REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

DRAFT 2022 BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2022

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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

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Foreword

The 2022 Budget Review and Outlook Paper (BROP) has been prepared against a background of economic slowdown occasioned by the ongoing Russia-Ukraine conflict, effects of the COVID-19 containment measures, higher-than expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial condition. As a result, the global economy is projected to slow down to 3.2 percent in 2022 from 6.1 percent 2021.

On the domestic scene, the Kenyan economy has demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive Government measures to support businesses. Consequently, the growth economy grew by 7.5 percent in 2021 following a modest 0.3 percent contraction in 2020. The growth momentum continued in the first quarter of 2022 with the economy expanding by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021. This growth was supported by positive growths in all sectors of the economy except agricultural sector that contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021. Economic growth is expected to remain resilient growing by an average of 5.5 percent in 2022 and above 6.0 percent over the medium term. This outlook will be reinforced by the ongoing implementation of the "Big Four" projects and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation.

The fiscal performance in the FY 2021/22 was satisfactory, largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 pandemic. Revenue performance recorded a growth of 22.0 percent compared to a marginal growth of 0.3 percent in FY 2020/21. The growth in revenue collection was recorded in all broad tax categories in the period under review. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic market affected expenditure performance during the reporting period. This notwithstanding, implementation of the FY 2022/23 budget picked up smoothly and we expect this to continue during the remainder of the financial year. The strong outcome in revenue collection in the FY 2021/22 offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget. To enhance revenue mobilization, the National Treasury has initiated the development of the Medium-Term Revenue Strategy (MTRS).

As we prepare for the FY 2023/24 and the Medium Term Budget, emphasis will be on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth. This will reduce the fiscal deficit that will support reduction in the growth of public debt to ensure debt sustainability. In this regard, the Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2023/24 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned to the achievement of the objectives. I therefore, call upon all to adhere to the hard sector ceilings, and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2023/24 and the medium term budget.

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

Acknowledgement

The 2022 BROP has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2021/22, the macro-economic projections and set sector ceiling for the FY 2023/24 and the Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2021/22 affected compliance in the fiscal responsibility principles and the financial objectives outlined in the PFM Act. The 2022 BROP will guide 2023 Budget Policy Statement (BPS) that will summarize the various projects and initiatives undertaken during third medium term plan of Vision 2030.

The economy is operating under tight global financial condition as a result of the ongoing Russia-Ukraine conflict and higher than expected inflation worldwide. This calls for prioritization on Government projects that will ensure our economy remains resilient and continue to register growth, and will have the highest impact and benefits to Kenyans. Therefore, All Sector Working Groups (SWGs) are expected to ensure that their budgets are aligned to the overall Government priorities while taking into account the resource constraints. We have put in place a budget implementation and monitoring framework at the National Treasury to ensure that budget implementation by all spending units is strictly adhered to as per the cash, procurement and work plans provided.

The preparation of the 2022 BROP was a collaborative effort among various Government Agencies. We thank all the Government Ministries, Departments and Agencies as well as other spending units for the timely provision of useful data and information on their FY 2021/22 Budget execution. We are also grateful to the Macro Working Group, that reviewed this document to ensure it satisfies 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 2023/24 and Medium Term Budgets. This document incorporated key inputs from various Directorates and Departments within the National Treasury and 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. I wish to reiterate the importance of public participation in the FY 2023/24 and the Medium Term Budget preparation process by calling on all Sector Working Groups to ensure engagement and open public and stakeholders' participation and incorporation of the proposals received.

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

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Abbreviations and Acronyms

A-i-A	Appropriation 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
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. The PFM law (Section 15) 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 2022 BROP has been prepared in accordance with the PFM Act, 2012 and its Regulations. The document provides an overview of the government's financial performance for the FY 2021/22 including compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act. It also shows macro-economic projections and the sector ceilings for the FY 2023/24 and the medium-term budget as well as information on variations from the projections outlined in the 2022 Budget Policy Statement.

The 2022 BROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. The growth momentum continued in the first quarter of 2022 with the economy expanding by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021.

Leading indicators of economic activity show continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. As such, the economy is expected to remain resilient at 5.5 percent in 2022, and grow by an average of 6.0 percent over the medium term. This will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and the Economic Recovery Strategy. The economic growth over the medium term will further be supported by implementation of strategic interventions contained in the Fourth Medium Term Plan (2023-2027) of the Vision 2030 aimed at driving the economy towards a sustainable growth path.

The fiscal performance in the FY 2021/22 was characterized by above target performance of total revenue mainly on account of surplus collection of ordinary revenue. By the end of June 2022, total revenue collected including A-I-A amounted to Ksh 2,199.8 billion against a target of Ksh 2,192.0 billion reflecting an improvement of Ksh 7.9 billion. The impressive revenue performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic financed resources affected expenditure performance during the reporting period. As a result, total expenditure and net lending was lower than programed at Ksh 3,027.5 billion against a target of Ksh 3,286.1 billion reflecting a shortfall of Ksh 258.6 billion. The resultant under expenditure is attributed to lower absorption recorded in both recurrent and development expenditure by the National Government and below target transfers to County Governments. The recurrent expenditures for the National Government amounted to Ksh 2,135.0 billion against a target of Ksh 2,227.3 billion leading to a below target expenditure of Ksh 92.3 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operating and Maintenance (O&M) and domestic interest payments.

The fiscal outcome for the FY 2023/24 is projected to improve supported by the fiscal consolidation policies. Driven by continued reforms in tax legislation and administration, revenue collection is projected at 18.0 percent of GDP in the FY 2023/24 from 17.5 percent of

GDP in the FY 2022/23. Total expenditures are projected to decline to 22.8 percent of GDP in FY 2023/24 from 23.9 percent of GDP in FY 2022/23. While the overall fiscal deficit is projected to decline from 6.1 percent of GDP in FY 2022/23 to 4.4 percent of GDP in FY2023/24 and further to 3.2 percent of GDP in FY 2025/26.

I. INTRODUCTION

Objective of the 2022 Budget Review and Outlook Paper

1. The 2022 BROP provides a review of the fiscal performance for the financial year 2021/22 including adherence to the objectives and principles outlined in the 2022 Budget Policy Statement (BPS) and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2022 BROP will guide development of the 2023 BPS that will summarize the various projects and initiatives that will be undertaken during the Fourth Medium Term Plan (MTP IV 2023-2027).

2. The fiscal performance in the FY 2021/22 is broadly in line with the financial objectives outlined in the PFM Act, 2012 and the 2022 BPS, and the Budget for FY 2022/23. The performance of main tax heads was broadly above the Supplementary II targets resulting to a surplus of Ksh 66.4 billion in ordinary revenue. As such, the overall ordinary revenue projections will be retained at the levels outlined in the 2022 BPS. Any adjustments to the revenue targets will be only to reflect movements in the macroeconomic indicators should these change. With revenues retained at the same levels at the 2022 BPS, the overall resource envelope therefore, remains unchanged from the 2022 BPS position. Any adjustments would be to reflect any change in priority across sectors or MDAs and any identified one-off expenditures.

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 2023/24 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 implementation of the Economic Recovery Strategy and other priority programmes outlined in MTP IV which aim to create wealth and employment; reduce poverty and create conducive environment for investment.

4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2021/22 and its implications on the financial objectives set out in the 2022 BPS; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework, Sections V and VI presents medium term revenue strategy and conclusion, respectively.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2021/22

A. FY 2021/22 Fiscal Performance

Revenue Performance

5. Revenue performance in FY 2021/22 was satisfactorily above target. This impressive revenue performance is largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 pandemic. Total cumulative revenue including Appropriation in Aid (A-i-A) collection recorded a growth of 22.0 percent compared to a marginal growth of 0.3 percent registered in FY 2020/21. The growth in revenue collection was recorded in all broad tax categories in the period under review.

6. Total cumulative revenue including A-i-A for FY 2021/22 amounted to Ksh 2,199.8 billion against a revised target of Ksh 2,192.0 billion **(Table 1)**, indicating a surplus of Ksh 7.9 billion. Ordinary revenue collection amounted to Ksh 1,917.9 billion against a target of Ksh 1,851.5 billion. Collections from the main tax categories were broadly above target except for Value Added Tax on locally produced goods and services and Excise Duty which were below target by Ksh 4.1 billion and Ksh 3.8 billion, respectively. On the other hand, import duty, income taxes and VAT on imports surpassed their targets by Ksh 2.4 billion, Ksh 40.0 billion and Ksh 13.1 billion respectively. However, ministerial A-i-A performance was below the target by Ksh 58.5 billion.

Table 1: Government Revenue and External Grants, FY 2021/22 (Ksh Million)

	2020/2021 Actual	2021/2022		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	**1,803,536**	**2,199,808**	**2,191,953**	**7,855**	**22.0**
(a) Ordinary Revenue	**1,562,015**	**1,917,911**	**1,851,510**	**66,401**	**22.8**
Import Duty	108,375	118,280	115,869	2,411	9.1
Excise Duty	216,325	252,094	255,890	(3,796)	16.5
PAYE	363,343	462,357	455,129	7,228	27.3
Other Income Tax	330,709	414,350	381,562	32,788	25.3
VAT Local	197,072	244,926	249,021	(4,095)	24.3
VAT Imports	213,687	278,171	265,086	13,085	30.2
Investment Revenue	47,884	43,660	37,709	5,951	(8.8)
Traffic Revenue	4,600	4,425	5,106	(681)	(3.8)
Taxes on Intl. Trade & Trans.(IDF Fee)	39,743	50,337	42,615	7,723	26.7
Others [1]	40,277	49,309	43,522	5,786	22.4
(b) Appropriation In Aid [2]	**241,521**	**281,897**	**340,443**	**(58,546)**	**16.7**
(c) Grants	**31,334**	**31,031**	**62,918**	**(31,887)**	**(1.0)**
Total Revenue and Grants	**1,834,870**	**2,230,839**	**2,254,871**	**(24,032)**	**21.6**
Total Revenue and Grants as a percentange of GDP	**16.14**	**17.49**	**17.83**		

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.
*Provisional
Source of Data: National Treasury

7. Grants amounted to Ksh 31.0 billion against a revised target of Ksh 62.9 billion, registering a shortfall of Ksh 31.9 billion. Of these external grants, programme grants (AMISOM reimbursements) amounted to Ksh 3.6 billion, which was above target by Ksh 0.6 billion while

project grants revenue amounted to Ksh 5.9 billion against a target of Ksh 15.1 billion. Project grants (A-i-A) were at Ksh 12.4 billion against a target of Ksh 24.1 billion.

8. During the FY 2021/22, the Government collected Ksh 45.5 billion of investment income in the form of dividends, surplus funds, directors' fees and loan interest receipts against a revised target of Ksh 39.9 billion (**Table 2**). State agencies with on-lent loans from the National Government paid interest of Ksh 1.9 billion against the revised target of Ksh 2.2 billion.

Table 2: Investment Income for the FY 2021/22 (Ksh Million)

	FY 2020/21	FY 2021/22	
	ACTUAL RECEIPTS	REVISED ESTIMATES	ACTUAL RECEIPTS
OTHER PROFITS & DIVIDENDS	37,582.3	29,400.2	33,728.3
DIVIDENDS FROM CBK	7,500.0	5,500.0	5,500.0
SURPLUS FUNDS	2,777.2	2,777.2	4,418.2
DIRECTORS FEES	24.8	31.7	13.9
LOAN INTEREST RECEIPTS	2,095.2	2,200.0	1,868.3
TOTAL	**49,980**	**39,909**	**45,529**

Source of Data: National Treasury

Expenditure Performance

9. Total expenditure and net lending in the FY 2021/22 amounted to Ksh 3,027.5 billion against a revised target of Ksh 3,286.1 billion, representing an under spending of Ksh 258.6 billion (7.9 percent deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections, lower than targeted spending on interest payments and low absorption of both externally and domestically funded development projects (**Table 3**).

10. The National Government's recurrent expenditure was Ksh 2,135.0 billion (including Ksh 48.8 billion spending by Judiciary and Parliament) against a target of Ksh 2,227.3 billion, representing an under-spending of Ksh 92.3 billion. The recurrent spending was below target mainly due to lower than targeted absorption on operations and maintenance by Ksh 26.6 billion and shortfall related to poor collection of recurrent ministerial A-i-A of Ksh 35.2 billion. Interest payment was below target by Ksh 27.6 billion while payment of wages and pension and other CFS was below their targets by Ksh 5.2 billion and Ksh 2.9 billion respectively.

11. Development expenditure amounted to Ksh 532.7 billion against a revised target of Ksh 657.5 billion, translating to a shortfall of Ksh 124.8 billion. This was on account of lower than programmed absorption of domestically and externally funded programmes by Ksh 40.5 billion and Ksh 77.5 billion respectively.

Table 3: Expenditure and Net Lending, FY 2021/22 (Ksh Million)

	FY 2020/2021	FY 2021/2022			
	Actual	Actual	Revised Estimates	Deviation	% Growth
1. Recurrent Expenditure	**1,813.3**	**2,135.0**	**2,227.3**	**(92.3)**	**17.7**
Domestic Interest	388.8	456.8	479.2	(22.4)	17.5
Foreign Interest due	106.3	120.8	126.1	(5.2)	13.6
Pensions & Other CFS	112.9	122.4	125.3	(2.9)	8.5
Operations & Maintenance	561.9	717.3	738.9	(21.5)	27.7
Wages & Salaries	493.0	520.0	525.1	(5.1)	5.5
Ministerial Recurrent AIA	150.3	197.5	232.7	(35.2)	31.4
2. Development	**557.0**	**532.7**	**657.5**	**(124.8)**	**-4.4**
Domestically Financed (Gross)	390.0	370.8	411.3	(40.5)	-4.9
Foreign Financed	167.0	161.9	239.4	(77.5)	-3.1
Net Lending	-	-	-	0.0	0.0
Equalization Fund	-	-	6.8	(6.8)	0.0
3. County Transfer	**399.0**	**359.8**	**401.2**	**(41.4)**	**-9.8**
o/w Equitable Share	346.2	340.4	370.0	(29.6)	-1.7
4. Contingency Fund	-	-	-	0.0	0.0
TOTAL EXPENDITURE	**2,769.3**	**3,027.5**	**3,286.1**	**(258.6)**	**9.3**

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

Ministerial Expenditure

12. The total cumulative ministerial and other public agencies expenditure including A-i-A was Ksh 1,941.7 billion (90.2 percent absorption) against a target of Ksh 2,152.6 billion. Recurrent expenditure was Ksh 1,408.5 billion (96.2 percent absorption) against a target of Ksh 1,463.9 billion, while development expenditure was Ksh 533.2 billion (77.4 percent absorption) against a target of Ksh 688.8 billion. The lower than targeted absorption of expenditures was partly due to the delayed reporting of expenditures related to Appropriation-in-Aid collected by State Owned Enterprises.

13. As at the end of FY 2021/22, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 39.0 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 9.0 percent and 9.1 percent of total recurrent expenditure, respectively.

14. Analysis of development outlay indicates that the State Department for Infrastructure accounted for the largest share of the total development expenditure (24.1 percent), followed by the National Treasury (12.5 percent) and the Ministry of Water and Sanitation (11.0 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 4** shows the recurrent and development expenditures by Ministries, State Departments and other Government entities for the period under review.

