REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

MEDIUM TERM

DRAFT 2024 BUDGET POLICY STATEMENT

SUSTAINING BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA

18TH DECEMBER, 2023

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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 into 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 Israeli-Palestinian war; 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 on 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 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. 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, 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 half of 2023 remains strong at 5.45 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.

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 explained earlier, the Government will accelerate investments in: (i) Human Capital Development; (ii) Markets; (iii) Domestic Resource Mobilization; (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 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 capital expenditure. Emphasis will be placed on aggressive revenue mobilization through a combination of tax administrative and tax policy reforms. The Government has embarked on the implementation of 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. 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). 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. 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.

Given the limited resources, the hard sector ceilings provided for the FY 2024/25 Budget and the Medium Term will form the basis of the detailed budget allocations for submission to Parliament by 30th April 2024. The budgeting for the FY 2024/25 budget, will strictly be developed through a value chain approach under five clusters for the nine value chains as enumerated earlier. The targeted outcomes of budget implementation is to bring down the cost of living, increase employment, enhance equitable distribution of income, social security while also expanding the tax revenue base, and increasing foreign exchange earnings.

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 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 15th of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. 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

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 into 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 Israeli-Palestinian war; 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 on petroleum products on account of increased geopolitical fragmentation and global oil supply cuts.

2. 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 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 half of 2023 remains strong at 5.45 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 proving 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 explained earlier, the Government will accelerate investments in: (i) Human Capital Development; (ii) Markets; (iii) Domestic Resource Mobilization; (iv) Reform and Restructure of Institutions; 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 markets, most Kenyans overtime sunk into abject poverty mostly because markets in their segments were interfered with or not properly governed. This disrupted market development, and importantly curtailed further investments in those sectors. Examples would be 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. 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 domestic resource mobilization, the Government is keen to raise domestic resources to support implementation of various ongoing programmes. The National Treasury has embarked on the redesign of the taxation policies to make them more supporting to economic activity without distorting the market and interfering with investment. 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 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 has strengthened the Public Private Partnerships (PPP) framework so as to leverage on 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 Optic Fibre 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

1. 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.

2. 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.

3. Additionally, the Government has made adequate arrangements, including investment in necessary infrastructure, to facilitate post-harvest management and prevent losses. 17 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 cost of living (maize), increasing exports (tea, dairy, leather), reducing food imports (rice, edible oils, blue economy).

4. 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 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

5. The Micro, Small and Medium Enterprise (MSME) Economy provides 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.

6. 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 October 2023, the Fund had disbursed Ksh 36.6 billion and realized Ksh 2.3 billion in savings, befitting 21.3 million customers with 7.5 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. 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.

7. 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, and an industrial park and business incubation centre in every TVET institution.

1.2.3 Housing and Settlement

8. 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

9. 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.

10. 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.

11. 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.

12. 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

13. 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

14. 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 of a fully public financed primary health care system, an emergency care fund and a health insurance fund that will cover all Kenyans, ii) install of a 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.

15. 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.

16. 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, establishes the publicly financed Primary Health Fund, a fully publicly financed chronic, emergency and critical illness fund and the Social Health Insurance Fund. Access to healthcare will no longer be based on ability to pay; it will be based on the health needs of every Kenyan. The Government will be implementing a per-household payment system, where a flat rate applies to everyone, regardless of their income.

17. 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, 20,000 new healthcare workers have been employed, 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. 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.

18. 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.

19. 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 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

20. 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, among other things: i) promote investment in the digital superhighway and the creative economy; ii) support extension of National Optic Fibre 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.

21. 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 more than 13,000 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.

22. 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.

23. 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.

24. Over the medium, the Government will continue to: increase and fast-track broadband con-nectivity 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

25. On the creative economy, the Government is committed in leveraging digital prowess 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. 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.

26. 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

27. 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 improve the living conditions of all Kenyans. The following enablers will be prioritized to enhance the attainment of the Agenda:

1.3.1 Infrastructure

28. 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.

1.3.1.1 Water

29. 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 (the PPP Act) 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

30. The Government will continue to 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. In order to minimize waste of resource, the Government will ensure all projects are completed within two years and no new project to be launched before the ongoing ones are complete.

31. 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

32. 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.

33. 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.

34. Building on these interventions, the Government has set up a team to evaluate 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.

35. 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 Arthi 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

36. 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 as follows: 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.

37. 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.

38. 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

39. 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 vehicle industry.

40. 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.

41. 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 which raise the cost of living. Successful transition to e-mobility requires intensive investment to reconfigure transportation system through electrification and the provision of every 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

42. Manufacturing sector in Kenya plays an important role in driving economic growth by promoting and supporting productivity, boosting employment and enhance competitiveness of the country through exports. 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

43. 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.

44. 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

45. 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

46. 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

47. Garments and textiles sector has huge untapped potential of employing thousands of Kenyans and earning significant foreign exchange. However, the sector is confronted by y 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

48. Dairy and livestock economy are 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.

49. 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

50. Currently, Kenyans consumes around 900 metric tonnes of edible oil annually. Out of this, only 6 percent being produced locally while the rest is imported, translating to an import bill of around Ksh 120 billion annually. To reverse this trend, the Government will continue to 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 saving almost Ksh 100.0 billion spent annually on imports. Towards this end, the Government will continue to attract investment to support oil cottage industries; provision of CMFs and processing machinery for small industries; and expand processing capacity of existing industries.

51. 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 addressing 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

52. 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; promotion of 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.

53. 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

54. 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

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

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

56. In order to support the blue economy, the Government has established 22 new fish landing sites in 9 counties in the Nyanza and Coast regions, funded and organised beach management units into cooperatives, set up two hatcheries in Kabonyo and Shimoni and is in the process of completing Liwatoni fish processing plant by December 2023 and Shimoni fish port by the end of 2024.

57. 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 and private operators in the Indian Ocean coast as well as Lake Victoria. In addition, the Kenya Shipyards poises as 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

58. The Government continues to implement targeted interventions to strengthen the financial services sector's role in driving the Government's Bottom - Up Economic Transformation Agenda (BETA), and help millions of ordinary citizens overcome pressing economic challenges and achieve prosperity. Specifically, the Government will continue supporting individuals and Micro, Small and Medium Enterprises (MSMEs) excluded at the bottom of the pyramid through 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.

59. 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. To strengthen this objective, 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.

60. The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios. To strengthen resilience of the banking sector, the Central Bank of Kenya (CBK) is currently reviewing the licensing fees for commercial banks. The licencing fees for commercial banks was last reviewed in 1990. This was based on the number of branches that a branch 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 land scape, 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 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.

61. In order to position Kenya as premier green financial hub green, 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 15th Ocotber, 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.

62. 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.

63. 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.

64. 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. Specifically, 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.

1.3.4.2 Tourism Sector

65. 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 from 14 percent to 50 percent 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-examine the

tourism and wildlife sector and redesign tourism ecosystem to improve tourism flow to the country.

66. The Government successfully hosted the Climate Change Summit 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

67. 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

68. 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.

69. 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 and 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.

70. 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.

71. 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

72. 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 impartation 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.

73. The investment by Government has significantly reduced the teacher-student ratio, with 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 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.

74. 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 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.

75. 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.

76. 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 21st 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.

77. Further, he 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

78. 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.

79. 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

80. 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, improving 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

81. 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.

82. 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.

83. To ensure attainment of 100 percent NHIF coverage for senior citizens, the Government has enacted 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.

84. To enhance savings 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 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

85. 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.

86. 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.

87. 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.

1.3.9.2 Culture

88. 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

89. 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.

1.3.11 Governance

90. 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 to invest come from revenues. There is simply no space for wastage and corruption because that would be the recipe for disastrous failure. In line with this, today, the Cabinet approved the Public Audit (Amendment) Bill, 2023, which will enhance the Auditor General's independence and transparency to ensure proper utilization of public resources through audits and also provide power for fraud investigations.

91. Corruption, wastage, inefficiency and negligence are serious threats to 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.

1.3.11.1Public Service Transformation

92. 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 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.

93. 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.

94. 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 to 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.

95. 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 and opportunity to gain work experience and enhance their employability chances. It has provided hands-on experience by building upon skills learned 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 Kenya youth and enable them to contribute significantly to the socio-economic transformation of our country.

1.3.11.2Strengthening Leadership Accountability and De-Personalising Politics

96. 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

97. The Government remains committed to to ensuring the success of devolution. Delays in disbursing allocations to County Governments have had tremendous negative effects overtime. 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 30th June, 2023. This included Ksh 370.0 billion equitable share and the arrears of Ksh 29.6 billion inherited from previous regime.

98. 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

99. 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.

100. 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.

101. 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).

102. 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 overstretching 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

103. 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.

104. 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, the 43rd Ordinary Session of the Executive Council, the 5th 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.

105. 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.

1.3.12.1Economic and Commercial Diplomacy

106. 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.

107. 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

108. 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:

vi) promote the resolution of conflicts by peaceful means drawing on Kenya's experiences in mediation, conflict resolution and peacekeeping;

vii) 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;

viii) 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

ix) create conflict analysis and prevention capacity nationally and in the region through the foreign service academy.

1.3.12.3Global citizenship

109. 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

110. 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 20230. 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

111. 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 MTRS and are at various stages of implementation geared towards boosting tax revenues and improving efficiency of tax systems.

112. 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 leading to an increase in borrowing to bridge the revenue gap. Studies have been done which identified various tax policy and administration reforms that should be implemented over the medium term to address this declining trend. 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.

113. The MTRS is aligned to the National Tax Policy which is currently before Parliament. The MTRS will also 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.

114. 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).

1.4.1 Objectives of Medium-Term Revenue Strategy

115. 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.

116. The implementation of MTRS is expected to:

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.

1.4.2 Highlights of Specific Revenue Mobilization Measures

117. The strategies for boosting revenue collection focus on all the tax heads, income tax, VAT, excise duty and customs duty. The Strategy also outlines administrative measures aimed at improving the tax system. The strategic interventions for each of the tax heads are:

(a) Income Tax

i) Reduce the corporate rate of income tax from the current 30 percent to 25 percent over the Strategy period;

ii) Gradually phase out the preferential corporate tax rates;

iii) Review residential rental income tax regime;

iv) Re-introduce minimum tax;

v) Introduce withholding tax on payments for goods supplied to the government, similar to services, as an advance tax;

vi) Review and rationalize tax exemptions for corporate entities to expand the tax base;

vii) Review the personal income tax band structure to improve progressivity;

viii) Review taxation regime of pension from exempt-exempt-tax to exempt-exempt-exempt, and review upward the exempt contribution threshold; and

ix) Review and rationalize tax exemptions and reliefs on individuals' income to expand the tax base.

(b) Value Added Tax

i) Review of the VAT rate downwards;

ii) Review the VAT registration threshold;

iii) Review and rationalize the exempt/zero rated supplies and align with international best practice;

iv) Explore the introduction of VAT on education services with a threshold to relieve the lower segment of the society from the tax. However, the introduction of the VAT will exclude basic education and early childhood education;

v) Introduce VAT on Insurance services; and

vi) Removal of the threshold for applying VAT input tax apportionment formula.

(c) Excise Duty

i) Review of excise duty regime on petroleum products;

ii) Introduce excise duty on coal;

iii) Review excise duty regime for cigarettes and other tobacco products;

iv) Review excise tax regime for products that contain sugar as well as introduction of excise duty on other goods with harmful health effects;

v) Review excise tax regime for alcoholic beverages to base taxation on alcoholic content; and

vi) Review excise duty on betting and gaming to fully address the negative externalities.

(d) Customs Duty

118. Taking cognizance that the East African Community (EAC) Common External Tariff (CET) provides common duty rates across the EAC Region, Kenya to request other EAC Partner States to review the structure of the EAC CET with a view of having one duty rate for all imported goods while primary raw materials/inputs will not attract duty.

(e) Other Tax Measures

i) Develop a framework to introduce carbon tax and granting of green fiscal incentives; and

ii) Introduce motor vehicle circulation tax payable annually by motor vehicle owners with exemption to certain categories of motor vehicle.

(f) Hard to Tax Sector

i) Review and explore means on suitable taxation of informal sector;

ii) Review the taxation of digital sector; and

iii) Review and explore means on suitable taxation of agriculture sector, such as introducing withholding tax on payments for produce delivered to cooperatives or other organized groups, with a threshold to cushion low-income earners.

(g) Fees, Levies and Non-tax Revenues

i) Digitalize collection of fees, levies and non-tax revenues and review to remove any exemptions where appropriate.

(h) Administrative measures

i) Tax base expansion by recruiting new taxpayers into the tax net;

ii) Modernization of tax procedures through various tax management systems and integration of tax administration system with other Government and third-party systems to improve efficiency;

iii) Simplification of tax procedures to make tax compliance easier for individuals and businesses;

iv) Tax debt management to ensure that taxpayers pay tax debts to minimize debt accumulation;

v) Improve compliance levels by focusing on risk management and voluntary compliance through improved taxpayer services;

vi) Improved integrity by putting in place measures that enhance integrity and build public confidence in tax administration;

vii) Timely refund of tax to the taxpayers by improving efficiency in management and processing of tax refunds;

viii) Staffing of tax administration by developing measures/interventions to facilitate staff retention, undertake skill-gap analysis to inform targeted employment and continuous training of the staff;

ix) Strengthen taxpayer audit to ensure that taxpayers comply with the tax laws and also deter evasion and avoidance; and

x) Enhance non-tax revenue collection, administration, accountability and reporting by use of integrated financial management information system.

119. 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.

1.4.3 Implementation of Medium-Term Revenue Strategy

120. 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 and will not require additional resources from the Exchequer. Implementation of revenue administration reforms will begin from January 2024 and will require additional budgetary allocation, estimated at Ksh 12.9 billion.

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

II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Overview

122. The global economy is experiencing challenges arising from global supply chain disruptions due to the prolonged Russia -Ukraine conflict, 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).**

123. The geopolitical fragmentation arising from the Israeli-Palestinian conflict and elevated global oil prices on account of supply cuts by major oil exporters particularly Saudi Arabia and Russia could weigh on the global economic outlook.

Table 2.1: Global Economic Performance

	Growth (%)			
	Actual		Projected	
Economy	2021	2022	2023	2024
World	6.3	3.5	3.0	2.9
Advanced Economies	5.4	2.6	1.5	1.4
Of which: USA	*5.9*	*2.1*	*2.1*	*1.5*
Euro Area	*5.3*	*3.3*	*0.7*	*1.2*
Emerging and Developing Economies	6.8	4.1	4.0	4.0
Of which: China	*8.4*	*3.0*	*5.0*	*4.2*
India	*9.1*	*7.2*	*6.3*	*6.3*
Sub-Saharan Africa	4.7	4.0	3.3	4.0
Of which: South Africa	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*

124. 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.

125. 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

126. The Kenyan economy in 2022 demonstrated resilience in the face of severe multiple shocks that included the adverse impact of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. As such, the economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021 but broadly aligned with the pre-pandemic decade average of 5.0 percent **(Table 2.2).** This growth was largely supported by the robust growth of service sectors, particularly transport and storage, financial and insurance, information and communication, and accommodation and food services sectors. However, the agriculture sector contracted by 1.6 percent due to the adverse weather conditions that affected reduction of crops and livestock.

Table 2.2: Sectoral GDP Performance

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

Source of Data: Kenya National Bureau of Statistics.

127. Despite the challenging environment, the Kenyan economy is demonstrating resilience with growth performance well above the global and SSA average. In the first half of 2023, the economic growth averaged 5.4 percent (5.5 percent Q1 and 5.4 percent Q2). This growth was primarily underpinned by a rebound in the agricultural activities and a continued resilience of service sectors. All economic sectors recorded positive growths in the first half of 2023, though the magnitudes varied across activities.

128. **Agriculture:** In the first half 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 6.0 percent in the first quarter and 7.7 percent in the second 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.

129. **Services**: The services sector continued to sustain strong growth momentum in the first half of 2023 growing by 6.0 percent in the first quarter and 5.9 percent in the second 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), transport and storage, financial and insurance (due to strong private sector credit growth and lending to the government) and real estate (supported by sustained expansion of the construction industry).

130. **Industry:** In the first half of 2023, the industrial sector recorded lower growths of 2.5 percent in the first quarter and 1.8 percent in the second quarter compared to growths of 4.4 percent and 4.2 percent, respectively in similar quarters in 2022. The slowdown in growth was mainly reflected in manufacturing, and electricity and water supply sub-sectors. 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

131. 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 will ensure that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range

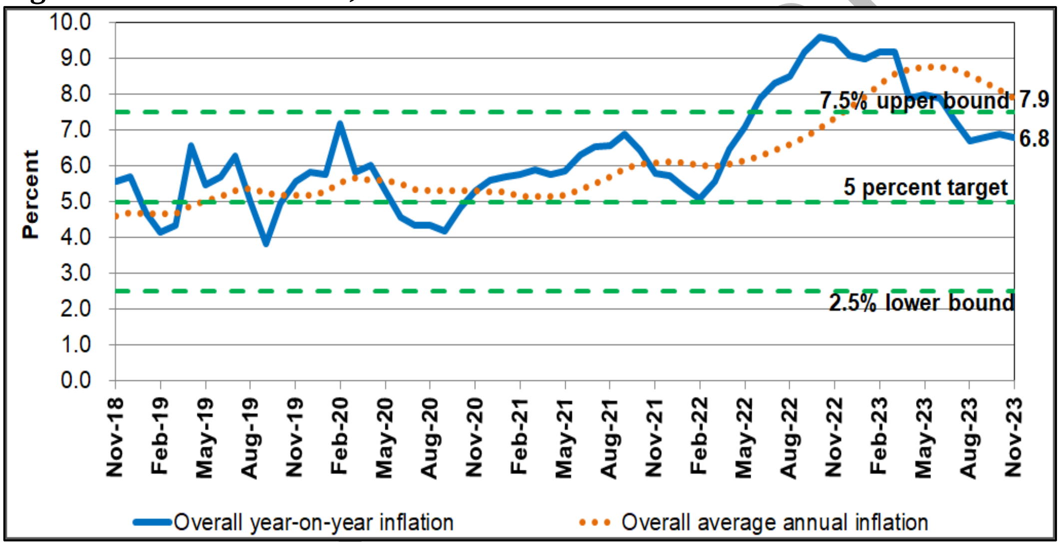
132. Consequently, inflation eased gradually to 6.8 percent in November 2023 from a peak of 9.6 percent in October 2022 and has been within the target range for the five months of FY 2023/24. However, inflation has remained sticky in the upper bound of the Government's target range since July 2023. The easing of inflation was also supported by lower food prices.

133. Food inflation remained the dominant driver of overall inflation in November 2023. However, it declined to 7.6 percent in November 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.

134. Fuel inflation remained elevated reflecting the impact of the rise in international oil prices. It increased to 15.5 percent in November 2023 from 11.7 percent in November 2022. The increase reflects 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).

