprehensive public financial management, intensify resource mobilization and strengthen monitoring and evaluation.

279. To implement these programmes, the Sector has been allocated Ksh 351.7 billion, Ksh 390.6 billion and Ksh 523.6 billion in the FY2024/25, FY2025/26 and FY2026/27 respectively.

### **National Security**

280. The Sector plays critical role is key in creating a conducive environment for socio-economic and political development. It is therefore a critical actor and enabler in the realization of Kenya Vision 2030, and the Bottom-up Economic Transformation Agenda (BETA). 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.

281. In order to implement the prioritized programmes and minimize the above-mentioned threats, the Sector has been allocated Ksh 244.4 billion, Ksh 250.1 billion and Ksh 261.8 billion in FY 2024/25, FY 2025/26 and FY 2026/27, respectively.

### **Social Protection, Culture and Recreation**

282. The Social Protection, Culture and Recreation Sector is comprised of six (6) sub-sectors namely: - Sports; Culture, the Arts and Heritage; Youth Affairs and Creative Economy; Labour and Skills Development; Social Protection and Senior Citizen Affairs, Gender and Affirmative Action. The Sector visualizes on a global competitive, healthy workforce, Sports, culture and recreation industry, an enduring impartial and informed society. The strategic roles played by the sector in the country's transformation and social economic development agenda include: creating an efficient, motivated and healthy human resource base for an enhanced national competitive, economic growth and Development, productive healthy

workforce, fundamentals rights, and adequate income from, work, representation and social security, social protection, community empowerment, promotion of volunteerism, safety, care and service for children, persons with disabilities, older persons and other vulnerable group, rescue, rehabilitation, re-socialization & reintegration of street families, advancement of diverse cultures, to monetize sports and the Arts through the Talanta Hela Initiative, and enhance cohesiveness and Kenyans regional and international competitiveness.

283. The sector major achievements during the Medium Term Expenditure Framework (MTEF) period FY 2020/21 - 2022/23 include; the Sector garnered 134 medals in 32 International Sports Competitions hosted in the country, seven stadia constructed/upgraded to completion and a 16-storey Talanta Plaza in Upper hill, Nairobi which serves as the Ministry's headquarter office was constructed. Further, 608 Sports Organizations were registered, 33,439 persons were reached through Anti-Doping education and 3,127 Intelligence-based tests on athletes conducted. In addition, 6,015 athletes, 1,360 coaches, referees and umpires were offered training in different sports disciplines. The Sector established a virtual Library through instillation of the library information management system (LIMS); established and operationalized National Heroes council; established a COVID- 19 testing and research centre at the institute of primate research (IPR), rehabilitated the see wall of Fort Jesus, natured and trained youth, in theatre, drama and concerts and poetry; and refurbished the Kenya National Archive and Documentation services.

284. In addition, there were 19,900 youth provided with employment opportunities; 61,391 youth trained in life skills, 29,415 in core business skills, 27,162 in job specific skills and 159,210 in entrepreneurship skills. Operationalized 88 Youth Empowerment Centres and constructed 25 new Centres; identified and nurtured 11,400 youth talents; 2,715 youth were engaged in green jobs and 390,335 youth in the President's Award Programme. In addition, 102,095 youth were sensitized on social vices, harmful cultural practices and contemporary issues, 165,050 youth in peace, volunteerism and national cohesion, 35 youth Saccos operationalized, 1,847 youth trained on online jobs and 32,430 youth on AGPO and Affirmative Action Funds. The Sector finalized the National Policy on Labour Migration to provide a framework for promotion of inclusive and sustainable development of the country through safe, orderly and productive Labour Migration; Developed Bilateral Labour Agreements on recruitment and employment of Kenyan Migrant workers with Key The Sector disbursed cash to 756,485 older persons; 38,118 households with persons with severe disabilities (PWsD); and 278,188 Orphans and Vulnerable Children (OVCs); Empowered 167,797 Community Self-Help Groups through mobilization, registration, and capacity building, linked 139,822 groups to MFIs for financial support Registered and issued 120,929 PWDs with disability cards; Granted tax exemption certificates to 5,533 PWDs; Supported 10,291 PWDs with assistive devices against a target of 12,000; Provided scholarships to 7,550 learners. Rescued 10,149 street persons, against a target of 8,500; Supported 66,900 Orphans and Vulnerable children (OVCs) with Presidential Secondary School education scholarship in the review period. The National Government Affirmative Action Fund (NGAAF) supported vulnerable groups through disbursement of grants to groups of social development



through value additional initiative, disbursement of loans through Uwezo funds to groups of youths, women and PWDs.

285. In the Medium Term period, the sector will prioritise the implementation of the following key strategic interventions: - Review the existing labour laws to align them with emerging issues in the labour employment sector, upgrade and expand the existing industrial and training centres, strengthen the linkages between training institution and industry. Social Development and Children services, National safety programs that supports Social Economic growth and development (NGAAF, WEF) and Sports, Arts and Social Development Fund (SASDF) to promote and develop Sports, Arts and social development including Universal Health. Moreover, other Sector priority programmes for implementation during the medium term include the following among others: Promotion of Harmonious Industrial Relations, Provision of Skilled Manpower for the Industry, Improvement of youth employability, Conservation of Heritage and facilities, Youth Empowerment Services, Youth Development Services, General Administration, Planning and Support Services, 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.

286. To implement these programmes, the Sector has been allocated Ksh 72.2 billion, Ksh 73.2 billion and Ksh 75.1 billion for financial years 2024/25, 2025/26 and 2026/27, respectively

### **Environment Protection, Water and Natural Resources Sector**

287. The sector contributes directly and indirectly to the Country's economy through revenue generation, wealth creation and job creation. The sector plays a critical role in securing, stewarding and sustaining the environment and natural capital of the Country. The sector has a great potential in contributing to transforming Kenya into a newly industrialized middle-income country by the year 2030 as envisioned in the Vision 2030 and the successive 5-year Medium Term Plans (MTPs). According to the Economic Survey report 2023, the contribution of the sector to the Gross Domestic Product (GDP) was 3.6 percent for the year 2022.

288. During the FY 2020/21 – 2022/23 period the Sector's key achievements include; domestication of ten (10) Multilateral Environmental Agreements (MEAs); training of small scale gold miners on mercury free gold mining; monitoring pollution and effluent discharging facilities and conducting inspections on plastic ban. Meteorological Services were modernized thus providing reliable weather and climate information. The sector realized improved national forest and tree cover by 8.83% and 12.13% respectively, protected 7.8 million Ha of closed canopy forests and rehabilitated 16,589 Ha of degraded forests. In an effort to increase access to water and sanitation, the sector increased access to improved water services from 65.5 % 2020/21 to 68% in 2022/23, improved urban sewerage services from 27.7 % in 2020/21 to 32% and increased national sanitation coverage from 78% to 81.5%. In addition, 1,117,492 people were connected to water and sanitation services in low urban income areas/informal settlements and rural marginalized/ASAL areas. On water harvesting and storage, Karimenu dam, Yamo dam and three (3) peace dams namely Kases in West Pokot, Forolle in Marsabit



and Naku'etum in Turkana were completed. The sector also fast-tracked the construction of Thwake dam (86%), and Siyoi-Muruny Dam (77.5%). In addition, 156 small dams and pans were constructed, 258 schools and 45 health facilities were connected to clean and reliable water in various counties. The sector further enhanced flood control through constructing 34.134 kilometres of dykes / flood control structures, completed the designs for the Igembe Dam and produced Design Review Reports for the Badasa and Umaa Dams. The sector completed construction of Thiba Dam; completed 97% of Galana 10,000 acres' model farm; put 5,000 acres under production and increased the capacity of water stored for irrigation by 29.9 million cubic meters. The sector continued to sustainably reduce wildlife poaching; increased human Wildlife Conflicts response rate to 100% of all reported cases; constructed 124.0 km; rehabilitated 120.5Km and maintained 4,725km of fences.

289. During FY 2024/25 and the medium term key outputs for the Sector include: completion of Thwake, Itare, Thambo Dam, Kanjogu Dam; complete 70 water and sewerage projects across the county; connect 120 public learning institution and 140 health centres with clean and safe water; rehabilitate 200 rural water schemes targeting approximately 1,500,000 people under Horn of Africa Groundwater project; improve access to water services for approximately 2.02 million in urban water supply and sanitation services; and expand water and sanitation infrastructure in 28 towns across the country. The Sector will decentralize online cadastre system; generate 10.5 billion in revenue; rehabilitate 10 mines; and train 7,500 Artisanal and Small-Scale Miners on appropriate technologies. The Sector will reduce and compensate cases of human wildlife conflicts; maintain access roads and airstrips in Conservancies and parks; implement plastic ban in protected areas across the country; rehabilitate Research & Training Facilities at WRTI Naivasha; and construct four Research and Training Centres. To foster environment protection and mitigate climate change impact the Sector plans domesticate four (4) Multilateral Environmental Agreements; restore and rehabilitate 36 wetlands; establish 12 model waste demonstration centres country-wide; and establish 10 Material Recovery Facilities (MRF) and collection points for plastic recycling countrywide. To enhance forest, cover the sector will produce 104,000 Kgs of seeds to support in the Tree planting programme; distribute 102,000 Kgs of seeds; produce 566 Million tree seedlings; refurbish and establish 149 tree nurseries; rehabilitate 25,950 Ha of degraded forests; protect 2.6 Million Ha of existing forest canopy; establish 4,140 Ha of forest plantations; plant 17,575 Ha of commercial farm forests; and rehabilitate 606 Ha of Bamboo forests.

290. To achieve these outputs, the Sector's total allocation is Ksh 128.0 billion, Ksh 157.6 billion and Ksh 167.7 billion for the FY 2024/25, 2025/26 and 2026/27 respectively.

### **3.5 Public Participation/Sector Hearings and Involvement of Stakeholders**

291. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this requirement, while preparing the 2024 Budget Policy Statement (BPS), the resolutions adopted

by Parliament on the previous Budget Policy Statements were taken into account. **Annex 3** explains how the resolutions by Parliament on the 2022 BPS and 2023 BPS have been taken into account in the 2024 BPS and the reasons thereof.

292. The PFM Act, 2012 requires that the input of the public be taken into account before the budget proposals are firmed up. In this regard, the Sectors conducted a Country-Wide Public Participation from 30<sup>th</sup> October to 6<sup>th</sup> November 2023 in 46 Counties with the exception of Mandera County which could not be accessed due to flooding. The issues raised by the Citizens were used by the Sectors while prioritizing programmes and projects to be funded. The reports from the Country-Wide Public Participation are annexed in each Sector Report. Further, Public Hearings for the FY 2024/25 Budget were held between 13<sup>th</sup> and 15<sup>th</sup> December 2023 at the Kenya School of Monetary Studies. Virtual platforms were made available on WebEx as well as live streaming on Face Book to ensure that stakeholders who could not attend the Public Hearings physically had access to the Hearings. **Annex Table 5** provides a summary of the comments received and the actions taken and or response given during the Public Hearings.

293. Further, the draft 2024 BPS was uploaded onto the National Treasury website on 19<sup>th</sup> January, 2024 inviting the public and stakeholders to share comments. As required by the Public Finance Management Act (PFM) Act, 2012, the document was further shared with the various stakeholders including:

- i) Institutions listed in the PFM Act, 2012 which include: the Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission and the Judicial Service Commission;
- ii) Institutions that constitute the Macro Working Group which include: the National Treasury; State Department of Economic Planning; Central Bank of Kenya; Kenya Revenue Authority; Kenya National Bureau of Statistics; Kenya Institute of Public Policy Research and Analysis; and Commission on Revenue Allocation;
- iii) Cabinet Secretaries and Principal Secretaries of all Government Ministries and the Office of the Attorney General; and
- iv) Office of the Council of Economic Advisors at the Executive office of the President.

294. The comments were considered in finalizing this document. A summary of the comments received from the various stakeholders and the public and the actions taken are summarized in **Annex Table 6**.

## IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

### 4.1 County Governments' Compliance with Fiscal Responsibility Principles

295. Management of county finances shall be in accordance with the Constitution, Public Finance Management (PFM) Act, 2012 and the Public Finance Management (County Government) Regulations, 2015. **Table 4.1** below provides a summary of total expenditures and total revenues by counties for FY 2020/21 to 2022/23.

**Table 4.1: Summary of County Revenues and Expenditures from FY 2020/21 to 2022/23**

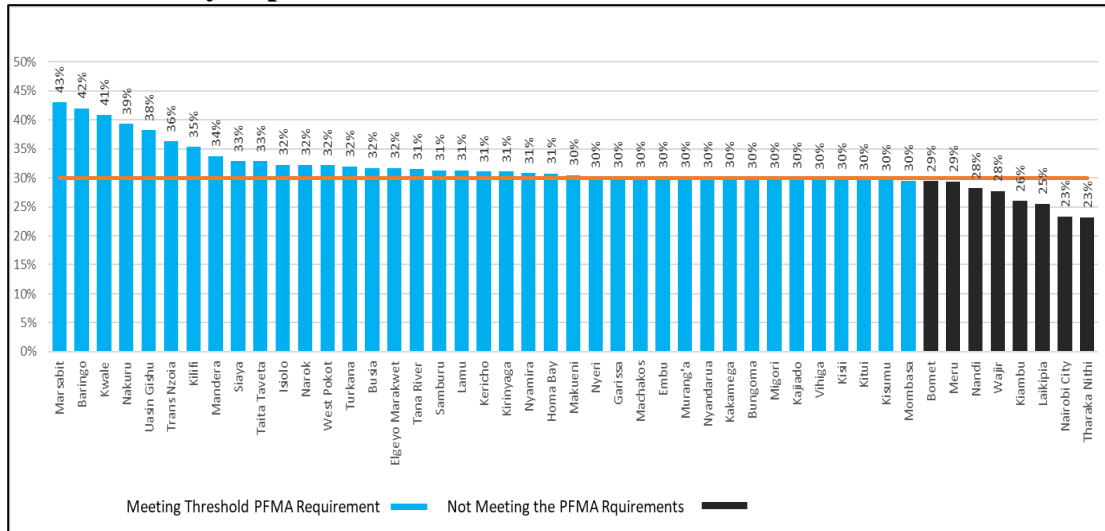
Ksh Billions	FY 2020/21		FY 2021/22		FY 2022/23	
	Approved Budget	Actual Budget	Approved Budget	Actual Budget	Approved Budget	Actual Budget
Total Revenue	475.5	436.6	529.2	436.5	491.9	466
Total Expenditures	501.7	398	535.7	401	515.2	428.9
Total Development	186.9	116.1	193.5	98.5	160.5	98
Total Recurrent	314.9	281.9	342.2	302.5	354.6	330.9
Wages		176		190.1		195.1
Other recurrent		105.9		112.4		135.8
% of Development in Total Budget	37%	29%	36%	25%	31%	23%
% of Recurrent in Total Budget	63%	71%	64%	75%	69%	77%
% of wages in Total Revenue		40%		44%		42%

*Source of Data: Controller of Budget*

#### 4.1.1 Allocation to Development Expenditure over the Medium-Term

296. As indicated in **Table 4.1**, the total County Governments' approved development expenditures over the medium-term account for 37% in FY 2020/21, 36% in FY 2021/22 and 31% in FY 2022/23 translating to an average of 35 % of the total budget. The approved budget of eight counties, namely Bomet, Meru, Nandi, Wajir, Kiambu, Laikipia, Nairobi and Tharaka Nithi did not conform with the requirement of Section 107 (2) (b) of the PFM Act, 2012 in FY 2022/23 (**Figure 4.1**).

**Figure 4.1: FY 2022/23 Budgeted Development Expenditure as a Percentage of Total County Expenditure**

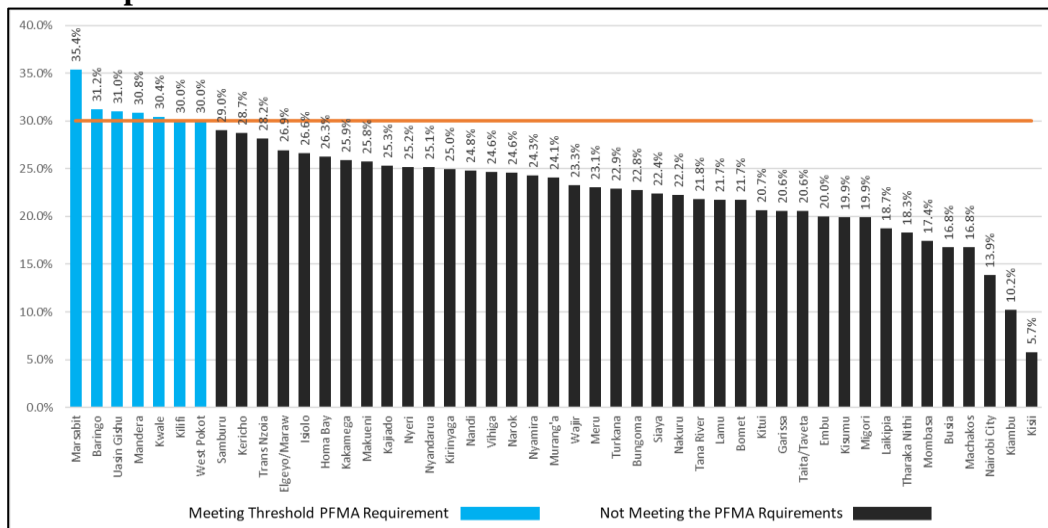


Source of Data: Controller of Budget

### 4.1.2 Actual Development Expenditure over the Medium Term

297. The total actual development expenditure for the FY 2020/21, FY 2021/22, and FY 2022/23 accounted for 29%, 25% and 23% of the total actual budget for the same period as indicated in **Table 4.1**. This translates to an average allocation of 26% of actual total expenditures to development expenditures. For the FY 2022/23, only seven counties met this requirement as far as the actual expenditure as a percentage of total budget is concerned. These counties are: Marsabit (35.4%), Baringo (31.2%), Uasin Gishu (31.0%), Mandera (30.8%), Kwale (30.4%), Kilifi (30.0%), and West Pokot (30.0%). On other hand, Busia (16.8%), Machakos (16.8%), Nairobi City (13.9%), Kiambu (10.2%) and Kisii (5.7) spent the lowest budgets on actual development in the reporting period as shown in **Figure 4.2**.

**Figure 4.2: FY 2022/23 Actual Development Expenditures as a Percentage of Total Expenditure**



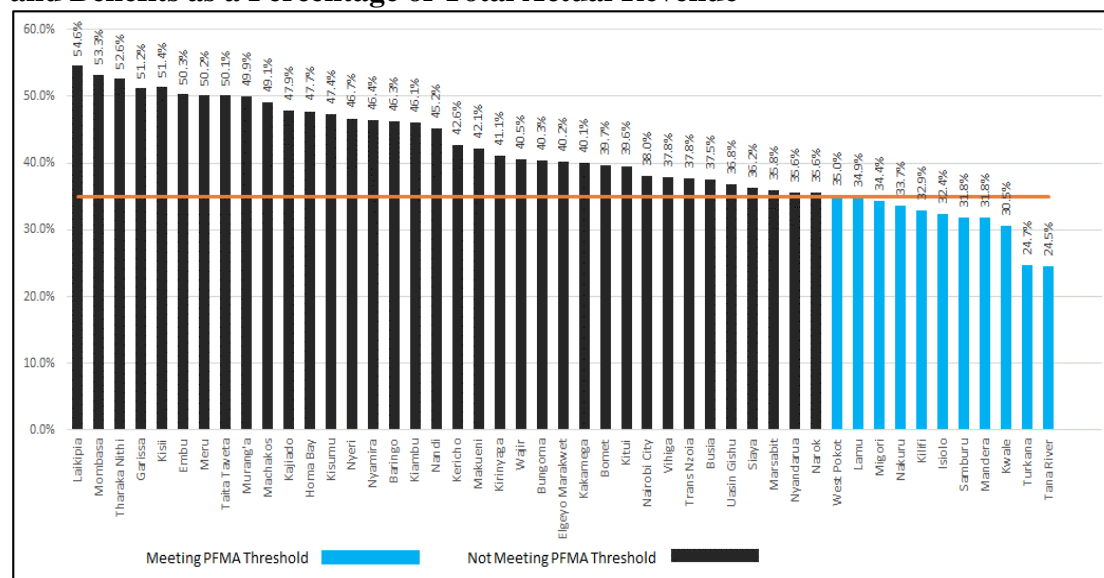
Source of Data: Controller of Budget

298. Whereas most counties allocate the required 30% of their budgets towards development, the actual development expenditure is less over the medium term. This implies that County Governments’ development agenda is compromised with higher allocations going towards recurrent expenditure. There is need for the relevant institutions, including the Controller of Budget to put measures in place to enhance compliance with the PFM law provision on development expenditure and ensure the actual expenditures are aligned with spirit of the PFM Act, 2012.

### 4.1.3 Compliance with the Requirement on Expenditure on Wages and Benefits

299. Over the medium – term, expenditure on wages and benefit for the FY 2020/21, FY2021/22, and FY 2022/23 accounted for 40%, 44% and 42% of the total revenue, respectively as shown in **Table 4.1**. The report by the Controller of Budget on review of County Government’s budget implementation for FY 2022/23 shows the total expenditure on wages reported by County Governments amounted to Ksh 195.1 billion. During the same period, the total revenue available to the County Governments was Ksh 466 billion. This means that on average County Governments spent 41.8 percent of their total revenue on wages and benefits which is higher than the threshold of 35 percent provided by the PFM Act, 2012. Only 11 Counties, (Tana River, Turkana, Kwale, Mandera, Samburu, Isiolo, Kilifi, Nakuru, Migori, Lamu and West Pokot) were able to maintain their expenditures to wages and salaries below the 35 percent threshold in FY 2022/23 as shown in **Figure 4.3**.

**Figure 4.3: FY 2022/23 County Governments’ Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue**



Source of Data: Controller of Budget

## 4.2 Enhancement of County Governments’ Own-Source-Revenue

300. The report by COB on *County Governments Budget Implementation Review Report* for the FY 2022/23 provides the Own Source Revenue (OSR) for the County Governments as indicated in the **Table 4.2**.

**Table 4.2: Total OSR Collection for the FY 2022/23 (Including A-i-A)**

County	FY 2022/23 Actual OSR Collection (Ksh)	FY 2022/23 AIA (Ksh)	Other OSR FY 2022/23	Total FY 2022/23 OSR Collection (Including A-i-A) (Kshs)
Baringo	313,351,637	-	-	313,351,637
Bomet	242,395,023	-	-	242,395,023
Bungoma	379,716,358	797,606,548	-	1,177,322,906
Busia	201,772,364	142,150,611	-	343,922,975
Elgeyo Marakwet	217,350,490	-	-	217,350,490
Embu	383,178,337	295,460,000	-	678,638,337
Garissa	81,361,298	61,130,000	-	142,491,298
Homa Bay	491,496,550	-	-	491,496,550
Isiolo	151,805,623	894,555	-	152,700,178
Kajiado	875,281,130	-	-	875,281,130
Kakamega	1,309,679,900	-	-	1,309,679,900
Kericho	501,354,545	-	-	501,354,545
Kiambu	2,424,634,382	1,162,647,728	-	3,587,282,110
Kilifi	661,686,660	-	-	661,686,660
Kirinyaga	399,321,046	187,339,593	-	586,660,639
Kisii	413,988,597	563,229,532	-	977,218,129
Kisumu	731,449,033	422,015,272	-	1,153,464,305
Kitui	464,354,467	-	-	464,354,467
Kwale	392,952,872	-	-	392,952,872
Laikipia	504,274,788	475,888,673	-	980,163,461
Lamu	156,907,612	-	-	156,907,612
Machakos	1,429,791,260	-	-	1,429,791,260
Makueni	418,752,940	472,843,046	-	891,595,986
Mandera	122,528,934	-	-	122,528,934
Marsabit	58,565,723	74,980,000	-	133,545,723
Meru	418,801,954	317,884,152	14,300,484	750,986,590
Migori	406,364,909	-	-	406,364,909
Mombasa	3,998,628,848	-	-	3,998,628,848
Murang'a	534,416,925	123,750,039	-	658,166,964
Nairobi City	10,237,263,780	241,552,546	-	10,478,816,326
Nakuru	1,611,062,682	1,519,361,041	-	3,130,423,723
Nandi	200,737,628	-	-	200,737,628
Narok	3,061,007,640	-	-	3,061,007,640
Nyamira	113,484,901	171,113,720	-	284,598,621
Nyandarua	505,913,306	-	-	505,913,306
Nyeri	610,656,883	469,530,000	-	1,080,186,883
Samburu	226,516,961	-	429,707,684	656,224,645
Siaya	402,229,607	105,812,055	-	508,041,662
Taita Taveta	265,254,255	161,118,235	-	426,372,490
Tana River	59,173,171	-	-	59,173,171
Tharaka Nithi	164,200,787	122,536,863	-	286,737,650
Trans Nzoia	267,760,051	209,520,518	574,892,612	1,052,173,181
Turkana	177,717,811	-	-	177,717,811
Uasin Gishu	936,606,563	45,440,000	-	982,046,563
Vihiga	108,347,382	133,002,807	-	241,350,189
Wajir	46,746,101	-	-	46,746,101
West Pokot	128,195,210	-	-	128,195,210
	<b>37,809,038,924</b>	<b>8,276,807,534</b>	<b>1,018,900,780</b>	<b>47,104,747,238</b>

Source of Data: Controller of Budget

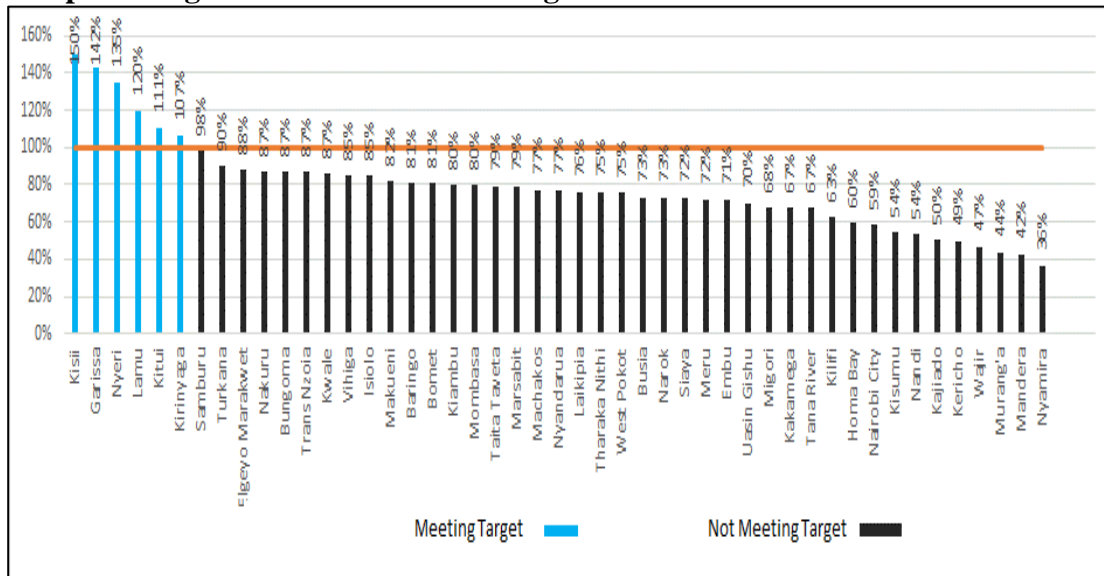
301. Analysis of OSR performance in the FY 2022/23 shows that County Governments were able to raise a total of Ksh 47.1 billion from Own Source Revenue (OSR) against an annual target of Ksh 66.1 billion representing an outturn of 71.3 percent.

302. In FY 2022/23 six counties were able to meet their revenue targets namely Kisii (150%), Garissa (142%), Nyeri (135%), Lamu (120), Kitui (111%) and Kirinyaga (107). On the other hand, forty-one (41) County Governments did not



meet their OSR revenue targets in FY 2022/23. Five counties collected less than 50% of their OSR targets which are Kericho (49%), Wajir (47%), Murang'a (44%), Mandera (42%), and Nyamira (36%) as shown in **Figure 4.4**.

**Figure 4.4: FY 2022/23 Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target**



Source of Data: Controller of Budget

303. In order to support the County Governments to enhance their Own Source Revenue, the National Treasury is in the process of implementing the *National Policy to Support Enhancement of County Governments Own Source Revenue*. Some of the activities underway include enactment of the National Rating Bill, the County Revenue Raising Process Bill and the development of a model Tariffs and Pricing Policy by use by the County Governments.

304. The National Rating Bill was passed by the National Assembly and forwarded to the Senate on 31<sup>st</sup> October 2023 for consideration. The Bill provides for among others, standards in the way rating and valuation is conducted in the country; how to deal with properties cross-cutting in more than one County Government; procedure for claiming and payment of Contribution in Lieu of Rates (CILOR); and timely updating of valuation rolls by the County Governments. More importantly, the Bill will repeal the outdated Valuation for Rating Act, Cap 266 and Rating Act, Cap 267 and align the property rating legal regime with the devolved system of governance.

305. The County Governments (Revenue Raising Process), Bill 2023 provides for a process by which the County Governments introduce revenue raising measures in conformity with Article 209 (5) of the Constitution. The Bill, which is currently before Senate has gone through the First Reading.

306. The National Treasury notes that a number of County Governments are having challenges in setting realistic revenue targets. To address this, the National Treasury in collaboration with other stakeholders are planning to roll out a training

on Tax Analysis and Revenue Forecasting in the FY 2024/25. The team is currently working on the training module on revenue forecasting.

307. In addition, the National Treasury is planning to build the capacity of County Governments to generate statistics that conform to the Government Finance Statistics 2014 Manual beginning in FY 2023/24. This will strengthen the County Government's fiscal policy making including realistic revenue forecasting.

### **4.3 Prudent Management of Fiscal Risks**

#### **4.3.1 Pending Bills**

308. According to Section 94 (1) (a) of the PFM Act, 2012, failure to make any payments as and when due by a State Organ or a Public Entity may be an indicator of a serious material breach or a persistent material breach of its operational and financial commitments. In this context, 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. Over the years, County Governments have accumulated pending bills. As at 30<sup>th</sup> September, 2023 Counties reported accumulated pending bills amounting to Ksh 163.62 billion, compared to Ksh 164.76 billion reported as at 30<sup>th</sup> June, 2023, a decrease of 1.14 billion. This amount is as reported by County Governments to the Office of the Controller of Budget.

309. The Office of the Auditor General (OAG) conducted a special Audit of pending bills for County Governments as at 30<sup>th</sup> June, 2020 for the FY 2018/19 and 2019/20 which were conducted from May 2021 to December 2021. As per the report, a total of Ksh 156.18 billion pending bills presented for audit to OAG, bills amounting to Ksh 48.13 billion were reported as payable while Ksh 108.05 billion lacked sufficient documentation to support services rendered or work done and therefore were not recommended for payment.

310. A report by the Controller of Budget (CoB) indicates that as of 17<sup>th</sup> April, 2023, Counties had settled Ksh 23.96 billion (49.78% of the eligible pending bills) leaving an outstanding balance of Ksh 24.05 billion (49.95% of the eligible pending bills).

311. In relation to the ineligible pending bills, the Intergovernmental Budget and Economic Council (IBEC) through a resolution of 5<sup>th</sup> June, 2023 instructed all County Governments to finalize verification of ineligible pending bills. Once verified, County Governments should prioritize payment of these arrears. As at 17<sup>th</sup> April, 2023 a total of Ksh 1.8 billion of the ineligible pending bills had been paid by the County Governments, leaving a balance of Ksh 106.2 billion (**Table 4.3**).

**Table 4.3: Payment of 30<sup>th</sup> June, 2020 Audited Pending Bills by County Governments as at 17<sup>th</sup> April, 2023**

County Name	Eligible Pending Bills	Amount Paid so far	Balance	Ineligible Pending B	Amount Paid so far	Balance	Total Outstanding
Baringo	404,682,061	171,302,755	233,379,306	57,709,448	-	57,709,448	291,088,754
Bomet	575,277,293	540,142,991	35,134,302	177,803,997	-	177,803,997	212,938,299
Bungoma	280,568,664	247,016,877	33,551,787	102,669,258	-	102,669,258	136,221,045
Busia	735,462,434	516,476,629	218,985,805	160,041,266	-	160,041,266	379,027,071
Elgeyo/Marakwet	97,250,631	62,848,774	34,401,857	11,657,517	-	11,657,517	46,059,374
Embu	376,985,675	289,645,685	87,339,990	260,720,598	119,943,842	140,776,756	228,116,746
Garissa	1,173,876,512	622,602,867	551,273,645	4,428,629,228	-	4,428,629,228	4,979,902,873
Homa Bay	525,179,984	286,039,857	239,140,127	400,219,060	-	400,219,060	639,359,187
Isiolo	963,669,236	562,336,466	401,332,770	208,912,399	-	208,912,399	610,245,169
Kajiado	1,389,961,092	420,893,832	969,067,260	1,627,807,464	-	1,627,807,464	2,596,874,724
Kakamega	1,198,949,826	1,015,355,470	183,594,356	251,246,426	9,807,390	241,439,036	425,033,392
Kericho	1,259,577,667	544,182,280	715,395,387	268,911,420	-	268,911,420	984,306,807
Kiambu	3,365,130,484	143,373,054	3,221,757,430	881,170,421	56,081,899	825,088,522	4,046,845,952
Kilifi	610,835,144	464,842,712	145,992,432	581,780,751	-	581,780,751	727,773,183
Kirinyaga	983,032,372	531,737,395	451,294,977	494,719,011	-	494,719,011	946,013,988
Kisii	758,725,977	466,730,539	291,995,438	516,389,488	-	516,389,488	808,384,926
Kisumu	1,064,082,741	828,429,512	235,653,229	817,392,020	-	817,392,020	1,053,045,249
Kitui	1,068,323,966	625,807,850	442,516,116	1,652,024,506	27,769,948	1,624,254,558	2,066,770,674
Kwale	30,395,083	18,421,465	11,973,618	2,929,346,292	-	2,929,346,292	2,941,319,910
Lakipia	857,616,477	425,879,073	431,737,404	1,187,938,976	137,228,268	1,050,710,708	1,482,448,112
Lamu	166,052,981	163,862,932	2,190,049	126,554,441	99,256,365	27,298,076	29,488,125
Machakos	1,829,505,555	1,104,322,827	725,182,728	519,755,508	-	519,755,508	1,244,938,236
Makueni	300,407,810	280,416,891	19,990,919	11,921,955	258,823,577	246,901,622	226,910,703
Mandera	195,606,061	195,606,061	-	211,731,110	-	211,731,110	211,731,110
Marsabit	427,725,791	219,826,370	207,899,421	561,882,902	-	561,882,902	769,782,323
Meru	1,645,514,751	1,489,716,055	155,798,696	252,142,550	-	252,142,550	407,941,246
Migori	606,362,615	582,590,982	23,771,633	791,428,051	490,545,104	300,882,947	324,654,580
Mombasa	3,629,365,578	2,228,797,144	1,400,568,434	273,639,725	-	273,639,725	1,674,208,159
Murang'a	591,589,896	590,386,662	1,203,234	1,683,941,778	8,291,985	1,675,649,793	1,676,853,027
Nairobi City	10,609,369,860	975,251,721	9,634,118,139	75,142,481,171	-	75,142,481,171	84,776,599,310
Nakuru	504,225,508	422,996,705	81,228,803	309,435,561	-	309,435,561	390,664,364
Nandi	999,961,375	738,865,952	261,095,423	424,863,941	-	424,863,941	685,959,364
Narok	911,820,629	237,684,009	674,136,620	983,780,638	-	983,780,638	1,657,917,258
Nyamira	278,105,607	275,698,124	2,407,483	67,438,141	-	67,438,141	69,845,624
Nyandarua	1,104,557,249	434,777,239	669,780,010	849,222,218	-	849,222,218	1,519,002,228
Nyeri	477,332,318	477,332,318	-	20,507,256	-	20,507,256	20,507,256
Samburu	100,097,274	95,476,412	4,620,862	638,141,800	485,194,368	152,947,432	157,568,294
Siaya	239,440,577	239,440,577	0	69,732,235	-	69,732,235	69,732,235
Taita Taveta	713,199,641	649,923,111	63,276,530	192,854,197	-	192,854,197	256,130,727
Tana River	594,862,915	282,718,273	312,144,642	1,663,178,525	-	1,663,178,525	1,975,323,167
Tharaka -Nithi	619,348,506	408,436,947	210,911,559	244,289,602	-	244,289,602	455,201,161
Trans Nzoia	619,607,056	549,360,530	70,246,526	372,066,151	-	372,066,151	442,312,677
Turkana	472,120,183	316,914,391	155,205,793	585,037,816	-	585,037,816	740,243,609
Uasin Gishu	494,815,241	453,581,511	41,233,730	140,056,169	125,575,115	14,481,054	55,714,784
Vhiga	1,278,738,001	844,279,732	308,458,269	410,172,194	-	410,172,194	718,630,463
Wajir	329,022,136	310,279,035	18,743,101	4,335,524,264	-	4,335,524,264	4,354,267,365
West Pokot	673,361,710	607,434,712	65,926,998	153,836,525	16,516,318	137,320,207	203,247,205
<b>Total</b>	<b>48,131,700,143</b>	<b>23,960,043,307</b>	<b>24,045,656,836</b>	<b>108,052,705,970</b>	<b>1,835,034,179</b>	<b>106,217,671,791</b>	<b>130,263,328,627</b>

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

#### 4.3.1.1 Status of Pending Bills

312. County Governments owe money to the various pension funds (LAPTRUST, LAPFUND and County Pension Fund) which have accumulated over the years. As at 31<sup>st</sup> August, 2023, the status of pension pending bills submitted by the different pension schemes to the Retirement Benefits Authority (RBA) was Ksh 73.4 billion. A breakdown of the outstanding pension pending bills is shown in the **Table 4.4**.

**Table 4.4 Outstanding Pension pending bills owed by County Governments**

S/No.	Name of the Scheme	Principal Debt (Ksh)	Accrued Interest (Ksh)	Total Debt Accrued Interest (Ksh)
1	Local Authorities Provident Fund (LAPFUND)	2,471,216,005	34,753,086,080	37,224,302,085
2	Local Authorities Pension Trust (LAPTRUST)	7,999,904,407	24,231,311,725	32,231,216,132
3	County Pension Fund (CPF DC)	2,005,928,055.55	1,941,522,988.18	3,947,451,043.73
	<b>Total</b>	<b>12,477,048,467.55</b>	<b>60,925,920,793.18</b>	<b>73,402,969,260.73</b>

Source: Retirement Benefits Authority

313. Some County Governments are not reflecting these pension liabilities in their pending bills stock hence posing a great risk that these liabilities may not be prioritized for payment. There is need for the County Governments to take stock of all the pension liabilities and ensure proper recording in the stock of County pending bills. In addition, Counties should prioritize the settling of these liabilities to ensure County staff do not retire without a pension.