Table 4: Ministerial Expenditures, Period Ending 30th June, 2022 (Ksh Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-22 Recurrent			Jun-22 Development			Jun-22 Total			% of Total Exp. To Target
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	29,233	30,710	(1,477)	10,648	11,669	(1,021)	39,881	42,378	(2,498)	94.1
1021	State Department for Interior and Citizen Services	127,019	134,359	(7,340)	5,514	8,504	(2,990)	132,533	142,863	(10,330)	92.8
1023	State Department for Correctional Services	23,744	28,521	(4,777)	519	630	(111)	24,263	29,151	(4,888)	83.2
1032	State Department for Devolution	3,142	3,564	(422)	1,116	1,239	(122)	4,258	4,802	(545)	88.7
1035	State Department for Development of the ASAL	1,045	1,074	(29)	6,155	9,880	(3,726)	7,200	10,955	(3,755)	65.7
1041	Ministry of Defence	128,597	130,609	(2,011)	6,080	6,150	(70)	134,677	136,758	(2,081)	98.5
1052	Ministry of Foreign Affairs	15,341	18,695	(3,354)	295	1,296	(1,001)	15,636	19,991	(4,355)	78.2
1064	State Department for Vocational and Technical Trainin	19,302	19,045	257	2,146	4,008	(1,863)	21,447	23,053	(1,606)	93.0
1065	State Department for University Education	95,713	101,365	(5,652)	3,744	4,353	(609)	99,456	105,717	(6,261)	94.1
1066	State Department for Early Learning & Basic Educatio	94,155	93,259	895	6,867	14,100	(7,233)	101,021	107,359	(6,338)	94.1
1068	State Department for Post Training and Skills Develop	225	232	(7)	-	-	-	225	232	(7)	96.9
1069	State Department for Implementation of Curriculum Reforms	88	88	0	-	-	-	88	88	0	100.0
1071	The National Treasury	56,599	59,099	(2,501)	66,594	111,008	(44,414)	123,193	170,107	(46,915)	72.4
1072	State Department for Planning	3,834	3,982	(148)	47,510	47,652	(142)	51,344	51,634	(290)	99.4
1081	Ministry of Health	68,714	66,661	2,054	48,183	63,809	(15,625)	116,898	130,469	(13,572)	89.6
1091	State Department for Infrastructure	73,883	74,055	(172)	128,649	156,534	(27,884)	202,532	230,589	(28,057)	87.8
1092	State Department for Transport	5,597	10,369	(4,772)	420	985	(565)	6,017	11,353	(5,337)	53.0
1093	State Department for Shipping and Maritime	2,090	2,099	(10)	10	580	(570)	2,100	2,680	(580)	78.4
1094	State Department for Housing & Urban Development	1,403	1,392	11	13,451	14,125	(674)	14,854	15,517	(663)	95.7
1095	State Department for Public Works	2,998	3,093	(94)	840	1,028	(188)	3,839	4,120	(282)	93.2
1108	Ministry of Environment and Forestry	9,904	10,525	(621)	3,084	4,082	(998)	12,988	14,607	(1,618)	88.9
1109	Ministry of Water & Sanitation and Irrigation	4,899	6,292	(1,393)	58,227	71,577	(13,351)	63,126	77,869	(14,743)	81.1
1112	Ministry of Lands and Physical Planning	3,015	3,170	(155)	2,250	2,291	(41)	5,266	5,461	(195)	96.4
1122	State Department for Information Communication Tech	1,938	1,796	142	16,670	18,374	(1,704)	18,608	20,170	(1,562)	92.3
1123	State Department for Broadcasting & Telecommunicati	6,037	7,647	(1,610)	352	397	(45)	6,388	8,044	(1,655)	79.4
1132	State Department for Sports	1,766	1,307	458	13,153	15,168	(2,015)	14,918	16,475	(1,557)	90.6
1134	State Department for Culture and Heritage	2,886	3,089	(203)	65	66	(1)	2,951	3,155	(203)	93.6
1152	Ministry of Energy	13,634	16,403	(2,769)	35,940	49,201	(13,261)	49,574	65,604	(16,030)	75.6
1162	State Department for Livestock	2,591	3,615	(1,024)	1,988	2,861	(873)	4,579	6,476	(1,897)	70.7
1166	State Department for Fisheries, Aquaculture & the Blu	2,219	2,239	(20)	3,512	5,993	(2,481)	5,731	8,232	(2,501)	69.6
1169	State Department for Crop Development & Agricultura	9,219	13,361	(4,142)	25,206	31,715	(6,509)	34,425	45,076	(10,651)	76.4
1173	State Department for Cooperatives	461	1,495	(1,034)	372	433	(61)	833	1,928	(1,095)	43.2
1174	State Department for Trade and Enterpeise Developme	2,285	2,550	(265)	2,387	2,387	(0)	4,671	4,937	(265)	94.6
1175	State Department for Industrialization	3,184	3,305	(121)	1,875	2,988	(1,113)	5,059	6,293	(1,234)	80.4
1184	State Department for Labour	1,692	2,744	(1,052)	499	867	(368)	2,191	3,611	(1,420)	60.7
1185	State Department for Social Protection, Pensions & Se	33,116	33,904	(788)	2,406	3,306	(901)	35,522	37,211	(1,689)	95.5
1194	Ministry of Petroleum and Mining	82,788	81,951	837	2,292	2,464	(172)	85,080	84,415	665	100.8
1202	State Department for Tourism	7,598	7,740	(142)	474	475	(1)	8,072	8,215	(142)	98.3
1203	State Department for Wildlife	6,810	8,824	(2,013)	769	820	(51)	7,579	9,643	(2,064)	78.6
1212	State Department for Gender	1,164	1,140	25	2,358	2,481	(124)	3,522	3,621	(99)	97.3
1213	State Department for Public Service	18,708	19,491	(783)	482	668	(186)	19,190	20,159	(969)	95.2
1214	State Department for Youth Affairs	1,379	1,419	(40)	3,221	3,977	(756)	4,599	5,395	(796)	85.2
1221	State Department for East African Community	602	609	(7)	-	-	-	602	609	(7)	98.8
1222	State Department for Regional and Northern Corridor D	2,930	2,956	(26)	2,240	2,549	(308)	5,170	5,505	(335)	93.9
1252	State Law Office and Department of Justice	4,722	5,112	(389)	137	138	(1)	4,860	5,250	(390)	92.6
1261	The Judiciary	15,584	15,968	(385)	1,997	2,592	(595)	17,581	18,561	(980)	94.7
1271	Ethics and Anti-Corruption Commission	3,489	3,519	(30)	59	67	(9)	3,548	3,586	(38)	98.9
1281	National Intelligence Service	47,201	47,201	-	-	-	-	47,201	47,201	-	100.0
1291	Office of the Director of Public Prosecutions	3,129	3,326	(197)	117	150	(33)	3,246	3,476	(230)	93.4
1311	Office of the Registrar of Political Parties	3,228	3,315	(87)	-	-	-	3,228	3,315	(87)	97.4
1321	Witness Protection Agency	490	490	(0)	-	-	-	490	490	(0)	100.0
2011	Kenya National Commission on Human Rights	399	400	(1)	-	-	-	399	400	(1)	99.8
2021	National Land Commission	1,693	1,687	6	39	39	(0)	1,732	1,726	6	100.4
2031	Independent Electoral and Boundaries Commission	20,132	23,041	(2,909)	117	125	(8)	20,249	23,166	(2,917)	87.4
2041	Parliamentary Service Commission	6,557	6,962	(404)	-	-	-	6,557	6,962	(404)	94.2
2042	National Assembly	21,033	23,372	(2,339)	-	-	-	21,033	23,372	(2,339)	90.0
2043	Parliamentary Joint Services	5,061	5,673	(611)	1,810	2,404	(594)	6,872	8,077	(1,205)	85.1
2051	Judicial Service Commission	577	619	(42)	-	-	-	577	619	(42)	93.2
2061	The Commission on Revenue Allocation	435	446	(11)	-	-	-	435	446	(11)	97.5
2071	Public Service Commission	2,356	2,372	(16)	7	19	(13)	2,363	2,391	(29)	98.8
2081	Salaries and Remuneration Commission	592	621	(29)	-	-	-	592	621	(29)	95.3
2091	Teachers Service Commission	289,407	290,319	(912)	358	515	(157)	289,766	290,834	(1,069)	99.6
2101	National Police Service Commission	826	864	(38)	-	-	-	826	864	(38)	95.6
2111	Auditor General	5,514	6,077	(563)	2	6	(4)	5,516	6,083	(568)	90.7
2121	Office of the Controller of Budget	621	650	(29)	-	-	-	621	650	(29)	95.5
2131	The Commission on Administrative Justice	605	625	(20)	-	-	-	605	625	(20)	96.8
2141	National Gender and Equality Commission	434	440	(6)	-	10	(10)	434	450	(16)	96.5
2151	Independent Policing Oversight Authority	888	929	(42)	-	-	-	888	929	(42)	95.5
	Total	1,408,518	1,463,867	(55,349)	533,204	688,752	(155,548)	1,941,722	2,152,619	(210,897)	90.2

Source of Data: National Treasury

Overall Balance and Financing

16. In line with the performance in expenditure and revenues, the fiscal deficit (including grants), amounted to Ksh 796.7 billion (6.2 percent of GDP) against a target of Ksh 1,031.2 billion (8.2 percent of GDP) (**Table 5**).

Table 5: Budget Outturn for the FY 2021/22 (Ksh Million)

	2020/2021	2021/2022		Deviation	% growth	2021/2022 as a % of GDP		2020/2021 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	**1,834,870**	**2,230,839**	**2,254,871**	**(24,032)**	**21.6**	**17.5**	**17.8**	**16.1**
1. Revenue	**1,803,536**	**2,199,808**	**2,191,953**	**7,855**	22.0	17.3	17.3	15.9
Ordinary Revenue	1,562,015	1,917,911	1,851,510	66,401	22.8	15.0	14.6	13.7
Import Duty	108,375	118,280	115,869	2,411	9.1	0.9	0.9	1.0
Excise Duty	216,325	252,094	255,890	(3,796)	16.5	2.0	2.0	1.9
Income tax	694,053	876,707	836,691	40,017	26.3	6.9	6.6	6.1
VAT	410,758	523,098	514,107	8,990	27.3	4.1	4.1	3.6
Investment Revenue	47,884	43,660	37,709	5,951	(8.8)	0.3	0.3	0.4
Others	84,620	104,071	91,243	12,828	23.0	0.8	0.7	0.7
Appropriation-in-Aid	241,521	281,897	340,443	(58,546)	16.7	2.2	2.7	2.1
2. Grants	**31,334**	**31,031**	**62,918**	**(31,887)**	**(1.0)**	**0.2**	**0.5**	**0.3**
Programme Grants/ AMISOM Receipts	8,943	3,603	3,000	603	-	0.0	0.0	0.1
Nairobi County to NMS	0	9,090	20,350					
Covid -19 Emergency Grants	13	0	0					
Revenue	9,378	5,903	15,496	(9,593)	(37.1)	0.0	0.1	0.1
Appropriation-in-Aid	12,999	12,435	24,072	(11,637)	(4.3)	0.1	0.2	0.1
B.EXPENDITURE AND NET LENDING	**2,769,254**	**3,027,518**	**3,286,077**	**(258,559)**	**9.3**	**23.7**	**26.0**	**24.4**
1. Recurrent	**1,813,271**	**2,134,986**	**2,227,325**	**(92,339)**	**17.7**	**16.7**	**17.6**	**15.9**
Domestic Interest	388,830	456,849	479,223	(22,374)	17.5	3.6	3.8	3.4
Foreign Interest	106,312	120,812	126,059	(5,248)	13.6	0.9	1.0	0.9
Pension & Other CFS	112,872	122,432	125,346	(2,915)	8.5	1.0	1.0	1.0
Wages and Salaries	493,029	520,033	525,122	(5,089)	5.5	4.1	4.2	4.3
O & M/Others	712,228	914,862	971,574	(56,713)	28.5	7.2	7.7	6.3
2. Development and Net Lending	**556,990**	**532,687**	**657,515**	**(124,828)**	**(4.4)**	**4.2**	**5.2**	**4.9**
O/W Domestically financed	389,960	370,808	411,290	(40,481)	(4.9)	2.9	3.3	3.4
Foreign financed	167,030	161,879	239,400	(77,521)	(3.1)	1.3	1.9	1.5
3. Equalization Fund	0	0	6,825	(6,825)	-	0.0	0.1	0.0
4. County Governments	398,993	359,844	401,237	(41,393)	(9.8)	2.8	3.2	3.5
5. CF	-	-	-	-	-	**0.0**	-	**0.0**
C. DEFICIT EXCL.GRANT (Commitment basis)	**(965,717)**	**(827,710)**	**(1,094,124)**	**266,414**	**(14.3)**	**(6.5)**	**(8.7)**	**(8.5)**
D. DEFICIT INCL.GRANTS (Commitment basis)	**(934,384)**	**(796,679)**	**(1,031,206)**	**234,527**	**(14.7)**	**(6.2)**	**(8.2)**	**(8.2)**
E. ADJUSTMENT TO CASH BASIS	**5,098**	**11,868**	-	**11,868**	**132.8**	**0.1**	-	**0.0**
F. DEFICIT INCL.GRANTS (Cash basis)	**(929,286)**	**(784,810)**	**(1,031,206)**	**246,396**	**(15.5)**	**(6.2)**	**(8.2)**	**(8.2)**
Discrepancy	**20,950**	**(36,986)**	**0**					
G. FINANCING	**950,235**	**747,825**	**1,031,206**	**(283,381)**	**(21.3)**	**5.9**	**8.2**	**8.4**
1. Net Foreign financing	**323,310**	**142,524**	**343,085**	**(200,561)**	**(55.9)**	**1.1**	**2.7**	**2.8**
Disbursements	**451,587**	**327,059**	**545,151**	**(218,092)**	**(27.6)**	**2.6**	**4.3**	**4.0**
Programme Loans	168,644	135,019	163,196	(28,177)	(19.9)	1.1	1.3	1.5
Project Cash Loans	52,351	58,601	81,074	(22,473)	11.9	0.5	0.6	0.5
Project Loans AIA	104,787	92,619	134,382	(41,764)	(11.6)	0.7	1.1	0.9
Project Loans SGR _PHASE_1&2A_AIA	4,643	0	0	-	-	-	-	**0.0**
Project Loans SGR _PHASE_2B_AIA	6,871	0	0	-	-	-	-	**0.1**
Use of IMF SDR Allocation	0	40,820	42,180					
Commercial Financing	114,292	0	124,318	**(124,318)**	-	-	**1.0**	**1.0**
Debt repayment - Principal	(128,278)	(184,536)	(202,066)	17,530	**43.9**	**(1.4)**	**(1.6)**	**(1.1)**
2. Net Domestic Financing	**626,926**	**605,301**	**688,121**	**(82,820)**	**(3.4)**	**4.7**	**5.4**	**5.5**
Government Securities	556,289	589,545	678,077	(88,532)	6.0	4.6	5.4	4.9
Government Overdraft & Others	13,649	2,673	-	2,673	-	0.0	-	0.1
Movement in Government Deposits	(77,551)	138,485	139,090	(605)	-	1.1	1.1	(0.7)
Domestic Loan Repayments (Net Receipts)	6,259	5,097	1,453	3,644	(18.6)	0.0	0.0	0.1
Domestic Loan Repayment	(1,110)	(1,110)	(1,110)	-	-	0.0	(0.0)	(0.0)
Increase in Other Accounts Payable	129,389	(129,389)	(129,389)					
MEMO ITEM								
GDP ESTIMATE	**11,370,323**	**12,752,164**	**12,646,197**	**105,967**	**12.2**	**100**	**100**	**100**

**Provisional*

Source of Data: National Treasury

17. The fiscal deficit was financed through net external financing amounting to Ksh 142.5 billion (1.1 percent of GDP) and net domestic financing of Ksh 605.3 billion (4.7 percent of GDP). Total disbursements (inflows) including A-i-A amounted to Ksh 327.1 billion against a target of Ksh 545.2 billion. The disbursements included Ksh 92.6 billion project loans A-i-A, Ksh 58.6 billion project loans revenue, and Ksh 175.8 billion programme loans. External repayments (outflows) of principal debt amounted to Ksh 184.5 billion including principal repayments due to bilateral and multilateral organizations and to commercial sources.

B. Fiscal Performance for the FY 2021/22 in Relation to Financial Objectives

18. The fiscal performance in the FY 2021/22 is broadly in line with the financial objectives outlined in the PFM Act, 2012 and the 2022 BPS.

i. The performance of main tax heads was above the Supplementary II targets resulting to a surplus of Ksh 66.4 billion in ordinary revenue. This revenue outcome builds confidence in the revenue projections for the FY 2022/23 and over the medium term. As such, the overall ordinary revenue projections will be retained at the levels outlined in the 2022 BPS. Any adjustments to the revenue targets will be only to reflect movements in the macroeconomic indicators should these change;

ii. With revenues retained at the same levels at the 2022 BPS, the overall resource envelope therefore, remains unchanged from the 2022 BPS position. Therefore, the overall baseline expenditure ceilings for spending agencies will largely be retained at the same levels as per the 2022 BPS. Any adjustments would be to reflect any change in priority across sectors or MDAs and any identified one-off expenditures; and

iii. The under-spending in both recurrent and development budget for the FY 2021/22 can be explained in part by low absorption of externally funded projects, low collection of local A-i-A and lower than planned external financing. The Government will put in place appropriate measures to improve absorption of resources from development partners and explore alternative financing strategies early in the financial year to ensure the budget is fully funded.

