REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

DRAFT 2024 BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2024

To obtain copies of the document, please contact:

Public Relations Office
The National Treasury
Treasury Building
P. O. Box 30007-00100
NAIROBI, KENYA

Tel: +254-20-2252-299
Fax: +254-20-341-082

The document is also available on the website at: www.treasury.go.ke

Foreword

The 2024 Budget Review and Outlook Paper (BROP) has been developed against a backdrop of stable global and domestic economic outlook. Global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. On the domestic front, the Kenyan economy is currently unwinding from layers of negative and persistent shocks that had a structural effect on economic activities. The shocks included: COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices, and led to a rapid depreciation of the Kenya Shilling exchange rate, pilling pressure on public debt.

The Government has implemented policy measures to mitigate these negative shocks and embarked on structural reforms under BETA as articulated in the Fourth Medium Term Plan. BETA targets to bring down the cost of living; eradicate hunger; create jobs; expand the tax base; and improve foreign exchange balances and inclusive growth, through a value chain approach. To realize these objectives, special focus will continue to be placed on five pillars with the highest impact to drive and sustain economic recovery as well as household welfare: Agricultural Transformation; Micro, Small and Medium Enterprises (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy. The focused interventions and structural reforms of the Government have supported economic recovery. The economy grew by 5.6 percent in 2023 up from 4.9 percent in 2022, a demonstration of resilience. This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023. Kenya's economic performance is projected to remain stable over the medium term. Growth is expected to moderate 5.2 in 2024 and 5.4 percent in 2025 from 5.6 percent in 2023. This growth outlook will be largely driven by a strong agricultural productivity aided by policy interventions on seeds and fertilizer to farmers, adequate rainfall, robust services sector and improvement in global commodity prices. The growth outlook in 2024 will be reinforced by ongoing interventions BETA.

Budget execution in the FY 2023/24 closed with a fiscal deficit of Ksh 835.1 billion (5.1 percent of GDP) against a target of Ksh 925.1 billion (5.7 percent of GDP) despite challenges in revenue mobilization and difficulties in raising resources from the domestic market. Total revenue collection by the year to June 2024 grew by 14.5 percent to amount to Ksh 2,702.7 billion (16.9 percent of GDP). This performance was below target by Ksh 204.9 billion on account of shortfalls registered in all taxes. The fiscal performance in FY 2023/24 was broadly in line with financial objectives and fiscal responsibility principles outlined in the PFM Act, 2012 and the 2024 Budget Policy Statement. The implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill 2024, that was expected to raise an additional revenue amounting to Ksh 344.3 billion. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, projections have been revised downwards in Supplementary Estimates I for FY 2024/25 to reflect a lower base. The National Treasury has also embarked on expenditure reprioritization and rationalization while safeguarding priority Government programmes and social spending.

As we commence the preparation of the FY 2025/26 and medium term budget, I am aware of the challenges we are currently facing as a country. These include less than ideal revenue performance, escalation in public debt and debt service, expenditure carryovers and accumulation of pending bills as well as increased requirement for funding priority interventions. These continue to exert pressure on limited resources. In view of this, the Government will continue to pursue a fiscal consolidation policy with the overall aim of reducing fiscal deficit and debt accumulation. The strategy focuses on enhancing domestic revenue mobilization, rationalization and reprioritization of expenditures while safeguarding priority Government programmes and social spending. To boost revenues, the Government will: continue to implement the Medium-Term Revenue Strategy for the FY 2024/25 – 2026/27; strengthen tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and, focus on non-tax measures that Ministries, Departments and Agencies can raise through the services they offer to the public.

To strengthen management of public resources, the Government is in the process of transitioning from cash to accrual basis to improve cash management and enhance financial and fiscal reporting. The accrual accounting will enable the Government to account for all assets and liabilities including all Government assets. The Government will also entrench the adopted Zero-Based Budgeting approach in preparing the FY 2025/26 and future budgets. To implement Zero Based Budgeting, the National Treasury has developed the Budget Costing Tool in the IFMIS Budget Module for the National Government which has incorporated standardized costing methodologies to streamline calculation of budget baselines and prioritization to give credible base for preparation of budget estimates. Further, the Government will soon be operationalizing the Assets and Inventory Management Modules in the IFMIS for all MDAs. This will enable the Government have full visibility of all assets and inventory and facilitate optimal assets utilization and ensure idle and unserviceable assets are disposed in conformity with the existing legal requirements.

In view of the constrained fiscal environment under which the Government is operating, prioritization during resource allocation will be critical in ensuring low-priority expenditures are dropped or deferred to give way to high-priority service-delivery programmes. Ministries, Departments and Agencies (MDAs) are therefore, required to re-evaluate all the existing or planned activities, projects, and programmes to be funded in the FY 2025/26 and medium term budget. Sector Working Groups (SWGs) are required to eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. SWGs should also ensure that all expenditure items in the FY 2025/26 Budget are justified and emphasis is placed on allocating the limited resources based on programme efficiency and requirement rather than incremental budgeting. The hard sector ceilings provided for the FY 2025/26 budget and the Medium Term will form the basis of allocations.

HON. CPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY/THE NATIONAL TREASURY & ECONOMIC PLANNING

Acknowledgement

The 2024 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. It provides the fiscal outturn for the FY 2023/24, the macro-economic projections and sets sector ceilings for the FY 2025/26 and the Medium Term Budget. It also provides an overview of how the actual performance of the FY 2023/24 affected compliance on the fiscal responsibility principles and the financial objectives outlined in the PFM Act, 2012. The 2024 BROP will form the basis for the development of the 2025 Budget Policy Statement (BPS) that will detail the various programmes and initiatives that will be undertaken during the Fourth Medium Term Plan of Vision 2030.

Budget execution for the FY 2023/24 was hampered by challenges in revenue mobilization and financing that led to cash flow problems and associated build-up in unpaid bills. By end June 2024, revenue collection was affected by the sharp drop in business activity amid widespread economic challenges that included higher inflation and exchange rates depreciation in the first half of the FY 2023/24. Taking into account the lower base effect following the preliminary actual outcome for FY 2023/24 as well as the impact of the withdrawal of Finance Bill 2024, the fiscal framework for FY 2024/25 budget has been revised downwards to the tune of Ksh 344.3 billion under Supplementary Estimates No. 1 in order to ensure seamless budget implementation and safeguard the fiscal consolidation plan.

As we embark on the preparation of the FY 2025/26 and the medium-term budget, I wish to underscore that we are operating under tight resource constraints amidst significant expenditure demands. This calls for proper prioritization to ensure that our expenditures goes to the most impactful programmes with the highest welfare benefits to Kenyans. Therefore, I urge all MDAs and SWGs to thoroughly review their Sector Budget Proposals for the FY 2025/26 and the medium term to avoid dismal prioritization, leading to less than optimal budgetary allocation which is often followed with requests for additional funding. I also urge all SWGs to ensure engagement and open public and stakeholders' participation and incorporation of their comments or suggestions in the development of sector priorities for the FY 2025/26 and the medium term budget.

The preparation of the 2024 BROP was a collaborative effort of various Government agencies. We thank all the MDAs as well as other spending units for the timely provision of useful data and information on their execution of the FY 2023/24 budget. We are also grateful to the Macro Working Group, that reviewed this document to ensure it is aligned with the PFM Act, 2012 and set out the sector ceilings contained therein to guide the rest of the sectors in the preparation of their FY 2025/26 and Medium Term Budgets. This document incorporated key inputs from various Directorates and Departments within the National Treasury and Economic Planning. I wish to thank the core team from the Macro and Fiscal Affairs Department that coordinated the finalization of this document. Finally, allow me to thank all institutions that we consulted as well as the public for the useful comments and inputs.

DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY/ THE NATIONAL TREASURY

Table of Contents

Abbreviations and Acronyms

A-I-A	Appropriations in Aid
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
CG	County Government
CIT	Corporate Income Tax
DORB	Division of Revenue Bill
FISM	Financial Intermediation Services Indirectly Measured
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTP	Medium Term Plan
NG	National Government
NSE	Nairobi Securities Exchange
MTEF	Medium Term Expenditure Framework
NCDF	National Constituency Development Fund
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFM	Public Finance Management
PV	Present Value
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
WEO	World Economic Outlook
VAT	Value Added Tax

Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 26 of the Public Finance Management Act, 2012. The law states that:

1) The National Treasury shall prepare and submit to -Cabinet for approval, by the 30th September in each financial year, a Budget Review and Outlook Paper, which shall include:
   a. Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
   b. Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent Budget Policy Statement
   c. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest Budget Policy Statement; and
   d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2) Cabinet shall consider the Budget Review and Outlook Paper with a view to approving it, with or without amendments, not later than fourteen days after its submission.
3) Not later than seven days after the BROP has been approved by Cabinet, the National Treasury shall:
   a. Submit the paper to the Budget Committee of the National Assembly to be laid before each house of Parliament; and
   b. Publish and publicize the paper not later than fifteen days after laying the Paper before Parliament.

Fiscal Responsibility Principles in the Public Finance Management Act

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 15 of the Act states that:

1) Over the medium term, a minimum of 30% of the national budget shall be allocated to development expenditure
2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
3) 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) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and county assembly (CG)
5) Fiscal risks shall be managed prudently
6) 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

Executive Summary

The 2024 Budget Review and Outlook Paper (BROP) has been prepared pursuant to PFM Act, 2012 and its Regulations. It provides an overview of the Government's financial performance for the FY 2023/24 including compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act. It also presents macroeconomic projections and the sector ceilings for the FY 2025/26 and the medium-term budget as well as information on variations from the projections outlined in the 2024 Budget Policy Statement.

The 2024 BROP has been prepared against a backdrop of a stable global outlook for growth, easing inflation in advanced economies, and persistent geopolitical tensions especially in the Middle East. Global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. On the domestic scene, the Kenyan economy is currently unwinding from the effects of negative and persistent global and domestic shocks that had pushed the economy to its lowest activity level. These shocks included COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices, and led to a rapid depreciation of the Kenya Shilling exchange rate, pilling pressure on public debt.

The Government has implemented policy measures to mitigate these negative shocks and embarked on structural reforms under BETA as prioritized under the Fourth Medium Term Plan. BETA targets to bring down the cost of living; eradicate hunger; create jobs; expand the tax base; and improve foreign exchange balances and inclusive growth, through a value chain approach. To realize these objectives, special focus has been placed on five pillars with the highest impact to drive and sustain economic recovery as well as household welfare: Agricultural Transformation; Micro, Small and Medium Enterprises (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy. The priority programmes and policies under BETA are detailed in the Fourth Medium-Term Plan for the period 2023-2027 that anchors the Kenya Vision 2030.

The focused interventions and structural reforms of the Government have supported economic recovery. The economy grew by 5.6 percent in 2023 up from 4.9 percent in 2022, a demonstration of resilience. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. The performance of the industrial sector, particularly manufacturing which has remained subdued. The growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023. Kenya’s economic performance is projected to remain stable over the medium term. Growth is expected to moderate 5.2 percent in 2024 and 5.4 percent in 2025 from 5.6 percent in 2023. The growth outlook will be largely driven by a strong agricultural productivity aided by policy interventions on seeds and fertilizer to farmers, adequate rainfall, robust services sector and improvement in global commodity prices. The growth outlook in 2024 will be reinforced by ongoing interventions BETA.

Budget execution in the FY 2023/24 was hampered by challenges in revenue mobilization and difficulties in raising resources from the domestic market. By the end of June 2024, total revenue collected including A-I-A amounted to Ksh 2,702.7 billion (16.8 percent of GDP) against a target of Ksh 2,907.5 billion (16.5 percent of GDP). The shortfall of Ksh 204.9 billion was on account of below target ordinary revenue collection by Ksh 172.1 billion while collection of the ministerial A-I-A was also below target by Ksh 32.8 billion. This revenue performance represented an improved growth of 14.5 percent compared to a growth of 7.3 percent recorded in a similar period in the FY 2022/23. The total expenditure and net lending in FY 2023/24 amounted to Ksh 3,605.2 billion, against a target of Ksh 3,871.5 billion. The resultant under expenditure of Ksh 266.3 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target equitable share transfers to the County Governments. In line with the performance in expenditure and revenues, the fiscal deficit (including grants, on a cash basis), amounted to Ksh 835.1 billion (5.2 percent of GDP) against a target of Ksh 925.0 billion (5.7 percent of GDP). This resulted in a primary surplus of Ksh 22.4 billion (0.1 percent of GDP).

The implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill 2024, that was expected to raise an additional revenue amounting to Ksh 344.3 billion. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury embarked on expenditure rationalization through the Supplementary Estimates No. I. Expenditure rationalization targeted recurrent and development budgets for all MDAs including Constitutional Commissions, Independent Offices, Parliament, the Judiciary and the shareable allocation to County Governments. Taking into account the lower base effect following the preliminary actual outcome for FY 2023/24 as well as the impact of the withdrawal of the Finance Bill 2024, the fiscal framework for FY 2024/25 budget has been revised downwards under Supplementary Estimates No. 1.

Therefore, overall revenues for the FY 2024/25 are projected at Ksh 3,060.0 billion (16.9 percent of GDP) in the Supplementary Estimates I, from the initial budget estimates of Ksh 3,343.2 billion (18.5 percent of GDP) which is lower by Ksh 283.2 billion. Similarly, total expenditures are projected at Ksh 3,880.8 billion (21.5 percent of GDP) from the budgeted Ksh 3,992.0 billion (22.1 percent of GDP) reflecting overall expenditure cuts of Ksh 111.2 billion. Arising from the adjustments in expenditures and revenues, the overall fiscal deficit including grants expands to Ksh 768.6 billion (4.3 percent of GDP) from Ksh 597.0 billion (3.3 percent of GDP) in the approved Supplementary Estimates I. The deficit will be financed by a net foreign financing of Ksh 355.5 billion (2.0 percent of GDP) and a net domestic financing of Ksh 413.1 billion (2.3 percent of GDP).

In the FY 2025/26 and the medium term budget, the Government will continue to implement a fiscal consolidation plan designed towards slowing down growth of public debt without compromising economic growth. The fiscal consolidation will be supported by enhanced domestic revenue mobilization as well as expenditure rationalization and prioritization while safeguarding priority Government programmes and social spending. In order to enhance revenue mobilization, the Government shall implement a combination of tax policy and administration reforms. The reforms include: i) Implementation of the Medium-Term Revenue Strategy for the FY 2024/25-2026/27; ii) Strengthening tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and, iii) Focus on non-tax measures that Ministries, Departments and Agencies can raise through the services they offer to the public.

In order to improve efficiency in public spending, the Government will implement austerity measures aimed at reducing recurrent expenditure. To reduce development expenditure, Government will scale up the use of Public Private Partnerships framework for commercially viable projects while considering the contingent liabilities that come under this framework, and review the portfolio of projects including those externally funded with a view to restructuring and re-aligning them with BETA. In addition, Government will roll out an end-to-end e-procurement system whose aim is to maximize value for money and increase transparency in procurement.

To further strengthen management of public resources, the Government is in the process of transitioning from cash to accrual basis to improve cash management and enhance financial and fiscal reporting. The accrual accounting will enable the Government to account for all assets and liabilities including all Government assets. The Government will also entrench the adopted Zero-Based Budgeting approach in preparing the FY 2025/26 and future budgets. To implement Zero Based Budgeting, the National Treasury has developed the Budget Costing Tool in the IFMIS Budget Module for the National Government which has incorporated standardized costing methodologies to streamline calculation of budget baselines and prioritization to give credible base for preparation of budget estimates. Further, the Government will soon be operationalizing the Assets and Inventory Management Modules in the IFMIS for all MDAs. This will enable the Government have full visibility of all assets and inventory and facilitate optimal assets utilization and ensure idle and unserviceable assets are disposed in conformity with the existing legal requirements.

The medium term fiscal projections in the 2024 BROP have been revised from those of the 2024 Budget Policy Statement estimates taking into account the fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024. Over the medium term, the Government's total revenue including A-i-A is projected to rise from 16.9 percent of GDP in FY 2024/25 to 17.1 percent of GDP in FY 2025/26 and further to 17.2 percent of GDP in FY 2026/27. Total expenditure is projected to decline from 21.5 percent of GDP in the FY 2024/25 to 20.8 percent of GDP in FY 2025/26 and 20.7 percent of GDP in the FY 2026/27. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 4.3 percent of GDP in the FY 2024/25 to 3.5 percent of GDP in the FY 2025/26 and further to 3.3 percent of GDP in the FY 2026/27. This will boost the country's debt position and ensure the country's development agenda is sustainably funded.

Taking into account the constrained fiscal environment, the Government has adopted Zero Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to projects and programmes in the FY 2025/26. Ministries, Departments, and Agencies will therefore be required to re-evaluate all the existing/planned activities, projects, and programmes to be funded in the FY 2025/26 and medium term budget. The budgeting for the FY 2025/26, will strictly be developed through a value chain approach under five clusters, namely, Finance and Production Economy; Infrastructure; Land and Natural Resource; Social Sectors; and Governance and Public Administration. The principles of efficiency, effectiveness and economy of public spending shall strictly be enforced by ensuring low-priority expenditures give way to high-priority service-delivery programmes. SWGs should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery.

I. INTRODUCTION

Objective of the 2024 Budget Review and Outlook Paper

1. The 2024 BROP provides a review of the fiscal performance for the financial year 2023/24 including adherence to the objectives and principles outlined in the 2024 Budget Policy Statement (BPS) and the PFM Act, 2012. It also presents macroeconomic projections and the sector ceilings for the FY 2025/26 and the medium-term budget as well as information on variations from the projections outlined in the 2024 Budget Policy Statement. The medium term macroeconomic and fiscal projections in the 2024 BROP have been revised from those of the 2024 Budget Policy Statement estimates taking into account the macroeconomic and fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024.

2. The 2024 BROP forms the basis for the development of the 2025 BPS that will detail the progress in the implementation of the priority policies and strategies of the Government under the Bottom-Up Economic Transformation Agenda (BETA) as articulated in the Fourth Medium Term Plan of the Vision 2030; and preparation of the FY 2025/26 and the medium-term budget that will be guided by the Budget Calendar. The Budget calendar for FY 2025/26 is guided by the timelines provided in the PFM, Act, 2012 and has the following critical steps between September 2024 and June 2025:

i) Preparation of the FY 2024/25 Medium Term Expenditure Framework Budget Proposals: This process started with the launch of the Sector Working groups on 9th September, 2024. The preparation of MTEF Sector Budget proposals will culminate in the Public Sector Hearings on 20th November, 2024;
ii) 2025 Budget Policy Statement: Preparation of the 2025 BPS will commence after approval of this 2024 BROP and will be informed by the budget proposals by the Sector Working Groups. This will be presented to Cabinet for approval by 15th January, 2025 and subsequently to Parliament by 15th February, 2025;
iii) Preparation of draft Budget Estimates and Finance Bill, 2025: The draft Budget Estimates and Finance Bill, 2025 will be submitted to Cabinet by 18th April, 2025 and later to Parliament by 29th April, 2025; and
iv) Presentation of the Budget Statement/Speech to Parliament is scheduled for 12th June, 2025 and approval and assent of both the Appropriation Bill, 2025 and Finance Bill, 2025 by 30th June, 2025.

3. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and Government spending to ensure debt sustainability and stimulate economic activity. In this regard, this BROP provides sector ceilings which will guide the budget preparation process for the FY 2025/26 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in Sections III and IV of this document. Sector ceilings in this BROP are aligned to the priorities of the Government that enhance value chain and linkage to BETA and other priority programmes outlined in MTP IV of the Vision 2030 and that support mitigation and adaptation of climate change. There may also be risks that may arise and may not, at the moment, be fully accounted for. This will become clear as information is consolidated.

4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2023/24 and its implications on the financial objectives set out in the 2024 BPS; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework; and Sections V presents conclusion.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2023/24

A. FY 2023/24 Fiscal Performance

Revenue Performance

5. Budget execution for the FY 2023/24 was hampered by challenges in revenue mobilization. By the end of June 2024, total revenue collected including A-I-A amounted to Ksh 2,702.7 billion (16.8 percent of GDP) against a target of Ksh 2,907.5 billion (18.0 percent of GDP). The shortfall of Ksh 204.9 billion was on account of below target ordinary revenue collection by Ksh 172.1 billion while the collection of the ministerial A-I-A was also below target by Ksh 32.8 billion **(Table 1)**. This revenue performance represented an improved growth of 14.5 percent compared to a growth of 7.3 percent recorded in the similar period in the FY 2022/23.

Table 1: Government Revenue and External Grants, FY 2023/24 (Ksh Million)

	FY 2022/23 Actual	FY 2023/24		Deviation Ksh	% Growth
		Actual*	Target		
Total Revenue (a+b)	**2,360,510**	**2,702,662**	**2,907,515**	**(204,854)**	**14.5**
(a) Ordinary Revenue	**2,041,119**	**2,288,921**	**2,461,020**	**(172,099)**	**12.1**
Import Duty	130,123	133,929	142,373	(8,444)	2.9
Excise Duty	264,509	276,722	290,083	(13,361)	4.6
PAYE	494,904	554,653	580,479	(25,825)	12.1
Other Income Tax	446,671	488,103	520,876	(32,773)	9.3
VAT Local	272,729	313,367	307,823	5,544	14.9
VAT Imports	277,710	332,122	346,965	(14,843)	19.6
Investment Revenue	41,301	47,778	80,439	(32,661)	15.7
Traffic Revenue	4,366	4,352	5,334	(982)	(0.3)
Taxes on Intl. Trade & Trans.(IDF Fee)	55,966	47,915	49,578	(1,664)	(14.4)
Others [1]	52,839	89,981	137,070	(47,089)	70.3
(b) Appropriation In Aid [2]	**319,391**	**413,740**	**446,495**	**(32,754)**	**29.5**
o/w Railway Development Levy	39,899	32,024	35,010	(2,986)	(19.7)
(c) External Grants	**23,083**	**22,037**	**38,492**	**(16,455)**	**(4.5)**
Total Revenue and External Grants	**2,383,593**	**2,724,699**	**2,946,007**	**(221,308)**	**14.3**
Total Revenue and External Grants as a percentange of GDP	**16.4**	**16.9**	**18.3**		

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.
2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities
*Provisional
Source of Data: The National Treasury

6. Ordinary revenue collection in the FY 2023/24 amounted to Ksh 2,288.9 billion (14.2 percent of GDP) against a target of Ksh 2,461.0 billion (15.3 percent of GDP). All ordinary revenue categories recorded below target performance during the period under review. Income tax recorded the highest shortfall of Ksh 49.9 billion on account of below target collection in both individual (PAYE) of Ksh 25.8 billion and other Income tax (Ksh 24.1 billion). Performance in the Public sector PAYE was mainly affected by delayed exchequer disbursements to various government entities. Private sector PAYE was affected by: Non-payment of bonuses by various firms in June 2024; Utilization of refunds to offset PAYE tax

liabilities by a number of large taxpayers; and Reduction in average monthly cash pay per employee over time due to the ongoing restructuring by various organizations to manage costs.

7. Excise duty was below target by Ksh 13.4 billion in FY 2023/24 at Ksh 276.7 billion due to lower excise rate in Petrol and Diesel. VAT amounted to Ksh 645.5 billion in FY 2023/24 recording a shortfall of Ksh 9.3 billion. This was on account of below target performance recorded in VAT import of Ksh 14.8 billion despite a surplus collection from VAT Domestic of Ksh 5.5 billion. Import duty collection in FY 2023/24 at Ksh 133.9 billion was below target by Ksh 8.4 billion due to a general decline of volume of imported products.

8. The growth of ordinary revenue collection in FY 2023/24 was 12.1 percent compared to a growth of 6.4 percent in FY 2022/23. The growth rates of the major tax heads were as follows: VAT (17.3 percent), income tax (10.7 percent), excise duty (4.6 percent) and Import Duty (2.9 percent). The ministerial A-I-A collected was below target by Ksh. 32.8 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs' A.I.A through the Ministerial expenditure returns.

9. External grants amounted to Ksh 22.0 billion against a target of Ksh 38.5 billion, registering a shortfall of Ksh 16.5 billion. This is composed of programme grants of Ksh 86 million, project grants revenue of Ksh 13.5 billion and Project grants (A-I-A) of Ksh 8.5 billion. During the FY 2023/24, the Government collected Ksh 56.1 billion of investment income that include dividends, directors' fees and loan interest receipts against a target of Ksh 80.4 billion.

Expenditure Performance

10. The total expenditure and net lending for the period under review amounted to Ksh 3,605.2 billion, against a target of Ksh 3,871.0 billion **(Table 2)**. The resultant under expenditure of Ksh 265.8 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target equitable share transfers to the County Governments.

11. Recurrent expenditure amounted to Ksh 2,678.4 billion against a target of Ksh 2,776.6 billion leading to a below target expenditure of Ksh 38.4 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operation and Maintenance (O&M) and pension payments.

12. Development expenditure in FY 2023/24 amounted to Ksh 546.4 billion, against a target of Ksh 669.3 billion. The below target expenditure of Ksh 122.8 billion was on account of below-target disbursement towards development projects by Ksh 63.0 billion, Foreign Financed projects by Ksh 44.1 billion and Ministerial development by Ksh 23.2 billion. Payment of Guaranteed loans (net lending) surpassed target by Ksh 17.4 billion.

Table 2: **Expenditure and Net Lending, FY 2023/24 (Ksh Million)**

	FY 2022/23 Actual	FY 2023/24		Deviation	% Growth
		Actual*	Target		
1. RECURRENT	**2,247,807**	**2,678,437**	**2,776,640**	**(98,204)**	**19.2**
Domestic Interest	530,284	622,544	629,367	(6,823)	17.4
Foreign Interest	154,223	218,188	224,302	(6,114)	41.5
Pensions & Other CFS	120,425	143,940	158,596	(14,656)	19.5
Contribution to Civil Servants' Pension	29,573	34,172	33,055	1,117	15.6
Wages and Salaries	547,157	575,269	583,410	(8,141)	5.1
Operation and Maintenance	866,145	1,084,323	1,147,910	(63,586)	25.2
O/W: Appropriation-in-Aid	197,524	286,896	296,473	(9,577)	45.2
2. DEVELOPMENT	**655,542**	**546,385**	**669,303**	**(122,918)**	**(16.7)**
Development Projects (Net)	402,110	250,164	313,185	(63,021)	(37.8)
Payment of Guaranteed Loans	12,327	17,436	-	17,436	41.4
Appropriation-in-Aid	79,226	126,844	150,022	(23,178)	60.1
Foreign Financed	161,879	151,941	196,019	(44,078)	(6.1)
3. County Governments	415,774	380,388	423,879	(43,491)	(8.5)
4. Equalization Fund	-	-	10,077	(10,077)	-
5. CF	-	-	1,200	(1,200)	-
TOTAL EXPENDITURE	**3,319,123**	**3,605,210**	**3,871,022**	**(265,812)**	**8.6**

Wages and salaries; includes wages for teachers, civil servants and police
Source of Data: The National Treasury

Ministries, Departments and Agencies Expenditure

13. The total expenditure for Ministries, Departments and Agencies (MDAs)including A.I.A was Ksh 2,033.5 billion against a target of Ksh 2,437.6 billion. Recurrent expenditure was Ksh 1,493.1 billion against a target of Ksh 1,731.4 billion, while development expenditure amounted to Ksh 540.4 billion against a target of Ksh 708.8 billion. The percentage of total expenditures to the target was 83.4 percent with recurrent and development as a percent of the target at 86.2 percent and 76.2 percent respectively. The discrepancy between actual and target expenditures is partly due to the non-capture of the parastatals and MDAs expenditures.