#### 4.3.1.2 Status of Debt owed to Kenya Power & Lighting Company (KPLC) by County Governments

314. The outstanding pending bills owed to Kenya Power & Lighting Company (KPLC) by County Governments as at 24<sup>th</sup> September, 2023 amounts to Ksh 3,492,122,613.47 with Nairobi County Government having the largest outstanding bill amounting to Ksh 2,171,944,344.79. The amounts have been accumulating over the years. Consequently, the National Treasury has issued a Circular to County Governments reminding them to settle debts owed to KPLC and ensure that these pending bills are included in their budgets and repayment plans in line with the Public Finance Management Act, 2012 and in order to avoid disrupting operations and other financial obligations of the Company.

#### 4.3.2 County Governments Capacity Building on Public Finance Management

315. The Public Finance Management Act (PFMA), 2012 mandates the National Treasury to develop and oversee the implementation of a comprehensive county financing systems that ensures financial controls for efficient and effective utilization of public resources. The National Treasury is further required to strengthen county public finance management institutional capacities to implement, manage and support governance, development and service delivery.

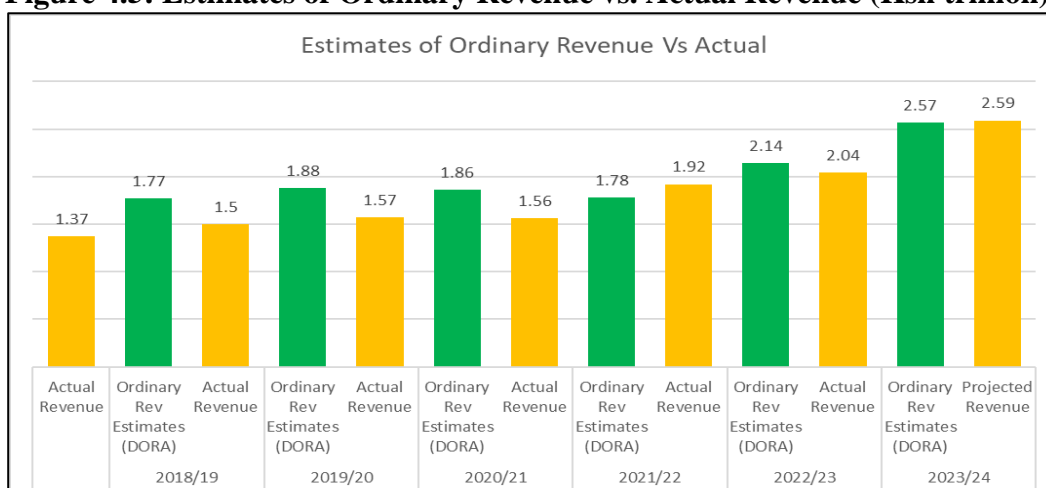
316. There have been significant changes in key financial management leadership positions in the county governments occasioned by change in the county administration. In this regard, the National Treasury is planning for a capacity building programme to the new Chief Executive Committee Members and Chief Officers responsible for Finance, Heads of accounting, finance/budget, procurement, economic planning, revenue, and internal audit; and County Assembly Chair budget /Finance Members at the County Governments on PFM matters.

## 4.4 Division of Revenue for FY 2024/25

### 4.4.1 Performance of Shareable Revenue

317. Ordinary revenue collected over the years has been below target except for FY 2021/22 when the target was surpassed as indicated in **Figure 4.5**.

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



Source of Data: National Treasury

### 4.4.2 Division of Revenue for FY 2024/25

#### 4.4.2.1 Application of Article 203 (1) of the Constitution in Division of Revenue

318. Article 218(2) of the Constitution requires division of revenue between the two levels of Government and across County Governments to take into account the criteria set out in Article 203(1) of the Constitution. The criteria include factors such as: national interest, public debt and other national obligations and needs of the disadvantaged groups and areas, among others.

319. As indicated in **Table 4.5**, it should be noted that after taking into account all the mandatory expenditures under Article 203(1) of the Constitution, the balance left for sharing between the two levels of Government is Ksh 753.2 billion. After allocating Ksh 410.2 billion to County Governments for FY 2024/25, of which Ksh 391.1 billion is the proposed equitable share and Ksh 19.1 billion is the allocation from National Government share of revenue, the National Government is left with

only Ksh 343.0 billion to finance functions such as education, health, defence, roads and energy, among others. This may occasion additional borrowing which may distort the fiscal framework already set out in the 2024 Budget Policy Statement. **Table 4.5** provides an assessment of the extent to which the requirements of Article 203 (1) of the Constitution have been incorporated in estimating the division of revenue between the national and county levels of Government in the FY 2024/25.

**Table 4.5: Summary of considerations under Article 203 (1) of the Constitution**

ITEM DESCRIPTION (Ksh Millions)	FY 2024/25
Ordinary Revenue (Excluding AIA)	2,948,124
National Interest [Article 203 (1)(a)]	106,830
Public debt (Art. 203 [1][b])	1,352,610
Other National obligations (Article. 203 [1][b])	719,092
Emergencies [Art. 203 (1)(k)]	5,000
Equalization Fund [Art. 203 (1) (g) and (h)]	11,400
Of which: a) Allocation in FY 2024/25	7,867
b) Arrears	3,533
Balance to be Shared by the 2 Levels of Government	753,192
County Government allocation from revenue raised nationally-	410,177
Of which: a) Equitable Share of Revenue	391,117
b) Additional allocations	19,060
Balance left for the National Government	343,015

*Source of Data: National Treasury*

320. Based on ordinary revenue projection of Ksh 2,948.1 billion in FY 2024/25, it is proposed that Ksh 2,549.1 billion be allocated to National Government, Ksh 391.1 billion to County Governments as equitable revenue share and Ksh 7.87 billion to the Equalization Fund. The National Treasury proposes to further allocate Ksh 3.53 billion to the Equalization Fund in FY 2024/25 as partial payment to arrears for Equalization Fund. **Table 4.6** shows the computation of the equitable share to County Governments for the FY 2019/20 to FY 2024/25.



**Table 4.6: County Governments' Equitable Revenue Share (Ksh Million)**

Budget Item	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
1. Baseline (i.e. allocation in the previous FY)	314,000	316,500	316,500	370,000	370,000	385,425
Less :-						
Adjustment for RMLF	-	-	-	-	-	10,933
2. Adjusted Equitable share Base	314,000	316,500	316,500	370,000	370,000	374,492
Add:-						
a. Revenue Share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics)	-	-	17,400	-	-	-
b. Adjustments for revenue growth	2,500	-	36,100	-	15,000	16,625
c. Transfer of Library Services	-	-	-	-	425	-
<b>Computed Equitable Revenue Share Allocation</b>	<b>316,500</b>	<b>316,500</b>	<b>370,000</b>	<b>370,000</b>	<b>385,425</b>	<b>391,117</b>

Source of Data: National Treasury

321. The allocation to County Governments' equitable revenue share of Ksh 391.1 billion in FY 2024/25 is informed by the following prevailing circumstances:

- i) The implementation of the fiscal consolidation plan by the Government which is aimed at reducing the fiscal deficit inclusive of grants from 5.6 percent of GDP in FY 2022/23 to 4.9 percent of GDP in FY 2023/24, and further to 3.9 percent of the GDP in FY 2024/25. In this regard, there is need for continuous rationalization of expenditures by eliminating non-core expenditures while improving efficiency in development projects implementation so as to contain expenditure growth, stabilize debt and reduce debt vulnerabilities;
- ii) The National Government continues to solely bear shortfalls in revenue in any given financial year. However, County Governments continue to receive their full allocation despite the budget cuts affecting the National Government entities.
- iii) Increased expenditures for National Government for purposes of debt servicing coupled with a weakening shilling against the dollar;
- iv) Low ordinary revenue collections attributed to the ongoing geopolitical shocks. This includes the Russia-Ukraine war and the US Federal Reserve's interest rate hike which has negatively affected the dollar and the international debt market; and
- v) The proposed equitable share of Ksh 391.1 billion in the FY 2024/25 is equivalent to 24.86 percent of the actual revenues raised nationally, which is in compliance with the Article 203(2) of the Constitution.

#### 4.4.2.2 Application of Article 203 (2) of the Constitution in Division of Revenue.

322. Article 203 (2) the Constitution requires that the equitable share allocation to counties should not be less than fifteen (15) per cent of the last audited revenue raised nationally, as approved by the National Assembly. The above proposed equitable share for FY 2024/25 of Ksh 391.1 billion is equivalent to 24.86 per cent of the actual revenues raised nationally of Ksh 1,573 billion for FY 2019/20, as per

the records of the National Treasury. However, the last audited revenue raised nationally, as approved by the National Assembly is Ksh 1,673 billion implying an overstatement of Ksh 100 billion. This discrepancy has since then been raised with the Office of Auditor-General and the Office of the Auditor-General has since responded to the National Treasury modifying the audited revenues for the FY 2019/20, to Ksh 1,578,035,418,993. On revenue resulting from AMISON Grant of Ksh. 4.6 billion, the Auditor-General has determined that it is within the purview of the National Treasury to determine the sharable and non-sharable revenue/receipts with regard to the UN/AMISOM receipts in accordance with legislation. The modification to Ksh 1,578,035,418,993 and the determination on the AMISON Grant of Ksh 4.6 billion has since been communicated to Parliament for a resolution of the House.

323. However, applying the last audited revenue raised nationally, as approved by the National Assembly of Ksh 1,673 billion, the allocation of Ksh 391.1 billion as equitable share translates to 23.38 percent This also within the constitutional threshold of Article 203 (2).

#### **4.4.2.3 Other Policy Considerations in Division of Revenue for FY 2024/25**

324. The Government under the Extended Fund Facility (EFF)/Extended Credit Facility (ECF) program supported by the development partners' targets is implementing a fiscal consolidation targeting to reduce the fiscal deficit to 3.9 percent of GDP in FY 2024/25. This is designed to slow down public debt accumulation.

325. To achieve this aggressive fiscal consolidation, amid increase in debt servicing costs as a result of exchange rate fluctuations and increased interest rates, the National Treasury has proposed huge expenditure rationalisation in the FY 2024/25 and over the medium term. In order to be within this commitment, the National Treasury, has so far managed to reduce the fiscal deficit to 5.6 percent of GDP in FY 2022/23 and targets to reduce it further to 4.9 percent of GDP in FY 2023/24 through expenditure rationalization and mobilization of additional non-tax revenues from Ministries, Departments and Agencies.

#### **4.4.2.4 Additional Allocations to County Governments in FY 2024/25**

326. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Governments Share of revenue either conditionally or unconditionally; while Article 190 of the Constitution also provides that Parliament shall by legislation ensure that County Governments have adequate support to enable them to perform their functions.

327. Further, Section 4 of the County Governments Additional Allocations Act (CGAAA), 2022 requires that additional allocations shall be funds agreed upon by the National Assembly and the Senate during the consideration of the Budget Policy Statement and shall comprise of County Governments' additional allocations financed from either the National Government's Share of Revenue or proceeds of loans or grants from Development Partners. Pursuant to Section 5 of the CGAAA 2022, funds for additional allocations to County Governments shall

be included in the budget estimates of the National Government and shall be submitted to Parliament for approval.

328. In the 2024 Budget Policy Statement, the National Treasury proposes to allocate Ksh 54.7 billion as additional allocations (conditional and unconditional) to County Governments. Out of this, Ksh 19.06 billion will be financed from the National Government's share of revenue, and Ksh 35.66 billion from proceeds of loans and grants from Development Partners. These additional allocations to counties are as follows:

- i) *Proceeds from Court fines amounting to Ksh 7.4 million:* The unconditional additional allocation to beneficiary counties emanating from contravention of county legislation is projected to be Ksh 7.4 million. Whereas Court fines from the National Government are remitted to the consolidated fund, court fines from County legislation ought to be remitted to the County Revenue Fund. Collection of fees, fines, and penalties is to be streamlined across the 47 Counties so that collection of the same is undertaken by the Judiciary and the funds transferred to the National Treasury in line with the law. These funds will be transferred from the exchequer to the respective County Revenue Fund (CRF) Account;
- ii) *20% share of mineral royalties amounting to Ksh 1.055 billion:* The National Treasury proposes to allocate Ksh 1.055 billion to thirty-two (32) counties in FY 2024/25; being the total sum of mineral royalties accrued in the FY 2021/22 as submitted by the State Department for Mining. Additionally, to facilitate transfer of 10% share of mineral royalties due to communities, the State Department for Mining, as the implementing agency has developed draft regulations that have already gone through public participation. This will be disbursed to the communities once the regulations have been finalized;
- iii) *Construction County Headquarters amounting to Ksh 445 million:* To support the construction of county, headquarter offices for five (5) County Governments (Isiolo, Lamu, Tana River, Tharaka Nithi and Nyandarua), the State Department for Public Works, Ministry of Lands, Public Works, Housing and Urban Development has been implementing construction of five (5) county headquarters. These five (5) counties did not inherit adequate facilities that could accommodate the new administration at the onset of devolution and their construction are at different levels of completion. In the FY 2024/25, Ksh 445 million has been proposed for transfer to five counties;
- iv) *County Aggregation and Industrial Parks (CAIP) amounting to Ksh 4.5 billion:* In order to continue operationalizing the National Government's programme on County Aggregation and Industrial Parks (CAIP) Project under the BETA framework, the National Treasury proposes to conditionally allocate Ksh 4.5 billion to CAIP in the FY 2024/25;
- v) *Road Maintenance Fuel Levy (RMFL) amount to Ksh 10.5 billion:* The summit resolution of February 2023 stipulated the need to develop a reform agenda for the road sector so that the RMFL allocation to the County Governments is considered in the FY 2024/25 through a restructured process. In this regard, a consensus has since been reached that, Ksh 10.522 billion

being allocation for maintenance of county roads from RMFL be allocated as a conditional allocation to County Governments;

- vi) *Conditional Allocation for the Community Health Promoters (CHPs) Programme of Ksh 2.5 billion:* During the 10<sup>th</sup> National and County Governments Coordinating Summit, the implementation of the CHPs programme was extended from the current three years to five years under the BETA model of economic revival to accelerate the achievement of universal health coverage through support to the County Governments. To this end, the National Treasury proposes to allocate Ksh 2.5 billion as a conditional grant to all the forty-seven County Governments. County Governments are expected to provide an equal amount of counterpart funding from their equitable share to match the National Government's contribution;
- vii) *Transferred Function of Museums amounting to Ksh 30. 2 million:* The Intergovernmental Relations Technical Committee vide Gazette Notice No. 13982 dated 11<sup>th</sup> November 2022 delineated and transferred the Museum function to County Governments. During the unbundling of the function the National Government was carried to have exclusive mandate of “ancient and historical monuments of national importance”. Thus eight (8) stations which included: - Meru-Njuri-Njeke Museums, Narok Museum, Garissa Museum, Wajir Museum, Longaingalani Museum, Kisumu Museum, Kitale Museum and Isiolo Museum, were identified to be transferred to the respective County Governments. By principle of resources follow functions, the determined cost of the function amounting to Ksh. 30.2 million shall be transferred to the respective County Governments, as additional unconditional allocations, in FY 2024/25; and
- viii) *Conditional allocations financed from proceeds of Loans and grants by Development Partners amounting to Ksh 35.7 billion:* A total of Ksh 35. 7 billion has been proposed for transfer to County Governments as conditional additional allocations financed from proceeds of loans and grants from Development Partners in the FY 2024/25, to support a total of fourteen (14) donor-funded projects as outlined in **Table 4.7.**

**Table 4.7: Additional Allocations to County Governments for FY 2024/25**

S/No	Additional Allocation	Amount (Ksh)
<b>a) Additional (Conditional &amp; Unconditional) Allocations from the National Government's Share of revenue for Financial Year 2024/2025</b>		
1	Unconditional allocation financed from court fees and fines emanating from contravention of County Legislation	7,431,745
2	Unconditional allocation financed from the 20% Share of Mineral Royalties (due for the FY 2021/22)	1,055,205,814
3	Conditional allocation for the Construction of County Headquarters	445,000,000
4	Conditional allocation for County Aggregated Industrial Parks (CAIP) Programme	4,500,000,000
5	Conditional allocation for Road Maintenance Levy Fund (RMLF)	10,522,211,853
6	Conditional allocation for Community Health Promoters (CHPs)	2,500,000,000
7	Conditional allocation for the Transferred Museum Function	30,184,835
	<b>Total Allocation from GoK</b>	<b>19,060,034,247</b>
<b>b) Additional Conditional Allocations Financed from proceeds of loans and grants from Development Partners for Financial Year 2024/2025</b>		
1	IDA (World Bank) Credit - National Agricultural Value Chain Development Project (NAVCDP)	5,000,000,000
2	IDA (World Bank) Credit - Food Systems Resilience Project (FSRP)	2,250,000,000
3	IDA (World Bank) Credit - Water & Sanitation Development Project	5,700,000,000
4	DANIDA Grant - Primary Health Care in Devolved Context Programme	487,500,000
5	IDA (World Bank) Credit - Second Kenya Devolution Support Program (KDSP II)	1,762,500,000
6	IDA (World Bank) Credit - Financing Locally - Led Climate Action (FLLoCA) Program – County Climate Resilience Investment (CCRI) Grants	3712000000
7	KfW (German Financial Cooperation) Credit - Co-Financing Locally- Led Climate Action (FLLoCA) Program – County Climate Resilience Investment (CCRI) Grant	1,200,000,000
8	KfW (German Financial Cooperation) Credit - Drought Resilience Programme in Northern Kenya (DRPNK) Project	781,969,410
9	IDA (World Bank) Credit - Emergency Locust Response Project (ELRP)	1,900,000,000
10	IFAD - Kenya Livestock Commercialization Project (KeLCoP)	378,730,000
11	IFAD - Aquaculture Business Development Project (ABDP)	245,879,120
12	IDA (World Bank) Credit – Kenya Urban Support Project (KUSP) – Urban Institutional Grant (UIG)	1,575,000,000
13	IDA (World Bank) Credit - Kenya Informal Settlement Improvement Project (KISIP II)	10,600,000,000
14	UNFPA Grant - 10th Country Kenya Programme	65,190,000
	<b>Total Allocation from DPs</b>	<b>35,658,768,530</b>
	<b>Grand Total (both from GoK &amp; DPs)</b>	<b>54,718,802,777</b>

Source of Data: National Treasury

#### 4.4.2.5 Disaggregation of Total Proposed Transfers to the Counties

329. Taking in to consideration the above proposed additional allocations to County Governments in FY 2024/25, the expected total transfers to County Governments is Ksh 445.8 billion. **Table 4.8** shows disaggregation of total proposed transfers to the Counties in FY 2024/25 and expected transfers in previous financial year. From the table, there is clear demonstration that there has been consistent growth of total transfers to County Governments over the financial years.



**Table 4.8 Disaggregation of County Governments' Allocation (Ksh Million)**

Type/Level of Allocation	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
A County Equitable Share	316,500	316,500	370,000	370,000	385,425	391,117
B Additional conditional allocations, of which	45,595					
a) Gok Funded	6,505					19,060
b) Allocations from proceeds of loans and grants	39,090	30,204	32,334	31,382	33,192	35,658
C Total County Allocations (A+B)	362,095	353,209	409,871	407,036	424,933	445,835

Source of Data: National Treasury

#### 4.4.2.6 Allocation of Sharable revenue between the two levels of Government and the additional allocations to counties from the National Government share of Revenue

330. It should be noted that, and pursuant to Article 202 (2) of the Constitution, the National Government has over the years out of its own share of revenue provided for additional allocations to County Governments. These allocations, which have been mostly conditional are meant to accelerate achievement of policy priorities of both levels of Government, some of which have international obligations. In so doing, this tends to reduce on the National Governments entitled share of revenue from revenues raised nationally. **Table 4.9** shows additional allocations to County Governments from the National Governments share of revenue raised nationally.

**Table 4.9: Division of Revenue Raised Nationally for FY 2020/21 – 2024/25 (Ksh Million)**

Type/Level of Allocation	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
a) National Government Share	1,533,700	1,398,799	1,764,516	2,177,867	2,549,140
Of Which					
i) Additional Allocations to counties					
i) Leasing of Medical Equipment	6,205	7,205	5,200	5,862	-
ii) County Aggregated Industrial Parks					4,500
iii) Road Maintenance Levy Fund					10,522
iv) Court fines and fees					7.4
v) 20% Share of Mineral Royalties					1,055
vi) Supplement for construction of County Headquarters	300	332	163	454	445
vii) Community Health Promoters (CHPs)					2,500
viii) Transferred Museums Function					30
ii) Equalization Fund Arrears					3,533
b) 0.5% Equalization Fund	6,500	6,825	7,068	8,369	7,867
c) County Equitable share	316,500	370,000	370,000	385,425	391,117
Total Shareable revenue	1,856,700	1,775,587	2,141,585	2,571,159	2,948,124

Source of Data: The National Treasury

## 4.5 Horizontal Allocation of Revenues

331. Horizontal allocation of equitable share of revenue among the County Governments for FY 2023/24 is based on the Third Basis Formula, which was considered and approved by Parliament in September 2020. The third basis takes into account the following parameters: Population (18%); Health Index (17%);



Agriculture Index (10%); Urban Index (5%); Poverty Index (14%); Land Area Index (8%); Roads Index (8 percent); and Basic Share Index (20%). The County Governments equitable share of revenue for FY 2024/25 are as shown in **Table 4.10**.

**Table 4:10 County Governments Equitable shares for FY 2024/25**

County	FY 2023/24	FY 2024/25				Total Equitable Share****
	Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share** - 0.5 Allocation Ratio) *(Formula****)		
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share	
		Column A	Column B	Column C	Column D	
Column F = C+E						
Baringo	6,647,771,186	1.61	2,547,825,000	1.8	4,202,674,960	6,750,499,960
Bomet	6,977,924,070	1.74	2,753,550,000	1.86	4,330,220,756	7,083,770,756
Bungoma	11,111,983,608	2.81	4,446,825,000	2.93	6,832,162,461	11,278,987,461
Busia	7,475,585,295	1.9	3,006,750,000	1.97	4,580,808,705	7,587,558,705
Elgeyo Marakwet	4,801,453,188	1.22	1,930,650,000	1.26	2,942,735,244	4,873,385,244
Embu	5,341,810,744	1.36	2,152,200,000	1.4	3,269,531,176	5,421,731,176
Garissa	8,248,748,101	2.22	3,513,150,000	2.08	4,854,254,856	8,367,404,856
Homa bay	8,128,387,250	2.13	3,370,725,000	2.09	4,876,870,879	8,247,595,879
Isiolo	4,899,041,209	1.34	2,120,550,000	1.22	2,848,109,825	4,968,659,825
Kajiado	8,300,213,576	2.03	3,212,475,000	2.24	5,215,219,332	8,427,694,332
Kakamega	12,912,646,262	3.29	5,206,425,000	3.39	7,899,311,766	13,105,736,766
Kericho	6,703,129,925	1.7	2,690,250,000	1.77	4,113,428,765	6,803,678,765
Kiambu	12,227,552,449	2.98	4,715,850,000	3.31	7,699,917,252	12,415,767,252
Kilifi	12,109,200,498	3.3	5,222,250,000	3.03	7,059,512,633	12,281,762,633
Kirinyaga	5,420,217,528	1.34	2,120,550,000	1.45	3,382,345,819	5,502,895,819
Kisii	9,258,588,608	2.46	3,892,950,000	2.36	5,500,082,943	9,393,032,943
Kisumu	8,361,797,770	2.16	3,418,200,000	2.18	5,067,465,357	8,485,665,357
Kitui	10,829,486,936	2.79	4,415,175,000	2.82	6,575,030,956	10,990,205,956
Kwale	8,584,103,693	2.46	3,892,950,000	2.06	4,808,696,798	8,701,646,798
Laikipia	5,358,246,532	1.32	2,088,900,000	1.44	3,351,265,089	5,440,165,089
Lamu	3,237,350,707	0.82	1,297,650,000	0.85	1,988,302,778	3,285,952,778
Machakos	9,547,295,309	2.45	3,877,125,000	2.5	5,812,243,198	9,689,368,198
Makueni	8,455,460,962	2.34	3,703,050,000	2.09	4,871,489,327	8,574,539,327
Mandera	11,633,191,646	3.23	5,111,475,000	2.87	6,685,128,044	11,796,603,044
Marsabit	7,560,398,412	2.14	3,386,550,000	1.84	4,278,428,854	7,664,978,854
Meru	9,892,625,172	2.54	4,019,550,000	2.59	6,020,232,825	10,039,782,825
Migori	8,341,446,108	2.14	3,386,550,000	2.18	5,079,048,151	8,465,598,151
Mombasa	7,861,523,820	2.23	3,528,975,000	1.91	4,441,107,262	7,970,082,262
Murang'a	7,473,786,703	1.99	3,149,175,000	1.9	4,432,970,897	7,582,145,897
Nairobi	20,072,059,115	5.03	7,959,975,000	5.33	12,415,569,797	20,375,544,797
Nakuru	13,593,424,693	3.31	5,238,075,000	3.68	8,564,705,320	13,802,780,320
Nandi	7,305,294,033	1.69	2,674,425,000	2.04	4,746,900,940	7,421,325,940
Narok	9,196,276,899	2.54	4,019,550,000	2.28	5,306,437,910	9,325,987,910
Nyamira	5,334,198,486	1.52	2,405,400,000	1.29	3,002,183,805	5,407,583,805
Nyandarua	5,905,976,056	1.54	2,437,050,000	1.53	3,555,845,547	5,992,895,547
Nyeri	6,485,331,051	1.71	2,706,075,000	1.66	3,873,950,891	6,580,025,891
Samburu	5,594,312,489	1.46	2,310,450,000	1.45	3,366,145,277	5,676,595,277
Siaya	7,263,019,462	1.83	2,895,975,000	1.92	4,476,465,755	7,372,440,755
Taita taveta	5,040,427,430	1.34	2,120,550,000	1.29	2,993,039,127	5,113,589,127
Tana River	6,790,702,542	1.85	2,927,625,000	1.7	3,959,871,749	6,887,496,749
Tharaka Nithi	4,378,234,821	1.24	1,962,300,000	1.06	2,476,468,407	4,438,768,407
Trans Nzoia	7,499,822,440	1.82	2,880,150,000	2.03	4,735,425,264	7,615,575,264
Turkana	13,143,946,933	3.33	5,269,725,000	3.47	8,071,521,411	13,341,246,411
Uasin Gishu	8,426,072,635	2	3,165,000,000	2.32	5,392,896,690	8,557,896,690
Vihiga	5,267,026,885	1.47	2,326,275,000	1.29	3,014,437,256	5,340,712,256
Wajir	9,853,656,422	2.7	4,272,750,000	2.46	5,720,742,852	9,993,492,852
West Pokot	6,573,866,403	1.58	2,500,350,000	1.79	4,175,583,239	6,675,933,239
<b>Total</b>	<b>385,424,616,067</b>	<b>100</b>	<b>158,250,000,000</b>	<b>100</b>	<b>232,866,788,147</b>	<b>391,116,788,147</b>

Source of data: The National Treasury

## **4.6 Intergovernmental Fiscal Transfers**

332. National Government Ministries Departments and Agencies (MDAs) are responsible for development of frameworks for the management of conditional additional allocations made to beneficiary County Governments. These frameworks outline the total allocation to each conditional additional allocation and the specific amount apportioned to each participating county governments; the conditions to be met by participating County Governments; and the responsibilities of both MDAs, and beneficiary County Governments. The Accounting Officers in the respective MDAs are responsible for submission of these frameworks to the National Treasury for inclusion in the County Governments Additional Allocations Bill (CGAAB), 2024.

## **4.7 Equalization Fund**

### **4.7.1 Challenges Facing Disbursement of Equalization Fund**

333. The Equalisation Fund is established under Article 204 (1) of the Constitution with an allocation of a half percent (0.5%) of all revenue collected by the National Government each year on the basis of most recently audited accounts of revenue approved by the National Assembly.

334. Article 204 (2) of the Constitution provides that the National Government shall use the Equalization Fund only to provide basic services including water, roads, health facilities, and electricity to marginalized areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible.

335. The Second Marginalization Policy was published in 2018. The policy identified a total of 1,424 marginalized areas spread across 366 wards, 111 constituencies in 34 counties as eligible for Equalization Fund. To guide the management and implementation of the Equalization Fund, the PFM (Equalization Fund Administration) Regulations, 2021 were developed. The regulations provide for establishment of three county committees; County Technical Committee, Sub-County Technical Committee, and the Project Identification and Implementation Committee.

336. Two Petitions, Petition number 003 of 2023 and Petition 4 of 2023 dated 31st May, 2023 were filed in the High Court of Kenya at Garissa. The Court cases questioned the criteria of identifying and sharing revenue among the marginalized areas and creation of fake wards as beneficiaries. In the Petitions, the Court ordered that pending the hearing and determination of the applications.

- i) An order restraining the respondents from implementing the Commission on Revenue Allocation Second Marginalisation Policy and Criteria 2022/2023 for sharing revenue amongst marginalised areas;
- ii) Conservatory orders issued restraining the Controller of Budget from authorising the withdrawal of Equalisation funds; and

iii) Conservatory orders issued restraining the National Treasury from disbursing the Equalisation funds.

337. The Court Order on the following Petitions was lifted on 26<sup>th</sup> November, 2023 hence commencement of implementation of the Second Marginalisation Policy in the 34 beneficiary counties. Implementation will be hampered in 15 counties that have not complied with the requirement to establish the three committees anticipated in Regulations 14, 16, and 18 of the PFM (Equalization Fund Administration) Regulations, 2021. The Fund has already written to the counties requesting them to fast track the creation of the committee to allow them access and utilize the funds allocated to them.

#### **4.7.2 Equalization Fund Allocation for FY 2024/25**

338. The National Treasury proposes to allocate Ksh 7,867 million to the Equalisation Fund being 0.5% of the actual revenues raised nationally of Ksh 1,573.4 billion for FY 2019/20, as per the records of the National Treasury and Ksh 3,533 million towards payments arising from Equalisation Fund arrears.

### **4.8 Emerging Issues and Policy Interventions**

#### **4.8.1 Integrated County Revenue Management System (ICRMS)**

339. In order to support County Governments, enhance their own source revenue through automation, it is recommended that all the County Governments adopt an Integrated County Revenue Management System. In view of the above, there is an ongoing process to recommend a uniform integrated county revenue management system that will enhance OSR administration and management at the County level for improved service delivery. This will ensure uniformity in the collection, recording, and reporting of own source revenues across the 47 County Governments. Further, it will enable County Governments to generate reliable data for revenue forecasting and revenue enhancement.

#### **4.8.2 Challenges in County Governments' Public Finance Management**

340. During the last two cycles of devolution, independent and oversight institutions such as the Office of the Auditor General, the Office of the Controller of Budget as well as the National Treasury among others have reported gaps in the control and management of public resources in county governments. A Multi-Agency Taskforce established in FY 2022/23 identified challenges faced by County Governments in the management of public finances.

341. These challenges include weak linkage between planning and budget formulation, inability of county governments to adhere to the Public Procurement Act resulting in high outstanding pending bills, low development budget absorption, under-performance in own-source revenue, failure to use the prescribed financial systems (such as IFMIS, IPPD among others), non-adherence to fiscal responsibility principles, pilferage of public resources due to manual systems, inadequate understanding of the Office of the Controller of Budget's role in approval of county requisitions, high wage bill, weaknesses in human resource

management, weak oversight by County Assembly and a weakened internal audit function among others.

342. The solutions proposed in the report by the Taskforce to address these challenges include; review of the existing policy, legal and regulatory environment to guide planning; strengthening county structures and institutions; adhering to existing provisions of existing policies, legislations, regulations and guidelines guiding economic planning, public finance management and expenditure control; and continuous capacity building of County Government staff among others.

#### **4.8.3 Intergovernmental Agreements in respect of the Additional Conditional Allocations**

343. Section 9 of the CGAAA, 2022 for FY 2021/22 vide Kenya Gazette Supplement No. 74 of 29<sup>th</sup> April made consequential amendments to the PFMA, 2012 to provide for among others, the insertion of Sections 191A to 191E on intergovernmental agreements. These sections require that the National Treasury shall enter into an intergovernmental agreement with the respective County Governments for the transfer of the respective conditional allocations made to the County Governments pursuant to the Act; that such agreements shall set out any conditions that may be attached to the conditional allocations; and that the requisition of funds from the County Revenue Fund (CRF) for the purposes of a conditional grant shall be supported by the intergovernmental agreement approved under Section 191A.

344. The Principal Secretary, National Treasury constituted an inter-agency task force to develop a model Intergovernmental Conditional Allocations Transfer Agreement (ICATA). The task force has since finalized the development of the model ICATA and subjected it to nationwide public consultations. Further, on 10<sup>th</sup> November 2023, the National Treasury submitted the draft ICATA to the office of the Attorney General for legal opinion, which was provided on 13<sup>th</sup> December, 2023 and has since been incorporated in the agreement. On 8<sup>th</sup> January, 2024 the National Treasury forwarded the final Model ICATA to the Council of Governors for onward transmission to the county governments for processing in line with Section 191A-191E of the PFM Act, 2012.

345. The National Treasury has made a request to Parliament to fast-track the approval of CGAAB, 2023 in order to facilitate the processes leading to timely disbursements and requisition of the funds for additional conditional allocations made to County Governments in FY 2023/24.

346. In the FY 2024/25, Parliament is also called upon to expeditiously approve the DORB 2024, CARB 2024 and CGAAB 2024 alongside 2024 BPS. This will assist in eliminating delays in the processing of ICATAs and hence the disbursements and requisition of the funds for additional conditional allocations made to County Governments in FY 2024/25.

## 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 (Table 1):

**Table 1: Performance of Fiscal Responsibility Indicators**

	FY 2021/22	FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29	
	Actual	Revised Budget	Prel. Actual	Budget	Supp II	BROP'23	BPS'24	BROP'23	BPS'24	BROP'23	BPS'24	BROP'23	BPS'24	BROP'23	BPS'24
	Ksh. Billions														
1.0 Total Expenditure & Net Lending	3,028	3,367	3,221	3,747	3,903	4,257	4,188	4,627	4,553	5,175	5,170	5,786	5,823	6,430	6,430
1.1 Total Ministerial National Govt Expenses	1,961	2,091	1,972	2,375	2,412	2,652	2,542	2,959	2,858	3,341	3,304	3,807	3,844	4,245	4,245
Total Recurrent	2,135	2,384	2,324	2,553	2,779	2,871	2,879	3,040	3,046	3,376	3,408	3,800	3,800	4,211	4,211
CFS (Interest & Pensions)	727	876	850	986	1,106	1,199	1,241	1,233	1,279	1,318	1,351	1,426	1,426	1,567	1,567
Ministerial Recurrent	1,409	1,508	1,474	1,567	1,673	1,672	1,638	1,807	1,767	2,057	2,057	2,374	2,374	2,643	2,643
o/w Wages & Salaries	555	575	572	618	623	681	681	743	743	967	967	1,040	1,040	1,160	1,160
<i>Wages as % National Government Revenues/1</i>	<i>29.8%</i>	<i>27.7%</i>	<i>29.2%</i>	<i>23.8%</i>	<i>23.2%</i>	<i>22.7%</i>	<i>22.4%</i>	<i>21.9%</i>	<i>21.7%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>23.5%</i>	<i>23.5%</i>	<i>23.0%</i>	<i>23.0%</i>
Development	552	583	498	808	738	980	904	1,152	1,091	1,284	1,247	1,433	1,470	1,602	1,602
<i>Development as % Ministerial NG expenditures</i>	<i>28.2%</i>	<i>27.9%</i>	<i>25.2%</i>	<i>34.0%</i>	<i>30.6%</i>	<i>36.9%</i>	<i>35.6%</i>	<i>38.9%</i>	<i>38.2%</i>	<i>38.4%</i>	<i>37.7%</i>	<i>37.6%</i>	<i>38.2%</i>	<i>37.7%</i>	<i>37.7%</i>
Contingencies	-	2	-	3	1	5	5	5	5	5	5	5	5	5	5
1.2 County Allocation	352	436	416	430	424	444	446	473	453	552	552	590	590	654	654
Equitable share	340	400	400	385	385	407	391	436	416	515	515	553	553	617	617
Conditional Grants	12	37	16	44	38	37	55	37	37	37	37	37	37	37	37
2.0 Total Revenues	2,200	2,479	2,361	2,986	3,071	3,408	3,435	3,836	3,833	4,379	4,377	4,978	4,978	5,659	5,659
3.0 Total National Government Revenues (Incl. A-I-A)	1,859	2,079	1,961	2,600	2,685	3,001	3,044	3,400	3,417	3,864	3,861	4,425	4,425	5,041	5,041
4.0 National Government Domestic Borrowing (net)	605	484	460	587	423	504	378	562	563	451	494	441	554	409	409

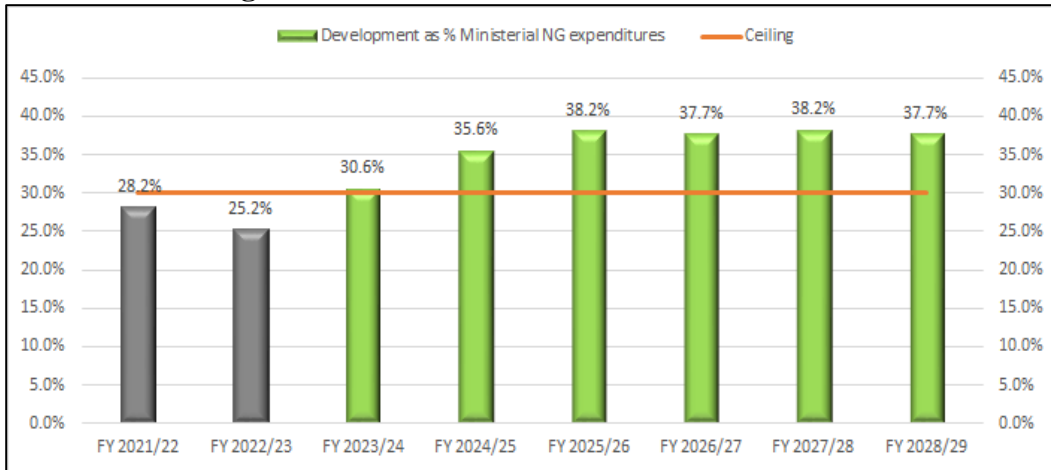
*Source: The National Treasury*

**a) A minimum of 30 percent of the national Government's budget allocated to the development expenditure over the medium term.**

2. Consistent with the requirements of the law, the National Government's allocation to development expenditures has been set above the 30 percent of its Ministerial expenditures. The allocation to development expenditures is projected to increase to 35.6 percent in the FY 2024/25 and remain above the recommended threshold over the medium term as shown in **Table 1** and **Figure 1**.