19. As outlined in the 2022 BPS, the Government will seek to improve revenue collection from 17.3 percent of GDP in FY 2021/22 to above 18.0 percent of GDP in FY 2025/26. This will involve implementing new tax policy measures, reducing tax expenditures, strengthening revenue administration aimed at expanding the tax base and improving compliance.

C. Fiscal Responsibility Principles

20. In line with the Constitution, the PFM Act, 2012, 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:

i. The National Government's allocation to development expenditures has been above 30 percent of Ministerial Government expenditures. In the FY 2021/22, the allocation to development in the budget was 30.6 percent of the total expenditures meeting the set threshold (**Table 6**).

Table 6: Fiscal Performance in Relation to Financial Objectives

	FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24	FY 2024/25	FY 2025/26
	Prel. Actual	SUPP II	Prel. Actual	BUDGET	BROP'22	BROP'22	BROP'22	BROP'22
	Ksh. Billions							
1.0 Total Expenditure & Net Lending	2,769	3,286	3,028	3,359	3,359	3,580	3,894	4,319
1.1 Total Ministerial National Govt Expenses	1,809	2,150	1,984	2,145	2,145	2,318	2,554	2,860
Total Recurrent	1,822	2,224	2,135	2,273	2,273	2,366	2,578	2,844
CFS (Interest & Pensions)	608	731	700	843	843	886	959	1,054
Ministerial Recurrent	1,214	1,493	1,435	1,430	1,430	1,480	1,618	1,790
o/w Wages & Salaries	496	558	546	563	563	628	677	738
Wages as % National Government Revenues/1	***34.1%***	***30.6%***	***29.4%***	***26.9%***	***26.9%***	***25.5%***	***24.2%***	***22.9%***
Development	595	657	549	715	715	839	936	1,070
Development as % Ministerial NG expenditures	***32.9%***	***30.6%***	***27.7%***	***33.3%***	***33.3%***	***36.2%***	***36.6%***	***37.4%***
Domestic	390	418	371	382	382	447	504	615
External	167	239	162	295	295	350	390	432
Contingencies	-	-	-	4	4	5	5	5
1.2 County Allocation	399	401	360	407	407	412	417	442
Equitable share	346	370	340	370	370	375	380	405
Conditional Grants	53	31	19	37	37	37	37	37
2.0 Total Revenues	1,804	2,192	2,200	2,462	2,462	2,835	3,179	3,633
3.0 Total National Government Revenues (Incl. A-I-A)	1,457	1,822	1,859	2,092	2,092	2,460	2,799	3,228
4.0 National Government Domestic Borrowing (net)	627	688	605	582	582	498	565	507

/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

ii. The National Government's share of wages and benefits to revenues was 29.4 percent in the FY 2021/22 which is within the statutory requirement of 35.0 percent of the National Government's equitable share of the revenue plus other revenues generated by the National Government;

iii. The fiscal responsibility principle spelt out in Section 15(2)(c) of the PFM Act, 2012 requires that over the medium term, the National Government's borrowing shall be used only for financing development expenditure. During the FY 2021/22, The National Government borrowed a total of Ksh 916.6 billion comprising of: project loans of Ksh 151.2 billion, programme loans of Ksh 135.0 billion, IMF SDR allocation of Ksh 40.8 billion and domestic securities of Ksh 589.5 billion. This borrowing was spent on loan funded projects of Ksh 155.6 billion, external redemptions of Ksh 184.5 billion and domestically funded development expenditures of Ksh 396.0 billion (inclusive of 30 percent equitable share). As such, the Government spent Ksh 82.3 percent of borrowed resources on development and redemption of external loans and 17.7 percent on recurrent spending. The recurrent spending was occasioned by spending interventions to cushion the poor and vulnerable members of society as well as to contain the spread of COVID-19 and acquisition of COVID-19 vaccines.

iv. The PFM Act, 2012 requires that public debt and obligations remain at sustainable levels and the Government is committed to adhering to this at all times. Kenya's debt is sustainable with overall and external ratings for risk of debt distress remaining high. **Table 7** below shows the Present Value (PV) of external debt-to-export and Public and Publicly Guaranteed (PPG) of debt-service-to-exports indicators were breached under the baseline and the shock scenario. Both indicators remained above the thresholds throughout the medium-term projection period. This is due to high deficits, partly due to large infrastructure projects combined with the sharp slowdown in export and economic growth in 2020 caused by the pandemic. However, the Public debt sustainability is expected to improve on the basis of implementation of the Economic Recovery Strategy (ERS), commitment to fiscal consolidation and macroeconomic stability;

Table 7: Kenya's External Debt Sustainability (calendar years)

Indicators	Thresholds	2020	2021	2022	2023	2024	2025
PV of debt–to-GDP ratio	**40**	27.1	28.2	27.2	26.9	25.9	25.6
PV of debt-to-exports ratio	**180**	280.1	278.5	241.7	225.6	207.5	198.8
PPG Debt service-to-exports ratio	**15**	24.7	21.6	23.7	19.5	28.8	17.4
PPG Debt service-to-revenue ratio	**18**	14.6	13.6	16.0	13.3	20.0	12.2

Source: IMF Country Report No. 21/275, December 2021

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

21. The Government has maintained tax rates at stable levels. Since 2004 the EAC partner States have maintained three bands with a maximum rate of 25 percent for import duty, however, this was increased to four bands with a maximum band of 35 percent in order to keep up with global changes and protect the local industries. The Government will continue to maintain stable tax rates and build confidence in the Kenyan taxation system, enhance compliance and improve predictability while improving tax administration. The Government will also use tax policy initiatives to address areas where the tax base has been eroded, to strengthen revenue mobilization. The National Tax Policy that is being finalised is expected to guide the tax reforms and entrench predictability in the tax system.

22. The National Government fiscal projections for the 2022 BROP (**Table 8**) are consistent with the 2022 BPS estimates and shall inform the projections for the FY 2023/24 and the medium term. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives in the 2023 BPS to reflect changes in circumstances.

Table 8: Government Fiscal Projections, Ksh Billion

	FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24	FY 2024/25	FY 2025/26
	Prel Actual	SUPP II	Prel Actual	Approved Budget	BROP 22	BROP 22	BROP 22	BROP 22
	Ksh. Billions							
TOTAL REVENUE	**1,804**	**2,192**	**2,200**	**2,462**	**2,462**	**2,835**	**3,179**	**3,633**
Total Revenue as a % of GDP	***15.9%***	***17.3%***	***17.3%***	***17.5%***	***17.5%***	***18.0%***	***18.1%***	***18.4%***
Ordinary revenue	1,562	1,852	1,918	2,142	2,142	2,516	2,841	3,272
Ordinary Revenue as a % of GDP	***13.7%***	***14.6%***	***15.0%***	***15.3%***	***15.3%***	***16.0%***	***16.2%***	***16.6%***
Tax Revenue	1,430	1,723	1,770	2,024	2,024	2,388	2,673	3,093
Non-Tax Revenue	133	129	148	118	118	129	168	179
AIA	242	340	282	321	321	319	339	361
Expenditure	**2,769**	**3,286**	**3,028**	**3,359**	**3,359**	**3,580**	**3,894**	**4,319**
Expenditure as a % of GDP	***24.4%***	***26.0%***	***23.7%***	***23.9%***	***23.9%***	***22.8%***	***22.2%***	***21.9%***
Recurrent (incl of conditional transfer to counties)	1,828	2,227	2,135	2,271	2,271	2,366	2,578	2,825
Development	595	689	552	714	714	834	931	1,084
Equalization Fund	-	7	-	7	7	8	8	8
County Transfer (Equitable share only)	346	370	340	370	370	375	380	405
Contingencies	-	-	-	4	4	5	5	5
Budget Balance (Deficit (-) excl Grants	**(966)**	**(1,094)**	**(828)**	**(896)**	**(896)**	**(745)**	**(714)**	**(686)**
Deficit as % of GDP	***-8.5%***	***-8.7%***	***-6.5%***	***-6.4%***	***-6.4%***	***-4.7%***	***-4.1%***	***-3.5%***
Grants	31	63	31	33	33	48	49	53
Adjustment to cash basis	5	-	12	-				
Balance Incl.Grants (cash basis)	(929)	(1,031)	(785)	(863)	(863)	(697)	(665)	(633)
Deficit as % of GDP	***-8.2%***	***-8.2%***	***-6.2%***	***-6.1%***	***-6.1%***	***-4.4%***	***-3.8%***	***-3.2%***
Net Foreign Financing	323	343	143	281	281	199	100	126
Domestic Loan Repayments (receipts)	6	1	5	4	4	4	4	5
Domestic Borrowing (net)	627	688	605	582	582	498	565	507
Domestic Borrowing % of GDP	***5.5%***	***5.4%***	***4.7%***	***4.1%***	***4.1%***	***3.2%***	***3.2%***	***2.6%***
Public Debt (net Deposits)	7,140	8,171	8,161	9,024	9,034	9,731	10,396	11,029
Public Debt to GDP (net Deposits)	***62.8%***	***64.6%***	***64.0%***	***64.3%***	***64.4%***	***62.0%***	***59.2%***	***55.9%***
Nominal GDP (Ksh. billion)	**11,370**	**12,646**	**12,752**	**14,038**	**14,038**	**15,708**	**17,549**	**19,712**

Source of Data: National Treasury

D. County Governments' Fiscal Performance

Sources of County Government Revenue

23. County Governments revenues consist of transfers from the National Government, proceeds from loans and grants from development partners, and county own source revenues. Transfers from the National Government can be in the form of; Equitable Share in line with Article 202 (1) of the Constitution or additional allocations in line with Article 202 (2) of the Constitution. County Own Source Revenue (OSR) may be from property rates, entertainment taxes, and any other tax that it is authorised to impose by an Act of Parliament in line with Article 209 (3) of the Constitution. In addition, county governments may borrow if the national government guarantees the loan in line with Article 212 (a) of the Constitution. **Table 9**

summarizes total budgeted revenue from the various sources for the 47 County Governments for the FY 2021/22.

Table 9: County Government sources of Revenue, FY 2021/22

Revenue Source	County Governments Revenue FY 2021/22 (billions)	Budgeted % of Total revenue
Equitable Share	370	79%
Additional Allocations	39.9	8%
OSR	58.8	13%
Loans	0	0%
Total	**468.7**	**100%**

Source: National Treasury

24. The main source of revenue for the County Governments in the FY 2021/22 was the Equitable Share (79 percent) **(Table 9)**. During the FY 2021/22 budgeted additional allocations to the County Governments from the National Government's share of revenue as well as from proceeds of loans and grants accounted for 8 percent of the total County revenue while the budgeted own source revenue was Ksh 58.8 billion translating to 13 percent of the total County Government revenue. County Governments did not report borrowing as a source of revenue in FY 2021/22.

Total Transfers to Counties

25. As provided for under the County Allocation of Revenue Act (CARA), 2021 and the County Governments Additional Allocations Act, 2022, County Governments were allocated Ksh 409.9 billion for the FY 2021/22. Out of this, a total of Ksh 359.8 was disbursed to the County Governments as at 30th June, 2022, comprising of Equitable Share Ksh 340.4 billion and Additional Allocation Ksh 19.8 billion **(Table 10)**.

Equitable Share

26. During the FY 2021/22, a total of Ksh 370 billion was allocated to the County Governments as equitable share as reflected in the County Allocation of Revenue Act (CARA), 2021. Even though disbursements to the County Governments as equitable share stood at Ksh 340.4 billion representing 92 percent of the total allocations during the FY 2021/22, 100 percent of the equitable share was disbursed to the County Governments as at 29th August, 2022.

Table 10: Total Transfers to County Governments from FY 2013/14 to FY 2021/22 (Ksh Million)

Transfer Type	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/2022	Grand Total	%
1. Equitable share transfer	**190,000**	**226,660**	**259,774**	**280,300**	**302,000**	**314,000**	**286,784**	**346,216**	**340,400**	**2,546,134**	**91.0%**
2. Conditional Transfers towards Covid-19	-	-	-	-	-	-	**7,706**	-	-	**7,706**	**0.3%**
a) Gok-Funded Conditional allocation	-	-	-	-	-	-	*7,356*	-		*7,356*	
b) DANIDA	-	-	-	-	-	-	*350*	-		*350*	
3. GoK-funded conditional allocations	**5,665**	**3,261**	**10,901**	**13,705**	**12,008**	**15,017**	**13,343**	**12,673**	**7,430**	**94,004**	**3.4%**
a) Level Five Hospital	*3,419*	*1,863*	*3,600*	*4,000*	*4,200*	*4,326*	*4,326*	*4,326*	-	*30,061*	
*b) Free Maternal Healthcare **	*2,246*	*1,398*	*3,321*	*4,105*	-	-	-	-	-	*11,070*	
c) Managed Equipment Services	-	-	*3,080*	*4,500*	*4,908*	*8,830*	*6,017*	*5,273*	*7,205*	*39,813*	
d) Foregone User Fees Compensation	-	-	*900*	*900*	*900*	*900*	*900*	*900*	-	*5,400*	
e) Rehabilitation of Youth Polytechnics	-	-	-	-	*2,000*	*961*	*2,000*	*2,000*	-	*6,961*	
f) Emergency Medical Service Grant	-	-	-	*200*	-	-	-	-	-	*200*	
g) Construction of County HQs	-	-	-	-		-	*100*	*175*	*225*	*500*	
4. Other Additional conditional allocations	-	**1,137**	**5,547**	**6,063**	**17,797**	**31,070**	**30,020**	**40,103**	**12,014**	**143,751**	**5.1%**
a) Road Maintenance Levy Fund			*3,300*	*4,307*	*10,262*	*7,424*	*7,645*	*9,433*	-	***42,372***	1.5%
b) External Loans and Grants	-	*1,137*	*2,247*	*1,756*	*7,535*	*23,646*	*22,375*	*30,670*	*12,014*	*101,380*	3.6%
-World Bank (KDSP Level I)	-	-	-	-	*2,148*	-	*1,410*	*2,115*	-	*5,673*	
-World Bank (KDSP Level II)	-	-	-	-	*1,950*	*4,000*	-	*4,600*	-	*10,550*	
-World Bank (NUTRIP)	-	-	*1,045*	*791*		-	-	-	-	*1,836*	
-Danida (HSPS III)	-	*734*	*664*	*408*	-		-	-	-	*1,806*	
-World Bank (KHSSP-HSSF)	-	*404*	*508*	*556*	*8*	-	-	-	-	*1,476*	
-World Bank (THUSCP)	-	-	-	-	*1,250*	*1,958*	*2,656*	*3,940*	*1,445*	*11,249*	
-Danida (UHDSP)	-	-	-	-	*1,116*	*1,040*	*922*	*855*	*323*	*4,257*	
-World Bank (NARIGP)	-	-	-	-	*1,063*	*1,052*	*4,563*	*3,900*	*3,995*	*14,573*	
-Italy (KIDDP; Rehab. of Sub-Dist. Hosp.)	-	-	*30*	-		-	-	-	-	*30*	
World Bank,KUSP-UIG	-	-	-	-	-	*1,854*	*387*	-	-	*2,241*	
World Bank ,KUSP-UDG	-	-	-	-	-	*11,465*	*8,128*	*6,315*	-	*25,908*	
World Bank-KCSAP	-	-	-	-	-	*1,000*	*2,982*	*5,945*	*3,942*	*13,869*	
EU - IDEAS	-	-	-	-	-	*941*	-	-	-	*941*	
IDA (World Bank)-WSDP	-	-	-	-	-	-	*563*	*2,465*	*1,510*	*4,537*	
SIDA -ASDSP II	-	-	-	-	-	*335*	*764*	*536*	*501*	*2,135*	
EU-WaTER	-	-	-	-	-	-		-	-	-	
IDA (WB)- ELRP	-	-	-	-	-	-	-	-	*297*	*297*	
5. Allowances for County medical personnel				4,842		-	-	-	-	**4,842**	**0.2%**
6. Coffee Cess				107		-	-	-	-	**107**	**0.0%**
Grand Total *(= 1+2+3+4+5+6)*	**195,665**	**231,059**	**276,223**	**305,016**	**331,805**	**360,086**	**337,853**	**398,993**	**359,844**	**2,796,544**	**100%**