135. Core (non-food non-fuel) inflation remained stable at 3.3 percent in November 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

136. Broad money supply, M3, grew by 19.5 percent in the year to September 2023 compared to a growth of 6.1 percent in the year to September 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.

137. Net Domestic Assets (NDA) registered a growth of 10.9 percent in the year to September 2023, compared to a growth of 17.6 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 16.0 percent in the year to September 2023 compared to a growth of 19.8 percent in the year to September 2022.

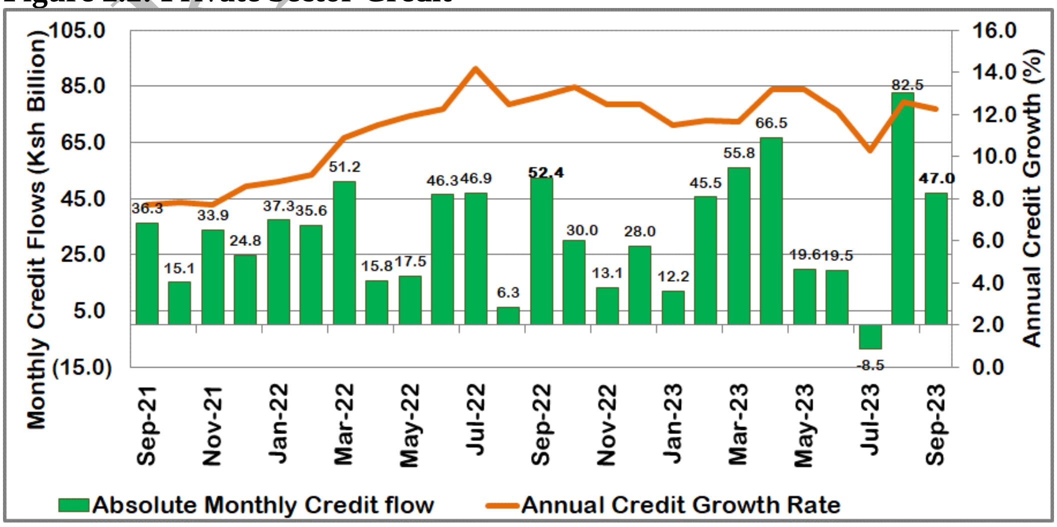
Table 2.3: Money and Credit Developments (12 Months to September 2023, Ksh billion)

				Change		Percent Change	
	2021 September	2022 September	2023 September	2021-2022 September	2022-2023 September	2021-2022 September	2022-2023 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,770.8	1,916.1	2,017.3	145.3	101.2	8.2	5.3
1.1 currency outside banks (M0)	234.4	251.7	267.5	17.3	15.7	7.4	6.3
1.2 Demand deposits	1,430.0	1,582.2	1,590.2	152.3	8.0	10.6	0.5
1.3 Other deposits at CBK	106.4	82.1	159.6	(24.3)	77.5	(22.9)	94.4
2. Money supply, M2 (1+2.1)	3,408.1	3,553.4	3,898.2	145.3	344.8	4.3	9.7
2.1 Time and savings deposits	1,637.3	1,637.4	1,881.0	0.0	243.6	0.0	14.9
Money supply, M3 (2+3.1)	**4,177.7**	**4,430.4**	**5,295.9**	**252.8**	**865.4**	**6.1**	**19.5**
3.1 Foreign currency deposits	769.5	877.0	1,397.6	107.5	520.7	14.0	59.4
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**661.9**	**294.6**	**708.5**	**(367.3)**	**414.0**	**(55.5)**	**140.5**
1.1 Central Bank	760.8	568.8	516.2	(192.0)	(52.6)	(25.2)	(9.2)
1.2 Banking Institutions	(98.9)	(274.3)	192.3	(175.4)	466.6	(177.3)	170.1
2. Net domestic assets (2.1+2.2)	**3,515.8**	**4,135.9**	**4,587.4**	**620.1**	**451.5**	**17.6**	**10.9**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,644.6	5,340.6	6,077.7	696.0	737.1	15.0	13.8
2.1.1 Government (net)	1,584.5	1,898.8	2,203.4	314.3	304.6	19.8	16.0
2.1.2 Other public sector	80.8	79.3	100.6	(1.5)	21.3	(1.9)	26.9
2.1.3 Private sector	**2,979.3**	**3,362.5**	**3,773.6**	**383.2**	**411.2**	**12.9**	**12.2**
2.2 Other assets net	(1,128.8)	(1,204.7)	(1,490.3)	(75.9)	(285.6)	(6.7)	(23.7)

Source of Data: Central Bank of Kenya

138. 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 12.2 percent in the year to September 2023 compared to a growth of 12.9 percent in the year to September 2022 **(Figure 2.2).** Improved credit expansion was registered in various sub-sectors that include finance and insurance, manufacturing, agriculture and transport and communication. However, there were fluctuations in the Monthly (month on month) credit flows to the private sector which amounted to Ksh 47 billion in September 2023 compared to Ksh 52.4 billion in September 2022.

Figure 2.2: Private Sector Credit

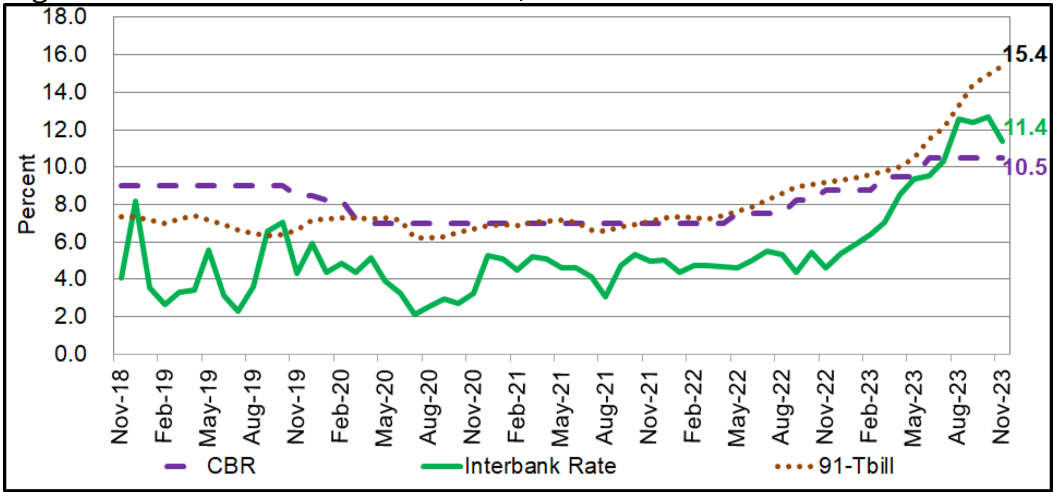


Source of Data: Central Bank of Kenya

Interest Rates Developments

139. Reflecting the tight monetary policy stance and liquidity conditions in the money market, interest rates increased in the year to November 2023. The interbank rate increased to 11.4 percent in November 2023 compared to 4.6 percent in November 2022 while the 91-day Treasury Bills rate increased to 15.4 percent compared to 9.2 percent over the same period **(Figure 2.3).** The introduction of the interest rate corridor, in August 2023, is expected to align the interbank rate to the Central Bank Rate and thereby improve the transmission of the monetary policy.

Figure 2.3: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

140. Commercial banks average lending and deposit rates increased in the year to September 2023 in tandem with the tightening of the monetary policy stance. The average lending rate increased to 14.0 percent in September 2023 from 12.4 percent in September 2022 while the average deposit rate increased to 8.6 percent from 6.8 percent over the same period. Consequently, the average interest rate spread declined to 5.3 percent in September 2023 from 5.6 percent in September 2022.

External Sector Developments

141. The current account deficit improved to USD 4,160.5 million (4.1 percent of GDP) in September 2023 compared to USD 5,928.1 million (5.3 percent of GDP) in September 2022. The current account balance was supported by an improvement in the trade balance account and resilient remittances **(Table 2.4).**

142. In the year to September 2023, exports contracted by 2.0 percent mainly due to a decline in horticultural exports particularly cut flowers despite an improvement in receipts from tea 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.

143. On the other hand, imports declined by 13.2 percent in the 12 months to September 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 2,429.5 million to a deficit of USD 9,741.7 million in September 2023.

Table 2.4: Balance of Payments (USD Million)

				Year to September 2023		Actuals as a Percent of GDP	
	Sep-21	**Sep-22**	**Sep-23**	**Change**	**Percent Change**	**Sep-22**	**Sep-23**
Overall Balance	**(744.8)**	**2,225.9**	**1,044.4**	**(1,181.5)**	**(53.1)**	**2.0**	**1.0**
A) Current Account	**(5,875.7)**	**(5,928.1)**	**(4,160.5)**	**1,767.6**	**(29.8)**	**(5.3)**	**(4.1)**
Merchandise Account (a-b)	(10,335.9)	(12,171.2)	(9,741.7)	2,429.5	(20.0)	(10.9)	(9.5)
a) Goods: exports	6,510.2	7,431.6	7,282.2	(149.4)	(2.0)	6.7	7.1
b) Goods: imports	16,846.0	19,602.8	17,023.9	(2,578.9)	(13.2)	17.6	16.6
Net Services (c-d)	540.5	1,600.0	671.8	(928.2)	(58.0)	1.4	0.7
c) Services: credit	4,304.9	6,576.7	5,733.2	(843.5)	(12.8)	5.9	5.6
d) Services: debit	3,764.4	4,976.8	5,061.4	84.7	1.7	4.5	4.9
Net Primary Income (e-f)	(1,811.0)	(1,758.1)	(2,025.5)	(267.4)	15.2	(1.6)	(2.0)
e) Primary income: credit	54.2	45.7	114.9	69.2	151.6	0.0	0.1
f) Primary income: debit	1,865.2	1,803.7	2,140.4	336.7	18.7	1.6	2.1
Net Secondary Income	5,730.7	6,401.2	6,935.0	533.8	8.3	5.7	6.8
g) Secondary income: credit	5,862.6	6,488.3	7,081.8	593.4	9.1	5.8	6.9
h) Secondary income: debit	131.9	87.2	146.8	59.6	68.4	0.1	0.1
B) Capital Account	**204.8**	**131.5**	**144.1**	**12.6**	**9.6**	**0.1**	**0.1**
C) Financial Account	**(5,375.7)**	**(4,784.7)**	**(3,136.3)**	**1,648.4**	**34.5**	**(4.3)**	**(3.1)**

Source of Data: Central Bank of Kenya

144. Net receipts on the services account declined by USD 928.2 million to USD 671.8 million in September 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 4,142 million in the 12 months to September 2023, and were 3.5 percent higher compared to a similar period in 2022.

145. The capital account balance improved by USD 12.6 million to register a surplus of USD 144.1 million in September 2023 compared to a surplus of USD 131.5 million in the same period in 2022. Net financial inflows slowed down but remained vibrant at USD 3,144.8 million in September 2023 compared to USD 4,784.7 million in September 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.

146. The overall balance of payments position slowed down to a surplus of USD 1,044.4 million (1.0 percent of GDP) in September 2023 from a surplus of USD 2,225.9 million (2.0 percent of GDP) in September 2022.

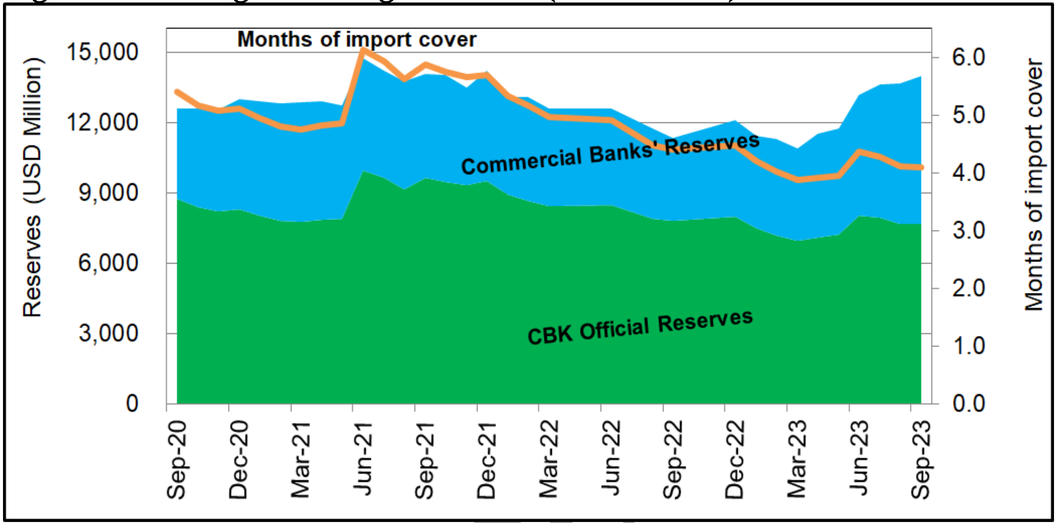
Foreign Exchange Reserves

147. The banking system's foreign exchange holdings remained strong at USD 13,968.3 million in September 2023, an improvement from USD 11,337.4 million in September 2022. The official foreign exchange reserves held by the Central Bank stood at USD 7,651.8 million compared to USD 7,787.5 million over the

same period **(Figure 2.5).** Commercial banks holdings improved to USD 6,316.5 million in September 2023 from USD 3,549.9 million in September 2022.

148. The official reserves held by the Central Bank in September 2023 represented 4.1 months of import cover as compared to the 4.4 months of import cover in September 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 2.5: Foreign Exchange Reserves (USD Million)



Source of Data: Central Bank of Kenya

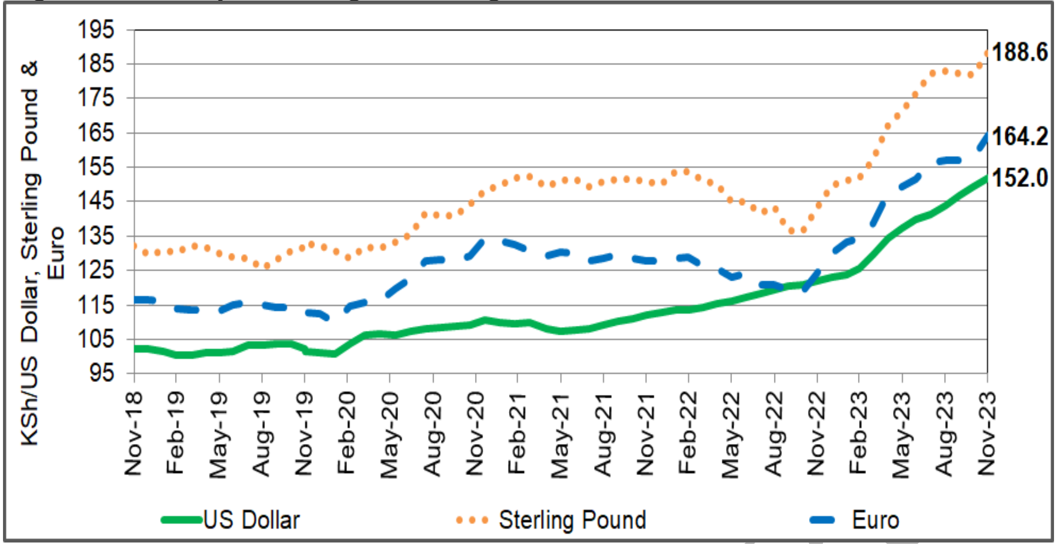
Exchange Rate Developments

149. Kenya like several other countries is experiencing foreign exchange challenges due to the rise of US interest rates. In November 2023, the Kenya Shilling weakened by 24.7 percent against the US Dollar, 31.9 percent against the Sterling Pound and 32.2 percent against the Euro, compared to a similar period in 2022.

150. The Kenya Shilling exchanged at an average of Ksh 152.0 in November 2023 compared to an average of Ksh 121.9 in November 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 164.2 in November 2023 compared to Ksh 124.2 in November 2022 while against the Sterling Pound the Kenyan Shilling also weakened to exchange at Ksh 188.6 compared to Ksh 143.0, over the same period **(Figure 2.6)**. The Kenyan Shilling was supported by increased remittances, adequate foreign exchange reserves and strong exports receipts.

151. The Government has taken measures to stabilize the foreign exchange market which include 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 sport market reactions that was driving volatility and a false depreciation that was a scarcity value as well as market distortion.

Figure 2.6: Kenya Shillings Exchange Rate

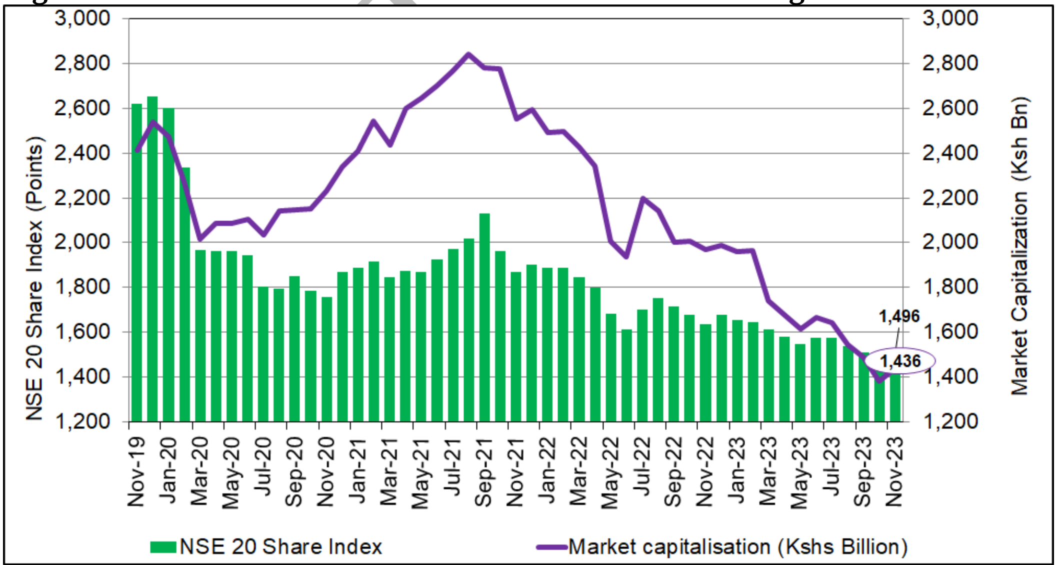


Source of Data: Central Bank of Kenya

Capital Markets Developments

152. Activity in the capital markets slowed down in November 2023 compared to November 2022 as advanced economies tightened their monetary policy amid inflationary pressures. The NSE 20 Share Index declined to 1,496 points in November 2023 compared to 1,638 points in November 2022 while Market capitalization declined to Ksh 1,436 billion from Ksh 1,971 billion over the same period **(Figure 2.7).**

Figure 2.7: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

153. In the domestic secondary bond market, bonds turnover declined by 16.1 percent to Ksh 644.86 billion in September 2023 from Ksh 768.84 billion in September 2022. In the international market, yields on Kenya's Eurobonds decreased by 106.8 basis points at the end of September 2023 compared to September 2022.