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

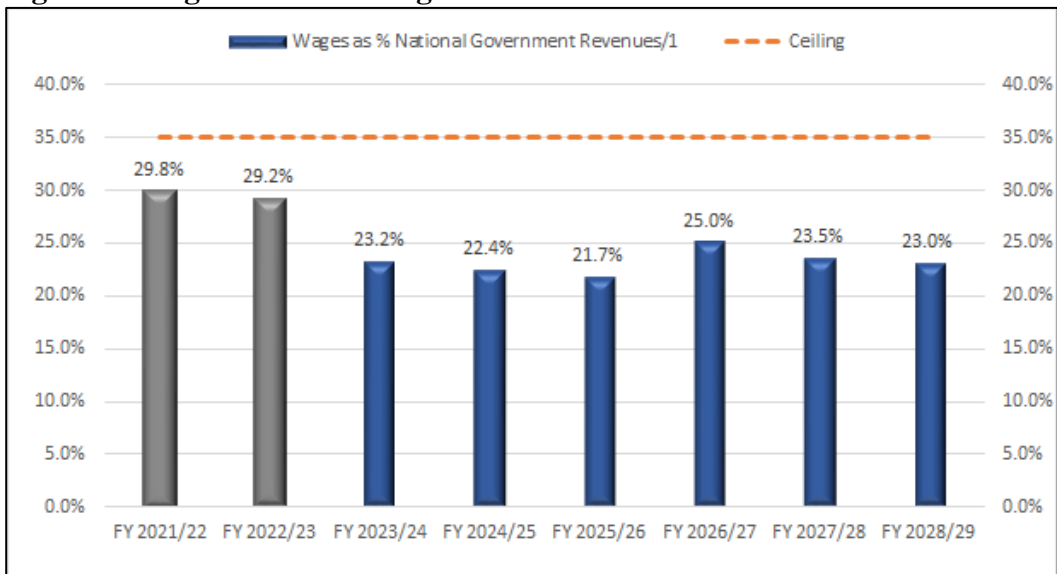


Source: National Treasury

**b) The National Government’s expenditure on wages and benefits for its employees not to exceed 35 percent of the national Government equitable share of the revenue.**

3. 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 29.2 percent in the FY 2022/23, and is projected to decline to 23.2 percent in the FY 2023/24, and to further decline to 21.7 percent by FY 2025/26 (Figure 2).

**Figure 2: Wages as a Percentage of National Government Revenues**



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

Source: National Treasury



c) **Over the medium term, the National Government’s borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.**

4. 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. In the FY 2022/23, a total of Ksh 493.7 billion was spent on development expenditure. This amount is projected to increase to Ksh 717.8 billion in FY 2023/24, Ksh 877.8 billion in FY 2024/25 and Ksh 1,427.9 billion over the medium term.

d) **Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for National Government**

5. The public debt and obligations remain at sustainable levels though with high risk of debt distress due to global shocks that has led to a slowdown of economic growth (*IMF Country Report No. 23/266-July 2023*). Under external Debt Sustainability Analysis (DSA), the Present Value of the external debt to GDP ratio remain sustainable through 2026. However, the Present Value of external debt to exports and debt service to export ratios breach the sustainability thresholds even in the medium term due to subdued growth in exports. These ratios are expected to improve with economic growth recovery boosting growth in Kenya’s export sector expected to improve external public debt sustainability ratios.

6. The debt service to revenue ratio in 2024 is worsened by the maturity of USD 2.0 billion international sovereign bond in June 2024 (**Table 2**).

**Table 2: Kenya’s External Debt Sustainability**

Indicators	Thresholds	2022	2023	2024	2025	2026	2027
PV of debt-to-GDP ratio	<b>40</b>	27.8	29.5	30.5	29.4	28.0	27.1
PV of debt-to-exports ratio	<b>180</b>	228.3	220.4	210.8	195.6	181.7	170.3
PPG Debt service-to-exports ratio	<b>15</b>	21.2	22.0	31.1	21.7	22.0	19.7
PPG Debt service-to-revenue ratio	<b>18</b>	14.8	16.6	24.9	18.2	19.2	17.6

Source: *IMF Country Report No. 23/266-July 2023*

7. Overall, the Present Value (PV) of debt to GDP ratio is projected to remain above the 55 percent sustainability threshold in the medium-term but will gradually improve by 2027 (**Table 3**). The improvement in debt levels is anchored to fiscal consolidation through broadening the tax revenue base and minimizing overall expenditures tied to implementation of the fiscal reforms under the IMF Extended Credit Facility program.

**Table 3: Kenya's Public Debt Sustainability Analysis**

Indicators	Benchmark	2022	2023	2024	2025	2026	2027
		Projections					
PV of debt-to-GDP ratio	55	63.1	64.4	61.9	60.2	58.3	56.6

Source: *IMF Country Report No. 23/266-July 2023*

8. As the economy recover from global shocks and fiscal consolidation continues, Kenya's debt indicators are expected to improve. However, Kenya debt sustainability is vulnerable to exogenous shocks e.g., export and exchange rate.

**e) Fiscal risks shall be managed prudently**

9. Kenya's risk remains high due to volatile international commodity prices, tighter external financing conditions, elevated inflation and continued drought. The Government established a Fiscal Risk Committee which will continue playing a key role in identification, quantification and management of fiscal risks going forward. In addition, the Government through the recently established pending bills verification committee will minimize accumulation of arrears to suppliers; and with continued fiscal consolidation programme, debt vulnerabilities will be reduced and ensure a stronger debt sustainability position going forward. The Government will also continue reviewing its macroeconomic forecasts and regularly to ascertain the impact of the 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.

**f) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future**

10. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the National treasury will implement the National Tax Policy that will guide tax reforms and ensure certainty in taxation and the Medium Term Revenue Strategy (MTRS) which contains revenue-raising tax policy and administrative reforms to be undertaken over the medium-term. Further, the Government continues to carry out tax reforms through modernization and simplification of tax laws in order to lock in predictability and enhance compliance within the tax system.

## ANNEX 2: STATEMENT OF SPECIFIC FISCAL RISKS

### Introduction

1. The economy is expected to remain strong and expand by 5.5 percent in both 2023 and 2024. The growth outlook will be supported by broad-based private sector growth, resilient services sector, and the rebound in agriculture. The growth outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom - Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth. There are, however, downside risks to the macroeconomic outlook envisaged in this 2024 BPS emanating from domestic as well as external shocks.

2. For prudent management of risks, the PFM Act, 2012 requires the preparation of a “Statement of Fiscal Risks. Thus, 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 BPS. The fiscal risks arise from assumptions that underline 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 as they form a baseline in revenue projections and determine the Government’s spending priorities. The macroeconomic assumptions underlying the FY 2024/25 budget entail an estimated growth of 5.5 percent in both 2023 and 2024. Inflation is projected to gradually ease towards the Government target range of 5.0 percent in FY 2024/25 and remain within the target range over the medium term. The External sector is expected to remain relatively stable despite the projected global economic slowdown, geopolitical fragmentation and uncertainties and tight global financial conditions. The unexpected changes in the macroeconomic projections in this BPS may pose risks to the projected revenue and expenditure.

4. **Table 1** summarizes the likely impact of changes in the 2024 BPS outcomes on the fiscal projections.

**Table 1: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2024/25 – 2027/28 (Ksh billion)**

	Revenue				Expenditures				Budget Balance			
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28
Reduction in real GDP (%) by 1.0 % point	-12.3	-13.5	-14.9	-16.6	-6.3	-6.9	-7.7	-7.7	-6.0	-6.6	-7.2	-8.0
Increase in inflation rate (%) by 1.0 % Point	12.5	13.9	15.5	17.3	6.9	7.6	8.5	8.5	5.6	6.2	7.0	7.9
Depreciation in exchange rate (Ksh/US\$) by 10%	21.3	24.1	27.9	32.3	3.8	4.3	4.8	4.8	17.5	19.8	23.1	26.9
Increase in value of imported goods (US\$) by 10%	14.0	-4.9	-5.3	-5.8	0.0	0.0	0.0	0.0	14.0	-4.9	-5.3	-5.8
All shocks Combined	35.9	16.5	19.7	23.1	4.0	4.5	5.1	5.1	31.9	12.0	14.6	17.4

*Source of Data: National Treasury*

5. The reduction of the projected real GDP in 2024 by one percent (from 5.5 percent to 4.5 percent) has the adverse impact of reducing revenue collection by Ksh 12.3 billion in FY 2024/25. Due to the reduced revenues, expenditures would decline by Ksh 6.3 billion resulting to an increase in fiscal deficit by Ksh 6.0 billion in the same period. This shock would persist over the medium term with the decline in revenues more than the decline in expenditures leading to a higher than projected fiscal deficit.

6. A shock of a one percent increase in the projected inflation rate for FY 2024/25, from 5.0 percent to 6.0 percent, would result in an increase in revenues and expenditures by Ksh 12.5 billion and Ksh 6.9 billion, respectively in FY 2024/25. The higher revenues compared to expenditures would result to an improvement of the fiscal deficit by Ksh 5.6 billion in FY 2024/25. The impact of the shock would persist over the medium term thereby improving the fiscal deficit by Ksh 7.9 billion by FY 2027/28.

7. A 10 percent depreciation of the Kenya shilling to the dollar would have a higher impact on the revenues as compared to the expenditures. The revenues and expenditures would increase by Ksh 21.3 billion and Ksh 3.8 billion respectively in FY 2024/25 thereby reducing the projected fiscal deficit by Ksh 17.5 billion. The effect of this shock would persist over the medium term with the increase in revenues offsetting the increase in expenditures leading to a lower than projected fiscal deficit. Fiscal deficit would reduce by an estimated Ksh 26.9 billion by FY 2027/28.

8. A shock of 10 percent increase in the value of imported goods in the FY 2024/25 would increase revenue collection by Ksh 14.0 billion in the same period. However, the shock would have a negative effect on revenue collection over the medium term due to change in consumer behaviour. The shock would not significantly affect expenditures.

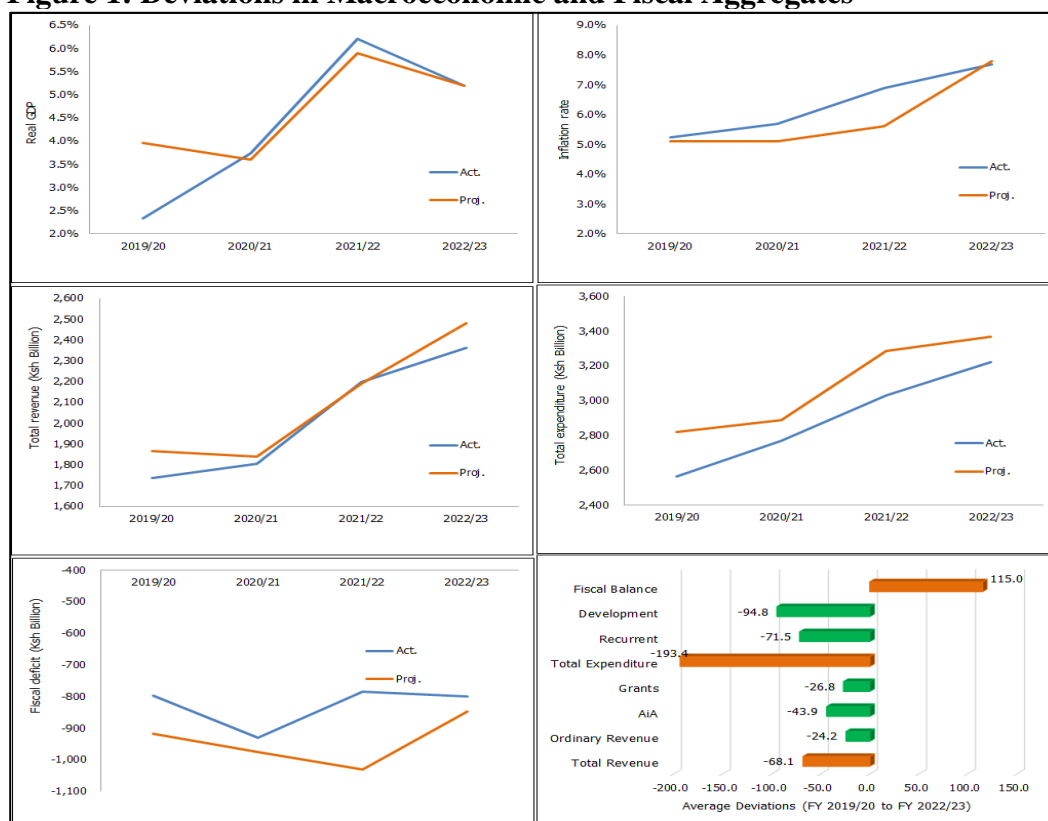
9. Overall, if all the four shocks were to hit the economy concurrently in the FY 2024/25, revenues would increase by Ksh 35.9 billion as the movements in inflation and exchange rate would offset the risk posed by a slowdown in real GDP

growth. The adverse impact of the shocks to expenditures would be significantly lower compared to the increase in revenues thereby eliminating the fiscal risk on the budget from macroeconomic shocks.

### Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

10. Overall, the actual real GDP growth and revenue projections have been within their respective set targets for the past three years with minimal deviations as shown in **Figure 1**. However, expenditures have been performing below the target leading to a lower than targeted fiscal deficit.

**Figure 1: Deviations in Macroeconomic and Fiscal Aggregates**



Source: National Treasury

11. Over the period 2019/20-2022/23, the average deviation between the assumed and provisional actual real GDP growth rates was -0.3 percentage point with a standard deviation of 0.8 percentage point. With respect to inflation assumptions, the standard deviation was at 0.7 percentage point over the four years, with the largest deviation being recorded in FY 2021/22 at 1.3 percent mainly due to the unanticipated inflationary pressures resulting from prolonged drought and external pressures (**Table 2**).

12. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2019/20 and FY 2022/23 fell short of its target by an average of Ksh 68 billion. This shortfall was from both ordinary revenues by Ksh 24 billion and Ministerial A-I-A of Ksh 44 billion. The average deviation of total expenditure and net lending between FY 2019/20 and FY

2022/23 was an underspending of Ksh 193 billion. This shortfall was mainly due to lower absorption in development expenditures by Ksh 95 billion and recurrent expenditures by Ksh 72 billion. The lower recurrent spending is in line with the fiscal consolidation programme by the Government that targets to curtail unproductive expenditures.

13. The lower-than-projected spending on development expenditure poses a risk to the projected economic growth and fiscal program. 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 Public Investment Management Unit will ensure 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**

	2019/20			2020/21			2021/22			2022/23*			2023/24	Average	Standard	
	Proj.	Act	Dev.	Proj.	Act	Dev.	Proj.	Actual	Dev.	Proj.	Prel Actual	Dev.	Proj	Deviations	Deviations	
<b>I. Key Macroeconomic Assumptions</b>																
Real GDP	4.0%	2.3%	-1.6%	3.6%	3.7%	0.1%	5.9%	6.2%	0.3%	5.2%	5.2%	0.0%	5.5%	-0.3%	0.8%	
Inflation Rate (avg)	5.1%	5.2%	0.1%	5.1%	5.7%	0.6%	5.6%	6.9%	1.3%	7.8%	7.7%	-0.1%	6.3%	0.5%	0.7%	
Exchange rate (Ksh/US\$), avg		104.2			108.0			113.8			133.4					
Export growth		-0.3%			7.7%			10.6%			8.0%					
Import growth		-5.6%			4.9%			16.4%			3.9%					
<b>II. Fiscal Aggregates (in Ksh billion)</b>																
Total Revenue	1,865	1,737	- 128	1,838	1,804	- 34	2,192	2,200	8	2,479	2,361	- 118	3,071	-	68	77
Ordinary Revenue	1,615	1,573	- 42	1,579	1,562	- 17	1,852	1,918	66	2,145	2,041	- 104	2,625	-	24	46
AiA	249	164	- 86	259	242	- 18	340	282	- 59	333	319	- 14	446	-	44	61
Grants	35	20	- 15	73	31	- 41	63	31	- 32	42	23	- 19	47	-	27	31
Total Expenditure	2,818	2,565	- 252	2,887	2,769	- 118	3,286	3,028	- 258	3,367	3,221	- 146	3,903	-	193	219
Recurrent	1,777	1,645	- 132	1,820	1,813	- 6	2,227	2,135	- 92	2,368	2,312	- 56	2,760	-	72	93
Development	678	595	- 84	668	557	- 111	658	540	- 117	561	494	- 67	718	-	95	105
Domestic	450	397	- 53	418	390	- 28	411	378	- 33	337	344	7	438	-	27	39
External	228	198	- 31	251	167	- 84	239	162	- 78	194	138	- 56	250	-	62	68
Net Lending	1	1	0	-	-	-	-	-	-	16	12	- 4	19	-	1	0
Equalization Fund	-	-	-	-	-	-	7	-	- 7	14	-	- 14	11	-	5	4
County Allocation	362	325	- 37	399	399	0	401	352	- 49	436	416	- 21	424	-	27	35
Balance	- 918	- 797	121	- 976	- 929	47	- 1,031	- 785	246	- 846	- 800	46	- 785	-	115	161
Financing	918	791	- 127	976	950	- 26	1,031	748	- 283	846	770	- 76	785	-	128	180
Net Foreign Financing	324	340	16	418	323	- 94	343	143	- 201	363	311	- 52	362	-	83	128
Net Domestic Financing	594	450	- 144	559	627	68	688	605	- 83	484	460	- 24	423	-	46	103
<b>Memo Items:</b>																
Nominal GDP (Ksh billion)	10,197	10,526	330	11,169	11,256	88	12,844	12,698	- 146	14,336	14,274	- 61	16,132	-	52	214

Source: National Treasury

14. The Kenyan economy slowed down to a growth of 5.2 percent in FY 2022/23 from a growth of 6.2 percent in FY 2021/22 mainly due to three major constraints affecting the economy during the period. These included: Russia and Ukraine conflict that disrupted global trade leading to increased fuel, fertiliser and food prices; the lingering effects of the COVID-19 pandemic; and a severe drought witnessed in the region and most parts of the country.

15. The economy is projected to recover to 5.5 percent in FY 2023/24 with a 95 percent confidence level ranging between 7.1 percent and 3.9 percent at 0.8 percent standard deviation. The economy is projected to grow by 5.5 percent in FY 2024/25 at a growth range of around 7.1 percent and 3.9 percent using the same standard deviation at 95 percent confidence interval (**Figure 2**).

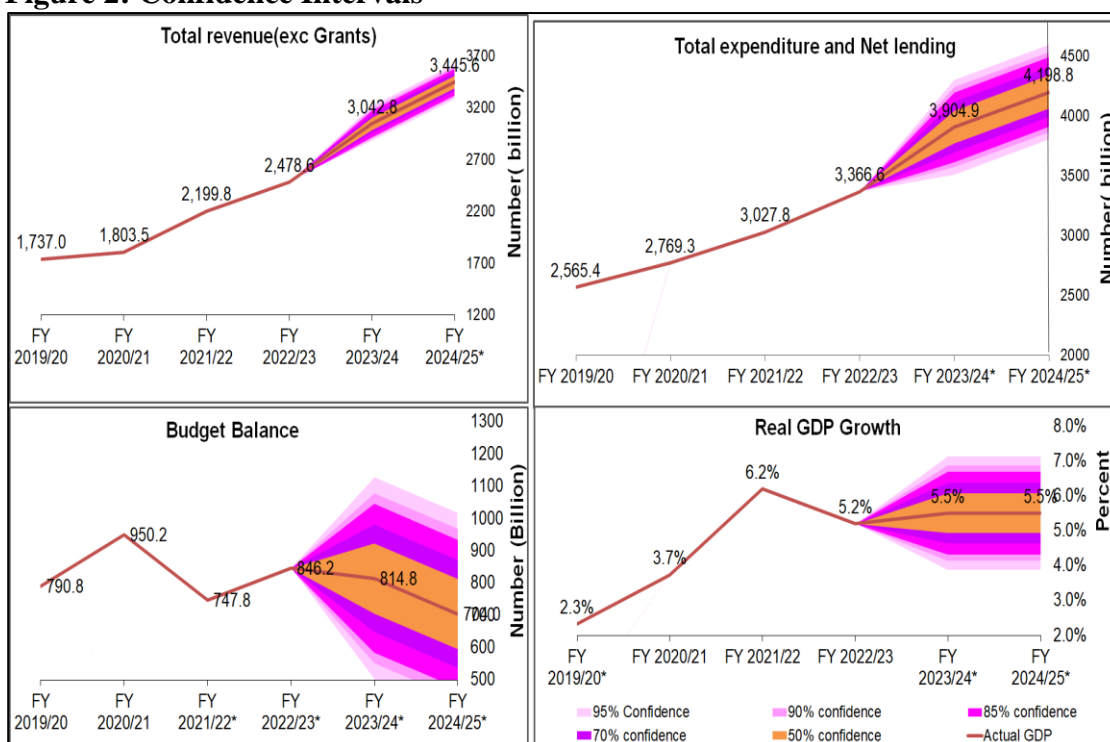
16. There is a 95 percent chance that the forecasted total revenue of Ksh 3,042.8 billion in FY 2023/24 will be within the actual revenue range of Ksh 3,216.8 billion



and Ksh 2,868.7 billion and a 50 percent possibility between Ksh 3,103.1 billion and Ksh 2,982.4 billion with a standard deviation of Ksh 77 billion. The Projected revenue of 3,445.6 billion for FY 2024/25 will fall at an actual range of Ksh 3,619.8 billion and Ksh 3,271.5 billion at 95 percent confidence interval.

17. The forecasted expenditure of Ksh 3,904.9 billion in FY 2023/24 has a 95 percent chance to range between Ksh 4,303.4 billion and Ksh 3,506.3 billion with a 219.0 billion standard deviations. The expenditure is projected to increase further in FY 2024/25 to Ksh 4,198.8 billion and to range between Ksh 4,597.4 billion and Ksh 3,800.3 billion at 95 percent confidence interval. The fiscal deficit will therefore fall between Ksh 1,129.2 billion and Ksh 500.4 billion in FY 2023/24 and between Ksh 1,018.3 billion and Ksh 389.6 billion in FY 2024/25 at a 95 percent confidence interval.

**Figure 2: Confidence Intervals**



Source of Data: National Treasury

## SPECIFIC FISCAL RISKS

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

- Fiscal Risks Associated with Public Debt;
- Fiscal Risks Arising from Accumulation of National Government's Pending Bills;
- Crystallization of Contingent Liabilities;
- Fiscal Risks Related to Devolution;
- Climate Change Related Fiscal Risks to the Economy; and
- Other fiscal risks.

## **a) Fiscal Risk Associated with Public Debt**

19. Kenya debt sustainability is vulnerable to exogenous shocks e.g, export revenue patterns and exchange rate. To reduce debt vulnerabilities, the Government has committed to reliance of concessional borrowing to finance capital investments. Additionally, a steady and strong inflow of remittances and a favourable outlook for exports will play a major role in supporting external debt sustainability.

20. Performance of the economy and public revenues has a direct impact on the debt sustainability. A slowdown in the growth of the economy worsens the debt sustainability indicators. Market pressures due to the monetary tightening in the USA and Europe have led reduced access to the international capital market. This may hinder the Government from mobilizing resources to finance the budget.

21. High inflation rates stimulated high interest rates environment both international and domestic markets making borrowing costly. This may hinder the Government in performing liability management operation on its debt portfolio and also increase the debt service costs on the existing portfolio. The Government will continue to monitor the market conditions before performing any liability management operations.

22. Limited access coupled with illiquid international capital market and domestic market may hinder the Government's plan to finance the FY2024/25 Budget. Thus, there is need for adequate prioritizations and rationalization in the budget should resources not be available. In addition, the on-going implementation of reforms in the domestic debt market are expected to support Government against the downside's risks emanating from external debts as it provides an alternative, though costlier funding source.

23. The risk of depreciation of Kenya shilling against major currencies may increase in the cost of debt service as over 50 per cent of the total debt portfolio is from foreign currencies. High interest rates have implication on the fiscal policy as a larger proportion of revenue may be used to service debt. There is also increased refinancing risk as most investors of new debt are increasingly preferring short-term maturities due to uncertainty in the movement of interest rates.

24. Materialization of fiscal risks and contingent liabilities arising from state-owned enterprises debts remain a key risk to the budget. Continuous monitoring of these exposures is critical to avert any risks before they materialize.

## **b) Fiscal Risks Arising from Accumulation of National Government Pending Bills**

25. The Public Finance Management Act, 2012, Section 74(4) d states that an Accounting Officer engages in improper conduct in relation to a national government entity if the officer fails, without reasonable excuse to pay eligible and approved bills promptly in circumstances where funds are provided for in the budget. According to Section 94 (1) failure to make any payment as and when due

by a State organ or public entity is an indicator of a serious material breach or persistent material breach of the measures established under the Act.

26. Despite numerous Circulars and Directives by the National Treasury requiring Ministries, Departments and Agencies (MDAs), State Corporations to prioritize payment of pending bills and the requirement that pending bills should form the first charge of the budget, the level of compliance has been very low.

27. The total outstanding National Government pending bills as at 30<sup>th</sup> June, 2023 amounted to Ksh 567.7 billion comprising of Ksh 443.8 billion for State Corporations and Semi-Autonomous Government Agencies, and Ksh 123.9 billion in respect of Ministries, Departments and Agencies as shown in **Table 3 and 4**.

28. The National Treasury has devised a strategy to avoid the persistent problem of pending bills. The strategy involves verification of the current stock of arrears and identifying their underlying causes. This will help the Government to bring the issue of pending bill to finality by identifying system changes necessary to avoid accumulation of arrears. Towards this end, the National Treasury with the approval of the Cabinet has established a Pending Bills Verification Committee to carry out a thorough analysis of the stock of National Government pending bills.

29. The Committee will identify causes of pending bills and make recommendations on policy, legal framework and procedures it considers appropriate to curtail escalation of and avoidance of pending bills. The Committee will also identify the causes of the pending bills and make recommendations to the National Treasury on the necessary actions to be taken for satisfactory disposal or settlement of the identified pending bill.

30. In addition to the above, there are other special areas pending bills which include:

- a) Pensions Arrears: The Retirement Benefits Regulations require pension contributions be remitted to a custodian or guaranteed fund within ten days of every calendar month. According to the Retirement Benefits Authority, as at 30<sup>th</sup> June, 2023, the outstanding public sector schemes contributions amounted to Ksh 40.8 billion excluding penalties and interest charged for late remittances.
- b) Legal liabilities: The legal arrears are handled by a taskforce in the Office of the Attorney General and Department of Justice. As at June, 2020, the total legal bills amounted to Ksh 150.95 billion. It is notable that legal bills are very fluid and some have since been paid while others have arisen from court and arbitral awards.
- c) Tax Refunds: The Kenya Revenue Authority had reported tax refund claims amounting to Ksh 16.34 billion as at 31<sup>st</sup> October, 2023 comprising of Ksh 2.75 billion income tax and Ksh 13.58 billion in respect of VAT.

**Table 3: Status of Pending Bills for National Government MDAs as at 30<sup>th</sup> June, 2023**

Vote	Ministry/ State Department/ Agency	Latest Submission	Pending Bills as at 30th June 2023					Total Outstanding Pending Bills as at 30th June 2023
			Prior Years				Bills incurred in the FY2022-23	
			Pending bills as at 30th June 2022	Amount Paid in the FY2022/23	Ineligible Bills	Outstanding Bills as at 30th June 2023		
			A	B	C	D	E=B-C-D	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		
1011	The Presidency - Nairobi Metropolitan Service (NMS)	11.08.2023	14,814,008,078	3,180,111,169	-	11,633,896,909	-	11,633,896,909
1011	The Presidency - HQ	11.08.2023	1,218,953,935	220,971,363	-	997,982,572	863,097,522	1,861,080,094
1012	Office of the Deputy President	11.08.2023	-	-	-	-	38,825,588	38,825,588
1013	Office of the Prime Cabinet Secretary	14.08.2023	-	-	-	-	-	-
1014	State Department for Parliamentary Affairs	14.08.2023	-	-	-	-	-	-
1015	State Department for Performance and Delivery Management	14.08.2023	-	-	-	-	-	-
1016	State Department for Cabinet Affairs	11.08.2023	-	-	-	-	-	-
1017	State House	11.08.2023	-	-	-	-	-	-
1026	State Department for Internal Security & National Administration	24.07.2023	3,909,623,109	2,960,565,216	-	949,057,893	1,174,477,557	2,123,535,450
1023	State Department for Correctional Services	25.07.2023	552,039,519	-	-	552,039,519	1,034,308,902	1,586,348,421
1024	State Department for Immigration and Citizen Services	14.07.2023	-	-	-	-	1,313,208,464	1,313,208,464
1025	National Police Service	26.07.2023	1,816,970,390	-	-	1,816,970,390	4,271,997,382	6,088,967,772
1032	State Department for Devolution	25.07.2023	1,232,854,859	-	-	1,232,854,859	15,392,227	1,248,247,086
1036	State Department for the ASALs and Regional Development	27.07.2023	3,134,097,714	21,407,905	-	3,112,689,809	5,554,205,913	8,666,895,722
1041	Ministry of Defence	17.07.2023	1,755,046,240	1,755,046,240	-	-	9,787,307,827	9,787,307,827
1053	State Department for Foreign Affairs	11.08.2023	701,161,996	-	-	701,161,996	1,366,179,906	2,067,341,901
1054	State Department for Diaspora Affairs	17.07.2023	-	-	-	-	92,184,582	92,184,582
1064	State Department for Vocational and Technical Training	14.07.2023	-	-	-	-	-	-
1065	State Department for Higher Education and Research	26.07.2023	40,163,357	-	-	40,163,357	118,933,328	159,096,685
1068	State Department for Basic Education	26.07.2023	429,299,232	-	-	429,299,232	6,796,280	436,095,512
1071	The National Treasury	17.07.2023	2,856,352,873	-	-	2,856,352,873	3,853,552,157	6,709,905,030
1072	State Department for Economic Planning	08.08.2023	3,513,983	-	-	3,513,983	1,676,000	5,189,983
1082	State Department for Medical Services	03.08.2023	5,009,170,468	-	-	5,009,170,468	951,751,099	5,960,921,568
1083	State Department for Public Health and Professional Standards	21.07.2023	-	-	-	-	2,623,143,712	2,623,143,712
1091	State Department for Roads	09.08.2023	-	-	-	-	-	-
1092	State Department for Transport	12.07.2023	6,147,242,276	-	-	6,147,242,276	102,018,029	6,249,260,305
1093	State Department for Shipping and Maritime Affairs	07.07.2023	9,000,200	-	-	9,000,200	1,776,980	10,777,180
1095	State Department for Public Works	14.08.2023	803,809,557	-	-	803,809,557	244,625,870	1,048,435,427
1094	State Department for Housing & Urban Development	26.07.2023	1,366,954,769	-	-	1,366,954,769	1,457,911,203	2,824,865,972
1109	State Department for Water & Sanitation	09.08.2023	27,468,127	-	-	27,468,127	197,160,581	224,628,708
1104	State Department for Irrigation	14.08.2023	-	-	-	-	-	-
1332	State Department for Forestry	09.08.2023	-	-	-	-	-	-
1331	State Department for Environment & Climate Change	10.08.2023	122,145,115	-	-	122,145,115	71,011,391	193,156,506
1112	State Department for Lands and Physical Planning	08.08.2023	567,490,014	-	-	567,490,014	178,171,516	745,661,530
1122	State Department for Information Communication Technology & Digital	26.07.2023	189,528,495	-	-	189,528,495	445,152,791	634,681,286
1123	State Department for Broadcasting & Telecommunications	15.07.2022	1,305,256,429	-	-	1,305,256,429	-	1,305,256,429

Vote	Ministry/ State Department/ Agency	Latest Submission	Pending Bills as at 30th June 2023					Total Outstanding Pending Bills as at 30th June 2023
			Prior Years				Bills incurred in the FY2022-23	
			Pending bills as at 30th June 2022	Amount Paid in the FY2022/23	Ineligible Bills	Outstanding Bills as at 30th June 2023		
			A	B	C	D	E=B-C-D	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		
1132	State Department for Sports	02.08.2023	1,142,662,980	-	-	1,142,662,980	18,160,794	1,160,823,774
1134	State Department for Culture and Heritage	24.07.2023	48,055,414	12,132,042	-	35,923,372	10,664,942	46,588,314
1152	State Department for Energy	25.07.2023	-	-	-	-	949,489	949,489
1162	State Department for Livestock Development	24.07.2023	189,631,207	157,424,438	-	32,206,769	212,210,571	244,417,341
1169	State Department for Crop Development	24.07.2023	12,568,340,395	-	-	12,568,340,395	3,505,719,806	16,074,060,200
1166	State Department for the Blue Economy and Fisheries	31.07.2023	109,199,310	-	-	109,199,310	47,541,111	156,740,421
1173	State Department for Cooperatives	25.07.2023	-	-	-	-	11,401,098	11,401,098
1174	State Department for Trade	08.08.2023	38,452,189	-	-	38,452,189	14,341,415	52,793,604
1175	State Department for Industry	01.08.2023	25,104,402	-	-	25,104,402	57,721,927	82,826,329
1176	State Department for Micro, Small and Medium Enterprises Development	11.08.2023	-	-	-	-	-	-
1177	State Department for Investment Promotion	17.07.2023	-	-	-	-	-	-
1184	State Department for Labour and Skills Development	21.07.2023	24,619,334	-	-	24,619,334	81,792,765	106,412,099
1185	State Department for Social Protection and Senior Citizens Affairs	01.08.2023	82,045,719	-	-	82,045,719	11,344,625	93,390,344
1192	State Department for Mining	27.07.2023	46,393,688	-	-	46,393,688	59,781,478	106,175,166
1193	State Department for Petroleum	21.07.2023	209,835,911	37,076,514	-	172,759,397	608,000	173,367,397
1202	State Department for Tourism	26.07.2023	17,848,628	-	-	17,848,628	53,168,575	71,017,203
1203	State Department for Wildlife	17.07.2023	2,715,987,161	-	-	2,715,987,161	-	2,715,987,161
1213	State Department for Public Service - NYS	28.04.2022	14,578,189,581	-	-	14,578,189,581	-	14,578,189,581
1213	State Department for Public Service - HQ	21.07.2023	1,478,128,901	1,319,549,680	-	158,579,220	407,807,072	566,386,292
1212	State Department for Gender and Affirmative Action	21.07.2023	5,032,816	-	-	5,032,816	21,947,908	26,980,724
1135	State Department for Youth Affairs and the Arts	31.07.2023	66,186,271	-	-	66,186,271	26,091,836	92,278,107
1221	State Department for East African Community	24.07.2023	16,472,880	916,980	-	15,555,900	51,054,183	66,610,083
1252	State Law Office and Department of Justice	20.07.2022	52,782,046	-	-	52,782,046	-	52,782,046
1261	The Judiciary	31.07.2023	223,235,174	-	-	223,235,174	335,389,675	558,624,849
1271	Ethics and Anti-Corruption Commission (EACC)	17.07.2023	35,051,073	-	-	35,051,073	124,008,114	159,059,187
1281	National Intelligence Service (NIS)	10.07.2023	-	-	-	-	-	-
1291	Office of the Director of Public Prosecutions	24.07.2023	31,017,794	-	-	31,017,794	147,063,154	178,080,949
1311	Office of the Registrar of Political Parties	14.07.2023	37,246,027	-	-	37,246,027	1,461,649	38,707,676
1321	Witness Protection Agency	21.07.2023	-	-	-	-	2,416,383	2,416,383
2011	Kenya National Commission on Human Rights	18.07.2023	12,888,513	-	-	12,888,513	28,103,404	40,991,917
2021	National Land Commission	01.08.2023	531,496,362	-	-	531,496,362	216,090,046	747,586,408
2031	Independent Electoral and Boundaries Commission	03.08.2023	1,804,595,670	-	-	1,804,595,670	3,618,165,970	5,422,761,640
2041	Parliamentary Service Commission	14.08.2023	152,814,517	-	-	152,814,517	240,414,048	393,228,565
2042	National Assembly	20.07.2023	290,665,301	277,197,198	-	13,468,103	17,163,826	30,631,929
2043	Parliamentary Joint Services	03.08.2023	540,153,628	-	-	540,153,628	876,315,563	1,416,469,191
2044	Senate	14.08.2023	-	-	-	-	-	-
2051	Judicial Service Commission	17.07.2023	18,781,934	-	-	18,781,934	3,594,274	22,376,209
2061	Commission of Revenue Allocation	07.07.2023	2,767,933	-	-	2,767,933	6,561,772	9,329,705
2071	Public Service Commission	11.07.2023	60,607,562	58,733,174	1,874,388	-	34,009,400	34,009,400
2081	Salaries and Remuneration Commission	07.07.2023	744,160	-	-	744,160	2,303,651	3,047,811
2091	Teachers Service Commission	01.08.2023	-	-	-	-	2,578,127,886	2,578,127,886
2101	National Police Service Commission	11.08.2023	527,260	-	527,260	-	-	-
2111	Auditor General	24.07.2023	107,574,901	-	-	107,574,901	28,118,784	135,693,685
2121	Controller of Budget	24.07.2023	-	-	-	-	2,969,000	2,969,000
2131	Commission of Administrative Justice	24.07.2023	5,533,492	448,700	-	5,084,792	6,694,879	11,779,671
2141	National Gender and Equality Commission	24.07.2023	-	-	-	-	-	-
2151	Independent Policing Oversight Authority	08.08.2023	448,179	-	-	448,179	-	448,179
	<b>GRAND TOTAL</b>		<b>85,283,269,047</b>	<b>10,001,580,619</b>	<b>2,401,648</b>	<b>75,279,286,780</b>	<b>48,626,145,880</b>	<b>123,905,432,661</b>

Source: The National Treasury



**Table 4: Pending bills for the Month of June 2023**

<b>Payables</b>	<b>Principal Amount</b>	<b>Penalties Interest</b>	<b>Total Amount</b>
Projects - Contractors	154,480,154,766.27	4,562,516,255.92	159,042,671,022.19
Projects - Consultancy	3,042,108,482.50	11,867,878.07	3,053,976,360.57
Projects - Land Compensation	42,545,609,736.06	0	42,545,609,736.06
Projects - Retention/Contract Monies	1,410,743,809.82	0	1,410,743,809.82
Consumables & General Supplies	31,072,554,614.26	0	31,072,554,614.26
Other Contracted Services	43,144,759,407.21	0	43,144,759,407.21
Utility-Water	312,123,389.39	0	312,123,389.39
Utility-Electricity	1,577,003,357.06	0	1,577,003,357.06
Pension Arrears - Employer Contribution	41,920,894,023.67	134,294,244.92	42,055,188,268.59
Staff Loan Deductions	1,781,223,776.99	0	1,781,223,776.99
Sacco Deductions	2,358,663,356.36	145,432,051	2,504,095,407.36
Personnel Emolument Arrears	8,924,842,092.35	0	8,924,842,092.35
Dividends	781,220,517.30	0	781,220,517.30
Surpluses	226,733,866	0	226,733,866.00
Cash Call	100,000,000	0	100,000,000.00
Directors' Fees	4,372,327.10	0	4,372,327.10
Fees	792,633,312	0	792,633,312.22
NHIF	33,291,184.07	0	33,291,184.07
NSSF	165,588,031.05	15,875,809	181,463,840.05
HELB Deductions	1,014,674.59	0	1,014,674.59
Levies	1,551,553,567.18	0	1,551,553,567.18
Land Rates	197,936,088.55	41,864,299	239,800,387.55
Lease/Rental	55,969,384.05	0	55,969,384.05
Taxes: Value Added Tax	8,832,395,646.25	1,898,141	8,834,293,787.25
Taxes: PAYE	20,001,311,748.04	157,096,149	20,158,407,897.04
Taxes: Corporation Income Tax	673,742,417.00	0	673,742,417.00
Taxes: Customs	61,292,143.25	0	61,292,143.25
Taxes: Excise	10,668,111,585.00	0	10,668,111,585.00
Taxes: Withholding Tax	1,493,504,162.12	681,882	1,494,186,044.12
Licenses	408,987,662.64	0	408,987,662.64
Pension Actuarial Deficit	4,171,996,241	579,612,000	4,751,608,241.00
Court Awards	87,481,243.88	0	87,481,243.88
Litigation Costs	499,640,427.39	0	499,640,427.39
Principal Payments - GoK On-Lent	15,067,192,727	920,400,699.79	15,987,593,426.94
Principal Payments - GoK Direct Loan	1,414,022,629.46	0	1,414,022,629.46
Interest Payments - GoK Direct Loans	13,954,407,279	0	13,954,407,279.00
Principal Payments - Commercial Loans	7,487,528,079.79	1,094,464,705	8,581,992,784.78
Interest Payments - Commercial Loans	6,376,024,199.19	3,093,683,385.35	9,469,707,584.54
Bank Overdraft	5,112,898,649.85	0	5,112,898,649.85
Letter of Credit	280,650,284	0	280,650,284.00
<b>Total</b>	<b>433,072,180,889.06</b>	<b>10,759,687,500.04</b>	<b>443,831,868,389.10</b>

Source: National Treasury



### **c) Crystallization of Contingent Liabilities**

31. Contingent liabilities are potential liabilities that may occur depending on the outcome of uncertain future event. They are not reflected in the BPS 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.