Source of Data: The National Treasury

Additional Allocations

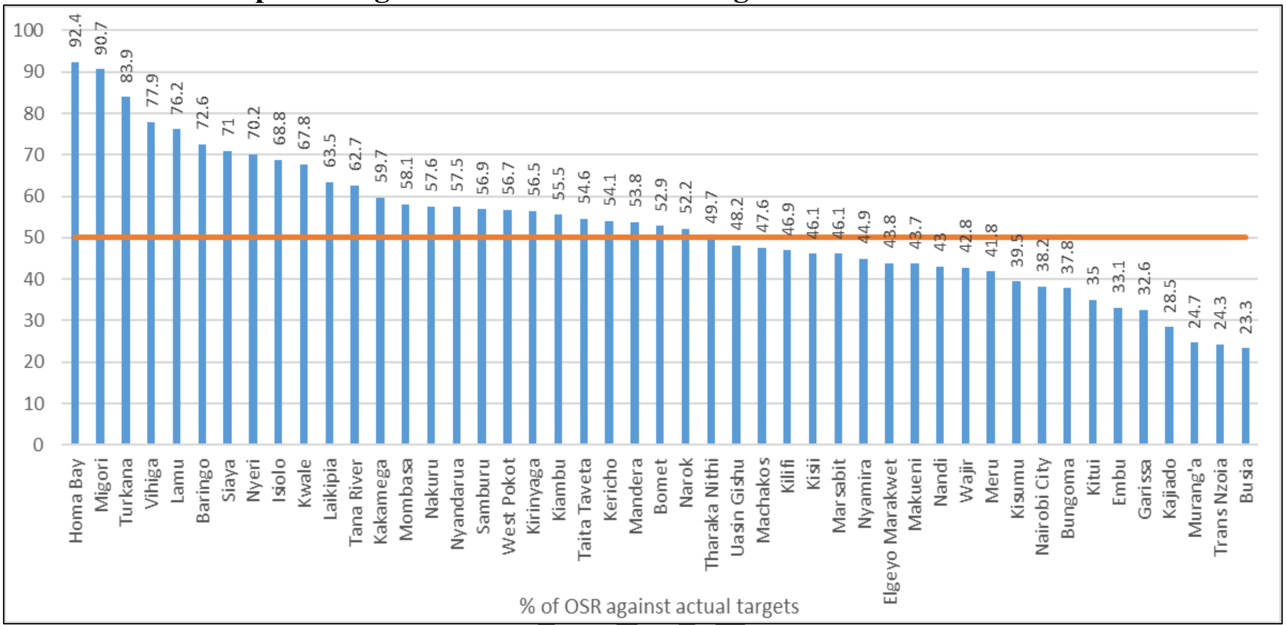
27. In addition to the equitable share, the County Governments were allocated Ksh 39.9 billion as additional allocations as provided for under the County Governments Additional Allocations Act, 2022. As at 30th June, 2022, a total of Ksh 12.0 billion had been transferred to the county governments as additional allocations from proceeds of loans and grants from development partners, Ksh. 225 million transferred to the Counties for construction of county headquarters and Ksh. 7.2 billion for the Managed Equipment Services. The total additional allocations as at the end of FY 2021/22 translates to 48.6 percent of the total additional allocations to County Governments.

Performance of County Governments Own Source Revenue

28. During the period covering July 2021 to March 2022, the County Governments were able to raise a total of Ksh 27.1 billion in Own Source Revenue (OSR) against an annual target of Ksh 58.8 billion as shown in **(Figure 1 and Annex Table 5)**. This represents 46.1 percent of the annual OSR target in FY 2021/22. Only twenty-five (25) County Governments in FY

2021/22 were able collect more than fifty percent of their annual OSR target for the first three quarters of the financial year. This is a slight improvement from the FY 2020/21 where only 16 county governments were able to collect at least fifty percent of their annual target by the end of the third quarter. The top performing counties as far as OSR is concerned were Homa Bay (92.4%), Migori (90.7%) and Turkana (83.9%) while the least performing counties were Muranga (24.7%), Trans-Nzoia (24.3%) and Busia (23.3%).

Figure 1: Actual Revenue Collected (First Nine Months of FY 2021/22) by the County Governments as a percentage of Annual Revenue Target for FY 2021/22



Source of Data: Controller of Budget

29. The National Treasury notes that County Governments may be projecting unrealistic OSR which ultimately leads to below target collection. In this regard, the National Treasury in collaboration with relevant stakeholders is currently coordinating the implementation of the National Policy to Support Enhancement of County Governments' OSR which seeks to enhance efficiency in collection and administration of County Governments' Own Source Revenue (OSR). The County Governments (Revenue Raising Process) Bill, which lapsed after being submitted to Parliament, will be resubmitted to the 13th Parliament for enactment into law. Once enacted into law, this legislation will play an important role in regulating the manner in which Counties introduce/vary fees and charges.

30. To address the inadequacy of the existing legal framework to guide the imposition of property rates, the National Policy to Support Enhancement of the County Governments Own Source Revenue proposed enactment of the National Rating Legislation. The National Rating Bill, 2022 that went through first reading in Parliament stipulates a framework for levying of rates by county governments that will provide for the valuation of rateable property, the appointment and powers of valuers and the establishment, powers and functions of the National Rating Valuation Tribunal.

Mineral Royalty Revenue Sharing Framework

31. Section 183 of the Mining Act, 2016 provides that any holder of a mineral right shall pay royalty to the State in respect of the various mineral classes won by virtue of the mineral right. Such royalties shall be distributed at 70 percent to the National Government; 20 percent to the County Government; and 10 percent to the Communities. In order to implement this provision of the law, the National Treasury in consultation with the Ministry of Petroleum and Mining, Ministry of Industrialization, Trade & Enterprise Development, Commission on Revenue

Allocation, State Law Office and Council of Governors developed a framework on sharing of mineral royalty revenue among the National Government, County Governments and Communities which has been forwarded to the Attorney General's Office for gazettement. Once gazetted, this framework will enable the transfer of additional revenue to the county governments and communities where mining is taking place.

Legal framework on County Governments Expenditure

32. PFMA, 2012 Section 130 (1) (b) (v) requires the County Executive Committee Member for Finance to submit in the County Assembly budget estimates that include all expenditure by vote and by program clearly identifying both recurrent and development expenditure. Further, the PFMA provides for fiscal rules which are provided as fiscal responsibility principles to be observed by County Governments in management of public finances. Specifically, PFMA 2012 and the PFM (County Government) Regulations, 2015 require county governments to enforce the following principles:

i. The County Governments' recurrent expenditure shall not exceed the County Government total revenue.
ii. In the Medium Term, a minimum of 30 percent of the County Governments budget shall be allocated to the development expenditure.
iii. The County Government expenditure on wages shall not exceed 35 percent of County Governments total revenue as prescribed by the County Executive Committee for Finance.

Overall Performance of Expenditures

33. The total expenditure by the County Governments in the first nine months of FY 2021/22 was Ksh 257.2 billion of which actual expenditure on development was Ksh 44.3 billion while on recurrent was Ksh 212.9 billion **(Table 11 and Annex Table 5)**. On the other hand, the expenditure on wages was Ksh 139.6 billion. The expenditures were against actual revenue amounting to Ksh 295.8 billion.

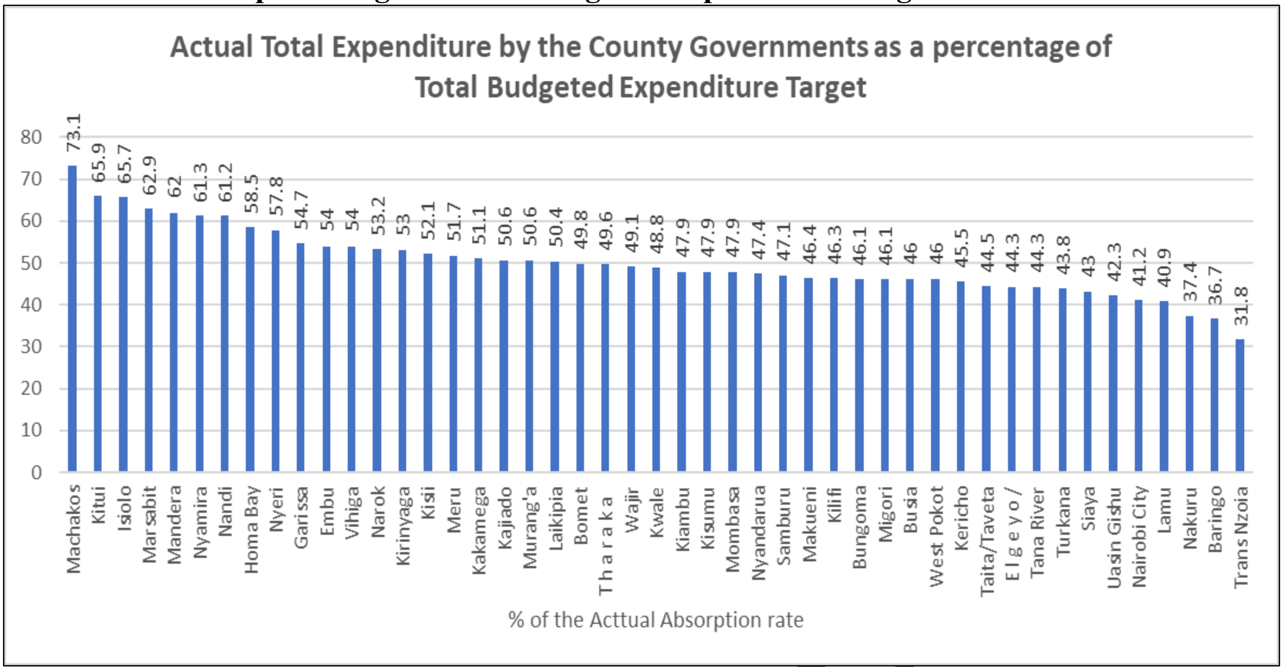
Table 11: Total Actual Expenditure for the first nine months of FY 2021/22

Item	Ksh 'Billion'	% of Expenditure to Total Revenue
Total actual Revenue	295.9	
Total actual expenditure	257.2	86.9
Recurrent expenditure	212.9	71.9
Wages	139.6	47.2
Development expenditure	44.3	15.0

Source of Data: Controller of Budget

34. The expenditures reflect an improvement from FY 2020/21 where total expenditure for the first nine months was Ksh 221.4 billion**. Figure 2** shows the actual expenditure by the County Governments as a percentage of the total budgeted expenditure for the first nine months of FY 2021/22.

Figure 2: Actual Total Expenditure (First Nine Months of FY 2021/22) by the County Governments as a percentage of Total Budgeted Expenditure Target for FY 2021/22



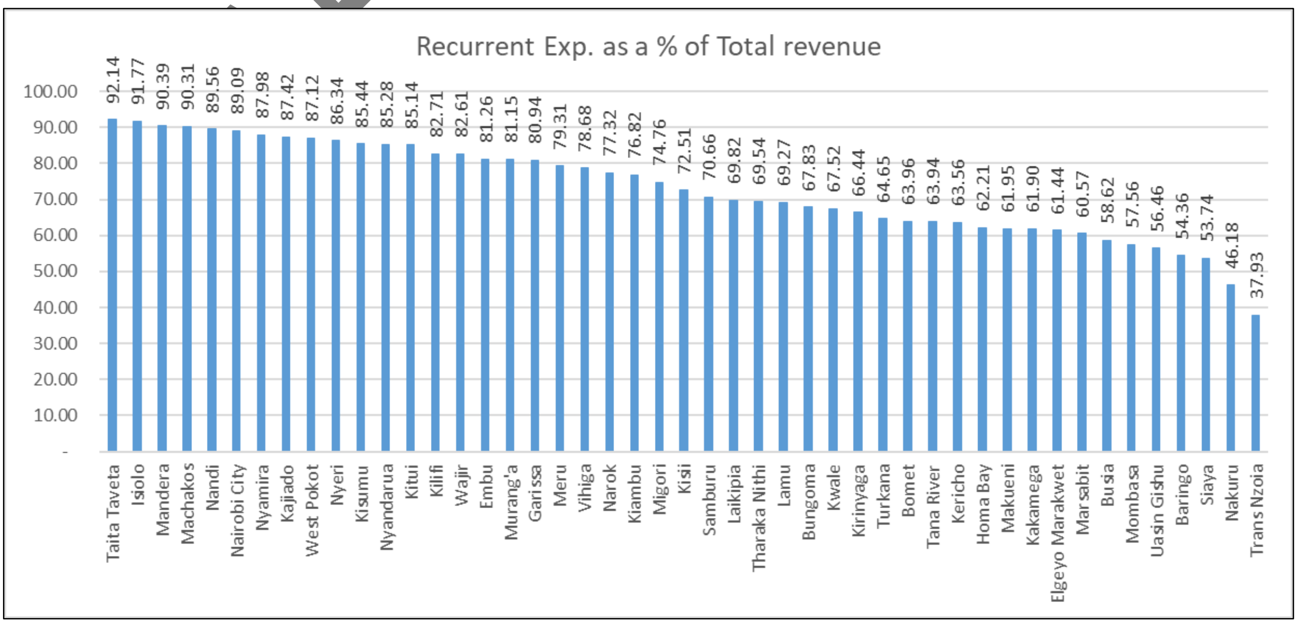
Source of Data: Controller of Budget

E. County Governments' Compliance with Fiscal Responsibility Principles

Recurrent Expenditure as a percentage of Total Revenue

35. The PFM Act, 2012 requires that a County Government's recurrent expenditure shall not exceed the County Government's total revenue. In the first nine months of FY 2021/22, the total recurrent expenditure for the County Governments was Ksh 212.9 billion, while the total revenue available for the County Governments was Ksh 295.9 billion representing 71.9 percent of the total revenue **(Figure 3)**. In this regard, the total recurrent expenditure was within the PFM threshold as at the end of March 2022.

Figure 3: Actual recurrent expenditure as a percentage of the Total Revenue for the first nine months of FY 2021/22

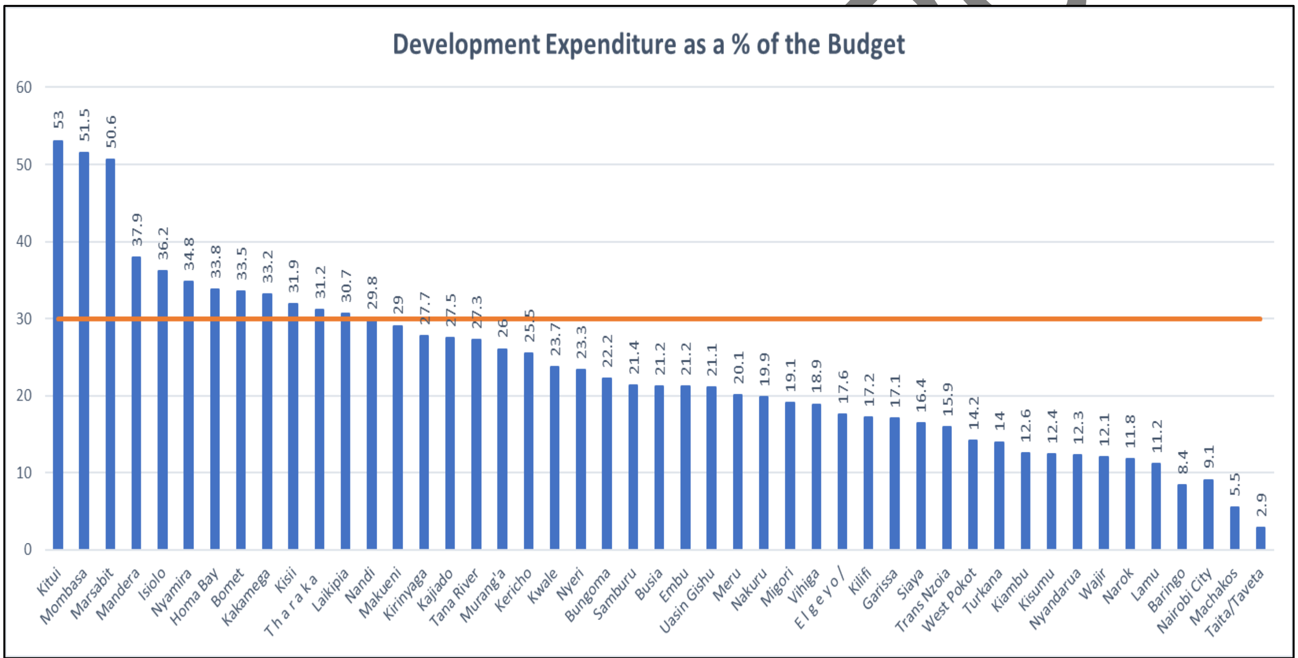


Source of Data: Controller of Budget

Development Budget as a percentage of the Total Budget

36. The total development expenditure amounted to Ksh 44.3 billion during the first nine months of FY 2021/22 against a budget of Ksh. 528.5 billion representing 8.3 percent of the total budget. This is a decline from Ksh 48.5 billion attained in FY 2020/21. The Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 percent of each County Government's budget shall be allocated to development expenditure. Most of the County Governments meet this requirement as far as the approved budget is concerned. In terms of actual expenditure, only twelve out of the forty-seven County Governments were able to utilize over 30 percent of their budget on development in the first nine months of FY 2021/22 with Kitui, Mombasa and Marsabit having the highest allocation of 53 percent, 51.5 percent and 50.6 percent, respectively. On other hand, Lamu, Baringo, Nairobi, Machakos and Taita Taveta spend the least of their budgets on development within the specified time period (**Figure 4**).