14. As at the period ending 30th June, 2024, recurrent expenditures by the State Department for Basic Education, Higher Education and Research; Teachers Service Commission; Vocational and Technical Training; Public Health and Professional Standards; labour and Skills Development; correctional service; Youth Affairs and Arts; and Sports; Social Protection and Senior Citizens; Immigration and Citizen Services and Medical Services (Social Sector) accounted for 47.9 percent of total recurrent expenditure. In addition, the security sector accounted for 13.8 percent of total recurrent expenditure.

15. Analysis of development outlay indicates that the State Department for Roads accounted for the largest share of the total development expenditure (16.2 percent), followed by the State Department for Economic Planning (8.5 percent) and the State Department for Transport (7.8 percent). The expenditures by large Ministries/State Departments were below target because of under reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 3** shows the recurrent and development expenditures by MDAs for the period under review.

Table 3: Ministries, Departments and Agencies , Period Ending 30th June, 2024 (Ksh M)

MINISTRY/DEPARTMENT/COMMISSIONS	Jun-24									% of Total Exp. To
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011 Executive Office of the President	4,011	4,524	(513)	687	697	(10)	4,698	5,221	(523)	90.0
1012 Office of the Deputy President	4,364	4,361	3	377	400	(23)	4,741	4,762	(20)	99.6
1013 Office of the Prime Cabinet Secretary	1,271	1,417	(146)			-	1,271	1,417	(146)	89.7
1014 State Department for Parliamentary Affairs	361	388	(27)			-	361	388	(27)	93.1
1015 State Department for Performance and Delivery Management	319	338	(20)			-	319	338	(20)	94.2
1016 State Department for Cabinet Affairs	493	522	(29)			-	493	522	(29)	94.5
1017 State House	9,810	10,029	(219)	1,313	1,310	3	11,123	11,339	(216)	98.1
1023 State Department for Correctional Services	29,602	34,575	(4,973)	451	795	(344)	30,053	35,370	(5,317)	85.0
1024 State Department for Immigration and Citizen Services	9,657	9,819	(161)	4,168	4,387	(219)	13,825	14,206	(381)	97.3
1025 National Police Service	108,987	111,001	(2,014)	2,273	2,292	(19)	111,260	113,293	(2,033)	98.2
1026 State Department for Internal Security & National	30,534	33,750	(3,216)	6,528	7,479	(951)	37,062	41,229	(4,167)	89.9
1032 State Department for Devolution	2,176	2,174	2	105	204	(99)	2,282	2,378	(96)	95.9
1036 State Department for the ASALs and Regional Development	19,266	19,846	(579)	4,558	9,600	(5,042)	23,824	29,446	(5,621)	80.9
1041 Ministry of Defence	152,885	155,831	(2,946)	2,276	3,254	(978)	155,162	159,085	(3,923)	97.5
1053 State Department for Foreign Affairs	16,139	22,064	(5,924)	329	1,171	(842)	16,468	23,235	(6,766)	70.9
1054 State Department for Diaspora Affairs	1,107	1,188	(81)			-	1,107	1,188	(81)	93.2
1064 State Department for Vocational and Technical Training	25,224	26,602	(1,378)	6,540	7,005	(465)	31,764	33,607	(1,843)	94.5
1065 State Department for Higher Education and Research	90,986	155,944	(64,958)	3,428	3,743	(315)	94,415	159,687	(65,273)	59.1
1066 State Department for Basic Education	121,569	134,727	(13,158)	18,807	20,631	(1,824)	140,376	155,358	(14,982)	90.4
1071 The National Treasury	66,058	75,337	(9,280)	36,539	56,654	(20,114)	102,597	131,991	(29,394)	77.7
1072 State Department for Economic Planning	4,170	4,390	(219)	45,801	59,715	(13,914)	49,971	64,105	(14,133)	78.0
1082 State Department for Medical Services	44,619	66,214	(21,595)	39,116	39,435	(319)	83,735	105,650	(21,914)	79.3
1083 State Department for Public Health and Professional Standards	15,168	22,612	(7,445)	6,007	6,502	(495)	21,175	29,114	(7,939)	72.7
1091 State Department for Roads	59,311	70,307	(10,996)	87,360	107,753	(20,392)	146,671	178,060	(31,389)	82.4
1092 State Department for Transport	3,283	16,473	(13,190)	41,993	43,250	(1,257)	45,275	59,722	(14,447)	75.8
1093 State Department for Shipping and Maritime Affairs	625	2,472	(1,847)	207	750	(543)	832	3,222	(2,390)	25.8
1094 State Department for Housing & Urban Development	1,359	1,368	(9)	27,888	76,816	(48,927)	29,247	78,183	(48,936)	37.4
1095 State Department for Public Works	2,419	3,382	(962)	422	829	(407)	2,841	4,211	(1,370)	67.5
1104 State Department for Irrigation	1,153	1,554	(400)	18,248	20,604	(2,356)	19,402	22,158	(2,756)	87.6
1109 State Department for Water & Sanitation	3,394	6,816	(3,421)	37,155	44,683	(7,528)	40,549	51,499	(10,950)	78.7
1112 State Department for Lands and Physical Planning	3,589	4,000	(411)	5,141	5,230	(89)	8,730	9,230	(500)	94.6
1122 State Department for Information Communication Technology & Digital Economy	2,540	3,985	(1,446)	12,030	15,393	(3,363)	14,570	19,379	(4,809)	75.2
1123 State Department for Broadcasting & Telecommunications	4,969	6,925	(1,956)	489	526	(37)	5,457	7,451	(1,994)	73.2
1132 State Department for Sports	1,293	1,533	(241)	14,509	16,079	(1,570)	15,801	17,613	(1,811)	89.7
1134 State Department for Culture and Heritage	2,197	2,632	(435)	111	153	(42)	2,307	2,785	(478)	82.9
1135 State Department for Youth Affairs and the Arts	3,014	3,128	(114)	790	1,085	(294)	3,804	4,212	(408)	90.3
1152 State Department for Energy	2,177	9,998	(7,821)	25,662	46,374	(20,713)	27,839	56,372	(28,534)	49.4
1162 State Department for Livestock Development	3,153	5,935	(2,782)	5,105	5,694	(589)	8,258	11,629	(3,371)	71.0
1166 State Department for the Blue Economy and Fisheries	2,646	2,821	(175)	7,894	7,936	(42)	10,540	10,757	(217)	98.0
1169 State Department for Crop Development	12,020	19,816	(7,796)	38,917	42,909	(3,992)	50,937	62,725	(11,788)	81.2
1173 State Department for Cooperatives	746	1,883	(1,137)	3,433	5,650	(2,216)	4,179	7,533	(3,354)	55.5
1174 State Department for Trade	1,814	3,503	(1,689)	50	50	-	1,864	3,553	(1,689)	52.5
1175 State Department for Industry	2,485	3,280	(795)	3,073	5,743	(2,670)	5,558	6,353	(795)	87.5
1176 State Department for Micro, Small and Medium Enterprises	1,674	2,104	(430)	5,924	5,929	(5)	7,599	8,033	(435)	94.6
1177 State Department for Investment Promotion	983	1,679	(695)	3,886	5,517	(1,631)	4,869	7,196	(2,327)	67.7
1184 State Department for Labour and Skills Development	2,195	4,872	(2,677)	630	792	(163)	2,825	5,664	(2,840)	49.9
1185 State Department for Social Protection and Senior Citizens	32,305	32,741	(436)	2,860	4,092	(1,233)	35,165	36,834	(1,669)	95.5
1192 State Department for Mining	1,533	1,924	(391)	550	886	(335)	2,083	2,810	(726)	74.1
1193 State Department for Petroleum	47,653	54,571	(6,918)	2,438	2,363	75	50,091	56,934	(6,843)	88.0
1202 State Department for Tourism	1,155	12,758	(11,603)	137	142	(5)	1,291	12,900	(11,609)	10.0
1203 State Department for Wildlife	4,598	13,863	(9,266)	916	1,107	(191)	5,514	14,970	(9,457)	36.8
1212 State Department for Gender and Affirmative Action	2,058	2,186	(128)	3,428	3,554	(126)	5,485	5,740	(254)	95.6
1213 State Department for Public Service	22,686	25,293	(2,607)	1,016	1,086	(70)	23,702	26,379	(2,677)	89.9
1221 State Department for East African Community	961	983	(22)			-	961	983	(22)	97.8
1252 State Law Office	5,735	6,492	(758)	176	176	0	5,910	6,668	(757)	88.6
1261 The Judiciary	20,633	21,027	(394)	930	1,400	(470)	21,563	22,427	(864)	96.1
1271 Ethics and Anti-Corruption Commission	3,775	3,916	(141)	60	68	(9)	3,834	3,984	(150)	96.2
1281 National Intelligence Service	52,499	52,551	(52)			-	52,499	52,551	(52)	99.9
1291 Office of the Director of Public Prosecutions	3,855	4,107	(252)	55	56	(1)	3,910	4,163	(253)	93.9
1311 Office of the Registrar of Political Parties	1,432	1,460	(28)			-	1,432	1,460	(28)	98.1
1321 Witness Protection Agency	635	791	(156)			-	635	791	(156)	80.3
1331 State Department for Environment & Climate Change	3,536	4,739	(1,202)	1,919	2,258	(340)	5,455	6,997	(1,542)	78.0
1332 State Department for Forestry	8,917	10,119	(1,203)	2,951	3,408	(458)	11,867	13,528	(1,660)	87.7
2011 Kenya National Commission on Human Rights	525	540	(15)			-	525	540	(15)	97.2
2021 National Land Commission	1,483	1,483	-	271	271	(0)	1,754	1,754	(0)	100.0
2031 Independent Electoral and Boundaries Commission	4,620	4,699	(79)	70	77	(7)	4,690	4,776	(86)	98.2
2041 Parliamentary Service Commission	1,020	1,097	(78)			-	1,020	1,097	(78)	92.9
2042 National Assembly	23,871	24,936	(1,065)			-	23,871	24,936	(1,065)	95.7
2043 Parliamentary Joint Services	6,232	6,390	(158)	1,563	1,565	(2)	7,795	7,955	(160)	98.0
2044 Senate	7,153	7,404	(251)			-	7,153	7,404	(251)	96.6
2051 Judicial Service Commission	896	897	(0)			-	896	897	(0)	100.0
2061 Commission on Revenue Allocation	487	517	(30)			-	487	517	(30)	94.3
2071 Public Service Commission	3,390	3,540	(150)	45	45	(0)	3,435	3,586	(150)	95.8
2081 Salaries and Remuneration Commission	538	549	(11)			-	538	549	(11)	97.9
2091 Teachers Service Commission	339,782	339,550	232	735	1,202	(467)	340,517	340,752	(235)	99.9
2101 National Police Service Commission	1,170	1,183	(13)			-	1,170	1,183	(13)	98.9
2111 Auditor General	7,246	8,049	(803)	39	70	(31)	7,285	8,119	(834)	89.7
2121 Controller of Budget	670	724	(54)			-	670	724	(54)	92.6
2131 Commission on Administrative Justice	743	730	13			-	743	730	13	101.8
2141 National Gender and Equality Commission	440	447	(7)	5	5	-	444	452	(7)	98.4
2151 Independent Policing Oversight Authority	1,043	1,054	(12)			-	1,043	1,054	(12)	98.9
Total	**1,493,091**	**1,731,428**	**(238,337)**	**540,380**	**708,849**	**(168,469)**	**2,033,471**	**2,437,607**	**(404,136)**	**83.4**

**Provisional*

Source of Data: The National Treasury

Overall Balance and Financing

16. In line with the performance in expenditure and revenues, the fiscal deficit (including grants, on a cash basis), amounted to Ksh 835.1 billion (5.2 percent of GDP) against a target of Ksh 925.0 billion (5.7 percent of GDP) **(Table 4).** This resulted in a primary surplus of Ksh 31.4 billion (0.2 percent of GDP).

Table 4: Budget Outturn for the FY 2023/24 (Ksh Million)

	2022/2023	FY 2023/24			% growth	FY 2023/24 as a % of GDP		FY 2022/23 Actual as a % of GDP
	Actual	Actual*	Target	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	**2,383,593**	**2,724,699**	**2,946,007**	**(221,308)**	**14.3**	**16.9**	**18.3**	**16.7**
1. Revenue	**2,360,510**	**2,702,662**	**2,907,515**	**(204,854)**	14.5	16.8	18.0	16.5
Ordinary Revenue	2,041,119	2,288,921	2,461,020	(172,099)	12.1	14.2	15.3	14.3
Import Duty	130,123	133,929	142,373	(8,444)	2.9	0.8	0.9	0.9
Excise Duty	264,509	276,722	290,083	(13,361)	4.6	1.7	1.8	1.9
Income tax	941,576	1,042,756	1,093,645	(50,889)	10.7	6.5	6.8	6.6
VAT	550,440	645,489	654,788	(9,299)	17.3	4.0	4.1	3.9
Investment Revenue	41,301	47,778	80,439	(32,661)	15.7	0.3	0.5	0.3
Others	113,171	142,248	199,692	(57,445)	25.7	0.9	1.2	0.8
Appropriation-in-Aid	319,391	413,740	446,495	(32,754)	29.5	2.6	2.8	2.2
2. Grants	**23,083**	**22,037**	**38,492**	**(16,455)**	**(4.5)**	**0.1**	**0.2**	**0.2**
AMISOM Receipts	6,982	86	86.2	-	(98.8)	0.0	0.0	0.0
Revenue	7,524	13,463	19,515	(6,052)	78.9	0.1	0.1	0.1
Appropriation-in-Aid	8,577	8,488	18,891	(10,402)	(1.0)	0.1	0.1	0.1
B.EXPENDITURE AND NET LENDING	**3,218,187**	**3,605,210**	**3,871,022**	**(265,813)**	**12.0**	**22.3**	**24.0**	**22.5**
1. Recurrent	**2,308,750**	**2,678,437**	**2,776,640**	**(98,204)**	**16.0**	**16.6**	**17.2**	**16.2**
Domestic Interest	530,284	622,544	629,367	(6,823)	17.4	3.9	3.9	3.7
Foreign Interest	154,223	218,188	224,302	(6,114)	41.5	1.4	1.4	1.1
Pension & Other CFS	120,425	143,940	158,596	(14,656)	19.5	0.9	1.0	0.8
Contribution to Civil Servants' Pension	29,573	34,172	33,055	1,117	15.6	0.2	0.2	0.2
Wages and Salaries	547,157	575,269	583,410	(8,141)	5.1	3.6	3.6	3.8
O & M/Others	927,087	1,084,324	1,147,910	(63,586)	17.0	6.7	7.1	6.5
2. Development and Net Lending	**493,663**	**546,385**	**669,303**	**(122,918)**	**10.7**	**3.4**	**4.1**	**3.5**
O/W Domestically financed	343,764	377,009	463,207	(86,198)	9.7	2.3	2.9	2.4
Foreign financed	137,572	151,941	196,019	(44,078)	10.4	0.9	1.2	1.0
3.Net Lending	12,327	17,436	-	17,436	41.4	0.1	-	0.1
4. Equalization Fund	-	-	10,077.4	(10,077)	-	0.0	0.1	0.0
5. County Governments	415,774	380,388	423,879	(43,491)	(8.5)	2.4	2.6	2.9
5. CF	-	-	1,200	(1,200)	-	**0.0**	**0.0**	**0.0**
C. DEFICIT EXCL.GRANT (Commitment basis)	**(857,677)**	**(902,548)**	**(963,507)**	**60,959**	**5.2**	**(5.6)**	**(6.0)**	**(6.0)**
D. DEFICIT INCL.GRANTS (Commitment basis)	**(834,594)**	**(880,511)**	**(925,015)**	**44,504**	**5.5**	**(5.5)**	**(5.7)**	**(5.8)**
E. ADJUSTMENT TO CASH BASIS	**37,031**	**45,374**	-	**45,374**	**22.5**	**0.3**	-	**0.3**
F. DEFICIT INCL.GRANTS (Cash basis)	**(797,563)**	**(835,136)**	**(925,015)**	**89,879**	**4.7**	**(5.2)**	**(5.7)**	**(5.6)**
Discrepancy	*(27,256)*	*(16,815)*	-	*(16,815)*	-	*-0.1*	-	*(0.2)*
G. FINANCING	**770,307**	**818,321**	**925,015**	**(106,694)**	**6.2**	**5.1**	**5.7**	**5.4**
1. Net Foreign financing	**310,759**	**222,749**	**259,329**	**(36,580)**	**(28.3)**	**1.4**	**1.6**	**2.2**
Disbursements	**548,171**	**760,500**	**815,816**	**(55,316)**	**38.7**	**4.7**	**5.1**	**3.8**
Programme Loans	266,885	317,837	338,135	(20,298)	19.1	2.0	2.1	1.9
Project Cash Loans	61,975	87,444	102,960	(15,516)	41.1	0.5	0.6	0.4
Project Loans AIA	74,245	68,343	87,845	(19,502)	(7.9)	0.4	0.5	0.5
Use of IMF SDR Allocation	42,847	-	-	-	(100.0)	-	-	0.3
Commercial Financing	102,218	286,875	286,875	-	181	2	1.8	0.7
Debt repayment - Principal	(237,412)	(537,751)	(556,487)	18,736	**126.5**	**(3.3)**	**(3.4)**	**(1.7)**
2. Net Domestic Financing	**459,548**	**595,572**	**665,686**	**(70,114)**	**29.6**	**3.7**	**4.1**	**3.2**
Government Securities	437,527	596,560	662,419	(65,859)	36.3	3.7	4.1	3.1
Government Overdraft & Others	18,819	(28,168)	-	(28,168)	(249.7)	-0.2	-	0.1
Movement in Government Deposits	1,459	8,715	-	8,715	497.5	0.1	-	0.0
Domestic Loan Repayments (Net Receipts)	2,854	1,429	4,377	(2,949)	(50.0)	0.0	0.0	0.0
Domestic Loan Repayment	(1,110)	(555)	(1,110)	555	(50.0)	0.0	(0.0)	(0.0)
Other Accounts Payable	-	17,591	-	-	-	0.1	-	0.0
MEMO ITEM								
GDP ESTIMATE	**14,274,419**	**16,131,502**	**16,131,502**	-	**13.0**	**100.0**	**100.0**	**100.0**

**Provisional*

Source of Data: National Treasury

17. The fiscal deficit in FY 2023/24 was financed through net domestic financing of Ksh 595.6 billion which was below target by Ksh 70.1 billion attributed to liquidity challenges in the domestic securities market. Net external financing amounted to Ksh 222.7 billion (1.4 percent of GDP). Total disbursements (inflows) including Appropriations-in-Aid amounted to Ksh 760.5 billion for the period ending 30th June, 2024 against a target of Ksh 815.8 billion. The total disbursement included Ksh 68.3 billion Project Loans A.I.A; Ksh 317.8 billion program loans; and Ksh 87.4 billion Project Loans-Cash. The external repayments (outflows) of principal debt amounted to Ksh 537.8 billion. The amount comprised of principal repayments due to commercial institutions; bilateral sources; and multilateral sources.

Pending Bills

18. The total outstanding National Government pending bills as at 30th June, 2024 amounted to Ksh 516.3 billion. These comprise of Ksh 379.8 billion (73.6 percent) and Ksh 136.5 billion (26.4 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (71.5 percent) belong to Contractor/Development Projects and Suppliers.

19. The MDAs pending bills constitutes mainly of the historical ones. The Government has formed a pending bill verification committee to carry out an through analysis of the stock of National Government pending bills that has accumulated from June 2005 to June 2022 with a view to advice the Government on settlement of the same. The committee is expected to release his interim report in October 2024 which will provide initial findings and recommendation

20. The National Government policy on clearance of current pending bills continues to be in force. The National Treasury has developed a comprehensive strategy for prevention of pending bills with four key appropriate measures as follows;

i. Direct that pending bills carried over from the prior year to form the first charge against;
ii. The budget allocation before entering into new commitments;
iii. Strict adherence to PFM Act, 2012, PFM regulation 2015, PPDA and others;
iv. Ensuring clearance of all contracts by the office auditor general; and
v. Ensuring that all commitment on supply of goods and services should be done not later that 31st May each year.

Carry overs

21. In the FY 2023/24 total outstanding exchequer requests was Ksh 218.5 billion and this was attributed to underperformance in resource mobilization **(Table 5).** These were pending bills incurred in the period under review and county transfers that were not disbursed.

Table 5: Summary of Outstanding Exchequer Requests as at 30th June, 2024

Details	30 Nov 2023	31 Dec 2023	31 Jan 2024	28 Feb 2024	31 Mar 2024	30 Apr 2024	31 May 2024	30 Jun 2024	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Recurrent	2,000,000,000.00	0.00	2,189,581,080.60	3,067,768,859.05	4,890,240,622.55	15,941,143,239.45	9,659,648,200.60	22,535,263,808.01	**60,283,645,810.26**
Recurrent-SAGAS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Recurrent-Salaries	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Development	618,529,830.10	0.00	1,388,647,266.00	2,217,919,655.60	2,978,112,424.00	1,139,590,372.65	1,272,023,245.35	10,166,663,832.05	**19,781,486,625.75**
Development -SAGAS		-	7,070,594,768.70	6,969,125,000.00	27,728,380,957.00	-	12,236,536,444.00	27,573,834,327.50	**81,578,471,497.20**
Pensions Gratuities				3,100,441,750.95	2,181,089,216.80	1,704,015,979.25	5,650,775,629.10	13,393,337,162.69	**26,029,659,738.79**
Sub Total - MDAs	**2,618,529,830.10**	**-**	**10,648,823,115.30**	**15,355,255,265.60**	**37,777,823,220.35**	**18,784,749,591.35**	**28,818,983,519.05**	**73,669,099,130.25**	**187,673,263,672.00**
Counties		0.00	0.00					30,833,969,281.00	**30,833,969,281.00**
Total - MDAs & Counties	**2,618,529,830.10**	**-**	**10,648,823,115.30**	**15,355,255,265.60**	**37,777,823,220.35**	**18,784,749,591.35**	**28,818,983,519.05**	**104,503,068,411.25**	**218,507,232,953.00**

Fiscal Performance for the FY 2023/24 in relation to Financial Objectives

22. In order for the Government to enhance financial management in FY 2023/24 it adopted the following financial objectives:

i) To enhance revenue collection in FY 2023/24

23. The focus was on increasing Government revenue by broadening the tax base, introducing new revenue streams, technological transformation and improving tax compliance. The objective was to achieve an annual revenue growth rate of at least 16.0 percent of GDP by expanding tax collection efforts, minimizing tax leakages. In FY 2023/24, ordinary revenue registered a growth of 14.2 percent, supported by the implementation of advanced tax administration systems, strengthened enforcement of tax laws, and encouragement of voluntary compliance through taxpayer education.

ii) To reduce the fiscal deficit to 4.7 percent of GDP in FY 2023/24

24. The objective was to decrease the fiscal deficit to below 4.7 percent of GDP in the FY 2023/24 and the medium term. This was to be achieved through revenue mobilization combined with, expenditure containment, optimizing public spending, and gradually reducing reliance on borrowing. However during the FY 2023/24, the deficit on commitment basis excluding grants was 5.6 percent of GDP.

iii) To ensure effective, efficient and economic use of public resources allocated in FY 2023/24

25. The Government set an objective to maintain strict control over public expenditure. The target was to ensure Government spending prioritizes essential services and investments in sectors that enhance growth. This was achieved by enforcing budgetary discipline, eliminating wasteful spending, and streamlining government operations to realize cost savings.

iv) To reduce the cost borrowing by shifting from commercial to concessional loan for external loan and short term to long term borrowing for domestic debt securities in FY 2022/23

26. In managing public debt, the objective is to increase the proportion of concessional loans in external debt portfolio within the next five years. This strategy involves engaging with multilateral and bilateral partners to secure favourable financing terms, renegotiating existing commercial loans where possible and prioritizing concessional funding for new projects. For domestic debt the objective is to shift from short term to long term debt securities.

B. Adherence to Fiscal Responsibility Principles

27. In line with the Constitution, the PFM Act Cap. 412 , the PFM Regulations, and in keeping in line with prudent and transparent management of public resources, the Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

a. **Over the medium term a minimum of thirty percent of the National and County Governments budget shall be allocated to the development expenditure.**

   In FY 2023/24, the actual development spending for the National Government was 25.1 percent, falling short of the principles outlined in the PFM Act Cap. 412. However, the forecast had initially projected it to exceed 30 percent. This discrepancy was a result of spending rationalization in the course of budget implementation. Therefore, In the FY 2023/24 and the medium term projections had been set above the 30 percent threshold.

b. **The National Government's expenditure on wages and benefits for its public officers shall not exceed 35 percent of the National Government revenue as prescribed by the PFM Act Regulations**, **2015**:

The National Government's share of wages and employees benefits to revenues was 24.5 percent[1] in the FY 2023/24 which is within the statutory requirement of 35.0 percent of the National Government revenues **(Table 6)**.

Table 6: Adherence to Fiscal Responsibility Principles

	FY 2022/23	FY 2023/24		FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29
	Actual	Supp II Budget	Prel. Actual	Budget	Supp 1 Est.	BPS'24	BROP'24	BPS'24	BROP'24	BPS'24	BROP'24	BROP'24
	Ksh Billion											
1.0 Total Expenditure & Net Lending	3,221	3,871	3,605	3,992	3,881	4,553	4,158	5,170	4,564	5,823	5,015	5,505
1.1 Total Ministerial National Govt Expenses	1,970	2,440	2,214	2,375	2,230	2,858	2,426	3,304	2,741	3,844	3,071	3,368
Total Recurrent	2,312	2,777	2,678	2,842	2,826	3,026	3,057	3,404	3,298	3,800	3,624	4,012
CFS (Interest & Pensions)	837	1,045	1,019	1,213	1,237	1,260	1,331	1,347	1,408	1,426	1,520	1,704
Ministerial Recurrent	1,474	1,731	1,660	1,628	1,589	1,767	1,726	2,057	1,890	2,374	2,104	2,309
o/w Wages & Salaries	540	583	575	614	603	703	651	915	683	984	718	743
Wages as % National Government Revenues/1	**27.5%**	**23.1%**	**24.5%**	**20.9%**	**22.8%**	**20.5%**	**21.6%**	**23.7%**	**20.3%**	**22.2%**	**18.7%**	**17.1%**
Development	496	709	555	746	641	1,091	701	1,247	851	1,470	967	1,059
Development as % Ministerial NG expenditures	**25.2%**	**29.0%**	**25.1%**	**31.4%**	**28.7%**	**38.2%**	**28.9%**	**37.7%**	**31.0%**	**38.2%**	**31.5%**	**31.4%**
1.2 County Allocation	416	424	380	445	451	432	433	552	448	590	456	466
Equitable share	400	385	355	400	411	395	400	515	415	553	423	433
Conditional Grants	16	38	26	44	40	37	33	37	33	37	33	33
2.0 Total Revenues	2,361	2,908	2,703	3,343	3,060	3,833	3,415	4,377	3,783	4,978	4,267	4,779
3.0 Total National Government Revenues (Incl. A-I-A	1,961	2,522	2,348	2,943	2,649	3,438	3,015	3,861	3,368	4,425	3,843	4,345
4.0 National Government Domestic Borrowing (net)	460	666	596	263	413	563	578	494	503	554	553	397

/1Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme
Source of Data: 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;**

In FY 2023/24, Ksh 350.7 billion (46.0 percent) out of total borrowing (Ksh 766.4 billion) were used for development expenditure purposes. The Government continues to maintain public debt at sustainable level consistent with the debt threshold which pegs public debt as a percentage of Gross Domestic Product (GDP) in net present value approved by Parliament.