32. 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 crystallizes. There is need therefore to monitor these contingent liabilities to avoid fiscal difficulties in the budget year in the event they happen.

#### **i. Government Owned Enterprises (GOEs)**

33. Under the State Corporations Act, Government Owned Entities, formally known as state corporations, have legal capacity to contract debts and other liabilities to finance their requirements. Approvals to procure such loans however, must be obtained from the Parent/line Ministry with concurrence from the National Treasury as per the requirement of the State Corporations Act. Government loans to GOEs are either direct or on-lent. Direct Loans refers to the loans that the Government loans to GOEs from the Exchequer resources while On-Lent Loans refer to those loans that the Government borrows on behalf of GOEs.

34. While Government at times has stake in GOEs and GLCs, its contractual obligations may be limited. However, due to strategic nature of those entities in view of the national interest and the overall impact of their failure to the economy, the Government may be morally obliged to bail out these entities in case they are in financial distress. This may pose serious fiscal risk and challenge to budget implementation.

#### ***Governance***

35. The Government has continued to strengthen GOEs corporate governance through Mwongozo guidelines and subsequent trainings on the same, to improve governance. Further, the Government recommended establishment and operationalization of audit committees and risk management frameworks for Government entities including the GOEs. The Public Finance Management Act and the Public Audit Act are geared towards enhancing effective financial management and oversight for efficient delivery of strategic objectives by Government entities. In addition, the Capital Market Authority issued Regulations under the Capital Market Act (Cap 485) on code of governance requirements to be

observed by all companies listed at the Nairobi Securities Exchange (NSE) including listed state corporations. These have enhanced accountability, transparency and full disclosure of companies listed at the NSE part of which include the listed GOEs and GLCs.

### ***Privatization***

36. Government Owned Enterprises face a number of challenges including: i) Inadequate capital for investments and working capital due to dwindling Government Resources to invest in those entities; ii) Limited expertise in Government on business and Commercial operations; iii) use of outdated technology due to lack of capital for investments; iv) Dual mandate of regulatory and commercial functions in some entities; and v) Government crowding out the private sector in production of good and services hence lack of competitiveness leading to inefficiencies; among others.

37. In order to address the challenges faced by Government Owned Enterprises, the Government has embarked on the process of privatising and restructuring of these entities. Following the enactment of the Privatisation Act 2023, the Government is desirous to fast-track the privatisation of Government-Owned Enterprises (GOEs) and Government Linked Corporations (GLCs). As part of the process, the Government has identified and proposed eleven (11) entities to be included in the 2023/2024 Privatisation Program, in line with the provisions of the Privatisation Act 2023. This privatisation is geared towards the Government's efforts for fiscal consolidation and spurring economic development through: Raising additional revenue; Reduction in the demand for Government resources; Improvement of regulatory framework in the economy by unbundling regulatory and commercial functions among some entities; and Improvement of efficiency in the economy by encouraging more participation of the private sector hence make the economy more responsive to market forces and competition; among others.

### ***Fiscal Risk Analysis of Government Owned Entities (GOEs)/State Corporations***

38. GOEs can be a major source of fiscal risk to public finances if they underperformed financially. In FY 2021/2022, fiscal risk analysis was performed on a sample of eighteen GOEs whose report identified and disclosed the fiscal risk exposure to the Government.

39. In the eighteen major GOEs, 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. Current ratios being less than one, implying their inability to service short term obligations as and when they fall due. Subsequently, fourteen (14) GOEs were found to have accumulated sizeable arrears/pending bills. These GOEs were chosen, given their size and strategic importance to the economy and society, thus holding high implicit risk to Government in that many of them are too strategic to fail.

40. In 2023/2024 FY, the National Treasury is undertaking financial evaluation for fifty (50) GOEs, using their 2022/2023 FY audited financial statements and report the put come to the fiscal risks Committee by end of June 2024. Further, the

National Treasury has customized the IMF Health Check tool in the Government Investments Management Information System (GIMIS) that is being applied in the process of undertaking the financial analysis.

41. Debt stricken GOEs, 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 the GOEs, the Government is naturally the underwriter of the risks that they face.

42. The National Treasury has guaranteed a number of GOEs and GLCs. As at 30<sup>th</sup> June, 2023, only three entities had their loans guaranteed by the Government amounting to approximately Ksh 170.229 billion, amongst which are the Kenya Airways loans which were as a result of novation of the Company's loans taken over by the Government.

43. Total undischarged GoK Loans to GOEs stood at Ksh 961.683 billion by the end of the FY 2022/23 compared with Ksh 916.762 billion reported in FY 2021/22. The commercial loans borrowed by some of the Government Owned Entities on the strength of their balance sheets amounted to Ksh 105.523 billion in FY 2022/23.

44. Pending Bills among the state corporations remain high, with records showing Ksh 443.596 billion as at 30<sup>th</sup> June, 2023. Some of the major pending bills include; Unpaid contractors' fees for capital projects at Ksh 159.043 billion, undischarged tax obligations amounting to Ksh 41.890 billion and unremitted employer pension contributions at Ksh 42.055 billion

## **ii. Public Private Partnerships (PPP) Projects**

45. As one of the strategic and sustainable approaches towards managing the current pressed fiscal space in meeting the planned development and investment targets of the government, Public Private Partnerships is key in realizing fiscal affordability and sustainability for public infrastructure funding. This is by enabling government access to a more diversified less risky funding, off-balance sheet financing, providing Government with flexibility to re-allocate its own revenues to the urgently needed infrastructure development projects. The Government has dedicated its efforts in supporting projects with greater economic impact like on low-cost housing, provision of water, improving agricultural production, promoting decent healthcare services, ports, roads, energy sectors and the development of Special Economic Zones (SEZs) as per the BETA priorities.

46. Currently, the PPP Directorate has a pipeline total of 31 projects at various stages of the PPP project cycle, with most of them being at procurement stage. With these PPP pipeline projects, the Government envisages mobilizing Ksh 50 billion within the next FY 2024/2025. With the Government's focus in achieving most of the infrastructural developments through the PPP framework, it plans to work with the private sector to develop projects in priority sectors which include Water, Transport, Ports, Housing, Industrial parks, Renewable energy, Agriculture, ICT, Aviation, Hospitals, amongst others.

47. The summary of the targeted sector projects is here below:

- a) The Water sector - rolling out of water and irrigation projects for the next financial years has started with a number currently under the project development stages. Most of the projects in water and irrigation are being prepared as Privately Initiated Proposals (PIPs);
- b) Energy sector - there are two projects under PIPs to support electricity transmission lines currently under project development phase (i) Africa 50 covering 165 km-400KV along Losuk – Lessos; Kisumu – Musaga 72 KM -220KV. The Project is estimated to cost USD.313.25 million (Ksh 44 billion); (ii) Adani Energy Solutions Ltd planning to do 197KM – 400KV along Gilgil – Thika – Mala – Konza; 101KM-220KV along Rongai – Keringut- Chemosit; 90KM – 132KV along Menengai – Olkalau – Rumuruti; 400/220KV sub stations at Lessos and Rongai; and 132/33KV thur –dibuoro substation. Estimated cost USD 907 million (Ksh 127 billion); and
- c) Roads and Transport sector – Mobilization of private sector resources to develop and expand key trunk networks in the country, such as the Mombasa-Nairobi Express way, which is at advanced stages of preparations, having been granted 1st stage approval by the PPP Committee recently and therefore ready to progress to project development phase. Estimated cost is USD 3.6 billion. There is also JKIA Terminals 1E and 2E which are at Feasibility Study phase, with the project implementation targeted to commence in FY 2024/2025. The Roads and Transport projects are intended to alleviate congestion, improve safety and enhance connectivity to boost trade and investment.

48. There are potential fiscal risks associated with the Public Private Partnerships projects including possible breaching of contract obligations, unfunded additional obligations and those stemming from movements in inflation and exchange rate. To mitigate these risks, the Government will reduce implementation bureaucracy, strengthen PPP institutions, improve governance, promote the framework for balancing risks with affordability and value for money while guaranteeing rapid service delivery through cutting down execution timelines and promoting local contents for greater national value capture in PPPs.

49. As part of de-risking public investments in respect to capital mobilization for infrastructure development, the Government will continue to provide Government Support Measures (GSMs) to private investors in PPP projects in the form of Letters of Support (LOSs), Partial Risk Guarantees and Indemnity Agreements. To date, a total of fifteen projects have been issued with GSMs.

#### **d) Fiscal Risks Related to Devolution**

50. 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) County Governments borrowing through overdrafts from commercial banks and other loan facilities (using different names for the financial securities) without guarantee from the National Treasury;
- ii) Pending Bills for Statutory deductions more especially pensions posing a huge challenge to the social security of the pensioners who may retire without a pension;
- iii) Delays in enactment of crucial laws for the County Governments (both at the county level and the National Government level);
- iv) Overreliance of the County Governments in equitable share which exposes the counties to fiscal shocks occasioned by delays or failure by the National Treasury to raise the projected revenues;
- v) Below potential OSR which results to unfunded budgets resulting to accumulation of pending bills; and
- vi) Accumulation of pending bills over time.

#### **e) Climate Change Related Fiscal Risks to the Economy**

51. Kenya is currently experiencing the effects of climate change, and this is seen predominantly in increasing temperatures and increased rainfall variability among other impacts including sea level rise. Average temperatures in Kenya have increased by just over 1 degree Celsius since the 1950s. The National Environment Management Authority of Kenya (NEMA) <sup>1</sup> notes that the average number of hot days and nights per year have increased by about 15.6 percent and 31 percent respectively between 1960 and 2003. Kenya has also experienced increased rainfall variability with an increase in both extreme rainfall events, droughts and a shortening of seasons coupled by an overall decrease in annual rainfall amounts over most parts of the country. Precipitation patterns vary across Kenya, with highland areas receiving heavy rains, while low plateaus and arid areas remain relatively dry. Since the 1960s, rainfall variability has increased, exacerbating the contrast between the highland wetter regions in the west and lowland dryer areas to the east. Observed extreme rainfall events have become more common and intense, with more prolonged periods of drought in arid areas since 2000 (NEMA, 2015).

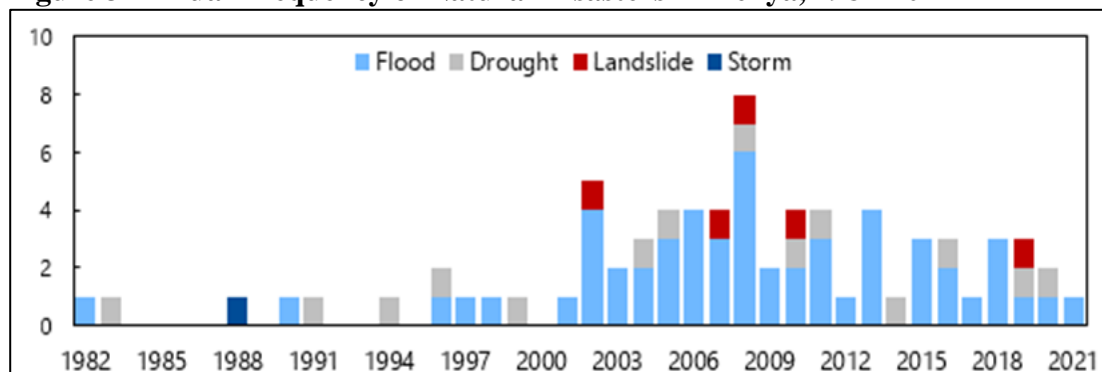
52. The main climate-related natural disasters that adversely affect the population include droughts, and floods. Major droughts now recur roughly every 3-5 years compared to a 7-year cycle observed in the past. **Figure 3** shows the recent increase in these events. These events lead to increased food insecurity, water scarcity, reduced economic output, loss of life, loss of biodiversity, resource-based conflicts especially among pastoral communities, and increased damage to infrastructure. A recent severe drought was experienced in 2022-23 (following 5 consecutive failed

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<sup>1</sup> National Environment Management Authority (2015). Kenya- Second National Communication to the United National Framework Convention on Climate Change. URL: <https://unfccc.int/sites/default/files/resource/Kennc2.pdf>

rainy seasons), comes after severe flooding in 2019-20 (KMD 2022; 2023). Recent trends have shown an uptick in these events, and climate change is expected to further increase the frequency and intensity of these events.

**Figure 3 Annual Frequency of Natural Disasters in Kenya, 1982-2022**



Source: IMF Climate change dashboard, EM-DAT<sup>[1]</sup>, CRED / UCLouvain, Brussels, Belgium.

53. Climate impacts are spread variably across the country, with geographical features in Kenya resulting in diverse climates across the country. In general, coastal areas are warmer than the milder temperatures in inland and highland areas. Precipitation is affected by altitude, as well as by teleconnections with sea surface temperatures that increasingly are warming, tropical cyclones and advection from the Congo basin. As such the western highland regions experience higher precipitation, while eastern low-lying regions receive lower rainfall amounts on average annually. Therefore, a thorough examination of the evidence and impact of climate change across various regions will be important in determining the impact of specific fiscal risks and appropriate mitigation and adaptation measures.

### Long Term Climate Change Fiscal Risks

54. Rising temperatures associated with climate change will have increasing long term impacts for both the economy and sustainability of public finances, increasing fiscal risks. The impact of higher temperatures on economic growth is assessed based on empirical analysis of past temperature changes on growth, and the consequent impact of slower economic growth on fiscal projections to assess building fiscal pressures. The assessment of the impacts of climate change is undertaken through to the end of the century, given the slow onset nature of climate change impacts on the economy and public finances, which builds slowly over time to result in significant, compounding impacts.

55. The analysis demonstrates the impact of four different scenarios of increasingly severe climate change impacts, against a baseline which reflects the continuation of the current economic and fiscal path in the absence of climate change. **Table 5** describes the scenarios and expected increases in temperature globally and for Kenya.

<sup>[1]</sup> The International Disaster Database (EM-DAT), available at: <https://www.emdat.be>



**Table 5 Climate Change Scenarios Kenya**

Scenario	Description	Temperature Change Degrees Celsius	
		2021-2050	2021-2100
<b>Paris:</b> SSP1-2.6	This scenario aims to limit the global temperature rise to below 2° C above pre-industrial levels by the end of the century.	1.0	1.0
<b>Moderate:</b> SSP2-4.5	In this scenario, emissions follow current trends, peaking and stabilizing by the end of the century. It assumes that countries will maintain their current climate mitigation policies but will not take additional actions to meet their Paris Agreement commitments.	1.2	1.6
<b>High:</b> SSP3-7.0	Countries reduce their current climate mitigation efforts, resulting in limited energy efficiency enhancements and continued reliance on fossil fuels.	1.4	2.2
<b>Hot:</b> SSP3-7.0, 90 <sup>th</sup> percentile	This scenario follows the emissions path of the high scenario. However, it adopts the 90th percentile of temperature increase among all climate models for the SSP3-7.0 emissions, rather than the average temperature projection.	1.9	2.9

56. The impact of climate change reduces GDP growth through lower productivity growth, through several transmission channels, with more severe climate impacts associated with larger reductions in GDP. Key transmission mechanisms include:

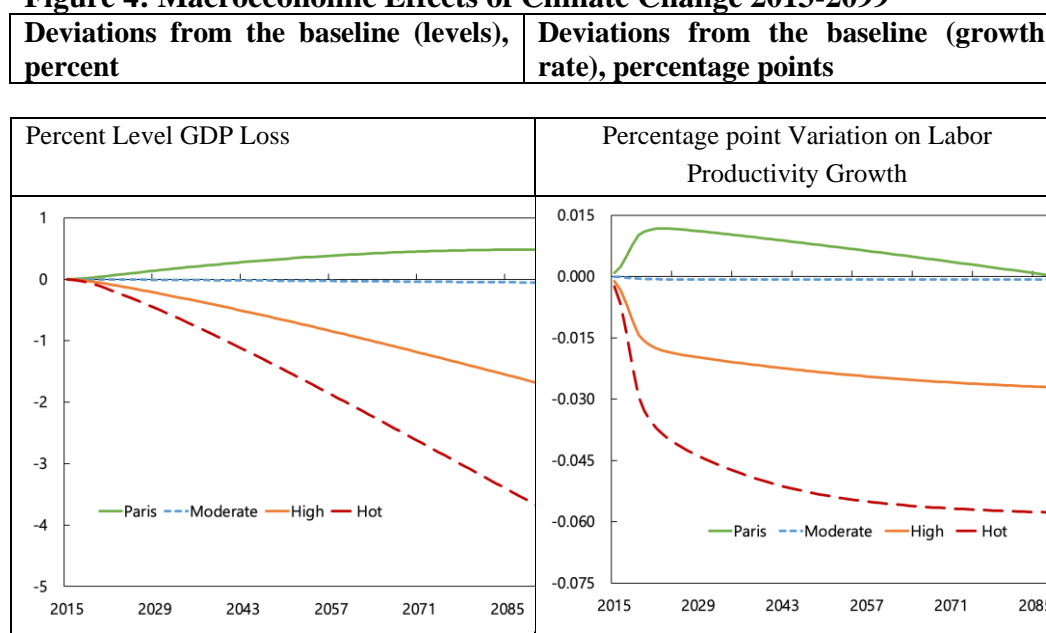
- i) Higher depreciation of the public and private capital stock. Higher and more volatile temperatures and changing precipitation will degrade roads, power transmission lines, machinery and equipment and floods and landslides can damage or destroy assets, all of which degrade the capital stock.
- ii) More frequent and severe climate induced natural disasters. Kenya experiences floods, droughts and landslides. Increases in the frequency and severity of these events would be expected to lead to more adverse economic outcomes.
- iii) Reduced hours worked and effort. Hotter days can reduce productivity, through decreases in the number of days or hours employees are able to work effectively and may also result in worsening health outcomes (including through increased spread of diseases such as malaria, cholera and typhoid).
- iv) Other longer-term effects on economic structure and productivity. For example, in a relatively worse climate scenario, certain sectors such as high value-added agriculture (reduction in yields) or tourism may be affected.

57. The assumptions underlying the analysis is labour productivity growth at 3 percent, inflation 4.9 percent, effective interest rate for public debt at 7.2 percent and assuming the debt to GDP ratio is maintained at around 55 percent of GDP in line with the debt anchor.

### Macroeconomic Impacts of Climate Change

58. Apart from the Paris scenario which sees a marginal improvement in the level of GDP and growth (increasing the level of GDP by 0.5 percentage points by 2100, under each of the other climate change scenarios there is a compounding decrease in annual GDP growth and the level of GDP. Although reductions in growth rates are small in any given year, this compounds significantly. Under the hot scenario, GDP would be 4.2 percentage points lower than the baseline by the end of the century (**Figure 4**). This is in line with estimates impacts for other similar countries in the region.

**Figure 4: Macroeconomic Effects of Climate Change 2013-2099**

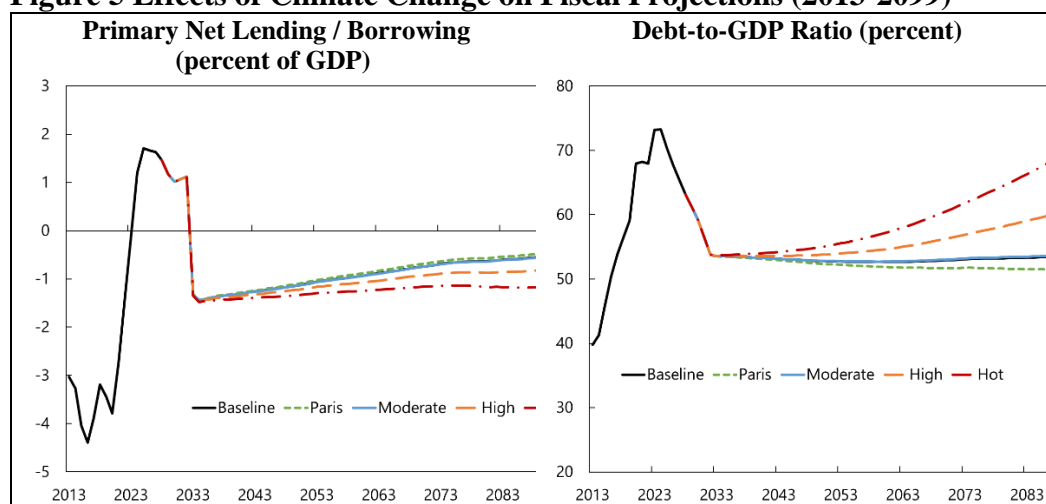


Source: Q-CRAFT

### Effects of Climate Change on Fiscal Projections

59. Based on an assumption of unchanged expenditure against baseline, and declining revenue in line with the lower levels of GDP, the primary deficit increases under each scenario except Paris, leading to an increase in net borrowing and the debt to GDP ratio (**Figure 5**). The resulting deterioration would require a level of fiscal consolidation (either expenditure cuts or revenue increases) to ensure finances remain on a sustainable path. Given the need for increased spending on infrastructure and human capital to promote growth, this could prove challenging.

**Figure 5 Effects of Climate Change on Fiscal Projections (2013-2099)**



60. Under the hot scenario, the primary balance in 2073 increases from -0.4 percent of GDP under the baseline to -1.2 percent of GDP in 2100. Under the baseline and Paris scenarios the debt to GDP ratio declines in line with the target of 55 percent of GDP in net present value terms, which would also be consistent with national debt anchor. However, the compounding effect of higher fiscal deficits over an extended period of time would see the debt to GDP ratio breach the current target under the hot and high scenarios, and under the hot scenario would rise by 22 percentage points against baseline, reaching 76 percent by the end of the century, similar to the current level (Table 6).

**Table 6: Fiscal Impacts of Climate Change**

<b>Primary balance (% of GDP)</b>	<b>2024</b>	<b>2050</b>	<b>2075</b>	<b>2099</b>
Baseline	1.2	-1.1	-0.7	-0.4
Paris		-1.1	-0.6	-0.4
Moderate		-1.1	-0.7	-0.4
High		-1.2	-0.9	-0.8
Hot		-1.3	-1.1	-1.2
<b>Debt-to-GDP ratio (%)</b>	<b>2024</b>	<b>2050</b>	<b>2075</b>	<b>2099</b>
Baseline	73.3	52.8	53.2	54.1
Paris		52.4	51.7	51.6
Moderate		52.8	53.3	54.4
High		53.8	57.3	63.8
Hot		55.0	62.7	76.0

61. The baseline scenario requires a modest fiscal consolidation of around 0.1 percentage points of GDP over the projection period to ensure a stabilization of the debt to GDP ratio. Climate change would raise this burden to 0.7 percent of GDP (Table 7).

**Table 7 Recalibration Requirements to Stabilize the Debt to GDP Ratio**

Debt Stabilizing Primary Balance	2024			2050			2075			2099		
	PB	PB*	PB Gap	PB	PB*	PB Gap	PB	PB*	PB Gap	PB	PB*	PB Gap
Baseline	1.2	-2.8	-4.0	-1.1	-1.2	0.0	-0.7	-0.6	0.0	-0.4	-0.4	0.1
Paris				-1.1	-1.2	-0.1	-0.6	-0.6	0.0	-0.4	-0.3	0.0
Moderate				-1.1	-1.2	0.0	-0.7	-0.6	0.0	-0.4	-0.4	0.1
High				-1.2	-1.2	0.0	-0.9	-0.7	0.2	-0.8	-0.4	0.3
Hot				-1.3	-1.2	0.2	-1.1	-0.7	0.4	-1.2	-0.5	0.7
All in percent of GDP. PB = primary balance. PB* = debt-stabilising primary balance.												
PB Gap = fiscal consolidation needed to stabilise the debt-GDP ratio. Negative value indicates fiscal space available before debt starts rising.												

### Specific Fiscal Risks from Climate Change

62. Specific fiscal risks arise from the exposure of the government budget to natural hazards and climate change risks. A specific risk relates to a situation that may or may not occur but if it did could negatively impact assets, liabilities and government spending and revenues. Unlike the slow onset risks described above, the impact of specific fiscal risks could be significant in the short-term. There are two key types of fiscal risks of concern:

- i) Direct physical risks, for example landslides causing damage to key public infrastructure. These risks can be acute because of extreme weather events, or chronic because of gradual changes to the environment that could result in an increase in the number or severity of natural hazards.
- ii) Transition risks that may arise when transitioning to a carbon neutral economy which could affect the value of government assets, and the potential need for support to adjust operations to climate neutral production, outside of current transition plans.

63. The vulnerability to specific fiscal risks increases when the capacity to absorb risks is low. Financially weak PCs and, more generally, thinly capitalized sectors such as agriculture and mining do not have the financial capacity or access to finance to absorb the financial consequences of natural hazards and climate change risks, and the cost is more likely to fall on the Government.

64. A complete understanding of specific fiscal risks and assessment of their relevance to fiscal policy and the budget requires a comprehensive assessment of climate change risks across the general government sector and for all public corporations.

### Key Economic Sectors in Kenya Sensitive to Climate Change

- (a) Agriculture: As the backbone of Kenya's economy, the agriculture sector, highly reliant on predictable weather patterns, faces severe threats from erratic rainfall and extreme weather events. This not only affects crop yields but also has a cascading effect on food security and rural livelihoods.

- (b) Energy: Kenya's energy sector, particularly hydroelectric power, is vulnerable to changing rainfall patterns. This variability can lead to power shortages and increased reliance on costly fossil fuels. Rising temperatures reduces the efficiency of geothermal power plants and transmission lines.
- (c) Labor productivity: Climate change can reduce labor productivity across all sectors, with increased heat significantly affecting outdoor work. This may particularly impact low-skilled workers and sectors like agriculture, forestry, and fisheries in arid and semi-arid regions.
- (d) Road transport. Road transport handles 93 percent of all freight and passenger traffic. However, poor road conditions in some regions, where livelihoods depend on livestock and trading, isolate these areas from the rest of the country during the rainy season. Higher temperatures and more extreme rainfall can lead to flooding of both regional and urban roads, as well as accelerated degradation from potholes.
- (e) Tourism and Wildlife: Tourism, closely linked to Kenya's wildlife and natural landscapes including coastal ecosystems, is sensitive to climate change. Shifts in weather patterns can alter wildlife habitats and migration patterns, reducing tourism appeal.
- (f) Water Resources: Water scarcity and the degradation of water quality due to changing climatic conditions pose challenges to both human consumption and agricultural use. This has implications for health, food production, and energy generation.
- (g) Health & Education: Extreme weather events including higher temperatures and flooding can damage infrastructure and affect people's access to health and education services, droughts can reduce food availability and student attendance, and flooding can increase the risk of transmission of waterborne diseases such as cholera and typhoid.

### **Mitigation and Adaptation Measures**

65. The Government is working to reduce emissions, build resilience and meet NDC targets under the Paris agreement. The Government has also laid frameworks for mainstreaming climate change in government decision making through the development of the 5-year National Climate Change Action Plan (NCCAP) aligned to the Medium-Term Plan (MTP) cycle. Further, most government entities have established Climate Change Units (CCUs) as provided for under the Climate Change Act, 2016. These Units are expected to support mainstreaming actions of climate change.

66. Other examples of measures being undertaken by the government include:

- i) Prioritisation of low emissions power generation (particularly geothermal and hydroelectric);
- ii) Planting 15 billion trees by 2032, which will reduce net emissions and help protect infrastructure against natural disasters;

- iii) Ongoing efforts on tagging climate related expenditure in the budget;
- iv) A target of 25 percent of new government buildings being green;
- v) Reducing vulnerabilities of road infrastructure to flooding through improved drainage design;
- vi) Reducing the vulnerability of road infrastructure to potholing and accelerated degradation through flooding and high temperatures through trialling the use of concrete rather than bitumen surfacing, albeit at a higher cost; and
- vii) Reducing the vulnerabilities of rail infrastructure through improved design.

## **f) Other Fiscal Risks**

### **i. Natural Disasters and Man-made Hazards**

67. Crises and disasters remain a major concern for various economies across the globe including Kenya. The Government will continue to enhancing the country's disaster risk management and financing framework by fast tracking the enactment of the Disaster Risk Management Bill (No. 24 of 2023). This will ensure that there will be an over-arching framework that guides disaster risk management in the country. In addition, the Government will fast track the finalization of the disaster risk financing framework under the Public Finance Management Act, 2012 in order to enhance efficient and effective resource mobilization for disaster risk management in country as well as development of Disaster Risk Financing Strategy 2023 -2027 and mainstreaming disaster expenditure reporting into the Government financial reporting framework.

### **ii. Money Laundering**

68. In order to fight money laundering, the Government will continue to promote financial integrity and compliance with international standards, particularly the Financial Action Taskforce (FATF) Recommendations on Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT). This initiative will be achieved through implementation of the AML/CTF National Risk Assessment Report 2021 recommendations; the National AML/CFT Strategy, and the 2<sup>nd</sup> Eastern and Sothern Africa Anti-Money Laundering Group (ESAAMLG) Mutual Evaluation Report (MER) 2022.

69. In order to addressing the strategic deficiencies identified Mutual Evaluation Report, 2022, various legislations relating to AML/CFT issues have been amended through the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2023. These amendments necessitated the alignment and re-issuance of various Regulations. These included the Proceeds of Crime and Anti-Money Laundering Regulations, 2023; the Proceeds of Crime and Anti-Money Laundering (Criminal Assets Recovery Fund) Regulations, 2023; and the Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2023. In this regard, Kenya has filed a request with the ESAAMLG for Technical Compliance (TC) re-rating



as a result of these amendments. In addition, Kenya has completed the post-evaluation observation period and the Post-Observation Period Report (POPR) will be deliberated by the FATF Plenary in February 2024 in respect to the progress made towards strengthening Kenya's AML/CFT regime.

70. To address the recommendations in the Mutual Evaluation Report, the Central Bank of Kenya has taken several actions including: conducting stand-alone AML/CFT onsite inspections, revising Bank Supervision Operations Manual to include AML/CFT risk-based supervisions, and undertaking institutional and sectoral risk assessments.

## ANNEX 3: MEMORANDUM ON HOW RESOLUTIONS BY PARLIAMENT ON PREVIOUS BUDGET POLICY STATEMENTS HAVE BEEN INCORPORATED

### Introduction

1. **Section 25(8)** of the **Public Finance Management (PFM) Act, 2012** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2022 Budget Policy Statement and the 2023 Budget Policy Statement on 24<sup>th</sup> February, 2022 and 15<sup>th</sup> March, 2023, respectively.

2. **Section 38(1) (iii)** of the **PFM Act, 2012** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2022 BPS and 2023 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
<b>A. Policy Resolutions on the 2022 BPS</b>		
1.	<ul style="list-style-type: none"> <li>The National Treasury ought to prepare the Budget Policy Statement in line with the debt ceiling.</li> <li>The National Treasury ought to amend the debt ceiling to enable them implement the budget as proposed, rationalize expenditure or implement revenue enhancing measures.</li> </ul>	<p>The 2023 Budget Policy Statement has been prepared in line with the debt ceiling of Ksh 10.0 trillion. Public and publicly guaranteed debt in nominal terms as at end December, 2022 was Ksh 9,145.6 billion compared to the statutory public debt limit of Ksh 10,000 billion as per the PFM (National Government) (Amended 2022) Regulations, 2015.</p> <p>The reforms on the revenue and expenditure side outlined in the 2023 BPS, are expected to result in the reduction of the fiscal deficit including grants from Ksh 833.9 billion (5.7 percent of GDP) in the FY 2022/23</p>

No.	Resolution	Action taken
		to Ksh 720.1 billion (4.4 percent of GDP) in the FY 2023/24 and further to Ksh 826.1 billion (3.6 percent of GDP) in the FY 2026/27. This reduction will result in reduction in the growth of public debt thereby boosting the country's debt sustainability position.
2.	The National Treasury expedites the finalization of the proposed Medium Term Revenue Strategy (MTRS) and submits it to the National Assembly by 30 <sup>th</sup> April, 2022.	The National Treasury has already developed an action plan to guide the development of the MTRS and issued a Circular on 30 <sup>th</sup> August, 2022 inviting proposals from Government MDAs and the County Governments for the development of the MTRS. The draft MTRS will be developed by end February 2023 and will be circulated to MDAs for their inputs, as part of public participation, before the Strategy is finalized.
3.	The National Treasury should prepare and submit a status report of the Credit Guarantee Scheme to the National Assembly. This report should contain details on the amount released and the number of beneficiaries.	The National Treasury prepared and submitted to Parliament an annual performance report on the performance of the Credit Guarantee Scheme on 30 <sup>th</sup> September, 2022. In summary, from December 2020 to 30 <sup>th</sup> June 2022, CGS disbursed a cumulative value of approximately Ksh 3.9 billion to 2,490 MSMEs, across 46 Counties and 11 sectors of economy as reported by the banks through the Central Bank of Kenya. All the three sizes of enterprises (micro, small, and medium) have benefitted from CGS facilities issued where small enterprises received 1,501, medium enterprises received 381 while micro enterprises received 608. The enterprises owned by women, youth and persons with disabilities (PwDs) received 20% of the total number of guaranteed facilities that had been disbursed. Women beneficiaries were 327, youth beneficiaries were 164, while PwDs were 9. The beneficiaries of the CGS so far support a minimum of 13,901 jobs.

No.	Resolution	Action taken
4.	The National Treasury, Kenya Revenue Authority (KRA), Commission on Revenue Allocation (CRA) and the Council of Governors should fast-track the development of an integrated County Revenue Management system for a unified revenue collection system for all counties. The CRA should fast track the development of model tariffs and pricing policy to guide counties to develop their own.	The National Treasury, KRA, CRA and the Council of Governors will fast track the development and implementation of the integrated County Governments revenue management system to ensure that the County Governments use a uniform system that seals revenue leakages and provides value for money invested in it.
5.	For effective and smooth implementation and management of this school feeding programme, it should be fully transferred and domiciled in the National Council for Nomadic Education in Kenya (NACONEK).	The National Treasury has transferred allocation for School Feeding Programme to the National Council for Nomadic Education in Kenya (NACONEK) as resolved by the National Assembly.
<b>B. Policy Resolutions on the 2023 BPS</b>		
6.	The National Assembly to amendment to the Public Finance Management Act, 2012 and attendant regulations to extend the timelines for consideration of the BPS by Parliament from 14 days to 28 days.	The National Treasury will comply with the effected amendments.
7.	The National Treasury should ensure that Ministries, Departments and Agencies (MDAs) have aligned their budgets, projects and key performance indicators to the proposed value chain approach under the Bottom-Up Economic Transformation Agenda (BETA) within the approved ceilings.	The budgets of MDAs have been prioritized and matched with the BETA Value Chain priorities. The FY 2023/24 Budget Estimates include specifics about the BETA priorities and performance indicators.
8.	The deficit financing strategy and public debt mix be undertaken in accordance with the resolutions of the National Assembly based on the Report of the Public Debt and Privatization Committee on the 2023 Medium Term Debt Management Strategy.	The National Treasury will continue monitoring implementation of MTDS, alternative borrowing strategies and the fiscal deficit approved by parliament.

No.	Resolution	Action taken
9.	The National Treasury should provide a list of all projects to be completed in FY 2023/24 for all MDAs reconcilable with the development budget; with a view to consolidating thinly spread allocations to high impact priority projects to ensure completion.	The National Treasury has ensured that MDAs prioritized projects for completion by consolidating thinly spread allocations to high impact priority projects. The details of the projects to be completed in the FY 2023/24 and will be submitted alongside the FY 2023/24 Budget Estimates
10	Before submission of the 2023/24 annual estimates, the National Treasury reviews donor funded projects including the existing financing framework and develops a strategy to fast-track their implementation and review the terms of the facilities.	The National Treasury will assess donor-funded programs and projects, including existing financing frameworks, and create a portfolio review and assessment report to expedite externally funded project implementation.
11	The National Treasury spearheads a review of the State Corporations and Semi-Autonomous Government Agencies (SAGAs) with a view of rationalization to remove overlaps, duplication and redundancies.	The National Treasury has formed a High Level Fiscal Risk Committee to assess and report fiscal risks from State Corporations and SAGAs, with a year-long study planned.
12	Prior to the submission of the 2023/24 Annual Estimates, the National Treasury in collaboration NG CDF should develop a framework for implementing National Government initiatives at the constituency level before the submission of the 2023/24 Annual Estimates.	The Government has allocated resources for infrastructure development for schools. In addition, the Ministry will be engaging NG-CDF to support some of the infrastructure needs.
13	Prior to April 2023, the National Government reviews taxation levied in the aviation industry and addresses the heavy taxation on purchase of spare parts in the aviation sector. This should be submitted to the National Assembly during consideration of the Finance Bill, 2023.	The National Treasury received proposals from the aviation industry on taxation on purchase of spare parts were considered in the Finance Bill, 2023.
14	From the onset of FY 2023/24, the National Treasury through the Public Sector Accounting Standards Board should start preparations for migration from the cash basis accounting system	The National Treasury has done the following in readiness for accrual accounting: i) revised the Standard Chart of Accounts; ii) prepared and published policy guidelines on identification, measurement and presentation of assets and liabilities; iii) updated the register of bank

No.	Resolution	Action taken
	to an accrual system in line with Sections 81 and 164 of the Public Finance Management Act, 2012.	accounts; and iv) prepared a Cabinet Memorandum on transition to accrual accounting for Cabinet approval.
15	The National Assembly proposes amendment to the Public-Private Partnership Act to require regular submission of project lists by the National Treasury which are under consideration for funding through the Public Private Partnership (PPP) framework before the end of the FY 2023/24.	Section 88 (3) of the PPP Act already provides for regular reporting to Parliament by the Cabinet Secretary, National Treasury and Economic Planning. The National Treasury will continue to adhere to the provisions of the Act.
16	The National Treasury, in collaboration with stakeholders, to establish a collaboration framework between the County and the National Government for the implementation of shared policy proposals by September 30, 2023.	The National Treasury formed an Inter-Agency Taskforce in 2021 to operationalize Constitutional Articles 187 and 189, resulting in a draft legislative proposal. Public participation took place between March 20 <sup>th</sup> and 23 <sup>rd</sup> , 2023.
17	The National Treasury and the State Department for ASALs and Regional Development undertakes review Regional Development Authorities' mandates, contribution to national development agenda, and revitalization options by 30 <sup>th</sup> December, 2023.	The National Treasury will collaborate with the State Department for ASALs and Regional Development to review the mandates, legal implications, and contributions of Regional Development Authorities. This will inform recommendations for the revitalization of the Regional Development Authorities.
18	By June 2023, the National Treasury develops a framework for governing conditional grants to the County Governments to ensure that they meet their intended objectives. This should include the role, criteria and counterpart contribution by the counties to ensure the initiatives take off.	In order to manage the distribution of conditional grants to County Governments, MDAs have presented frameworks to the National Treasury that specify terms, responsibilities, criteria for allocation, and requirements for counterpart contributions.