Figure 4: Actual Development Expenditures as a Percentage of Total Budget for the first nine months of FY 2021/22

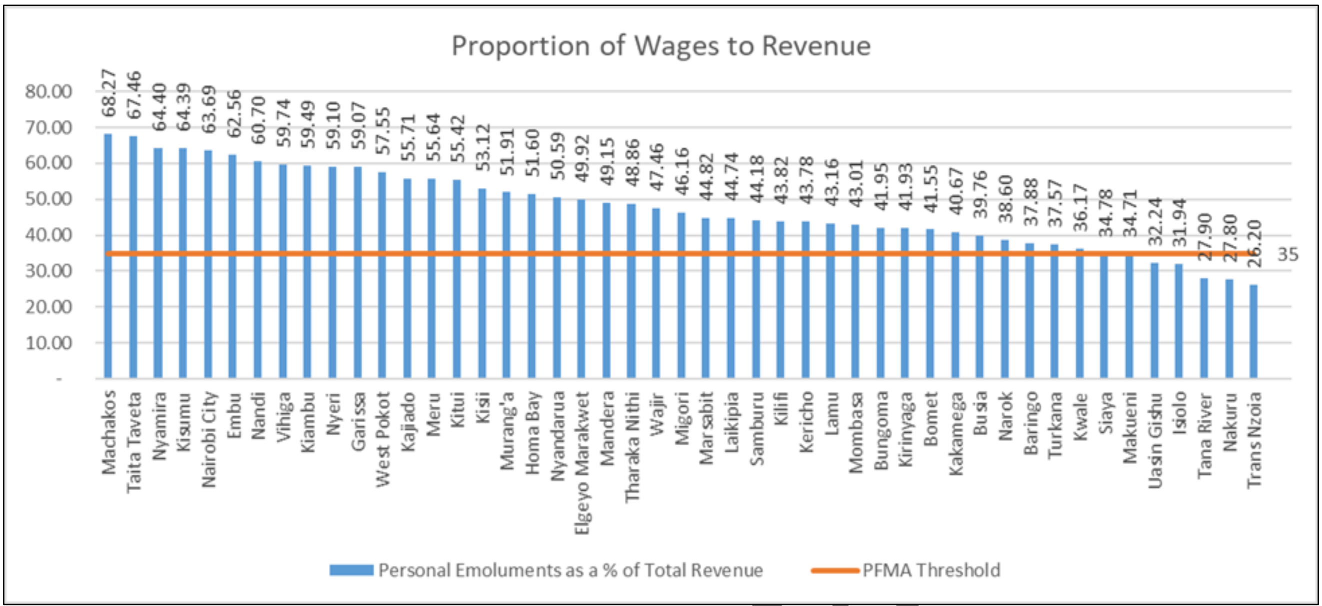


Source of Data: Controller of Budget

Expenditure on Wage bill

37. The total expenditure on wages by all the County Governments amounted to Ksh 139.6 billion over the first nine months of FY 2021/2022. During the same period, the total revenue available to the County Governments was Ksh 295.9 billion. The Public Finance Management (County Government) Regulations, 2015 requires that expenditure on wages and benefits for public officers shall not exceed 35 percent of the total revenues. This means that in average County Governments spend 47.2% of their total revenue in the first nine months of FY 2021/22 on wages which is higher than the threshold of 35 percent provided by the PFM Act, 2012. Within this period, only seven counties (Siaya, Makueni, Uasin Gishu, Isiolo, Tana River, Nakuru, and Trans-Nzoia) were able to maintain their allocation to wages and salaries below the 35 percent threshold **(Figure 5)**.

Figure 5: Actual Expenditures on Wages and Salaries as a Percentage of Total Revenue for the first nine months of FY 2021/22



Source of Data: Controller of Budget

Pending Bills of County Governments

38. The Office of the Auditor General issued a Special Reports on Pending Bills for County Governments as of 30th June, 2020. The Special Report showed that the total pending bills by County Executives were Ksh 152.55 billion, which comprised Ksh 45.54 billion described as payable/eligible and Ksh 107 billion described as ineligible. Further, the Office of the Auditor General reported total pending bills by county assemblies was Ksh 2.9 billion, which comprised Ksh 1.9 billion described as eligible and Ksh 1.0 billion described as ineligible.

39. As at 30th June, 2022 County Governments (Executive) reported to have settled Ksh 18.0 billion of eligible pending bills and Ksh 1.6 billion of ineligible pending bills. On the other hand, the county assemblies had paid Ksh 923.8 million of eligible pending bills and Ksh 122.8 million of ineligible pending bills **(Table 12)**. The total outstanding pending bills for both the executive and the county assemblies as at 30th June, 2022 was Ksh 134.9 billion. To address this challenge of pending bills by the county governments, the National Treasury has issued a number of circulars aimed at ensuring that the settlement of these pending bills is prioritized to clear the existing bills and reduce further accumulation of the pending bills.

Table 12: Pending Bills of the County Governments' as at 30th June, 2022

Description	County Executives (Ksh)	Payments (Ksh)	Outstanding Pending Bills
Eligible Pending Bills	45,544,599,661	18,029,846,779	27,514,752,882
Ineligible Pending Bills	107,008,031,373	1,574,978,453	105,433,052,920
Sub Total	152,552,631,034	19,604,825,232	132,947,805,802
Description	**County Assemblies**	**Payments (Ksh)**	**Outstanding Pending Bills**
Eligible Pending Bills	1,974,921,408	923,842,554	1,022,078,854
Ineligible Pending Bills	1,014,552,269	122,827,458	891,724,811
Sub Total	2,960,473,677	1,046,670,012	1,913,803,665
Total	**155,513,104,711**	**20,651,495,244**	**134,861,609,467**

Source of Data: Controller of Budget

Observations and Recommendations

40. During the FY 2021/22, equitable share and additional allocations account for 87% of total budgeted revenue by County Governments while revenue from County Own Source Revenue accounts for 13%. In this regard, there is need to encourage counties to improve revenue collection to avoid over reliance on revenue raised nationally. This is important more so to ensure counties can plan for expenditure with a reliable degree of predictability as opposed to heavily relying on the revenue raised nationally which may be subjected to delays occasioned by external factors.

41. While most counties met the PFM Act fiscal responsibility principles on allocation, County Governments should be encouraged to ensure the actual spending is also in line with the various specified fiscal responsibility principles contained in the PFM Act 2012. This will ensure that the fiscal objectives as per the spirit of the PFM Act. Focus should be on achieving the intended objectives rather than just compliance with the law on original budget.

42. It has been noted from the various reports of the Controller of Budget that most counties do not adhere to the legal provision on allocation of wages and salaries. It is recommended that only County Governments with complete compliance to the law should be allowed to implement their budgets. High wage bill is a recipe for non-achievement of developmental goals as huge resources are spent on the work force. County Governments should be encouraged to develop Human Resource policies to ensure adherence with the law and create fiscal space for development. To ensure that County Governments adhere by allocating actual expenditure on development and wages, quarterly implementations reports should form a guide to monitor actual expenditures on development and advice County Governments accordingly.

43. Further, County Governments should be assisted to develop institutional framework, structures and systems aimed at enhancing revenue collection. Analysis of county budgets should be undertaken regularly to ascertain realistic projection of revenues and assist counties where necessary.

44. The National Treasury continues to play a key role is strengthening County Government adherence to PFMA requirements over the past years. The National Treasury has undertaken the following measures to strengthen adherence to the PFMA;

i. Issuance of guidelines in budget preparation and implementation
ii. The National Treasury is in the process of developing County Government budget. Manual which will be shared with the relevant stakeholders for input.
iii. The *National Policy to support the Enhancement of County Government OSR* is currently being implemented to support county governments to raise more own source revenue.
iv. The National Treasury and Planning is mandated by law to build the capacity of county governments on Public Finance Management issues. In this regard, the National Treasury and Planning has drafted a Draft County Fiscal Analysis Report that analyses the quality and correctness of the fiscal documents of all the county governments in a bid to identify gaps in planning, budgeting and reporting. This will inform capacity building programme for the county governments in line with the PFM Act, 2012.
v. The Nairobi City County Government (NCCG) transferred some of its functions to the National Government through a Deed of Transfer of Functions dated 25th February 2020. In order to provide for the flow of funds from the NCCG to the Nairobi Metropolitan Services (NMS), the National Treasury in consultations with PFM stakeholders prepared a framework for financing of transferred of functions which was a short-term solution. To provide for a long-term solution, the National Treasury

constituted a multiagency taskforce to prepare a legislative framework for management of Intergovernmental Transfers in respect to transferred functions and cooperation between national and county governments; and to operationalize Article 187 and 189 of the Constitution, respectively.

vi. To address the challenges being encountered by the county governments on public finance management, a multi-agency taskforce has been established at the National Treasury to review, evaluate and provide recommendations on County Government PFM performance.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Recent Economic Developments

Global Economic Performance

45. This BROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, the IMF global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021 (WEO July 2022).

46. Advanced economies are projected to slow down to 2.5 percent in 2022 from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. Growth in the United States slowed down due to significantly less momentum in private consumption while the slowdown in growth in the euro area reflected spillovers from the war in Ukraine as well as the assumption of tighter financial conditions. For emerging market and developing economies, growth is also projected to slow down to 3.6 percent in 2022 from 6.8 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth.

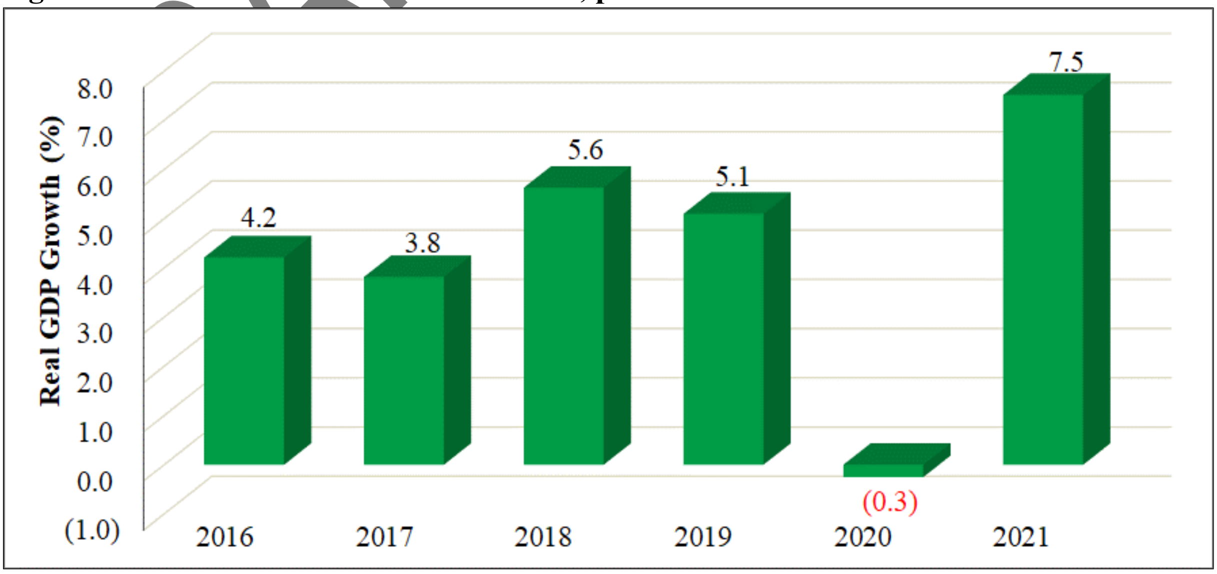
47. In sub-Saharan Africa region, growth is projected to slow down by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the war in Ukraine reducing food affordability, and real incomes as well as surging fuel prices across the region.

Domestic Economic Performance

GDP Growth

48. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 **(Figure 6).** This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

Figure 6: Annual Real GDP Growth Rates, percent



Source of Data: Kenya National Bureau of Statistics

49. In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021 **(Table 13).** The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance.

50. Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021 **(Table 13).** The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector's performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector's contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021 **(Figure 7).**

Table 13: Sectoral GDP Performance

Sectors	2020					2021					2022
	Q1	Q2	Q3	Q4	**Q1-Q4**	Q1	Q2	Q3	Q4	**Q1-Q4**	Q1
Primary Industry	4.6	7.8	(3.9)	9.6	**4.7**	0.9	0.02	1.4	0.7	**0.7**	0.5
Agriculture, Forestry and Fishing	4.5	8.0	(4.3)	9.8	**4.6**	0.4	(0.5)	0.6	(1.2)	**(0.2)**	(0.7)
Mining and Quarrying	6.5	3.9	5.6	6.0	**5.5**	10.7	10.9	16.4	34.5	**18.0**	22.1
Secondary Sector (Industry)	3.8	(1.6)	2.5	7.8	**3.2**	3.9	9.1	8.3	5.0	**6.5**	4.4
Manufacturing	1.4	(5.4)	(2.2)	4.3	**(0.4)**	2.1	11.3	10.2	4.9	**6.9**	3.7
Electricity and Water supply	1.5	(4.5)	0.8	4.6	**0.6**	3.6	7.2	6.4	2.8	**5.0**	1.9
Construction	8.9	6.0	10.2	15.2	**10.1**	6.8	6.8	6.7	6.0	**6.6**	6.4
Tertiary sector (Services)	3.9	(6.6)	(4.2)	(0.04)	**(1.8)**	3.2	14.9	11.4	9.1	**9.6**	9.1
Wholesale and Retail trade	5.5	(3.8)	(5.1)	1.4	**(0.5)**	7.5	9.2	6.4	8.4	**7.9**	8.7
Accomodation and Restaurant	(14.1)	(57.2)	(62.0)	(57.7)	**(47.7)**	(33.0)	90.1	127.5	118.6	**52.5**	56.2
Transport and Storage	2.1	(16.8)	(10.2)	(6.2)	**(7.8)**	(7.9)	18.6	14.2	6.5	**7.2**	8.1
Information and Communication	7.8	4.9	4.9	7.5	**6.3**	10.1	17.1	4.1	5.3	**8.8**	6.1
Financial and Insurance	6.2	3.2	3.3	10.6	**5.9**	11.8	17.3	11.8	9.9	**12.5**	14.4
Public Administration	4.7	4.5	8.3	10.2	**7.0**	6.8	7.6	4.8	3.3	**5.6**	6.4
Others	3.5	(8.1)	(5.4)	(2.1)	**(3.2)**	3.5	14.8	12.6	9.8	**10.3**	7.4
of which Professional, Admin & Support Services	2.7	(25.5)	(18.4)	(12.5)	**(13.7)**	(13.0)	18.3	13.4	8.1	**5.7**	14.9
Real Estate	4.1	3.6	3.8	4.8	**4.1**	6.7	7.4	7.1	5.7	**6.7**	6.1
Education	4.8	(21.1)	(16.1)	(4.8)	**(9.3)**	11.5	31.6	28.3	18.0	**21.4**	6.2
Health	7.1	9.0	4.4	2.9	**5.7**	5.8	6.2	4.1	7.8	**6.0**	5.0
Taxes less subsidies	5.5	(20.5)	(8.5)	(7.4)	**(8.1)**	1.8	18.5	12.5	15.7	**11.9**	12.3
Real GDP	4.4	(4.1)	(3.5)	2.3	**(0.3)**	2.7	11.0	9.3	7.4	**7.5**	6.8
of which Non-Agriculture	4.2	(5.6)	(2.7)	1.9	**(0.6)**	3.4	14.0	11.0	8.5	**9.1**	8.3

Source of Data: Kenya National Bureau of Statistics

51. The performance of the industry sector improved to a growth of 4.4 percent in first quarter of 2022 compared to a growth of 3.9 percent in the same quarter in 2021. This was mainly on account of improved performance of the manufacturing activities despite a slowdown in the electricity and water supply and construction sub-sectors. The industry sector accounted for 0.7 percentage points of growth in the first quarter of 2022 compared to 0.6 percentage point contribution to GDP in the first quarter of 2021 **(Figure 7).**