2.3 Fiscal Performance

154. Budget execution during the first four months of FY 2023/24 progressed relatively well with revenues recording a growth of 13.0 percent in October 2023 compared to a growth of 11.9 percent in October 2022. Total revenue recorded a shortfall of Ksh 47.6 billion with ordinary revenue missing the October 2023 target by Ksh 59.1 billion and Ministerial Appropriation in Aid (AiA) recording a surplus of Ksh 11.5 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.

155. Similarly, overall expenditures were below target by Ksh 244.6 billion in October 2023 on account of below target disbursements towards; development expenditure by Ksh 104.3 billion, recurrent expenditures by Ksh 81.4 billion, and County Governments by Ksh 58.8 billion. The below target performance in expenditures is largely explained by the shortfalls in revenue performance **(Table 2.4a)**.

Table 2.4a: Fiscal Performance as at 31st October, 2023(Ksh billion)

	Oct-22	Oct-23				
	Ksh. Billion				*% of GDP*	
	Prel. Act.	**Target**	**Prl. Act.**	**Deviation**	**Target**	**Prl. Act.**
A. Total Revenue including External Grants	**733.4**	**879.2**	**831.0**	**(48.2)**	**5.4**	**5.2**
Total Revenues (1+2)	**731.3**	**874.3**	**826.7**	**(47.6)**	**5.4**	**5.1**
1. Ordinary Revenue	635.5	773.0	713.9	(59.1)	4.7	4.4
Import duty	43.7	54.3	44.6	(9.7)	0.3	0.3
Excise duty	85.1	105.4	92.6	(12.7)	0.6	0.6
Income tax	279.4	365.0	316.2	(48.8)	2.2	2.0
VAT	175.6	209.1	209.2	0.1	1.3	1.3
Other Revenue	51.7	39.2	51.2	12.0	0.2	0.3
2. Ministerial Appropriation in Aid	95.8	101.3	112.8	11.5	0.6	0.7
o/w RDL	13.6	11.6	10.8	(0.8)	0.1	0.1
3. External Grants	2.1	4.9	4.4	(0.6)	0.0	0.0
B. Total Expenditure and Net Lending	**866.0**	**1,133.9**	**889.4**	**(244.6)**	**7.0**	**5.5**
1. Recurrent Expenditure	652.2	796.2	714.8	(81.4)	4.9	4.4
2.Development	128.4	200.3	96.0	(104.3)	1.2	0.6
3.County Allocation	85.4	137.4	78.6	(58.8)	0.8	0.5
4.Contigency Fund	-	-	-	-	-	-
C. Balance Exclusive of Grants	**(132.6)**	**(259.7)**	**(62.7)**	**197.0**	**(1.6)**	**(0.4)**
D.Grants		**4.9**	**4.4**	**(0.6)**	**0.0**	**0.0**
E. Balance inclusive of Grants (Cash basis)	**(132.6)**	**(254.7)**	**(58.4)**	**196.4**	**(1.6)**	**(0.4)**
Discrepancy	*22.0*	*0.0*	*(22.5)*	*(22.5)*	0.0	(0.1)
F. Total Financing	**154.5**	**254.7**	**35.9**	**(218.9)**	**1.6**	**0.2**
1. Net Foreign Financing	44.3	(40.6)	(31.9)	8.7	(0.2)	(0.2)
2. Net Domestic Financing	110.2	295.4	67.8	(227.6)	1.8	0.4
Nominal GDP (Fiscal Year)	**14,274.4**	**16,290.3**	**16,131.5**	**(158.8)**	100.0	100.0

Source of Data: National Treasury

Revenue Performance

156. Revenue collection to October 2023 recorded a slightly higher growth of 13.0 percent compared to a growth of 11.9 percent in October 2022. This revenue performance is partly explained by rising cost of living which has negatively affected the business environment. As at end October 2023, the cumulative total

revenue inclusive of Ministerial Appropriation in Aid (A-i-A) was Ksh 826.7 billion against a target of Ksh 874.3 billion recording a shortfall of Ksh 47.6 billion.

157. Ordinary revenue for the period to October, 2023 was Ksh 713.9 billion against a target of Ksh 773.0 billion translating into a shortfall of Ksh 59.1 billion despite recording a growth of 12.3 percent. All broad tax categories of ordinary revenue safe for Value Added Tax (VAT) fell short of the respective targets during the review period. Income tax recorded a shortfall of Ksh 48.8 billion, Excise taxes of Ksh 12.7 billion and Import duty of Ksh 9.7 billion. Value Added Tax (VAT) met the October 2023 target while other revenue was above target by Ksh 12.0 billion.

158. Ministerial A-i-A inclusive of the Railway Development Levy amounted to Ksh 112.8 billion in October 2023 against a target of Ksh 101.3 billion recording a surplus of Ksh 11.5 billion.

Expenditure Performance

159. Total expenditure and net lending in the period to October 2023 amounted to Ksh 889.4 billion against a target of Ksh 1,133.9 billion; translating to a shortfall in expenditure of Ksh 244.6 billion. This was largely on account of below target disbursement towards development expenditure by Ksh 104.3 billion, recurrent expenditure by Ksh 81.4 billion and below target disbursement to County Governments of Ksh 58.8 billion **(Table 2.4a)**.

160. The below target recurrent expenditure as at October 2023 was on account of below target payments on domestic interest (Ksh 33.3 billion), operations and maintenance (Ksh 55.5 billion), pensions (15.7 billion), and below target contributions to civil service pension fund of Ksh 4.9 billion. External interest payments were above target by Ksh 28 billion due to depreciation of the Kenya Shilling against the US Dollar. Development expenditures were below target by Ksh 104.3 billion on account of below target disbursement towards domestically financed programmes by Ksh 83.9 billion and foreign financed programmes by Ksh 15.9 billion. Disbursement to County Governments was below target by Ksh 58.8 billion.

161. Fiscal operations of the Government by end of October 2023 resulted in an overall deficit including grants of Ksh 58.4 billion against a projected deficit of Ksh 254.7 billion. This deficit was financed through net domestic borrowing of Ksh 67.8 billion and net foreign repayment of Ksh 31.9 billion.

2.4 Fiscal Policy

162. 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 19.7 percent of GDP in FY 2026/27 from 18.9 percent of GDP in the FY

2023/24. Total expenditures are projected to remain stable at about 23.7 percent as a share of GDP over the medium term. Implementation of the reforms on revenue and expenditure is expected to result in reduction in the fiscal deficit including grants from Ksh 886.6 billion (5.5 percent of GDP) in the FY 2023/24 to Ksh 692.5 billion (3.1 percent of GDP) in the FY 2026/27 **(Table 2.4 b).**

Table 2.4b: 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
	Actual	*Revised Estimates*	*Prel. Act.*	*PROJECTIONS*				
TOTAL REVENUE	**2,199.8**	**2,478.6**	**2,360.5**	**3,047.6**	**3,445.6**	**3,833.1**	**4,376.5**	**4,978.4**
Ordinary revenue	1,917.9	2,145.4	2,041.1	2,576.8	2,958.6	3,294.2	3,775.7	4,305.8
Ministerial Appropriation in Aid	281.9	333.2	319.4	470.8	486.9	538.9	600.8	672.6
TOTAL EXPENDITURE AND NET LENDING	**3,027.8**	**3,366.6**	**3,221.0**	**3,981.5**	**4,198.8**	**4,506.7**	**5,137.6**	**5,823.3**
Recurrent	2,135.3	2,367.7	2,311.6	2,793.9	2,873.6	2,980.0	3,371.2	3,799.9
Development	540.1	560.5	493.7	762.6	881.3	1,068.8	1,209.4	1,428.1
County Transfer	352.4	436.3	415.8	423.9	438.9	452.9	552.0	590.3
Contigency Fund	-	2.0	-	1.2	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	**(828.0)**	**(887.9)**	**(860.5)**	**(934.0)**	**(753.3)**	**(673.6)**	**(761.1)**	**(844.9)**
Grants	31.0	41.7	23.1	47.4	49.3	53.2	68.6	73.8
BALANCE INCLUSIVE OF GRANTS	**(797.0)**	**(846.2)**	**(837.4)**	**(886.6)**	**(704.0)**	**(620.4)**	**(692.5)**	**(771.2)**
Adjustment to cash basis	11.9	-	37.0	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	**(785.1)**	**(846.2)**	**(800.4)**	**(886.6)**	**(704.0)**	**(620.4)**	**(692.5)**	**(771.2)**
Discrepancy	*(37.3)*	-	*(30.1)*	-	-	*(0.0)*	-	*(0.0)*
TOTAL FINANCING	**747.8**	**846.2**	**770.3**	**886.6**	**704.0**	**620.4**	**692.5**	**771.2**
Net Foreign Financing	142.5	362.7	310.8	412.1	326.2	103.9	230.9	217.7
Net Domestic Financing	605.3	483.6	459.5	474.5	377.7	516.5	461.6	553.5
Nominal GDP (Fiscal year)	**12,698.0**	**14,521.6**	**14,274.4**	**16,131.5**	**18,015.2**	**20,002.3**	**22,180.5**	**24,594.5**
Share of GDP								
TOTAL REVENUE	**17.3**	**17.1**	**16.5**	**18.9**	**19.1**	**19.2**	**19.7**	**20.2**
Ordinary revenue	15.1	14.8	14.3	16.0	16.4	16.5	17.0	17.5
Ministerial Appropriation in Aid	2.2	2.3	2.2	2.9	2.7	2.7	2.7	2.7
TOTAL EXPENDITURE AND NET LENDING	**23.8**	**23.2**	**22.6**	**24.7**	**23.3**	**22.5**	**23.2**	**23.7**
Recurrent	16.8	16.3	16.2	17.3	16.0	14.9	15.2	15.5
Development	4.3	3.9	3.5	4.7	4.9	5.3	5.5	5.8
County Transfer	2.8	3.0	2.9	2.6	2.4	2.3	2.5	2.4
Contigency Fund	-	0.0	-	0.0	0.0	0.0	0.0	0.0
BALANCE EXCLUDING GRANTS	**(6.5)**	**(6.1)**	**(6.0)**	**(5.8)**	**(4.2)**	**(3.4)**	**(3.4)**	**(3.4)**
Grants	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3
BALANCE INCLUSIVE OF GRANTS	**(6.3)**	**(5.8)**	**(5.9)**	**(5.5)**	**(3.9)**	**(3.1)**	**(3.1)**	**(3.1)**
Adjustment to cash basis	0.1	-	0.3	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	**(6.2)**	**(5.8)**	**(5.6)**	**(5.5)**	**(3.9)**	**(3.1)**	**(3.1)**	**(3.1)**
Discrepancy	(0.3)	-	(0.2)	-	-	(0.0)	-	(0.0)
TOTAL FINANCING	**5.9**	**5.8**	**5.4**	**5.5**	**3.9**	**3.1**	**3.1**	**3.1**
Net Foreign Financing	1.1	2.5	2.2	2.6	1.8	0.5	1.0	0.9
Net Domestic Financing	4.8	3.3	3.2	2.9	2.1	2.6	2.1	2.3
Nominal GDP (Fiscal year)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source of Data: National Treasury

Domestic Revenue Mobilization

163. 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 Ksh 4.0 trillion over 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 16.0% 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

164. 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; 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.

165. 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.

166. 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.

167. In order to address the challenges faced by State-Owned Enterprises, the Government has embarked on the process of privatization and restructuring them. As part of the process, the Government has identified and proposed 11 Government Owned Enterprises and Government Linked Corporations to be included in the 2023 Privatisation Programme in line with the provisions of the Privatisation Act, 2023. This will support Government's efforts for fiscal consolidation and spurring economic development through: i) Raising of additional revenue; ii) Reducing the demand for Government resources among many demanding and competing needs; iii) Improving regulatory framework in the economy by unbundling regulatory and commercial functions among some entities; iv) Improving efficiency in the economy by encouraging more private sector participation hence make the economy more responsive to market force and competitions; among others.

Deficit Financing Policy

168. Consistent with the objective of minimizing costs and risks of public debt, the Government will mobilize resources mainly from multilateral, bilateral and commercial sources will be utilized as a last resort to fund the fiscal deficit and repay maturing external debts while issuance of Treasury bonds and Treasury bills in the domestic market will be used to fund net domestic financing requirements.

169. More emphasis will be to maximize 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 Transformational Agenda of the Government.

170. In light of increased cost of financing, the Government will continue monitoring 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 change financing options, Debt for Nature Swaps, Samurai and Panda bonds if market and macroeconomic environment allow.

171. The domestic debt market remains one of central funding source to the Government as it contributes to half of the total funding thus mitigating against external currency risks. The Government will continue to implement reforms that are aimed at deepening, improving efficiency and diversify the investor base within the domestic market.

172. Commitment to fiscal consolidation (reduce 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

173. 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 5.4 percent in FY 2024/25) **(Table 2.6 and Annex Table 1)**.

174. **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.

175. 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.

176. 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.

177. **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.

178. 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 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.

179. Aggregate investment is projected to remain stable at 19.3 percent of GDP in 2023 and 19.2 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.

180. 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).

181. 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.

182. 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.

183. 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

184. The monetary policy stance is aimed at achieving price stability and providing adequate credit to support economic activity. Consequently, overall inflation is expected to remain within the Government target range of 5±2.5 percent in the medium term. This will be supported by muted demand pressures consistent with prudent monetary policy and easing 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.

185. The CBK continues to implement 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, the Central Bank of Kenya (CBK) adopted a new monetary policy implementation framework and launched the Centralized Securities Depository System (CSD) in 2023.

186. 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±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 31st 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.

187. CBK will continue improving monetary policy formulation and implementation in Kenya including 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
annual percentage change, unless otherwise indicated								
National Account and Prices								
Real GDP	-0.3	7.6	4.8	5.5	5.5	5.5	5.5	5.5
Primary Sector	4.7	0.5	-1.0	5.8	4.1	4.1	3.7	3.7
of which: Agricuture	4.6	-0.4	-1.6	6.0	4.1	4.0	3.6	3.6
Industry	3.2	6.8	3.5	2.8	3.4	3.5	3.5	3.9
Services	-1.8	9.6	6.7	5.9	5.9	5.9	6.3	6.3
GDP deflator	4.9	4.3	6.0	7.1	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
Money and Credit (end of period)								
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	10.9	7.9	7.9	8.0	7.7	6.8
Credit to the rest of the economy	10.1	12.2	13.1	14.1	14.6	13.9	12.9	13.9
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
in percentage of GDP, unless otherwise indicated								
Investment and Saving								
Consumption	**88.3**	**88.7**	**90.1**	**88.8**	**88.9**	**86.3**	**86.1**	**85.2**
Central Government	12.5	12.1	12.3	10.4	9.9	9.2	9.0	9.2
Private	75.4	74.6	75.6	78.3	79.0	77.1	77.2	76.1
Gross Fixed Capital Investment	**19.7**	**20.4**	**19.2**	**19.3**	**19.5**	**19.9**	**19.9**	**19.8**
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	15.7	15.4	15.3	15.0	14.7
Gross National Saving	**14.9**	**15.6**	**14.1**	**14.8**	**15.5**	**15.8**	**15.8**	**15.8**
Central Government	-3.3	-4.4	-4.1	-4.1	-3.9	-2.3	-1.3	-1.2
Private	**18.1**	20.0	18.2	18.9	19.4	18.1	17.1	17.0
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
Central Government Budget								
Total revenue	16.5	16.0	17.3	16.5	18.9	19.1	19.2	19.7
Total expenditure and net lending	24.4	24.6	23.8	22.6	24.2	23.3	22.5	23.2
Overall Fiscal balance excl. grants	-7.9	-8.6	-6.5	-6.0	-5.3	-4.2	-3.4	-3.4
Overall Fiscal balance, incl. grants	-7.7	-8.3	-6.3	-5.9	-5.1	-3.9	-3.1	-3.1
Overall Fiscal balance, incl. grants, cash basis	-7.6	-8.3	-6.2	-5.6	-5.1	-3.9	-3.1	-3.1
Primary budget balance	-3.4	-3.9	-1.6	-0.8	0.6	1.7	1.8	1.5
Public debt								
Nominal central government debt (eop), gross	68.4	68.0	71.4	68.2	65.0	61.6	58.7	56.1
Nominal debt (eop), net of deposits	63.4	64.7	68.0	65.2	62.3	59.2	56.5	54.1
Domestic (gross)	32.8	34.1	33.9	32.8	31.4	30.9	29.9	29.2
Domestic (net)	27.9	30.8	30.5	29.8	28.7	28.5	27.8	27.3
External	35.5	33.9	37.5	35.5	33.6	30.7	28.8	26.8
Memorandum Items:								
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	102,015	114,549	126,619	142,098	155,536

Source of Data: The National Treasury

2.6 Risks to the Economic Outlook

189. 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 to 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.

190. 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 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.

191. 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.

192. 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

193. 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

194. In the FY 2024/25, revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 3,445.6 billion (19.1 percent of GDP) up from the projected Ksh 3,042.8 billion (18.9 percent of GDP) in the FY 2023/24 **(Annex Table 2 and 3)**. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration measures geared towards expanding the tax base. Ordinary revenues will amount to Ksh 2,958.6 billion (16.4 percent of GDP) in FY 2024/25 from the projected Ksh 2,596.8 billion (16.1 percent of GDP) in FY 2023/24.

Expenditure Projections

195. Government expenditure as a share of GDP for FY 2024/25 is projected to decline to 23.3 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 4,198.8 billion compared to a projection of Ksh 3,904.9 billion in the FY 2023/24 budget. The FY 2024/25 expenditures comprise of recurrent of Ksh 2,873.6 billion (16.0 percent of GDP) and development of Ksh 881.3 billion (4.9 percent of GDP).

Deficit Financing

196. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 704.0 billion (3.9 percent of GDP) in FY 2024/25 compared to the projected fiscal deficit of Ksh 814.8 billion (5.1 percent of GDP) in FY 2023/24.

197. The fiscal deficit in FY 2024/25, will be financed by net external financing of Ksh 326.2 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

198. 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.

199. 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

200. The total budget for FY 2024/25 is projected at Ksh 4,096.0 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 Original Budget	BPS Projection		
		2023/24	2024/25	2025/26	2026/27
1.0	National Government	2,464,474.4	2,504,252.8	2,726,312.6	2,966,686.7
	Executive	2,400,067.0	2,438,939.0	2,656,063.1	2,890,505.2
	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	869,342.7	1,190,105.0	1,178,674.0	1,268,335.0
3.0	County Government	385,424.6	401,639.0	415,591.0	515,051.0
	Total……………….Kshs.	**3,719,241.6**	**4,095,996.8**	**4,320,577.6**	**4,750,072.7**
	% Share in the Total Allocation				
1.0	National Government	66.3	61.1	63.1	62.5
	Executive	64.5	59.5	61.5	60.9
	Parliament	1.1	1.0	1.0	0.9
	Judiciary	0.6	0.6	0.6	0.7
		-	-	-	-
2.0	Consolidated Fund Services	23.4	29.1	27.3	26.7
3.0	County Government	10.4	9.8	9.6	10.8

Notes*

**** Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest and pension& salaries for State Offic***

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

Source of Data: The National Treasury

201. 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.