**Annex Table 1: Macroeconomic Indicators**

	2022/23	2023/24			2024/25		2025/26		2026/27		2027/28	
	Prel. Act	Budget Estimates	Appr. Suppl. I	Proj.	BROP 2023	BPS 2024	BROP 2023	BPS 2024	BROP 2023	BPS 2024	BROP 2023	BPS 2024
<i>annual percentage change, unless otherwise indicated</i>												
<b>National Account and Prices</b>												
Real GDP	5.2	5.5	5.5	5.5	5.9	5.5	6.1	5.5	6.2	5.5	6.3	5.6
GDP deflator	6.6	7.6	6.7	6.7	5.6	5.5	5.4	5.7	5.4	5.7	5.6	5.6
CPI Index (eop)	7.0	6.6	5.7	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	7.7	7.2	6.3	6.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.9	-3.4	-2.5	-2.5	1.4	1.9	1.3	2.7	1.9	3.4	3.1	3.7
<b>Money and Credit (end of period)</b>												
Net domestic assets	11.5	12.5	13.6	13.5	9.2	10.1	11.3	9.6	10.3	8.9	9.7	8.3
Net domestic credit to the Government	13.0	10.9	9.5	8.4	9.2	6.9	9.4	9.7	6.9	7.7	6.3	8.1
Credit to the rest of the economy	12.2	14.0	13.6	14.2	12.0	14.3	17.0	14.5	15.0	12.7	15.4	12.9
Broad Money, M3 (percent change)	13.4	13.3	13.0	13.0	11.7	11.7	11.0	11.0	10.9	10.9	10.9	10.9
Reserve money (percent change)	-5.9	13.2	12.9	12.9	11.6	11.6	10.9	10.9	10.8	10.8	10.8	10.8
<i>in percentage of GDP, unless otherwise indicated</i>												
<b>Investment and Saving</b>												
Investment	19.3	16.3	19.2	19.5	21.1	19.7	22.4	19.9	23.3	19.9	23.7	19.8
Central Government	3.3	4.1	4.1	3.9	4.7	4.3	5.2	4.9	5.1	4.9	5.1	5.3
Other	15.9	12.2	15.1	15.6	16.4	15.4	17.2	15.0	18.2	15.0	18.6	14.5
Gross National Saving	14.8	8.7	15.3	15.5	15.5	15.7	17.0	15.9	17.6	15.9	18.1	15.8
Central Government	-1.8	0.8	-0.3	0.1	1.3	1.5	2.4	2.4	2.7	2.5	3.0	3.0
Other	16.6	7.9	15.5	15.4	14.2	14.2	14.6	13.5	14.9	13.3	15.1	12.8
<b>Central Government Budget</b>												
Total revenue	16.5	18.3	18.9	19.0	18.9	19.1	19.2	19.2	19.7	19.7	20.2	20.2
Total expenditure and net lending	22.6	23.0	24.7	24.2	23.6	23.2	23.1	22.8	23.3	23.3	23.5	23.7
Overall Fiscal balance excl. grants	-6.0	-4.7	-5.8	-5.2	-4.7	-4.2	-4.0	-3.6	-3.6	-3.6	-3.3	-3.4
Overall Fiscal balance, incl. grants, cash basis	-5.6	-4.4	-5.5	-4.9	-4.4	-3.9	-3.7	-3.3	-3.3	-3.3	-3.0	-3.1
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
Overall Fiscal balance, incl. grants, cash basis- adj. discrepancy	-5.6	-4.4	-5.5	-4.9	-4.4	-3.9	-3.7	-3.3	-3.3	-3.3	-3.0	-3.1
Primary budget balance	-0.8	0.3	0.2	0.7	0.9	1.7	1.2	1.8	1.3	1.5	1.4	1.3
Net domestic borrowing	3.2	3.6	2.9	2.6	2.8	2.1	2.8	2.8	2.0	2.2	1.8	2.3
<b>External Sector</b>												
Exports value, goods and services	12.7	12.1	12.7	13.0	14.1	12.8	13.2	12.7	12.3	12.6	11.6	12.7
Imports value, goods and services	21.6	20.6	21.6	21.4	23.3	20.7	21.5	19.7	20.3	19.1	19.3	18.8
Current external balance, including official transfers	-4.4	-7.6	-4.4	-4.0	-5.6	-4.1	-5.4	-4.0	-5.6	-4.0	-5.6	-4.0
Gross reserves in months of next yr's imports	5.8	5.5	5.8	5.4	5.8	5.5	5.7	5.5	5.7	5.5	5.9	5.6
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0	6.0	6.1	6.1
<b>Public debt</b>												
Nominal central government debt (eop), gross	71.4	62.0	68.7	68.0	65.8	64.8	62.9	61.7	60.0	58.9	57.1	56.3
Nominal debt (eop), net of deposits	68.0	58.7	65.7	65.0	63.1	62.1	60.5	59.3	57.9	56.7	55.2	54.3
Domestic (gross)	33.9	32.3	32.9	32.6	32.1	31.3	31.7	31.0	30.6	30.2	29.4	29.5
Domestic (net)	30.5	29.0	29.9	29.6	29.4	28.6	29.3	28.6	28.5	28.0	27.5	27.5
External	37.5	29.7	35.8	35.5	33.7	33.6	31.2	30.7	29.4	28.8	27.7	26.8
<b>Memorandum Items:</b>												
Nominal GDP (in Ksh Billion)	14,274	16,290	16,132	16,132	18,015	18,015	20,002	20,002	22,180	22,180	24,595	24,595
Nominal GDP (in US\$ Million)	107,035	122,057	108,289	108,251	128,428	120,552	140,581	134,271	154,278	148,796	170,410	163,567

Source: National Treasury

**Annex Table 2: Government Fiscal Operations, Ksh Billion**

	2022/23	2023/24			2024/25		2025/26		2026/27		2027/28	
	Prel. Act	Budget Estimates	Appr. Suppl. I	Proj.	BROP 2023	BPS 2024	BROP 2023	BPS 2024	BROP 2023	BPS 2024	BROP 2023	BPS 2024
<b>TOTAL REVENUE</b>	<b>2,360.5</b>	<b>2,985.6</b>	<b>3,047.6</b>	<b>3,070.6</b>	<b>3,407.8</b>	<b>3,435.0</b>	<b>3,835.5</b>	<b>3,833.1</b>	<b>4,379.2</b>	<b>4,376.5</b>	<b>4,978.4</b>	<b>4,978.4</b>
Ordinary Revenue	2,041.1	2,571.2	2,576.8	2,624.6	2,918.9	2,948.1	3,294.4	3,294.2	3,776.0	3,775.7	4,305.8	4,305.8
Income Tax	941.6	1,198.5	1,198.5	1,198.5	1,325.7	1,325.7	1,500.1	1,500.1	1,734.5	1,734.5	1,979.0	1,979.0
Import duty (net)	130.1	173.3	173.3	173.3	199.4	199.4	229.0	229.0	258.1	258.1	290.8	290.8
Excise duty	264.5	352.7	352.7	352.7	401.1	401.1	460.0	460.0	521.5	521.5	591.2	591.2
Value Added Tax	550.4	703.3	703.3	703.3	804.7	804.7	926.2	926.2	1,061.3	1,061.3	1,220.0	1,220.0
Investment income	41.3	33.1	38.7	38.7	39.7	39.7	38.1	38.1	42.3	42.3	46.9	46.9
Other	113.2	110.3	110.3	158.1	148.3	177.6	141.0	140.8	158.3	158.1	177.8	177.8
<b>Ministerial Appropriation in Aid</b>	<b>319.4</b>	<b>414.4</b>	<b>470.8</b>	<b>445.9</b>	<b>488.9</b>	<b>486.9</b>	<b>541.1</b>	<b>538.9</b>	<b>603.2</b>	<b>600.8</b>	<b>672.6</b>	<b>672.6</b>
Railway Development Levy	39.9	37.4	37.4	37.4	56.4	56.4	61.5	61.5	67.1	67.1	75.6	75.6
African Union & Int'l Subscription Fund	6.2	6.9	6.9	6.9	8.3	8.3	9.2	9.2	10.2	10.2	11.4	11.4
Road Maintenance Levy Transfer to Counties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent	213.5	232.8	260.0	260.0	258.4	247.8	286.8	286.8	318.3	318.3	353.3	353.3
Export Promotion Levy (AIA)		0.0	0.0	0.0	2.0	0.0	2.2	0.0	2.4	0.0	2.7	2.7
PDL - Recurrent	20.5	24.9	54.2	29.3	23.3	23.3	24.9	24.9	26.2	26.2	27.5	27.5
Development/NMS	33.9	46.4	46.4	46.3	64.9	64.9	70.1	70.1	78.5	78.5	88.0	88.0
PDL - Development	5.5	2.8	2.7	2.8	5.8	5.8	6.2	6.2	6.6	6.6	7.1	7.1
Housing Development Levy		63.2	63.2	63.2	69.8	69.8	80.2	80.2	93.8	93.8	106.9	106.9
<b>EXPENDITURE AND NET LENDING</b>	<b>3,221.0</b>	<b>3,746.6</b>	<b>3,981.5</b>	<b>3,902.9</b>	<b>4,257.3</b>	<b>4,188.2</b>	<b>4,627.2</b>	<b>4,553.0</b>	<b>5,174.8</b>	<b>5,170.0</b>	<b>5,786.0</b>	<b>5,823.1</b>
Recurrent expenditure	2,311.6	2,536.3	2,793.9	2,760.1	2,851.0	2,859.3	3,020.0	3,026.5	3,371.2	3,403.7	3,799.9	3,799.9
Interest payments	687.3	775.1	918.8	892.8	966.1	1,008.7	979.4	1,025.8	1,018.1	1,050.6	1,089.0	1,089.0
Domestic interest	533.1	628.3	646.4	646.4	716.1	747.7	739.9	786.3	791.4	824.0	854.5	854.5
Foreign interest	154.2	146.9	272.5	246.5	250.0	261.0	239.5	239.5	226.6	226.6	234.5	234.5
Pensions & Other CFS	120.4	165.4	165.4	165.4	181.4	181.4	199.3	199.3	250.3	250.3	287.8	287.8
Pensions	117.1	160.6	160.6	160.6	176.5	176.5	194.2	194.2	244.4	244.4	281.0	281.0
Other CFS	3.3	4.7	4.8	4.8	4.9	4.9	5.1	5.1	5.9	5.9	6.8	6.8
Contribution to Civil Service Pension Fund	29.6	28.5	28.5	28.5	31.3	31.3	34.4	34.4	45.7	45.7	49.2	49.2
Net Issues/Net Expenditure	1,234.1	1,302.7	1,360.0	1,377.1	1,382.2	1,358.4	1,486.0	1,446.0	1,702.4	1,702.4	1,981.6	1,981.6
O/W: Wages & Salaries	539.6	584.6	589.5	589.5	645.3	645.3	703.4	703.4	914.9	914.9	983.8	983.8
Free Secondary education	67.6	68.6	71.9	71.9	110.1	110.1	110.1	110.1	116.7	116.7	123.7	123.7
Free Primary Education	14.5	14.4	14.9	14.9	23.4	23.4	23.4	23.4	24.8	24.8	26.3	26.3
Junior Secondary School - Capitation								31.0				
IEBC	19.9	4.6	4.3	4.3	6.9	6.9	6.9	6.9	7.3	7.3	7.7	7.7
Defense and NIS	172.2	183.3	192.4	190.8	170.0	170.0	170.0	170.0	176.8	176.8	183.9	183.9
Others	388.6	422.4	462.2	480.9	390.4	366.6	436.1	365.1	415.4	415.4	606.9	606.9
Ministerial Recurrent AIA	240.2	264.6	321.1	296.2	290.0	279.5	320.9	320.9	354.7	354.7	392.3	392.3
<b>Development and Net lending</b>	<b>493.7</b>	<b>777.8</b>	<b>762.6</b>	<b>717.8</b>	<b>957.3</b>	<b>877.8</b>	<b>1,129.3</b>	<b>1,068.7</b>	<b>1,246.6</b>	<b>1,209.3</b>	<b>1,390.8</b>	<b>1,427.9</b>
Domestically financed (Gross)	343.8	472.2	455.2	437.7	536.2	524.5	664.4	664.4	715.3	715.3	822.3	822.3
O/W Domestically Financed (Net)/NMS	264.5	322.3	305.5	288.0	339.3	332.3	446.4	446.4	469.2	469.2	544.6	544.6
Ministerial Development AIA	73.8	83.8	83.8	83.7	123.5	123.5	154.8	154.8	145.7	145.7	163.7	163.7
Foreign financed	137.6	280.6	277.6	250.3	390.0	322.2	431.7	371.1	512.7	475.2	554.0	591.2
Net lending	12.3	17.2	18.9	18.9	19.7	19.7	19.7	19.7	4.4	4.4	0.0	0.0
Equalization Fund	0.0	7.9	10.9	10.9	11.4	11.4	13.6	13.6	14.2	14.4	14.4	14.4
<b>County Transfers</b>	<b>415.8</b>	<b>429.7</b>	<b>423.9</b>	<b>423.9</b>	<b>444.0</b>	<b>446.1</b>	<b>472.9</b>	<b>452.9</b>	<b>552.0</b>	<b>552.0</b>	<b>590.3</b>	<b>590.3</b>
Equitable Share	399.6	385.4	385.4	385.4	406.7	391.1	435.6	415.6	515.1	515.1	553.4	553.4
Conditional Allocation	16.2	44.3	38.5	38.5	37.3	54.9	37.3	37.3	37.0	37.0	37.0	37.0
<b>Contingency Fund</b>	<b>0.0</b>	<b>2.8</b>	<b>1.2</b>	<b>1.2</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Fiscal Balance (commitment basis excl. grants)</b>	<b>-860.5</b>	<b>-761.1</b>	<b>-934.0</b>	<b>-832.3</b>	<b>-849.5</b>	<b>-753.2</b>	<b>-791.6</b>	<b>-719.9</b>	<b>-795.5</b>	<b>-793.5</b>	<b>-807.6</b>	<b>-844.8</b>
<b>Grants</b>	<b>23.1</b>	<b>42.2</b>	<b>47.4</b>	<b>47.4</b>	<b>49.3</b>	<b>49.3</b>	<b>53.2</b>	<b>53.2</b>	<b>68.6</b>	<b>68.6</b>	<b>73.8</b>	<b>73.8</b>
<b>Fiscal Balance (incl. grants)</b>	<b>-837.4</b>	<b>-718.9</b>	<b>-886.6</b>	<b>-785.0</b>	<b>-800.2</b>	<b>-703.9</b>	<b>-738.4</b>	<b>-666.7</b>	<b>-726.9</b>	<b>-724.9</b>	<b>-733.8</b>	<b>-771.0</b>
Adjustment to Cash Basis	37.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (incl. grants) Cash Basis</b>	<b>-800.4</b>	<b>-718.9</b>	<b>-886.6</b>	<b>-785.0</b>	<b>-800.2</b>	<b>-703.9</b>	<b>-738.4</b>	<b>-666.7</b>	<b>-726.9</b>	<b>-724.9</b>	<b>-733.8</b>	<b>-771.0</b>
Statistical discrepancy	-30.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL FINANCING</b>	<b>770.3</b>	<b>718.9</b>	<b>886.6</b>	<b>785.0</b>	<b>800.2</b>	<b>703.9</b>	<b>738.4</b>	<b>666.7</b>	<b>726.9</b>	<b>724.9</b>	<b>733.8</b>	<b>771.0</b>
<b>Net Foreign Financing</b>	<b>310.8</b>	<b>131.5</b>	<b>412.1</b>	<b>362.2</b>	<b>296.5</b>	<b>326.1</b>	<b>176.0</b>	<b>103.7</b>	<b>276.1</b>	<b>230.8</b>	<b>292.9</b>	<b>217.5</b>
<b>Disbursements</b>	<b>548.2</b>	<b>607.1</b>	<b>978.7</b>	<b>995.2</b>	<b>626.2</b>	<b>670.0</b>	<b>602.8</b>	<b>542.2</b>	<b>663.7</b>	<b>626.2</b>	<b>717.2</b>	<b>754.4</b>
Commercial Financing	102.2	270.0	175.1	175.1	151.0	151.0	166.1	166.1	182.7	182.7	200.0	200.0
O/W Export Credit	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 & Other Commercial Financing	102.2	270.0	175.1	175.1	151.0	151.0	166.1	166.1	182.7	182.7	200.0	200.0
Total Project loans (AIA + Revenue)	136.2	271.6	263.4	236.1	377.6	308.5	415.4	354.8	481.0	443.5	517.2	554.4
o/w: Project loans (AIA)	74.2	149.1	148.7	134.7	263.0	203.0	289.3	233.5	307.6	291.9	330.8	364.8
Project Loans Revenue	62.0	122.5	114.8	101.5	114.6	105.5	126.1	121.3	173.4	151.7	186.4	189.6
Use of IMF SDR Allocation	42.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	266.9	65.4	540.2	583.9	97.6	210.5	21.3	21.3	0.0	0.0	0.0	0.0
Debt repayment - Principal	-237.4	-475.6	-566.7	-633.0	-329.7	-343.9	-426.8	-438.5	-387.7	-395.5	-424.3	-536.9
<b>Net Domestic Financing</b>	<b>459.5</b>	<b>587.4</b>	<b>474.5</b>	<b>422.7</b>	<b>503.7</b>	<b>377.7</b>	<b>562.4</b>	<b>563.0</b>	<b>450.9</b>	<b>494.1</b>	<b>440.9</b>	<b>553.5</b>
<b>Memo items</b>												
Gross Debt (Stock)	10,189.5	10,130.4	11,076.1	10,974.5	11,851.0	11,678.4	12,589.4	12,345.1	13,316.3	13,070.0	14,050.1	13,841.0
External Debt	5,357.4	5,065.6	5,769.5	5,719.7	6,066.0	6,045.8	6,242.0	6,149.5	6,518.1	6,380.3	6,811.0	6,597.7
Domestic Debt (gross)	4,832.1	5,064.7	5,306.7	5,254.9	5,785.0	5,632.6	6,347.4	6,195.6	6,798.3	6,689.7	7,239.2	7,243.2
Domestic Debt (net)	4,347.5	4,522.4	4,822.1	4,770.3	5,300.4	5,148.0	5,862.8	5,711.0	6,313.7	6,205.1	6,754.6	6,758.6
Financing gap	-67.1		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Nominal GDP</b>	<b>14,274.4</b>	<b>16,290.3</b>	<b>16,131.5</b>	<b>16,131.5</b>	<b>18,015.2</b>	<b>18,015.2</b>	<b>20,002.3</b>	<b>20,002.3</b>	<b>22,180.5</b>	<b>22,180.5</b>	<b>24,594.5</b>	<b>24,594.5</b>

Source: The National Treasury

**Annex Table 3: Government Fiscal Operations, Percent of GDP**

	2022/23	2023/24			2024/25		2025/26		2026/27		2027/28	
	Prel. Act	Budget Estimates	Appr. Suppl. I	Proj.	BROP 2023	BPS 2024	BROP 2023	BPS 2024	BROP 2023	BPS 2024	BROP 2023	BPS 2024
<b>TOTAL REVENUE</b>	<b>16.5</b>	<b>18.3</b>	<b>18.9</b>	<b>19.0</b>	<b>18.9</b>	<b>19.1</b>	<b>19.2</b>	<b>19.2</b>	<b>19.7</b>	<b>19.7</b>	<b>20.2</b>	<b>20.2</b>
<b>Ordinary Revenue</b>	<b>14.3</b>	<b>15.8</b>	<b>16.0</b>	<b>16.3</b>	<b>16.2</b>	<b>16.4</b>	<b>16.5</b>	<b>16.5</b>	<b>17.0</b>	<b>17.0</b>	<b>17.5</b>	<b>17.5</b>
Income Tax	6.6	7.4	7.4	7.4	7.4	7.4	7.5	7.5	7.8	7.8	8.0	8.0
Import duty (net)	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Excise duty	1.9	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.4	2.4	2.4	2.4
Value Added Tax	3.9	4.3	4.4	4.4	4.5	4.5	4.6	4.6	4.8	4.8	5.0	5.0
Investment income	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	0.7	0.7	1.0	0.8	1.0	0.7	0.7	0.7	0.7	0.7	0.7
<b>Ministerial Appropriation in Aid</b>	<b>2.2</b>	<b>2.5</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
<b>EXPENDITURE AND NET LENDING</b>	<b>22.6</b>	<b>23.0</b>	<b>24.7</b>	<b>24.2</b>	<b>23.6</b>	<b>23.2</b>	<b>23.1</b>	<b>22.8</b>	<b>23.3</b>	<b>23.3</b>	<b>23.5</b>	<b>23.7</b>
<b>Recurrent expenditure</b>	<b>16.2</b>	<b>15.6</b>	<b>17.3</b>	<b>17.1</b>	<b>15.8</b>	<b>15.9</b>	<b>15.1</b>	<b>15.1</b>	<b>15.2</b>	<b>15.3</b>	<b>15.5</b>	<b>15.5</b>
Interest payments	4.8	4.8	5.7	5.5	5.4	5.6	4.9	5.1	4.6	4.7	4.4	4.4
Domestic interest	3.7	3.9	4.0	4.0	4.0	4.2	3.7	3.9	3.6	3.7	3.5	3.5
Foreign Interest	1.1	0.9	1.7	1.5	1.4	1.4	1.2	1.2	1.0	1.0	1.0	1.0
Pensions & Other CFS	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.2
Pensions	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	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
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	8.6	8.0	8.4	8.5	7.7	7.5	7.4	7.2	7.7	7.7	8.1	8.1
O/W: Wages & Salaries	3.8	3.6	3.7	3.7	3.6	3.6	3.5	3.5	4.1	4.1	4.0	4.0
Free Secondary education	0.5	0.4	0.4	0.4	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Free Primary Education	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Junior Secondary School - Capitation			0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
IEBC	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KRA	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Defense and NIS	1.2	1.1	1.2	1.2	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7
Others	2.7	2.6	2.9	3.0	2.2	2.0	2.2	1.8	1.9	1.9	2.5	2.5
Ministerial Recurrent AIA	1.7	1.6	2.0	1.8	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
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
<b>Development and Net lending</b>	<b>3.5</b>	<b>4.8</b>	<b>4.7</b>	<b>4.4</b>	<b>5.3</b>	<b>4.9</b>	<b>5.6</b>	<b>5.3</b>	<b>5.6</b>	<b>5.5</b>	<b>5.7</b>	<b>5.8</b>
Domestically financed (Gross)	2.4	2.9	2.8	2.7	3.0	2.9	3.3	3.3	3.2	3.2	3.3	3.3
O/W Domestically Financed (Net)/NMS	1.9	2.0	1.9	1.8	1.9	1.8	2.2	2.2	2.1	2.1	2.2	2.2
Ministerial Development AIA	0.5	0.5	0.5	0.5	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Foreign financed	1.0	1.7	1.7	1.6	2.2	1.8	2.2	1.9	2.3	2.1	2.3	2.4
Net lending	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>County Transfers</b>	<b>2.9</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>
<b>Equitable Share</b>	<b>2.8</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>	<b>2.1</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>
Conditional Allocation	0.1	0.3	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
<b>Contingency Fund</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Fiscal Balance (commitment basis excl. grants)</b>	<b>-6.0</b>	<b>-4.7</b>	<b>-5.8</b>	<b>-5.2</b>	<b>-4.7</b>	<b>-4.2</b>	<b>-4.0</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.3</b>	<b>-3.4</b>
<b>Grants</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Fiscal Balance (incl. grants)</b>	<b>-5.9</b>	<b>-4.4</b>	<b>-5.5</b>	<b>-4.9</b>	<b>-4.4</b>	<b>-3.9</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.0</b>	<b>-3.1</b>
Adjustment to Cash Basis	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (incl. grants) Cash Basis</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-5.5</b>	<b>-4.9</b>	<b>-4.4</b>	<b>-3.9</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-3.0</b>	<b>-3.1</b>
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
<b>TOTAL FINANCING</b>	<b>5.4</b>	<b>4.4</b>	<b>5.5</b>	<b>4.9</b>	<b>4.4</b>	<b>3.9</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>
<b>Net Foreign Financing</b>	<b>2.2</b>	<b>0.8</b>	<b>2.6</b>	<b>2.2</b>	<b>1.6</b>	<b>1.8</b>	<b>0.9</b>	<b>0.5</b>	<b>1.2</b>	<b>1.0</b>	<b>1.2</b>	<b>0.9</b>
<b>Disbursements</b>	<b>3.8</b>	<b>3.7</b>	<b>6.1</b>	<b>6.2</b>	<b>3.5</b>	<b>3.7</b>	<b>3.0</b>	<b>2.7</b>	<b>3.0</b>	<b>2.8</b>	<b>2.9</b>	<b>3.1</b>
<b>Commercial Financing</b>	<b>0.7</b>	<b>1.7</b>	<b>1.1</b>	<b>1.1</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
O/W Export Credit	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 & Other Commercial Financing	0.7	1.7	1.1	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Project loans (AIA + Revenue)	1.0	1.7	1.6	1.5	2.1	1.7	2.1	1.8	2.2	2.0	2.1	2.3
o/w: Project loans (AIA)	0.5	0.9	0.9	0.8	1.5	1.1	1.4	1.2	1.4	1.3	1.3	1.5
Project Loans Revenue	0.4	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.8	0.7	0.8	0.8
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
Project Loans SGR_Phase 2A_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
Use of IMF SDR Allocation	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	1.9	0.4	3.3	3.6	0.5	1.2	0.1	0.1	0.0	0.0	0.0	0.0
<b>Debt repayment - Principal</b>	<b>-1.7</b>	<b>-2.9</b>	<b>-3.5</b>	<b>-3.9</b>	<b>-1.8</b>	<b>-1.9</b>	<b>-2.1</b>	<b>-2.2</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-1.7</b>	<b>-2.2</b>
<b>Net Domestic Financing</b>	<b>3.2</b>	<b>3.6</b>	<b>2.9</b>	<b>2.6</b>	<b>2.8</b>	<b>2.1</b>	<b>2.8</b>	<b>2.8</b>	<b>2.0</b>	<b>2.2</b>	<b>1.8</b>	<b>2.3</b>
<b>Memo items</b>												
Gross Debt (Stock)	71.4	62.2	68.7	68.0	65.8	64.8	62.9	61.7	60.0	58.9	57.1	56.3
External Debt	37.5	31.1	35.8	35.5	33.7	33.6	31.2	30.7	29.4	28.8	27.7	26.8
Domestic Debt (gross)	33.9	31.1	32.9	32.6	32.1	31.3	31.7	31.0	30.6	30.2	29.4	29.5
Domestic Debt (net)	30.5	27.8	29.9	29.6	29.4	28.6	29.3	28.6	28.5	28.0	27.5	27.5
Financing gap	-0.5	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

Source: The National Treasury

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million)**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
<b>010</b>	<b>AGRICULTURE, RURAL &amp; URBAN DEVELOPMENT</b>	<b>32,506.7</b>	<b>65,582.3</b>	<b>98,089.1</b>	<b>29,820.2</b>	<b>57,989.1</b>	<b>87,809.3</b>	<b>31,320.8</b>	<b>64,490.6</b>	<b>95,811.4</b>	<b>32,930.6</b>	<b>64,297.6</b>	<b>97,228.2</b>
	1112 State Department for Lands and Physical Planning	3,890.0	5,400.0	9,290.0	4,113.1	5,093.5	9,206.6	4,227.5	7,415.0	11,642.5	4,351.7	7,968.0	12,319.7
	0101000 Land Policy and Planning	2,677.0	3,977.5	6,654.5	2,808.0	4,227.5	7,035.5	2,861.7	5,775.0	8,636.7	2,941.4	6,318.0	9,259.4
	0121000 Land Information Management	-	1,364.5	1,364.5	53.0	866.0	919.0	54.0	1,640.0	1,694.0	54.0	1,650.0	1,704.0
	0122000 General Administration, Planning and Support Services	1,213.0	58.0	1,271.0	1,252.1	-	1,252.1	1,311.8	-	1,311.8	1,356.3	-	1,356.3
	1162 State Department for Livestock Development	5,678.2	9,306.0	14,984.2	4,528.5	11,037.5	15,566.0	4,763.4	12,807.0	17,570.4	4,976.8	11,105.0	16,081.8
	0112000 Livestock Resources Management and Development	5,678.2	9,306.0	14,984.2	4,528.5	11,037.5	15,566.0	4,763.4	12,807.0	17,570.4	4,976.8	11,105.0	16,081.8
	1166 State Department for the Blue Economy and Fisheries	2,821.1	8,985.6	11,806.8	3,074.3	10,502.9	13,577.2	3,286.1	10,378.0	13,664.1	3,509.1	8,159.0	11,668.1
	0111000 Fisheries Development and Management	2,556.5	6,664.9	9,221.5	2,737.8	8,436.9	11,174.7	2,940.1	8,306.0	11,246.1	3,153.0	4,085.5	7,238.5
	0117000 General Administration, Planning and Support Services	252.6	-	252.6	293.9	-	293.9	300.9	-	300.9	308.5	-	308.5
	0118000 Development and Coordination of the Blue Economy	12.0	2,320.7	2,332.7	42.6	2,066.0	2,108.6	45.1	2,072.0	2,117.1	47.6	4,073.5	4,121.1
	1169 State Department for Crop Development	18,627.5	41,784.7	60,412.2	16,435.9	31,207.4	47,643.3	17,325.8	33,733.6	51,059.4	18,223.4	36,890.6	55,114.0
	0107000 General Administration Planning and Support Services	5,445.2	1,533.0	6,978.2	7,140.3	2,546.0	9,686.3	7,589.0	1,700.0	9,289.0	8,023.6	1,795.0	9,818.6
	0108000 Crop Development and Management	7,804.9	38,847.7	46,652.6	3,705.5	27,554.4	31,259.9	3,748.7	31,708.6	35,457.3	3,797.5	35,095.6	38,893.1
	0109000 Agribusiness and Information Management	146.1	1,145.0	1,291.1	156.9	780.0	936.9	159.0	-	159.0	163.1	-	163.1
	0120000 Agricultural Research & Development	5,231.3	259.0	5,490.3	5,433.2	327.0	5,760.2	5,829.1	325.0	6,154.1	6,239.2	-	6,239.2
	2021 National Land Commission	1,489.9	106.0	1,595.9	1,668.4	147.8	1,816.2	1,718.0	157.0	1,875.0	1,869.6	175.0	2,044.6
	0116000 Land Administration and Management	1,489.9	106.0	1,595.9	1,668.4	147.8	1,816.2	1,718.0	157.0	1,875.0	1,869.6	175.0	2,044.6
<b>020</b>	<b>ENERGY, INFRASTRUCTURE AND ICT</b>	<b>178,736.9</b>	<b>349,409.3</b>	<b>528,146.2</b>	<b>145,306.0</b>	<b>360,362.0</b>	<b>505,668.0</b>	<b>156,245.0</b>	<b>390,015.0</b>	<b>546,260.0</b>	<b>158,047.0</b>	<b>397,638.0</b>	<b>555,685.0</b>
	1091 State Department for Roads	82,845.1	149,844.0	232,689.1	72,197.0	148,257.0	220,454.0	80,716.0	160,848.0	241,564.0	81,800.0	175,553.0	257,353.0
	0202000 Road Transport	82,845.1	149,844.0	232,689.1	72,197.0	148,257.0	220,454.0	80,716.0	160,848.0	241,564.0	81,800.0	175,553.0	257,353.0
	1092 State Department for Transport	14,355.8	43,803.1	58,159.0	16,540.0	44,806.0	61,346.0	17,351.0	53,197.0	70,548.0	18,209.0	50,447.0	68,656.0
	0201000 General Administration, Planning and Support Services	1,711.8	1,074.0	2,785.8	1,147.0	2,402.0	3,549.0	1,205.0	3,838.0	5,043.0	1,199.0	889.0	2,088.0
	0203000 Rail Transport	-	39,060.5	39,060.5	500.0	37,389.0	37,889.0	500.0	37,291.0	37,791.0	660.0	40,137.0	40,797.0
	0204000 Marine Transport	612.7	1,385.0	1,997.7	601.0	3,000.0	3,601.0	626.0	10,175.0	10,801.0	626.0	7,000.0	7,626.0
	0205000 Air Transport	9,161.6	512.5	9,674.1	11,471.0	935.0	12,406.0	12,186.0	1,225.0	13,411.0	12,890.0	1,751.0	14,641.0
	0216000 Road Safety	2,869.7	1,771.1	4,640.9	2,821.0	1,080.0	3,901.0	2,834.0	668.0	3,502.0	2,834.0	670.0	3,504.0

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million)...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24		Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		Current	Capital										
<b>020</b>	<b>ENERGY, INFRASTRUCTURE AND ICT</b>	<b>178,736.9</b>	<b>349,409.3</b>	<b>528,146.2</b>	<b>145,306.0</b>	<b>360,362.0</b>	<b>505,668.0</b>	<b>156,245.0</b>	<b>390,015.0</b>	<b>546,260.0</b>	<b>158,047.0</b>	<b>397,638.0</b>	<b>555,685.0</b>
	1093 State Department for Shipping and Maritime Affairs	2,513.9	750.0	3,263.9	2,665.0	1,570.0	4,235.0	2,673.0	1,238.0	3,911.0	2,701.0	1,191.0	3,892.0
	0220000 Shipping and Maritime Affairs	2,513.9	750.0	3,263.9	2,665.0	1,570.0	4,235.0	2,673.0	1,238.0	3,911.0	2,701.0	1,191.0	3,892.0
	1094 State Department for Housing & Urban Development	1,367.7	79,193.9	80,561.6	1,364.0	80,170.0	81,534.0	1,351.0	82,731.0	84,082.0	1,365.0	79,867.0	81,232.0
	0102000 Housing Development and Human Settlement	883.4	74,069.0	74,952.4	855.0	70,340.0	71,195.0	834.0	68,949.0	69,783.0	848.0	74,472.0	75,320.0
	0105000 Urban and Metropolitan Development	154.7	5,124.9	5,279.6	188.0	9,830.0	10,018.0	193.0	13,782.0	13,975.0	195.0	5,395.0	5,590.0
	0106000 General Administration Planning and Support Services	329.5	-	329.5	321.0	-	321.0	324.0	-	324.0	322.0	-	322.0
	1095 State Department for Public Works	3,482.1	814.0	4,296.1	3,394.0	1,527.0	4,921.0	3,372.0	1,805.0	5,177.0	3,425.0	2,084.0	5,509.0
	0103000 Government Buildings	582.3	533.8	1,116.1	595.0	673.0	1,268.0	612.0	646.0	1,258.0	628.0	285.0	913.0
	0104000 Coastline Infrastructure and Pedestrian Access	91.8	152.2	244.1	96.0	660.0	756.0	99.0	949.0	1,048.0	101.0	1,585.0	1,686.0
	0106000 General Administration Planning and Support Services	367.4	6.0	373.4	355.0	14.0	369.0	371.0	15.0	386.0	372.0	15.0	387.0
	0218000 Regulation and Development of the Construction Industry	2,440.6	122.0	2,562.6	2,348.0	180.0	2,528.0	2,290.0	195.0	2,485.0	2,324.0	199.0	2,523.0
	1122 State Department for Information Communication Technology & Digital Economy	3,903.3	16,491.0	20,394.3	3,958.0	25,885.0	29,843.0	3,811.0	23,337.0	27,148.0	3,863.0	23,588.0	27,451.0
	0207000 General Administration Planning and Support Services	304.3	-	304.3	355.0	-	355.0	295.0	-	295.0	295.0	-	295.0
	0210000 ICT Infrastructure Development	821.5	15,561.0	16,382.5	848.0	15,972.0	16,820.0	814.0	8,865.0	9,679.0	839.0	8,847.0	9,686.0
	0217000 E-Government Services	2,777.5	930.0	3,707.5	2,755.0	9,913.0	12,668.0	2,702.0	14,472.0	17,174.0	2,729.0	14,741.0	17,470.0
	1123 State Department for Broadcasting & Telecommunications	6,628.8	526.0	7,154.8	6,296.0	795.0	7,091.0	6,196.0	950.0	7,146.0	6,214.0	1,105.0	7,319.0
	0207000 General Administration Planning and Support Services	265.1	-	265.1	342.0	-	342.0	283.0	-	283.0	294.0	-	294.0
	0208000 Information And Communication Services	6,115.7	385.5	6,501.2	5,676.0	545.0	6,221.0	5,635.0	675.0	6,310.0	5,642.0	730.0	6,372.0
	0209000 Mass Media Skills Development	248.0	140.5	388.5	278.0	250.0	528.0	278.0	275.0	553.0	278.0	375.0	653.0
	0221000 Film Development Services Programme												
	1152 State Department for Energy	9,143.1	55,494.3	64,637.4	11,566.0	53,316.0	64,882.0	12,157.0	61,649.0	73,806.0	12,769.0	59,419.0	72,188.0
	0211000 General Administration Planning and Support Services	383.0	175.0	558.0	409.0	150.0	559.0	418.0	200.0	618.0	440.0	200.0	640.0
	0212000 Power Generation	2,695.8	10,677.0	13,372.8	2,615.0	13,110.0	15,725.0	2,455.0	14,749.0	17,204.0	2,503.0	14,929.0	17,432.0
	0213000 Power Transmission and Distribution	5,991.0	41,759.3	47,750.3	8,451.0	39,501.0	47,952.0	9,183.0	45,985.0	55,168.0	9,745.0	43,350.0	53,095.0
	0214000 Alternative Energy Technologies	73.4	2,883.0	2,956.4	91.0	555.0	646.0	101.0	715.0	816.0	81.0	940.0	1,021.0
	1193 State Department for Petroleum	54,497.0	2,493.0	56,990.0	27,326.0	4,036.0	31,362.0	28,618.0	4,260.0	32,878.0	27,701.0	4,384.0	32,085.0
	0215000 Exploration and Distribution of Oil and Gas	54,497.0	2,493.0	56,990.0	27,326.0	4,036.0	31,362.0	28,618.0	4,260.0	32,878.0	27,701.0	4,384.0	32,085.0