52. Activities in the manufacturing sub-sector were more vibrant in the first quarter of 2022 compared to the same quarter in 2021. The sub-sector grew by 3.7 percent in the first quarter of 2022 compared to a 2.1 percent growth in 2021. The improved performance was supported by both the food and non-food components. The food component that registered substantial growth

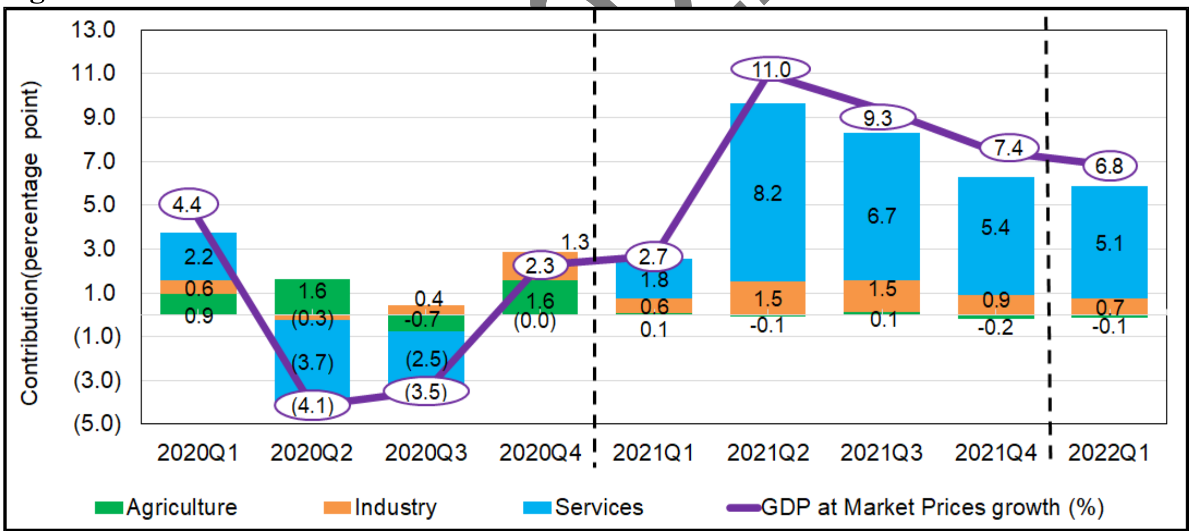
was processing of coffee while the non-food component growth was supported by substantial growth in cement production.

53. Electricity and Water Supply sector slowed down to a growth of 1.9 percent in the first quarter of 2022 compared to a growth of 3.6 percent in the corresponding quarter of 2021. The sector's growth was slowed by a decline in hydroelectricity generated, owing to insufficient rains during the first quarter of 2022. Similarly, electricity generated from geothermal also declined during the period. Although electricity generated from thermal recorded a significant increase, it had detrimental effect on the gross value addition due to high cost of inputs in the generation process.

54. The construction sub-sector performance slightly declined to grow by 6.4 percent in the first quarter of 2022 compared to a 6.8 percent growth during the same period in 2021. The growth was mainly supported by the increase in cement and various construction materials such as bitumen and iron and steel consumption.

55. The recovery of activities in the services sector continued in the first quarter of 2022. The sector grew by 9.1 percent in the first quarter of 2022 compared to a growth of 3.2 percent in the same quarter in 2021. The strong growth was largely characterized by significant recovery in transportation and Storage (8.1 percent), accommodation and food services (56.2 percent) and Professional, Administrative and Support Services (14.9 percent). The sector was also supported by strong growths financial and insurance services (14.4 percent), and wholesale and retail trade (8.7 percent). The services sector contributed 5.1 percentage point to real GDP growth in the first quarter of 2022 compared to the 1.8 percentage point contribution in the same quarter in 2021 **(Figure 7).**

Figure 7: Sectors contributions to Real GDP Growth



Source of Data: Kenya National Bureau of Statistics

Domestic Employments

56. Relaxation of various containment measures, such as the night curfew, lockdowns and travel restrictions coupled with the rollout of COVID-19 vaccination had a positive impact on economic activities. This provided an environment that spurred economic recovery and growth in 2021. There was a general decline in unemployment and inactivity levels, with total employment surpassing the pre-pandemic level. Total new jobs created in the economy were 926.1 thousand of which 172.3 thousand were in the formal sector, while 753.8 thousand were in the informal sector **(Table 14)**.

57. Wage employment in the formal sector recorded a growth of 6.0 percent to 2.9 million in 2021 and created a total of 172.3 thousand jobs. This was supported by a partial resumption of

international travel, and a broad-based recovery in the manufacturing sector. The number of self-employed and unpaid family workers engaged in the formal sector increased by 4.9 percent in 2021 compared to a decline of 4.1 percent recorded in 2020. The informal sector created 753.8 thousand jobs accounting for 81.4 percent of the total jobs created outside of small-scale agriculture and pastoralist activities.

58. The share of private sector employment was 68.3 percent in 2021, which was slightly higher than the previous year which stood at 67.8 percent. In 2021, the private sector recorded a growth of 6.8 percent in employment levels compared to a decline of 10.0 percent registered in 2020. The top three industries providing wage employment in the private sector were Manufacturing, Agriculture, Forestry and Fishing and Wholesale and retail trade: There was a turnaround in Accommodation and Food Services which recorded a significant growth of 23.9 percent compared to a decline of 38.7 percent registered in 2020. Employment in Accommodation and Food Activities industry has been on a recovery mode from the drastic decline at the height of the COVID-19 pandemic. The easing of the pandemic restrictions impacted positively on the employment in the industry as well as the bed occupancy rate, hence increasing employment in the sector.

Table 14: Total jobs Created (in thousands)

	Private			Public			Total		
Sectors	2019	2020	2021	2019	2020	2021	2019	2020	2021
1. wage employees	**46.2**	**(205.2)**	**126.2**	**22.4**	**19.4**	**38.5**	**68.6**	**(185.8)**	**164.7**
Primary									
Agriculture, forestry and fishing	2.4	(16.1)	14.7	(0.4)	(0.2)	0.2	2.0	(16.3)	14.9
Mining and quarrying	0.6	(1.5)	0.3	0.1	0.0	0.0	0.7	(1.5)	0.3
Industries									
Manufacturing	7.7	(35.2)	19.7	(2.3)	(1.2)	0.2	5.4	(36.4)	19.9
Electricity Supply	0.1	(0.3)	0.1	0.5	(1.0)	(0.5)	0.6	(1.3)	(0.4)
Water supply	0.3	(0.4)	0.2	0.1	(0.4)	0.3	0.4	(0.8)	0.5
Construction	2.9	(0.3)	4.9	0.2	0.3	0.1	3.1	0.0	5.0
Services									
Wholesale and retail trade	8.8	(18.0)	6.6	0.0	0.2	0.0	8.8	(17.8)	6.6
Transportation and storage	2.9	(15.9)	6.2	(1.1)	0.3	0.8	1.8	(15.6)	7.0
Accommodation and food service	1.3	(31.4)	11.9	0.1	0.0	0.0	1.4	(31.4)	11.9
Information and communication	1.1	(13.2)	14.9	0.0	0.0	0.0	1.1	(13.2)	14.9
Financial and insurance activities	1.9	(0.9)	1.8	0.1	(0.9)	(0.1)	2.0	(1.8)	1.7
Real estate activities	0.1	(0.7)	0.4	0.0	0.0	0.0	0.1	(0.7)	0.4
Education	4.8	(47.6)	29.5	14.5	12.5	16.7	19.3	(35.1)	46.2
Health	6.6	(11.0)	3.1	2.6	2.4	2.2	9.2	(8.6)	5.3
2. Unpaid family workers				**10.5**	**(6.6)**	**7.6**	**10.5**	**(6.6)**	**7.6**
3. Formal (1+2)	**46.2**	**(205.2)**	**126.2**				**79.1**	**(192.4)**	**172.3**
4. Informal	**767.9**	**(543.6)**	**753.8**				**767.9**	**(543.6)**	**753.8**
5. Total jobs created (3+4)	**814.1**	**(748.8)**	**880.0**	**32.9**	**12.8**	**46.1**	**847.0**	**(736.0)**	**926.1**

Source of Data: Kenya National Bureau of Statistics

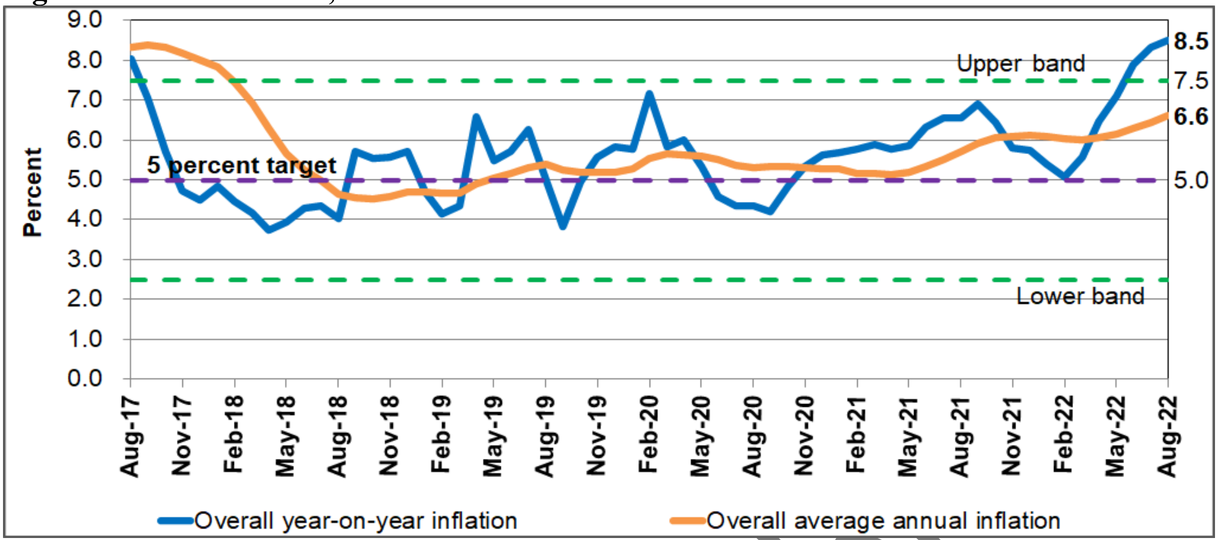
59. Employment in the public sector increased by 4.3 percent to 923.1 thousand persons in 2021. The increase was mainly attributed to recruitment in the civil service for essential services. Public administration and defence; compulsory social security registered the highest growth of 5.9 percent in 2021. Other economic activities in the public sector that realized growth in employment were Human health and social work activities, Education and Transportation and Storage.

Inflation Rate

60. The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices **(Figure 8).** This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and

levies on white maize and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021.

Figure 8: Inflation Rate, Percent



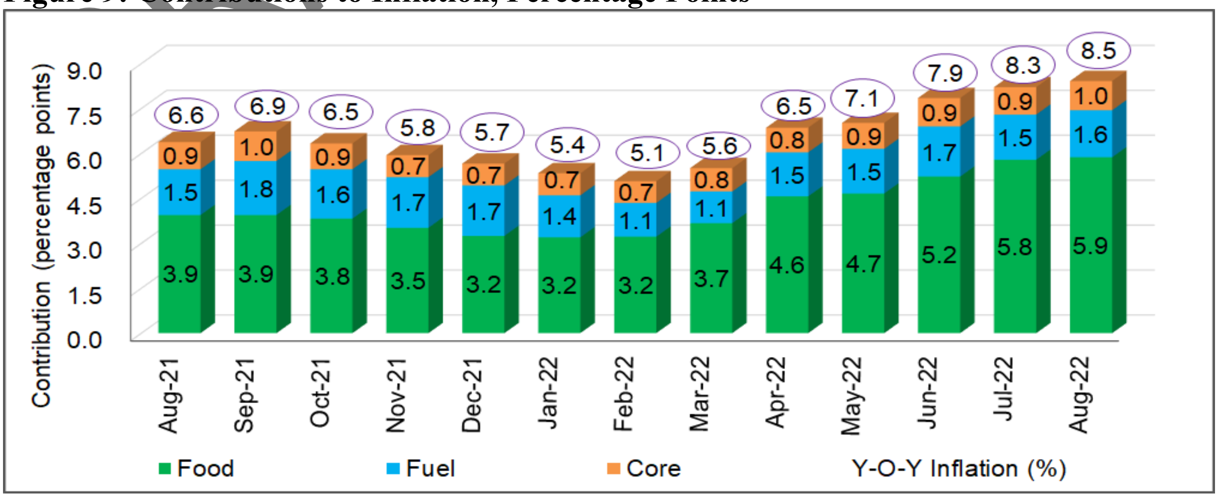
Source of Data: Kenya National Bureau of Statistics

61. Food inflation remain the main driver of overall year-on-year inflation in August 2022, contributing 5.9 percentage points, an increase, compared to a contribution of 3.9 percentage points in August 2021 **(Figure 9).** The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly maize flour (loose), sugar, maize grain (loose), carrots, white rice, Irish potatoes and onions.

62. Fuel inflation remained generally stable contributing to 1.6 percentage points to year-on-year overall inflation in August 2022 from a contribution of 1.5 percentage points in August 2021. This was mainly due to the effect of Government measures to stabilize fuel prices and lower electricity tariffs. However, there was notable increase in the prices of kerosene/paraffin, petrol and diesel in August 2022 compared to August 2021.

63. The contribution of core inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation remained stable at 1.0 percentage points in August 2022 compared to 0.9 percentage points contribution in August 2021.

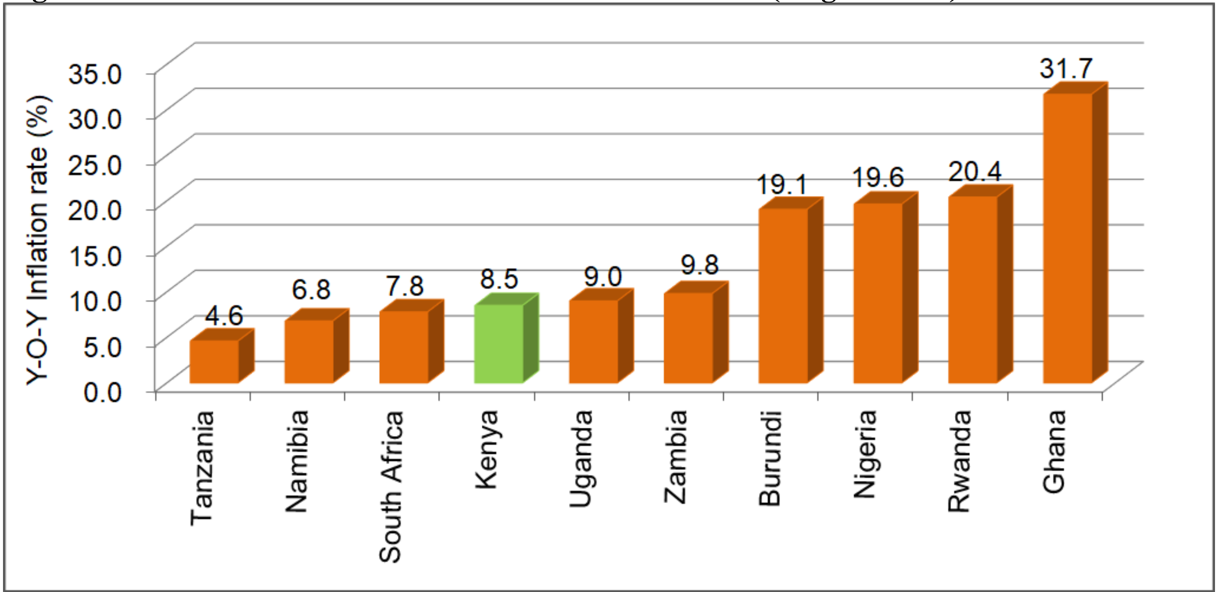
Figure 9: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

64. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In August 2022, Kenya recorded a lower inflation rate than Ghana, Rwanda, Nigeria, Burundi, Zambia and Uganda **(Figure 10).**

Figure 10: Inflation Rates in selected African Countries (August 2022)