Despite public debt vulnerabilities and high risk of debt distress, the Government is committed to continuous implementation of fiscal consolidation as outlined in the 2024 Budget Policy Statement (BPS) and Medium-Term Debt Management Strategy aimed at slowing the pace of public debt accumulation without compromising service delivery to citizens as it supports economic recovery.

[1] The 24.5 percent is exclusive of Ministry of Defense and NIS

d. **Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the national government and the county assembly for county government**;

The Government is committed to adhering to the above principle by ensuring that debt are maintained at sustainable level at all times. The debt sustainability analysis shows that Kenya's public debt remains sustainable as a medium performer in terms of debt carrying capacity. Analysis of debt sustainability is as follows:

i) Overall, the Present Value (PV) of total public debt-to-GDP ratio is projected to remain above the 55 percent benchmark for Kenya through 2028 **(Table 7)**, after which it is projected to decline to within the approved threshold. The Government will sustain fiscal consolidation efforts over the medium term to restore fiscal space and reduce debt related risks. The Government will also continue to optimize the use of concessional funding, lengthen the maturity profile of public debt through issuance of medium to long dated bonds, and deepen domestic debt market to reduce cost of public debt and borrowing.

The Government will further be proactive in public debt management through exploring possibilities of various Liability Management Operations (LMOs) with the aim of extending the maturity of existing debt to reduce immediate financial burden and manage cash flow more effectively.

Table 7: Kenya's Public Debt Sustainability Analysis

Indicators	**Benchmark**	**Jun-22**	**Jun-23**	**Jun-24**	**Jun-25**	**Jun-26**	**Jun-27**	**Jun-28**	**Jun-33**	**Jun-43**
PV of debt-to-GDP ratio	**55**	**63.9**	**68.2**	**67.2**	**64.0**	**61.4**	**59.1**	**56.9**	**48.1**	**34.0**
PV of public debt-to-revenue and grant ratio		**370.3**	**380.3**	**352.0**	**330.1**	**315.1**	**303.5**	**292.2**	**247.3**	**168.7**
Debt service -to-revenue and grant ratio		**56**	**55.2**	**68.9**	**58.0**	**55.5**	**50.5**	**50.9**	**43.6**	**26.6**

Source: IMF Country Report No. 24/13-January 2024

ii) The external Debt Sustainability Analysis (DSA) demonstrates that the PV of the external debt to GDP ratio is below the 40 percent sustainability threshold throughout the projection period. However, the debt service to revenue ratio breaches the threshold of 18 percent in 2024, 2025 and 2026. The high debt service to revenue ratio in 2024 is due to the maturity of the international sovereign bond **(Table 8).**

Table 8: Kenya's External Debt Sustainability

Indicators	**Thresholds**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
PV of debt–to-GDP ratio	40	29.0	31.7	35.8	33.8	31.8	29.9
PV of debt-to-exports ratio	180	238.2	256.9	240.3	224.0	209.9	194.3
PPG Debt service-to-exports ratio	15	21.5	24.9	36.0	25.1	24.9	21.1
PPG Debt service-to-revenue ratio	18	15.3	17.3	28.5	19.8	19.6	16.9

iii) The solvency indicator of the PV of Public and Publicly Guaranteed (PPG) external debt-to-exports and the liquidity indicator of debt service-to-exports remains above the thresholds of 180 percent and 15 percent through 2027 due to anticipated maturities for commercial debt during the period **(Table 7)**. To improve the solvency ratios, the Government will continue to broaden the export base through the Bottom-Up Economic Transformation Agenda (BETA) focusing on value chain approach to support exports and increase remittances.

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

The government has prudently managed its fiscal risks across several key areas to ensure financial stability. To achieve this, the Government established a Fiscal Risk Committee which will continue playing a key role in identification, quantification and management of fiscal risks going forward.

First, the Government continues to address fiscal risks associated with public debt, maintaining sustainable levels to avoid undue pressure on public finances. Second, the Government has taken steps to mitigate the crystallization of contingent liabilities by ensuring that unforeseen obligations do not derail its fiscal objectives. Third, the Government is managing fiscal risks related to devolution, including those arising from county-level financial activities.

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**.

On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and the tax base, the National Treasury has developed and started implementation of the National Tax Policy whose objectives is to provide guidelines on taxation policy that support economic development and promote economic diversification, enhance the country's competitive edge, and establish tax incentive schemes that are aligned to the Government's development agenda, promote investment and foster a flexible fiscal space that 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. The main objective is to raise adequate tax revenues, predictable tax environment and minimize tax expenditures.

C. County Governments' Fiscal Performance.

28. Article 176 of the Constitution establishes County Governments consisting of county assemblies and county executives. Part 2 of the Fourth Schedule of the Constitution assigns functions to County Governments. Further, Article 190 requires that the National Government provide adequate support to the County Governments to perform their functions and operate a financial management system that comply with requirements prescribed by national legislation.

29. Section 12 (1) (i) (j) of the PFM Act, 2012 mandates the National Treasury to: strengthen financial and fiscal relations between the two levels of government; and assist County Governments to develop their capacity for efficient, effective and transparent financial management. In this regard, the National Treasury has undertaken several capacity building initiatives, and developed legislative proposals, policy frameworks and issued advisories on public financial matters to County Governments.

a) Transfers to County Governments in FY 2023/24

30. During the period under review, County Governments received Ksh. 381.9 billion, which represents 88.4 percent of their total allocations of Ksh 431.8 billion in FY 2023/24. A total of Ksh 354.6 billion was transferred as equitable share representing 92.0 percent allocated in the Division of Revenue Act 2023. The outstanding equitable share of Ksh 30.83 billion to the County Governments was disbursed on 25th July 2024. This delay in disbursement was occasioned by the underperformance of the nationally raised revenue.

31. Further, County Governments received Ksh 27.2 billion as additional allocations representing 58.8 percent of Ksh 46.4 billion allocated in the County Governments Additional Allocations Act (CGAAA) 2024. The underperformance in the transfer of additional allocations to the County Governments was as a result of: the late approval of CGAAA 2024; shortfall in collection of ordinary revenue; weak compliance by County Governments to the conditions provided for the grants; delays in finalisation of a framework to transfer of revenue from Court fines; and omission by the MDAs to reflect some additional allocations in their budget appropriation to support the disbursement for FY 2023/24. The regulations to support the transfer of 10 percent share of Mineral Royalties due to communities are being finalized by the State Department for Mining.

b) County Governments Own Source Revenue

i) Performance of Own Source Revenue Against Target

32. In the FY 2023/24, the County Governments generated Ksh 58.9 billion from Own Source Revenue (OSR), against a projected annual target of Ksh 80.9 billion. This represents an achievement of 72.8 percent of the annual target. The details of the individual county governments performance is summarized in **Table 9 and Annex Table 5**.

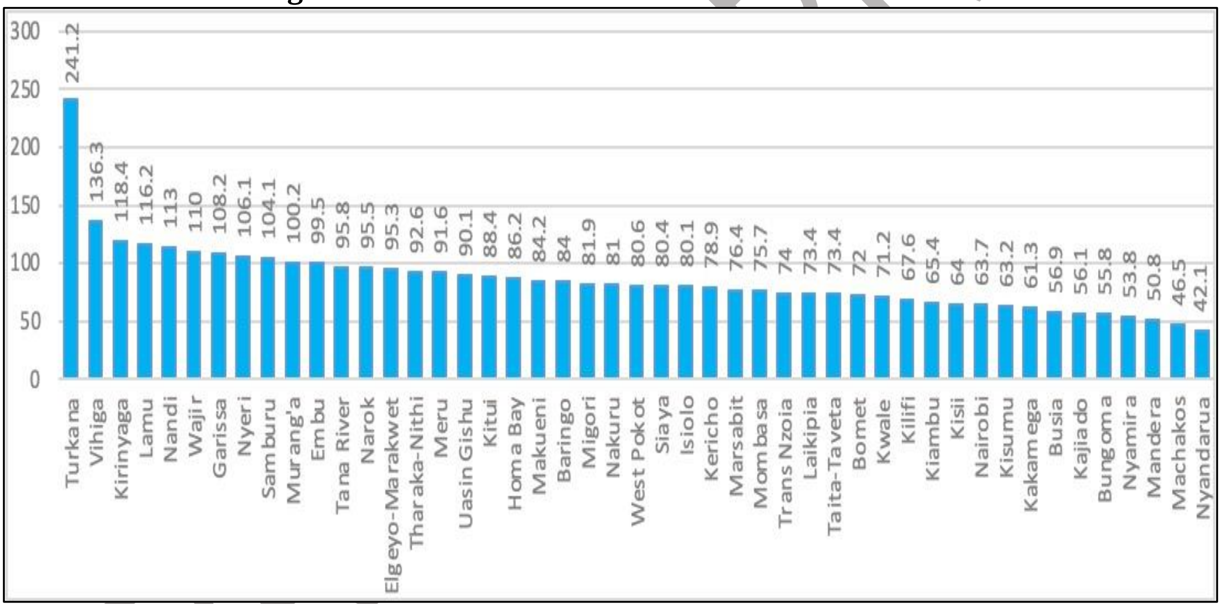
Table 9: Total County Government OSR Collection (Including A-I-A) for FY 2023/24

County	Ordinary OSR Target (Ksh)	FIF/AIA Target (Ksh)	Total Revenue Target (Ksh)	OSR Actual realized (Ksh)	FIF/AIA Actual (Ksh)	Actual Revenue (Ksh)	Performance (%)
	A	B	C=A+B	D	E	F=D+E	G=F/C*100
Turkana	220,000,000	-	220,000,000	435,271,212	95,373,844	530,645,056	241.2
Vihiga	248,083,481	-	248,083,481	166,311,404	171,745,774	338,057,178	136.3
Kirinyaga	349,000,000	201,000,000	550,000,000	417,543,467	233,562,098	651,105,565	118.4
Lamu	120,000,000	60,000,000	180,000,000	123,262,548	85,840,210	209,102,758	116.2
Nandi	360,098,158	198,231,711	558,329,869	392,103,573	238,623,583	630,727,156	113
Wajir	150,000,000	-	150,000,000	164,953,671	-	164,953,671	110
Garissa	139,000,000	91,000,000	230,000,000	97,056,232	151,912,817	248,969,049	108.2
Nyeri	800,000,000	526,000,000	1,326,000,000	667,120,607	740,425,500	1,407,546,107	106.1
Samburu	239,027,400	17,000,000	256,027,400	255,453,581	11,130,343	266,583,924	104.1
Murang'a	876,181,883	238,818,117	1,115,000,000	734,257,887	382,537,843	1,116,795,730	100.2
Embu	382,801,875	367,198,125	750,000,000	416,744,407	329,749,667	746,494,074	99.5
Tana River	92,673,773	3,956,827	96,630,600	88,783,403	3,785,117	92,568,520	95.8
Narok	4,858,121,756	120,951,908	4,979,073,664	4,694,190,690	59,479,796	4,753,670,486	95.5
Elgeyo-Marakwet	73,806,633	197,500,000	271,306,633	80,841,506	177,663,632	258,505,138	95.3
Tharaka-Nithi	300,870,000	149,800,000	450,670,000	256,362,512	160,983,523	417,346,035	92.6
Meru	550,000,000	500,000,000	1,050,000,000	381,805,168	580,129,111	961,934,279	91.6
Uasin Gishu	1,578,147,614	-	1,578,147,614	1,361,941,353	59,386,598	1,421,327,951	90.1
Kitui	585,000,000	-	585,000,000	517,049,816	-	517,049,816	88.4
Homa Bay	341,139,710	1,051,066,642	1,392,206,352	359,263,180	841,232,651	1,200,495,831	86.2
Makueni	870,000,000	370,000,000	1,240,000,000	490,586,795	554,088,153	1,044,674,948	84.2
Baringo	300,719,215	149,378,181	450,097,396	196,579,016	181,622,619	378,201,635	84
Migori	480,000,000	145,474,299	625,474,299	337,154,048	175,412,262	512,566,310	81.9
Nakuru	2,400,000,000	1,700,000,000	4,100,000,000	1,852,802,262	1,468,498,216	3,321,300,479	81
West Pokot	97,200,000	132,800,000	230,000,000	65,447,701	119,847,000	185,294,701	80.6
Siaya	434,494,994	325,505,006	760,000,000	222,110,969	388,626,776	610,737,745	80.4
Isiolo	267,634,395	88,573,785	356,208,180	190,715,416	94,481,928	285,197,344	80.1
Kericho	530,071,600	536,355,000	1,066,426,600	359,664,618	482,263,360	841,927,978	78.9
Marsabit	120,000,000	70,000,000	190,000,000	54,869,460	90,223,090	145,092,550	76.4
Mombasa	5,856,356,997	1,521,576,230	7,377,933,227	4,457,758,296	1,127,265,714	5,585,024,010	75.7
Trans Nzoia	342,000,000	301,700,000	643,700,000	266,785,779	209,852,393	476,638,172	74
Laikipia	842,500,000	602,500,000	1,445,000,000	499,999,607	561,020,491	1,061,020,098	73.4
Taita-Taveta	426,985,000	201,682,445	628,667,445	251,061,302	210,125,350	461,186,652	73.4
Bomet	187,592,587	144,449,243	332,041,830	158,317,549	80,612,871	238,930,420	72
Kwale	334,245,200	265,754,800	600,000,000	257,844,508	169,533,420	427,377,928	71.2
Kilifi	1,588,634,222	200,000,000	1,788,634,222	736,398,329	472,221,668	1,208,619,997	67.6
Kiambu	5,459,066,235	1,536,300,000	6,995,366,235	3,378,069,561	1,197,762,046	4,575,831,607	65.4
Kisii	650,000,000	1,193,892,198	1,843,892,198	496,943,902	683,218,135	1,180,162,037	64
Nairobi	19,419,630,278	270,000,000	19,689,630,278	11,469,860,349	1,072,234,069	12,542,094,418	63.7
Kisumu	1,682,844,694	600,000,000	2,282,844,694	840,231,049	603,376,939	1,443,607,988	63.2
Kakamega	1,359,000,000	841,000,000	2,200,000,000	801,322,586	546,510,693	1,347,833,279	61.3
Busia	396,793,350	252,222,283	649,015,633	233,065,731	136,138,244	369,203,975	56.9
Kajiado	1,621,247,688	247,219,297	1,868,466,985	678,403,673	369,952,762	1,048,356,435	56.1
Bungoma	868,201,470	1,142,218,266	2,010,419,736	439,484,834	681,424,515	1,120,909,349	55.8
Nyamira	457,000,000	230,000,000	687,000,000	148,981,607	220,814,736	369,796,343	53.8
Mandera	278,748,838	51,785,008	330,533,846	142,498,606	25,548,681	168,047,287	50.8
Machakos	2,324,286,060	1,008,000,000	3,332,286,060	1,344,939,101	204,409,376	1,549,348,477	46.5
Nyandarua	793,435,975	431,564,025	1,225,000,000	309,994,465	205,746,307	515,740,772	42.1
Total	**62,652,641,082**	**18,282,473,396**	**80,935,114,477**	**42,292,207,336**	**16,656,393,920**	**58,948,601,257**	**72.8**

Source of Data: Controller of Budget

33. Total OSR included the Facility Improvement Fund, which is the money collected and retained by health facilities in line with the Facilities Improvement Financing Act, 2023. As at the 30th June 2024, the public health facilities had collected and retained a total of Ksh 16.7 billion against a target of Ksh 18.3 billion, representing 91.3 percent of the target. For Ordinary revenue performance, counties were able to generate Ksh 42.3 billion against a target of Ksh. 62.7 billion which represents an average of 67.5 percent of the targeted OSR. A total of ten counties managed to collect more than 100 percent of their annual OSR target. These counties are; Turkana, Vihiga, Kirinyaga, Lamu, Nandi, Wajir, Garissa, Nyeri, Samburu, and Murang'a. On the other hand, seven county governments collected less than 60 percent of their OSR target. These counties are; Busia, Kajiado, Bungoma, Nyamira, Mandera, Machakos, and Nyandarua. The County Governments revenue performance demonstrates that a majority of the County Governments are either under targeting or over targeting their OSR. In this regard, there is need to develop and build capacity of County Governments on a revenue forecasting tool to improve accuracy of OSR forecast. The summary of individual county performance is presented in **Figure 1.**

Figure 1: Actual Revenue Collected by the County Governments as a Percentage of Annual Revenue Target for FY 2023/24



Source of Data: Controller of Budget

ii) OSR Growth in FY 2023/24

34. An assessment of the OSR performance for FY 202/23 -2023/2024 reveals that 17 Counties recorded more than 50 percent growth in revenue collection. This could be attributed to implementation of the OSR policy, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF. Nonetheless, there is need to explore the reasons for negative OSR growth by some of the county governments namely Bomet, Bungoma, Trans-Nzoia and Samburu that recorded declines in OSR collection in FY 2023/24. The details of performance for the 47 County Governments are summarised in **Table 10**.

Table 10: County Governments OSR Growth between FY 2022/23 and FY 2023/24.

S.No.	County	FY 2022/23 Actual OSR Collection	FY 2023/24 Actual OSR Collection	FY 2023/24 OSR Growth
1	Wajir	46,746,101	164,953,671	252.9%
2	Nandi	200,737,628	630,727,156	214.2%
3	Turkana	177,717,811	530,645,056	198.6%
4	Homa Bay	491,496,550	1,200,495,831	144.3%
5	Isiolo	152,700,178	285,197,344	86.8%
6	Kilifi	661,686,660	1,208,619,997	82.7%
7	Garissa	142,491,298	248,969,049	74.7%
8	Murang'a	658,166,964	1,116,795,730	69.7%
9	Kericho	501,354,545	841,927,978	67.9%
10	Tana River	59,173,171	92,568,520	56.4%
11	Narok	3,061,007,640	4,753,670,486	55.3%
12	Tharaka Nithi	286,737,650	417,346,035	45.5%
13	Uasin Gishu	982,046,563	1,421,327,951	44.7%
14	West Pokot	128,195,210	185,294,701	44.5%
15	Vihiga	241,350,189	338,057,178	40.1%
16	Mombasa	3,998,628,848	5,585,024,010	39.7%
17	Mandera	122,528,934	168,047,287	37.1%
18	Lamu	156,907,612	209,102,758	33.3%
19	Nyeri	1,080,186,883	1,407,546,107	30.3%
20	Nyamira	284,598,621	369,796,343	29.9%
21	Meru	750,986,590	961,934,279	28.1%
22	Kiambu	3,587,282,110	4,575,831,607	27.6%
23	Migori	406,364,909	512,566,310	26.1%
24	Kisumu	1,153,464,305	1,443,607,988	25.2%
25	Kisii	977,218,129	1,180,162,037	20.8%
26	Baringo	313,351,637	378,201,635	20.7%
27	Siaya	508,041,662	610,737,745	20.2%
28	Kajiado	875,281,130	1,048,356,435	19.8%
29	Nairobi City	10,478,816,326	12,542,094,418	19.7%
30	Elgeyo Marakw	217,350,490	258,505,138	18.9%
31	Makueni	891,595,986	1,044,674,948	17.2%
32	Kitui	464,354,467	517,049,816	11.3%
33	Kirinyaga	586,660,639	651,105,565	11.0%
34	Embu	678,638,337	746,494,074	10.0%
35	Kwale	392,952,872	427,377,928	8.8%
36	Marsabit	133,545,723	145,092,550	8.6%
37	Machakos	1,429,791,260	1,549,348,477	8.4%
38	Laikipia	980,163,461	1,061,020,098	8.2%
39	Taita Taveta	426,372,490	461,186,652	8.2%
40	Busia	343,922,975	369,203,975	7.4%
41	Nakuru	3,130,423,723	3,321,300,479	6.1%
42	Kakamega	1,309,679,900	1,347,833,279	2.9%
43	Nyandarua	505,913,306	515,740,772	1.9%
44	Bomet	242,395,023	238,930,420	-1.4%
45	Bungoma	1,177,322,906	1,120,909,349	-4.8%
46	Trans Nzoia	1,052,173,181	476,638,172	-54.7%
47	Samburu	656,224,645	266,583,924	-59.4%

Source of Data: Controller of Budget

iii) National Government Support on enhancement of County Government OSR

35. The National Treasury in collaboration with the county governments and other relevant institutions is currently implementing the *National Policy to Support Enhancement of County Governments Own Source Revenue*. One of the key recommendations in the policy is the development of the National Rating Bill 2022. The Bill was prepared and submitted to Parliament and is currently in the final stages of approval. Once enacted, the National Treasury in collaboration with the Ministry responsible for lands will develop a model rating bill for domestication by county governments. The enactment of the County Rating Bill is expected to streamline the collection of property rates by County Governments.

36. Further, the National Treasury in collaboration with other stakeholders is spearheading the development of the Integrated County Revenue Management System (ICRMS) in line with Section 12 (1, e) of the PFM 2012. Once operationalized, this will ensure accountability and transparency in OSR management and standardization of financial reporting in government. Additionally, this will reduce revenue leakages and the cost of revenue administration.

c) County Governments Expenditure for FY 2023/24

37. **Table 11** provides a summary of total expenditures, total revenues and overall absorption rates for the FY 2023/24. The actual estimates of total expenditures amounted to Kshs 446.8 billion for the FY 2023/24. This comprised an expenditure of Ksh 109.2 billion for development and Ksh. 337.5 billion for recurrent.

Table 11: Performance of County Governments Revenue and Expenditure for FY 2023/24

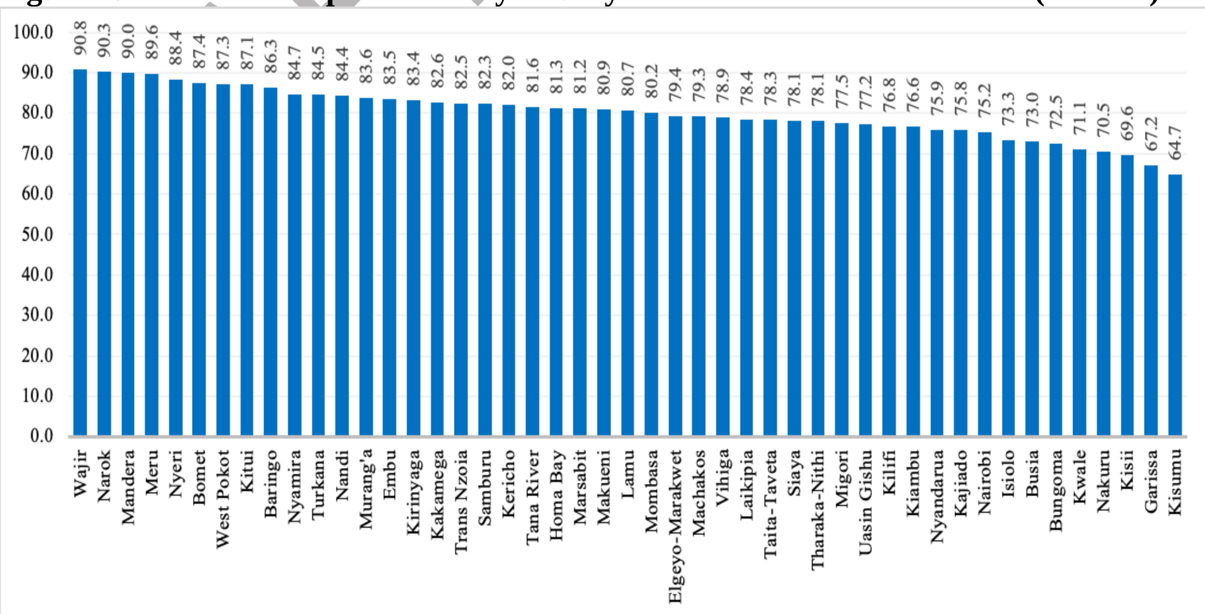
Item (Ksh Millions)	Approved Budget	Actual Estimates	Overall Absorption Rates
Total Revenue	512.7	440.7	86.0
Total Expenditures	562.7	446.8	79.4
Total Development	189.9	109.2	57.5
Total Recurrent	372.8	337.5	90.5
Wages		209.8	
Other Recurrent		127.7	
% of Development in Total Budget and Expend	33.7	24.4	
% of Recurrent in Total Budget and Estimates	66.3	75.5	
% of Wages in Total Revenue		47.6	

Source of Data: Controller of Budget

i) Overall Absorption Rate for FY 2023/24

38. The overall absorption rate for FY 2023/24 was 79.4 percent of the approved budget. Counties with higher absorption rates, such as Wajir, Narok and Mandera, demonstrate efficient utilization of budgeted funds. This suggests effective budget planning and execution, contributing higher project completion rate. Counties like Kisii, Garissa and Kisumu with lower absorption rates, may face challenges in fully utilizing their allocated funds. This could be due to various factors such as administrative inefficiencies, delays in project procurement and implementation, delays in disbursements of the equitable share or capacity constraints. **Figure 2** below highlights the overall absorption rates for individual counties.

Figure 2: Overall Absorption Rate by County Governments for FY 2023/24 (Percent)

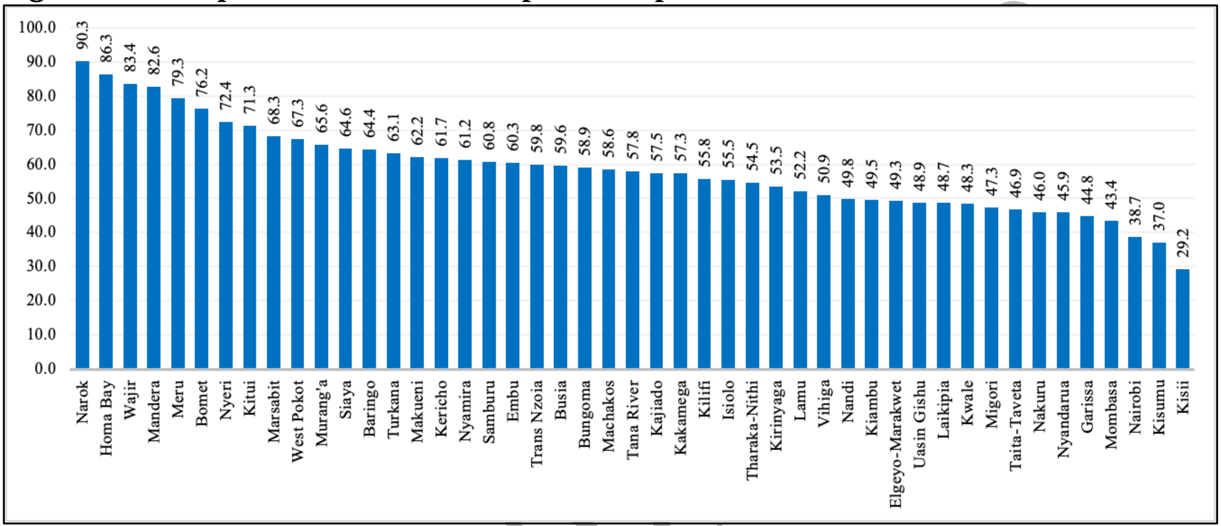


Source of Data: Controller of Budget

ii) Absorption Rate for Development Expenditure

39. During the FY 2023/24, the average absorption rate for development expenditure across counties was 57.5 percent. This indicates that absorption of development expenditure is still low and thus county governments are unable to fully achieve their developmental objectives within the prescribed time frame. Absorption rate for development expenditure is as indicated in **Figure 3**. The counties with the highest absorption rate for development expenditure were Narok, Homa Bay, Wajir and Mandera while the counties with the lowest absorption rate were Nairobi City, Kisumu and Kisii.