**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million)...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
<b>030</b>	<b>GENERAL ECONOMIC AND COMMERCIAL AFFAIRS</b>	<b>39,575.5</b>	<b>32,867.5</b>	<b>72,443.0</b>	<b>32,305.2</b>	<b>24,410.0</b>	<b>56,715.2</b>	<b>35,101.9</b>	<b>31,880.1</b>	<b>66,982.0</b>	<b>40,297.0</b>	<b>22,063.8</b>	<b>62,360.8</b>
	<b>1036 State Department for the ASALs and Regional Development</b>	<b>14,921.6</b>	<b>9,138.0</b>	<b>24,059.6</b>	<b>9,488.0</b>	<b>5,507.7</b>	<b>14,995.7</b>	<b>9,691.0</b>	<b>6,755.5</b>	<b>16,446.5</b>	<b>10,999.8</b>	<b>8,615.4</b>	<b>19,615.2</b>
	0733000 Accelerated ASAL Development	11,650.7	4,426.4	16,077.1	6,467.4	1,750.1	8,217.5	6,515.9	1,647.4	8,163.3	6,607.9	1,062.4	7,670.3
	0743000 General Administration, Planning and Support Services	502.9	-	502.9	402.8	-	402.8	405.1	-	405.1	433.2	-	433.2
	1013000 Integrated Regional Development	2,768.0	4,711.6	7,479.6	2,617.8	3,757.6	6,375.5	2,770.0	5,108.1	7,878.1	3,958.8	7,552.9	11,511.7
	<b>1173 State Department for Cooperatives</b>	<b>1,788.9</b>	<b>4,514.0</b>	<b>6,302.9</b>	<b>1,856.8</b>	<b>503.8</b>	<b>2,360.5</b>	<b>1,913.6</b>	<b>139.6</b>	<b>2,053.3</b>	<b>1,962.2</b>	<b>84.1</b>	<b>2,046.2</b>
	0304000 Cooperative Development and Management	1,788.9	4,514.0	6,302.9	1,856.8	503.8	2,360.5	1,913.6	139.6	2,053.3	1,962.2	84.1	2,046.2
	<b>1174 State Department for Trade</b>	<b>3,260.8</b>	<b>50.0</b>	<b>3,310.8</b>	<b>3,450.4</b>	<b>50.0</b>	<b>3,500.4</b>	<b>3,693.0</b>	<b>74.8</b>	<b>3,767.7</b>	<b>3,930.8</b>	<b>77.8</b>	<b>4,008.6</b>
	Programme 2: Regional Economic Integration Initiatives												
	0309000 Domestic Trade and Enterprise Development	1,431.2	50.0	1,481.2	2,004.9	50.0	2,054.9	2,189.3	74.8	2,264.0	2,382.9	77.8	2,460.6
	0310000 Fair Trade Practices And Compliance of Standards	96.5	-	96.5	79.5	-	79.5	82.2	-	82.2	83.7	-	83.7
	0311000 International Trade Development and Promotion	1,053.7	-	1,053.7	900.5	-	900.5	940.1	-	940.1	972.2	-	972.2
	0312000 General Administration, Planning and Support Services	679.3	-	679.3	465.5	-	465.5	481.4	-	481.4	492.0	-	492.0
	<b>1175 State Department for Industry</b>	<b>2,987.6</b>	<b>6,730.7</b>	<b>9,718.3</b>	<b>2,776.9</b>	<b>6,904.2</b>	<b>9,681.1</b>	<b>2,808.0</b>	<b>10,914.3</b>	<b>13,722.3</b>	<b>2,879.6</b>	<b>5,406.0</b>	<b>8,285.6</b>
	0301000 General Administration Planning and Support Services	531.4	-	531.4	471.0	-	471.0	507.0	-	507.0	522.0	-	522.0
	0302000 Industrial Training & Industrial Development	1,304.0	4,912.0	6,215.9	1,122.9	4,919.0	6,041.9	1,161.0	5,739.0	6,900.0	1,189.6	3,467.0	4,656.6
	0303000 Standards and Business Incubation	1,152.3	1,818.8	2,971.0	1,183.0	1,985.2	3,168.2	1,140.0	5,175.3	6,315.3	1,168.0	1,939.0	3,107.0
	<b>1176 State Department for Micro Small and Medium Enterprises Development</b>	<b>1,871.6</b>	<b>6,650.6</b>	<b>8,522.2</b>	<b>2,464.8</b>	<b>6,196.8</b>	<b>8,661.7</b>	<b>2,567.1</b>	<b>7,295.0</b>	<b>9,862.0</b>	<b>2,620.6</b>	<b>4,007.6</b>	<b>6,628.1</b>
	0316000 Promotion and Development of MSMEs	496.5	1,183.6	1,680.2	517.2	114.3	631.6	532.8	282.5	815.3	540.7	300.0	840.7
	0317000 Product and Market Development for MSMEs	497.5	80.0	577.5	731.4	882.5	1,613.9	747.8	982.5	1,730.3	748.5	1,878.0	2,626.5
	0318000 Digitization and Financial Inclusion for MSMEs	478.8	5,387.0	5,865.8	703.4	5,200.0	5,903.4	754.7	6,030.0	6,784.7	791.2	1,829.6	2,620.7
	0319000 General Administration, Planning and Support Services	398.7	-	398.7	512.9	-	512.9	531.7	-	531.7	540.2	-	540.2
	<b>1177 State Department for Investments Promotion</b>	<b>1,562.2</b>	<b>5,642.0</b>	<b>7,204.2</b>	<b>1,357.8</b>	<b>4,605.4</b>	<b>5,963.2</b>	<b>1,427.7</b>	<b>6,049.9</b>	<b>7,477.6</b>	<b>1,474.7</b>	<b>3,324.0</b>	<b>4,798.7</b>
	0322000 Investment Development and Promotion	1,562.2	5,642.0	7,204.2	1,357.8	4,605.4	5,963.2	1,427.7	6,049.9	7,477.6	1,474.7	3,324.0	4,798.7



**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24		Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		Current	Capital										
<b>030</b>	<b>GENERAL ECONOMIC AND COMMERCIAL AFFAIRS</b>	<b>39,575.5</b>	<b>32,867.5</b>	<b>72,443.0</b>	<b>32,305.2</b>	<b>24,410.0</b>	<b>56,715.2</b>	<b>35,101.9</b>	<b>31,880.1</b>	<b>66,982.0</b>	<b>40,297.0</b>	<b>22,063.8</b>	<b>62,360.8</b>
	<b>1202 : State Department for Tourism</b>	<b>12,255.1</b>	<b>142.2</b>	<b>12,397.2</b>	<b>10,303.0</b>	<b>606.7</b>	<b>10,909.7</b>	<b>12,349.8</b>	<b>591.2</b>	<b>12,941.0</b>	<b>15,754.9</b>	<b>486.8</b>	<b>16,241.8</b>
	0313000 Tourism Promotion and Marketing	872.0	100.0	972.0	883.4	110.4	993.8	1,019.9	135.2	1,155.1	1,283.7	112.0	1,395.7
	0314000 Tourism Product Development and Diversification	11,082.1	25.0	11,107.1	9,134.8	496.3	9,631.1	11,027.2	456.0	11,483.2	14,162.2	374.8	14,537.0
	0315000 General Administration, Planning and Support Services	301.0	17.2	318.2	284.8	-	284.8	302.7	-	302.7	309.1	-	309.1
	<b>1221 State Department for East African Community</b>	<b>927.7</b>	<b>-</b>	<b>927.7</b>	<b>607.6</b>	<b>35.4</b>	<b>643.0</b>	<b>651.7</b>	<b>59.8</b>	<b>711.5</b>	<b>674.5</b>	<b>62.2</b>	<b>736.7</b>
	0305000 East African Affairs and Regional Integration	927.7	-	927.7	607.6	35.4	643.0	651.7	59.8	711.5	674.5	62.2	736.7
<b>040</b>	<b>HEALTH</b>	<b>88,191.2</b>	<b>50,654.6</b>	<b>138,845.9</b>	<b>87,325.1</b>	<b>60,274.7</b>	<b>147,599.8</b>	<b>91,930.2</b>	<b>63,577.5</b>	<b>155,507.7</b>	<b>95,303.6</b>	<b>64,777.3</b>	<b>160,080.9</b>
	<b>1082 State Department for Medical Services</b>	<b>66,394.3</b>	<b>44,245.2</b>	<b>110,639.5</b>	<b>66,833.9</b>	<b>55,113.2</b>	<b>121,947.1</b>	<b>69,281.9</b>	<b>58,877.5</b>	<b>128,159.4</b>	<b>71,909.9</b>	<b>60,328.0</b>	<b>132,237.9</b>
	0402000 National Referral & Specialized Services	50,243.2	10,714.4	60,957.6	49,636.9	16,591.3	66,228.2	50,939.5	11,479.0	62,418.5	52,306.2	10,224.0	62,530.2
	0410000 Curative & Reproductive Maternal New Born Child Adolescent Health RMNCAH	1,351.2	18,502.8	19,854.0	1,388.2	21,508.7	22,896.9	1,450.2	27,252.9	28,703.1	1,556.4	28,639.0	30,195.4
	0411000 Health Research and Innovations	3,457.0	1,080.0	4,537.0	3,457.0	1,337.0	4,794.0	3,849.0	1,637.0	5,486.0	4,108.2	1,452.0	5,560.2
	0412000 General Administration	11,342.9	13,948.0	25,290.9	12,351.8	15,676.2	28,028.0	13,043.2	18,508.6	31,551.8	13,939.2	20,013.0	33,952.2
	<b>1083 State Department for Public Health and Professional Standard</b>	<b>21,797.0</b>	<b>6,409.4</b>	<b>28,206.3</b>	<b>20,491.1</b>	<b>5,161.5</b>	<b>25,652.6</b>	<b>22,648.3</b>	<b>4,700.0</b>	<b>27,348.3</b>	<b>23,393.7</b>	<b>4,449.3</b>	<b>27,843.0</b>
	0406000 Preventive and Promotive Health Services	1,669.8	4,479.1	6,148.9	1,158.0	4,251.0	5,409.0	2,872.7	3,985.0	6,857.7	3,128.7	4,049.3	7,178.0
	0407000 Health Resources Development and Innovation	15,782.1	1,680.3	17,462.4	13,481.6	785.5	14,267.1	13,837.7	715.0	14,552.7	14,213.7	400.0	14,613.7
	0408000 Health Policy, Standards and Regulations	3,800.5	250.0	4,050.5	5,080.5	75.0	5,155.5	5,139.1	-	5,139.1	5,204.2	-	5,204.2
	0412000 General Administration	544.6	-	544.6	771.0	50.0	821.0	798.8	-	798.8	847.0	-	847.0
<b>050</b>	<b>EDUCATION</b>	<b>655,657.5</b>	<b>33,954.1</b>	<b>689,611.6</b>	<b>638,044.0</b>	<b>28,425.0</b>	<b>666,469.0</b>	<b>685,625.0</b>	<b>38,500.0</b>	<b>724,125.0</b>	<b>745,248.0</b>	<b>37,600.0</b>	<b>782,848.0</b>
	<b>1064 State Department for Technical, Vocational Education and Training</b>	<b>25,843.4</b>	<b>7,070.0</b>	<b>32,913.4</b>	<b>21,492.0</b>	<b>6,474.0</b>	<b>27,966.0</b>	<b>22,315.0</b>	<b>4,486.0</b>	<b>26,801.0</b>	<b>32,555.0</b>	<b>3,921.0</b>	<b>36,476.0</b>
	0505000 Technical Vocational Education and Training	25,332.4	7,070.0	32,402.4	21,177.0	6,474.0	27,651.0	22,015.0	4,486.0	26,501.0	32,240.0	3,921.0	36,161.0
	0507000 Youth Training and Development	50.4	-	50.4	45.0	-	45.0	43.0	-	43.0	47.0	-	47.0
	0508000 General Administration, Planning and Support Services	460.6	-	460.6	270.0	-	270.0	257.0	-	257.0	268.0	-	268.0
	<b>1065 State Department for Higher Education &amp; Research</b>	<b>150,973.7</b>	<b>3,551.0</b>	<b>154,524.7</b>	<b>122,642.0</b>	<b>3,956.0</b>	<b>126,598.0</b>	<b>126,445.0</b>	<b>3,969.0</b>	<b>130,414.0</b>	<b>148,470.0</b>	<b>4,059.0</b>	<b>152,529.0</b>
	0504000 University Education	149,935.1	3,425.0	153,360.1	121,640.0	3,602.0	125,242.0	125,438.0	3,669.0	129,107.0	133,035.0	3,659.0	136,694.0
	0506000 Research, Science, Technology and Innovation	669.4	126.0	795.4	678.0	354.0	1,032.0	704.0	300.0	1,004.0	941.0	400.0	1,341.0
	0508000 General Administration, Planning and Support Services	369.3	-	369.3	324.0	-	324.0	303.0	-	303.0	14,494.0	-	14,494.0

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		Current	Capital	Total									
<b>050</b>	<b>EDUCATION</b>	<b>655,657.5</b>	<b>33,954.1</b>	<b>689,611.6</b>	<b>638,044.0</b>	<b>28,425.0</b>	<b>666,469.0</b>	<b>685,625.0</b>	<b>38,500.0</b>	<b>724,125.0</b>	<b>745,248.0</b>	<b>37,600.0</b>	<b>782,848.0</b>
	<b>1066 State Department for Basic Education</b>	<b>136,440.0</b>	<b>22,131.1</b>	<b>158,571.1</b>	<b>124,472.0</b>	<b>17,490.0</b>	<b>141,962.0</b>	<b>147,461.0</b>	<b>29,804.0</b>	<b>177,265.0</b>	<b>148,033.0</b>	<b>29,380.0</b>	<b>177,413.0</b>
	0501000 Primary Education	21,884.4	15,429.3	37,313.7	19,030.0	8,712.0	27,742.0	19,094.0	23,802.0	42,896.0	19,175.0	23,378.0	42,553.0
	0502000 Secondary Education	103,933.6	6,568.8	110,502.4	95,010.0	8,375.0	103,385.0	117,722.0	5,499.0	123,221.0	117,801.0	5,499.0	123,300.0
	0503000 Quality Assurance and Standards	5,085.7	133.0	5,218.7	5,076.0	303.0	5,379.0	5,436.0	303.0	5,739.0	5,584.0	303.0	5,887.0
	0508000 General Administration, Planning and Support Services	5,536.3	-	5,536.3	5,356.0	100.0	5,456.0	5,209.0	200.0	5,409.0	5,473.0	200.0	5,673.0
	<b>2091 Teachers Service Commission</b>	<b>342,400.4</b>	<b>1,202.0</b>	<b>343,602.4</b>	<b>369,438.0</b>	<b>505.0</b>	<b>369,943.0</b>	<b>389,404.0</b>	<b>241.0</b>	<b>389,645.0</b>	<b>416,190.0</b>	<b>240.0</b>	<b>416,430.0</b>
	0509000 Teacher Resource Management	333,583.4	1,115.0	334,698.4	359,793.0	395.0	360,188.0	379,345.0	127.0	379,472.0	405,908.0	184.0	406,092.0
	0510000 Governance and Standards	1,312.1	-	1,312.1	1,313.0	-	1,313.0	1,514.0	-	1,514.0	1,514.0	-	1,514.0
	0511000 General Administration, Planning and Support Services	7,504.9	87.0	7,591.9	8,332.0	110.0	8,442.0	8,545.0	114.0	8,659.0	8,768.0	56.0	8,824.0
<b>060</b>	<b>GOVERNANCE, JUSTICE, LAW AND ORDER</b>	<b>225,163.4</b>	<b>15,172.5</b>	<b>240,335.8</b>	<b>232,772.7</b>	<b>18,146.6</b>	<b>250,919.2</b>	<b>248,802.1</b>	<b>24,154.4</b>	<b>272,956.5</b>	<b>280,342.7</b>	<b>27,896.2</b>	<b>308,238.9</b>
	<b>1023 State Department for Correctional Services</b>	<b>34,850.7</b>	<b>695.0</b>	<b>35,545.7</b>	<b>35,964.1</b>	<b>1,175.8</b>	<b>37,139.8</b>	<b>37,531.6</b>	<b>2,539.5</b>	<b>40,071.1</b>	<b>49,335.8</b>	<b>2,593.0</b>	<b>51,928.9</b>
	0623000 General Administration, Planning and Support Services	565.1	-	565.1	614.0	12.0	626.0	634.5	30.0	664.5	770.7	35.1	805.8
	0627000 Prison Services	32,113.6	550.2	32,663.9	32,932.6	943.3	33,875.9	34,434.7	2,068.3	36,503.0	45,844.7	2,347.7	48,192.4
	0628000 Probation & After Care Services	2,171.9	144.8	2,316.7	2,417.5	220.5	2,638.0	2,462.5	441.2	2,903.6	2,720.5	210.2	2,930.7
	<b>1024 State Department for Immigration and Citizen Services</b>	<b>9,136.3</b>	<b>3,497.0</b>	<b>12,633.3</b>	<b>10,289.3</b>	<b>5,584.0</b>	<b>15,873.3</b>	<b>12,749.9</b>	<b>6,252.6</b>	<b>19,002.5</b>	<b>15,871.6</b>	<b>6,867.1</b>	<b>22,738.8</b>
	0605000 Migration & Citizen Services	3,697.7	2,275.0	5,972.7	4,232.2	2,660.0	6,892.2	5,138.5	2,948.9	8,087.4	7,443.8	4,202.0	11,645.8
	0626000 Population Management Services	4,583.7	1,217.0	5,800.7	5,177.4	2,612.0	7,789.4	6,636.8	2,927.4	9,564.2	7,155.7	2,225.5	9,381.2
	0631000 General Administration and Planning	854.8	5.0	859.8	879.7	312.0	1,191.7	974.6	376.3	1,350.9	1,272.2	439.6	1,711.7
	<b>1025 National Police Service</b>	<b>106,324.2</b>	<b>1,653.9</b>	<b>107,978.1</b>	<b>112,162.8</b>	<b>2,128.9</b>	<b>114,291.7</b>	<b>118,861.7</b>	<b>3,548.6</b>	<b>122,410.3</b>	<b>131,455.7</b>	<b>3,888.6</b>	<b>135,344.3</b>
	0601000 Policing Services	106,324.2	1,653.9	107,978.1	112,162.8	2,128.9	114,291.7	118,861.7	3,548.6	122,410.3	131,455.7	3,888.6	135,344.3
	<b>1026 State Department for Internal Security and National Administration</b>	<b>29,524.1</b>	<b>7,479.2</b>	<b>37,003.4</b>	<b>27,799.2</b>	<b>7,437.3</b>	<b>35,236.5</b>	<b>29,876.5</b>	<b>8,673.0</b>	<b>38,549.5</b>	<b>31,022.7</b>	<b>8,963.2</b>	<b>39,985.8</b>
	0629000 General Administration and Support Services	28,091.5	7,413.2	35,504.7	8,622.6	6,580.5	15,203.1	10,143.2	7,210.0	17,353.2	11,199.5	7,210.0	18,409.5
	P 1: National Government Field Administration Services				17,734.6	741.8	18,476.5	18,220.1	1,363.0	19,583.2	18,286.0	1,603.2	19,889.1
	0630000 Policy Coordination Services	1,432.7	66.0	1,498.7	1,442.0	115.0	1,557.0	1,513.2	100.0	1,613.2	1,537.2	150.0	1,687.2

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		Current	Capital	Total									
<b>060</b>	<b>GOVERNANCE, JUSTICE, LAW AND ORDER</b>	<b>225,163.4</b>	<b>15,172.5</b>	<b>240,335.8</b>	<b>232,772.7</b>	<b>18,146.6</b>	<b>250,919.2</b>	<b>248,802.1</b>	<b>24,154.4</b>	<b>272,956.5</b>	<b>280,342.7</b>	<b>27,896.2</b>	<b>308,238.9</b>
	1252 State Law Office	6,394.3	192.5	6,586.8	6,312.8	190.8	6,503.7	6,684.2	215.6	6,899.9	6,940.3	296.6	7,236.9
	0606000 Legal Services	2,990.2	-	2,990.2	3,090.1	-	3,090.1	3,250.0	-	3,250.0	3,400.6	-	3,400.6
	0607000 Governance, Legal Training and Constitutional Affairs	2,023.9	49.0	2,072.9	1,964.5	68.9	2,033.3	2,149.3	-	2,149.3	2,288.5	-	2,288.5
	0609000 General Administration, Planning and Support Services	1,380.3	143.5	1,523.8	1,258.2	122.0	1,380.2	1,284.9	215.6	1,500.6	1,251.2	296.6	1,547.8
	<b>1261 The Judiciary</b>	<b>20,437.4</b>	<b>1,450.0</b>	<b>21,887.4</b>	<b>21,287.4</b>	<b>1,500.0</b>	<b>22,787.4</b>	<b>23,437.4</b>	<b>2,700.0</b>	<b>26,137.4</b>	<b>25,437.4</b>	<b>4,980.0</b>	<b>30,417.4</b>
	0610000 Dispensation of Justice	20,437.4	1,450.0	21,887.4	21,287.4	1,500.0	22,787.4	23,437.4	2,700.0	26,137.4	25,437.4	4,980.0	30,417.4
	<b>1271 Ethics and Anti-Corruption Commission</b>	<b>3,693.6</b>	<b>68.1</b>	<b>3,761.8</b>	<b>3,899.9</b>	<b>57.9</b>	<b>3,957.9</b>	<b>4,092.7</b>	<b>102.4</b>	<b>4,195.0</b>	<b>4,260.3</b>	<b>140.8</b>	<b>4,401.1</b>
	0611000 Ethics and Anti-Corruption	3,693.6	68.1	3,761.8	3,899.9	57.9	3,957.9	4,092.7	102.4	4,195.0	4,260.3	140.8	4,401.1
	<b>1291 Office of the Director of Public Prosecutions</b>	<b>4,007.0</b>	<b>55.0</b>	<b>4,062.0</b>	<b>3,637.0</b>	<b>47.5</b>	<b>3,684.5</b>	<b>3,816.8</b>	<b>79.7</b>	<b>3,896.5</b>	<b>3,973.1</b>	<b>107.8</b>	<b>4,080.9</b>
	0612000 Public Prosecution Services	4,007.0	55.0	4,062.0	3,637.0	47.5	3,684.5	3,816.8	79.7	3,896.5	3,973.1	107.8	4,080.9
	<b>1311 Office of the Registrar of Political Parties</b>	<b>1,260.3</b>	<b>-</b>	<b>1,260.3</b>	<b>1,999.8</b>	<b>-</b>	<b>1,999.8</b>	<b>2,013.0</b>	<b>-</b>	<b>2,013.0</b>	<b>2,027.0</b>	<b>-</b>	<b>2,027.0</b>
	0614000 Registration, Regulation and Funding of Political Parties	1,260.3	-	1,260.3	1,999.8	-	1,999.8	2,013.0	-	2,013.0	2,027.0	-	2,027.0
	<b>1321 Witness Protection Agency</b>	<b>813.4</b>	<b>-</b>	<b>813.4</b>	<b>782.0</b>	<b>-</b>	<b>782.0</b>	<b>903.6</b>	<b>-</b>	<b>903.6</b>	<b>922.5</b>	<b>-</b>	<b>922.5</b>
	0615000 Witness Protection	813.4	-	813.4	782.0	-	782.0	903.6	-	903.6	922.5	-	922.5
	<b>2011 Kenya National Commission on Human Rights</b>	<b>539.8</b>	<b>-</b>	<b>539.8</b>	<b>523.5</b>	<b>-</b>	<b>523.5</b>	<b>532.2</b>	<b>-</b>	<b>532.2</b>	<b>541.6</b>	<b>-</b>	<b>541.6</b>
	0616000 Protection and Promotion of Human Rights	539.8	-	539.8	523.5	-	523.5	532.2	-	532.2	541.6	-	541.6
	<b>2031 Independent Electoral and Boundaries Commission</b>	<b>4,674.0</b>	<b>77.0</b>	<b>4,751.0</b>	<b>4,353.7</b>	<b>24.3</b>	<b>4,378.0</b>	<b>4,445.4</b>	<b>43.0</b>	<b>4,488.4</b>	<b>4,595.6</b>	<b>59.1</b>	<b>4,654.8</b>
	0617000 Management of Electoral Processes	4,664.2	77.0	4,741.2	4,321.0	24.3	4,345.3	4,412.1	43.0	4,455.1	4,563.7	59.1	4,622.8
	0618000 Delimitation of Electoral Boundaries	9.8	-	9.8	32.8	-	32.8	33.2	-	33.2	31.9	-	31.9
	<b>2051 Judicial Service Commission</b>	<b>896.6</b>	<b>-</b>	<b>896.6</b>	<b>902.9</b>	<b>-</b>	<b>902.9</b>	<b>943.7</b>	<b>-</b>	<b>943.7</b>	<b>986.4</b>	<b>-</b>	<b>986.4</b>
	0619000 General Administration, Planning and Support Services	896.6	-	896.6	902.9	-	902.9	943.7	-	943.7	986.4	-	986.4
	<b>2101 National Police Service Commission</b>	<b>1,152.0</b>	<b>-</b>	<b>1,152.0</b>	<b>1,269.5</b>	<b>-</b>	<b>1,269.5</b>	<b>1,297.1</b>	<b>-</b>	<b>1,297.1</b>	<b>1,326.5</b>	<b>-</b>	<b>1,326.5</b>
	0620000 National Police Service Human Resource Management	1,152.0	-	1,152.0	1,269.5	-	1,269.5	1,297.1	-	1,297.1	1,326.5	-	1,326.5
	<b>2141 National Gender and Equality Commission</b>	<b>440.3</b>	<b>4.7</b>	<b>445.0</b>	<b>498.0</b>	<b>-</b>	<b>498.0</b>	<b>506.3</b>	<b>-</b>	<b>506.3</b>	<b>515.2</b>	<b>-</b>	<b>515.2</b>
	0621000 Promotion of Gender Equality and Freedom from Discrimination	440.3	4.7	445.0	498.0	-	498.0	506.3	-	506.3	515.2	-	515.2
	<b>2151 Independent Policing Oversight Authority</b>	<b>1,019.3</b>	<b>-</b>	<b>1,019.3</b>	<b>1,090.9</b>	<b>-</b>	<b>1,090.9</b>	<b>1,110.2</b>	<b>-</b>	<b>1,110.2</b>	<b>1,130.9</b>	<b>-</b>	<b>1,130.9</b>
	0622000 Policing Oversight Services	1,019.3	-	1,019.3	1,090.9	-	1,090.9	1,110.2	-	1,110.2	1,130.9	-	1,130.9

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
		Current	Capital	Total									
<b>070</b>	<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>182,823.8</b>	<b>116,502.3</b>	<b>299,326.2</b>	<b>204,963.1</b>	<b>146,731.7</b>	<b>351,694.8</b>	<b>219,430.9</b>	<b>171,140.7</b>	<b>390,571.6</b>	<b>330,779.1</b>	<b>192,835.4</b>	<b>523,614.6</b>
	<b>1011 Executive Office of the President</b>	<b>3,337.0</b>	<b>697.0</b>	<b>4,034.0</b>	<b>4,578.6</b>	<b>852.3</b>	<b>5,430.9</b>	<b>4,709.4</b>	<b>961.8</b>	<b>5,671.2</b>	<b>4,844.4</b>	<b>1,015.1</b>	<b>5,859.5</b>
	0603000 Government Printing Services	673.4	313.7	987.1	694.3	500.0	1,194.3	716.9	500.0	1,216.9	740.4	500.0	1,240.4
	0701000 General Administration Planning and Support	2,041.1	383.3	2,424.4	1,699.2	194.3	1,893.5	1,753.8	200.0	1,953.8	1,810.0	200.0	2,010.0
	0703000 Government Advisory Services	622.5	-	622.5	1,247.6	-	1,247.6	1,285.3	-	1,285.3	1,323.2	-	1,323.2
	Prog:Leadership and Cordination of Government Services				937.5	158.0	1,095.5	953.4	261.8	1,215.2	970.8	315.1	1,285.9
	<b>1012 Office of the Deputy President</b>	<b>3,897.7</b>	<b>400.4</b>	<b>4,298.1</b>	<b>4,219.2</b>	<b>250.4</b>	<b>4,469.6</b>	<b>4,341.6</b>	<b>320.0</b>	<b>4,661.6</b>	<b>5,969.8</b>	<b>366.1</b>	<b>6,335.9</b>
	0734000 Deputy President Services	3,897.7	400.4	4,298.1	4,219.2	250.4	4,469.6	4,341.6	320.0	4,661.6	5,969.8	366.1	6,335.9
	<b>1013 Office of the Prime Cabinet Secretary</b>	<b>1,195.6</b>	<b>-</b>	<b>1,195.6</b>	<b>1,502.1</b>	<b>-</b>	<b>1,502.1</b>	<b>1,532.4</b>	<b>-</b>	<b>1,532.4</b>	<b>1,563.9</b>	<b>-</b>	<b>1,563.9</b>
	0755000 Government Coordination and Supervision	1,195.6	-	1,195.6	1,502.1	-	1,502.1	1,532.4	-	1,532.4	1,563.9	-	1,563.9
	<b>1014 State Department for Parliamentary Affairs</b>	<b>393.1</b>	<b>-</b>	<b>393.1</b>	<b>846.1</b>	<b>-</b>	<b>846.1</b>	<b>870.1</b>	<b>-</b>	<b>870.1</b>	<b>895.3</b>	<b>-</b>	<b>895.3</b>
	0759000 Parliamentary Liaison and Legislative Affairs	95.7	-	95.7	289.7	-	289.7	272.2	-	272.2	283.7	-	283.7
	0760000 Policy Coordination and Strategy	64.6	-	64.6	260.6	-	260.6	281.0	-	281.0	293.0	-	293.0
	0761000 General Administration, Planning and Support Services	232.8	-	232.8	295.8	-	295.8	316.9	-	316.9	318.6	-	318.6
	<b>1015 State Department for Performance and Delivery Management</b>	<b>355.2</b>	<b>-</b>	<b>355.2</b>	<b>1,064.5</b>	<b>-</b>	<b>1,064.5</b>	<b>1,088.2</b>	<b>-</b>	<b>1,088.2</b>	<b>1,112.8</b>	<b>-</b>	<b>1,112.8</b>
	0762000 Public Service Performance Management and Delivery Services	140.7	-	140.7	297.6	-	297.6	303.2	-	303.2	309.0	-	309.0
	0764000 General Administration, Planning and Support Services	214.5	-	214.5	431.1	-	431.1	441.2	-	441.2	451.6	-	451.6
	Coordination and Supervision of Government Services				36.5	-	36.5	37.8	-	37.8	39.1	-	39.1
	Service Delivery Management				299.3	-	299.3	306.0	-	306.0	313.1	-	313.1
	<b>1016 State Department for Cabinet Affairs</b>	<b>617.1</b>	<b>-</b>	<b>617.1</b>	<b>881.8</b>	<b>-</b>	<b>881.8</b>	<b>914.7</b>	<b>-</b>	<b>914.7</b>	<b>949.1</b>	<b>-</b>	<b>949.1</b>
	0758000 Cabinet Affairs Services	617.1	-	617.1	881.8	-	881.8	914.7	-	914.7	949.1	-	949.1
	<b>1017 State House</b>	<b>8,528.9</b>	<b>1,309.7</b>	<b>9,838.6</b>	<b>7,675.1</b>	<b>1,558.7</b>	<b>9,233.8</b>	<b>7,905.0</b>	<b>1,885.2</b>	<b>9,790.2</b>	<b>10,845.3</b>	<b>1,585.9</b>	<b>12,431.2</b>
	0704000 State House Affairs	8,528.9	1,309.7	9,838.6	7,675.1	1,558.7	9,233.8	7,905.0	1,885.2	9,790.2	10,845.3	1,585.9	12,431.2
	<b>1032 State Department for Devolution</b>	<b>1,971.0</b>	<b>56.0</b>	<b>2,027.0</b>	<b>1,817.5</b>	<b>2,740.0</b>	<b>4,557.5</b>	<b>1,898.4</b>	<b>9,228.1</b>	<b>11,126.5</b>	<b>1,978.0</b>	<b>10,254.4</b>	<b>12,232.4</b>
	0712000 Devolution Services	1,971.0	56.0	2,027.0	1,817.5	2,740.0	4,557.5	1,898.4	9,228.1	11,126.5	1,978.0	10,254.4	12,232.4

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
<b>070</b>	<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>182,823.8</b>	<b>116,502.3</b>	<b>299,326.2</b>	<b>204,963.1</b>	<b>146,731.7</b>	<b>351,694.8</b>	<b>219,430.9</b>	<b>171,140.7</b>	<b>390,571.6</b>	<b>330,779.1</b>	<b>192,835.4</b>	<b>523,614.6</b>
	1053 State Department for Foreign Affairs	19,380.8	1,171.0	20,551.8	20,260.9	2,390.1	22,651.0	21,168.5	2,644.4	23,812.9	21,995.0	2,700.7	24,695.7
	0714000 General Administration Planning and Support Services	3,000.8	326.7	3,327.4	4,376.7	426.7	4,803.4	4,587.7	491.4	5,079.1	4,798.8	506.9	5,305.7
	0715000 Foreign Relation and Diplomacy	16,215.9	844.3	17,060.2	15,717.4	1,713.4	17,430.8	16,435.0	1,153.0	17,588.0	17,023.7	884.9	17,908.6
	0741000 Economic and Commercial Diplomacy	49.9	-	49.9	51.8	-	51.8	30.0	-	30.0	52.3	-	52.3
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	114.3	-	114.3	115.0	250.0	365.0	115.8	1,000.0	1,115.8	120.2	1,308.9	1,429.1
	1054 State Department for Diaspora Affairs	1,315.7	-	1,315.7	1,258.1	-	1,258.1	1,306.1	-	1,306.1	1,356.3	-	1,356.3
	0752000 Management of Diaspora and Consular Affairs	1,315.7	-	1,315.7	1,258.1	-	1,258.1	1,306.1	-	1,306.1	1,356.3	-	1,356.3
	Management of Diaspora and Consular Affairs												
	1071 The National Treasury	61,250.0	50,011.3	111,261.3	79,583.4	70,012.2	149,595.6	88,107.6	74,393.2	162,500.8	187,981.1	83,452.4	271,433.6
	0717000 General Administration Planning and Support Services	51,188.2	8,951.0	60,139.1	64,872.9	9,624.0	74,496.9	72,895.6	24,611.7	97,507.3	172,376.6	28,307.5	200,684.1
	0718000 Public Financial Management	8,212.2	31,793.0	40,005.1	12,630.8	46,541.2	59,172.0	13,031.1	37,567.5	50,598.6	13,328.4	43,945.9	57,274.4
	0719000 Economic and Financial Policy Formulation and Management	1,446.6	9,240.4	10,686.9	1,472.1	13,820.0	15,292.1	1,549.0	12,142.0	13,691.0	1,621.5	11,199.0	12,820.5
	0720000 Market Competition	403.1	27.0	430.1	607.6	27.0	634.6	631.9	72.0	703.9	654.6	-	654.6
	1072 State Department for Economic Planning	4,007.9	59,845.7	63,853.6	4,174.3	65,119.7	69,294.0	4,590.6	75,910.7	80,501.3	4,766.9	86,506.9	91,273.8
	0706000 Economic Policy and National Planning	2,319.7	58,253.8	60,573.5	2,400.9	62,604.8	65,005.7	2,524.0	71,872.4	74,396.4	2,638.0	81,964.0	84,602.0
	0707000 National Statistical Information Services	1,286.6	1,556.5	2,843.1	1,267.3	2,479.4	3,746.7	1,543.4	3,998.0	5,541.4	1,583.6	4,500.2	6,083.8
	0708000 Monitoring and Evaluation Services	89.1	35.5	124.6	150.2	35.5	185.7	158.4	40.3	198.7	167.8	42.7	210.5
	0709000 General Administration Planning and Support Services	312.4	-	312.4	355.9	-	355.9	364.8	-	364.8	377.5	-	377.5
	1213 State Department for Public Service	23,378.3	1,085.9	24,464.2	23,908.2	1,383.0	25,291.2	24,922.7	3,264.7	28,187.4	28,413.5	4,369.0	32,782.5
	0710000 Public Service Transformation	9,324.1	913.9	10,238.0	1,234.8	443.0	1,677.8	1,254.5	2,139.8	3,394.3	1,301.2	3,396.5	4,697.7
	0709000 General Administration Planning and Support Services	498.9	60.0	558.9	399.3	-	399.3	413.7	-	413.7	428.0	-	428.0
	Public Service Human Resource Management and Development												
	0747000 National Youth Service	13,555.3	112.0	13,667.3	12,990.8	84.0	13,074.8	13,858.3	110.1	13,968.4	17,200.4	122.8	17,323.2
	Public Service Human Resource Management and Development				9,283.3	856.0	10,139.3	9,396.2	1,014.8	10,411.0	9,483.9	849.7	10,333.6