202. 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 BROP. 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.

203. 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.

204. 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

205. **Table 3.1** 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– 2027/28 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 3.1: 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**	**87,297.0**	**95,600.3**	**97,017.6**	**4.03**	**3.49**	**3.51**	**3.25**
		Rec_Gross	32,506.7	29,608.9	31,109.7	32,720.0	1.97	1.79	1.77	1.65
		Dev_Gross	65,582.3	57,688.1	64,490.6	64,297.6	8.37	6.76	6.65	6.39
020	ENERGY, INFRASTRUCTURE AND ICT	**Sub_Total**	**494,715.3**	**505,668.0**	**546,260.5**	**555,684.6**	**20.35**	**20.19**	**20.04**	**18.60**
		Rec_Gross	145,306.0	145,306.0	156,244.5	158,046.6	8.82	8.80	8.89	7.98
		Dev_Gross	349,409.3	360,362.0	390,016.0	397,638.0	44.61	42.21	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**	**2.46**	**2.09**
		Rec_Gross	39,575.5	32,305.2	35,101.9	40,297.0	2.40	1.96	2.00	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**	**147,598.9**	**155,507.7**	**160,080.8**	**5.71**	**5.89**	**5.70**	**5.36**
		Rec_Gross	88,191.2	87,324.2	91,930.2	95,303.5	5.35	5.29	5.23	4.81
		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**	**666,467.1**	**724,125.0**	**782,853.0**	**28.37**	**26.61**	**26.56**	**26.20**
		Rec_Gross	655,657.5	638,043.0	685,625.0	745,249.0	39.79	38.66	39.02	37.61
		Dev_Gross	33,954.1	28,424.1	38,500.0	37,604.0	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**	**10.02**	**10.01**	**10.32**
		Rec_Gross	225,163.4	232,422.7	248,802.1	280,342.8	13.66	14.08	14.16	14.15
		Dev_Gross	15,172.5	18,496.6	24,154.4	27,896.2	1.94	2.17	2.49	2.77
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	**Sub_Total**	**299,326.2**	**346,295.1**	**385,141.0**	**518,214.3**	**12.31**	**13.83**	**14.13**	**17.34**
		Rec_Gross	182,823.8	199,563.5	214,000.3	325,378.8	11.10	12.09	12.18	16.42
		Dev_Gross	116,502.3	146,731.6	171,140.7	192,835.5	14.87	17.19	17.66	19.16
080	NATIONAL SECURITY	**Sub_Total**	**199,286.5**	**243,421.6**	**249,053.0**	**260,792.1**	**8.20**	**9.72**	**9.14**	**8.73**
		Rec_Gross	196,032.5	204,585.6	208,714.0	215,453.1	11.90	12.40	11.88	10.87
		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**	**71,901.8**	**73,102.7**	**74,991.5**	**3.00**	**2.87**	**2.68**	**2.51**
		Rec_Gross	47,822.2	46,810.5	47,431.3	48,020.4	2.90	2.84	2.70	2.42
		Dev_Gross	25,031.3	25,091.3	25,671.4	26,971.1	3.20	2.94	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**	**5.11**	**5.78**	**5.61**
		Rec_Gross	34,724.9	34,549.0	38,306.0	40,672.0	2.11	2.09	2.18	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**	**2,504,248.9**	**2,726,328.2**	**2,987,952.7**	**100.0**	**100.0**	**100.0**	**100.0**
		Rec_Gross	1,647,803.7	1,650,518.6	1,757,265.0	1,981,483.2	67.78	65.91	64.46	66.32
		Dev_Gross	783,219.7	853,730.3	969,063.2	1,006,469.5	32.22	34.09	35.54	33.68

Source of Data: National Treasury

Agriculture Rural and Urban Development Sector

206. 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.

207. 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 Ksh1.5 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.

208. 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.

209. To implement the above interventions, the sector has a resource allocation of Ksh.87.3 billion, Ksh95.6 billion, and Ksh. 97billion for the FY 2024/25, 2025/26 and FY 2026/27 respectively.

The Energy, Infrastructure, and ICT (EII)

210. 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.

211. 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 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 675Km of transmission line, 4 new high voltage substations, 1,266.7Km 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;

212. 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 2,794Km of new roads; Rehabilitate 560Km of roads; Maintain 137,544Km 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; Aquire 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: Constuct 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 Km2 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 6Kg LPG cylinders to 210,000 low-income households;

213. 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

214. 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.

215. 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 Kshs.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. 3.175million in 2022; Growth in national SACCO savings from Kshs.846 billion in 2020 to Ksh. 1,047billion 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 liters to 800,000 liters per day in the last 5 years.

216. 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.

217. 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 centers 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.

218. 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

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

220. 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.

221. 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 equiping the Chandaria Cancer and Chronic Diseases Centre (CCCDC) at Moi Teaching and Referral Hospital (MTRH).

222. 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.

223. 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.

224. 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.

225. In FY 2022/2023, MTRH Laboratory performed 1,426,746 tests against 1,119,596 in FY 2020/2021; 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.

226. KUTRRH commissioned the Integrated Molecular Imaging Center (IMIC) and IMIC Hospitality Centre on 16th October, 2021. The center started operations on 10th 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 PSMAs 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.

227. 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.

228. 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).

229. 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 a 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.

230. 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.

231. 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.

232. 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%.

233. 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 ans 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.

234. 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%.

235. 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.

236. 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-Liter capacity. 5 Pressure Swing Adsorption (PSA) plants were installed. 10 facilities received liquid oxygen tanks and 20,620 oxygen cylinders were delivered to facilities.

237. 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

238. 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.

239. 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

240. 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.

241. 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.

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

243. 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.

244. 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.

245. 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.

246. 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 Programe; 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.

247. 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.

248. 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.

249. 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.

250. 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

251. 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).

252. 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 centers 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.

253. 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 nonstate actors and strengthen regional & international cooperation and collaboration.

254. The sector has been allocated Ksh. 250.6 billion, KSh. 272.7 billion and KSh. 308.2 billion in FY 2024/25, FY 2025/26 and FY 2026/27 respectively. This comprises Ksh. 230.1 billion, KSh. 246.5 billion and KSh. 277.8 billion for recurrent expenditure and Ksh. 18.6 billion, KSh. 24.3 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

255. 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.

256. 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.

257. 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.

258. To implement these programmes, the Sector has been allocated Ksh.346.3 billion, Ksh.385.1 billion and Ksh.518.2 billion in the FY2024/25, FY2025/26 and FY2026/27 respectively.

National Security

259. The Sector plays critical role is key Iin 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).

260. 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.

261. In order to implement the prioritized programmes and minimize the above-mentioned threats, the Sector has been allocated Ksh 243.4 billion, Ksh 249.1 billion and Ksh 260.8 billion in FY 2024/25, FY 2025/26 and FY 2026/27, respectively.

Social Protection, Culture and Recreation

262. 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 endurable 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, resocialization & 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.

263. 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.

264. 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.

265. 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.

266. To implement these programmes, the Sector has been allocated Kshs.71.9 billion, Kshs.73.1 billion and Kshs.75.0 billion for financial years 2024/25, 2025/26 and 2026/27 respectively

Environment Protection, Water and Natural Resources Sector

267. 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.

268. 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.

269. 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 10.5B 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.

270. To achieve these outputs, the Sector's total allocation is Kshs.127.9 billion, Kshs.157.6 billion and Kshs.167.7 billion for the FY 2024/25, 2025/26 and 2026/27 respectively.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

271. 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. Additionally, Sector Working Groups (SWGs) were convened to develop the sector reports, which were subjected to public hearings for the FY 2024/25 and medium-term budget were held between 13th and 15th December, 2023.

IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principles

272. The following Fiscal Responsibility Principles (FRPs) need to be adhered to in line with the relevant legal provisions:

i) Development budget: In line with the PFM Act 2012, over the medium term a minimum of thirty percent of the National and County Governments' budget shall be allocated to the development expenditure. In this regard, there is need to ensure the adherence to this fiscal responsibility principle both at the budget approval stage as well as during the actual implementation of the budget;

ii) Wages: Regulation 25 (1) (a) and (b) of the PFM (County Governments) Regulations 2015 provides that the County Governments' expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) percent of the county government's total revenue. Adherence to this fiscal rule has been weak and there is need for concerted effort to ensure that the wage bill is within the threshold provided in law;

iii) Borrowing: Regulation 25 1 (d) of the PFM (County Governments) Regulations 2015 provides that the county public debt shall never exceed twenty (20%) percent of the County Governments' total revenue at any one time. Any County Government intending to borrow should adhere to this public finance fiscal requirement.

iv) Taxes: In line with Section 15 2 (e) of the PFM Act 2012, County Governments are called upon to maintain a reasonable degree of predictability with respect to the level of tax rates and tax bases taking into account any tax reforms that may be made in the future while putting in place legislations for own source revenue collection; and

v) Fiscal risk: County Governments are required to also manage fiscal risks prudently in line with PFM Act Section 15 2 (e).

273. **Table 4.1** below provides a summary of total expenditures and total revenues for medium term FY 2020/21 to 2022/23.

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

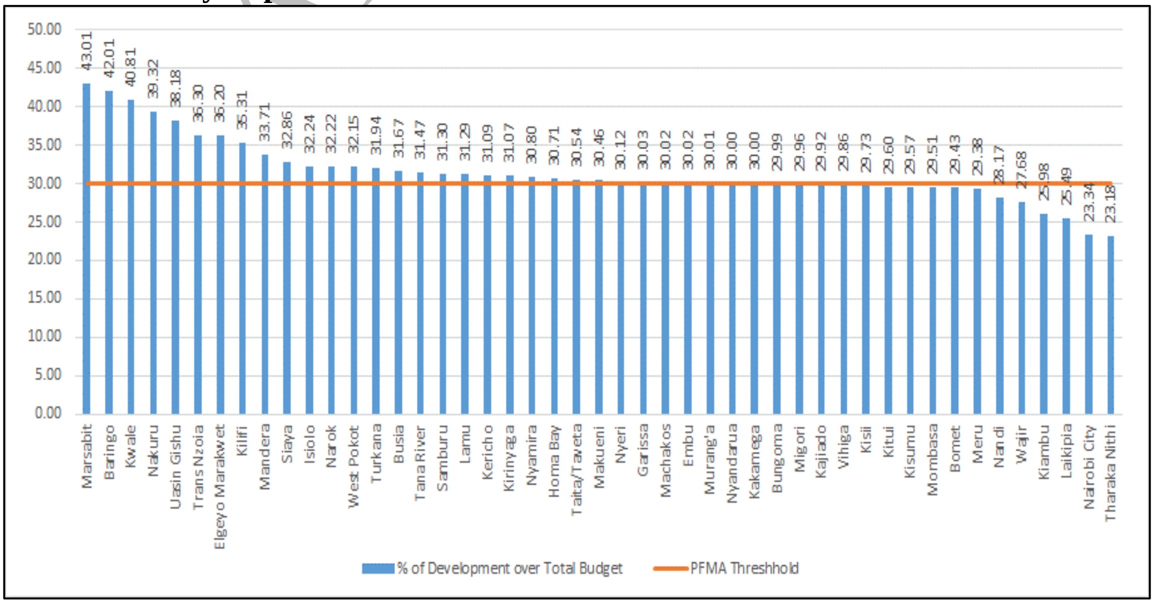
	FY 2020/21		FY 2021/22		FY 2022/23	
Ksh Billions	Approved Budget	Actual Budget	Approved Budget	Actual Budget	Approved Budget	Actual Budget
Total Revenue	475.5	436.6	529.2	436.5	491.9	466
Total Expenditures	501.7	398	535.7	401	515.2	428.9
Total Development	186.9	116.1	193.5	98.5	160.5	98
Total Recurrent	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

274. As indicated in **Table 4.1** above, the total County Governments' approved Development expenditures over the medium-term account for 37%, 36% and 31% translating to an average of 35 % of the total budget. Section 107 (2) (b) of the Public Finance Management Act (PFMA) 2012 requires County Governments to allocate a minimum of 30 percent of their budget over medium-term to development expenditure. However, the approved budget of 14 counties, namely Kajiado, Vihiga, Kisii, Kitui, Kisumu, Mombasa, Bomet, Meru, Nandi, Wajir, Kiambu, Laikipia, Nairobi and Tharaka Nithi did not conform with this requirement over the medium term as shown in **Figure 4.1** below

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

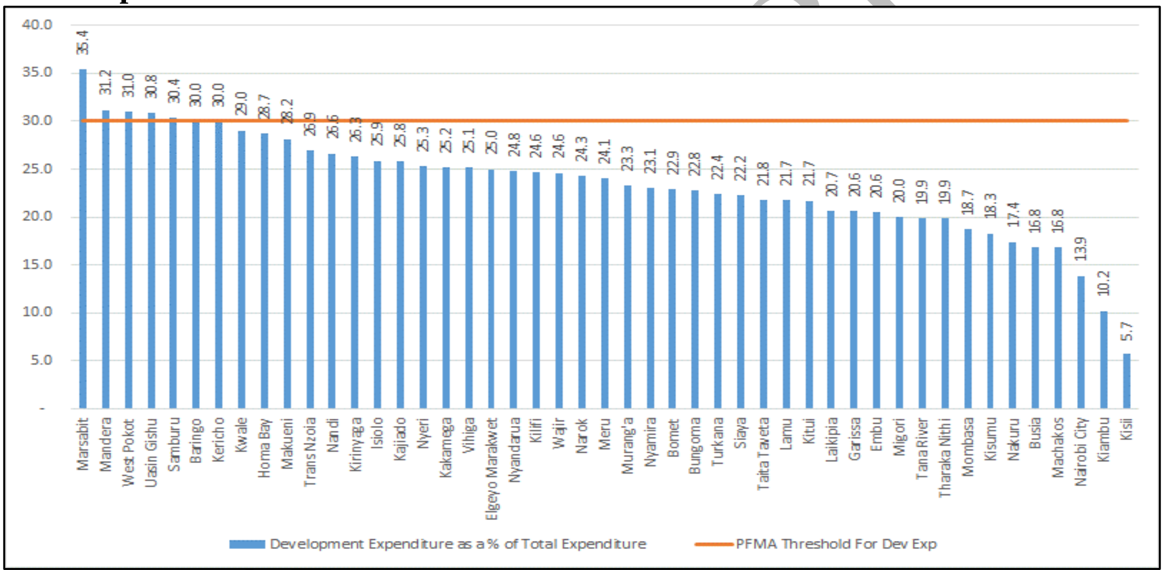


Source of Data: Controller of Budget

4.1.2 Actual Development Expenditure over the Medium Term

275. The total actual development expenditure for the FY 2020/21, FY 2021/22, FY 2022/23 accounted for 29%, 25% and 23% of the total actual budget for the same period as indicated in **Table 4.1** above. This translates to an average allocation of 26% of actual total expenditures to development expenditures. For the FY 2022/23, only seven counties have individually met this requirement as far as the actual expenditure as a percentage of total budget is concerned. These counties include: Marsabit (35.4%), Mandera (31.2%), West Pokot (31.0%), Uasin Gishu (30.8%), Samburu (30.4%), Baringo (30.0%) and Kericho (30%). 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 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

276. As evidenced from the expenditures reported by counties, whereas most counties allocate expenditures for approval by the respective assemblies in line with the legal requirement to allocate a minimum of 30% to development, the actual allocation to development expenditures is quite minimal over the medium. This therefore implies that county development may be compromised with higher allocations going to recurrent expenditures.

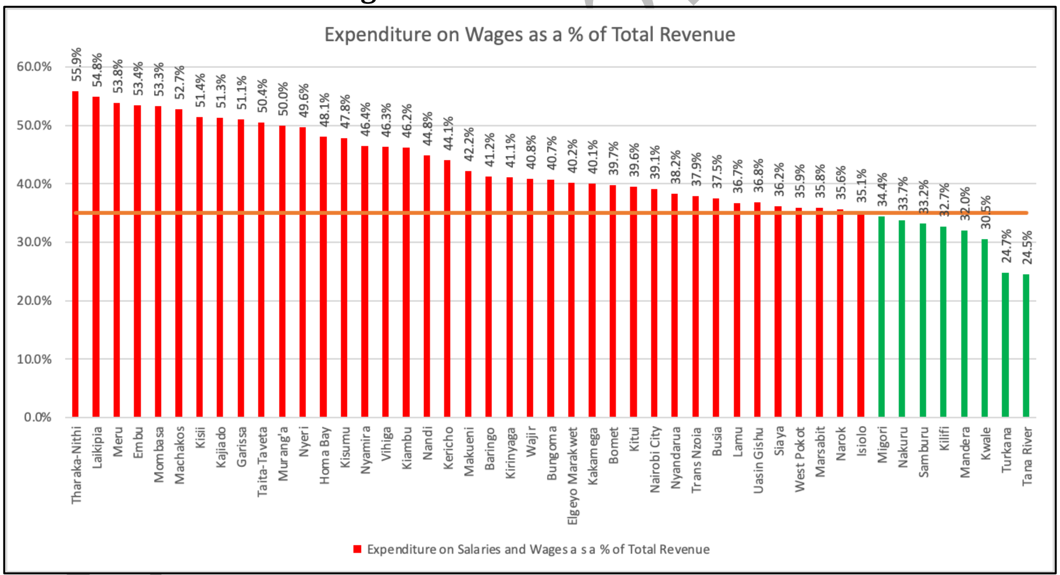
277. The relevant institutions, including the Controller of Budget need to put measures in place to ensure increased allocation and increased actual expenditures by county government on development expenditures

278. Counties have not reported any borrowing to finance their expenditure.

4.1.3 Compliance with the Requirement on Expenditure on Wages and Benefits

279. Regulation 25(1) (b) of the PFM (County Governments) Regulations 2015, requires County Governments to ensure that expenditure on wages and benefits for employees does not exceed 35 percent of their total revenue. Over the medium -term expenditure on wages and benefit for the FY 202/21, 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 million. During the same period, the total revenue available to the County Governments was Ksh 475.4 billion. This means that on average County Governments spent 41.7 percent of their total revenue on wages and benefits which is higher than the threshold of 35 percent provided by the PFM Act, 2012. Within this period, only six Counties (Migori, Kilifi, Mandera, Kwale, Turkana and Tana River) were able to maintain their allocation to wages and salaries below the 35 percent threshold as shown in **Figure 4.3** below.