Figure 3: Absorption Rates for Development Expenditure for FY2023/24

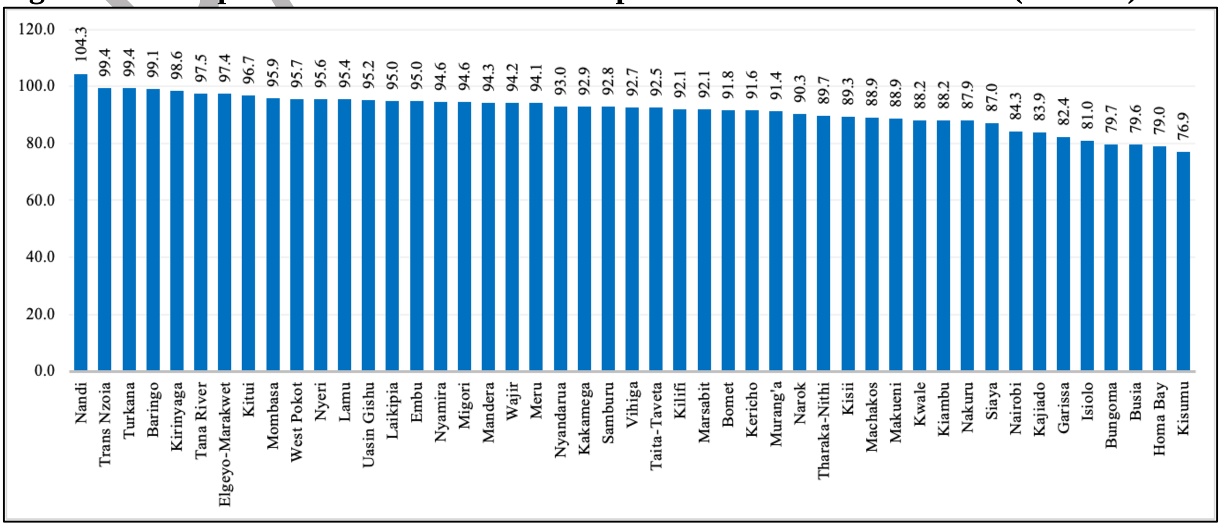


Source of Data: Controller of Budget

iii) Absorption Rates of the Recurrent Expenditure

40. For the period under review, the average absorption rate for recurrent expenditure across counties was 90.5 percent. Recurrent expenditures typically include salaries, utilities, maintenance, and other operational costs necessary for the day-to-day functioning of county governments**.** The counties with the highest absorption rate for recurrent expenditure were Nandi, Trans Nzoia, Turkana and Baringo while the counties with a low absorption rate were Bungoma, Busia, Homa Bay, and Kisumu (**Figure 4)**.

Figure 4: Absorption Rates for Recurrent Expenditure for the FY2023/24 (Percent)



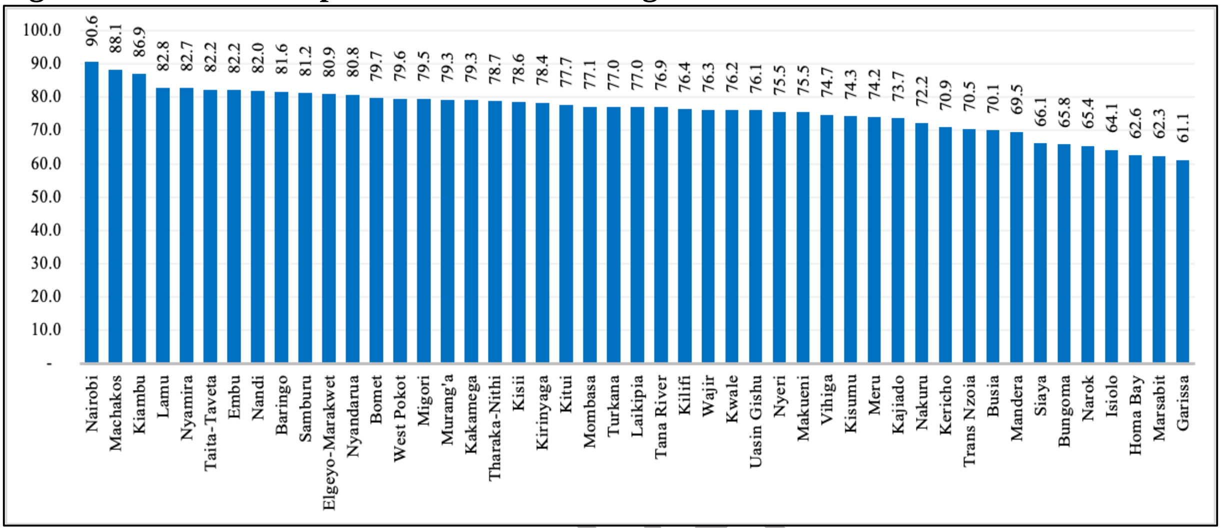
Source of Data: Controller of Budget

D. County Governments' Compliance with Fiscal Responsibility Principles

a) Recurrent Expenditure as a Percentage of Total Revenue

41. Section 107(2) of the PFM Act 2012 provides that the County Government's recurrent expenditure shall not exceed the County Government's total revenue. In the FY 2023/24, all the county governments were in compliance with this legal requirement. The performance per county is as shown in **Figure 5.**

Figure 5: Recurrent Expenditure as a Percentage of Total Revenue for FY 2023/24

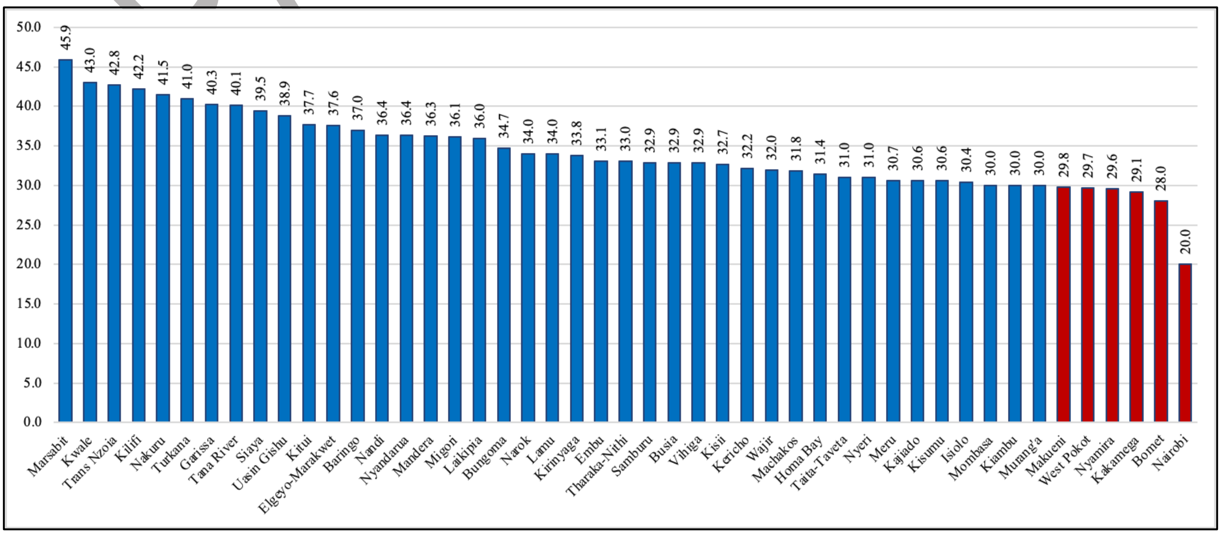


Source of Data: National Treasury and Controller of Budget

b) Development Budget as a Percentage of the Total Budget

42. PFM Act 2012, requires that a minimum of thirty percent of the National and County Governments' budget shall be allocated to the development expenditure over the medium term. As indicated in **Table 10**, total County Governments' approved development budget for the FY 2023/24 accounted for 33.7 percent of the total budget. Most counties conformed to the requirement as per Section 107 (2) (b) of the Public Finance Management (PFM) Act, 2012 except six as shown in the **Figure 6**.

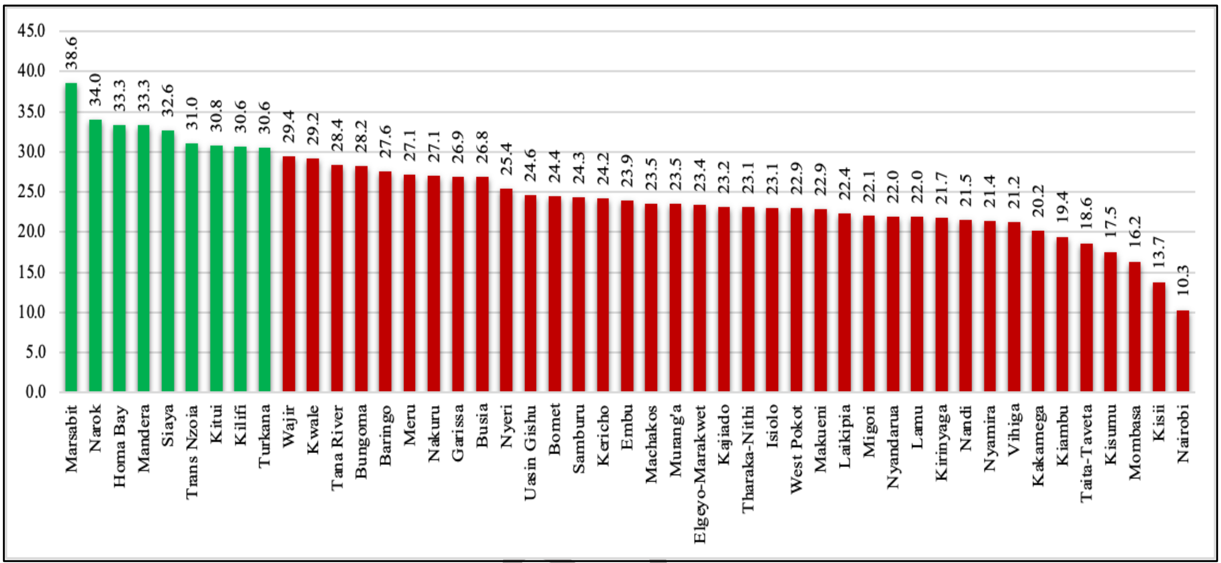
Figure 6: Budgeted Development Expenditure as a Percentage of Total County Budget for FY 2023/24



Source: Controller of Budget

43. In spite of the majority of the County Governments being within the legal threshold on allocation to development, actual development expenditure for the FY 2023/24 accounted for 24.4% of the total actual expenditure for the same period as indicated in **Table 11**. In FY 2023/24, only nine counties achieved the minimum 30 percent of their development expenditure as a percent of their total expenditure. The details on individual actual county expenditures are shown in **Figure 7**.

Figure 7: Actual Development Expenditures as a Percentage of Actual Total Expenditure for FY 2023/24



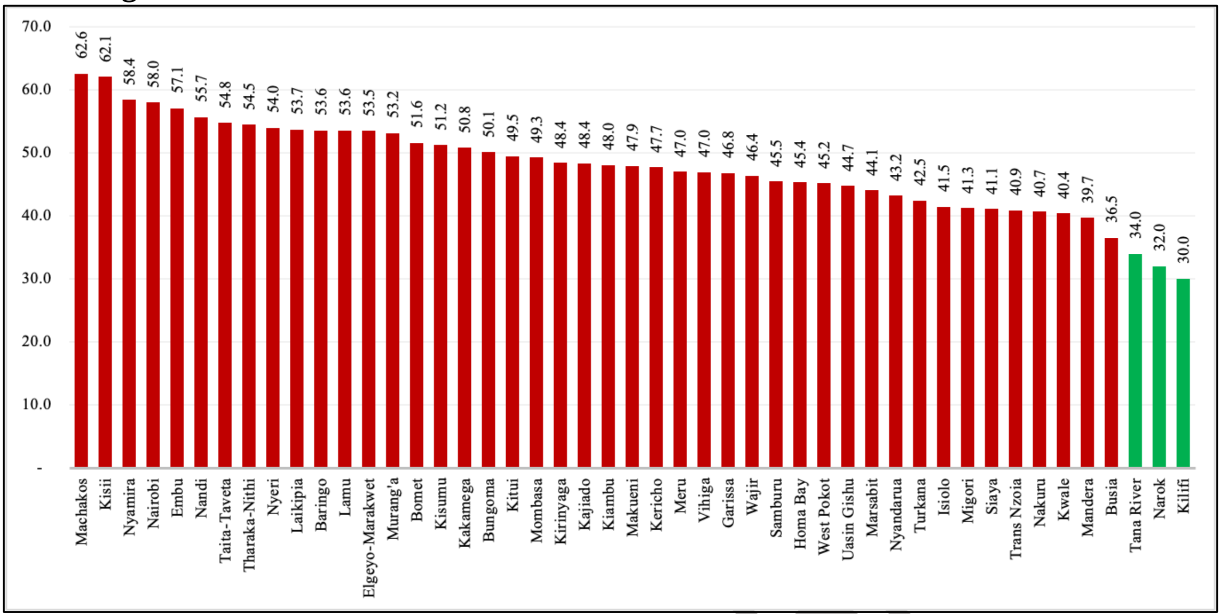
Source of Data: Controller of Budget

44. The underperformance in the execution of development expenditure observed in Figure 7, suggests that while counties are allocating a higher percentage of their budget to development, their actual spending on these projects has remained lower than set benchmarks. County development budget execution has been constrained by the inability of County Governments in their realisation of their OSR and delays in transfer disbursements by the National Government. This negatively impacts execution of development plans due to delays in project planning and implementation.

c) Expenditure on Wage Bill as a Percentage of Total Revenue

45. 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. During the FY 2023/24, County Governments' expenditure on wage bill amounted to Ksh 209.8 billion, accounting for 47.6% of the total revenue of Ksh 440.7 billion, against a PFMA, 2012 required threshold of 35 percent. As revealed in **Figure 8**, most County Governments are spending significantly higher proportion of their total revenue on wages than the recommended threshold. Three Counties namely: Tana River, Narok, and Kilifi were able to maintain their allocation to wages and salaries within the legal requirement.

Figure 8: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for FY 2023/24



Source of Data: National Treasury and Controller of Budget

d) Prudent Management of Fiscal Risks

46. Section 107 (2) (f) of the PFM Act, 2012 require County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks were identified in revenue and expenditure performance. These are:

i) High expenditure on wage bill that lowers the ability of county governments to meet financial obligations on operations & maintenance and development requirements; and,
ii) Underperformance in OSR, which results to unfunded budgets resulting to accumulation of pending bills.
iii) High levels of pending bills that negatively affects effective delivery of public services as well as local business development;

47. 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. In this regard, the National Treasury has provided guidance to the County Governments on prompt settlement of pending bills.

48. As at 30th June 2024, the total stock of pending bills at the counties stood at Ksh 181.98 billion consisting of Ksh 179.87 billion for the County Executives and Ksh 2.11 billion for the County Assemblies. **Table 12** shows the County Governments pending bills as at 30th June 2024.

Table 12: County Governments Pending Bills as at 30th June, 2024

County	Executive Recurreny	Executive Development	Total Executive	Assembly Recurrent	Assembly Development	Total Assembly	Grand Total
Baringo	243,387,349	125,863,182	369,250,531	-		-	369,250,531
Bomet	88,008,922	360,758,925	448,767,847	-		-	448,767,847
Bungoma	1,978,302,057	1,528,214,428	3,506,516,486	14,700,000		14,700,000	3,521,216,486
Busia	1,310,232,841	110,359,586	1,420,592,427	-		-	1,420,592,427
Elgeyo-Marakwet	1,492,200	-	1,492,200	-		-	1,492,200
Embu	923,910,054	888,655,736	1,812,565,790	3,725,140		3,725,140	1,816,290,930
Garissa	17,031,929	360,167,253	377,199,182	741,066		741,066	377,940,248
Homa Bay	93,107,438	600,604,237	693,711,674	37,182,349	8,226,489	45,408,838	739,120,512
Isiolo	671,996,503	437,765,312	1,109,761,816	5,812,806	8,094,676	13,907,481	1,123,669,297
Kajiado	890,814,132	1,455,782,205	2,346,596,337	61,824,457	34,552,896	96,377,352	2,442,973,689
Kakamega	543,846,663	1,109,793,717	1,653,640,381	104,315,256	61,710,217	166,025,472	1,819,665,853
Kericho	181,301,858	953,411,837	1,134,713,695	-		-	1,134,713,695
Kiambu	4,069,015,330	2,318,872,476	6,387,887,806	77,228,246	23,153,446	100,381,692	6,488,269,498
Kilifi	620,073,974	586,137,042	1,206,211,016	12,346,776		12,346,776	1,218,557,792
Kirinyaga	415,041,433	166,204,622	581,246,055	-		-	581,246,055
Kisii	485,084,888	1,828,433,549	2,313,518,437	1,555,210	55,431,914	56,987,124	2,370,505,561
Kisumu	1,661,420,756	1,340,669,158	3,002,089,914	143,210,851	2,099,049	145,309,900	3,147,399,814
Kitui	100,133,497	293,843,290	393,976,787	-		-	393,976,787
Kwale	1,117,867,909	1,015,720,218	2,133,588,127	-		-	2,133,588,127
Laikipia	883,462,160	760,607,838	1,644,069,998	3,979,393		3,979,393	1,648,049,391
Lamu	21,198,181	18,336,383	39,534,564	-		-	39,534,564
Machakos	1,730,056,963	2,388,349,707	4,118,406,670	81,073,515		81,073,515	4,199,480,185
Makueni	364,448,192	170,410,250	534,858,442	135,155,753	2,030,000	137,185,753	672,044,195
Mandera	-	2,226,355,164	2,226,355,164	-		-	2,226,355,164
Marsabit	-	700,000,000	700,000,000	910,432	425,135,347	426,045,779	1,126,045,779
Meru	133,999,742	452,824,205	586,823,947	-		-	586,823,947
Migori	360,712,911	379,244,575	739,957,485	84,427,109	40,005,433	124,432,542	864,390,028
Mombasa	2,738,362,340	1,702,209,902	4,440,572,242	-		-	4,440,572,242
Murang'a	1,183,396,100	205,092,392	1,388,488,492	72,106,370		72,106,370	1,460,594,862
Nairobi	112,563,910,799	5,751,842,791	118,315,753,590	124,529,058		124,529,058	118,440,282,648
Nakuru	966,040,527	55,227,446	1,021,267,973	81,210,672		81,210,672	1,102,478,645
Nandi	96,463,404	81,506,757	177,970,161	-		-	177,970,161
Narok	-	764,639,834	764,639,834	-		-	764,639,834
Nyamira	43,333,294	62,718,867	106,052,161	-	36,179,261	36,179,261	142,231,422
Nyandarua	79,081,025	158,447,942	237,528,967	57,634,740		57,634,740	295,163,707
Nyeri	1,986,059	5,406,954	7,393,013	-		-	7,393,013
Samburu	84,901,048	126,077,450	210,978,498	-		-	210,978,498
Siaya	202,659,007	101,250,773	303,909,780	-		-	303,909,780
Taita-Taveta	921,955,832	708,347,293	1,630,303,125	126,221,996		126,221,996	1,756,525,121
Tana River	1,170,296,619	951,046,432	2,121,343,051	-	3,774,893	3,774,893	2,125,117,944
Tharaka-Nithi	408,829,599	218,502,579	627,332,178	113,631,682		113,631,682	740,963,860
Trans Nzoia	483,133,403	799,226,738	1,282,360,141	-		-	1,282,360,141
Turkana	7,555,965	742,302,496	749,858,462	-		-	749,858,462
Uasin Gishu	250,098,396	449,140,094	699,238,490	52,583,699		52,583,699	751,822,188
Vihiga	577,909,066	888,370,981	1,466,280,047	-		-	1,466,280,047
Wajir	1,322,376,590	1,007,941,081	2,330,317,671			-	2,330,317,671
West Pokot	335,407,919	168,037,969	503,445,888	261,592	14,373,500	14,635,092	518,080,980
Total	**142,343,644,876**	**37,524,721,665**	**179,868,366,542**	**1,396,368,166**	**714,767,119**	**2,111,135,285**	**181,979,501,827**

49. In efforts to address the threat of the ballooning pending bills owed by the County Governments, the Senate recommended that all county governments pay all verified pending bills amounting to less than Ksh 1 billion by the end of the FY 2024/25. The Senate further, resolved that:

i) County Governments prepare and submit to the Controller of Budget a payment plan prioritizing payment of pending bills as a first charge on the County Revenue Fund.
ii) The Controller of Budget takes into consideration the efforts made by a County Government to clear inherited pending bills when approving exchequer releases.
iii) County Governments shall only pay pending bills contained in their respective procurement plans.
iv) Supplementary budgets for County Governments are prepared in the third quarter to curb instances of arbitrary re-allocations out of the approved budget estimates.

50. The Controller of Budget will continue to provide regular updates on the progress made on settlement of eligible pending bills. Additionally, County Governments are to provide monthly payment plans for outstanding pending bills which aim at settling the pending bills on a First-In First-Out basis.

Non-remittance of statutory deductions by some County Governments more especially pension contributions, posing a huge challenge to the social security of the pensioners.

51. Data from the Retirement Benefits Authority indicates that as at March 2024, Counties had accumulated a total of Ksh. 90.3 billion in unremitted pension deductions. However, the Council of Governors in their submission to the Senate Select Committee on County Public Investments and Special Funds indicated that the counties owed Ksh 40.5 billion as at March 2023. Owing to the discrepancies in the figures, the Senate directed that a taskforce be established to scrutinize the pension liabilities and propose a roadmap for settling the amounts. The National Treasury is in the process of constituting the taskforce which is expected to complete the verification process within 90 days once gazetted.

Status of Equalisation Fund Disbursements and Project Implementation

52. The Equalisation Fund is established under Article 204 (1) of the Constitution which requires that one half percent (0.5) of the most recent audited revenue received as approved by National Assembly to be paid into the Fund. The objective of the Fund is to bring the quality of basic services including water, roads, health facilities and electricity in marginalized areas to the level generally enjoyed by the rest of the nation as far as possible. The cumulative entitlement to FY 2023/24 to the Fund amounts to Ksh 62.4 billion. A total of Ksh 12.4 billion and Ksh 10.3 billion was appropriated under the first and second Policies identifying marginalise areas Policy. The outstanding arrears to the fund amounts to Ksh 39.7 billion.

53. Under the first marginalization policy, which covered 14 counties, a total of 12.4 billion was appropriated to implement 360 projects in 14 Counties. The Fund has facilitated the completion of 253 projects across 5 sectors. **Table 13** shows a summary of implementation of projects by MDAs.

Table 13: First Marginalization Policy Equalisation Fund Projects as at 31st May, 2024

Implementing MDA	No. of Projects	<50%	50%-74%	75% -89%	90%-100% (Completed)
Ministry of Health	84	15	8	8	53
State Department for Infrastructure, through KERRA	84	16	3	1	64
State Department for Irrigation	30	0	1	10	19
Ministry of Water and Sanitation	127	14	11	9	93
State Department for Technical and Vocational Training	4	4	0	0	0
State Department for Early Learning Basic Education	10	3	0	2	5
Ministry of Energy	20	1	0	0	19
Total	359	53	23	30	253

Source: Equalisation Fund Board

54. The Second Marginalization Policy covering 34 Counties currently being implemented, has appropriated Ksh 10.3 billion being allocation for FY 2021/22 and FY 2022/23. As at the end of May 2024, the Fund had approved 1,249 projects out of the 1,347 projects received. The value of approved projects amounted to Ksh 8.1 billion.

E. Other Intergovernmental Fiscal Relations Matters

a) Transfer of Functions and powers between the National and County Governments

The National Government is committed to ensuring that intergovernmental relations between County Governments and the National Government adhere to Constitutional provisions. Articles 187 of the Constitution outlines the framework for transferring functions and powers between different levels of government. To operationalize this Article, the National Treasury, through an inter-agency taskforce, developed the Public Finance Management (Amendment) Bill, 2023. The object of the bill was to give clear legal guidelines on transfer of functions between the two levels of government. The Cabinet considered and approved the bill on 4th July 2024. The Bill is awaiting consideration by Parliament.

b) Capacity Building County Governments on Public Finance Management

55. Section 12 (1) (j) of PFMA, 2012 mandates the National Treasury to assist county governments to develop their capacity for efficient, effective, and transparent financial management. In this regard, the National Treasury conducted regional trainings on public finance management targeting County Executive in the FY 2023/24. The training focussed on: county budgeting process; Government Financial Statistics 2014; financial reporting; public procurement; and audit and compliance with fiscal responsibility principles. The National Treasury together with other stakeholders, will continue to prioritize the capacity building of county governments to enhance financial management and fiscal relations between the two levels of government.

c) Intergovernmental Agreements in respect of the Additional Conditional Allocations

56. Section 191A-E of the PFM Act 2012 requires the National Treasury to enter into intergovernmental agreements with the County Governments for transfer of conditional allocations. The National Treasury coordinated the formulation of a model Intergovernmental Agreement which was submitted to the county governments for ratification. The stakeholders noted challenges in operationalization of the intergovernmental agreement due to duplication in public participation in the budget processes and potential delay in budget execution. Consequently the stakeholders have petitioned Parliament to consider repealing the Section 191 A-E.

d) Financing of Urban Areas and Cities

57. County governments have established boards for Municipalities and Cities in line with the Urban Areas and Cities Act, 2011. Over the years, financing to Municipal and City Boards have largely relied on support from Kenya Urban Support Programme (KUSP) funded by development partners. A major constraint facing boards of Municipalities and Cities is underfunding due to lack of a criteria to inform the sharing of revenue between Counties and the boards pursuant to the Urban Areas and Cities Act, 2011. This is in spite of the significant contribution by urban areas and cities towards county Own Source Revenues.

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. World Economic Outlook

58. Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023 **(Table 14).** The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. The main risks to the global growth outlook relate to further escalation of geopolitical tensions, interest rates remaining higher-for-even-longer in advanced economies, and policy uncertainty attributed to changes of Government in some major economies. Global inflation has moderated, with central banks in some major economies lowering interest rates. International oil prices have moderated, but the risk premium from the Middle East conflict has increased following the recent escalation.

59. Global economic output showed resilience in the first half of 2024, with modest growth anticipated in 2024 and 2025, mainly due to improving economic activities in the United States, China, and India**.** Global growth was estimated at 3.3 percent for 2023 is projected to continue at the same pace in 2024 and 2025. However, the divergence in output across the countries at the beginning of the year narrowed partly attributed to waning cyclical factors and a better alignment of growth with the potential. Even though global headline inflation concerns are diminishing, core inflation remains persistently high. Financial market conditions have remained stable throughout 2024, reflecting improved global investor sentiment and a softening of labor markets. However, the outlook faces significant downside risks, including escalating conflicts in the Middle East, uncertainties around the US elections, and consistently high interest rates in advanced economies.