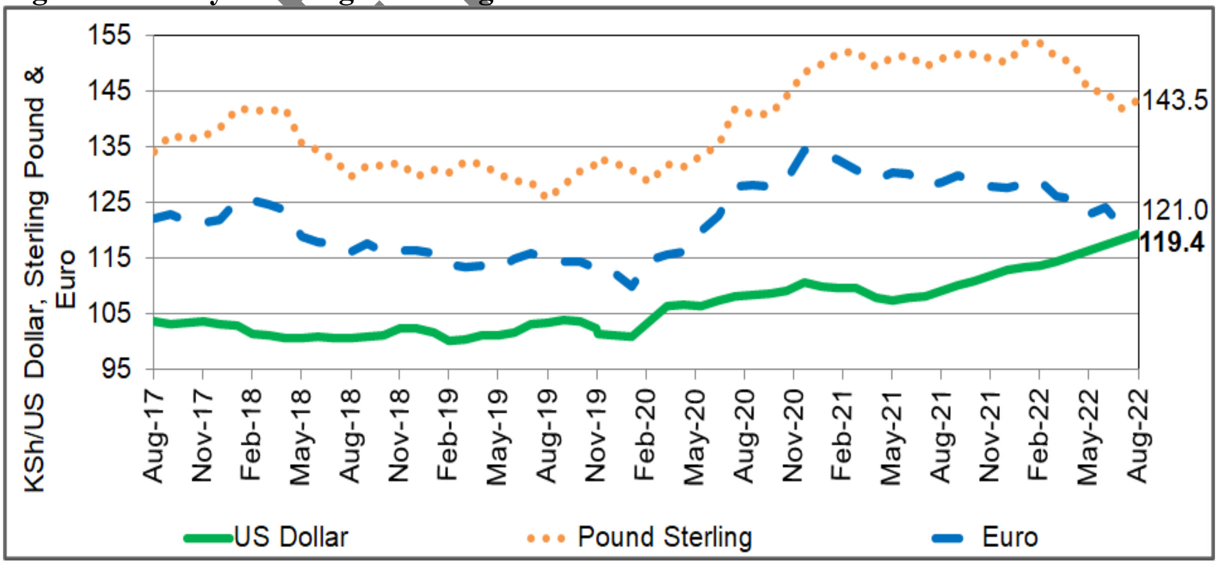


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

65. The foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar exchanged at Ksh 119.4 in August 2022 compared to Ksh 109.2 in August 2021. Over the same period, the Kenyan Shilling strengthened against other major international currencies. The Euro exchanged at Ksh 121.0 in August 2022 compared to Ksh. 128.6 in August 2021 while the Sterling Pound exchanged at Ksh 143.5 compared to Ksh 150.9 over the same period **(Figure 10).**

Figure 11: Kenya Shillings Exchange Rate

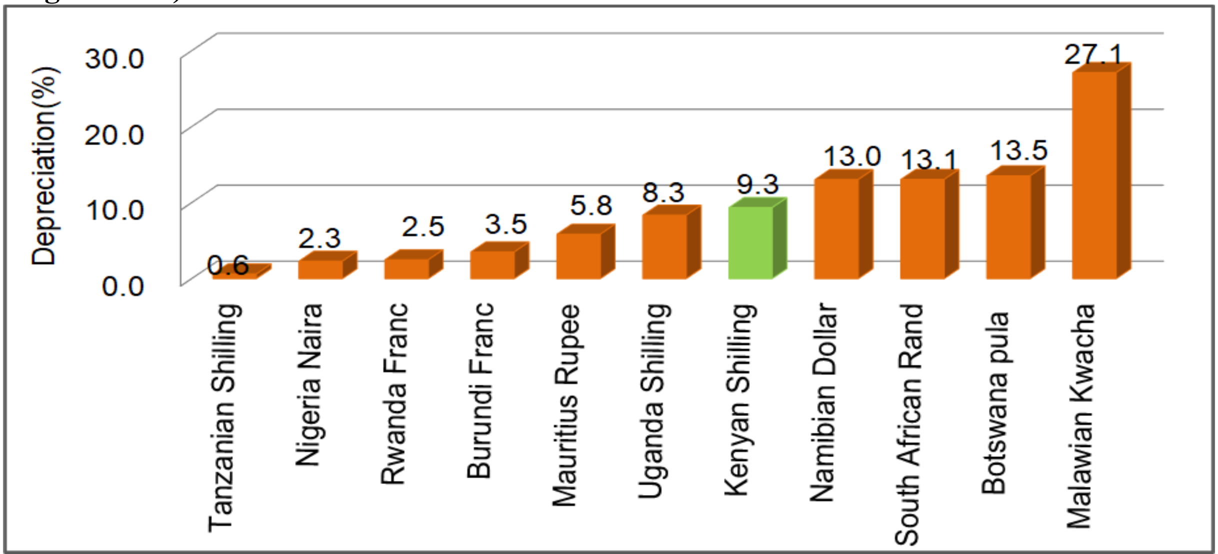


Source of Data: Central Bank of Kenya.

66. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 9.3 percent against the US Dollar in the year to August 2022 **(Figure 12).** The depreciation rate of the Kenya Shilling was lower than that of Namibian

Dollar, Botswana pula, South African Rand and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

Figure 12: Performance of Selected Currencies against the US Dollar (August 2021 to August 2022)



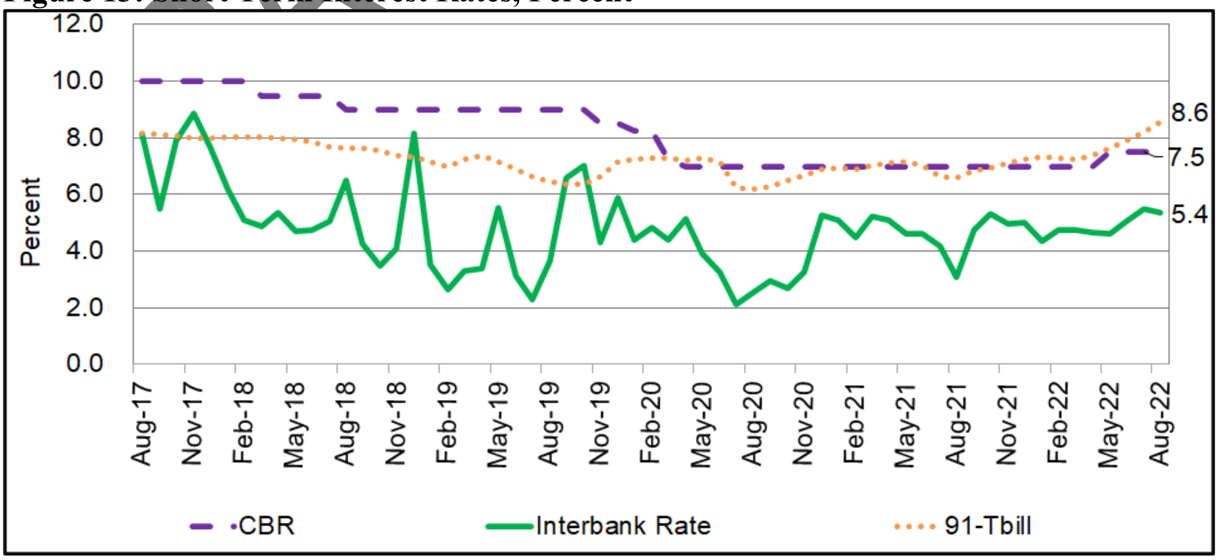
Source of Data: National Central Banks

Interest Rates

67. Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market. The Central Bank Rate was raised from 7.0 percent to 7.5 percent on 30th May 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to the elevated risks to the inflation outlook as a result of increased global commodity prices and supply chain disruptions. The interbank rate increased to 5.4 percent in August 2022 compared 3.1 percent in August 2021 **(Figure 13).**

68. Interest rates on the Treasury bills remained relatively low (below 10 percent) in August 2022. The 91-day Treasury Bills rate was at 8.6 percent in August 2022 compared to 6.6 percent in August 2021. Over the same period, the 182-day Treasury Bills rate increased to 9.5 percent from 7.1 percent while the 364-day also increased to 9.9 percent from 7.4 percent.

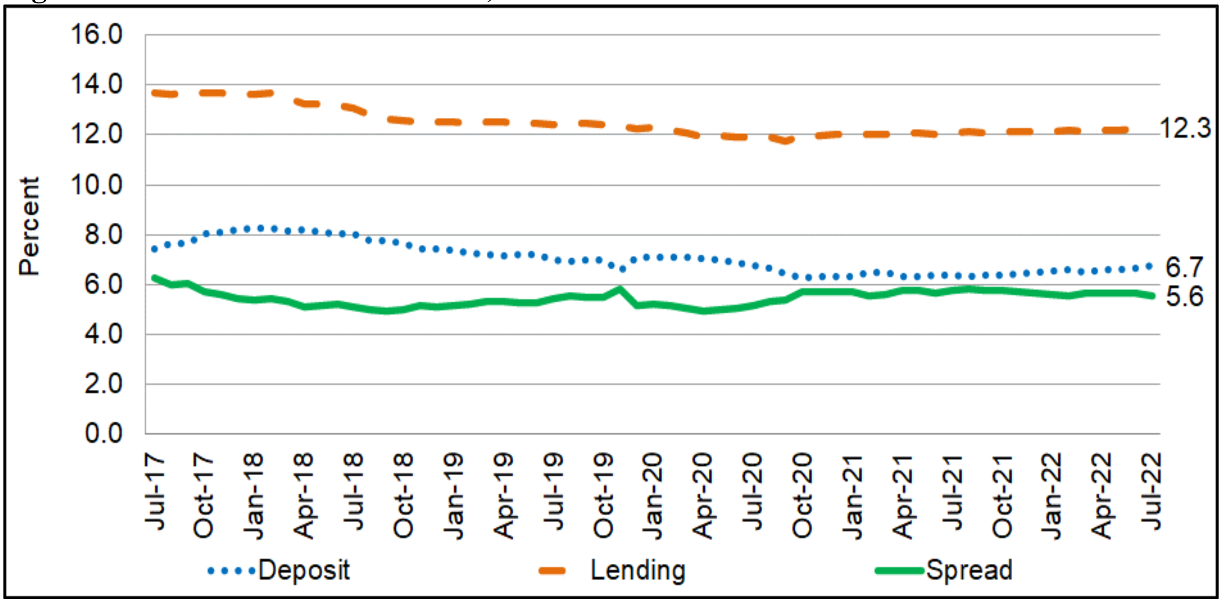
Figure 13: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

69. Commercial banks' lending rates remained relatively stable in July 2022 supported by the prevailing monetary policy stance during the period and liquidity conditions in the market. The average lending rate was at 12.3 percent in July 2022 from 12.1 percent in July 2021 while the average deposit rate increased to 6.7 percent from 6.3 percent over the same period. Consequently, the average interest rate spread declined to 5.6 percent in July 2022 compared to 5.8 percent in July 2021**(Figure 14).**

Figure 14: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Money and Credit

70. Broad money supply, M3, improved to a growth of 7.6 percent in the year to July 2022 compared to a growth of 6.9 percent in the year to July 2021 **(Table 13).** The pickup was mainly due to an increase in domestic credit particularly net lending to the private sector despite the decline in the Net Foreign Assets (NFA).

71. Net Foreign Assets (NFA) of the banking system in the year to July 2022 contracted by 46.8 percent, compared to a contraction of 10.7 percent in the year to July 2021. The decline in NFA was partly due to the Central Bank payments of Government external obligations, and increased banks' borrowings from foreign sources and reduction in foreign deposit assets to support lending to customers.

72. Net Domestic Assets (NDA) registered a growth of 19.5 percent in the year to July 2022, an improvement compared to a growth of 11.7 percent over a similar period in 2021. The growth in NDA was supported by net lending to Government, and resilient growth in credit to the private sector as business activities improved. Other public sector lending improved to a growth of 0.1 percent in the year to July 2022 from a contraction of 6.5 percent in a similar period in 2021, mainly reflecting borrowings by county governments and parastatals

Table 15: Money and Credit Developments (12 Months to July 2022 Ksh billion)

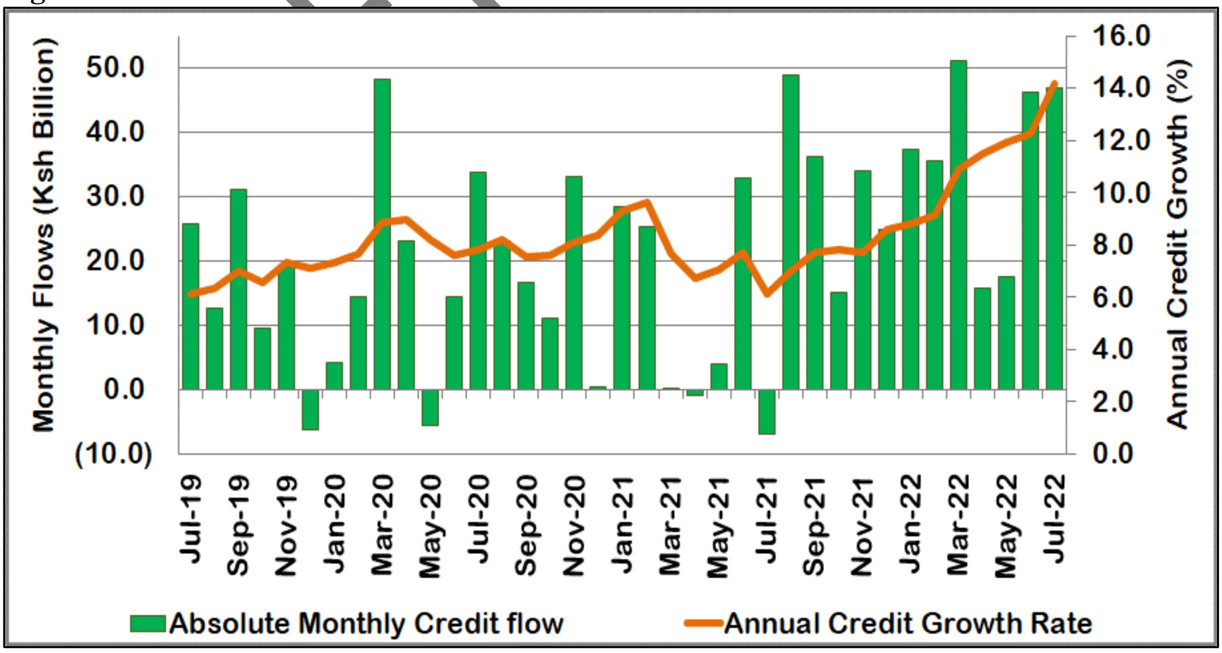
				Change		Percent Change	
	2020 July	2021 July	2022 July	2020-2021 July	2021-2022 July	2020-2021 July	2021-2022 July
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,682.5	1,788.0	2,010.1	105.5	222.0	6.3	12.4
1.1 currency outside banks (M0)	219.3	242.8	267.7	23.6	24.9	10.7	10.3
1.2 Demand deposits	1,379.1	1,458.8	1,671.4	79.7	212.6	5.8	14.6
1.3 Other deposits at CBK	84.2	86.4	71.0	2.3	(15.5)	2.7	(17.9)
2. Money supply, M2 (1+2.1)	3,235.7	3,416.9	3,587.2	181.2	170.3	5.6	5.0
2.1 Time and savings deposits	1,553.2	1,628.9	1,577.1	75.7	(51.8)	4.9	(3.2)
Money supply, M3 (2+3.1)	**3,904.4**	**4,174.6**	**4,491.5**	**270.2**	**316.8**	**6.9**	**7.6**
3.1 Foreign currency deposits	668.7	757.7	904.3	89.0	146.5	13.3	19.3
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**840.9**	**751.2**	**400.0**	**(89.7)**	**(351.3)**	**(10.7)**	**(46.8)**
1.1 Central Bank	886.4	824.0	592.7	(62.4)	(231.2)	(7.0)	(28.1)
1.2 Banking Institutions	(45.5)	(72.8)	(192.8)	(27.3)	(120.0)	(59.9)	(165.0)
2. Net domestic assets (2.1+2.2)	**3,063.5**	**3,423.4**	**4,091.5**	**359.9**	**668.1**	**11.7**	**19.5**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,972.4	4,499.8	5,296.7	527.5	796.9	13.3	17.7
2.1.1 Government (net)	1,156.5	1,522.7	1,909.8	366.2	387.1	31.7	25.4
2.1.2 Other public sector	88.8	83.0	83.1	(5.8)	0.1	(6.5)	0.1
2.1.3 Private sector	**2,727.0**	**2,894.1**	**3,303.8**	**167.1**	**409.7**	**6.1**	**14.2**
2.2 Other assets net	(908.9)	(1,076.4)	(1,205.2)	(167.6)	(128.8)	(18.4)	(12.0)

Source of Data: Central Bank of Kenya

Private Sector Credit

73. Private sector credit improved to a growth of 14.2 percent in the 12 months to July 2022 compared to a growth of 6.1 percent in the year to July 2021 **(Figure 16).** All economic sectors registered positive growth rates reflecting improved demand as economic activities picked up. Strong credit growth was observed in the following sectors: transport and communication, business services, manufacturing, trade, building and construction and agriculture. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs), continues to de-risk lending by commercial banks hence remains critical to increasing credit flow to the private sector.