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

280. 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 some inclusive of Appropriation in Aid (AiA) while others are exclusive as indicated in the **Table 4.2 below.**

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**
	37,809,038,924	**8,276,807,534**	**1,018,900,780**	**47,104,747,238**

Source of Data: Controller of Budget

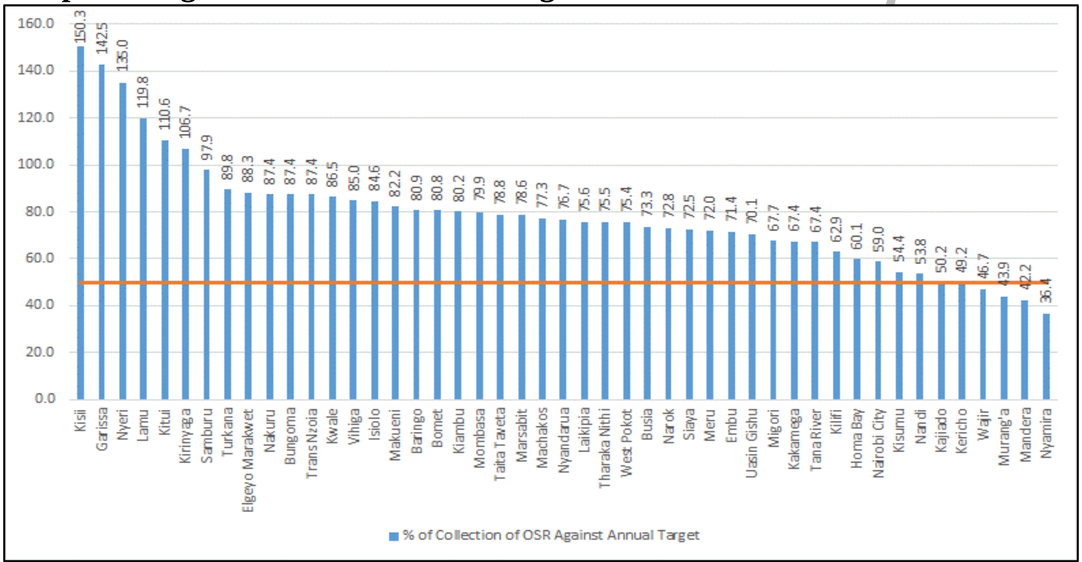
281. Analysis of OSR performance in the FY 2022/23 shows that County Governments were able to raise a total of Ksh 47.1 billion from Own Source Revenue (OSR) against an annual target of Ksh 66.1 billion representing an outturn of 71.3 percent.

282. Forty-two (42) County Governments were able to collect more than fifty percent of their annual OSR target. The top performing counties in OSR collection

were Kisii (150.3 %), Garissa (142.5%), Nyeri (135.0%) and Lamu (119.8) while the least performing counties were Murang'a (43.9%), Mandera (42.2%), and Nyamira (36.4%) as shown in **Figure 4.4** below.

283. 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 awaiting enactment of the National Rating Bill, the County Revenue Raising Process Bill by Parliament, a training on tax policy and enhancement of own source revenue administration measures.

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

284. 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 next financial year. The team is currently working on the training module on revenue forecasting.

285. The National Rating Bill was passed by the National Assembly and forwarded to the Senate on 31st 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.

286. 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 has gone through the First Reading and is currently before Senate.

287. 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

288. 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 measures established under the Act. 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 30th June, 2023 Counties reported accumulated pending bills amounting to Ksh 164.76 billion, an increase of Ksh 11.74 billion of the pending bills as at 30th June, 2022 which were reported as Ksh 153.02 billion. This amount is as reported by County Governments to the Office of the Controller of Budget and therefore not audited.

289. The Office of the Auditor General (OAG) conducted a special Audit Reports of pending bills for County Governments as at 30th June, 2020 for the FY 2018/19 and 2019/20 which were conducted from May 2021 to December 2021. According to the analysis of the Special Audit Reports, 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.

290. A report by the Controller of Budget (CoB) indicates that by 16th February, 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).

291. In relation to the ineligible pending bills, the Intergovernmental Budget and Economic Council (IBEC) through a resolution of 5th 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 16th February, 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: Payment of 30th June, 2020 Audited Pending Bills by County Governments as at 16th February, 2023

County Name	Eligible Pending Bills	Amount Paid so far	Balance	Ineligible Pending Bills	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
Laikipia	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
Vihiga	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
Total	**48,131,700,143**	**23,960,043,307**	**24,045,656,836**	**108,052,705,970**	**1,835,034,179**	**106,217,671,791**	**130,263,328,627**

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

4.3.1.1 Status of Pending Bills

292. Most of the County Governments owe money to the various pension funds (LAPTRUST, LAPFUND and County Pension Fund) which have accumulated over the years. As at 31st 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** below:

293. However, 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.

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
	Total	**12,477,048,467.55**	**60,925,920,793.18**	**73,402,969,260.73**

Source: Retirement Benefits Authority

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

294. The outstanding pending bills owed to Kenya Power & Lighting Company (KPLC) by County Governments as at 24th 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

295. 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.

296. The August 2022 General Election ushered in the current county administration. Since many county administrations had completed their second terms in office, changes in key financial management leadership positions were inevitable. In view of the above changes, there is need for a proper capacity building 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. County capacity building is a responsibility assigned to the National Treasury by the PFM Act, 2012.

4.4 Division of Revenue for FY 2024/25

297. Based on ordinary revenue projection of Ksh 2,958.6 billion in FY 2024/25, it is proposed that Ksh 2,539.4 billion be allocated to National Government, Ksh 401.6 billion to County Governments as equitable revenue share and Ksh 17.6 billion to the Equalization Fund. The allocation to County Governments' equitable revenue share of Ksh 401.6 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 percent to 4.7 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 which has negatively affected the dollar and the international debt market;

v) In the spirit of devolution, the National Government is committed to fully devolving functions that it has historically performed since devolution and which are county government functions such as the library services which was transferred to the County Governments together with the attendant allocations in the FY 2023/24; and

vi) The proposal to increase the equitable share to Ksh 401.6 billion in the FY 2024/25 is equivalent to 25.5 percent of the last audited accounts (Ksh

1,573.42 billion for FY 2019/20) and as approved by Parliament. The proposed allocation therefore meets the requirement of Article 203(2) of the Constitution that equitable share allocation to counties should not be less than 15 per cent of the last audited revenue raised nationally, as approved by the National Assembly.

4.5 Intergovernmental Fiscal Transfers

298. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Government's share of revenue, either conditionally or unconditionally. Management of intergovernmental fiscal transfers is provided in the PFM Act, 2012, its Regulations and National Treasury Circular No. 8 of 2017 on "*Guidelines for the Management of Intergovernmental Fiscal Transfers in Kenya*".

299. National Government Ministries Departments and Agencies (MDAs) are responsible for development of frameworks for the management of conditional additional allocations (read projects) 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 concurrence with National Treasury Departments and hence the subsequent inclusion in the County Governments Additional Allocations Bill (CGAAB), 2024.

4.5.1 Additional Allocations

300. In the CGAAB, 2024, for FY 2024/25, the National Treasury proposes to allocate total of Ksh 58.242 billion as additional allocations (Conditional and Unconditional). Out of this Ksh 11.486 billion will be financed from the National Government share of revenue and Ksh 46.756 billion as additional allocations from proceeds of loans and grants from development partners. In order to continue operationalizing the National Government's programme on County Aggregation and Industrial Parks, each County Government will be allocated Ksh 250 million as a conditional grant in FY 2024/25. This conditional grant from the National Government's share of revenue translates to Ksh 7.25 billion to the twenty - nine (29) County Governments that did not benefit in the FY 2023/24. The additional conditional allocations are meant to support specific national policy objectives to be implemented by County Governments **(Table 4.5)**.

Table 4.5: Additional Allocations to County Governments for FY 2024/25

	Additional (Conditional & Unconditional) Allocations from the National Government's Share of revenue for Financial Year 2024/2025	
S/No.	**Additional Allocation**	**Amount in Ksh**
1.	Unconditional allocation financed from court fees and fines emanating from contravention of County Legislation (10 counties)	108,660,979
2.	Unconditional allocation financed from the 20% Share of Mineral Royalties (32 counties)	2,934,923,147
3.	Conditional allocation for the Construction of County Headquarters (4 counties: Lamu, Isiolo, Nyandarua & Tana River)	768,130,000
4.	Conditional allocation for County Aggregated Industrial Parks (CAIP) Programme - Ksh 250 million per county for remaining 29 counties)	7,250,000,000
5.	Conditional allocation for Transfer of Library Services function (33 counties)	424,616,045
	A. Sub Total 1	**11,486,330,171**
	Additional Conditional Allocations Financed from proceeds of loans and grants from Development Partners for Financial Year 2024/25	
S/No.	**Additional Allocation**	**Amount in Ksh**
1.	IDA (World Bank) Credit - National Agricultural Value Chain Development Project (NAVCDP)	6,765,000,000
2.	IDA (World Bank) Credit - Food Systems Resilience Project (FSRP)	3,315,000,000
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 - Financing Locally - Led Climate Action (FLLoCA) Program – County Climate Resilience Investment (CCRI) Grants	6,187,500,000
6.	KfW (German Financial Cooperation) Credit - Co-Financing Locally- Led Climate Action (FLLoCA) Program – County Climate Resilience Investment (CCRI) Grant	1,200,000,000
7.	KfW (German Financial Cooperation) Credit - Drought Resilience Programme in Northern Kenya (DRPNK) Project	919,994,940
8.	IDA (World Bank) Credit - Emergency Locust Response Project (ELRP)	1,900,000,000
9.	IFAD - Kenya Livestock Commercialization Project (KeLCoP)	378,730,000
10.	IFAD - Aquaculture Business Development Project (ABDP)	300,000,000
11.	IDA (World Bank) Credit – Kenya Urban Support Project (KUSP) – Urban Development Grant (UDG)	7,852,888,960
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)	10,109,198,488
14.	UNFPA Grant - 10th Country Kenya Programme	65,190,000
	B. Sub Total 2	**46,756,002,388**
	TOTAL (A +B)	**58,242,332,559**

Source: The National Treasury

**Note that the preparation of the FY 2024 /2025 and the medium-term budget is ongoing as communicated vide Treasury Circular No .8 of 2023 dated 7th August, 2023 and, therefore, the figures provided for additional allocations are only tentative proposals. The actual amounts for each additional allocation to County Governments will be determined at the Budget Sector Working Group within the available resource envelope.*

4.6 Equalization Fund

301. 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. The National Treasury proposes to allocate to the Equalisation Fund Ksh 8,368,574,00, being 5% of Ksh 1,573.418 billion (the most recently audited account for FY 2020/21); and Ksh 9,976,766,000 towards payments arising from Equalisation Fund arrears as per the National Treasury's Equalization Fund Arrears Financing Plan for FY 2024/25.

302. 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.

303. The total entitlement to the Equalization Fund since its inception stands at Ksh 62,403,758,050. Of the total entitlement, the Parliament has allocated at total a total of Ksh 33,597,717, 433, through the annual Division of Revenue Bills out of which a further Ksh 12,400,000,000 was appropriated through the Equalization Fund Appropriation Act, 2018.

304. A balance Ksh 21,197,717,433 of the Equalization Fund's entitlement is still outstanding, out of which Ksh 3,261,843,222 and Ksh 7,068,474,211 for the FYs 2021/22 and FY 2022/23 respectively has been appropriated through the Equalization Fund Appropriation Act, 2023.

305. Owing to the challenges in revenue collection observed FY 2023/24, the National Treasury is proposing to allocate Ksh 8,368,574,000 for FY 2024/25 and a further Ksh 9,976,766,000 as partial payment for the Equalization Fund Entitlement arrears from the previous years.

4.7 Emerging Issues and Policy Interventions

4.7.1 Transfer of Functions and Cooperation between National and County Governments

306. 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 functions and powers between levels of Government as well as cooperation between the National and County Governments. In this regard, The National Treasury through an inter-agency taskforce developed the Public Finance Management (Amendment) Bill, 2023 to operationalize these provisions. The bill is in the process of being submitted to the Cabinet for approval before its submission to Parliament.

307. The enactment of this law by Parliament will facilitate the financing of transferred functions and cooperation between the two levels of Governments. It will also provide for cooperation between the two levels of Government and amongst counties that intend to implement inter-county projects.

4.7.2 Integrated County Revenue Management System (ICRMS)

308. 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 develop and commission this integrated 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.

4.7.3 Sharing of Mineral Royalty Revenue with County Governments and Communities

309. The National Government is committed to ensuring that the mineral royalties due to the respective County Governments and communities in line with the Mining Act, 2016 are disbursed. To address this matter, the State Department of Mining will be forwarding to the National Treasury a framework for sharing the 20% share of mineral royalties among the County Governments for inclusion in the annual County Governments Additional Allocations Bill. Additionally, the Ministry of Mining, through a multiagency team is currently finalizing the development of regulations with respect to the share of mineral royalty revenue due to communities. The regulations with provide for the transfer and management of the 10 percent share of mineral royalties due to communities.

4.7.4 Revenue from Court Fines emanating from County Legislation

310. During its 17th Ordinary Session held on 31st May, 2022, Intergovernmental Budget and Economic Council (IBEC) considered and adopted a report and a framework for sharing of funds arising from the contravention of County Government legislation. Going forward, the National Treasury has proposed that these revenues be captured in the annual County Governments Additional Allocations Bill to enable its disbursement to the relevant County Governments as tabulated by the Judiciary.

311. In line with the advisory by the Attorney General that transfer of revenue from court fines emanating from county legislation to the County Governments can only be done by way of appropriation or by enactment of an Act of Parliament specifically excluding them from Consolidated Fund and Payable to the County Revenue Fund, the CGAAB 2023 proposes to allocate Ksh 108.7 million to ten County Governments in FY 2023/24. For FY 2024/25, the Judiciary has provided a schedule indicating the revenue collected in FY 2022/23 was Ksh 7.4 million and 12.3 million for FY 2023/24. The Judiciary is called upon to budget this amount as

a transfer to the County Governments to enable it to be transferred in the FY 2024/25.

4.7.5 County Governments Public Finance Management

312. The County Governments are faced by a number of challenges in the management of public finance as identified by a Multi-Agency Taskforce formed by the National Treasury and Economic Planning in the financial year 2022/2023. To address some of these challenges the National Treasury will prioritize the capacity building of county governments and work closely with the County Governments through the relevant bodies such as the Intergovernmental Budget and Economic Council to enhance fiscal relations between the two levels of Government.

4.7.6 Intergovernmental Agreements in respect of the Additional Conditional Allocations

313. The County Governments Additional Allocations Act of 2021 amended the PFM Act 2012 by introducing section 191A – 191E. The section provided, among others things that County Governments and the National Government would enter into Intergovernmental Agreements in respect of the additional conditional allocations. It further provides that the agreements shall be the basis for the requisition of conditional allocation funds from the County Revenue Funds. In order to unlock access to additional allocations by the County Governments in line with this legal provision, the National Treasury through a multi-agency task force has finalized the development of the model Intergovernmental Conditional Allocation Transfer Agreement, subjected it to public consultations countrywide and submitted the draft to the office of the Attorney General on the 10th November, 2023 for legal drafting. A response on this is being awaited. Additionally, the National Treasury has written to both the Clerk of the National Assembly and the Clerk of Senate, requesting Parliament to fast-rack the approval of the CGAAB, 2023, which when enacted into an Act will trigger the operationalization of the intergovernmental transfer agreements pursuant to sections 191A to 191E of the PFMA, 2012. This will facilitate the processes leading to timely disbursements of and requisition of the funds for additional conditional allocations made to County Governments.

4.7.7 Transfer of the Library Services Function

314. The Fourth Schedule of the Constitution provides that library service is a devolved function and hence the need to devolve it to the county governments. The Library Services function was unbundled and attendant resources amounting to Ksh 424,616,045, being the sum of Ksh 421,379,947.20 (payroll budget, and operations and maintenance) and Ksh 3,236,100 (total leave allowance) were factored in the equitable share for FY 2023/24. This means that the library function will be fully transferred with the attendant resources in the FY 2023/24.

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

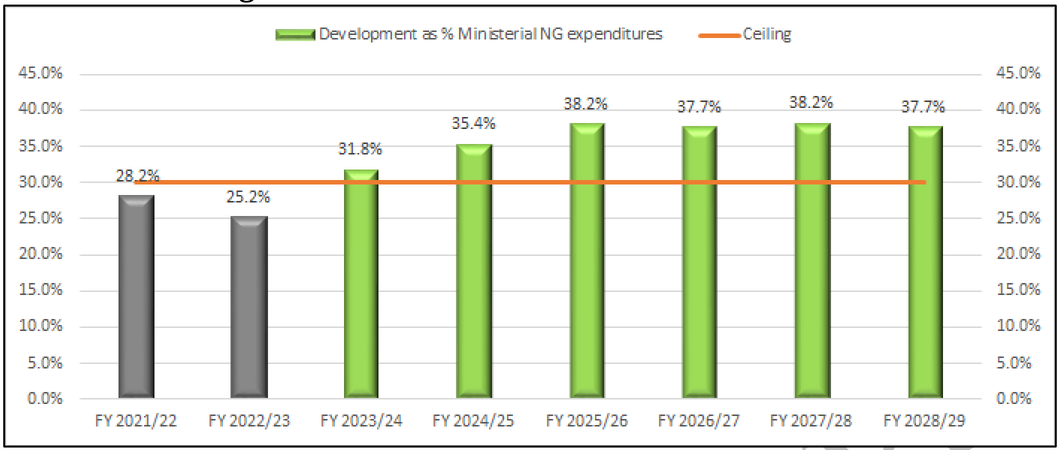
	FY 2021/22	FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28	
	Actual	Revised Budget	Prel. Actual	Budget	Supp I	BROP'23	BPS'24	BROP'23	BPS'24	BROP'23	BPS'24	BROP'23	BPS'24
	Ksh Billions												
1.0 Total Expenditure & Net Lending	3,028	3,367	3,221	3,747	3,982	4,257	4,199	4,627	4,507	5,175	5,138	5,786	5,823
1.1 Total Ministerial National Govt Expenses	1,961	2,091	1,972	2,375	2,464	2,652	2,556	2,959	2,858	3,341	3,304	3,807	3,844
Total Recurrent	2,135	2,384	2,324	2,553	2,813	2,871	2,893	3,040	3,000	3,376	3,376	3,800	3,800
CFS (Interest & Pensions)	727	876	850	986	1,132	1,199	1,241	1,233	1,233	1,318	1,318	1,426	1,426
Ministerial Recurrent	1,409	1,508	1,474	1,567	1,681	1,672	1,652	1,807	1,767	2,057	2,057	2,374	2,374
o/w Wages & Salaries	555	575	572	618	623	681	681	743	743	967	967	1,040	1,040
Wages as % National Government Revenues/1	***29.8%***	***27.7%***	***29.2%***	***23.8%***	***23.4%***	***22.7%***	***22.4%***	***21.9%***	***21.7%***	***25.0%***	***25.0%***	***23.5%***	***23.5%***
Development	552	583	498	808	783	980	904	1,152	1,091	1,284	1,247	1,433	1,470
Development as % Ministerial NG expenditures	***28.2%***	***27.9%***	***25.2%***	***34.0%***	***31.8%***	***36.9%***	***35.4%***	***38.9%***	***38.2%***	***38.4%***	***37.7%***	***37.6%***	***38.2%***
Contingencies	-	2	-	3	1	5	5	5	5	5	5	5	5
1.2 County Allocation	352	436	416	430	424	444	439	473	453	552	552	590	590
Equitable share	340	400	400	385	385	407	402	436	416	515	515	553	553
Conditional Grants	12	37	16	44	38	37	37	37	37	37	37	37	37
2.0 Total Revenues	2,200	2,479	2,361	2,986	3,048	3,408	3,446	3,836	3,833	4,379	4,377	4,978	4,978
3.0 Total National Government Revenues (Incl. A-	1,859	2,079	1,961	2,600	2,662	3,001	3,044	3,400	3,417	3,864	3,861	4,425	4,425
4.0 National Government Domestic Borrowing (net)	605	484	460	587	475	504	378	562	517	451	462	441	554