Table 14: Global Economic Performance

	Growth (%)			
	Actual	Estimate	Projections	
Economy	**2022**	**2023**	**2024**	**2025**
World	3.5	3.3	3.2	3.3
Advanced Economies	2.6	1.7	1.7	1.8
Of which: USA	*1.9*	*2.5*	*2.6*	*1.9*
Euro Area	*3.4*	*0.5*	*0.9*	*1.5*
United Kingdom	*4.3*	*0.1*	*0.7*	*1.5*
Japan	*1.0*	*1.9*	*0.7*	*1.0*
Emerging and Developing Economies	4.1	4.4	4.3	4.3
Of which: China	*3.0*	*5.2*	*5.0*	*4.5*
India	*7.0*	*8.2*	*7.0*	*6.5*
Sub-Saharan Africa	4.0	3.4	3.7	4.1
Of which: South Africa	1.9	0.7	0.9	1.2
Nigeria	3.3	2.9	3.1	3.0
Kenya*	4.9	5.6	5.2	5.4

*Source: IMF World Economic Outlook, July 2024. *National Treasury Projection*

77. Growth in the advanced economies is projected to remain stable at 1.7 percent in 2024 and 1.8 percent in 2025. Growth in the US has been revised downwards by 0.1 percentage points from the World Economic Outlook (WEO) April projections as consumption moderated and the labor market eased. Growth prospects for the Euro area were revised upwards by 0.1 percentage points following strong momentum in the services sector and higher than expected

net exports in the first half of the year. The Euro area and the UK are projected to grow by 0.9 percent and 0.7 percent, respectively in 2024. In the emerging market and developing economies, growth is projected at 4.3 percent in 2024 and 2025, reflecting stronger activity in Asia particularly China and India. In Sub-Saharan Africa (SSA), economic growth is projected to rise from an estimated 3.4 percent in 2023 to 3.7 percent in 2024 and 4.1 percent in 2025. Growth has been revised downwards by 0.1 percentage points in the April WEO attributed to a weaker growth outlook in Nigeria on account of weaker than expected activity in the first quarter of 2024. Nigeria and South Africa are expected to grow by 3.1 percent and 0.9 percent in 2024, respectively.

78. Global financial conditions remained accommodative boosted by positive corporate valuations. Global headline inflation is expected to fall to 5.9 percent and 4.4 percent in 2024 and 2025, respectively. which is a slower pace due to higher-than-average inflation in services prices. World trade growth is expected to increase 3.1 percent and 3.4 percent in 2024 and 2025, respectively. Annual average oil prices and non-fuel commodity prices are projected to increase by 0.8 percent and 5.0 percent in 2024, respectively.

Kenya's Economic Performance and Outlook

79. The Kenyan economy is currently unwinding from the effects of negative and persistent global and domestic shocks that had pushed the economy to its lowest activity level. These shocks included COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices, and led to a rapid depreciation of the Kenya Shilling exchange rate, pilling pressure on public debt.

80. Various government interventions, structural reforms and policies have supported economic recovery. The economy grew by 5.6 percent in 2023 from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. The performance of the industrial sector, particularly manufacturing which has remained subdued. This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023 **(Table 13).**

81. The primary sector grew by 5.0 percent in the first quarter of 2024 compared to a growth of 5.3 percent in the first quarter of 2023. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter of 2024 compared to a growth of 6.4 percent in a similar quarter in 2023 **(Table 15).** The performance was evident in the significant increase in production of tea, milk and sugarcane during the quarter under review. Mining and Quarrying sub-sector contracted by 14.8 percent in the first quarter of 2024 compared to a contraction of 11.0 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium, soda ash and gemstone.

Table 15: Sectoral GDP Performance

Sectors	Annual Growth Rates		Quartely Growth Rates	
	2022	2023	2023 Q1	2024 Q1
1. Primary Industry	**(0.8)**	**5.6**	**5.3**	**5.0**
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	6.1
1.2 Mining and Quarrying	9.3	(6.5)	(11.0)	(14.8)
2. Secondary Sector (Industry)	**3.5**	**2.5**	**2.5**	**1.1**
2.1. Manufacturing	2.6	2.0	1.7	1.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.4
2.3. Construction	4.1	3.0	3.0	0.1
3. Tertiary sector (Services)	**6.6**	**6.8**	**6.5**	**6.2**
3.1. Wholesale and Retail trade	3.5	2.7	2.9	4.9
3.2. Accomodation and Restaurant	26.8	33.6	47.1	28.0
3.3. Transport and Storage	5.8	6.2	6.6	3.8
3.4. Information and Communication	9.0	9.3	9.5	7.8
3.5. Financial and Insurance	12.0	10.1	5.9	7.0
3.6. Public Administration	5.1	4.6	7.6	5.8
3.7. Others	5.3	6.1	5.7	5.9
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.9
Real Estate	4.5	7.3	7.3	6.6
Education	5.2	3.1	2.0	4.0
Health	3.4	4.9	5.1	5.5
FISIM	0.2	2.7	0.6	5.8
Taxes less subsidies	6.7	2.2	3.0	4.7
Real GDP	**4.9**	**5.6**	**5.5**	**5.0**

Source of Data: Kenya National Bureau of Statistics

82. **Industrial sector performance** remained subdued, with growth of the sector slowing down to 1.1 percent in the first quarter of 2024 from a growth of 2.5 percent in a similar quarter of 2023. This was mainly on account of a slowdown in activities in all its sub-sectors i.e. the manufacturing, electricity& water supply and construction subsectors.

83. The Manufacturing sub-sector grew by 1.3 percent in the first quarter of 2024 compared to 1.7 percent growth in the corresponding quarter of 2023. In the manufacture of food products, growth was supported by tea and dairy processing inspite of the decline in the production of soft drink. In addition, the production of cement declined in the review period.. The Electricity and water supply sub-sector also recorded a decelerated growth of 2.4 percent in the first quarter of 2024 compared to a growth of 3.7 percent in the corresponding quarter of 2023 supported by an increase in hydroelectric power generation and a decrease in thermal power generation . . Activities in the construction sub-sector similarly registered a decelerated growth of 0.1 percent compared to 3.0 percent growth recorded in the first quarter of 2023. The slowdown in the construction sub-sector was reflected in the decline in the volume of cement consumption and imported bitumen. However, the volume of iron and steel imported increased during the review period.

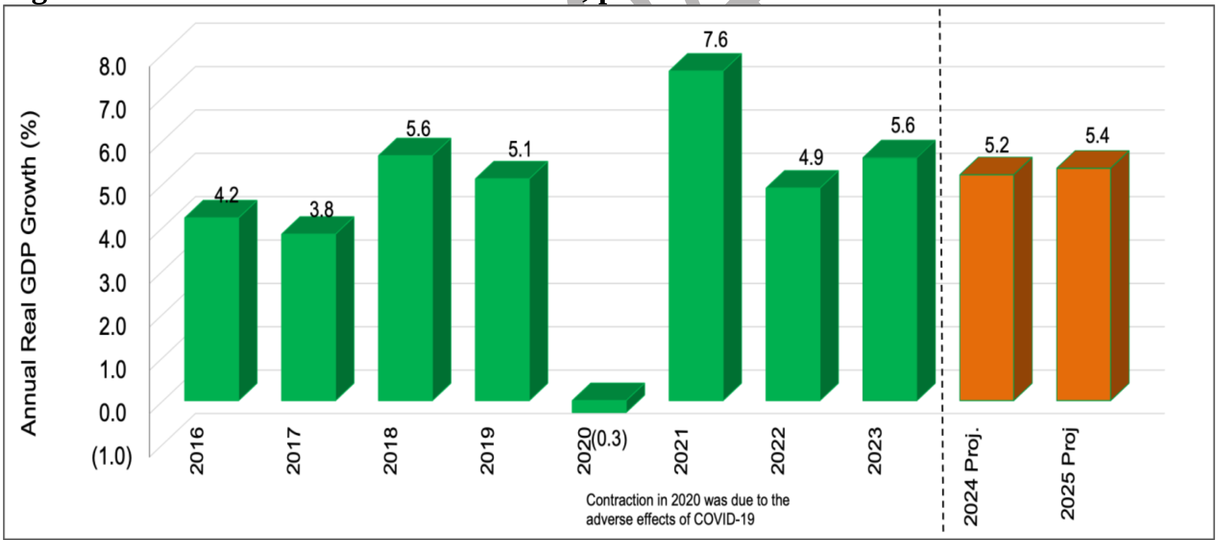
84. The activities in the **services sector** continued to sustain strong growth momentum in the first quarter of 2024 and grew by 6.2 percent compared to a growth of 6.5 percent in a similar period in 2023. The performance was largely characterized by significant growths in accommodation and food service, financial and insurance, information and communication, real estate, and wholesale and retail trade sub-sectors. Accommodation and food service activities reflected post COVID recovery inspite of the lingering effects of the pandemic.. Consequently,

the sub-sector grew by 28.0 percent in the first quarter of 2024 compared to a growth of 47.1 percent recorded in the corresponding quarter of 2023.

85. Financial and insurance sub-sector sector grew by 7.0 percent in the first quarter of 2024 compared to 5.9 percent in the corresponding quarter of 2023 on account of increased profitability of the subsector. The information and communication subsector grew by 7.8 percent compared to a growth of 9.5 percent, over the same period supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs). Activities in Transportation and Storage sub-sector slowed down to record a growth of 3.8 percent in the first quarter of 2024 compared to a growth of 6.6 percent in a corresponding period in 2023. The growth in the sub-sector was mainly supported by increased activities in Port throughput and an increase in the number of international passenger arrivals and departures.

86. Available economic indicators for the first half of 2024 point to mixed performance in the economy reflecting sustained performance in agriculture, improved exports and services sector and subdued industrial sector.. In view of this and other consideration including domestic and external factors, economic growth is projected at 5.2 per cent in 2024 and 5.4 per cent from earlier projections of 5.5 per cent, respectively. This projections are underpinned by broad-based private sector growth and ongoing Government interventions and strategies under the Bottom Up Economic Transformation Agenda (BETA). Additionally, implementation of prudent fiscal and monetary policies will continue to support economic activity **(Figure 9).**

Figure 9: Annual Real GDP Growth Rates, percent



Source of Data: Kenya National Bureau of Statistics

Inflation Developments

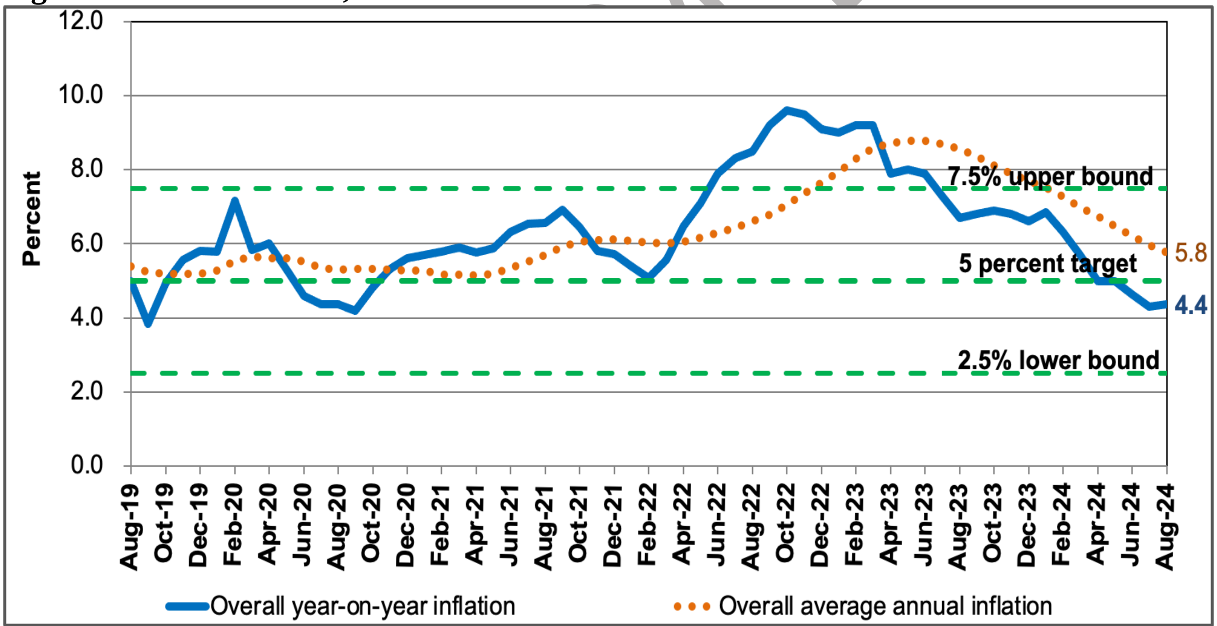
87. The overall year-on year inflation is within the Government target range of 5±2.5 percent largely driven by easing food and fuel prices. Overall inflation remained stable at 4.4 percent and 4.3 percent in August and July 2024, respectively , thereby remaining below the mid-point of the target for three consecutive months.. This is a drop from 6.7 percent in August 2023, and a peak of 9.6 percent in October 2022 **(Figure 10).** Favourable weather conditions coupled with targeted government interventions have partly led to the reduction in the cost of food production thereby lowering food inflation. Other factors expected to support low inflation include the pass-through effects of the strengthening exchange rate, decreases in electricity and pump prices and the CBK monetary policy stance.

88. To anchor inflation expectations and address exchange rate pressures, the Central Bank of Kenya through the Monetary Policy Committee (MPC) tightened the monetary policy by raising the Central Bank Rate (CBR) from 10.5 percent in July 2023 to 13.0 percent in February 2024. However, in the MPC meeting held on August 6, 2024, the Committee decided to lower the CBR to 12.75 per cent as the previous measures had contributed to lowering overall inflation to below the mid-point of the target range, stabilized the exchange rate, and anchored inflationary expectations.

89. Food inflation remained a key driver of overall year-on-year inflation though it declined to 5.3 percent in August 2024 from 7.5 percent in August 2023. The easing of food prices was supported by increased food supply arising from favorable weather conditions, continued Government interventions particularly through subsidized fertilizer, and the general easing of international food prices. Prices of most vegetable food items increased in the month of August 2024 compared to the same period in 2023 while those of non-vegetable food items declined during the same period.

90. Fuel inflation declined to 4.7 percent in August 2024 from 14.2 percent in August 2023. The decline largely reflecting the easing global oil prices and appreciation of the Kenya Shilling's which resulted in a downward adjustment of pump prices; and lower electricity prices. Core (non-food non-fuel) inflation has remained low and stable reflecting the impact of tight monetary policy and muted demand pressures.

Figure 10: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

Monetary and Credit Developments

91. Broad money supply, M3, grew by 6.0 percent in the year to June 2024 compared to a growth of 13.4 percent in the year to June 2023 **(Table 16).** The slowdown in growth of M3 was due to a decline in the growth of Net Domestic Assets (NDA) particularly the domestic credit. The primary source of the growth in M3 was an improvement in the Net Foreign Assets (NFA) of the banking system. The NFA of the banking system in the year to June 2024 expanded by 53.2 percent compared to a growth of 29.5 percent in the year to June 2023. The increase in Net Foreign Assets, mainly reflected an increase in commercial banks' Foreign Assets.

92. Net Domestic Assets (NDA) contracted by 0.2 percent in the year to June 2024, compared to a growth of 11.5 percent over a similar period in 2023. The slowdown in growth of the NDA reflects a decline in growth of the domestic credit to both the Government and the private sector. The domestic credit extended by the banking system to the Government decreased to a growth of 7.9 percent in the year to June 2024 compared to a growth of 13.0 percent in the year to June 2023. Lending to other public sectors grew by 1.5 percent compared to a contraction of 0.5 percent over the same period.

Table 16: Money and Credit Developments (12 Months to June 2024, Ksh billion)

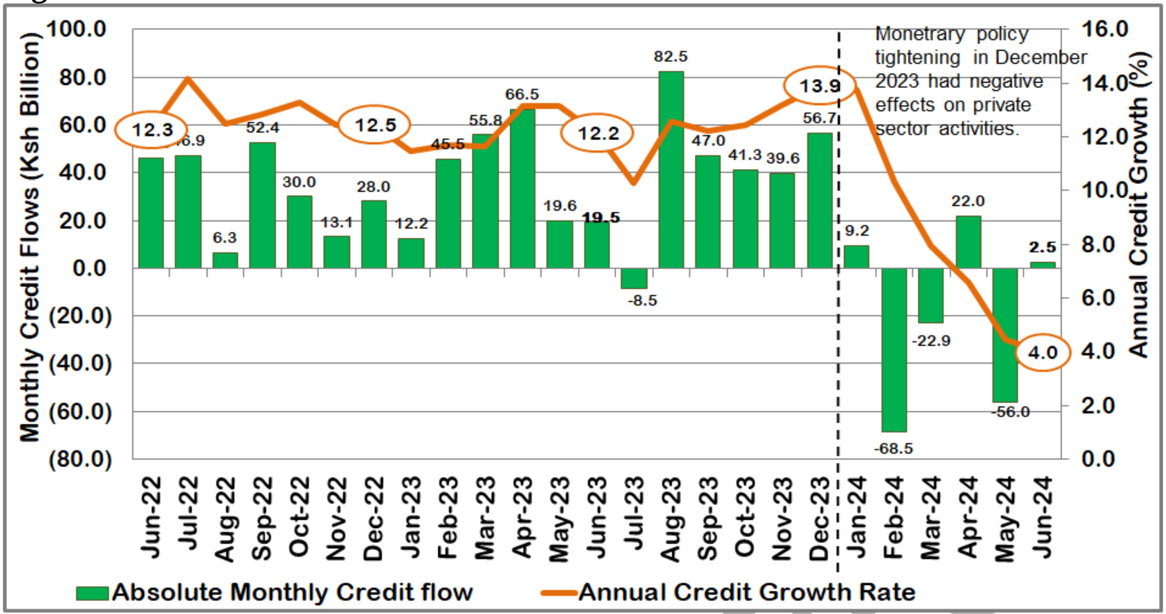
				Change		Percent Change	
	2022 June	**2023 June**	**2024 June**	**2022-2023 June**	**2023-2024 June**	**2022-2023 June**	**2023-2024 June**
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,906.8	2,098.2	2,023.8	191.4	(74.4)	10.0	(3.5)
1.1 currency outside banks (M0)	251.4	257.9	274.2	6.5	16.3	2.6	6.3
1.2 Demand deposits	1,552.0	1,680.7	1,572.9	128.7	(107.8)	8.3	(6.4)
1.3 Other deposits at CBK	103.5	159.6	176.8	56.2	17.2	54.3	10.7
2. Money supply, M2 (1+2.1)	3,551.5	3,852.2	4,001.8	300.7	149.6	8.5	3.9
2.1 Time and savings deposits	1,644.7	1,754.0	1,978.0	109.3	224.0	6.645	12.8
Money supply, M3 (2+3.1)	**4,443.0**	**5,037.4**	**5,341.5**	**594.4**	**304.1**	**13.4**	**6.0**
3.1 Foreign currency deposits	891.5	1,185.2	1,339.7	293.7	154.5	32.9	13.0
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**456.8**	**591.5**	**905.9**	**134.6**	**314.4**	**29.5**	**53.2**
1.1 Central Bank	641.5	616.9	479.2	(24.6)	(137.7)	(3.8)	(22.3)
1.2 Banking Institutions	(184.7)	(25.4)	426.7	159.3	452.1	86.2	1,780.1
2. Net domestic assets (2.1+2.2)	**3,986.2**	**4,445.9**	**4,435.6**	**459.7**	**(10.3)**	**11.5**	**(0.2)**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,185.8	5,820.2	6,130.3	634.4	310.1	12.2	5.3
2.1.1 Government (net)	1,844.8	2,083.9	2,247.8	239.2	163.9	13.0	7.9
2.1.2 Other public sector	84.1	83.7	84.9	(0.4)	1.3	(0.5)	1.5
2.1.3 Private sector	**3,256.9**	**3,652.6**	**3,797.5**	**395.7**	**144.9**	**12.2**	**4.0**
2.2 Other assets net	(1,199.6)	(1,374.3)	(1,694.7)	(174.7)	(320.4)	(14.6)	(23.3)

Source of Data: Central Bank of Kenya

93. Growth in private sector credit from the banking system slowed to 4.0 percent in the year to June 2024 compared to a growth of 12.2 percent in the year to June 2023, reflecting the impact of exchange rate appreciation on foreign currency denominated loans and monetary policy tightening. Reduced credit growth was observed in manufacturing, trade (exports) and building and construction. These are some of the sectors with significant foreign currency denominated loans

94. The Monthly (month on month) credit flows to the private sector have slowed down since December 2023 following the monetary policy action of increasing the central bank rate to manage inflation expectation which resulted in the increased cost of credit **(Figure 11).** Sustained demand particularly for working capital due to resilient economic activity, the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs and the projected economic growth for 2024 will continue to support private sector credit uptake.

Figure 11: Private Sector Credit

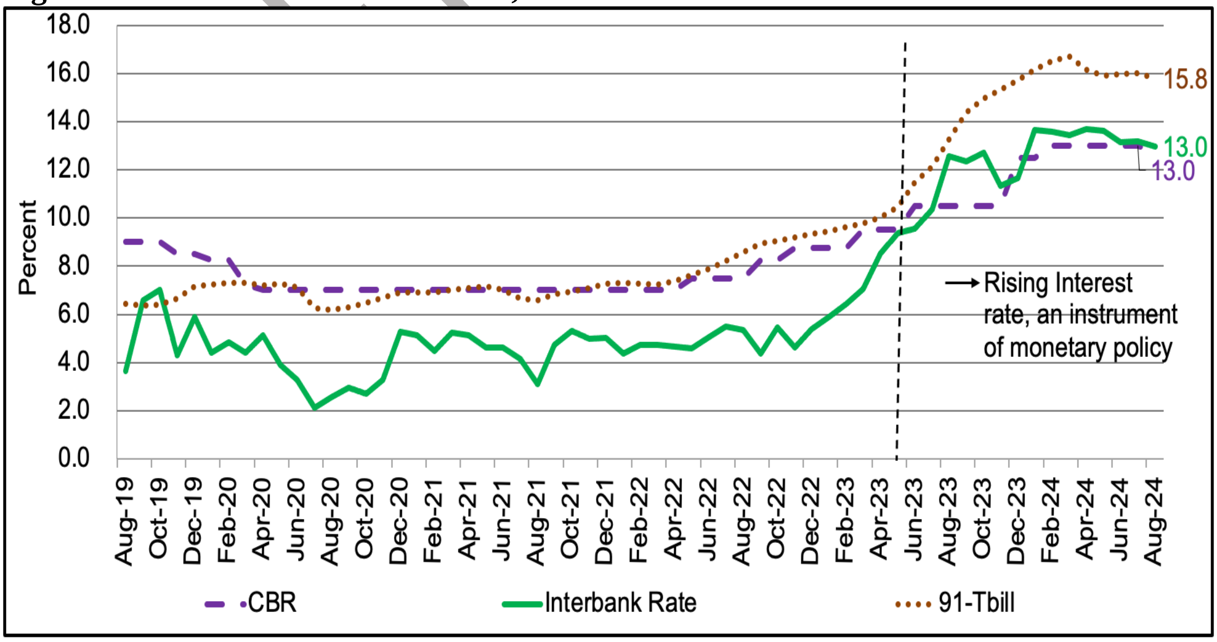


Source of Data: Central Bank of Kenya

Interest Rates Developments

95. Interest rates in the year to August 2024 increased reflecting the tight monetary policy stance. The interbank rate increased to 12.97 percent in August 2024 compared to 10.48 percent in August 2023 and has remained within the prescribed corridor around the CBR (set at CBR± 150 basis points) (**Figure 12**). The 91-day Treasury Bills rate increased to 15.8 percent in August 2024 compared to 13.3 percent in August 2023 while the 182-day Treasury Bills rate also increased to 16.7 percent from 13.2 percent over the same period. The 364-day Treasury Bills rate increased to 16.9 percent in August 2024 from 13.6 percent in August 2023. This has increased the cost of borrowing by Government from the domestic market.

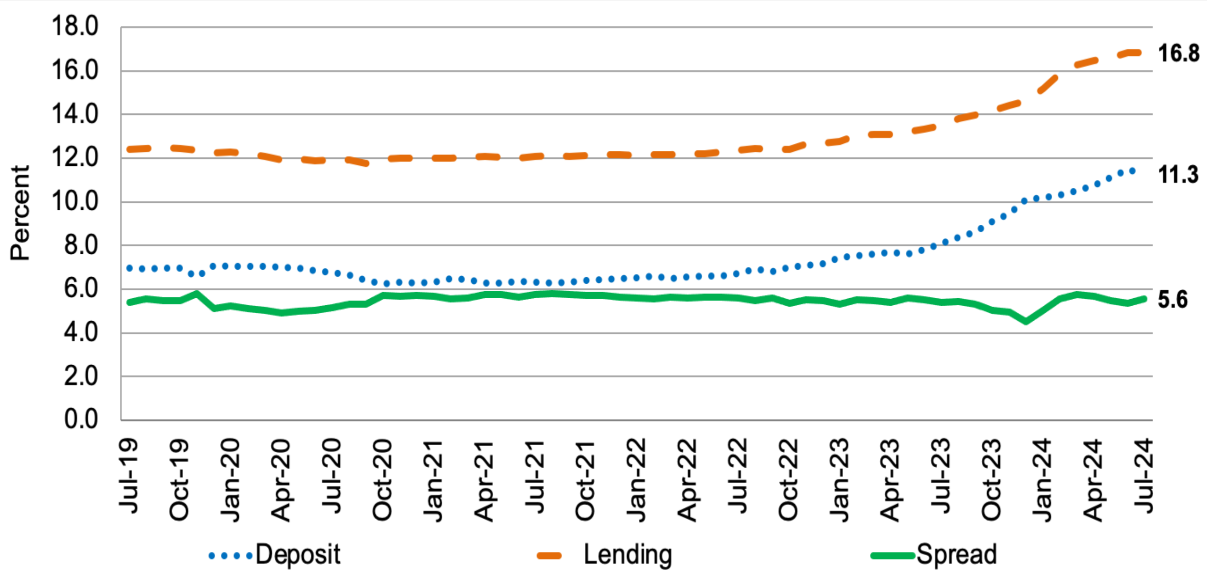
Figure 12: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

96. Commercial banks average lending and deposit rates increased in the year to July 2024 in tandem with the tightening of the monetary policy stance thereby reflecting high cost of investable funds. The average lending rate increased to 16.8 percent in July 2024 from 13.8 percent in July 2023 while the average deposit rate increased to 11.3 percent from 8.4 percent over the same period. Consequently, the average interest rate spread decreased to 5.6 percent in July 2024 from 5.4 percent in July 2023 **(Figure 13).**

Figure 13: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

External Sector Developments

97. The current account deficit narrowed to USD 4,091.3 million (3.2 percent of GDP) in June 2024 compared to USD 4,840.9 million (4.5 percent of GDP) in June 2023 reflecting lower imports, strong performance of export of goods and services as well as increased remittances (**Table 17**). Goods exports increased by 5.0 percent in the 12 months to June 2024 compared to a similar period in 2023, reflecting increased exports of agricultural commodities and re-exports. Goods imports declined by 3.3 percent in the 12 months to June 2024 compared to a similar period of 2023, reflecting lower imports across all categories, except sugar, machinery and transport equipment, crude materials, and miscellaneous manufactures. In this respect, the balance in the merchandise account improved by USD 961.1 million to a deficit of USD 9,887.8 million in June 2024. Remittances increased by 12.9 percent to USD 4,536 million in the 12 months to June 2024 compared to USD 4,017 million in a similar period in 2023. Tourist arrivals improved by 27.2 percent in the 12 months to June 2024 compared to a similar period in 2023.