**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
<b>070</b>	<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>182,823.8</b>	<b>116,502.3</b>	<b>299,326.2</b>	<b>204,963.1</b>	<b>146,731.7</b>	<b>351,694.8</b>	<b>219,430.9</b>	<b>171,140.7</b>	<b>390,571.6</b>	<b>330,779.1</b>	<b>192,835.4</b>	<b>523,614.6</b>
	Parliament	39,177.0	1,565.0	40,742.0	39,558.4	2,065.0	41,623.4	41,103.3	2,065.0	43,168.3	42,712.7	2,065.0	44,777.7
	<b>2061 The Commission on Revenue Allocation</b>	<b>516.8</b>	<b>-</b>	<b>516.8</b>	<b>587.4</b>	<b>-</b>	<b>587.4</b>	<b>537.7</b>	<b>-</b>	<b>537.7</b>	<b>556.7</b>	<b>-</b>	<b>556.7</b>
	0737000 Inter-Governmental Transfers and Financial Matters	516.8	-	516.8	587.4	-	587.4	537.7	-	537.7	556.7	-	556.7
	<b>2071 Public Service Commission</b>	<b>3,520.2</b>	<b>45.3</b>	<b>3,565.5</b>	<b>2,672.3</b>	<b>45.3</b>	<b>2,717.6</b>	<b>3,729.8</b>	<b>59.4</b>	<b>3,789.2</b>	<b>3,789.7</b>	<b>66.2</b>	<b>3,855.9</b>
	0725000 General Administration, Planning and Support Services	856.7	45.3	902.0	954.6	45.3	999.9	983.2	59.4	1,042.6	1,011.1	66.2	1,077.3
	0726000 Human Resource management and Development	2,455.1	-	2,455.1	1,436.8	-	1,436.8	2,451.9	-	2,451.9	2,470.1	-	2,470.1
	0727000 Governance and National Values	123.6	-	123.6	173.7	-	173.7	181.0	-	181.0	189.3	-	189.3
	0744000 Performance and Productivity Management	54.0	-	54.0	51.2	-	51.2	54.0	-	54.0	57.1	-	57.1
	075000 Administration of Quasi-Judicial Functions	30.7	-	30.7	56.0	-	56.0	59.7	-	59.7	62.1	-	62.1
	<b>2081 Salaries and Remuneration Commission</b>	<b>550.3</b>	<b>-</b>	<b>550.3</b>	<b>559.9</b>	<b>-</b>	<b>559.9</b>	<b>579.3</b>	<b>-</b>	<b>579.3</b>	<b>599.5</b>	<b>-</b>	<b>599.5</b>
	0728000 Salaries and Remuneration Management	550.3	-	550.3	559.9	-	559.9	579.3	-	579.3	599.5	-	599.5
	<b>2111 Auditor General</b>	<b>7,978.9</b>	<b>315.0</b>	<b>8,293.9</b>	<b>8,284.5</b>	<b>315.0</b>	<b>8,599.5</b>	<b>8,543.1</b>	<b>408.2</b>	<b>8,951.3</b>	<b>8,811.7</b>	<b>453.7</b>	<b>9,265.4</b>
	0729000 Audit Services	7,978.9	315.0	8,293.9	8,284.5	315.0	8,599.5	8,543.1	408.2	8,951.3	8,811.7	453.7	9,265.4
	<b>2121 Office of the Controller of Budget</b>	<b>707.4</b>	<b>-</b>	<b>707.4</b>	<b>758.4</b>	<b>-</b>	<b>758.4</b>	<b>783.5</b>	<b>-</b>	<b>783.5</b>	<b>811.0</b>	<b>-</b>	<b>811.0</b>
	0730000 Control and Management of Public finances	707.4	-	707.4	758.4	-	758.4	783.5	-	783.5	811.0	-	811.0
	<b>2131 The Commission on Administrative Justice</b>	<b>745.2</b>	<b>-</b>	<b>745.2</b>	<b>772.4</b>	<b>-</b>	<b>772.4</b>	<b>798.9</b>	<b>-</b>	<b>798.9</b>	<b>826.4</b>	<b>-</b>	<b>826.4</b>
	0731000 Promotion of Administrative Justice	745.2	-	745.2	772.4	-	772.4	798.9	-	798.9	826.4	-	826.4
<b>080</b>	<b>NATIONAL SECURITY</b>	<b>196,032.5</b>	<b>3,254.0</b>	<b>199,286.5</b>	<b>205,585.6</b>	<b>38,836.0</b>	<b>244,421.6</b>	<b>209,714.0</b>	<b>40,339.0</b>	<b>250,053.0</b>	<b>216,453.1</b>	<b>45,339.0</b>	<b>261,792.1</b>
	<b>1041 Ministry of Defence</b>	<b>150,181.5</b>	<b>3,254.0</b>	<b>153,435.5</b>	<b>159,734.6</b>	<b>38,836.0</b>	<b>198,570.6</b>	<b>162,713.0</b>	<b>40,339.0</b>	<b>203,052.0</b>	<b>167,052.1</b>	<b>45,339.0</b>	<b>212,391.1</b>
	0801000 Defence	146,935.2	3,254.0	150,189.2	156,376.7	38,836.0	195,212.7	159,275.3	40,339.0	199,614.3	163,532.3	45,339.0	208,871.3
	0802000 Civil Aid	500.0	-	500.0	350.0	-	350.0	350.0	-	350.0	350.0	-	350.0
	0803000 General Administration, Planning and Support Services	2,496.3	-	2,496.3	2,657.9	-	2,657.9	2,737.7	-	2,737.7	2,819.8	-	2,819.8
	0805000 National Space Management	250.0	-	250.0	350.0	-	350.0	350.0	-	350.0	350.0	-	350.0
	<b>1281 National Intelligence Service</b>	<b>45,851.0</b>	<b>-</b>	<b>45,851.0</b>	<b>45,851.0</b>	<b>-</b>	<b>45,851.0</b>	<b>47,001.0</b>	<b>-</b>	<b>47,001.0</b>	<b>49,401.0</b>	<b>-</b>	<b>49,401.0</b>
	0804000 National Security Intelligence	45,851.0	-	45,851.0	45,851.0	-	45,851.0	47,001.0	-	47,001.0	49,401.0	-	49,401.0



**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
<b>090</b>	<b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>	<b>47,822.2</b>	<b>25,031.3</b>	<b>72,853.5</b>	<b>46,858.6</b>	<b>25,343.3</b>	<b>72,201.9</b>	<b>47,559.3</b>	<b>25,671.4</b>	<b>73,230.7</b>	<b>48,148.4</b>	<b>26,971.1</b>	<b>75,119.5</b>
	1132 State Department for Sports & Arts	1,533.4	16,079.2	17,612.6	1,295.9	16,974.4	18,270.3	1,382.5	17,254.2	18,636.8	1,460.8	18,305.3	19,766.0
	0901000 Sports	1,533.4	16,079.2	17,612.6	1,295.9	16,974.4	18,270.3	1,382.5	17,254.2	18,636.8	1,460.8	18,305.3	19,766.0
	1134 State Department for Culture and Heritage	2,664.1	152.9	2,816.9	3,625.3	175.5	3,800.8	3,758.7	268.4	4,027.0	3,863.7	320.4	4,184.1
	0902000 Culture/ Heritage	2,335.0	139.7	2,474.7	2,259.5	124.3	2,383.8	2,339.8	95.5	2,435.4	2,388.6	56.4	2,445.0
	0905000 General Administration, Planning and Support	203.5	-	203.5	378.7	-	378.7	403.9	-	403.9	412.0	-	412.0
	0916000 Public Records Mangement	125.6	13.2	138.7	86.9	17.0	103.9	95.2	124.8	220.0	98.6	237.3	335.9
	1135 State Department for Youth Affairs and the Arts	2,962.9	924.8	3,887.7	2,216.5	1,354.4	3,570.9	2,389.2	1,151.0	3,540.3	2,517.7	1,199.3	3,717.0
	0711000 Youth Empowerment Services	233.6	313.2	546.8	282.6	680.0	962.6	333.5	364.6	698.2	367.8	364.6	732.4
	0748000 Youth Development Services	753.1	517.9	1,271.0	806.5	399.0	1,205.5	848.2	399.0	1,247.2	887.6	399.0	1,286.6
	0749000 General Administration, Planning and Support Services	329.0	-	329.0	325.7	-	325.7	341.0	-	341.0	366.7	-	366.7
	0903000 The Arts	1,236.7	80.0	1,316.7	801.7	275.4	1,077.1	866.5	387.4	1,253.8	895.6	435.7	1,331.2
	0904000 Library Services	410.5	13.6	424.1									
	1184 State Department for Labour	4,168.3	335.5	4,503.8	4,344.3	1,008.2	5,352.4	4,471.6	937.4	5,408.9	4,552.3	992.8	5,545.1
	0910000 General Administration Planning and Support Services	591.5	-	591.5	396.4	-	396.4	427.5	-	427.5	452.9	-	452.9
	0906000 Labour, Employment and Safety Services	988.0	228.4	1,216.4	1,280.0	431.1	1,711.1	1,365.7	157.3	1,523.0	1,391.8	158.0	1,549.8
	0907000 Manpower Development, Industrial Skills & Productivity Management	2,588.8	107.1	2,695.9	2,667.9	577.1	3,244.9	2,678.4	780.1	3,458.4	2,707.6	834.8	3,542.4
	1185 State Department for Social Protection, Pensions & Senior Citizens Affairs	34,367.6	3,862.5	38,230.1	33,089.5	2,329.4	35,418.9	33,207.3	2,506.9	35,714.2	33,343.3	2,580.1	35,923.4
	0908000 Social Development and Children Services	4,268.3	331.6	4,599.9	4,157.9	401.5	4,559.4	4,348.6	590.5	4,939.1	4,453.9	666.7	5,120.6
	0909000 National Social Safety Net	29,805.6	3,530.8	33,336.4	28,405.5	1,927.9	30,333.4	28,425.4	1,916.4	30,341.8	28,434.5	1,913.4	30,347.9
	0914000 General Administration, Planning and Support Services	293.7	-	293.7	526.1	-	526.1	433.4	-	433.4	454.9	-	454.9
	1212 State Department for Gender	2,126.0	3,676.5	5,802.5	2,287.1	3,501.4	5,788.5	2,350.0	3,553.5	5,903.5	2,410.6	3,573.2	5,983.7
	0911000 Community Development	36.0	3,000.4	3,036.4	43.4	3,000.0	3,043.4	52.0	3,000.0	3,052.0	36.0	3,000.0	3,036.0
	0912000 Gender Empowerment	1,845.5	676.1	2,521.6	1,857.7	501.4	2,359.1	1,930.0	553.5	2,483.4	1,994.7	573.2	2,567.9
	0913000 General Administration, Planning and Support Services	244.5	-	244.5	386.0	-	386.0	368.0	-	368.0	379.8	-	379.8

**Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ...Contd**

Sector Code	Sector/Vote/Programme	Approved Estimates			2024/25			2025/26			2026/27		
		2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
<b>0100</b>	<b>ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES</b>	<b>34,724.9</b>	<b>90,791.7</b>	<b>125,536.7</b>	<b>34,549.0</b>	<b>93,415.8</b>	<b>127,964.8</b>	<b>38,306.3</b>	<b>119,294.2</b>	<b>157,600.5</b>	<b>40,671.3</b>	<b>127,046.5</b>	<b>167,717.8</b>
	<b>1104 State Department for Irrigation</b>	<b>1,541.8</b>	<b>22,644.0</b>	<b>24,185.8</b>	<b>1,530.0</b>	<b>22,467.0</b>	<b>23,997.0</b>	<b>1,716.0</b>	<b>39,774.0</b>	<b>41,490.0</b>	<b>1,822.0</b>	<b>40,255.0</b>	<b>42,077.0</b>
	1014000 Irrigation and Land Reclamation	856.3	19,244.0	20,100.3	860.0	19,055.0	19,915.0	932.0	27,550.0	28,482.0	982.0	25,498.0	26,480.0
	1015000 Water Storage and Flood Control	497.5	1,880.0	2,377.5	484.0	2,246.0	2,730.0	523.0	10,904.0	11,427.0	563.0	11,610.0	12,173.0
	1022000 Water Harvesting and Storage for Irrigation	31.2	1,520.0	1,551.2	36.0	1,166.0	1,202.0	43.0	1,320.0	1,363.0	48.0	3,147.0	3,195.0
	1023000 General Administration, Planning and Support Services	156.7	-	156.7	150.0	-	150.0	218.0	-	218.0	229.0	-	229.0
	<b>1109 State Department for Water &amp; Sanitation</b>	<b>6,594.4</b>	<b>58,320.0</b>	<b>64,934.4</b>	<b>6,145.0</b>	<b>60,903.0</b>	<b>67,048.0</b>	<b>6,456.0</b>	<b>69,801.0</b>	<b>76,257.0</b>	<b>6,734.0</b>	<b>76,216.0</b>	<b>82,950.0</b>
	1001000 General Administration, Planning and Support Services	699.3	740.0	1,439.3	692.0	269.0	961.0	779.0	329.0	1,108.0	819.0	388.0	1,207.0
	1004000 Water Resources Management	2,214.4	12,651.0	14,865.4	1,954.0	18,804.0	20,758.0	1,982.0	21,274.0	23,256.0	2,029.0	22,851.0	24,880.0
	1017000 Water and Sewerage Infrastructure Development	3,680.7	44,929.0	48,629.7	3,499.0	41,830.0	45,329.0	3,695.0	48,198.0	51,893.0	3,886.0	52,977.0	56,863.0
	<b>1192 State Department for Mining</b>	<b>2,094.1</b>	<b>1,685.5</b>	<b>3,779.6</b>	<b>1,317.0</b>	<b>931.8</b>	<b>2,248.8</b>	<b>1,646.8</b>	<b>1,185.2</b>	<b>2,832.0</b>	<b>1,726.5</b>	<b>1,434.5</b>	<b>3,161.0</b>
	1007000 General Administration Planning and Support Services	879.1	-	879.1	697.0	-	697.0	853.5	263.4	1,116.9	905.0	624.4	1,529.4
	1009000 Mineral Resources Management	303.5	190.0	493.5	269.0	292.8	561.8	331.3	444.8	776.1	342.3	335.0	677.3
	1021000 Geological Survey and Geoinformation Management	911.5	1,495.5	2,407.0	351.0	639.0	990.0	462.0	477.0	939.0	479.2	475.1	954.3
	<b>1203 State Department for Wildlife</b>	<b>10,221.6</b>	<b>1,383.0</b>	<b>11,604.6</b>	<b>11,809.0</b>	<b>1,433.0</b>	<b>13,242.0</b>	<b>13,609.0</b>	<b>1,781.0</b>	<b>15,390.0</b>	<b>14,773.3</b>	<b>2,002.0</b>	<b>16,775.3</b>
	1019000 Wildlife Conservation and Management	10,221.6	1,383.0	11,604.6	11,809.0	1,433.0	13,242.0	13,609.0	1,781.0	15,390.0	14,773.3	2,002.0	16,775.3
	<b>1331 State Department for Environment &amp; Climate Change</b>	<b>4,149.8</b>	<b>2,401.9</b>	<b>6,551.7</b>	<b>3,848.0</b>	<b>2,550.0</b>	<b>6,398.0</b>	<b>4,321.5</b>	<b>2,743.0</b>	<b>7,064.5</b>	<b>4,508.5</b>	<b>3,074.0</b>	<b>7,582.5</b>
	1002000 Environment Management and Protection	2,416.5	1,858.9	4,275.4	1,832.0	2,065.0	3,897.0	1,940.0	2,258.0	4,198.0	2,034.0	2,589.0	4,623.0
	1010000 General Administration, Planning and Support Services	709.0	-	709.0	530.0	-	530.0	806.0	-	806.0	826.0	-	826.0
	1012000 Meteorological Services	1,024.2	468.0	1,492.2	1,014.0	416.0	1,430.0	1,054.5	416.0	1,470.5	1,074.5	416.0	1,490.5
	Programme 4: Water Rehabilitation and Conservation	-	75.0	75.0	472.0	69.0	541.0	521.0	69.0	590.0	574.0	69.0	643.0
	<b>1332 State Department for Forestry</b>	<b>10,123.4</b>	<b>4,357.3</b>	<b>14,480.7</b>	<b>9,900.0</b>	<b>5,131.0</b>	<b>15,031.0</b>	<b>10,557.0</b>	<b>4,010.0</b>	<b>14,567.0</b>	<b>11,107.0</b>	<b>4,065.0</b>	<b>15,172.0</b>
	1018000 Forests Management and Water Towers Conservation	10,123.4	4,357.3	14,480.7	9,900.0	5,131.0	15,031.0	10,557.0	4,010.0	14,567.0	11,107.0	4,065.0	15,172.0
	<b>TOTAL</b>	<b>1,681,234.7</b>	<b>783,219.7</b>	<b>2,464,474.4</b>	<b>1,657,529.4</b>	<b>853,934.2</b>	<b>2,511,463.6</b>	<b>1,764,035.5</b>	<b>969,062.9</b>	<b>2,733,098.4</b>	<b>1,988,220.8</b>	<b>1,006,464.9</b>	<b>2,994,685.8</b>

**Annex Table 5: Highlights of the Issues Raised During Public Participation**

Sector	Issues	Proposed way forward/ Action taken/ Response
<p><b>Agriculture Rural and Urban Development Sector</b></p>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Agricultural extension services</li> <li>• Attachment of agriculture students</li> <li>• Agricultural content on television</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Strengthening of 4K clubs</li> <li>• Distribution of subsidized fertilizer</li> <li>• Revival of pyrethrum sub-sector</li> <li>• Early warning system on disease outbreaks</li> </ul>	<p><b><u>Proposed way forward/ Action taken/ Response</u></b></p> <ul style="list-style-type: none"> <li>• The Government is working on a proposal to place extension officers in all wards from the National Government to work with the County Government extension officers to serve the farmers.</li> <li>• The Sector has entered into a Memorandum of Understanding with the Ministry of Education to have agriculture students attached in their villages for knowledge transfer.</li> <li>• The Sector runs a program called Sauti ya Mkulima. Further, the Information Research Centre will work on improving the content to cover agricultural based television programs</li> <li>• The Sector is planning to drill boreholes in 2000 schools that will be used for agriculture and production of seedlings to support the tree growing program.</li> <li>• The Sector will distribute the subsidized fertilizer through the e-voucher system by using registered agro-dealers. Further, the fertilizer in use has been blended with lime to reduce acidity in the soils.</li> <li>• The Sector has identified 19 Counties where pyrethrum can be grown. Further, there is a plan to use 84,000 acres of Government land for pyrethrum seed multiplication.</li> <li>• The Sector has an early warning system for livestock diseases. This is through a digital platform on disease outbreaks which once triggered vaccines are provided to the County Governments to cover the same.</li> </ul>

<b>Environment Protection, Water and Natural Resources Sector</b>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Carbon credits awareness and regulation</li> <li>• Bio-diversity loss and pollution control</li> </ul> <p><b><u>Resource allocation issues</u></b></p> <ul style="list-style-type: none"> <li>• Thin allocation to water projects</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Flood control in the lowlands</li> </ul>	<ul style="list-style-type: none"> <li>• The Climate Change Act has provided for regulation of Carbon Credit markets and the Regulations that provide the mechanisms have been approved. This will ensure that the Carbon Credit market is regulated and cushion Citizens from exploitation.</li> <li>• The EMCA Act is being reviewed to entrench the polluter pay principal. Further, the Sector is spearheading the 15 billion tree growing programme for environmental conservation. In addition, the Sector ensures that solid waste management is taken into account in all projects.</li> <li>• Projects are scattered across the Country for equity given that access to clean water is a right for all hence the thin allocation to projects as per available resources.</li> <li>• The Sector is conducting flood mapping to ensure that flood water follows through natural water ways. This will include construction of dykes to ensure that the rivers and natural water ways do not break their banks and invade on human settlements.</li> </ul>
<b>Public Administration and International Relations Sector</b>	<p><b><u>Resource allocation issues</u></b></p> <ul style="list-style-type: none"> <li>• Low allocation vs. resource requirement</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Issuance of passports taking long</li> </ul>	<ul style="list-style-type: none"> <li>• The Government is working towards increasing the ceilings through enhancement of revenue rising and engagement of Public Private Partnerships where possible in project implementation.</li> <li>• The Government has formed a taskforce to work on modernization of the Government Press. This will improve services and make it possible to print passports locally hence reducing the time taken to deliver them to citizens.</li> </ul>
<b>Energy, Infrastructure and ICT Sector</b>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Price control of petroleum products</li> <li>• Importation of processed petroleum products</li> </ul>	<ul style="list-style-type: none"> <li>• The prices of petroleum products differ across the Country due to differences in transportation and handling costs as you get further from the port of entry.</li> </ul>

	<ul style="list-style-type: none"> <li>• Electric vehicles charging points</li> </ul> <p><b><u>Governance Issues</u></b></p> <ul style="list-style-type: none"> <li>• Poor implementation of Michuki rules</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Public participation on the housing programme and inclusivity of PWDs</li> <li>• Vandalism of road furniture</li> <li>• Roads drainage system in Kisumu and Uhuru Highway</li> <li>• Implementation of Bus Rapid Transport (BRT)</li> </ul>	<ul style="list-style-type: none"> <li>• The oil refinery was closed due to old machinery which led to high costs of operation. This then lead to importation of processed products. The Government however has plans of building a new refinery in Lamu.</li> <li>• EPRA has provided guidelines on electric vehicle charging points and pricing has been set. This is available for the private Sector to guide in the establishment of charging points. KEBS will certify those who wish to establish charging points while Kenya Power is putting up some charging points.</li> <li>• The Sector is working with the police to enforce road safety rules through implementation of the Road Safety Strategic Plan</li> <li>• The Government is planning to conduct a country-wide public participation to ensure that Kenyans are aware of the housing plan for inclusivity. Further, the housing designs are taking into account the needs of People living with disabilities by having lifts and walkways.</li> <li>• The Government is working on public awareness on the use of road furniture working with County Governments to reduce sale of the same as scrap metal. Further, alternative materials are being explored to replace metallic furniture which cannot be reused. In addition the Government is exploring electronic tagging of road furniture.</li> <li>• In the design and implementation of all road projects drainage is taken into account. The Sector is also working with County Governments to ensure that the drainage on all roads is unclogged.</li> <li>• Implementation of BRT on Thika road has been delayed due to a pending bill owed to the contractor once it is paid the contractor will come back on site. Further, in the implementation of BRT</li> </ul>
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<p><b>Health Sector</b></p>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• HIV/AIDS and teenage pregnancies control/prevention among the youths and adolescents</li> <li>• Provision of Family Planning essentials</li> <li>• Cross border disease management in Busia</li> <li>• Provision of assistive devices to PWDs through the Social Health Insurance Fund</li> </ul> <p><b><u>Resource allocation issues</u></b></p> <ul style="list-style-type: none"> <li>• Allocation to Gatundu and Mathari hospitals</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Implementation of Managed Equipment Service (MES) programme</li> <li>• Equipping of Community Health Promoters (CHPs)</li> <li>• Construction of Meru and Kakamega cancer centers</li> </ul>	<ul style="list-style-type: none"> <li>• The Government through the Ministry of Health has outreach programs for sensitizing the youth through different platforms including social media, through the RMCAH and NASCOP programs</li> <li>• The Ministry indicated that there is a provision for family planning products including free condoms.</li> <li>• There is enhanced surveillance across the border at all ports of entry so as to protect the local population from outbreak of diseases in the neighboring countries. Further, the Government is building isolation rooms at ports of entry.</li> <li>• The Ministry of Health will be conducting public participation of the Social Health Insurance Fund regulations which includes the essential package.</li> <li>• The funds allocated to Gatundu Hospital were meant to complete a complex in the hospital then handover its operations back to the County Government of Kiambu. The allocation for Mathari Hospital on the other hand is itemized in the Ministerial Budget but going forward it will be a transfer to the hospital</li> <li>• The MES was a 7years programme that rased in May 2023 which was government funded through a program of leasing to own. The County Governments were given a conditional grant for payment of the MES. Negotiations are ongoing with the Council of Governors on continuation of the program.</li> <li>• The CHPs are equipped with kits that contain a glucometer, blood pressure machine, weighing scale and pain killers and syrups. They also have a phone that captures data on households visited.</li> <li>• The Sector was working on Kisii and Mombasa cancer centers. Kakamega and Meru are next in line.</li> </ul>
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<p><b>Education Sector</b></p>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Discrimination of student in private schools in terms of distribution of marks and placements to high schools.</li> <li>• Introduce volunteerism to bridge the gap in teacher capacity</li> <li>• Partnering with the Ministry of Education (MoE) on technology projects.</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Measures to strengthen link between medical and educational assessment.</li> <li>• Mental health within the sector in terms of integration with health safety and wellness.</li> <li>• Adult education not mentioned</li> <li>• Transition of learners with disability to the Junior Secondary School (JSS)</li> </ul>	<ul style="list-style-type: none"> <li>• This is not true and needs to be demystified. The exams are marked by machine other than the composition and insha. The formula for moderation is standardized and public knowledge while school selection follows merit and choice and in other instances, affirmative action.</li> <li>• Suggestion welcomed. However, it is important to note that there exists a framework for volunteering which other partners or NGOs use to provide teaching services. The issue may be awareness creation so that Kenyans can take the opportunity to serve in the society.</li> <li>• The MoE is willing and ready to work with partners and also leverage on technology. Currently conducting e-assessments for the teacher training school. Interested parties can liaise with the ministry and present their proposals.</li> <li>• There are plans to set up assessment centers at the regional level. The strategy is that the centers will be next to or within hospitals. Further, Kenya Institute of Special Education (KISE) will have a parents’ facility within where parents can be hosted as the children are being assessed.</li> <li>• Mental health issues are address through teacher induction, mentorship and coaching where teachers are helped with how to deal with mental issues. There is also guiding and counseling services as well as chaplaincy available for students in institutions of learning. Further encouragement of participation in extracurricular activities helps in achieving mental health.</li> <li>• The sector has adult education centers which are used to address issued of literacy. However, there may need to relook into adult education as there are different pockets of literacy in the country with the centers being necessary in some areas than others.</li> <li>• The allocation for transition to JSS covers all students and it will be to cater for all categories of learners not just learners with disability. KISE has been</li> </ul>
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	<p><b><u>Resource Allocation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Commensurate funding to universities for preparedness for students from both the old and new curricula</li> <li>• Consider budget for safe houses for teenage mothers within schools</li> </ul>	<p>undertaking training for teachers to enable them manage students with disability. The ultimate objective is to have integrated schools where all learners will be taken care of.</p> <ul style="list-style-type: none"> <li>• There is allocation to the universities’ subsector to deal with the transition which is expected from 2029. First, for the Commission for University Education to start on curriculum reform. Second, the new funding model will address funding issues where the funding will follow the student. Further, universities need to come up with innovative ways to generate revenue and fund their activities as well as review their course offerings.</li> <li>• While considering this, there is need for parents to be engaged in issues affecting the upbringing of their children and not relegating it to schools. With 72% of secondary schools having day scholar, students are at home more than they are in school parents need to be integral in their children’s lives.</li> </ul>
<p><b>Social Protection, Culture and Recreation Sector</b></p>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Balance between young people getting short term contracts abroad vs. brain drain</li> <li>• No proper frameworks for Creative Industry e.g. Graphics rights not protected</li> <li>• Protection of cultural artifacts such as man-eating lions of Tsavo, kiondo etc</li> <li>• Inclusion of PWDs in the public participation i.e. no sign interpreter or braille for visually impaired persons</li> </ul> <p><b><u>Project Implementation Issues</u></b></p>	<ul style="list-style-type: none"> <li>• The country produces about 1million graduates annually into the labour market yet the economy is only able to absorb about 200,000. The remaining 80% need to be engaged profitably and economically for the good of the economy. The bilateral labour agreements are short term in nature so that the workers can come back more skilled and increase production and employment locally. Further, diaspora remittances are the highest in terms of foreign exchange earning so there is need to demystify the issue of brain drain.</li> <li>• This will be addressed through the Creative Economy Bill which is still engaging the different stakeholder to get their views. The Bill needs input from stakeholders on how to incorporate Artificial Intelligence in the creative economy.</li> <li>• The country is working on the repatriation of artifacts. Once the country ratifies the UNESCO convention which is under discussion in Parliament then this can be possible. Successfully repatriated the vigangos and talks have started for the repatriation of the lions as well as other artifacts.</li> </ul>

	<ul style="list-style-type: none"> <li>• The 2000 shillings per month not sufficient for persons with disability to meet disability needs.</li> <li>• Persons with disability need to be considered for cash transfer not just persons with severe disability</li> </ul> <p><b><u>Resource Allocation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Include budget allocation for setting up film studios to cut film production cost</li> </ul>	<ul style="list-style-type: none"> <li>• That is regrettably noted and the National Treasury will endeavor to meet the needs of PWDs and make the public participation inclusive.</li> <li>• This is noted but it is what can be managed by the government at the moment given that there are still other persons who are not yet covered.</li> <li>• The eligibility criteria for the cash transfer is for the persons with severe disability. However, there are other funding for Persons with Disability (PWDs) where persons with disability can get support such as the National Council for PWDs, the National Fund for PWDs, programmes for albinism and autism. If resources allow, the cash transfer can be scaled up to include all persons with disability and not just severe disability.</li> <li>• The government has plans to help cut down the film production costs and has meanwhile partnered with Invention Studios who are going to produce 12 movies in Kenya and these will not only create employment but offer knowledge transfer. The facilities set up for the production of the movies will continue to be used by Kenyans even after the partnership</li> </ul>
<p><b>Governance, Justice, Law and Order Sector</b></p>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Focus on delivery of quality service through better remuneration of (National Government Administration Officers) NGAOs, provision of adequate facilitation for operations e.g. uniforms, motor vehicles, office space, computers, security and training.</li> <li>• Attendance of the public for the hearing is worrying. Low turnout</li> </ul>	<ul style="list-style-type: none"> <li>• These concerns are noted about the welfare of the NGAOs i.e. the chiefs, assistant chiefs and the village elders and the State Department for Internal Security and National Administration will strive to priorities this within the available budget. There is recognition of the role the NGAOs do especially village elders and there is a policy being developed that will look into the remuneration of village elders and this is a matter of priority to the sector.</li> <li>• This has been taken into consideration and there will be endeavor to improve turnout. However, the public can also participate though online platforms and can submit their feedback via email and written submissions to the various MDAs. Further, the National Treasury had conducted county participation where view and feedback from the public on the budget had been sought.</li> </ul>

	<p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Peace Committees inactive</li> <li>• Refugee rights violated</li> <li>• Consider to have counselor attending to probation officers as well as offenders on probation.</li> </ul> <p><b><u>Resource Allocation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Budget deficit and how it is being addressed in the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Peace Committees are still active and are under the peace building department within the State Department for Internal Security and National Administration. The challenge has been limited resources to conduct their operations but there are plans to partner with other stakeholders to ensure implementation of peace building initiatives.</li> <li>• There is a programme on the rights of refugees and the host community to ensure peaceful coexistence. It is funded by the development partners and the main objective is to support refugees by working with the directorate of refugee services as well as the Kenya National Commission on Human Rights. The role of the police even in refugee context is to maintain law and order.</li> <li>• There are counselors available and in addition to this every prison has a chaplaincy service that offers support to both the officers and offenders.</li> <li>• The sector will mobilize and work with the development partners as well as the private sector to strive to bridge the resource gap. The sector will also look for opportunity for supplementary funding from the National Treasury should the macroeconomic situation improve and allow for more resources to be availed.</li> </ul>
<p><b>General Economic and Commercial Affairs Sector</b></p>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Anti-Counterfeit Authority to relax rules to allow creativeness of young innovators to copy and imitate other technologies to spur economic growth and employment.</li> <li>• Government institutions in conflict of interest especially on matters climate change</li> </ul>	<ul style="list-style-type: none"> <li>• There is partial concurrence to the suggestion so that Kenya can match what happens globally like in cities such as New York in the space of imitation. However, there is need for legislation and regulation to not only protect copyrights and intellectual property but also the rights of consumers and that is what the authority strives to ensure.</li> <li>• There is no conflict of interest as Government is implementing interventions that will eventually lead to the objectives of combating climate change but it has to</li> </ul>

	<p>where there is use of e.g. petroleum instead of green or clean energy sources.</p> <ul style="list-style-type: none"> <li>• Heavy competition in the manufacturing industry from imports, are there policies to protect local manufacturers?</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Private Conservancies are more than public and not being regulated.</li> <li>• Is there infrastructure that can support climate change e.g. charging of electric vehicles</li> </ul>	<p>be done in a phased manner and progressively in line with available resources to ensure sustainability. The government also has to provide alternative solutions to things like petrol and other fossil fuel or plastic and this has to be progressive keeping in mind providing alternative livelihoods to those affected.</p> <ul style="list-style-type: none"> <li>• State Department for MSME Development is tasked with the enforcement of the preferential treatment of Buy Kenya Build Kenya policy where 40% of procurement is preserved for goods manufactured locally. The State Department has also adopted the value chain approach where products that can be best manufactured locally are produced such as edible oils and the State Department is in the process of developing financial products that can boost production of these value chains. The challenge is local merchants are providing imported products once given contracts to procure for the government.</li> <li>• Private conservancies are regulated and they play a complementary role in expanding our natural ecosystems to support tourism. There are requirements and steps that need to be met before establishment of a conservancy and even after establishment there are standards and practices to be adhered to.</li> <li>• There are a myriad of interventions to support climate change. For instance, the government target of planting 15 billion trees which is being implemented by every government department. For electric vehicles, there are a few charging points in Nairobi and the government is working on how to progressively improve on having facilities for charging and batteries to ensure success in dealing with climate change.</li> </ul>
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**Annex Table 6: Stakeholder and Public Proposals or Comments on the 2024 Budget Policy Statement**

<b>SECTOR/POLICY AREA</b>	<b>PROPOSAL/COMMENT</b>	<b>WAY FORWARD/ACTION TAKEN/RESPONSE</b>
Sustaining Bottom-Up Economic Transformation Agenda for Economic Recovery and Improved Livelihoods	<p>The budget analysis shows that the State Department for Housing and Urban Development treats the Housing Levy as A-i-A, and the Affordable Housing Regulations are still pending. The Affordable Housing Regulations, which will clearly define how the Fund will be administered, should be implemented as soon as possible.</p>	<p>In order to ensure that the constitutional right to accessible and adequate housing is achieved, the Government is fast tracking finalization of the legal framework for affordable housing. The Affordable Housing Bill, 2023 which is currently before Parliament will provide the legal framework for the implementation of the affordable housing programmes and projects.</p> <p>The Affordable Housing Regulations will protect housing levies collected and ensure they are optimally utilised to address the housing gap as well as spur the economy through creating employment.</p>
	<p>The 2024 BPS has a detailed section that highlights key sectorial priorities. These priorities are mostly of the National Government but in some functions are run by County Governments. The Government should provide clarity on how the National and County Government will coordinate these functions and details on the mechanisms in place to support any intergovernmental coordination of services. This should also include scenarios where the resources earmarked for those services are to be spent on behalf of counties or disbursed to counties as conditional grants</p>	<p>Article 6 (2) of the Constitution provides that the governments at the national and county levels are distinct and interdependent and shall conduct their mutual relations on the basis of consultation and cooperation. The National Government is committed in ensuring that intergovernmental relations between the County Governments and the National Governments are conducted in line with the Constitutional provisions. Articles 187 and 189 of the Constitution provides for the transfer of</p>



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		functions and powers between levels of Government as well as cooperation between the National and County Governments.
	On achieving universal health coverage, the 2024 BPS should capture the rollout of community health promoters who are supporting the UHC program.	This is captured in Section 1.2.4 of the 2024 BPS. The Government has employed 20,000 new healthcare workers under the Afya Nyumbani program, 8,429 workers whose contracts had lapsed deployed and 3,394 interns enrolled across the country. Additionally, the Government has collaborated with all the County Governments to recruit and deploy 100,000 community health promoters (CHP) throughout the country.”
	Kenya is about 80 percent ASAL and with the continued uncertainty in the climatic conditions, the Government should consider and invest in dam construction to minimize over-reliance on rain-fed agriculture.	Indeed, more than two-thirds of Kenya’s agricultural land requires irrigation. Irrigation is the single most important game changer in agriculture. To enhance access to water for domestic and industrial use, the Government plans to construct 100 dams in the next five years using the PPP model.
	On promotion of electric vehicles, the focus appears to be on pure electric vehicles (EVs) while ignoring battery electric vehicles (BEVs) which are more common as opposed to EVs whose adoption is low due to high prices and lack of support infrastructure such as charging stations.	The paragraph has been amended. The Government plans to reassess incentives that encourage the adoption of environmentally friendly practices, such as the use of green energy. Efforts will include supporting both purely electric and battery electric vehicles as part of the shift toward a more environmentally conscious economy.
	The Government should prioritize the 63-kilometer Kisumu-Miwani-Chemelil- Muhoroni- Kipsitet road. The three contractors have downed their tools over pending bills and delayed disbursements from the Government. The construction and completion of this road will boost food security, and trade	This is noted. The Government will strengthen the institutional framework for road development in order accelerate the speed of completion of new and stalled road construction projects to cater for the growing population. The recently formed Pending

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	and improve livelihoods in the lake region, it will also reduce travel time between Kisumu, Nandi, and Kericho counties ensuring faster accessibility and delivery of services.	Bills Verification Committee will help the Government to bring the issue of pending bill to finality by identifying system changes necessary to avoid accumulation of arrears.
	One of the interventions to reduce electricity prices is engaging independent power producers (IPP) in keeping with the Renewable Energy Auction Policy. The Government initiative is to promote the development of renewable energy, which will reduce the cost of electricity for consumers. However, the Government should subsidise the cost of renewable energy instruments so that consumers can install them directly without involving independent power producers who often increase the cost of production.	The Government is committed to create a supportive and conducive environment for the growth of renewable energy, making it more competitive with the abundant renewable energy sources and accelerating the transition to a more sustainable energy future. To reduce electricity prices, the Government has introduced a myriad of interventions to provide relief for electricity consumers while at the same time ensure the long-term viability and sustainability of the energy sector. This includes Renewable Energy Feed-in Tariffs (REFIT), investment in geothermal energy, rural electrification, and engagement of independent power producers in keeping with the Renewable Energy Auction Policy. The Government has also lifted the moratorium on Power Purchase Agreements (PPAs) as a way of enhancing the nation's energy security through opening up the energy sector for continued investments.
	In the Education Sector, the Government should consider the contracting of the 21,550 Junior Secondary School teachers on a permanent and pensionable basis in the FY 2024/25 and spread over the medium term. These teachers are duly trained, certified, qualified, and registered, and hiring them in an internship manner not only contravenes the Constitution but also fails to place the junior secondary school learners on the required standards of learning.	The Government has invested significantly in education and as a result reduced the teacher-student ratio over the years. 56,760 new teachers have been employed, while 8,200 primary school teachers were retrained to equip them with capacity to effectively deliver learning and teaching at the Junior School level. In subsequent years, the Government is committed to