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 35.4 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

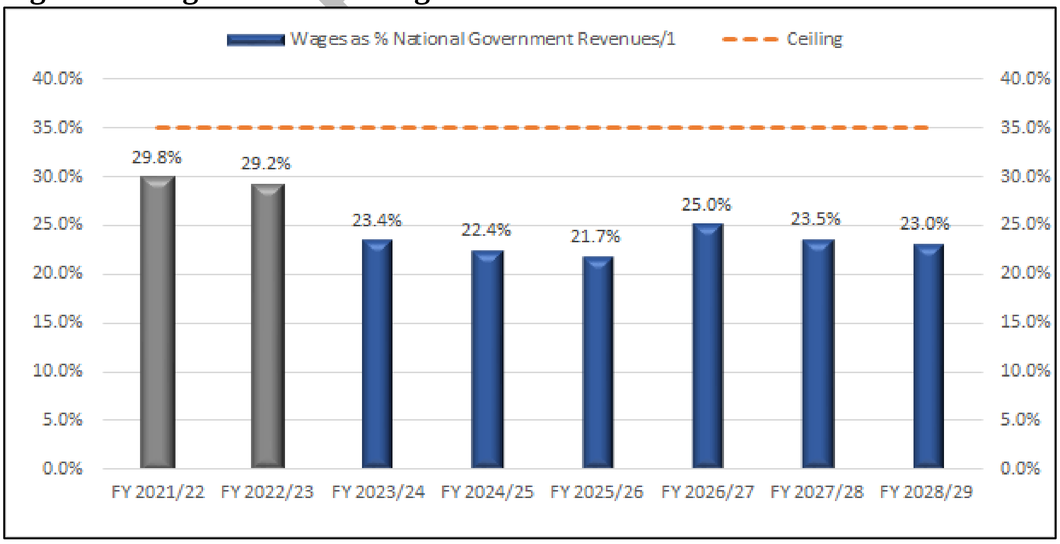


Source: National Treasury

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 at 23.4 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



1Wages: 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 762.6 billion in FY 2023/24, Ksh 881.3 billion in FY 2024/25 and Ksh 1,129.3 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	**40**	27.8	29.5	30.5	29.4	28.0	27.1
PV of debt-to-exports ratio	**180**	228.3	220.4	210.8	195.6	181.7	170.3
PPG Debt service-to-exports ratio	**15**	21.2	22.0	31.1	21.7	22.0	19.7
PPG Debt service-to-revenue ratio	**18**	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 2023 and 5.4 percent in 2024 (5.5 percent in FY 2023/24 and 5.4 percent in FY 2024/25). 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 2024 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 2023 BPS outcomes on the fiscal projections.

Table 1: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2023/24 – 2026/27 (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	-12.6	-13.8	-15.2	-16.9	-6.2	-7.0	-7.8	-7.8	-6.4	-6.9	-7.5	-8.2
Increase in inflation rate (%) by 1.0 % Point	12.8	14.2	15.8	17.6	6.9	7.7	8.6	8.6	6.0	6.5	7.2	8.1
Depreciation in exchange rate (Ksh/US$) by 10%	24.1	25.4	28.1	31.1	3.7	4.2	4.7	4.7	20.3	21.3	23.4	25.8
Increase in value of imported goods (US$) by 10%	15.4	-1.5	-1.5	-1.6	0.0	0.0	0.0	0.0	15.4	-1.5	-1.5	-1.6
All shocks Combined	40.0	21.5	23.9	26.7	3.9	4.4	5.0	5.0	36.0	17.0	18.9	21.1

Source of Data: National Treasury

5. The reduction of the projected real GDP in 2024 by one percent (from 5.4 percent to 4.4 percent) has the adverse impact of reducing revenue collection by Ksh 12.6 billion in FY 2024/25. Expenditures would also decline by Ksh 6.2 billion resulting to an increase in fiscal deficit of Ksh 6.4 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 2024, from 5.0 percent to 6.0 percent, would result in an increase in revenues and expenditures by Ksh 12.8 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 6.0 billion in FY 2024/25. The impact of the shock would persist over the medium term thereby improving the fiscal deficit by Ksh 8.1 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 24.1 billion and Ksh 3.7 billion respectively in FY 2024/25 thereby reducing the projected fiscal deficit by Ksh 20.3 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 25.8 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 15.4 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 but a negative impact over the medium term. The shock would not significantly affect expenditures.

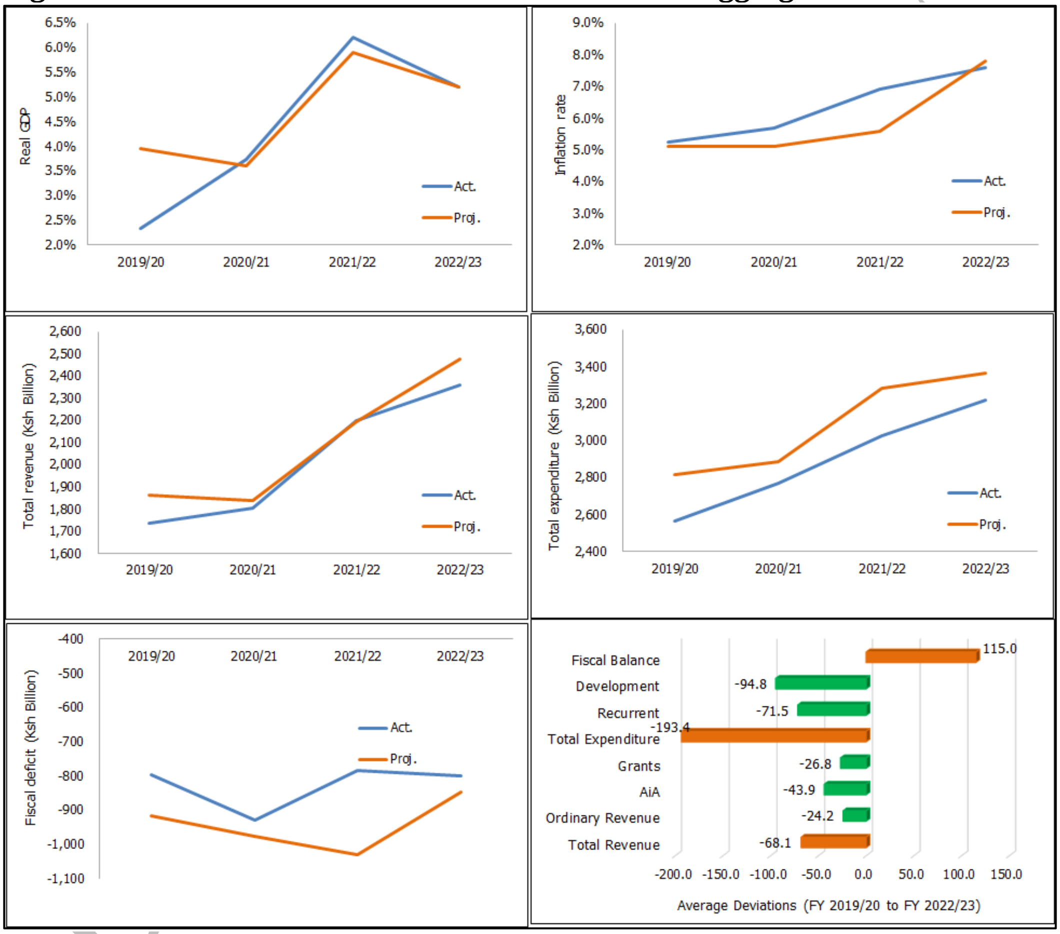
9. Overall, if all the four shocks were to hit the economy concurrently in the FY 2024/25, revenues would increase by Ksh 40.0 billion as the movements in inflation and exchange rate would offset the risk posed by a slowdown in real GDP growth. The adverse impact of the shocks to expenditures would be 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 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 fiscal program, going forward. In order to prevent this risk from materializing and improve efficiency of public investments, the National Treasury froze initiation of new capital projects until the completion of the ongoing ones. The 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*			Average	Standard
	Proj.	Act	Dev.	Proj.	Act	Dev.	Proj.	Actual	Dev.	Proj.	Prel Actual	Dev.	Deviations	Deviations
I. Key Macroeconomic Assumptions														
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%	-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%	7.6%	-0.2%	0.5%	0.7%
Exchange rate (Ksh/US$), avg		104.2			108.0			113.8			131.3			
Export growth		-0.3%			7.7%			10.6%			8.0%			
Import growth		-5.6%			4.9%			16.4%			3.9%			
II. Fiscal Aggregates (in Ksh billion)														
Total Revenue	1,865	1,737	-128	1,838	1,804	-34	2,192	2,200	8	2,479	2,361	-118	-68	77
Ordinary Revenue	1,615	1,573	-42	1,579	1,562	-17	1,852	1,918	66	2,145	2,041	-104	-24	46
AiA	249	164	-86	259	242	-18	340	282	-59	333	319	-14	-44	61
Grants	35	20	-15	73	31	-41	63	31	-32	42	23	-19	-27	31
Total Expenditure	2,818	2,565	-252	2,887	2,769	-118	3,286	3,028	-258	3,367	3,221	-146	-193	219
Recurrent	1,777	1,645	-132	1,820	1,813	-6	2,227	2,135	-92	2,368	2,312	-56	-72	93
Development	678	595	-84	668	557	-111	658	540	-117	561	494	-67	-95	105
Domestic	450	397	-53	418	390	-28	411	378	-33	337	344	7	-27	39
External	228	198	-31	251	167	-84	239	162	-78	194	138	-56	-62	68
Net Lending	1	1	0	-	-	-	-	-	-	16	12	-4	-1	0
Equalization Fund	-	-	-	-	-	-	7	-	-7	14	-	-14	-5	4
County Allocation	362	325	-37	399	399	0	401	352	-49	436	416	-21	-27	35
Balance	-918	-797	121	-976	-929	47	-1,031	-785	246	-846	-800	46	115	161
Financing	918	791	-127	976	950	-26	1,031	748	-283	846	770	-76	-128	180
Net Foreign Financing	324	340	16	418	323	-94	343	143	-201	363	311	-52	-83	128
Net Domestic Financing	594	450	-144	559	627	68	688	605	-83	484	460	-24	-46	103
Memo Items:														
Nominal GDP (Ksh billion)	10,197	10,526	330	11,169	11,256	88	12,844	12,698	-146	14,336	14,274	-61	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 the supply constraints of major products due to conflict between Russia and Ukraine 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.

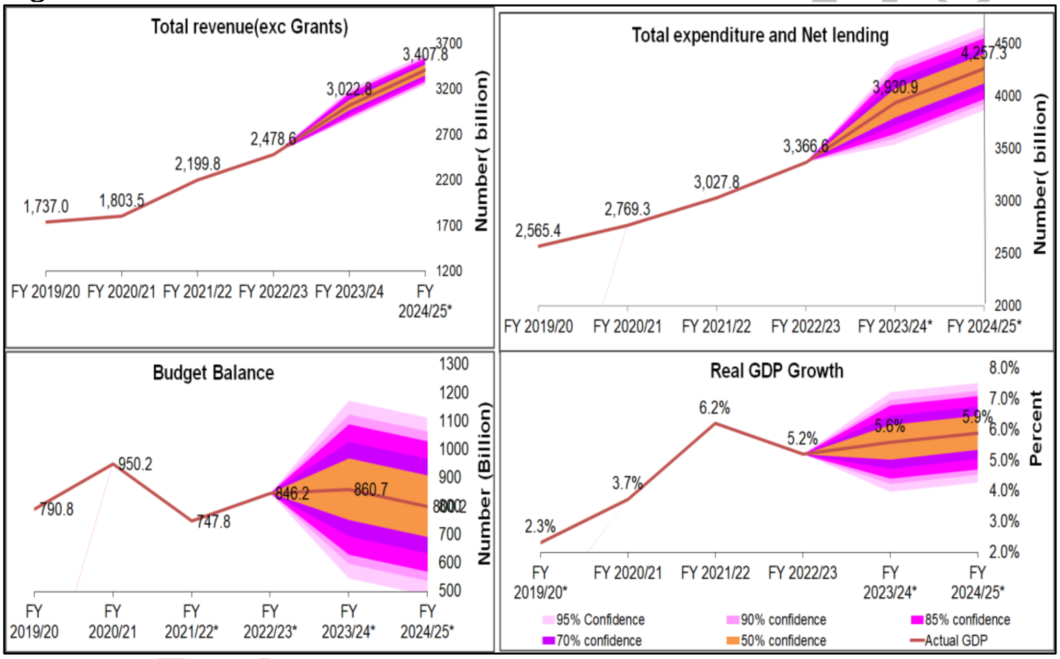
15. The economy is projected to recover to 5.6 percent in FY 2023/24 with a 95 percent confidence level ranging between 7.2 percent and 4.0 percent at 0.8 percent standard deviation. The economy is projected to improve further in FY 2024/25 to grow by 5.9 percent and at a growth range of around 7.5 percent and 4.2 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 3,022.8 billion in FY 2023/24 will be within the actual revenue range of Ksh 3,196.8 billion

and Ksh 2,848.7 billion and a 50 percent possibility between Ksh 3,083.1 billion and Ksh 2,962.4 billion with a standard deviation of Ksh 77 billion. The Projected revenue of 3,407.8 billion for FY 2024/25 will fall at an actual range of Ksh 3,581.8 billion and Ksh 3,233.8 billion at 95 percent confidence interval.

17. The forecasted expenditure of Ksh 3,930.8 billion in FY 2023/24 has a 95 percent chance to range between Ksh 4,329.4 billion and Ksh 3,532.3 billion with a 219.0 billion standard deviations. The expenditure is projected to increase further in FY 2024/25 to Ksh 4,257.3 billion and to range between Ksh 4,655.9 billion and Ksh 3,858.8 billion at 95 percent confidence interval. The fiscal deficit will therefore fall between Ksh 1,175.1 billion and Ksh 546.4 billion in FY 2023/24 and between Ksh 1,114.6 billion and Ksh 485.8 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:

a) Fiscal Risks Associated with Public Debt;
b) Crystallization of Contingent Liabilities;
c) Fiscal Risks Related to Devolution; and
d) 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) Crystallization of Contingent Liabilities

25. 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.

26. 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. State Corporations/State Owned Enterprises (SOEs)

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

28. While Government at times has a stake in state owned enterprises and other Government investments in public companies, its contractual obligations may be limited. However, due to the strategic nature of those state-owned enterprises and public companies in view of the national interest and the overall impact of their failure to the economy, the Government may be morally obligated to bail out those state-owned enterprises and public companies in financial distress. This may pose serious fiscal risk and challenge to budget implementation.

Governance

29. The Government has continued to strengthen corporate governance of State Corporations through the Mwongozo guidelines and subsequent trainings in the area of governance. Further, the Government recommended establishment and operationalization of audit committees and risk management frameworks for Government entities including State Corporations. The Public Finance Management Act and the Public Audit Act were geared towards enhancing effective financial management and oversight for efficient delivery of strategic objectives by State Corporations. In addition, the Capital Market Authority issued Regulations under the Capital Market Act (Cap 485) on code of governance requirements to be observed by companies listed at the NSE. This will enhance accountability, transparency and full disclosure by Companies listed in NSE which include Government-linked entities.

Privatization

30. State-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 goods and provision of services hence lack of competitiveness leading to inefficiencies; among others

31. In order to address these challenges, the Government has embarked on the process of privatization and restructuring them. As part of the process, the Government has identified and proposed 11 entities to be included in the 2023 Privatisation Programme in line with the provisions of the Privatisation Act, 2023. This will support the Government's efforts for fiscal consolidation and spurring economic development through: i) Raising of additional revenue; ii) Reducing the demand for Government resources among many demanding and competing needs; iii) Improving regulatory framework in the economy by unbundling regulatory and commercial functions among some entities; iv) Improving efficiency in the economy by encouraging more private sector participation hence make the economy more responsive to market force and competitions; among others.

Fiscal Risk Analysis of State Corporations

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

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

34. In 2023/24 FY the National Treasury is undertaking financial evaluation for fifty State Corporations, using their FY 2022/23 audited accounts, and report the outcome to the Fiscal Risk Committee by end-June 2024. Further the National Treasury has customized the IMF Health Check Tool that is being applied in the process of undertaking the financial analysis.

35. Debt stricken state corporations constitute a potential source of fiscal risk. However, the government is cautious in issuance of guarantees and other support measures to state corporations upon such requests. However, as the principal owner of all State Corporations the Government is the natural underwriter of risk that they face.

ii. Public Private Partnerships (PPP) Projects

36. 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 towards projects focused on low-cost housing, the 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.

37. 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 2024/25. 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.

38. 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 165km-400KV along Losuk – Lessos; Kisumu – Musaga 72 KM -220KV. The Project is estimated to cost USD.313.25 million (KES.44B); (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 (KES.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 by 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. The Roads and Transport projects are intended to alleviate congestion, improve safety and enhance connectivity to boost trade and investment. There is also JKIA Terminals 1E and 2E which are at Feasibility Study phase, with the project implementation targeted to commence in FY 2024/25.

39. There are potential fiscal risks stemming from the Public Private Partnership (PPP) 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, strengthens PPP institutions, improve governance, promote the framework for balancing risk with affordability and value for money, while guaranteeing rapid service delivery through cutting down execution timelines, and promoting local content for greater national value capture in PPPs. 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.

c) Fiscal Risks Related to Devolution

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

i. High expenditure on personnel emoluments contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 that sets the limit of the County Government's expenditure on wages and benefits at 35 percent of the County's total revenue.
ii. Below target Own Source Revenue Collections that results to unfunded budget deficits and accumulation of pending bills negatively affecting service delivery to the citizens
iii. County Governments continue to report high levels of pending bills that remain unpaid and have a negative impact on the business community as well as the economy in general.
iv. Low actual development expenditure which is not in line with the County Governments approved budgets and contrary to Section 107(2) (b) of the Public Finance Management (PFM) Act, 2012, that provides that over the medium term, a minimum of thirty percent of the County Government budget shall be spent on the development expenditure.

d) Other Fiscal Risks

i. Natural Disasters and Man-made Hazards

41. 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. Climate Change Related Fiscal Risks to the Economy

42. Climate change has become a pressing issue globally, and like other economies, the Kenyan economy is vulnerable to its ravaging impacts. To minimize the economic and fiscal risks of climate change phenomenon, the Government will continue to pursue a low carbon- climate resilient development path. Climate financing has emerged as an important means of implementation for climate change and for promoting sustainable development and financial sector development.