Table 17: Balance of Payments (USD Million)

				Year to June 2024		Actuals as a Percent of GDP	
	Jun-22	Jun-23	Jun-24	Change	Percent Change	Jun-23	Jun-24
Overall Balance	**1,542.9**	**1,096.5**	**657.6**	**(438.8)**	**(40.0)**	**1.0**	**0.5**
A) Current Account	**(5,876.6)**	**(4,840.9)**	**(4,091.3)**	**749.6**	**15.5**	**(4.5)**	**(3.2)**
Merchandise Account (a-b)	(12,144.0)	(10,849.0)	(9,887.8)	961.1	8.9	(10.1)	(7.7)
a) Goods: exports	7,153.6	7,295.2	7,660.3	365.1	5.0	6.8	6.0
b) Goods: imports	19,297.5	18,144.2	17,548.1	(596.1)	(3.3)	16.9	13.7
Net Services (c-d)	1,482.8	1,089.7	516.3	(573.5)	(52.6)	1.0	0.4
c) Services: credit	6,136.7	6,452.2	5,050.4	(1,401.8)	(21.7)	6.0	3.9
d) Services: debit	4,653.9	5,362.5	4,534.1	(828.3)	(15.4)	5.0	3.5
Net Primary Income (e-f)	(1,605.0)	(1,880.6)	(1,908.4)	(27.8)	(1.5)	(1.7)	(1.5)
e) Primary income: credit	163.1	164.3	240.6	76.3	46.4	0.2	0.2
f) Primary income: debit	1,768.1	2,044.8	2,148.9	104.1	5.1	1.9	1.7
Net Secondary Income	6,389.7	6,798.9	7,188.7	389.8	5.7	6.3	5.6
g) Secondary income: credit	6,512.4	6,883.3	7,250.8	367.5	5.3	6.4	5.6
h) Secondary income: debit	122.8	84.4	62.1	(22.3)	(26.4)	0.1	0.0
B) Capital Account	**160.7**	**125.8**	**138.5**	**12.8**	**10.2**	**0.1**	**0.1**
C) Financial Account	**(4,394.7)**	**(3,420.4)**	**(2,817.1)**	**603.3**	**17.6**	**(3.2)**	**(2.2)**

Source of Data: Central Bank of Kenya

98. The capital account balance improved by USD 12.8 million to register a surplus of USD 138.5 million in June 2024 compared to a surplus of USD 125.8 million in the same period in 2023. Net financial inflows declined to USD 2,817.1 million in June 2024 compared to USD 3,420.4 million in June 2023 reflecting a slowdown in inflows to the government and other sectors. However, portfolio investments and financial derivatives registered a net outflow during the period partly due to Kenya's limited access to international financial markets owing to elevated borrowing costs.

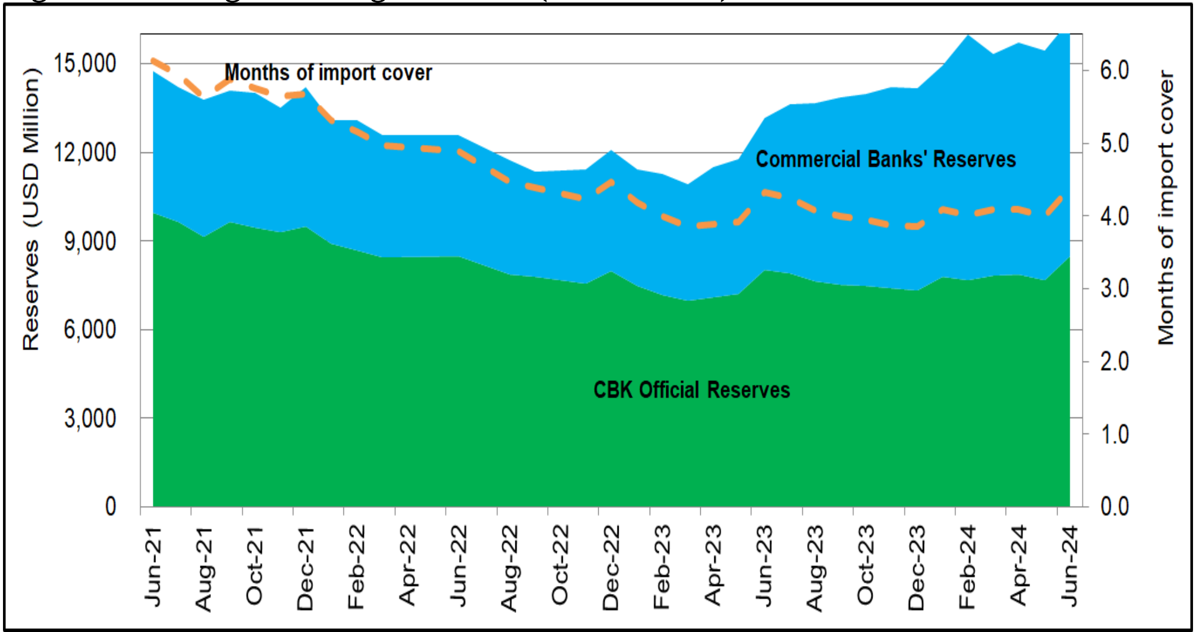
99. The overall balance of payments position slowed down to a surplus of USD 657.6 million (0.5 percent of GDP) in June 2024 from a surplus of USD 1,096.5 million (1.0 percent of GDP) in June 2023.

Foreign Exchange Reserves

100. The banking system's foreign exchange holdings remained strong at USD 16,438.0 million in June 2024, an improvement from USD 13,165.6 million in June 2023. The official foreign exchange reserves held by the Central Bank stood at USD 8,462.7 million compared to USD 8,036.7 million over the same period in 2023 **(Figure 14).** Commercial banks holdings increased to USD 7,975.3 million in June 2024 from USD 5,128.8 million in June 2023.

101. The CBK foreign exchange reserves remained adequate. Official foreign exchange reserves stood at USD 7,349 million (3.8 months of import cover as at end August 2024) and continue to provide adequate buffer against short-term shocks in the foreign exchange market.

Figure 14: Foreign Exchange Reserves (USD Million)



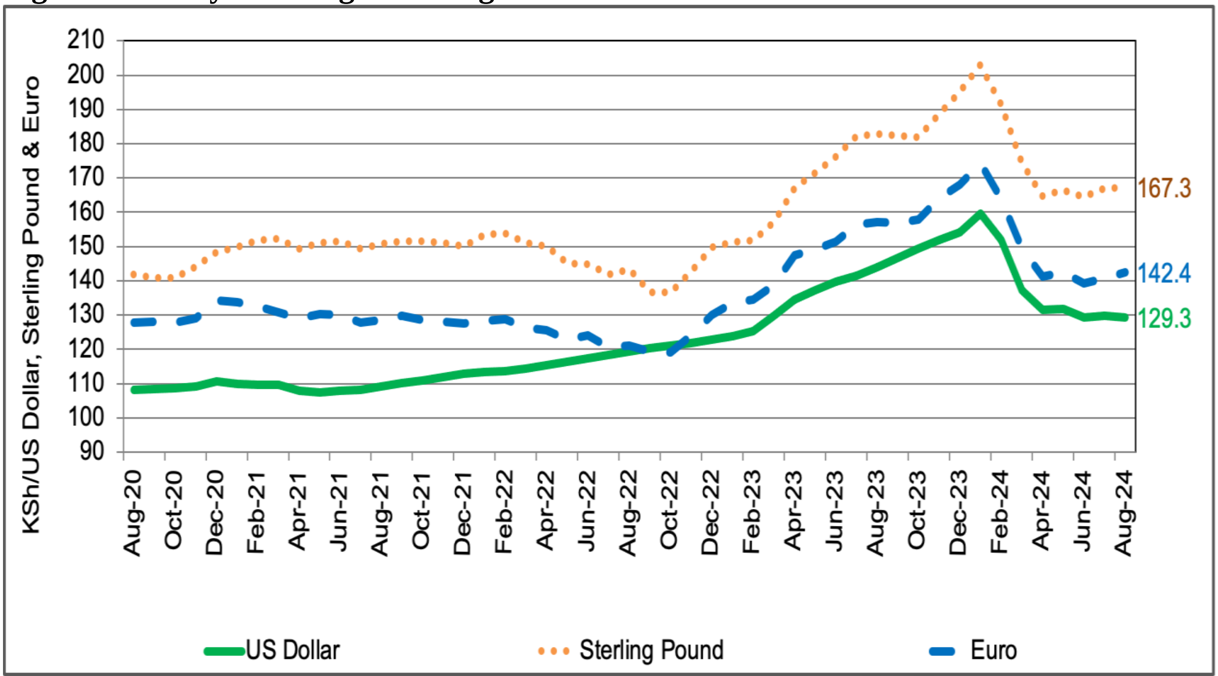
Source of Data: Central Bank of Kenya

Exchange Rate Developments

102. The foreign exchange market remained stable in the first half of 2024 despite increased global uncertainties, effects of a stronger U.S. Dollar and geopolitical tensions in the Middle East. The Kenya Shilling exchange rate was weaker at the turn of the year but strengthened against the U.S. Dollar from mid-February 2024 through August 2024. It strengthened by 10.15 per cent, 8.55 per cent and 9.55 per cent against the US Dollar, Sterling Pound, and the Euro, respectively in August 2024 compared to a similar period in 2023. It exchanged at an average of Ksh 129.32 per US dollar in August 2024 compared with Ksh 143.93 per US dollar in August 2023. Similarly, the Kenya Shilling underperformed in all EAC regional currencies over the period under consideration. The foreign exchange market was mainly supported by inflows from agricultural exports, remittances and portfolio investors while demand was driven by pickup in economic activities specifically in the manufacturing, wholesale, and retail sectors **(Figure 15).**

103. Through the repayment of the 2024 Eurobond, the Government successfully lowered investor uncertainty and improved the financial markets perception. The appreciation and stability of the exchange rate has created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. This appreciation has helped to reduce debt service costs, improve performance of domestic borrowing and stabilize interest rates.

Figure 15: Kenya Shillings Exchange Rate

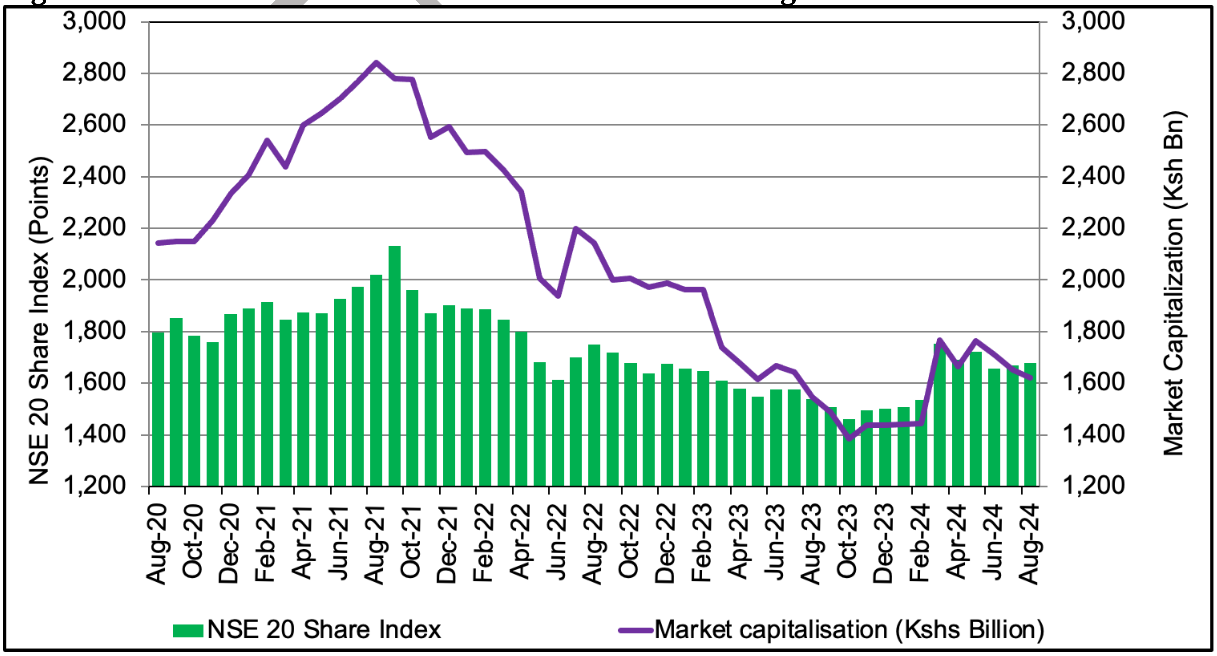


Source of Data: Central Bank of Kenya

Capital Markets Developments

104. Economic recovery, appreciation of the Kenya Shilling against major international currencies and macroeconomic stability have created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. The NSE 20 Share Index improved to 1,678 points in August 2024 compared to 1,540 points in August 2023 while market capitalization also improved to Ksh 1,620 billion from Ksh 1,545 billion over the same period **(Figure 16).**

Figure 16: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

B. Kenya’s Macroeconomic Outlook

105. Kenya’s economic performance is projected to remain stable over the medium term **(Table 18 in calendar years and Annex Table 1 in fiscal years).** Growth is expected to moderate from 5.6 percent in 2023 to a forecast of 5.2 percent in 2024 and 5.4 percent in 2025. The growth in 2024 and 2025 will benefit from the enhanced agricultural productivity and a resilient services sector. The rebound in Kenya's agricultural sector is expected to be largely driven by favourable weather conditions and productivity-enhancing government interventions. The industrial sector will see growth primarily in manufacturing largely reflecting reduction in costs of production and easing of exchange rate pressures; and in construction partly attributed to increased public spending on affordable housing. The services sector is expected to remain resilient, with ICT reforms boosting growth in financial services, health, and public administration. However, increased uncertainties in both the external and domestic environments, such as the escalation of geopolitical tensions and potential disruptions in supply chain networks, could negatively impact commodity markets and slow down this potential growth.

106. On the demand side, aggregate domestic demand is expected to remain resilient even as public sector consolidates with the private sector playing a stronger role in Kenya’s medium-term recovery. Bumper agricultural harvests, moderate inflation, a recovery in employment, and modest growth of credit to private sector will support growth in private consumption. Moreover, remittance inflows to Kenya are projected to remain resilient, providing further support to household incomes. Private consumption is expected to complement moderate government consumption in the context of fiscal consolidation.

107. Private investment will be supported by measures aimed at improving competitiveness, inclusivity, market efficiency, positive business sentiment, access to the international market, and projected FDI inflows. Investment will also benefit from an increased focus on Public Private Partnerships (PPPs), following the near completion of the harmonization of the Public Investment Policy, which will align PPP and Public Investment Management frameworks. In the medium term, the Government targets PPP investments in key economic sectors to complement its development agenda. These sectors include Agriculture, Roads and Transport, Urban Development and Housing, Energy, Water, Information, Communication Technologies (ICT), and Health. The PPPs are also expected to partly fill the investment financing gap in the wake of ongoing fiscal consolidation efforts which would reduce government domestic borrowing and lower yields on government securities.

108. Government consumption and investments are expected to slowdown in 2024 and 2025 due to the ongoing growth friendly fiscal consolidation efforts. However, the development will be complimented with private sector investments in commercially viable development projects. Growth over the medium term will also be driven by sustained Government investments in the Bottom Up Economic Transformation Agenda. 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). Government interventions towards climate change adaptation and mitigation measures that include rehabilitation of wetlands and reforestation are expected to support growth over the medium term.

109. Kenya’s external position is expected to remain supportive of macroeconomic stability. Overall, the current account deficit is expected to be stable in the medium term. Exports are expected to recover, both from improvements in the global and regional trade outlook, and domestic conditions. Exports are expected to benefit from the ongoing implementation of trade agreements such as regional economic communities and the AfCFTA. Increased remittance

inflows and tourism receipts are expected to further provide foreign exchange buffer. Imports are expected to grow as domestic demand recovers, particularly of raw materials, fuels, and intermediate goods, consistent with investment growth and the stability in the foreign exchange market.

Monetary Policy Management

110. The monetary policy stance over the medium term will aim at achieving and maintaining overall inflation within the target range of 5±2.5 percent while maintaining a competitive exchange rate and stable interest rates. The flexible margin of 2.5 percent on either side of the inflation target is to cater for effects of external and domestic shocks and recurrence of extreme weather events that not only affect economic activities but also pose major fiscal risk. Maintaining the inflation rate at this level will help preserve macroeconomic stability and reduce undesirable fluctuations in economic performance. The targeted inflation will be supported by muted demand pressures consistent with prudent monetary policy and easing of domestic and global food and oil prices coupled with Government measures to lower cost of production.

111. The ongoing implementation of reforms to modernize Monetary Policy Framework and Operations continues to enhance monetary policy transmission and improve distribution of liquidity in the interbank market. In particular, the introduction of the interest rate corridor, currently set at CBR ± 250 basis points, has ensured that the interbank rate (operating target), closely tracks the CBR. The reduction of the applicable interest rate to the Discount Window from the current 600 basis points above CBR to 400 basis points above CBR has improved access to the Window. In addition, the width of the interest rate corridor was narrowed to ± 150 basis points in June 2024, and the discount window lowered from 400 basis points above CBR to 300 basis points to further enhance efficiency in the interbank market and strengthen alignment of the policy rate with the interbank rate. The Central Bank of Kenya has recently undertaken the following major reforms in the operation of the interbank foreign exchange market:

i) Introduction of electronic matching systems (EMS) in the interbank market;
ii) Requirement of maximum spread of 20 cents on indicative quotes in the interbank market removed; and
iii) The CBK published exchange rate is now a weighted average rate of all interbank transactions executed the previous day. Previously, the published rate was based on the indicative rate provided by selected major players in the interbank market.

112. Additionally, the implementation of the DhowCSD, an upgraded Central Securities Depository infrastructure, has greatly enhanced efficiency in investment in Government Securities. The DhowCSD also continues to improve the functioning of the interbank market by facilitating collateralized lending amongst commercial banks and further reducing segmentation in the interbank market.

Table 18: Kenya's Macroeconomic Indicators and Projections

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Act	Act	Act	Act.	Est.	Suppl. 1 Budget Estimates	Proj.	Proj.	Proj.	Proj.
annual percentage change, unless otherwise indicated										
National Account and Prices										
Real GDP	-0.3	7.6	4.9	5.6	5.2	5.4	5.4	5.4	5.4	5.4
Primary Sector	4.7	0.5	-0.8	5.6	4.5	3.5	3.8	3.7	3.8	3.9
- of which: Agricuture	4.6	-0.4	-1.5	6.5	5.1	4.0	3.9	3.8	3.9	4.0
SecondarySector	3.2	6.8	3.5	2.5	1.9	2.7	2.8	3.0	3.1	3.3
Services Sector	-1.8	9.6	6.6	6.8	6.3	6.6	6.9	6.9	6.8	6.7
GDP deflator	4.9	4.3	7.0	6.1	5.1	5.4	4.6	4.6	5.1	5.0
CPI Index (eop)	5.6	5.7	9.1	6.6	5.1	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.3	6.1	7.6	7.7	5.1	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-5.3	-2.2	0.7	-3.3	1.7	2.4	2.0	3.0	3.4	3.9
Money and Credit (end of period)										
Net domestic assets	15.9	15.2	7.5	5.6	10.4	9.3	9.3	9.8	9.3	9.9
Net domestic credit to the Government	26.7	18.9	10.3	6.3	5.4	5.8	5.5	4.8	4.0	6.3
Credit to the rest of the economy	10.1	12.2	7.8	5.7	10.0	12.3	12.0	11.7	10.5	13.2
Broad Money, M3 (percent change)	6.9	10.5	9.5	9.2	11.3	10.5	10.5	10.7	10.7	10.7
Reserve money (percent change)	10.5	4.0	6.0	8.5	5.2	10.4	10.4	10.6	10.6	10.6
in percentage of GDP, unless otherwise indicated										
Investment and Saving										
Consumption	**88.9**	**87.6**	**87.9**	**88.9**	**92.7**	**90.7**	**90.1**	**89.7**	**89.6**	**88.2**
Central Government	12.5	12.1	12.2	11.9	13.0	12.0	11.7	11.6	11.4	11.1
Private	75.4	74.6	74.9	76.2	79.0	78.1	77.8	77.6	77.7	76.7
Gross Fixed Capital Investment	**19.7**	**20.4**	**19.1**	**16.4**	**16.9**	**16.0**	**16.4**	**16.3**	**16.4**	**16.3**
Central Government	6.5	5.6	4.8	4.3	4.2	4.1	4.3	4.4	4.4	4.4
Private	13.2	14.8	14.3	12.0	12.7	11.9	12.1	11.9	11.9	11.9
Gross National Saving	**14.5**	**16.7**	**14.0**	**11.2**	**12.9**	**12.3**	**12.5**	**12.4**	**12.6**	**12.4**
Central Government	-3.3	-4.4	-4.1	-3.0	-4.7	-3.6	-3.1	-2.6	-2.2	-2.0
Private	17.7	21.1	18.1	14.3	17.7	15.9	15.6	15.0	14.8	14.4
Exports value, goods and services	9.6	10.8	12.2	11.7	11.1	10.7	10.5	10.3	9.7	10.0
Imports value, goods and services	17.6	20.1	21.5	20.4	18.8	17.9	17.4	16.8	16.1	14.9
Current Account Balance	-5.2	-3.6	-5.0	-5.1	-4.0	-3.7	-3.9	-3.9	-3.8	-3.9
Gross reserves in months of next yr's imports	4.5	4.6	4.3	3.6	3.9	4.0	4.0	4.0	4.2	4.0
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	4.3	4.3
Central Government Budget										
Total revenue	16.5	16.0	17.2	16.5	16.8	16.9	17.1	17.2	17.5	17.7
Total Expenditure and Net Lending	24.4	24.6	23.7	22.5	22.4	21.5	20.8	20.7	20.6	20.4
Overall Fiscal Balance excl. Grants	-7.9	-8.6	-6.5	-6.1	-5.6	-4.5	-3.7	-3.5	-3.1	-2.7
Overall Fiscal Balance, incl. Grants	-7.7	-8.3	-6.2	-5.9	-5.5	-4.3	-3.5	-3.3	-2.8	-2.4
Overall Fiscal Balance, incl. Grants, Cash Basis	-7.6	-8.3	-6.2	-5.6	-5.2	-4.3	-3.5	-3.3	-2.8	-2.4
Primary Budget Balance	-3.4	-3.9	-1.6	-0.8	0.0	1.3	2.0	1.9	2.2	2.7
Public debt										
Nominal Central Government Debt (eop), Gross	68.4	67.6	71.9	65.6	62.8	60.2	57.8	55.0	52.1	49.3
Nominal Debt (eop), Net of Deposits	63.4	64.4	68.5	62.3	59.8	57.5	55.4	52.8	50.2	47.5
Domestic (Gross)	32.8	33.9	33.8	33.6	32.3	31.8	31.2	30.4	29.1	27.7
Domestic (Net)	27.9	30.7	30.4	30.3	29.3	29.1	28.9	28.2	27.2	25.9
External	35.5	33.7	38.1	32.0	30.5	28.4	26.5	24.6	23.0	21.6
Memorandum Items:										
Nominal GDP (in Ksh Billion)	10,715	12,028	13,490	15,109	17,103	18,993	20,950	23,150	25,643	28,389
Nominal GDP (in US$ Million)	100,658	109,697	114,450	108,037	128,538	147,161	161,394	179,494	198,565	219,561

Source: The National Treasury

Risks to the economic outlook

113. Kenya's growth outlook portrays a stable macroeconomic environment in the medium term. However, there are downside risks to this macroeconomic outlook emanating from domestic as well as external sources. External risks include further escalation of geopolitical tensions – particularly the wars in the Middle East and Ukraine; potential worsening of supply disruptions due to the shipping crisis in the Red Sea and Suez Canal, which could result in higher import and production costs; and uncertainty about the evolution of international oil prices. Internally, extreme weather (drought or floods) could weaken agricultural output, lead to destruction of capital, increase food insecurity and lead to a surge in cases of water-borne diseases.

114. Lower than anticipated global economic growth and particularly in major exports destination could reduce Kenya's exports, tourism receipts, and remittances growth, while increase in global fuel prices could increase Kenya's imports bill. Tight global financial conditions arising from lower-than-expected return of global inflation to target levels could aggravate Kenya's vulnerabilities towards meeting external financing requirements. However, the government's commitment to fiscal consolidation and prioritizing concessional borrowing is expected to mitigate this risk.

115. The upside risk to the domestic economy relate to fast-tracked implementation of structural reforms under BETA and the Fourth Medium-Term Plan (MTP) IV. Early normalization in global financing conditions and lower international fuel and food prices 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. Continued coordination between monetary and fiscal policies are expected to result to a stable macroeconomic conditions which is a necessary condition for investment and savings thereby promoting economic growth.

116. The 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..

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2024/25 Budget

60. The implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill 2024, that was expected to raise an additional revenue amounting to Ksh 344.3 billion. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury embarked on expenditure rationalization through the Supplementary Estimates I. Expenditure rationalization targeted recurrent and development budgets for all MDAs including Constitutional Commissions, Independent Offices, Parliament, the Judiciary and the shareable allocation to County Governments. The fiscal projections for the 2024 BROP have been revised from those of the 2024 BPS estimates taking into account the fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024.

61. Therefore, overall revenues for the FY 2024/25 are projected at Ksh 3,060.0 billion (16.9 percent of GDP) in the Supplementary Estimates I, from the initial budget estimates of Ksh 3,343.2 billion (18.5 percent of GDP) which is lower by Ksh 283.2 billion. Similarly, total expenditures are projected at Ksh 3,880.8 billion (21.5 percent of GDP) from the budgeted Ksh 3,992.0 billion (22.1 percent of GDP) reflecting overall expenditure cuts of Ksh 111.2 billion. Arising from the adjustments in expenditures and revenues, the overall fiscal deficit including grants expands to Ksh 768.6 billion (4.3 percent of GDP) from Ksh 597.0 billion (3.3 percent of GDP) in the approved Supplementary Estimates I**(Annex Table 2 and 3)**. The deficit will be financed by a net foreign financing of Ksh 355.5 billion (2.0 percent of GDP) and a net domestic financing of Ksh 413.1 billion (2.3 percent of GDP).

B. Fiscal Policy for FY 2025/26 and Medium Term Budget

62. The fiscal policy stance in the FY 2025/26 and over the medium term aims at supporting the priority programmes of the Government under the Bottom - Up Economic Transformation Agenda (BETA) and the MTP IV through a growth friendly fiscal consolidation plan. The plan targets to slow down the annual growth in public debt and implement an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position.

63. Fiscal consolidation will be supported by continued efforts to enhance domestic revenue mobilization, reprioritize and rationalize expenditure while safeguarding priority Government programmes and social spending. Emphasis will be placed on enhanced revenue mobilization through a combination of tax administrative and tax policy reforms that include:

i. Implementation of the National Tax Policy and Medium-Term Revenue Strategy 2024/25-2026/27;
ii. Strengthening tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and,
iii. Focus on non-tax measures that Ministries, Departments and Agencies can raise through the services they offer to the public.

64. On the other hand, Government will sustain measures to improve efficiency in public spending and reduce non-essential expenditures. This will include implementation of austerity measures aimed at reducing Government recurrent expenditure. Further, to reduce development expenditure, Government will scale up the use of Public Private Partnerships framework for commercially viable projects while considering the contingent liabilities that come under this framework, and review the portfolio of projects including those externally funded with a view

to restructuring and re-aligning them with BETA. In addition, Government will roll out an end-to-end e-procurement system whose aim is to maximise value for money and increase transparency in procurement.

65. To further strengthen management of public resources, the Government is in the process of transitioning from cash to accrual basis to improve cash management and enhance financial and fiscal reporting. The accrual accounting will enable the Government to account for all assets and liabilities including all Government assets. The Government will also entrench the adopted Zero-Based Budgeting approach in preparing the FY 2025/26 and future budgets. To implement Zero Based Budgeting, the National Treasury has developed the Budget Costing Tool in the IFMIS Budget Module for the National Government which has incorporated standardized costing methodologies to streamline calculation of budget baselines and prioritization to give credible base for preparation of budget estimates. Further, the Government will soon be operationalizing the Assets and Inventory Management Modules in the IFMIS for all MDAs. This will enable the Government have full visibility of all assets and inventory and facilitate optimal assets utilization and ensure idle and unserviceable assets are disposed in conformity with the existing legal requirements.