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		<p>recruit more to further bridge the teacher-student ratio gap. Government will also continue to engage intern teachers to equip Kenyan youth with practical skills and competencies.</p> <p>The Government should prioritize the construction of Koru-Soin dam as a key sector output in the medium term. The project seems to be currently neglected by the Government despite encouraging efforts in the past. The prioritization of the project is key as it is one of the Vision 2030 flagship projects.</p> <p>The Government plans to construct 100 dams in the next five years and is likely to use the PPP model. However, as part of fiscal transparency, the number of dams already on course have not been indicated or the likelihood of such dams being conceived in the near future. That section could be updated to take note of that.</p> <p>Paragraph 29 emphasizes the construction of dams using the Public-Private Partnership Model to enhance access to safe water for domestic, irrigation and industrial use. The Government should consider water harvesting by rehabilitating/desilting the existing natural dams and water pans for irrigation purposes.</p> <p>Most of the priorities under the Bottom-Up Economic Transformation Agenda will be dependent on roles to be played by State Corporations. This will require efficiency, better budget execution and strategic alignment between the SAGAs and county governments for functions that are devolved. The 2024 BPS should include measures undertaken by Government to streamline the role of State Corporations in implementing BETA and the wider contribution to economic development through the multiplier interventions proposed.</p>
		<p>The Government is committed to ensure all new and stalled projects are completed.</p>
		<p>The 2024 BPS provides information on some of the dams, water and sewerage projects under construction across the county. The Government will continue to invest in the construction of various dams across the country to enhance supply of clean water and reliable water for both domestic and industrial use.</p>
		<p>In addition to constructing dams, the Government is rehabilitating and maintaining existing dams and water pans. During FY 2024/25 and the medium-term, key outputs include rehabilitation of 200 rural water schemes.</p>
		<p>In order to address the challenges faced by Government Owned Enterprises (GOEs), commonly known as Commercial State Corporations, the Government has embarked on the process of privatizing and restructuring of these entities. Following the enactment of the Privatisation Act, 2023, the Government will fast-track the privatization of GOEs and Government Linked Corporations (GLCs). As part of the process, the Government</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>The 2024 BPS gives details of the Government investments in social protection. The programmes fall under different MDAs but all target supporting poor households and special groups. However, these programmes were developed over the years using different methodologies and criteria in identifying poor households. This has led to a fragmented social protection approach. The National Treasury should include details on any policy reforms meant to have a common approach to identifying poor households to reduce any risks of double counts and have an easier process of transitioning households out of social protection programmes when their livelihoods improve.</p> <p>Kenya's poverty reduction has not been responsive to economic growth. What policy innovation levers/diagnostic tools has been introduced to correct that problem in the 2024 Budget Policy Statement?</p>	<p>has identified and proposed eleven (11) entities to be included in the 2023/2024 Privatisation Program, in line with the provisions of the Privatisation Act 2023.</p> <p>Social Protection programs play a pivotal role in reducing poverty, improving social inclusion and enhance economic stability. By providing financial and non-financial support to vulnerable populations, these programs contribute to the well-being and resilience of elderly citizens. For this reason, the Government will continue to develop and expand its social safety nets, addressing coverage gaps, improving targeting, and building administrative capacity will be crucial to achieving the goal of reducing poverty and promoting social inclusion.</p> <p>The 2024 highlights the Government's policy priorities captured under the Bottom-Up Economic Transformation Agenda (BETA) geared towards job creation and poverty reduction. To attain these goals, the Government will accelerate investments in: (i) Human capital development; (ii) Reforming markets that are in disarray; (iii) Domestic resource mobilization and application of those resources to development projects; (iv) Reform and restructure of Institutions; and (v) Digitization so as to coordinate all the other four areas.</p>
Medium Term Revenue Strategy (MTRS)	The 2024 BPS provides an informative summary of revenue measures that the Government will pursue in the medium term through tax reforms. The BPS	MTRS is available at the National Treasury website and contains an implementation matrix that details the proposed tax reforms

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>should include details of how much the Government projects to collect annually through these annual reforms across the different taxes. In addition, the BPS should also include details that show how equitable the proposed tax reforms and their impact across different wealth groups and how the poor will be cushioned.</p>	<p>that will be implemented over the three years. The implementation of the MTRS is expected to raise revenue to GDP ratio from 14.3 percent in FY 2022/23 to 20.0 percent by end of the FY 2026/27. The implementation of MTRS is expected to improve efficiency in the administration of tax laws, create tax rates that will enhance compliance and build the tax base.</p>
	<p>A lot of consultation is required on the tax measures in the MTRS, otherwise this feeds the perception that the Government is over taxing Kenyans.</p>	<p>In ensuring openness and accountability in financial matters as spelt out in Article 201 of the Constitution, the MTRS was subjected to public participation by issuing Public Notice requesting for comments and proposals from the public for consideration in the finalization of the MTRS. In this regard, the draft MTRS and the Public Notice were hosted on the National Treasury website, and the Public Notice was also published in MyGov. Various stakeholders submitted comments/input that were considered in finalization of the draft MTRS.</p>
	<p>The National Treasury should review the goal of the Medium-Term Revenue Strategy which should include</p> <ol style="list-style-type: none"> <li>1. Making Kenya's Taxation System buoyant, and attaining an optimal elasticity of direct taxes</li> <li>2. The National Treasury should undertake a fiscal incidence analysis similar to one in the previous public expenditure reviews to inform tax changes.</li> </ol>	<p>The objectives of the MTRS are to: improve efficiency in revenue administration; ensure equity and fairness in the tax regime; enhance tax-payer compliance with tax obligations; expand the tax base; create certainty in the tax regime to attract investment; and promote investment across various sectors by removing market distortions. These objectives includes the goal of making taxation system buoyant.</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Carbon taxes should target heavily polluting industries e.g those that use furnaces (burning coal, tires, heavy fuel oil etc.) with the highest carbon impact and air pollution contribution, and not individuals.	The Government will explore the possibility of introducing a carbon tax on industries and other greenhouse gas emitters. The carbon tax will be based on the carbon content of fossil fuels.
	The introduction of car circulation taxes should prioritize incentives on Electronic Vehicle ownership, implementing phased transition (e.g. over 15 years), and promoting environmentally friendly transportation alternatives rather than a blanket tax on vehicle owners. Introducing additional taxes on individuals, given the already existing high vehicle import and fuel taxes, will overburden citizens.	The Government will introduce Motor Vehicle Circulation Tax, in the medium term, on all motor vehicles based on a flat rate or on the engine capacity of the vehicle to improve progressivity. In the design of the tax, exemptions will be provided for certain categories of motor vehicles.
	Implement a withholding tax on payments for goods provided to the government was turned down because it was feared it could disrupt the market and raise the expenses associated with public procurement. The rate should be between 1 percent and 1.5 percent to ensure low margin items and cashflows are not materially affected by a high rate and reduce refund burden, administrative costs, and taxpayer costs.	The Government is a major consumer of goods and services. Currently, withholding tax is applied on services provided to public entities. To expand the tax base, the Government is introducing withholding tax on payment on goods supplied to Ministries, Departments and Agencies (MDAs).
	To ensure affordability and accessibility to education for all, education should not attract VAT given the positive externalities that accrue from an educated citizenry	Education services in Kenya are exempt from VAT to make education accessible to all learners. However, the benefit of the exemption is not uniform across all learners due to differences in fees charged and services provided. Some schools provide some services that are not directly related to education. Therefore, the Government will introduce VAT on education services provided by schools, which are not directly related to education.



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>Imposing VAT on insurance services is likely to drive up insurance costs, ultimately reducing affordability for individuals seeking insurance coverage. Amend sections 16 and 17 to increase the period for claiming input and issuing credit notes from 6 months to 12 months, to allow for cancelation of policies mid-way</p>	<p>Currently, all insurance services are exempt from VAT. Taxation of insurance services at the general rate will expand the tax bases and hence raise VAT revenue. On amending section 16 and 17, this is fiscal budget proposal that will be considered during preparation of the 2024 Finance Bill.</p>
	<p>VAT Input Tax Apportionment Formula will increase administrative burden on businesses and compliance costs.</p>	<p>The VAT Act provides for apportionment of input tax deductible where a taxpayer supplies both taxable and exempt supplies. The formula enables the taxpayer to determine the amount of deductible input tax. Currently, where the taxable supplies are more than 90 percent of the total supplies, all the input tax is deductible. The provision for a threshold has been subject to abuse leading to loss of revenue.</p>
	<p>Applying excise duty to betting and gaming could lead to a rise in the informal sector and an increase in illicit activities.</p>	<p>Betting and gaming activities have negative social impacts to the society particularly among the youth thus the need to discourage participation in the activities. The Government will review the excise duty on betting and gaming to fully address the negative externalities.</p>
	<p>Imposing withholding tax on payments made for produce delivered to cooperatives may deter small-scale farmers and negatively impact their livelihoods.</p>	<p>The Kenyan economy remains highly dependent on the agriculture sector, which contributed an average of 21.2 percent of the GDP in 2022 and has the highest employment multiplier in the economy. Despite this, the sector's contribution to tax revenue is less than 3 percent indicating that the sector is undertaxed. Withholding tax is meant to address the challenges faced by agricultural sector such as the subsistence nature of the</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		sector and inadequate tax literacy by the players of the sector which makes the taxation of this sector difficult.
	Taxing the digital sector could potentially impede innovation and hinder growth within the digital industry.	Taxing the digital sector will be applicable to those parts of an economy whose value and profit creation are based on the application of digital information and communication technologies.
	Do not introduce minimum tax as they are regressive, presumptive and unfair.	Some entities prepare their accounts to depict perpetual loss position thus evading taxation. To ensure fairness in taxation of income, the government will redesign the minimum tax taking into account the issues raised by the Court on the previous minimum tax.
	Reduce the corporate income tax rate from 30% to 20% to stimulate business growth and investment.	The Government will reduce the corporate rate of tax from the current 30.0 percent to 25.0 percent over the Strategy period. Kenya's CIT rate is at 30 percent compared to the world average of 23 percent and the African average of 29 percent. Studies have shown that high rates of corporate income tax discourage foreign direct investments and encourage investors to lobby for lower rates or tax exemptions. Further, high rates contribute to increased tax planning and reduced compliance by taxpayers, which in the case of Kenya, has contributed to a decline in income tax as a share of GDP.
	Review the residential rental income tax regime to ensure fairness and improve tax collection. Consider progressively reduction and elimination in recognition of the role affordable rents play in housing citizens.	Residential rental income within a threshold of Ksh 288,000 to Ksh 15.0 million is currently taxed under a simplified tax regime at a rate of 7.5 percent of the gross with an option of payment at

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		<p>the corporate rate. The simplification was introduced to enhance compliance though it has increased the number of taxpayers, it has not achieved the envisaged compliance with an estimated gap of Ksh 27.0 billion in the year 2022. To address compliance challenges in rental income taxation, the government will enhance registration of property agents, mapping of properties and leveraging on technology. In this regard, and to ensure fairness and equity, the government will review taxation of residential rental income.</p>
	<p>Review the personal income tax band structure to improve progressivity and ensure a fair distribution of the tax burden. This should also apply on the housing levy which is now the most regressive tax in the world. Consider bundling the levy with PAYE by raising the PAYE accordingly within the respective progressive bands.</p>	<p>The Income Tax Act provides five tax bands on personal income. The current structure is not progressive since tax bands are not wide enough to cushion low-income earners. Further, the structure increases opportunities for tax avoidance and evasion. The Government will review the structure to improve its progressivity based on recommendations of a study to be undertaken by KRA.</p> <p>The Government is on track to facilitate delivery of affordable houses and enable low-cost housing mortgages. The Housing Levy that was enacted in Finance Act, 2023 is providing an off-take fund that will de-risk investors, and offer affordable finance to home-owners, bringing home ownership within the reach of the majority of urban population.</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Review downwards the excise duty regime on petroleum products to mitigate the impact of rising fuel prices.	The government plans to review the excise duty imposed on petroleum items in order to tackle their harmful impact on the environment.
	Review downwards the excise tax regime for alcoholic beverages to base taxation on alcoholic content for fairness and to lower barrier to entry and improve competition in the sector.	Currently, taxation of alcoholic products is based on various criteria including, consumer behaviour, the value of the product, the volume of consumption and alcohol content. The Government will review the basis of taxation to the alcohol content of the product taking into consideration the harmonization within EAC region. Further, the Government will charge excise duty based on alcohol content of the products to discourage their consumption as they pose higher health risks.
	Phasing out of preferential corporate tax rates is a bad idea, as we need to keep promoting the investment in the sectors specified in the income tax Act.	The preferential rates apply to specific sectors to promote investments. However, these preferential rates have contributed to the erosion of the tax base and encouraged business persons to lobby the Government to grant similar incentives to other sectors. To address the situation, the Government will gradually phase out the preferential corporate tax rates while focusing on other investment promotion measures over the strategy period.
	Review and rationalize tax exemptions for corporate entities to expand the tax base is a bad idea, as we need to keep promoting the investment in the sectors specified.	Tax incentives are provided by Governments as a policy tool to influence taxpayers' behaviour, but they come at a cost in terms of foregone tax revenue. In addition, tax incentives increase the complexity of the tax system and reduces its effectiveness as an instrument to promote equity. Studies have shown that incentives may not necessary be effective in influencing the

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		taxpayer's behaviour. During the Strategy period, the Government will review the tax reliefs with a view to eliminate the reliefs that are counterproductive.
	Review and rationalize tax exemptions and reliefs on individuals' income to expand the tax base is a bad idea as we need to keep protecting vulnerable members of society.	The review and rationalization of the tax exemptions under the various tax laws will not affect the privileged persons under the Privileges and Immunities Act
	Review taxation regime of pension from exempt-exempt-tax to exempt exempt-exempt, and review upward the exempt contribution threshold needs to be better explained.	The current tax structure for pension is exempt-exempt-tax, implying that contributions are exempt, investment incomes are exempt while withdrawals are subjected to a graduated tax structure different from that of PIT. This structure is discriminatory since pension withdrawals after attaining the age of sixty-five years are exempt while those below the age of sixty-five years are taxable. But withdrawals before the age of fifty will attract taxes. The age differentials also encourage tax planning where withdrawals are done after attaining the age of sixty-five years. During the Strategy period, pension tax structure will be reviewed from exempt-exempt-tax to exempt-exempt-exempt to make withdrawals exempt irrespective of the taxpayer's age. However, exempt contributions to the pension scheme shall be restricted to a threshold to cushion tax planning. The tax-deductible amount for pension will be reviewed to take care of inflation.

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Recent Economic Developments and Medium-Term Outlook	In paragraph 127, the last sentence reads “All economic sectors recorded positive growths in the first half of 2023...” Check this statement since some economic sectors declined, as illustrated in Table 2.2.	Indeed, in Quarter 3 of 2023, some economic sectors declined compared to quarter 3 of 2022, but all the sectors have registered positive growths.
	The Central Bank of Kenya (CBK) has increased its base interest rate, which currently stands at 12.5% as of December 2023. This upward trend has resulted in higher credit costs for domestic borrowers, making it more expensive to do business and has also increased interest payments on domestic public debt. To mitigate any adverse effects on the money market and domestic bank lending interest rates, CBK must take a balanced approach in its review as it tightens its monetary policy and liquidity conditions in the money market.	The monetary policy stance is aimed at achieving price stability and providing adequate credit to support economic activity. The tightening of the monetary policy is to address the pressures on the exchange rate and mitigate second round effects including from global prices. This will ensure that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the Government target range.
	A section on public debt developments should be added in the Recent Economic Development and Medium-Term Outlook. The budgetary decisions have an impact on the fiscal deficit and how it will be financed, either domestically or externally, with impacts on household, financial and money markets.	This is noted and will be taken into consideration when preparing subsequent BPS and other related budget documents.
	The economic outlook assumes that consumption will mainly be driven by robust private consumption, and the easing of inflationary pressures will, in turn, support household consumption. The 2024 BPS ignores other parameters that affect consumption and should be included. They include disposable income, which has been affected by the high cost of living and taxes.	Aggregate demand will be supported by household private consumption and robust private sector investments coupled with Government investments as the public sector consolidates. This growth will also be supported by improvement in the external account supported by strong export growth and resilient remittances. Consumption will mainly be driven by strong Private consumption which is expected to increase to 79.3 percent of GDP in 2024 from 78.3 percent of GDP in 2023. The



<b>SECTOR/POLICY AREA</b>	<b>PROPOSAL/COMMENT</b>	<b>WAY FORWARD/ACTION TAKEN/RESPONSE</b>
		easing of inflationary pressures will result in strong household disposable income, which will in turn support household consumption.
Fiscal Policy, Framework and Performance	Consider introducing a table detailing A-i-A performance per MDA.	Annex table 4 of the 2024 BPS provides the summary of Expenditure by programmes, where you can track the performance of the MDAs.
	The National Treasury should include more information on why the performance in revenue and expenditure in the FY 2023/24 were below target in the first 4 months and the steps being undertaken to mitigate these challenges.	Section 2.3 provides the explanation for the fiscal performance in FY 2023/24 while Section 2:4 provides a summary of the measures the Government is undertaking to increase revenue and contain expenditures.
	The values on the Contingency Fund are still low as compared to the additional funds in request by the County and National Governments. The country has had cases of floods and expected to see some budget allocated for that basing in the supreme audit report.	The Contingency Fund is allocated Ksh 5.0 billion in FY 2024/25 an increase from Ksh 1.2 billion in the FY 2023/24. The resources will be utilized to cater for the additional expenditures arising from the unforeseen circumstances.
	The National Treasury should provide more details of how it will implement the National Tax Policy, which, as of January 2024, is still in draft form. Taxation in Kenya should be predictable, focusing on fairness and equality. Currently, employed Kenyans are taxed more than unemployed, which reduces their purchasing power. Instead, the government should focus on strategies to create more jobs and increase the number of people and institutions who pay taxes. This will help to grow the economy and benefit everyone	The National Tax Policy has been finalized and approved by the Cabinet. The implementation of the National Tax Policy, which is expected to commence in January 2024 will improve the tax system's administrative effectiveness, offer uniformity and clarity in tax laws, and control tax expenditures.
Budget for FY 2024/25 and the Medium Term	Delay in disbursement of funds was one of the main reasons for the failure to achieve the Programme-Based set targets, based on the review of financial and	Delay in disbursement is due to budgetary constraints. To address this, the government laid out comprehensive

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>non-financial reports submitted to the Controller of Budget (CoG) by National Government entities and County Governments. The Budget Policy Statement should consider intervening strategies for the FY 2024/25 and Medium Term to address this widely reported challenge of delay in the disbursement of funds.</p>	<p>interventions outlined in this document to boost revenue collection. The government is committed to ensure efficiency by streamlining the budgeting process, minimizing supplementary budgets, and enhancing accuracy in estimates.</p>
	<p>The Controller of Budget observed that National Government Accounting Officers are undertaking numerous budget reallocations, some coming soon after approving a budget or its supplementary. The PFM Act 2012 gives limited powers to Accounting Officers to re-allocate appropriated funds, which should be done prudently. Additionally, the BPS 2024 should take a stance on the measures that the National Treasury will implement to limit budget reallocations in the FY 2024/25 and the Medium Term.</p>	<p>The Government is committed to spend its expenditure as per the approved budget. However, due to budget constraints, the Government has to prioritize spending for critical needs that result to reallocation.</p>
	<p>In-year budget changes are guided by various legislation, including Article 223 of the Constitution and Sections 43 and 44 of the PFM Act. While the budget formulation process for the original estimates incorporates public engagement, the Controller of Budget advises that the Supplementary Budget process should also have public engagement in line with Articles 201, and 232 of the Constitution. The details of public participation during the supplementary budget process should be clearly outlined in the BPS 2024.</p>	<p>This is noted and will be taken into consideration when preparing subsequent BPS and other related budget documents.</p>
	<p>The Government should introduce a ceiling on the charges, levies, and fees that Ministries, Departments and Agencies offering services can charge citizens. This is due to the proposed charges, levies, and fees that were proposed by the State Department of Citizen Services and Immigration.</p>	<p>The Government is exploring non-tax revenue measures for the Ministries, Departments and Agencies to wean off from exchequer revenue. The MDAs A-i-A should be able to fund the expenditures of the entities without relying on the exchequer</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>The Government should ensure the ongoing austerity measures being implemented by various MDAs be implemented by the Executive Office of the President, Office of the Deputy President, Office of the Prime Cabinet Secretary, and State House, as these offices and institutions are key to building public trust and confidence in resource mobilization, living within our means, reducing wastage and nation building, especially, reduction in the resources used in both local and foreign travel, fuel costs and refreshments.</p>	<p>revenue. The Government will ensure that the proposed charges, levies and fees are reasonable without burdening Kenyans.</p> <p>The Government is implementing a fiscal consolidation plan which aims at reducing the fiscal deficit inclusive of grants from 5.6 percent of GDP in FY 2022/23 to 3.9 percent of the GDP in FY 2024/25. In this regard, the Government will continue to rationalize expenditures by eliminating non-core expenditures while improving efficiency in development projects implementation so as to contain expenditure growth, stabilize debt and reduce debt vulnerabilities. Expenditure rationalization cuts across all Ministries, Departments and Agencies.</p>
County Financial Management and Division of Revenue	<p>We note that the projected allocation to Counties for FY 2024/25 has been revised downwards from the Kshs 406 billion that was captured in the 2023 Budget Review and Outlook Paper (BROP) to Kshs 401.6 billion in the draft 2024 BPS despite an increase in projected ordinary revenues from Kshs 2,918.9 billion projected in the 2023 BROP to the Ksh 2,958.6 billion under the draft 2024 BPS. There is therefore need to maintain the positive outlook especially on allocation of revenue to counties on the premise that the incremental projected ordinary revenue has not been allocated commensurately between the two levels of Government.</p> <p>Secondly the projected ordinary revenue is set to grow by 15% (Kshs 387 billion) from the revenue that underpinned revenue sharing for the FY 2023/24</p>	<p>The Government under the Extended Fund Facility (EFF)/Extended Credit Facility (ECF) program supported by the Development Partners' targets is implementing a fiscal consolidation targeting to reduce the fiscal deficit to 3.5 percent of GDP. This is designed to slow down debt accumulation. To achieve this aggressive fiscal consolidation, amid increase in debt servicing costs as a result of exchange rate fluctuations and increased interest rates, the National Treasury has proposed huge expenditure rationalization in the financial years 2024/25 and the medium term. In order to be within this commitment, the National Treasury, has so far managed to reduce the fiscal deficit to 3.9 percent of GDP as captured in the 2024 draft Budget Policy Statement through expenditure rationalization and</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>(Kshs 2,571.2 billion). However, out of the Ksh 387 billion only Kshs 16.2 billion is being added to the counties baseline allocation of Kshs of Kshs 385.4 under the draft 2024 BPS which the Council deems disproportionate and inequitable. The Council therefore proposes an adjustment for both revenue growth and inflation by Ksh 48.4 billion to bring the Counties’ share of revenue to Kshs 450 billion for FY 2024/25.</p>	<p>mobilization of additional non-tax revenues from Ministries, Departments and Agencies.</p> <p>Specifically, as shown in Table 4.1, the National Treasury has:</p> <ol style="list-style-type: none"> <li>i. Revised downwards the projected total expenditures in the budget by Ksh 58.4 billion and increased the non-tax revenues by Ksh 39.8 billion;</li> <li>ii. Rationalised downwards the expenditures by the National Government by Ksh 96 billion comprising of Ksh 20 billion in recurrent expenditures Ksh 76.0 billion in both domestically and donor funded development budgets; and</li> <li>iii. Proposed an adjustment of the revenue growth for the equitable share to the Counties by Ksh 5 billion.</li> </ol>
	<p>We note that the draft 2024 BPS has not provided for payment of the outstanding Contribution in Lieu of Rates (CILOR) to Counties. The outstanding CILOR owed to date is Kshs 13,119,281,744 and whose payment is long overdue. The council proposes for a provision in the draft 2024 BPS, a payment plan for the outstanding CILOR to County Governments.</p>	<p>The National Treasury submitted a CAB Memo on payment of outstanding CILOR to the county governments. Once the Cabinet responds on this matter, the National Treasury will take the necessary action.</p>
	<p>The council proposes to amend the paragraph 297 (vi) to “The proposal to increase the equitable share to Ksh 401.6 billion in the FY 2024/25 is equivalent to 23.99 percent of the last audited accounts (Kshs1,673.7 billion for FY 2019/20) and as approved by Parliament.</p>	<p>The proposed Equitable Share for FY 2024/25 of Ksh 391.1 billion is equivalent to 24.86 per cent of the actual revenues raised nationally of Ksh 1,573,418 million for FY 2019/20, as per the records of the National Treasury. However, the last audited revenue raised nationally, as approved by the National Assembly is Ksh 1,673 billion implying an overstatement of Ksh</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		100 billion. This discrepancy has since then been raised with the Office of Auditor-General with a request for review of the audited revenue accounts for FY 2019/20.
	The council proposes to amend paragraph 301 to “The National Treasury proposes to allocate the Equalization Funds Ksh 8,368,574,000, being 0.5% of Kshs 1,637.7 billion (the most recently audited account for FY 2019/20). The equalization fund is 0.5% and not 5%	The National Treasury proposes to allocate Ksh 7,867 million to the Equalisation Fund being 0.5% of the actual revenues raised nationally of Ksh 1,573,418 million for FY 2019/20, as per the records of the National Treasury and Ksh 3,533 million towards payments arising from Equalisation Fund arrears.
	From Figure 4.1: Paragraph 274 A total of 16 counties and not 14 failed to meet the fiscal responsibility principle on development. Include in the list, Bungoma and Migori	This has been amended based on the published report by the Controller of Budget.
	The allocation of Ksh 17.6 billion to the Equalization Fund is more than the 0.5% of the most recent approved account of revenue. The last audited approved accounts amount to Ksh 1,673.42 for FY 2019/20 as approved by Parliament. Provide an explanation for the variation	The National Treasury proposes to allocate Ksh 7,867 million to the Equalisation Fund being 0.5% of the actual revenues raised nationally of Ksh 1,573,418 million for FY 2019/20, as per the records of the National Treasury and Ksh 3,533 million towards payments arising from Equalisation Fund arrears.
	There is no provision for Road Maintenance Levy Fund as an additional conditional allocation to the county governments. There is no provision for the conditional allocation for leasing of medical equipment.	This has been amended and RMLF provided for as a conditional grant. For leasing of medical equipment, there is a review of the project that will allow MoH to execute it through Intergovernmental Participation Agreements. Counties are required to sign the IPAs with MoH to operationalize the project.
	Analysis of county pending bills is done in detail. However, no analysis of National Government pending bills is carried out, yet the national government	A detailed report of the Status of pending bills for County government is reported for under Section 4.3.1 of this BPS. Currently, the National Treasury is verifying and consolidating

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>pending bills is carried out, yet the national government pending bills are higher than the county pending bills.</p> <p>Based on the report from the Office of Auditor General, County Governments are not included in the pending bills on liabilities hence proof that not all pending bills are not accounted. The Government should put this on consideration for the betterment of our country.</p>	<p>the feasible pending bills across all ministries and state departments. Upon completion the National Treasury will report on the status of pending bills.</p>
	<p>County allocation increases on a nominal basis, but the share of county allocations against the entire fiscal framework for the FY 2024/2025 has reduced. The National Treasury must uphold the "parity principle" to prevent the prioritization of national spending at the expense of counties, addressing the observed decline in relative transfers to the counties. The decreasing trend indicates a bias towards national spending over allocations to the counties especially when counties have no bigger tax heads nor a quicker access to financial markets.</p>	<p>The Government under the Extended Fund Facility (EFF)/Extended Credit Facility (ECF) program supported by the development partners targets is implementing a fiscal consolidation targeting to reduce the fiscal deficit to 3.5 percent of GDP. This is designed to slow down debt accumulation. To achieve this aggressive fiscal consolidation, amid increase in debt servicing costs as a result of exchange rate fluctuations and increased interest rates, the National Treasury has proposed huge expenditure rationalization in the financial years 2024/25 and the medium term. In order to be within this commitment, the National Treasury, has so far managed to reduce the fiscal deficit to 3.9 percent of GDP as captured in the 2024 draft Budget Policy Statement through expenditure rationalization and mobilization of additional non-tax revenues from Ministries, Departments and Agencies.</p>
	<p>Section 117 (2) of the Public Finance Management Act provides that the County Treasury shall align its County Fiscal Strategy Paper (CFSP) with the</p>	<p>Chapter 4 of this document provides different measures undertaken by the National Treasury to provide capacity</p>



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<p>national objectives in the Budget Policy Statement. In the previous financial years, most of the County Governments did not properly align their CFSPs to the 2023 BPS, and the National Treasury has equally not adequately demonstrated an analysis of how all the 47 County Governments are aligning their CFSPs with the BPS. The 2024 BPS and the medium-term budget should provide for a specific section that includes a step-by-step policy guidance to County Governments on how they are to align their respective CFSPs to the BPS. The BPS should further indicate the measures that are to be put in place to ensure full alignment of the 47 CFSPs to the BPS.</p>	<p>building to counties to enhance alignment to regulations, laws, guidelines and National economic objectives. The National Treasury will consider this request in future.</p>
	<p>The 2024 BPS notes that the County Governments received 100 percent of the equitable share in time for FY 2022/23. However, a delay in disbursement of equitable shares to County Governments was recorded in the first half of FY 2023/24. The Government needs to ensure funds are disbursed in line with the disbursement schedule.</p>	<p>Disbursement to county governments is dependent on the actual revenue collected by the government. Over the medium term, the Government will continue disbursing funds to counties in a more efficient and timely way; and supporting counties to improve their capacity to generate their own source revenue reduce over-reliance on transfers from the National Government.</p>
	<p>In paragraph 274, “However, the approved budget of 14 counties, namely .... did not conform with this requirement over the medium term as shown in Figure 4.1 below.” Replace “medium term” with “FY 2022/23” or recomputed Figure 4.1 for the medium term.</p>	<p>Paragraph amended accordingly</p>
	<p>In paragraph 277, the 2024 BPS calls for “the Controller of Budget to put measures in place to ensure increased allocation and actual expenditures by the county government on development expenditure”. The COB Act 2016 does not give the Controller of Budget a role in enforcing expenditures by</p>	<p>Section 5(b) of the COB Act 2016 provides that one of the functions of COB is monitoring, evaluating, reporting and making recommendations to the national and county governments on measures to improve budget implementation in</p>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	county governments. In this regard, the 2024 BPS should provide the correct role of the Controller of Budget under this activity.	accordance with Article 228 the Constitution. Section 5 (d) of the same Act requires the Controller to enforce budgetary ceilings by Parliament on national and county government expenditure. Additionally, Section 5(e) states that the COB may perform any other function that may be assigned to him or her by an Act of Parliament.
	The National Treasury has proposed an equitable share of Ksh 401.6 billion which is a 4.2% increase. This is a slightly higher proposal than the 398.1 billion by Commission on Revenue Allocation which is a 3.3% proposed growth. Counties are also meant to prepare budgets on a Medium-Term Expenditure Framework which requires them to have some level of predictability on what resources to expect over the medium term. As revenue performance stabilizes after the COVID-19 pandemic and drought shocks of the past three years, the Government should consider having a predictable revenue growth factor that can take into account historical revenue growth or inflation or some combination of both	This has been noted.
	Paragraph 297 and 305, (vi) indicates the last audited accounts Ksh 1,573.42 billion for FY 2019/20 and as approved by Parliament. However, a letter dated 24/10/23 from the National Treasury with reference number AG.17/11/Vol. 7(33) shows that the last audited accounts for FY 2021/22 as of 30.6.2022 was Ksh 1,940.97 billion. This has resulted in the CBK overdraft increasing to Ksh 97.05 billion. Kindly verify the figures and clarify the true position of the last audited accounts, whether FY 2019/20 or FY 2021/22.	The proposed Equitable Share for FY 2024/25 of Ksh 391.1 billion is equivalent to 24.86 per cent of the actual revenues raised nationally of Ksh 1,573,418 million for FY 2019/20, as per the records of the National Treasury. However, the last audited revenue raised nationally, as approved by the National Assembly is Ksh 1,673 billion implying an overstatement of Ksh 100 billion. This discrepancy has since then been raised with

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		the Office of Auditor-General with a request for review of the audited revenue accounts for FY 2019/20.
	<p>Equalization Fund is at Ksh 21.2 billion. The National Treasury should put in place mechanisms to ensure the funds allocated to this Funds are utilised as envisioned in the Constitution to realise the objectives of the Fund. There is concern that the Fund has not achieved much so far, attributed to administrative and legislative challenges.</p>	<p>Despite the government's efforts towards the success of the Equalization Fund, challenges arose with Court cases (Petition 003 and Petition 4 of 2023) questioning the revenue-sharing criteria and alleging the existence of fake wards. Initially, the court ordered a suspension of fund disbursement, but this order was lifted in November 2023. Nevertheless, the implementation faces obstacles in 15 counties that have not established the necessary committees, prompting the Fund to encourage their swift establishment.</p>
	<p>The Government should analyse the impact of the Equalization fund on the target regions and provide recommendations on how to enhance its effectiveness in promoting economic development. Address the challenges incurred in the disbursement process of the fund and recommend measures to ensure transparent and equitable distributions.</p>	<p>This has been noted and will be shared with the Equalisation Fund Board for consideration.</p>
Adherence to Fiscal Responsibility Principles	<p>In line with fiscal responsibility, a minimum of 30 percent of the Government's budget is allocated to development expenditure over the medium term. There has been under absorption of the development budget by both level of the Governments. There is a need to support this by promptly releasing funds and timely procurement of goods and services to avoid bottlenecks in the last days of year-end closure.</p>	<p>The under absorption of the development budget has been below the set threshold on account of the rationalization of Government expenditures to reduce the fiscal deficit in line with the Government's agenda as well as below target disbursements for externally funded projects. In FY 2023/24, the allocation for development expenditure is 35.4 percent of ministerial Government expenditure and is projected to remain above the 30 percent threshold over the medium term.</p>

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	<p>The 2024 BPS shows pending bills accumulated by County Governments, however, there is no information of the pending bills by the National Government, which accounts for 80 percent for the total accumulated pending bills. The Government should ensure there is a clear effort and programmes to clear the outstanding bills and guard from further accumulation to support the MSMEs and enhance liquidity management in the financial sector.</p>	<p>The National Treasury is currently verifying and consolidating the feasible pending bills across all ministries and state departments. Upon completion the National Treasury will report on the status of pending bill.</p>
	<p>The total public and publicly guaranteed debt stock, in gross terms, as of September 2023 was Ksh 10,585.1 billion, equivalent to 65.6 per cent of gross domestic product (GDP). This implies that the government had surpassed the legal borrowing limit of Ksh 10.0 trillion by Ksh 585.1 billion as specified in Section 50 (2) of the PFM Act, 2012. To effectively manage the rising cost of public debt, the National Treasury should implement fiscal consolidation measures to reduce non-productive public expenditures. For instance, borrowing should only be undertaken to finance productive projects. Further, to deal with liquidity challenges due to the short maturity of public debt, the National Treasury should prioritise using long-term rather than short-term financing. This will give the government room to manage the repayments effectively.</p>	<p>The Government is on a fiscal consolidation plan to contain expenditures and enhance revenue in order to slow down the growth of public debt, without compromising service delivery. 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.</p>
Statement of Specific Risks	<p>The Government should provide analysis of the reasons for accumulation of pending bills. There should also be strategies to address the issue for instance improving financial management systems and enhancing accountability. In addition, the 2024 BPS should include the potential consequences the common mwananchi has faced especially SMEs.</p>	<p>Budgetary constraints have resulted in accumulation of pending bills for the government. In order to address the issue, the Government through the recently established pending bills verification committee will minimize accumulation of arrears to suppliers; and with continued fiscal consolidation programme,</p>

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		debt vulnerabilities will be reduced and ensure a stronger debt sustainability position going forward.
	There is need for a robust public participation before the Government proceeds with the process of privatization and restructuring of 11 State-Owned Enterprises and Government-Linked Corporations that have already been included in the 2023 Privatization Programme in line with the Privatization Act, 2023.	The privatization of State-Owned Enterprises (SOEs) will adhere to the constitutional requirements, including the necessity for public participation.
	The National Treasury needs to update on the results of the review of the State Corporations and Semi-Autonomous Government Agencies (SAGAs) with a view of rationalization to remove the existing overlaps, duplication, and redundancies that contribute to increased wastage of the limited resources.	The National Treasury established a High-Level Fiscal Risk Committee tasked with evaluating and reporting on fiscal risks originating from State Corporations and State Agencies and Government Authorities (SAGAs). The committee will conduct a comprehensive year-long study to assess these risks emanating from the SAGAs/State Owned Establishment.
	According to the Budget Implementation Review Report for quarter 1 of 2023/24 from the Controller of Budget, State Corporations account for 81% of all pending bills at the national level. 46% of all national pending bills are payments due to contractors under State Corporations How will the National Treasury and line ministries ensure there is more efficient implementation of budgets to reduce the challenges that occasion pending bills?	The National Treasury and line ministries aim to reduce outstanding debts by intensifying monitoring of State Corporations to ensure adherence to budgetary allocations and prompt spending. Collaborative budget planning will better align allocations with operational needs. Streamlined procurement and payment processes will prevent delays in settling contractors' bills. State Corporations will receive financial management training to enhance budget handling. Ensuring timely fund transfers to State Corporations will avert cash flow issues causing late payments. Enhancing stakeholder

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	<p>In line with the Privatization Act, eleven (11) Government Owned Enterprises and Government-Linked Corporations have been identified for Privatization. The government should ensure that the methods used are transparent and objective to achieve positive results. Policymakers must adopt and embrace the experience of privatised commercial state corporations in Kenya and advise the Government to create an enabling political and economic environment to ensure the gains from privatisation are sustained through efficient and effective use of resources.</p>	<p>participation and communication will swiftly address challenges.</p> <p>Privatization will operate under the guidelines set in the Privatization Act, 2023. The aim is to enhance economic efficiency by fostering increased involvement of the private sector. This approach intends to render the economy more adaptable to market forces and competition.</p>
General Comments	<p>On public participation/sector hearings and involvement of stakeholders, the Government should consider the sector hearings for FY 2025/26 to be enhanced and I) at least aired on one national media station, ii) should have a sign language interpreter and iii) should have enough time for feedback on issues raised by different sectors, stakeholders and Kenyans.</p>	<p>In compliance with the law, Sectors conducted a Country-Wide Public Participation from 30<sup>th</sup> October to 6<sup>th</sup> November 2023 in 46 Counties with the exception of Mandera County which could not be accessed due to flooding. The issues raised by the Citizens were used by the Sectors while prioritizing programmes and projects to be funded. The reports from the Country-Wide Public Participation are annexed in each Sector Report. Further, Public Hearings for the FY 2024/25 Budget were held between 13<sup>th</sup> and 15<sup>th</sup> December 2023 at the Kenya School of Monetary Studies. Virtual platforms were made available on WebEx as well as live streaming on Facebook to ensure that stakeholders who could not attend the Public Hearings physically had access to the Hearings.</p>



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	<p>From the onset of FY 2023/24, the National Treasury, through the Public Sector Accounting Standards Board, should expedite the migration from the cash basis accounting system to an accrual system in line with Sections 81 and 164 of the Public Finance Management Act, 2012. The CS/National Treasury should fast track the tabling and approval of the Cabinet Memorandum on the transition to accrual accounting for Cabinet approval that has already been prepared.</p>	<p>The National Treasury has undertaken several preparatory measures for the implementation of accrual accounting. These include revising the Standard Chart of Accounts, creating and sharing policy guidelines regarding the identification, measurement, and presentation of assets and liabilities, updating the bank account registry, and drafting a Cabinet Memorandum detailing the transition to accrual accounting for approval by the Cabinet.</p>

**THE NATIONAL TREASURY AND ECONOMIC PLANNING  
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