43. To enhance financial flows from the Green Climate Fund (GCF), the Government will continue to implement the National Green Climate Fund Strategy, which provides an elaborate framework of coordinating and attracting resources from the GCF. The Government will also implement the Financing Locally-led climate Action (FLLoCA) Program in collaboration with County Government and development partners to manage climate risks. To further deepen green financing, the Government will implement the Green Finance Programme geared towards transitioning to a low-carbon, climate resilient and green economy.

iii. Money Laundering

44. 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 2nd Eastern and Sothern Africa Anti-Money Laundering Group (ESAAMLG) Mutual Evaluation Report (MER) 2022.

45. 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.

46. 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 24th February, 2022 and 15th 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
A. Policy Resolutions on the 2022 BPS		
1.	• The National Treasury ought to prepare the Budget Policy Statement in line with the debt ceiling. • The National Treasury ought to amend the debt ceiling to enable them implement the budget as proposed, rationalize expenditure or implement revenue enhancing measures.	The 2023 Budget Policy Statements 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. 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

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 30th April, 2022.	The National Treasury has already developed an action plan to guide the development of the MTRS and issued a Circular on 30th 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 30th September, 2022. In summary, from December 2020 to 30th 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. Policy Resolutions on the 2023 BPS		
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 20th and 23rd, 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 30th 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
	annual percentage change, unless otherwise indicated											
National Account and Prices												
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)	7.6	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
Money and Credit (end of period)												
Net domestic assets	11.5	12.5	13.6	13.6	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	9.0	9.2	6.9	9.4	8.8	6.9	7.3	6.3	8.1
Credit to the rest of the economy	12.2	14.0	13.6	13.9	12.0	14.3	17.0	14.9	15.0	13.0	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
	in percentage of GDP, unless otherwise indicated											
Investment and Saving												
Investment	19.2	16.3	19.2	19.4	21.1	19.7	22.4	19.9	23.3	19.8	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	15.5	16.4	15.4	17.2	15.0	18.2	14.9	18.6	14.5
Gross National Saving	14.8	8.7	15.3	15.4	15.5	15.6	17.0	15.8	17.6	15.8	18.1	15.8
Central Government	-1.8	0.8	-0.3	-0.1	1.3	1.4	2.4	2.6	2.7	2.7	3.0	3.0
Other	16.6	7.9	15.5	15.5	14.2	14.2	14.6	13.2	14.9	13.2	15.1	12.8
Central Government Budget												
Total revenue	16.5	18.3	18.9	18.9	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	23.3	23.1	22.5	23.3	23.2	23.5	23.7
Overall Fiscal balance excl. grants	-6.0	-4.7	-5.8	-5.3	-4.7	-4.2	-4.0	-3.4	-3.6	-3.4	-3.3	-3.4
Overall Fiscal balance, incl. grants, cash basis	-5.6	-4.4	-5.5	-5.1	-4.4	-3.9	-3.7	-3.1	-3.3	-3.1	-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. descrepancy	-5.6	-4.4	-5.5	-5.1	-4.4	-3.9	-3.7	-3.1	-3.3	-3.1	-3.0	-3.1
Primary budget balance	-0.8	0.3	0.2	0.6	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	2.8	2.8	2.1	2.8	2.6	2.0	2.1	1.8	2.3
External Sector												
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
Public debt												
Nominal central government debt (eop), gross	71.4	62.0	68.7	68.2	65.8	65.0	62.9	61.6	60.0	58.7	57.1	56.1
Nominal debt (eop), net of deposits	68.0	58.7	65.7	65.2	63.1	62.3	60.5	59.2	57.9	56.5	55.2	54.1
Domestic (gross)	33.9	32.3	32.9	32.8	32.1	31.4	31.7	30.9	30.6	29.9	29.4	29.2
Domestic (net)	30.5	29.0	29.9	29.8	29.4	28.7	29.3	28.5	28.5	27.8	27.5	27.3
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
Memorandum Items:												
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)	107,056	122,057	108,289	108,289	128,428	120,595	140,581	134,321	154,278	148,854	170,410	163,634

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
TOTAL REVENUE	**2,360.5**	**2,985.6**	**3,047.6**	**3,042.8**	**3,407.8**	**3,445.6**	**3,835.5**	**3,833.1**	**4,379.2**	**4,376.5**	**4,978.4**	**4,978.4**
Ordinary Revenue	2,041.1	2,571.2	2,576.8	2,596.8	2,918.9	2,958.6	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	130.3	148.3	188.1	141.0	140.8	158.3	158.1	177.8	177.8
Ministerial Appropriation in Aid	**319.4**	**414.4**	**470.8**	**446.0**	**488.9**	**486.9**	**541.1**	**538.9**	**603.2**	**600.8**	**672.6**	**672.6**
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't 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*	258.4	*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	29.4	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
EXPENDITURE AND NET LENDING	**3,221.0**	**3,746.6**	**3,981.5**	**3,904.9**	**4,257.3**	**4,198.8**	**4,627.2**	**4,506.7**	**5,174.8**	**5,137.6**	**5,786.0**	**5,823.3**
Recurrent expenditure	2,311.6	2,536.3	2,793.9	2,761.3	2,851.0	2,873.6	3,020.0	2,980.0	3,371.2	3,371.2	3,799.9	3,799.9
Interest payments	687.3	775.1	918.8	918.8	966.1	1,008.7	979.4	979.4	1,018.1	1,018.1	1,089.0	1,089.0
Domestic interest	533.1	628.3	646.4	646.4	716.1	747.7	739.9	739.9	791.4	791.4	854.5	854.5
Foreign Interest	154.2	146.9	272.5	272.5	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	1,352.2	1,382.2	1,362.2	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								0.0				
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	456.1	390.4	370.4	436.1	396.1	415.4	415.4	606.9	606.9
Ministerial Recurrent AIA	240.2	264.6	321.1	296.3	290.0	290.0	320.9	320.9	354.7	354.7	392.3	392.3
Development and Net lending	**493.7**	**777.8**	**762.6**	**718.6**	**957.3**	**881.3**	**1,129.3**	**1,068.8**	**1,246.6**	**1,209.4**	**1,390.8**	**1,428.1**
Domestically financed (Gross)	343.8	472.2	455.2	437.7	536.2	529.2	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	251.1	390.0	321.0	431.7	371.2	512.7	475.3	554.0	591.4
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
County Tranfers	**415.8**	**429.7**	**423.9**	**423.9**	**444.0**	**438.9**	**472.9**	**452.9**	**552.0**	**552.0**	**590.3**	**590.3**
Equitable Share	399.6	385.4	385.4	385.4	406.7	401.6	435.6	415.6	515.1	515.1	553.4	553.4
Conditional Allocation	16.2	44.3	38.5	38.5	37.3	37.3	37.3	37.3	37.0	37.0	37.0	37.0
Contingency Fund	**0.0**	**2.8**	**1.2**	**1.2**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-860.5**	**-761.1**	**-934.0**	**-862.1**	**-849.5**	**-753.27020**	**-791.6**	**-673.6**	**-795.5**	**-761.1**	**-807.6**	**-844.9**
Grants	**23.1**	**42.2**	**47.4**	**47.4**	**49.3**	**49.3**	**53.2**	**53.2**	**68.6**	**68.6**	**73.8**	**73.8**
Fiscal Balance *(incl. grants)*	**-837.4**	**-718.9**	**-886.6**	**-814.8**	**-800.2**	**-704.0**	**-738.4**	**-620.4**	**-726.9**	**-692.5**	**-733.8**	**-771.2**
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
Fiscal Balance *(incl. grants) Cash Basis*	**-800.4**	**-718.9**	**-886.6**	**-814.8**	**-800.2**	**-704.0**	**-738.4**	**-620.4**	**-726.9**	**-692.5**	**-733.8**	**-771.2**
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
TOTAL FINANCING	**770.3**	**718.9**	**886.6**	**814.8**	**800.2**	**704.0**	**738.4**	**620.4**	**726.9**	**692.5**	**733.8**	**771.2**
Net Foreign Financing	**310.8**	**131.5**	**412.1**	**363.0**	**296.5**	**326.2**	**176.0**	**103.9**	**276.1**	**230.9**	**292.9**	**217.7**
Disbuserments	**548.2**	**607.1**	**978.7**	**996.0**	**626.2**	**670.1**	**602.8**	**542.4**	**663.7**	**626.4**	**717.2**	**754.6**
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	175.1	175.1	151	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	236.9	377.6	308.6	415.4	354.9	481.0	443.7	517.2	554.6
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	102.3	114.6	105.6	126.1	121.4	173.4	151.8	186.4	189.8
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
Net Domestic Financing	**459.5**	**587.4**	**474.5**	**451.7**	**503.7**	**377.7**	**562.4**	**516.5**	**450.9**	**461.6**	**440.9**	**553.5**
Memo items												
Gross Debt (Stock)	10,189.5	10,130.4	11,076.1	11,004.3	11,851.0	11,708.3	12,589.4	12,328.7	13,316.3	13,021.2	14,050.1	13,792.3
External Debt	5,357.4	5,065.6	5,769.5	5,720.5	6,066.0	6,046.7	6,242.0	6,150.5	6,518.1	6,381.4	6,811.0	6,599.1
Domestic Debt (gross)	4,832.1	5,064.7	5,306.7	5,283.9	5,785.0	5,661.6	6,347.4	6,178.1	6,798.3	6,639.7	7,239.2	7,193.2
Domestic Debt (net)	4,347.5	4,522.4	4,822.1	4,799.3	5,300.4	5,177.0	5,862.8	5,693.6	6,313.7	6,155.2	6,754.6	6,708.7
Financing gap	-67.1		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**14,274.4**	**16,290.3**	**16,131.5**	**16,131.5**	**18,015.2**	**18,015.2**	**20,002.3**	**20,002.3**	**22,180.5**	**22,180.5**	**24,594.5**	**24,594.5**

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
TOTAL REVENUE	**16.5**	**18.3**	**18.9**	**18.9**	**18.9**	**19.1**	**19.2**	**19.2**	**19.7**	**19.7**	**20.2**	**20.2**
Ordinary Revenue	**14.3**	**15.8**	**16.0**	**16.1**	**16.2**	**16.4**	**16.5**	**16.5**	**17.0**	**17.0**	**17.5**	**17.5**
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	0.8	0.8	1.0	0.7	0.7	0.7	0.7	0.7	0.7
Ministerial Appropriation in Aid	**2.2**	**2.5**	**2.9**	**2.8**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**
EXPENDITURE AND NET LENDING	**22.6**	**23.0**	**24.7**	**24.2**	**23.6**	**23.3**	**23.1**	**22.5**	**23.3**	**23.2**	**23.5**	**23.7**
Recurrent expenditure	**16.2**	**15.6**	**17.3**	**17.1**	**15.8**	**16.0**	**15.1**	**14.9**	**15.2**	**15.2**	**15.5**	**15.5**
Interest payments	4.8	4.8	5.7	5.7	5.4	5.6	4.9	4.9	4.6	4.6	4.4	4.4
Domestic interest	3.7	3.9	4.0	4.0	4.0	4.2	3.7	3.7	3.6	3.6	3.5	3.5
Foreign Interest	1.1	0.9	1.7	1.7	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	8.4	7.7	7.6	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	0.0	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	2.8	2.2	2.1	2.2	2.0	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
Development and Net lending	**3.5**	**4.8**	**4.7**	**4.5**	**5.3**	**4.9**	**5.6**	**5.3**	**5.6**	**5.5**	**5.7**	**5.8**
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
County Tranfers	**2.9**	**2.6**	**2.6**	**2.6**	**2.5**	**2.4**	**2.4**	**2.3**	**2.5**	**2.5**	**2.4**	**2.4**
Equitable Share	**2.8**	**2.4**	**2.4**	**2.4**	**2.3**	**2.2**	**2.2**	**2.1**	**2.3**	**2.3**	**2.3**	**2.3**
Conditional Allocation	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-6.0**	**-4.7**	**-5.8**	**-5.3**	**-4.7**	**-4.2**	**-4.0**	**-3.4**	**-3.6**	**-3.4**	**-3.3**	**-3.4**
Grants	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-5.9**	**-4.4**	**-5.5**	**-5.1**	**-4.4**	**-3.9**	**-3.7**	**-3.1**	**-3.3**	**-3.1**	**-3.0**	**-3.1**
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
Fiscal Balance (incl. grants) Cash Basis	-5.6	-4.4	-5.5	-5.1	-4.4	-3.9	-3.7	-3.1	-3.3	-3.1	-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
TOTAL FINANCING	**5.4**	**4.4**	**5.5**	**5.1**	**4.4**	**3.9**	**3.7**	**3.1**	**3.3**	**3.1**	**3.0**	**3.1**
Net Foreign Financing	**2.2**	**0.8**	**2.6**	**2.3**	**1.6**	**1.8**	**0.9**	**0.5**	**1.2**	**1.0**	**1.2**	**0.9**
Disbursements	**3.8**	**3.7**	**6.1**	**6.2**	**3.5**	**3.7**	**3.0**	**2.7**	**3.0**	**2.8**	**2.9**	**3.1**
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**
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
Debt repayment - Principal	**-1.7**	**-2.9**	**-3.5**	**-3.9**	**-1.8**	**-1.9**	**-2.1**	**-2.2**	**-1.7**	**-1.8**	**-1.7**	**-2.2**
Net Domestic Financing	**3.2**	**3.6**	**2.9**	**2.8**	**2.8**	**2.1**	**2.8**	**2.6**	**2.0**	**2.1**	**1.8**	**2.3**
Memo items												
Gross Debt (Stock)	71.4	62.2	68.7	68.2	65.8	65.0	62.9	61.6	60.0	58.7	57.1	56.1
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	32.8	32.1	31.4	31.7	30.9	30.6	29.9	29.4	29.2
Domestic Debt (net)	30.5	27.8	29.9	29.8	29.4	28.7	29.3	28.5	28.5	27.8	27.5	27.3
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/Vote/Programme Details	Approved Estimates 2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT	32,506.7	65,582.3	98,089.1	29,609.2	57,689.1	87,298.3	31,110.2	64,490.6	95,600.8	32,719.6	64,297.6	97,017.2
	1112 State Department for Lands and Physical Plann	**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**	**2,863.3**	**10,202.9**	**13,066.2**	**3,075.1**	**10,378.0**	**13,453.1**	**3,298.1**	**8,159.0**	**11,457.1**
	0111000 Fisheries Development and Management	2,556.5	6,664.9	9,221.5	2,576.8	8,136.9	10,713.7	2,779.1	8,306.0	11,085.1	2,992.0	4,085.5	7,077.5
	0117000 General Administration, Planning and Support Services	252.6	-	252.6	243.9	-	243.9	250.9	-	250.9	258.5	-	258.5
	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**	**17,326.2**	**33,733.6**	**51,059.8**	**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	7,589.4	1,700.0	9,289.4	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
020	ENERGY, INFRASTRUCTURE AND ICT	178,736.9	349,409.3	528,146.2	145,306.0	360,362.0	505,668.0	156,245.0	390,015.0	546,259.0	158,046.0	397,638.0	555,684.0
	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**	**18,208.0**	**50,447.0**	**68,655.0**
	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	1,198.0	889.0	2,087.0
	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/Vote/Programme Details	Approved Estimates 2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**ENERGY, INFRASTRUCTURE AND ICT**	**178,736.9**	**349,409.3**	**528,146.2**	**145,306.0**	**360,362.0**	**505,668.0**	**156,245.0**	**390,015.0**	**546,259.0**	**158,046.0**	**397,638.0**	**555,684.0**
	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**	**2,700.0**	**1,191.0**	**3,891.0**
	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	2,700.0	1,191.0	3,891.0
	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**	**1,366.0**	**79,867.0**	**81,233.0**
	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	849.0	74,472.0	75,321.0
	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**	**3,424.0**	**2,084.0**	**5,508.0**
	0103000 Government Buildings	582.3	533.8	1,116.1	595.0	673.0	1,268.0	612.0	646.0	1,258.0	627.0	285.0	912.0
	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**	**6,215.0**	**1,105.0**	**7,320.0**
	0207000 General Administration Planning and Support Services	265.1	-	265.1	342.0	-	342.0	283.0	-	283.0	295.0	-	295.0
	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**	**32,877.0**	**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	32,877.0	27,701.0	4,384.0	32,085.0