Fiscal Projections

66. In the FY 2025/26 total revenue including Appropriation-in-Aid (A-i-A) is projected at Ksh 3,414.9 billion (17.1 percent of GDP). Of this, ordinary revenue is projected at Ksh 2,960.9 billion (14.8 percent of GDP). This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The overall expenditure and net lending is projected at Ksh 4,157.6 billion (20.8 percent of GDP) comprising: recurrent expenditure of Ksh 3,056.7 billion (15.3 percent of GDP); development expenditure of Ksh 663.2 billion (3.3 percent of GDP); transfer to Counties of Ksh 432.7 billion and Contingency Fund of Ksh 5.0 billion, respectively.

67. The resulting fiscal deficit including grants of Ksh 689.4 billion (3.5 percent of GDP) in FY 2025/26 will be financed by a net external financing of Ksh 166.7 billion (0.8 percent of GDP) and a net domestic financing of Ksh 522.7 billion (2.7 percent of GDP).

Medium Term Fiscal Projections

68. The medium term fiscal projections in the 2024 BROP have been revised from those of the 2024 Budget Policy Statement estimates taking into account the fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024. Over the medium term, the Government's total revenue including A-i-A is projected to rise from 16.9 percent of GDP in FY 2024/25 to 17.1 percent of GDP in FY 2025/26 and further to 17.2 percent of GDP in FY 2026/27. Of the total revenue, ordinary revenue is projected to rise from 14.6 percent of GDP in the FY 2024/25 to 14.8 percent of GDP in FY 2025/26 and further to 15.0 percent of GDP in FY 2026/27. Total expenditure is projected to decline from 21.5 percent of GDP in the FY 2024/25 to 20.8 percent of GDP in FY 2025/26 and 20.7 percent of GDP in the FY 2026/27. Of the total expenditures, recurrent expenditure is projected to decline from 15.7 percent of GDP in FY 2024/25 to 15.3 percent of GDP in FY 2025/26 and 15.0 percent of GDP in FY 2026/27. Development and net lending expenditures are expected to remain stable at around 5.0 percent of GDP over the medium term.

69. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 4.3 percent of GDP in the FY2024/25 to 3.5 percent of GDP in the FY 2025/26 and further to 3.3 percent of GDP in the FY 2026/27 **(Table 19, Annex Table 2 and 3).** This will boost the country's debt position and ensure the country's development agenda is sustainably funded.

Table 19: Government Fiscal Projections, Ksh Billion

	FY 2022/23	FY 2023/24	FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29
	Actual	Prel. Actual	Budget	Supp 1 Est.	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BROP 2024
	Ksh Billion										
TOTAL REVENUE	**2,355**	**2,703**	**3,343**	**3,060**	**3,833**	**3,415**	**4,377**	**3,783**	**4,978**	**4,267**	**4,779**
Total Revenue as a % of GDP	***16.5%***	***16.8%***	***18.5%***	***16.9%***	***19.1%***	***17.1%***	***19.6%***	***17.2%***	***20.0%***	***17.5%***	***17.7%***
Ordinary revenue	2,041	2,289	2,917	2,631	3,294	2,961	3,776	3,300	4,306	3,753	4,232
Ordinary Revenue as a % of GDP	***14.3%***	***14.2%***	***16.2%***	***14.6%***	***16.4%***	***14.8%***	***16.9%***	***15.0%***	***17.3%***	***15.4%***	***15.7%***
Tax Revenue	1,887	2,099	2,659	2,389	3,115	2,714	3,575	3,034	4,081	3,472	3,925
Non-Tax Revenue	154	190	258	243	179	247	200	266	225	281	307
AIA	314	414	426	429	539	454	601	483	673	514	547
Total Expenditure	**3,221**	**3,605**	**3,992**	**3,881**	**4,553**	**4,158**	**5,170**	**4,564**	**5,823**	**5,015**	**5,505**
Expenditure as a % of GDP	***22.5%***	***22.4%***	***22.1%***	***21.5%***	***22.7%***	***20.8%***	***23.2%***	***20.7%***	***23.4%***	***20.6%***	***20.4%***
Recurrent	2,312	2,678	2,846	2,829	3,026	3,057	3,404	3,298	3,800	3,624	4,012
Development	510	572	734	629	1,092	685	1,232	835	1,451	951	1,044
Equalization Fund	-	-	8	8	14	11	14	11	14	11	11
County Transfer (Equitable share only)	400	355	400	411	416	400	515	415	553	423	433
Contingencies	-	-	4	4	5	5	5	5	5	5	5
Budget Balance (Deficit (-) excl Grants	**(866)**	**(903)**	**(649)**	**(821)**	**(720)**	**(743)**	**(794)**	**(781)**	**(845)**	**(748)**	**(726)**
Deficit as % of GDP	***-6.1%***	***-5.6%***	***-3.6%***	***-4.5%***	***-3.6%***	***-3.7%***	***-3.6%***	***-3.5%***	***-3.4%***	***-3.1%***	***-2.7%***
Grants	23	22	52	52	53	53	69	64	74	67	67
Adjustment to cash basis	37	45	-	-	-	-	-	-	-	-	-
Balance Incl.Grants (cash basis)	(806)	(835)	(597)	(769)	(667)	(689)	(725)	(717)	(771)	(681)	(659)
Deficit as % of GDP	***-5.6%***	***-5.2%***	***-3.3%***	***-4.3%***	***-3.3%***	***-3.5%***	***-3.2%***	***-3.3%***	***-3.1%***	***-2.8%***	***-2.4%***
Net Foreign Financing	311	223	334	355	167	231	175	217	152	202	262
Domestic Loan Repayments (receipts)	3	1	6	6	5	6	5	6	6	6	6
Domestic Borrowing (net)	457	594	257	407	558	453	545	494	613	473	391
Domestic Borrowing % of GDP	***3.2%***	***3.7%***	***1.4%***	***2.3%***	***2.8%***	***2.3%***	***2.4%***	***2.2%***	***2.5%***	***1.9%***	***1.4%***
Public Debt (net Deposits)	10,279	10,561	11,158	11,330	12,279	12,019	13,004	12,737	13,775	13,418	14,077
Public Debt to GDP (net Deposits)	***71.9%***	***65.6%***	***61.8%***	***62.8%***	***61.1%***	***60.2%***	***58.3%***	***57.8%***	***55.4%***	***55.0%***	***52.1%***
Nominal GDP (Ksh. billion)	**14,299**	**16,106**	**18,054**	**18,054**	**20,082**	**19,971**	**22,322**	**22,050**	**24,867**	**24,396**	**27,016**

Source of Data: National Treasury

C. FY 2025/26 and Medium-Term Budget Framework

70. The FY 2025/26 and the Medium Term Budget will continue to focus on the implementation of the priorities of the Medium Term Plan IV and Bottom-Up Economic Transformation Agenda (BETA). The focus will be on the following five (5) pillars with the largest impact on the economy as well as household welfare: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy. Further, the Government will implement strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; the Services Economy; Environment and Climate Change; Education and Training; Women Agenda; Youth Empowerment and Development Agenda; Social Protection; Sports, Culture and Arts; Governance; and Foreign Policy and Regional Integration.

71. In FY 2025/26 and the medium term, resource allocation for the priority programmes will be done through a value chain approach under five clusters namely: i) Finance and Production; ii) Infrastructure; iii) Environment and Natural Resources; iv) Social Sectors; and v) Governance and Public Administration. The key priorities and interventions will focus on the following value chains: i) leather and leather products, ii) textile and apparel, iii) dairy, iv) tea, v) rice, vi) edible oils, vii) blue economy, viii) natural resources (including minerals & forestry); and, ix) construction and building materials. The value chain approach ensures rational resource allocation by eliminating wastage of resources occasioned by duplication, overlaps, fragmentation and ineffective coordination in the implementation of programmes and projects, while promoting a 'Whole-of Government-Approach' to service delivery.

Criteria for Resource Allocation

72. The Government is operating under constrained fiscal environment. In view of this the Government has adopted Zero Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to Projects and Programmes. Ministries, Departments, and Agencies will therefore be required to re-evaluate all the existing/planned activities, projects, and programmes to be funded in the FY 2025/26 and Medium Budget. In this regard, the principles of efficiency, effectiveness and economy of public spending shall strictly be enforced by ensuring low-priority expenditures give way to high-priority service-delivery programmes. SWGs should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery.

73. Sector Working Groups (SWGs) are expected to eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. SWGs are also expected to ensure that all expenditure items in the FY 2025/26 Budget are justified and emphasis is placed on allocating the limited resources based on programme efficiency and requirement rather than incremental budgeting.

74. The following will therefore serve as the criteria to guide prioritization and final allocation of resources:

i. Programmes that enhance value chain and linkage to BETA priorities;
ii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
iii. Presidential Directives and Cabinet Decisions;
iv. Completion of ongoing projects, 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;
vii. Programmes that support mitigation and adaptation of climate change;
viii. Cost effectiveness, efficiency and sustainability of the programme; and
ix. Requirements for furtherance and implementation of the Constitution.

75. Based on the above broad guidelines, SWGs are expected to develop and document sector-specific criteria for prioritization and resource allocation within the resource envelope. To facilitate the finalization and approval of the 2024 BROP and other policy documents within the stipulated timelines, MDAs are required to strictly undertake the activities outlined in the Budget Calendar within the set timeframes. The Budget Calendar provided in **Annex Table 4** outlines the timeframes for delivery of policy documents, reports and relevant Bills.

D. Public Participation and Involvement of Stakeholders

76. As required by the Public Finance Management (PFM) Act, 2012 this Budget Review and Outlook Paper has been shared with various stakeholders and the public for comments before its finalization. Specifically, the document has been reviewed and finalized during a retreat of the Macro Working Group in Naivasha from 28th August to 5th September, 2024 that brought together 33 Officers of the Macro Working Group from the following institutions: various Departments of The National Treasury, the State Department of Economic Planning, the Central Bank of Kenya, the Kenya Revenue Authority, the Kenya Institute of Public Policy Research Analysis and the Commission on Revenue Allocation. **Annex Table 6** provides a list of officers from the Macro Working who attended the retreat.

V. CONCLUSION AND NEXT STEPS

77. Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. On the domestic scene, the Kenyan economy is currently unwinding from the effects of negative and persistent global and domestic shocks that had pushed the economy to its lowest activity level. The focused interventions and structural reforms of the Government under BETA have supported economic recovery to 5.6 percent in 2023 up from 4.9 percent in 2022. Growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023. Kenya's economic performance is projected to remain stable over the medium term. Growth is expected to moderate 5.2 percent in 2024 and 5.4 percent in 2025 from 5.6 percent in 2023. The growth outlook will be largely driven by a strong agricultural productivity aided by policy interventions on seeds and fertilizer to farmers, adequate rainfall, robust services sector and improvement in global commodity prices.

78. The medium term macroeconomic and fiscal projections in the 2024 BROP have been revised from those of the 2024 Budget Policy Statement estimates taking into account the macroeconomic and fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024. The 2024 BROP forms the basis for the development of the 2025 BPS that will detail the progress in the implementation of the priority policies and strategies of the Government under BETA as prioritized in the MTP IV of the Vision 2030; and preparation of the FY 2025/26 and the medium-term budget that will be guided by the Budget Calendar. The Budget calendar for FY 2025/26 is guided by the timelines provided in the PFM Act, 2012 and has the following critical steps between September 2024 and June 2025:

i) Preparation of the FY 2024/25 Medium Term Expenditure Framework Budget Proposals: This process started with the launch of the Sector Working groups on 9th September, 2024. The preparation of MTEF Sector Budget proposals will culminate in the Public Sector Hearings on 20th November, 2024;
ii) 2025 Budget Policy Statement: Preparation of the 2025 BPS will commence after approval of this 2024 BROP and will be informed by the budget proposals by the Sector Working Groups. This will be presented to Cabinet for approval by 15th January, 2025 and subsequently to Parliament by 15th February, 2025;
iii) Preparation of draft Budget Estimates and Finance Bill, 2025: The draft Budget Estimates and Finance Bill, 2025 will be submitted to Cabinet by 18th April, 2025 and later to Parliament by 29th April, 2025; and
iv) Presentation of the Budget Statement/Speech to Parliament is scheduled for 12th June, 2025 and approval and assent of both the Appropriation Bill, 2025 and Finance Bill, 2025 by 30th June, 2025.

79. Taking into account the constrained fiscal environment, the Government has adopted Zero Based Budgeting Approach to guide the prioritization and allocation of the scarce resources to projects and programmes in the FY 2025/26. MDAs will therefore be required to re-evaluate all the existing/planned activities, projects, and programmes to be funded in the FY 2025/26 and medium term budget. SWGs should therefore eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. The hard sector ceilings provided for the FY 2025/26 budget and the Medium Term will form inputs into the 2025 Budget Policy Statement.

Annex Table 1: Macroeconomic Indicators for the FY 2022/23- 2028/29 Period

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28		2028/29
	Act.	Act.	Initial Budget Estimates	Suppl. 1 Budget Estimates	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BROP 2024
	annual percentage change, unless otherwise indicated										
National Account and Prices											
Real GDP	5.2	5.4	5.5	5.3	5.3	5.4	5.6	5.4	5.6	5.4	5.4
GDP deflator	6.5	5.6	6.0	5.7	5.7	5.4	5.8	5.3	5.9	5.4	6.2
CPI Index (eop)	7.0	5.7	5.3	5.0	5.0	5.0	5.3	5.0	5.3	5.0	5.0
CPI Index (avg)	7.7	6.4	5.3	5.1	5.1	5.0	5.3	5.0	5.3	5.0	5.0
Terms of trade (-deterioration)	-1.3	-0.9	2.0	2.0	2.0	2.2	2.5	2.5	3.2	3.2	3.6
Money and Credit (end of period)											
Net domestic assets	11.5	-0.2	10.6	11.5	11.5	9.3	9.6	9.2	9.8	9.3	10.2
Net domestic credit to the Government	13.0	7.9	4.8	4.8	4.8	5.8	7.9	5.7	8.2	5.3	4.3
Credit to the rest of the economy	12.2	4.0	15.9	7.4	7.4	12.5	13.5	12.0	14.4	12.0	11.4
Broad Money, M3 (percent change)	13.4	6.0	12.2	12.1	12.1	10.6	11.2	10.4	11.4	10.6	10.7
Reserve money (percent change)	-5.9	18.7	12.1	-0.1	-0.1	10.5	11.0	10.3	11.3	10.5	10.6
	in percentage of GDP, unless otherwise indicated										
Investment and Saving											
Investment	17.6	16.6	16.3	16.4	16.7	16.2	16.2	16.4	17.0	16.4	16.3
Central Government	4.4	4.2	3.4	4.2	4.8	4.1	4.1	4.4	5.2	4.5	4.4
Other	13.2	12.4	13.0	12.2	11.9	12.1	12.1	12.0	11.8	11.9	12.0
Gross National Saving	13.1	12.8	12.2	12.5	12.2	12.0	11.6	12.1	12.3	11.9	12.4
Central Government	-1.8	-1.6	1.4	-0.5	2.4	0.2	0.2	0.7	3.0	1.2	1.6
Other	14.9	14.4	10.7	13.0	9.8	11.8	11.4	11.4	9.3	10.7	10.9
Central Government Budget											
Total revenue	16.5	16.8	18.5	16.9	19.1	17.1	19.6	17.2	20.0	17.5	17.7
Total expenditure and net lending	22.5	22.4	22.1	21.5	22.7	20.8	23.2	20.7	23.4	20.6	20.4
Overall Fiscal balance excl. grants	-6.1	-5.6	-3.6	-4.5	-3.6	-3.7	-3.6	-3.5	-3.4	-3.1	-2.7
Overall Fiscal balance, incl. grants, cash basis	-5.6	-5.2	-3.3	-4.3	-3.3	-3.5	-3.2	-3.3	-3.1	-2.8	-2.4
Statistical discrepancy	-0.2	-0.1	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	-5.2	-3.3	-4.3	-3.3	-3.5	-3.2	-3.3	-3.1	-2.8	-2.4
Primary budget balance	-0.8	0.0	2.3	1.3	1.8	2.0	1.5	1.9	1.3	2.2	2.7
Net domestic borrowing	3.2	3.7	1.5	2.3	2.8	2.6	2.2	2.5	2.2	2.2	1.7
External Sector											
Exports value, goods and services	12.0	11.4	11.0	10.9	10.8	10.6	10.5	10.4	10.1	10.0	9.9
Imports value, goods and services	21.0	19.6	18.6	18.3	17.9	17.6	17.3	17.1	16.6	16.4	15.5
Current external balance, including official transfers	-4.5	-3.8	-4.2	-3.9	-4.5	-4.2	-4.6	-4.3	-4.7	-4.4	-3.9
Gross reserves in months of next yr's imports	5.9	5.4	5.4	5.4	5.5	5.5	5.6	5.6	5.8	5.8	5.9
Gross reserves in months of this yr's imports	5.8	5.8	5.9	5.9	5.9	5.9	6.0	6.0	6.1	6.1	6.2
Public debt											
Nominal central government debt (eop), gross	71.9	65.6	64.3	62.8	61.1	60.2	58.3	57.8	57.1	55.0	52.1
Nominal debt (eop), net of deposits	68.5	62.3	61.6	59.8	58.7	57.5	56.1	55.4	55.2	52.8	50.2
Domestic (gross)	33.8	33.6	30.4	32.3	30.2	31.8	29.4	31.2	29.4	30.4	29.1
Domestic (net)	30.4	30.3	27.8	29.3	27.8	29.1	27.2	28.9	27.5	28.2	27.2
External	38.1	32.0	33.9	30.5	31.0	28.4	28.9	26.5	27.7	24.6	23.0
Memorandum Items:											
Nominal GDP (in Ksh Billion)	14,299	16,106	18,054	18,054	20,082	19,971	22,322	22,050	24,595	24,396	27,016
Nominal GDP (in US$ Million)	110,970	118,033	136,337	137,752	152,231	154,298	169,042	170,415	170,410	189,035	209,069

Source: The National Treasury

Annex Table 2: Government Operations for the FY 2022/23 - 2028/29 Period, Ksh Billion

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28		2028/29
	Act.	Act.	Initial Budget Estimates	Suppl. 1 Budget Estimates	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BROP 2024
TOTAL REVENUE	**2,355.1**	**2,702.7**	**3,343.2**	**3,060.0**	**3,833.1**	**3,414.9**	**4,376.5**	**3,782.8**	**4,978.4**	**4,266.6**	**4,778.9**
Ordinary Revenue	2,041.1	2,288.9	2,917.2	2,631.4	3,294.2	2,960.9	3,775.7	3,299.8	4,305.8	3,752.7	4,231.9
Income Tax	941.6	1,042.8	1,230.2	1,180.3	1,500.1	1,327.8	1,734.5	1,481.1	1,979.0	1,694.7	1,900.5
Import duty (net)	130.1	133.9	187.4	160.0	229.0	196.7	258.1	217.4	290.8	247.7	272.9
Excise duty	264.5	276.7	429.6	324.8	460.0	363.4	521.5	412.3	591.2	471.6	537.3
Value Added Tax	550.4	645.5	812.2	723.8	926.2	826.1	1,061.3	922.8	1,220.0	1,057.7	1,214.2
Investment income	41.3	47.8	65.0	72.3	38.1	79.2	42.3	86.1	46.9	96.0	106.0
Other	113.2	142.2	192.8	170.2	140.8	167.7	158.1	180.1	177.8	185.0	200.9
Ministerial Appropriation in Aid	**313.9**	**413.7**	**426.0**	**428.6**	**538.9**	**454.0**	**600.8**	**483.0**	**672.6**	**513.9**	**546.9**
EXPENDITURE AND NET LENDING	**3,221.0**	**3,605.2**	**3,992.0**	**3,880.8**	**4,553.0**	**4,157.6**	**5,170.0**	**4,563.9**	**5,823.1**	**5,014.8**	**5,504.9**
Recurrent expenditure	2,311.6	2,678.4	2,841.9	2,826.2	3,026.5	3,056.7	3,403.7	3,298.0	3,799.9	3,624.5	4,012.4
Interest payments	687.3	840.7	1,009.9	1,009.9	1,025.8	1,081.2	1,050.6	1,136.7	1,089.0	1,225.5	1,384.4
Domestic interest	533.1	622.5	750.0	750.0	786.3	817.5	824.0	891.0	854.5	971.2	1,107.2
Foreign Interest	154.2	218.2	259.9	259.9	239.5	263.8	226.6	245.6	234.5	254.3	277.2
Pensions & Other CFS	120.4	143.9	169.2	190.4	199.3	216.7	250.3	236.5	287.8	258.2	280.8
Pensions	117.1	140.6	165.0	186.2	194.2	211.6	244.4	230.7	281.0	251.4	274.0
Other CFS	3.3	3.3	4.2	4.2	5.1	5.1	5.9	5.9	6.8	6.8	6.8
Contribution to Civil Service Pension Fund	29.6	34.2	34.4	37.0	34.4	33.2	45.7	34.8	49.2	36.6	38.4
Net Issues/Net Expenditure	1,234.1	1,372.7	1,344.8	1,305.4	1,446.0	1,429.4	1,702.4	1,578.2	1,981.6	1,776.0	1,963.2
O/W: Wages & Salaries	539.6	575.3	613.6	602.7	703.4	650.9	914.9	683.5	983.8	717.6	742.8
Free Secondary education	67.6	70.2	67.1	67.1	110.1	73.1	116.7	76.0	123.7	79.1	82.3
Free Primary Education	14.5	11.3	11.1	11.1	23.4	12.4	24.8	14.0	26.3	14.7	15.3
Junior Secondary School - Capitation					31.0	34.2					
IEBC	19.9	4.6	1.1	1.2	6.9	1.3	7.3	1.3	7.7	16.4	29.2
Defense and NIS	172.2	205.4	212.5	212.3	170.0	212.3	176.8	220.8	183.9	229.7	238.8
Others	388.6	475.9	417.1	388.6	365.1	410.5	415.4	547.6	606.9	680.9	817.3
Ministerial Recurrent AIA	240.2	286.9	283.6	283.6	320.9	296.1	354.7	311.7	392.3	328.2	345.6
Development and Net lending	**493.7**	**546.4**	**701.5**	**599.5**	**1,068.7**	**663.2**	**1,209.3**	**813.2**	**1,427.9**	**929.3**	**1,021.4**
Domestically financed (Gross)	343.8	377.0	451.4	349.8	664.4	378.1	715.3	446.8	822.3	520.6	568.9
O/W Domestically Financed (Net)/NMS	264.5	250.2	309.0	204.9	446.4	220.2	469.2	275.6	544.6	334.9	367.6
Ministerial Development AIA	20.5	70.3	77.5	79.1	154.8	107.6	145.7	91.1	163.7	98.5	109.6
Foreign financed	137.6	151.9	242.2	241.7	371.1	274.5	475.2	355.8	591.2	398.0	441.9
Net lending	12.3	17.4	0.0	0.0	19.7	0.0	4.4	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	8.0	8.0	13.6	10.6	14.4	10.6	14.4	10.6	10.6
County Tranfers	**415.8**	**380.4**	**444.5**	**451.1**	**452.9**	**432.7**	**552.0**	**447.7**	**590.3**	**456.0**	**466.0**
Equitable Share	399.6	354.6	400.1	410.8	415.6	400.1	515.1	415.0	553.4	423.4	433.4
Conditional Allocation	16.2	25.8	44.4	40.2	37.3	32.7	37.0	32.7	37.0	32.7	32.7
Contingency Fund	**0.0**	**0.0**	**4.0**	**4.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-865.9**	**-902.5**	**-648.8**	**-820.9**	**-719.9**	**-742.6**	**-793.5**	**-781.1**	**-844.8**	**-748.2**	**-726.0**
Grants	**23.1**	**22.0**	**51.8**	**52.3**	**53.2**	**53.2**	**68.6**	**63.6**	**73.8**	**66.8**	**67.1**
Fiscal Balance *(incl. grants)*	**-842.9**	**-880.5**	**-597.0**	**-768.6**	**-666.7**	**-689.4**	**-724.9**	**-717.4**	**-771.0**	**-681.3**	**-658.9**
Adjustment to Cash Basis	37.0	45.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance *(incl. grants) Cash Basis*	**-805.8**	**-835.1**	**-597.0**	**-768.6**	**-666.7**	**-689.4**	**-724.9**	**-717.4**	**-771.0**	**-681.3**	**-658.9**
Statistical discrepancy	-35.5	-16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**770.3**	**818.3**	**597.0**	**768.6**	**666.7**	**689.4**	**724.9**	**717.4**	**771.0**	**681.3**	**658.9**
Net Foreign Financing	**310.8**	**222.7**	**333.8**	**355.5**	**103.7**	**166.7**	**230.8**	**174.9**	**217.5**	**152.0**	**202.4**
Disbuserments	**548.2**	**760.5**	**664.5**	**686.2**	**542.2**	**666.9**	**626.2**	**662.3**	**754.4**	**779.7**	**739.3**
Commercial Financing	102.2	286.9	168.8	168.8	166.1	221.2	182.7	145.6	200.0	224.1	140.0
Sovereign Bond & Other Commercial Financing	102.2	286.9	168.75	168.8	166.1	221.2	182.7	145.6	200.0	224.1	140.0
Total Project loans (AIA + Revenue)	136.2	155.8	226.0	225.0	354.8	253.9	443.5	324.9	554.4	363.8	407.5
o/w: Project loans (AIA)	74.2	68.3	113.8	113.8	233.5	127.9	291.9	163.6	364.8	183.3	205.3
Project Loans Revenue	62.0	87.4	112.1	111.2	121.3	126.0	151.7	161.2	189.6	180.6	202.2
Programme Loans	266.9	317.8	269.8	292.4	21.3	191.8	0.0	191.8	0.0	191.8	191.8
Debt repayment - Principal	-237.4	-537.8	-330.7	-330.7	-438.5	-500.2	-395.5	-487.4	-536.9	-627.8	-536.9
Net Domestic Financing	**459.5**	**595.6**	**263.2**	**413.1**	**563.0**	**522.7**	**494.1**	**542.5**	**553.5**	**529.3**	**456.6**
Memo items											
Gross Debt (Stock)	10,278.9	10,561.1	11,158.1	11,329.7	12,279.5	12,019.1	13,004.4	12,736.5	13,775.4	13,417.8	14,076.8
External Debt	5,446.6	5,150.8	5,484.7	5,506.3	6,219.5	5,673.0	6,450.3	5,847.9	6,667.8	5,999.9	6,202.3
Domestic Debt (gross)	4,832.3	5,410.3	5,673.5	5,823.4	6,059.9	6,346.1	6,554.1	6,888.6	7,107.6	7,418.0	7,874.5
Domestic Debt (net)	4,347.7	4,884.1	5,147.2	5,297.2	5,575.4	5,819.9	6,069.5	6,362.4	6,623.0	6,891.7	7,348.3
Financing gap	-72.6	-62.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**14,299.2**	**16,106.0**	**18,054.3**	**18,053.7**	**20,082.4**	**19,971.3**	**22,322.1**	**22,050.1**	**24,866.6**	**24,396.3**	**27,015.7**

Source: The National Treasury

Annex Table 3: Government Operations for the FY 2022/23 - 2028/29 Period (% of GDP)