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

030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	**39,575.5**	**32,867.5**	**72,443.0**	**32,305.2**	**24,410.0**	**56,715.2**	**35,101.9**	**31,880.1**	**66,982.0**	**40,297.0**	**18,253.0**	**41,320.4**
	1036 State Department for the ASALs and Regional Development	**14,921.6**	**9,138.0**	**24,059.6**	**9,488.0**	**5,507.7**	**14,995.7**	**9,691.0**	**6,755.5**	**16,446.5**	**10,999.8**	**8,615.4**	**19,615.2**
	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
	1173 State Department for Cooperatives	**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**
	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**
	1174 State Department for Trade	**3,260.8**	**50.0**	**3,310.8**	**3,450.4**	**50.0**	**3,500.4**	**3,693.0**	**74.8**	**3,767.7**	**3,930.8**	**77.8**	**4,008.6**
	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
	1175 State Department for Industry	**2,987.6**	**6,730.7**	**9,718.3**	**2,776.9**	**6,904.2**	**9,681.1**	**2,808.0**	**10,914.3**	**13,722.3**	**2,879.6**	**5,406.0**	**8,285.6**
	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
	1176 State Department for Micro Small and Medium Enterprises Development	**1,871.6**	**6,650.6**	**8,522.2**	**2,464.8**	**6,196.8**	**8,661.7**	**2,567.1**	**7,295.0**	**9,862.0**	**2,620.6**	**4,007.6**	**6,628.1**
	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
	1177 State Department for Investments 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**		
	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/Vote/Programme Details	Approved Estimates 2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	**39,575.5**	**32,867.5**	**72,443.0**	**32,305.2**	**24,410.0**	**56,715.2**	**35,101.9**	**31,880.1**	**66,982.0**	**40,297.0**	**18,253.0**	**41,320.4**
	1202 : State Department for Tourism	**12,255.1**	**142.2**	**12,397.2**	**10,303.0**	**606.7**	**10,909.7**	**12,349.8**	**591.2**	**12,941.0**	**15,754.9**		
	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
	1221 State Department for East African Community	**927.7**	**-**	**927.7**	**607.6**	**35.4**	**643.0**	**651.7**	**59.8**	**711.5**	**674.5**	**62.2**	**736.7**
	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
040	**HEALTH**	**88,191.2**	**50,654.6**	**138,845.9**	**87,325.1**	**60,274.7**	**147,599.8**	**91,931.2**	**63,577.5**	**155,508.7**	**95,303.6**	**64,777.3**	**160,080.9**
	1082 State Department for Medical Services	**66,394.3**	**44,245.2**	**110,639.5**	**66,833.9**	**55,113.2**	**121,947.1**	**69,281.9**	**58,877.5**	**128,159.4**	**71,909.9**	**60,328.0**	**132,237.9**
	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
	1083 State Department for Public Health and Professional Standard	**21,797.0**	**6,409.4**	**28,206.3**	**20,491.1**	**5,161.5**	**25,652.6**	**22,649.3**	**4,700.0**	**27,349.3**	**23,393.7**	**4,449.3**	**27,843.0**
	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	799.8	-	799.8	847.0	-	847.0
050	**EDUCATION**	**655,657.5**	**33,954.1**	**689,611.6**	**638,044.0**	**28,425.0**	**666,469.0**	**685,626.0**	**38,500.0**	**724,126.0**	**745,248.0**	**37,600.0**	**782,848.0**
	1064 State Department for Technical, Vocational Education and Training	**25,843.4**	**7,070.0**	**32,913.4**	**21,492.0**	**6,474.0**	**27,966.0**	**22,315.0**	**4,486.0**	**26,801.0**	**32,555.0**	**3,921.0**	**36,476.0**
	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
	1065 State Department for Higher Education & Research	**150,973.7**	**3,551.0**	**154,524.7**	**122,642.0**	**3,956.0**	**126,598.0**	**126,446.0**	**3,969.0**	**130,415.0**	**148,470.0**	**4,059.0**	**152,529.0**
	0504000 University Education	149,935.1	3,425.0	153,360.1	121,640.0	3,602.0	125,242.0	125,439.0	3,669.0	129,108.0	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/Vote/Programme Details	Approved Estimates 2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
050	**EDUCATION**	**655,657.5**	**33,954.1**	**689,611.6**	**638,044.0**	**28,425.0**	**666,469.0**	**685,626.0**	**38,500.0**	**724,126.0**	**745,248.0**	**37,600.0**	**782,848.0**
	1066 State Department for Basic Education	**136,440.0**	**22,131.1**	**158,571.1**	**124,472.0**	**17,490.0**	**141,962.0**	**147,461.0**	**29,804.0**	**177,265.0**	**148,033.0**	**29,380.0**	**177,413.0**
	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
	2091 Teachers Service Commission	**342,400.4**	**1,202.0**	**343,602.4**	**369,438.0**	**505.0**	**369,943.0**	**389,404.0**	**241.0**	**389,645.0**	**416,190.0**	**240.0**	**416,430.0**
	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
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**225,163.4**	**15,172.5**	**240,335.8**	**232,422.7**	**18,496.6**	**250,919.2**	**248,804.5**	**24,154.4**	**272,958.9**	**280,345.7**	**27,896.2**	**308,241.9**
	1023 State Department for Correctional Services	**34,850.7**	**695.0**	**35,545.7**	**35,964.1**	**1,175.8**	**37,139.8**	**37,531.6**	**2,539.5**	**40,071.1**	**49,335.8**	**2,593.0**	**51,928.9**
	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
	1024 State Department for Immigration and Citizen Services	**9,136.3**	**3,497.0**	**12,633.3**	**10,289.3**	**5,584.0**	**15,873.3**	**12,749.9**	**6,252.6**	**19,002.5**	**15,871.6**	**6,867.1**	**22,738.8**
	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
	1025 National Police Service	**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**
	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
	1026 State Department for Internal Security and National Administration	**29,524.1**	**7,479.2**	**37,003.4**	**27,799.2**	**7,437.3**	**35,236.5**	**29,876.5**	**8,673.0**	**38,549.5**	**31,022.7**	**8,963.2**	**39,985.8**
	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/Vote/Programme Details	Approved Estimates 2023/24 Current	Capital	Total	2024/25 Current	Capital	Total	2025/26 Current	Capital	Total	2026/27 Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**225,163.4**	**15,172.5**	**240,335.8**	**232,422.7**	**18,496.6**	**250,919.2**	**248,804.5**	**24,154.4**	**272,958.9**	**280,345.7**	**27,896.2**	**308,241.9**
	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
	1261 The Judiciary	**20,437.4**	**1,450.0**	**21,887.4**	**20,937.4**	**1,850.0**	**22,787.4**	**23,437.4**	**2,700.0**	**26,137.4**	**25,437.4**	**4,980.0**	**30,417.4**
	0610000 Dispensation of Justice	20,437.4	1,450.0	21,887.4	20,937.4	1,850.0	22,787.4	23,437.4	2,700.0	26,137.4	25,437.4	4,980.0	30,417.4
	1271 Ethics and Anti-Corruption Commission	**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**
	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
	1291 Office of the Director of Public Prosecutions	**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**
	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
	1311 Office of the Registrar 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**
	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
	1321 Witness Protection Agency	**813.4**	**-**	**813.4**	**782.0**	**-**	**782.0**	**903.6**	**-**	**903.6**	**922.5**	**-**	**922.5**
	0615000 Witness Protection	813.4	-	813.4	782.0	-	782.0	903.6	-	903.6	922.5	-	922.5
	2011 Kenya National Commission on Human Rights	**539.8**	**-**	**539.8**	**523.5**	**-**	**523.5**	**532.2**	**-**	**532.2**	**541.6**	**-**	**541.6**
	0616000 Protection and Promotion of Human Rights	539.8	-	539.8	523.5	-	523.5	532.2	-	532.2	541.6	-	541.6
	2031 Independent Electoral and Boundaries Commission	**4,674.0**	**77.0**	**4,751.0**	**4,353.7**	**24.3**	**4,378.0**	**4,445.4**	**43.0**	**4,488.4**	**4,595.6**	**59.1**	**4,654.8**
	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
	2051 Judicial Service Commission	**896.6**	**-**	**896.6**	**902.9**	**-**	**902.9**	**943.7**	**-**	**943.7**	**986.4**	**-**	**986.4**
	0619000 General Administration, Planning and Support Services	896.6	-	896.6	902.9	-	902.9	943.7	-	943.7	986.4	-	986.4
	2101 National Police Service Commission	**1,152.0**	**-**	**1,152.0**	**1,269.5**	**-**	**1,269.5**	**1,297.1**	**-**	**1,297.1**	**1,326.5**	**-**	**1,326.5**
	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
	2141 National Gender and Equality Commission	**440.3**	**4.7**	**445.0**	**498.0**	**-**	**498.0**	**508.7**	**-**	**508.7**	**518.2**	**-**	**518.2**
	0621000 Promotion of Gender Equality and Freedom from Discrimination	440.3	4.7	445.0	498.0	-	498.0	508.7	-	508.7	518.2	-	518.2
	2151 Independent Policing Oversight Authority	**1,019.3**	**-**	**1,019.3**	**1,090.9**	**-**	**1,090.9**	**1,110.2**	**-**	**1,110.2**	**1,130.9**	**-**	**1,130.9**
	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

		Approved Estimates											
		2023/24			2024/25			2025/26			2026/27		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**182,823.8**	**116,502.3**	**299,326.2**	**199,563.1**	**146,731.7**	**346,294.8**	**214,030.9**	**171,140.7**	**385,172.0**	**325,207.4**	**192,835.4**	**518,042.9**
	1011 Executive Office of the President	**3,337.0**	**697.0**	**4,034.0**	**3,580.6**	**852.3**	**4,432.9**	**3,711.4**	**961.8**	**4,673.2**	**3,846.4**	**1,015.1**	**4,861.5**
	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	1,399.8	194.3	1,594.1	1,454.4	200.0	1,654.4	1,510.6	200.0	1,710.6
	0703000 Government Advisory Services	622.5	-	622.5	1,048.0	-	1,048.0	1,085.7	-	1,085.7	1,123.6	-	1,123.6
	Prog:Leadership and Cordination of Government Services				438.5	158.0	596.5	454.4	261.8	716.2	471.8	315.1	786.9
	1012 Office of the Deputy President	**3,897.7**	**400.4**	**4,298.1**	**3,119.2**	**250.4**	**3,369.6**	**3,241.6**	**320.0**	**3,561.6**	**4,869.8**	**366.1**	**5,235.9**
	0734000 Deputy President Services	3,897.7	400.4	4,298.1	3,119.2	250.4	3,369.6	3,241.6	320.0	3,561.6	4,869.8	366.1	5,235.9
	1013 Office of the Prime Cabinet Secretary	**1,195.6**	**-**	**1,195.6**	**802.1**	**-**	**802.1**	**832.4**	**-**	**832.4**	**863.9**	**-**	**863.9**
	0755000 Government Coordination and Supervision	1,195.6	-	1,195.6	802.1	-	802.1	832.4	-	832.4	863.9	-	863.9
	1014 State Department for Parliamentary Affairs	**393.1**	**-**	**393.1**	**646.1**	**-**	**646.1**	**670.1**	**-**	**670.1**	**695.3**	**-**	**695.3**
	0759000 Parliamentary Liaison and Legislative Affairs	95.7	-	95.7	199.7	-	199.7	182.2	-	182.2	193.7	-	193.7
	0760000 Policy Coordination and Strategy	64.6	-	64.6	190.6	-	190.6	211.0	-	211.0	223.0	-	223.0
	0761000 General Administration, Planning and Support Services	232.8	-	232.8	255.8	-	255.8	276.9	-	276.9	278.6	-	278.6
	1015 State Department for Performance and Deliver	**355.2**	**-**	**355.2**	**664.5**	**-**	**664.5**	**688.2**	**-**	**688.2**	**712.8**	**-**	**712.8**
	0762000 Public Service Performance Management and Delivery Services	140.7	-	140.7	147.6	-	147.6	153.2	-	153.2	159.0	-	159.0
	0764000 General Administration, Planning and Support Services	214.5	-	214.5	281.1	-	281.1	291.2	-	291.2	301.6	-	301.6
	Coordination and Supervision of Government Services				36.5	-	36.5	37.8	-	37.8	39.1	-	39.1
	Service Delivery Management				199.3	-	199.3	206.0	-	206.0	213.1	-	213.1
	1016 State Department for Cabinet Affairs	**617.1**	**-**	**617.1**	**881.8**	**-**	**881.8**	**914.7**	**-**	**914.7**	**949.1**	**-**	**949.1**
	0758000 Cabinet Affairs Services	617.1	-	617.1	881.8	-	881.8	914.7	-	914.7	949.1	-	949.1
	1017 State House	**8,528.9**	**1,309.7**	**9,838.6**	**6,675.1**	**1,558.7**	**8,233.8**	**6,905.0**	**1,885.2**	**8,790.2**	**9,845.3**	**1,585.9**	**11,431.2**
	0704000 State House Affairs	8,528.9	1,309.7	9,838.6	6,675.1	1,558.7	8,233.8	6,905.0	1,885.2	8,790.2	9,845.3	1,585.9	11,431.2
	1032 State Department for Devolution	**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**
	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/Vote/Programme Details	Approved Estimates 2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**182,823.8**	**116,502.3**	**299,326.2**	**199,563.1**	**146,731.7**	**346,294.8**	**214,030.9**	**171,140.7**	**385,172.0**	**325,207.4**	**192,835.4**	**518,042.9**
	1053 State Department for Foreign Affairs	**19,380.8**	**1,171.0**	**20,551.8**	**19,258.9**	**2,390.1**	**21,649.0**	**20,366.5**	**2,644.4**	**23,011.0**	**20,993.0**	**2,700.7**	**23,693.8**
	0714000 General Administration Planning and Support Services	3,000.8	326.7	3,327.4	3,374.7	426.7	3,801.4	3,585.7	491.4	4,077.2	3,796.8	506.9	4,303.8
	0715000 Foreign Relation and Diplomacy	16,215.9	844.3	17,060.2	15,717.4	1,713.4	17,430.8	16,635.0	1,153.0	17,788.0	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
	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**	**4,390.6**	**75,910.7**	**80,301.4**	**4,595.2**	**86,506.9**	**91,102.0**
	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	74,396.5	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	1,343.4	3,998.0	5,341.4	1,411.9	4,500.2	5,912.1
	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	210.4
	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**	**28,187.6**	**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
	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	13,968.5	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	10,411.1	9,483.9	849.7	10,333.6
	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**

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

`	Sector/Vote/Programme Details	Approved Estimates 2023/24 Current	Capital	Total	2024/25 Current	Capital	Total	2025/26 Current	Capital	Total	2026/27 Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**182,823.8**	**116,502.3**	**299,326.2**	**199,563.1**	**146,731.7**	**346,294.8**	**214,030.9**	**171,140.7**	**385,172.0**	**325,207.4**	**192,835.4**	**518,042.9**
	2061 The Commission on Revenue Allocation	**516.8**	**-**	**516.8**	**587.4**	**-**	**587.4**	**537.7**	**-**	**537.7**	**556.7**	**-**	**556.7**
	0737000 Inter-Governmental Transfers and Financial Matters	516.8	-	516.8	587.4	-	587.4	537.7	-	537.7	556.7	-	556.7
	2071 Public Service Commission	**3,520.2**	**45.3**	**3,565.5**	**2,672.3**	**45.3**	**2,717.6**	**3,729.8**	**59.4**	**3,789.2**	**3,789.7**	**66.2**	**3,855.9**
	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
	2081 Salaries and Remuneration Commission	**550.3**	**-**	**550.3**	**559.9**	**-**	**559.9**	**579.3**	**-**	**579.3**	**599.5**	**-**	**599.5**
	0728000 Salaries and Remuneration Management	550.3	-	550.3	559.9	-	559.9	579.3	-	579.3	599.5	-	599.5
	2111 Auditor General	**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**
	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
	2121 Office of the Controller of Budget	**707.4**	**-**	**707.4**	**758.4**	**-**	**758.4**	**783.5**	**-**	**783.5**	**811.0**	**-**	**811.0**
	0730000 Control and Management of Public finances	707.4	-	707.4	758.4	-	758.4	783.5	-	783.5	811.0	-	811.0
	2131 The Commission on Administrative Justice	**745.2**	**-**	**745.2**	**772.4**	**-**	**772.4**	**798.9**	**-**	**798.9**	**826.4**	**-**	**826.4**
	0731000 Promotion of Administrative Justice	745.2	-	745.2	772.4	-	772.4	798.9	-	798.9	826.4	-	826.4
080	**NATIONAL SECURITY**	**196,032.5**	**3,254.0**	**199,286.5**	**204,585.6**	**38,836.0**	**243,421.6**	**208,714.0**	**40,339.0**	**249,053.0**	**215,453.1**	**45,339.0**	**260,792.1**
	1041 Ministry of Defence	**150,181.5**	**3,254.0**	**153,435.5**	**158,734.6**	**38,836.0**	**197,570.6**	**161,713.0**	**40,339.0**	**202,052.0**	**166,052.1**	**45,339.0**	**211,391.1**
	0801000 Defence	146,935.2	3,254.0	150,189.2	155,376.7	38,836.0	194,212.7	158,275.3	40,339.0	198,614.3	162,532.3	45,339.0	207,871.3
	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
	1281 National Intelligence Service	**45,851.0**	**-**	**45,851.0**	**45,851.0**	**-**	**45,851.0**	**47,001.0**	**-**	**47,001.0**	**49,401.0**	**-**	**49,401.0**
	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/Vote/Programme Details	Approved Estimates 2023/24			2024/25			2025/26			2026/27		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	**47,822.2**	**25,031.3**	**72,853.5**	**46,810.6**	**25,091.3**	**71,901.9**	**47,431.3**	**25,671.4**	**73,102.7**	**48,020.4**	**26,971.1**	**74,991.5**
	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
	P. 4: The Arts				380.4	-	380.4	396.7	-	396.7	427.1	-	427.1
	0904000 Library Services				519.8	34.2	553.9	523.0	48.1	571.1	537.4	26.7	564.2
	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**	**4,296.3**	**756.2**	**5,052.4**	**4,343.6**	**937.4**	**5,280.9**	**4,424.3**	**992.8**	**5,417.1**
	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	1,232.0	179.1	1,411.1	1,237.7	157.3	1,395.0	1,263.8	158.0	1,421.8
	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/Vote/Programme Details	Approved Estimates 2023/24 Current	Capital	Total	2024/25 Current	Capital	Total	2025/26 Current	Capital	Total	2026/27 Current	Capital	Total
0100	**ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES**	**34,724.9**	**90,811.7**	**125,536.7**	**34,549.0**	**93,415.8**	**127,965.0**	**38,306.3**	**119,294.2**	**157,549.5**	**40,671.3**	**127,046.5**	**167,667.8**
	1104 State Department for Irrigation	**1,541.8**	**22,644.0**	**24,185.8**	**1,530.0**	**22,467.0**	**23,997.0**	**1,716.0**	**39,774.0**	**41,490.0**	**1,822.0**	**40,255.0**	**42,077.0**
	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
	1109 State Department for Water & Sanitation	**6,594.4**	**58,340.0**	**64,934.4**	**6,145.0**	**60,903.0**	**67,048.0**	**6,456.0**	**69,801.0**	**76,207.0**	**6,734.0**	**76,216.0**	**82,900.0**
	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	23,206.0	2,029.0	22,851.0	24,830.0
	1017000 Water and Sewerage Infrustracture Development	3,680.7	44,949.0	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
	1192 State Department for Mining	**2,094.1**	**1,685.5**	**3,779.6**	**1,317.0**	**931.8**	**2,249.0**	**1,646.8**	**1,185.2**	**2,832.0**	**1,726.5**	**1,434.5**	**3,161.0**
	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	562.0	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
	1203 State Department for Wildlife	**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**
	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
	1331 State Department for Environment & Climate C	**4,149.8**	**2,401.9**	**6,551.7**	**3,848.0**	**2,550.0**	**6,398.0**	**4,321.5**	**2,743.0**	**7,064.5**	**4,508.5**	**3,074.0**	**7,582.5**
	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
	1332 State Department for Forestry	**10,123.4**	**4,357.3**	**14,480.7**	**9,900.0**	**5,131.0**	**15,031.0**	**10,557.0**	**4,010.0**	**14,566.0**	**11,107.0**	**4,065.0**	**15,172.0**
	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	14,566.0	11,107.0	4,065.0	15,172.0
	TOTAL	**1,681,234.7**	**783,239.7**	**2,464,474.4**	**1,650,520.4**	**853,732.2**	**2,504,252.8**	**1,757,301.3**	**969,062.9**	**2,726,312.6**	**1,981,312.1**	**1,002,654.1**	**2,966,686.7**

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