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28		2028/29
	Act.	Act.	l Budget Estir	Suppl. 1 Budget Estimates	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BPS 2024	BROP 2024	BROP 2024
TOTAL REVENUE	**16.5**	**16.8**	**18.5**	**16.9**	**19.1**	**17.1**	**19.6**	**17.2**	**20.0**	**17.5**	**17.7**
Ordinary Revenue	**14.3**	**14.2**	**16.2**	**14.6**	**16.4**	**14.8**	**16.9**	**15.0**	**17.3**	**15.4**	**15.7**
Income Tax	6.6	6.5	6.8	6.5	7.5	6.6	7.8	6.7	8.0	6.9	7.0
Import duty (net)	0.9	0.8	1.0	0.9	1.1	1.0	1.2	1.0	1.2	1.0	1.0
Excise duty	1.8	1.7	2.4	1.8	2.3	1.8	2.3	1.9	2.4	1.9	2.0
Value Added Tax	3.8	4.0	4.5	4.0	4.6	4.1	4.8	4.2	4.9	4.3	4.5
Investment income	0.3	0.3	0.4	0.4	0.2	0.4	0.2	0.4	0.2	0.4	0.4
Other	0.8	0.9	1.1	0.9	0.7	0.8	0.7	0.8	0.7	0.8	0.7
Ministerial Appropriation in Aid	**2.2**	**2.6**	**2.4**	**2.4**	**2.7**	**2.3**	**2.7**	**2.2**	**2.7**	**2.1**	**2.0**
EXPENDITURE AND NET LENDING	**22.5**	**22.4**	**22.1**	**21.5**	**22.7**	**20.8**	**23.2**	**20.7**	**23.4**	**20.6**	**20.4**
Recurrent expenditure	**16.2**	**16.6**	**15.7**	**15.7**	**15.1**	**15.3**	**15.2**	**15.0**	**15.3**	**14.9**	**14.9**
Interest payments	4.8	5.2	5.6	5.6	5.1	5.4	4.7	5.2	4.4	5.0	5.1
Domestic interest	3.7	3.9	4.2	4.2	3.9	4.1	3.7	4.0	3.4	4.0	4.1
Foreign Interest	1.1	1.4	1.4	1.4	1.2	1.3	1.0	1.1	0.9	1.0	1.0
Pensions & Other CFS	0.8	0.9	0.9	1.1	1.0	1.1	1.1	1.1	1.2	1.1	1.0
Pensions	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.0	1.1	1.0	1.0
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Net Issues/Net Expenditure	8.6	8.5	7.4	7.2	7.2	7.2	7.6	7.2	8.0	7.3	7.3
O/W: Wages & Salaries	3.8	3.6	3.4	3.3	3.5	3.3	4.1	3.1	4.0	2.9	2.7
Free Secondary education	0.5	0.4	0.4	0.4	0.5	0.4	0.5	0.3	0.5	0.3	0.3
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
Junior Secondary School - Capitation		0.0	0.0	0.0	0.2	0.2	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	0.1	0.1
KRA	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Defense and NIS	1.2	1.3	1.2	1.2	0.8	1.1	0.8	1.0	0.7	0.9	0.9
Others	2.7	3.0	2.3	2.2	1.8	2.1	1.9	2.5	2.4	2.8	3.0
Ministerial Recurrent AIA	1.7	1.8	1.6	1.6	1.6	1.5	1.6	1.4	1.6	1.3	1.3
Development and Net lending	**3.5**	**3.4**	**3.9**	**3.3**	**5.3**	**3.3**	**5.4**	**3.7**	**5.7**	**3.8**	**3.8**
Domestically financed (Gross)	2.4	2.3	2.5	1.9	3.3	1.9	3.2	2.0	3.3	2.1	2.1
O/W Domestically Financed (Net)/NMS	1.9	1.6	1.7	1.1	2.2	1.1	2.1	1.2	2.2	1.4	1.4
Ministerial Development AIA	0.1	0.4	0.4	0.4	0.8	0.5	0.7	0.4	0.7	0.4	0.4
Foreign financed	1.0	0.9	1.3	1.3	1.8	1.4	2.1	1.6	2.4	1.6	1.6
Net lending	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0
County Tranfers	**2.9**	**2.4**	**2.5**	**2.5**	**2.3**	**2.2**	**2.5**	**2.0**	**2.4**	**1.9**	**1.7**
Equitable Share	**2.8**	**2.2**	**2.2**	**2.3**	**2.1**	**2.0**	**2.3**	**1.9**	**2.2**	**1.7**	**1.6**
Conditional Allocation	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Contingency Fund	**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)	**-6.1**	**-5.6**	**-3.6**	**-4.5**	**-3.6**	**-3.7**	**-3.6**	**-3.5**	**-3.4**	**-3.1**	**-2.7**
Grants	**0.2**	**0.1**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.2**
Fiscal Balance (incl. grants)	**-5.9**	**-5.5**	**-3.3**	**-4.3**	**-3.3**	**-3.5**	**-3.2**	**-3.3**	**-3.1**	**-2.8**	**-2.4**
Adjustment to Cash Basis	0.3	0.3	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**	**-5.2**	**-3.3**	**-4.3**	**-3.3**	**-3.5**	**-3.2**	**-3.3**	**-3.1**	**-2.8**	**-2.4**
Statistical discrepancy	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**5.4**	**5.1**	**3.3**	**4.3**	**3.3**	**3.5**	**3.2**	**3.3**	**3.1**	**2.8**	**2.4**
Net Foreign Financing	**2.2**	**1.4**	**1.8**	**2.0**	**0.5**	**0.8**	**1.0**	**0.8**	**0.9**	**0.6**	**0.7**
Disbuserments	**3.8**	**4.7**	**3.7**	**3.8**	**2.7**	**3.3**	**2.8**	**3.0**	**3.0**	**3.2**	**2.7**
Commercial Financing	**0.7**	**1.8**	**0.9**	**0.9**	**0.8**	**1.1**	**0.8**	**0.7**	**0.8**	**0.9**	**0.5**
Sovereign Bond & Other Commercial Financing	0.7	1.8	0.9	0.9	0.8	1.1	0.8	0.7	0.8	0.9	0.5
Total Project loans (AIA + Revenue)	1.0	1.0	1.3	1.2	1.8	1.3	2.0	1.5	2.2	1.5	1.5
o/w: Project loans (AIA)	0.5	0.4	0.6	0.6	1.2	0.6	1.3	0.7	1.5	0.8	0.8
Project Loans Revenue	0.4	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.7	0.7
Programme Loans	1.9	2.0	1.5	1.6	0.1	1.0	0.0	0.9	0.0	0.8	0.7
Debt repayment - Principal	**-1.7**	**-3.3**	**-1.8**	**-1.8**	**-2.2**	**-2.5**	**-1.8**	**-2.2**	**-2.2**	**-2.6**	**-2.0**
Net Domestic Financing	**3.2**	**3.7**	**1.5**	**2.3**	**2.8**	**2.6**	**2.2**	**2.5**	**2.2**	**2.2**	**1.7**
Memo items											
Gross Debt (Stock)	71.9	65.6	61.8	62.8	61.1	60.2	58.3	57.8	55.4	55.0	52.1
External Debt	38.1	32.0	30.4	30.5	31.0	28.4	28.9	26.5	26.8	24.6	23.0
Domestic Debt (gross)	33.8	33.6	31.4	32.3	30.2	31.8	29.4	31.2	28.6	30.4	29.1
Domestic Debt (net)	30.4	30.3	28.5	29.3	27.8	29.1	27.2	28.9	26.6	28.2	27.2
Financing gap	-0.5	-0.4	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

Source: The National Treasury

Annex Table 4: Budget Calendar for the FY 2025/26 Medium-Term Budget

Activity	Responsibility	FY2025/26 Timeline
1. Develop and Issue FY 2025/26 Budget Preparation Guidelines	**National Treasury**	**28-Aug-24**
2. Launch of the Budget Making Process	**National Treasury**	**9-Sep-24**
3. Programme Performance & Strategic Reviews	**MDAs**	**20-Sep-24**
3.1 Review and Update of Strategic Plans	"	"
3.2 Review of Programme Outputs and Outcomes	"	"
3.3 Review of Expenditure	"	"
3.4 Review and Approval of Projects for FY2025/26	Project Committees	"
3.5 Progress Report on MTP Implementation	"	"
3.6 Preparation of Annual Plans	"	"
4.Submission of Baseline Information	**MDAs**	**9-Sep-24**
5. Development of Medium-Term Budget Framework	**Macro Working Group**	**30-Sep-24**
5.1 Estimation of Resource Envelope	"	"
5.2 Determination of Policy Priorities	"	"
5.3 Preliminary Resource Allocation to Sectors, Parliament, Judiciary & Counties	"	"
5.4 Draft 2024 Budget Review and Outlook Paper (2024 BROP)	"	"
5.5 Approval of 2024 BROP by Cabinet	"	11-Oct-24
5.6 Submission of Approved 2024 BROP to Parliament	"	18-Oct-24
6. Preparation of Sector Budget Proposals	**Line Ministries**	**28-Nov-24**
6.1 Retreats to Draft SectorBudget Proposals	Sector Working Group	14th -25th Oct. & 28th Oct. - 8th Nov. 2024
6.2 Hold Public Sector Hearing	National Treasury	20th -22nd Nov. 2024
6.3 Review and Incorporation of Stakeholder Inputs in the Sector Budget Proposals	Sector Working Group	26-Nov-24
6.4 Submission of Sector Budget Proposals to Treasury	Sector Chairpersons	28-Nov-24
6.5 Consultative Meeting with CSs/PSs on Sector Budget Proposals	National Treasury	3-Dec-24
7. Draft Budget Policy Statement (BPS)	**Macro Working Group**	**14-Feb-25**
7.1 Draft 2025 BPS	Macro Working Group	20-Dec-24
7.2 Division of Revenue Bill (DORB)	National Treasury	"
7.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
7.4 County Governments' Additional Allocation Bill (CGAAB)	National Treasury	"
7.5 Submission of BPS, DORB, CARB and CGAAB to Cabinet for Approval	National Treasury	15-Jan-25
7.6 Submission of BPS, DORB, CARB and CGAAB to Parliament for Approval	National Treasury	14-Feb-25
8. Preparation and Approval of Final MDAs Budgets		**29-Apr-25**
8.1 Develop and Issue Final Guidelines on Preparation of 2025/26 MTEF Budget	National Treasury	5-Mar-25
8.2 Submission of Budget Proposals to Treasury	Line Ministries	15-Mar-25
8.3 Consolidation of the Draft Budget Estimates	National Treasury	1-Apr-25
8.4 Submission of the FY 2025/26 and the Medium Term Budget to Cabinet for App	National Treasury	18-Apr-25
8.5 Submission of the FY 2025/26 and the Medium Term Budget to Parliament	National Treasury	29-Apr-25
8.6 Submission of the Finance Bill, 2025	National Treasury	29-Apr-25
8.7 Review of Draft Budget Estimates by Parliament	National Assembly	15-May-25
8.8 Report on Draft Budget Estimates from Parliament	National Assembly	30-May-25
8.9 Consolidation of the Final Budget Estimates	National Treasury	6-Jun-25
8.10 Submission of Appropriation Bill to Parliament	National Treasury	10-Jun-25
9. Budget Statement	**National Treasury**	**12-Jun-25**
10. Appropriation Bill Passed	**National Assembly**	**30-Jun-25**
11. Finance Bill Passed	**National Assembly**	**30-Jun-25**

Source: National Treasury

Annex Table 5: County Governments' Fiscal Performance for FY 2023/24

County	Annual Own Source Revenue (OSR) Target (Kshs.)	Actual OSR Collection (Kshs.)	% of Collection of OSR Against Annual Target	Budget Estimates (Kshs. Million) Rec A	Budget Estimates (Kshs. Million) Dev B	Budget Estimates (Kshs. Million) Total C=A+B	Expenditure (Kshs. Million) Rec D	Expenditure (Kshs. Million) Dev E	Expenditure (Kshs. Million) Total F=D+E	Recurrent Absorption Rate (%) G=D/A*100	Development Absorption Rate (%) H=E/B*100	Overall Absorption Rate I=F/C*100	Recurrent Expenditure (Kshs.) Personnel Emoluments J	Recurrent Expenditure (Kshs.) Operations & Maintenance K	Recurrent Expenditure (Kshs.) Total Recurrent Expenditure L=J+K
Baringo	450,097,396	378,201,635	84.0	5,606,309,961	3,286,695,765	8,893,005,726	5,555,053,292	2,115,947,305	7,671,000,597	99.1	64.4	86.3	3,647,717,618	1,907,335,675	5,555,053,292
Bomet	332,041,830	238,930,420	72.0	6,134,313,178	2,386,787,130	8,521,100,308	5,630,276,506	1,819,861,704	7,450,138,210	91.8	76.2	87.4	3,644,313,019	1,985,963,487	5,630,276,506
Bungoma	2,010,419,736	1,120,909,349	55.8	9,959,343,755	5,284,307,323	15,243,651,077	7,940,270,170	3,113,594,504	11,053,864,675	79.7	58.9	72.5	6,047,938,710	1,892,331,460	7,940,270,170
Busia	649,015,633	369,203,975	56.9	6,847,624,028	3,355,409,128	10,203,033,156	5,451,815,857	2,001,101,575	7,452,917,432	79.6	59.6	73.0	2,843,402,795	2,608,413,062	5,451,815,857
Elgeyo Marakwet	271,306,633	258,505,138	95.3	4,241,226,806	2,552,875,550	6,794,102,356	4,132,313,498	1,259,358,160	5,391,671,658	97.4	49.3	79.4	2,734,284,609	1,398,028,889	4,132,313,498
Embu	750,000,000	746,494,074	99.5	5,321,134,738	2,631,464,680	7,952,599,418	5,052,512,058	1,586,442,702	6,638,954,760	95.0	60.3	83.5	3,510,170,866	1,542,341,193	5,052,512,058
Garissa	230,000,000	248,969,049	108.2	6,389,147,479	4,311,273,645	10,700,421,124	5,262,558,136	1,931,670,888	7,194,229,024	82.4	44.8	67.2	4,032,325,941	1,230,232,195	5,262,558,136
Homa Bay	1,392,206,352	1,200,495,831	86.2	7,659,925,512	3,507,300,788	11,167,226,300	6,054,995,717	3,025,193,357	9,080,189,074	79.0	86.3	81.3	4,390,497,183	1,664,498,534	6,054,995,717
Isiolo	356,208,180	285,197,344	80.1	4,036,590,408	1,767,219,972	5,803,810,380	3,271,531,829	980,536,771	4,252,068,600	81.0	55.5	73.3	2,114,790,842	1,156,740,987	3,271,531,829
Kajiado	1,868,466,985	1,048,356,435	56.1	8,040,790,370	3,546,695,897	11,587,486,267	6,749,176,686	2,038,297,018	8,787,473,704	83.9	57.5	75.8	4,428,825,338	2,320,351,348	6,749,176,686
Kakamega	2,200,000,000	1,347,833,279	61.3	11,895,111,215	4,891,316,789	16,786,428,004	11,056,461,656	2,803,243,867	13,859,705,524	92.9	57.3	82.6	7,082,912,639	3,973,549,017	11,056,461,656
Kericho	1,066,426,600	841,927,978	78.9	5,753,578,119	2,731,189,913	8,484,768,032	5,271,195,901	1,685,940,359	6,957,136,260	91.6	61.7	82.0	3,547,832,029	1,723,363,872	5,271,195,901
Kiambu	6,995,366,235	4,575,831,607	65.4	16,249,459,401	6,965,397,069	23,214,856,470	14,331,436,415	3,451,247,485	17,782,683,900	88.2	49.5	76.6	7,919,938,728	6,411,497,687	14,331,436,415
Kilifi	1,788,634,222	1,208,619,997	67.6	11,593,755,465	8,450,027,275	20,043,782,740	10,680,215,816	4,714,268,937	15,394,484,753	92.1	55.8	76.8	4,197,974,928	6,482,240,888	10,680,215,816
Kirinyaga	550,000,000	651,105,565	118.4	4,791,443,225	2,449,104,180	7,240,547,406	4,723,873,403	1,311,475,981	6,035,349,384	98.6	53.5	83.4	2,918,859,750	1,805,013,652	4,723,873,403
Kisii	1,843,892,198	1,180,162,037	64.0	8,923,226,656	4,336,895,232	13,260,121,888	7,964,370,081	1,265,912,877	9,230,282,958	89.3	29.2	69.6	6,291,768,197	1,672,601,884	7,964,370,081
Kisumu	2,282,844,694	1,443,607,988	63.2	9,511,313,971	4,186,551,233	13,697,865,204	7,314,916,833	1,550,461,667	8,865,378,500	76.9	37.0	64.7	5,044,039,255	2,270,877,578	7,314,916,833
Kitui	585,000,000	517,049,816	88.4	8,881,658,968	5,375,479,746	14,257,138,714	8,590,482,401	3,830,886,978	12,421,369,379	96.7	71.3	87.1	5,466,239,616	3,124,242,785	8,590,482,401
Kwale	600,000,000	427,377,928	71.2	8,131,343,268	6,128,325,495	14,259,668,763	7,173,414,408	2,962,485,633	10,135,900,041	88.2	48.3	71.1	3,805,385,082	3,368,029,326	7,173,414,408
Laikipia	1,445,000,000	1,061,020,098	73.4	4,947,907,772	2,778,557,500	7,726,465,272	4,701,757,310	1,354,477,020	6,056,234,329	95.0	48.7	78.4	3,279,467,046	1,422,290,264	4,701,757,310
Lamu	180,000,000	209,102,758	116.2	2,998,787,945	1,542,050,007	4,540,837,952	2,860,409,029	805,040,679	3,665,449,708	95.4	52.2	80.7	1,850,473,538	1,009,935,491	2,860,409,029
Machakos	3,332,286,060	1,549,348,477	46.5	10,774,235,045	5,034,219,176	15,808,454,220	9,582,076,545	2,949,927,140	12,532,003,685	88.9	58.6	79.3	6,804,374,451	2,777,702,094	9,582,076,545
Makueni	1,240,000,000	1,044,674,948	84.2	7,850,595,172	3,331,739,929	11,182,335,101	6,976,828,528	2,071,731,472	9,048,560,000	88.9	62.2	80.9	4,430,369,922	2,546,458,606	6,976,828,528
Mandera	330,533,846	168,047,287	50.8	8,285,923,159	4,714,907,848	13,000,831,007	7,810,596,825	3,894,111,022	11,704,707,847	94.3	82.6	90.0	4,461,668,887	3,348,927,938	7,810,596,825
Marsabit	190,000,000	145,092,550	76.4	5,100,313,443	4,324,337,004	9,424,650,447	4,697,518,387	2,952,175,688	7,649,694,075	92.1	68.3	81.2	3,320,044,558	1,377,473,830	4,697,518,387
Meru	1,050,000,000	961,934,279	91.6	8,482,054,443	3,749,121,220	12,231,175,663	7,981,947,985	2,974,299,267	10,956,247,252	94.1	79.3	89.6	5,056,918,452	2,925,029,533	7,981,947,985
Migori	625,474,299	512,566,310	81.9	7,329,026,554	4,144,010,967	11,473,037,521	6,929,663,368	1,962,068,868	8,891,732,236	94.6	47.3	77.5	3,598,207,725	3,331,455,643	6,929,663,368
Mombasa	7,377,933,227	5,585,024,010	75.7	11,192,292,951	4,797,707,047	15,989,999,998	10,734,716,041	2,082,324,221	12,817,040,262	95.9	43.4	80.2	6,860,432,093	3,874,283,948	10,734,716,041
Murang'a	1,115,000,000	1,116,795,730	100.2	7,287,710,659	3,120,655,387	10,408,366,046	6,659,935,510	2,046,320,340	8,706,255,850	91.4	65.6	83.6	4,463,761,137	2,196,174,373	6,659,935,510
Nairobi City	19,689,630,278	12,542,094,418	63.7	33,832,049,342	8,454,887,491	42,286,936,833	28,520,601,618	3,268,531,845	31,789,133,463	84.3	38.7	75.2	18,270,031,113	10,250,570,505	28,520,601,618
Nakuru	4,100,000,000	3,321,300,479	81.0	13,628,904,682	9,681,626,831	23,310,531,513	11,982,046,296	4,449,307,915	16,431,354,211	87.9	46.0	70.5	6,751,624,968	5,230,421,328	11,982,046,296
Nandi	558,329,869	630,727,156	113.0	6,264,572,545	3,586,093,920	9,850,666,465	6,532,861,797	1,784,821,431	8,317,683,228	104.3	49.8	84.4	4,434,481,282	2,098,380,515	6,532,861,797
Narok	4,979,073,664	4,753,670,486	95.5	9,887,482,383	5,097,723,705	14,985,206,088	8,928,362,520	4,602,346,814	13,530,709,334	90.3	90.3	90.3	4,371,927,791	4,556,434,729	8,928,362,520
Nyamira	687,000,000	369,796,343	53.8	5,126,961,542	2,155,214,361	7,282,175,903	4,848,321,726	1,318,345,308	6,166,667,034	94.6	61.2	84.7	3,424,464,524	1,423,857,202	4,848,321,726
Nyandarua	1,225,000,000	515,740,772	42.1	5,567,051,384	3,181,100,160	8,748,151,544	5,178,904,001	1,458,882,689	6,637,786,690	93.0	45.9	75.9	2,773,112,431	2,405,791,570	5,178,904,001
Nyeri	1,326,000,000	1,407,546,107	106.1	6,196,977,088	2,785,425,020	8,982,402,108	5,927,124,574	2,016,016,681	7,943,141,255	95.6	72.4	88.4	4,238,879,775	1,688,244,799	5,927,124,574
Samburu	256,027,400	266,583,924	104.1	5,048,020,722	2,476,825,375	7,524,846,096	4,685,470,413	1,506,454,193	6,191,924,606	92.8	60.8	82.3	2,622,533,913	2,062,936,500	4,685,470,413
Siaya	760,000,000	610,737,745	80.4	5,909,247,164	3,851,875,384	9,761,122,548	5,138,673,169	2,487,195,478	7,625,868,647	87.0	64.6	78.1	3,194,896,496	1,943,776,673	5,138,673,169
Taita Taveta	628,667,445	461,186,652	73.4	5,172,399,444	2,328,989,195	7,501,388,639	4,783,339,009	1,092,405,795	5,875,744,804	92.5	46.9	78.3	3,186,843,682	1,596,495,327	4,783,339,009
Tana River	96,630,600	92,568,520	95.8	5,311,557,113	3,557,940,753	8,869,497,866	5,179,795,493	2,057,332,063	7,237,127,556	97.5	57.8	81.6	2,291,072,212	2,888,723,281	5,179,795,493
Tharaka Nithi	450,670,000	417,346,035	92.6	4,365,631,579	2,153,164,779	6,518,796,358	3,915,556,111	1,174,224,530	5,089,780,640	89.7	54.5	78.1	2,709,477,696	1,206,078,415	3,915,556,111
Trans Nzoia	643,700,000	476,638,172	74.0	5,830,719,889	4,354,436,180	10,185,156,069	5,797,842,140	2,602,683,818	8,400,525,959	99.4	59.8	82.5	3,360,815,443	2,437,026,697	5,797,842,140
Turkana	220,000,000	530,645,056	241.2	10,168,876,881	7,053,137,546	17,222,014,427	10,108,756,246	4,451,724,943	14,560,481,189	99.4	63.1	84.5	5,575,119,332	4,533,636,914	10,108,756,246
Uasin Gishu	1,578,147,614	1,421,327,951	90.1	8,124,508,172	5,162,108,577	13,286,616,749	7,733,640,206	2,522,399,282	10,256,039,488	95.2	48.9	77.2	4,547,774,033	3,185,866,172	7,733,640,206
Vihiga	248,083,481	338,057,178	136.3	4,483,626,190	2,196,218,615	6,679,844,805	4,155,222,633	1,117,642,927	5,272,865,560	92.7	50.9	78.9	2,614,121,719	1,541,100,914	4,155,222,633
Wajir	150,000,000	164,953,671	110.0	8,260,489,118	3,882,528,866	12,143,017,984	7,782,642,494	3,239,068,838	11,021,711,332	94.2	83.4	90.8	4,729,755,862	3,052,886,632	7,782,642,494
West Pokot	230,000,000	185,294,701	80.6	5,422,923,106	2,292,051,177	7,714,974,283	5,188,302,664	1,543,616,160	6,731,918,825	95.7	67.3	87.3	2,946,853,743	2,241,448,921	5,188,302,664
Total	**80,935,114,477**	**58,948,601,258**	**72.8**	**372,818,142,009**	**189,932,970,829**	**562,751,112,838**	**337,529,783,302**	**109,233,404,196**	**446,763,187,496**	**90.5**	**57.5**	**79.4**	**209,838,720,968**	**127,691,062,334**	**337,529,783,302**

Source of Data: Controller of Budget

Annex Table 6: Members of the Macro Working Group who attended the Retreat in Naivasha from 28th August to 5th September, 2024 to review and finalize this 2024 Budget Review and Outlook Paper

S/No.	Institution/ Department		Name	Designation
1	The National Treasury	Macro & Fiscal Affairs	1. Mr. Musa Kathanje	Director/ Macro & Fiscal Affairs
			2. Mr. Samuel Gitau	Senior Deputy Director
			3. Mr. John Njera	Director Planning
			4. Mr. Johnson Mwangi	Director Planning
			5. Ms. Catherine Kalachia	Principal Economist
			6. Mr. Maurice Omete	Senior Economist
			7. Mr. Cromwel Pkomu	Senior Economist
			8. Mr. Thomas Kipyego	Economist I
			9. Mr. Joshua Momanyi	Economist
		Budget	10. Ms. Miriam Musyoki	Assistant Director
			11. Mr. Alexander Riithi	Senior Economist
		Intergovernmental Fiscal Relations	12. Mr. Brian K. Cheruiyot	Deputy Director
			13. Mr. Cyrus M. Kahiga	Deputy Director
		Financial and Sectoral Affairs	14. Ms. Mercy Ngacha	Assistant Director
		Debt Policy, Strategy and Risk Management	15. Mr. Anthony Gichangi	Senior Debt Management Officer
		Debt Recording and Settlement	16. Mr. Moses Ngahu Kigetu	Accountant 1
		Resource Mobilization	17. Ms. Peninah Mukami	Principal Economist
		Government Investment and Public Enterprises	18. Ms. Maureen Nafula	Senior Investment Officer
		Accounting Services	19.CPA Prof. Solomon Ngahu	Ag. Deputy Accountant General
		Pensions	20. CPA Judith Nyakawa	Senior Deputy Director

S/No.	Institution/ Department		Name	Designation
		Finance Unit	21. Mr. Ambrose Ogango	Senior Chief Finance Officer
		PPP Unit	22. Mr. Wycliffe Ondieki	Monitoring and Evaluation Expert
2	State Department of Economic Planning		23. Mr. Benson Kiriga	Director/Macro Directorate
			24. Ms. Dorcas Nduta Mwangi	Principal Economist
			25. Mr. Domnick Loriakwe	Economist I
3	Central Bank of Kenya		26. Mr. Anthony Gathogo	Economist
			27. Ms. Sarah Kaula	Deputy Manager
			28. Mr. Joseph Wambua	Deputy Manager
4	Kenya Revenue Authority		29. Mr. Daniel Zalo	Officer
			30. Ms. Naomi Kirimi	Officer
5	Kenya National Bureau of Statistics		31. Mr. James Gekara Abuga	Assistant Manager
6	Commission on Revenue Allocation		32. Ms. Lineth Oyugi	Director/Economic Affairs
7	Kenya Institute of Public Policy and Research Analysis		33. Ms. Laureen Karima	Policy Analyst

THE NATIONAL TREASURY AND ECONOMIC PLANNING
SEPTEMBER 2024