Figure 16: Private Sector Credit

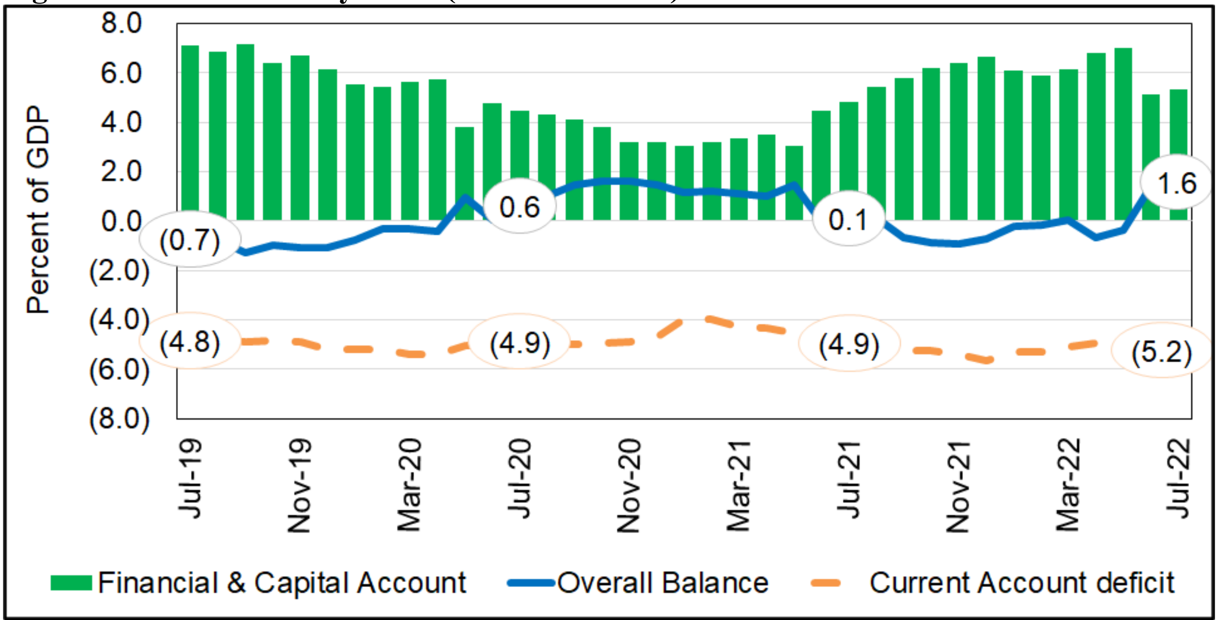


Source of Data: Central Bank of Kenya

External Sector Developments

74. The overall balance of payments position improved to a surplus of USD 1,790.4 million (1.6 percent of GDP) in July 2022 from a surplus of USD 119.4 million (0.1 percent of GDP) in July 2021 **(Figure 17).** This was mainly due to an improvement in the capital and financial account and increased receipts in net services and net secondary income despite a decline in the merchandise account and net primary income.

Figure 17: Balance of Payments (Percent of GDP)



Source of Data: Central Bank of Kenya

75. The current account deficit was at USD 5,876.6 million (5.2 percent of GDP) in July 2022 compared to USD 5,494.7 million (4.9 percent of GDP) in July 2021 **(Table 16).** The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account.

Table 16: Balance of Payments (USD Million)

							Year to July 2022		Percent of GDP	
	Jul-20	Jul-21	Dec-21	Mar-22	May-22	Jul-22	change	Percent Change	Jul-21	Jul-22
Overall Balance	**613.0**	**119.4**	**(787.7)**	**34.2**	**(411.9)**	**1,790.4**	**1,671.0**	**1,399.4**	**0.1**	**1.6**
A) Current Account	**(4,854.3)**	**(5,494.7)**	**(6,026.9)**	**(5,911.9)**	**(6,032.8)**	**(5,876.6)**	**(381.9)**	**(7.0)**	**(4.9)**	**(5.2)**
Merchandise Account (a-b)	(9,233.1)	(9,831.1)	(11,439.3)	(11,718.3)	(12,159.7)	(12,403.2)	(2,572.1)	(26.2)	**(8.8)**	**(11.0)**
a) Goods: exports	5,918.1	6,467.1	6,729.6	6,818.1	6,952.4	7,200.4	733.3	11.3	5.8	6.4
b) Goods: imports	15,151.2	16,298.2	18,168.9	18,536.3	19,112.1	19,603.6	3,305.4	20.3	14.6	17.4
Net Services (c-d)	860.6	211.8	739.8	1,249.6	1,551.9	1,839.6	1,627.8	768.7	0.2	1.6
c) Services: credit	4,436.5	3,881.5	4,859.4	5,706.0	6,220.2	6,711.4	2,829.9	72.9	3.5	6.0
d) Services: debit	3,575.9	3,669.8	4,119.6	4,456.4	4,668.4	4,871.8	1,202.1	32.8	3.3	4.3
Net Primary Income (e-f)	(1,511.4)	(1,381.8)	(1,487.9)	(1,796.2)	(1,812.5)	(1,701.8)	(320.0)	(23.2)	(1.2)	(1.5)
e) Primary income: credit	180.8	130.5	128.8	119.2	112.2	103.5	(27.0)	(20.7)	0.1	0.1
f) Primary income: debit	1,692.3	1,512.3	1,616.7	1,915.4	1,924.7	1,805.3	293.1	19.4	1.4	1.6
Net Secondary Income	5,029.6	5,506.4	6,160.5	6,352.8	6,387.6	6,388.8	882.4	16.0	4.9	5.7
g) Secondary income: credit	5,076.9	5,616.6	6,270.8	6,468.1	6,492.8	6,481.4	864.8	15.4	5.0	5.8
h) Secondary income: debit	47.3	110.3	110.3	115.3	105.3	92.6	(17.6)	(16.0)	0.1	0.1
B) Capital Account	**146.1**	**205.6**	**195.1**	**194.1**	**165.8**	**246.4**	**40.8**	**19.9**	**0.2**	**0.2**
C) Financial Account	**(4,292.2)**	**(5,159.7)**	**(6,927.1)**	**(6,948.7)**	**(7,866.8)**	**(5,745.5)**	**(585.8)**	**(11.4)**	**(4.6)**	**(5.1)**

Source of Data: Central Bank of Kenya

76. The balance in the merchandise account widened by USD 2,572.1 million to a deficit of USD 12,403.2 million in July 2022 reflecting increased imports of petroleum products owing to high international crude oil prices in spite of an improvement in the export earnings **(Table 16).** In the year to July 2022, exports grew by 11.3 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. Tea exports increased owing to improved tea prices reflecting increased demand from our traditional markets. On the other hand, imports of goods increased by 20.3 percent in the year to July 2022 mainly due to increases in imports of oil and other intermediate goods.

77. Net receipts on the services account improved by USD 1,627.8 million to USD 1,839.6 million in July 2022 compared to a similar period in 2021. This was mainly on account of an increase in receipts from transport and tourism as economies re-opened following the relaxation of COVID-19 containment measures. Net Secondary income remained resilient and increased by USD 882.4 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 320 million to a deficit of USD 1,701.8 million in July 2022, from a deficit of USD 1,381.8 million in the same period last year, reflecting higher outflows of direct and other investments.

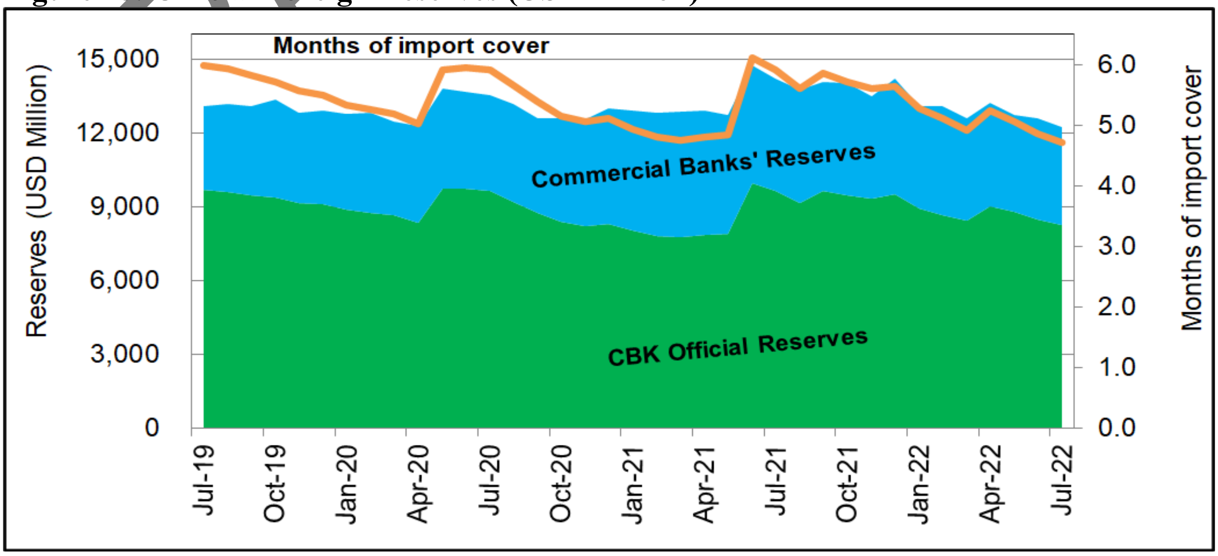
78. The capital account balance improved by USD 40.8 million to register a surplus of USD 246.4 million in July 2022 compared to a surplus of USD 205.6 million in the same period in 2021. Net financial inflows improved to USD 5,745.5 million in July 2022 compared to USD 5,159.7 million in July 2021. The net financial inflows were mainly in the form of other investments, financial derivatives and direct investments. Portfolio investments registered a net outflow during the period.

Foreign Exchange Reserves

79. The banking system's foreign exchange holdings remained strong at USD 12,222.5 million in July 2022 from USD 14,196.3 million in July 2021. The official foreign exchange reserves held by the Central Bank stood at USD 8,267.8 million (4.7 months of import cover) in July 2022 compared to USD 9,651.7 million (5.9 months of import cover) in July 2021 **(Figure 18).**

80. The official reserves fulfil the requirement to maintain it at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings decreased to USD 3,954.6 million in July 2022 from USD 4,544.6 million in July 2021.

Figure 18: Official Foreign Reserves (USD Million)

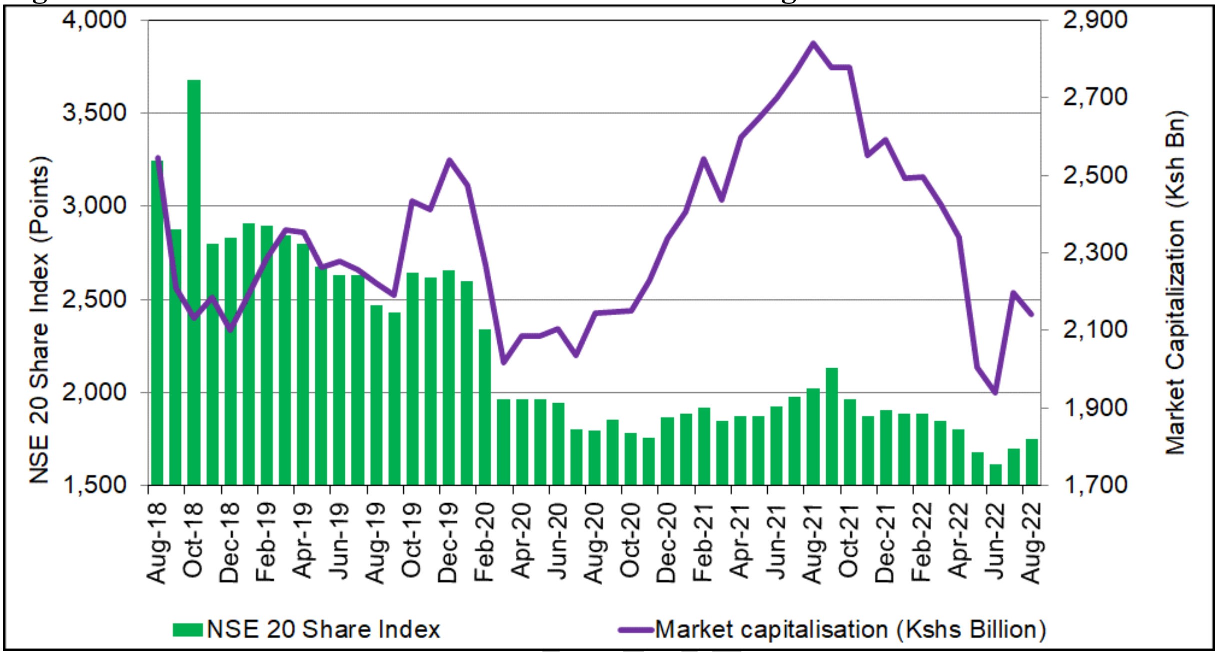


Source of Data: Central Bank of Kenya

CAPITAL MARKETS DEVELOPMENT

81. Activity in the capital markets slowed down in August 2022 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,751 points in August 2022 compared to 2,020 points in August 2021 while Market capitalization also declined to Ksh 2,142 billion from Ksh 2,841 billion over the same period **(Figure 19).**

Figure 19: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

B. Medium Term Economic Outlook

Global Growth Outlook

82. The global economic outlook remains highly uncertain with growth projected to moderate to 2.9 percent in 2023 from 3.2 percent in 2022 largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies. Advanced economies are projected to slow down by 1.0 percent in 2023 from 2.3 percent in 2022 mainly due to a slowdown in growth in the United States and the Euro area. Growth in the United States is projected to slow down due to the expected impact of a steeper tightening in monetary policy. Growth in the euro area is expected to be adversely affected by the spill overs from the war in Ukraine as well as the assumption of tighter financial conditions.

83. The emerging market and developing economies are projected to pick up to a growth of 3.9 percent in 2023 from a growth of 3.6 percent in 2022 albeit with varying performance across countries. The emerging and developing Asia is projected to pick up as a result of a more robust recovery in china despite a slowdown in India, while growth in the Latin America and the Caribbean and the Middle East and Central Asia are expected to slow down.

84. The Sub-Saharan African region is projected to pick up to a growth of 4.0 percent in 2023 from 3.8 percent in 2022 with the East and Southern African sub-region showing a sustained recovery from the recession. The DRC and Zambia are expected to benefit from rising metal prices in the short-and medium term and gain from the transition away from fossil fuels in the long term.

Domestic Growth Outlook

85. Domestically, leading indicators of economic activity show continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. As such, the economy is expected to remain robust at 5.5 percent in 2022, with continued strong performance of the services sector despite the downside risks to global growth.

86. Growth is expected to remain resilient growing by 5.8 percent in FY 2022/23 and averaging 6.2 percent over the medium term (**Table 17 and Annex Table 1**). This will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030.

Monetary Policy Outlook

87. The main objective of monetary policy, over the medium term will be to maintain price stability. Overall inflation is expected to moderate to 6.0 percent in FY 2022/23 and remain within the target range of 5±2.5 percent as international commodity prices, particularly oil, wheat and edible oils, have begun to moderate. Additionally, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic prices.

88. The foreign exchange market is expected to remain stable supported by, resilient export receipts, buoyant remittances, and a gradual pick up in receipts from services exports. The continued coordination of monetary and fiscal policies is expected to sustain macroeconomic stability and support economic activity.

Fiscal Policy Outlook

89. Fiscal policy over the medium-term aims at enhancing revenue mobilisation, expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the "Big Four" Agenda.

Table 17: Macroeconomic Indicators, in Fiscal Years

	2020/21	2021/22		2022/23	2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
annual percentage change, unless otherwise indicated											
National Account and Prices											
Real GDP	3.6	6.8	6.5	5.8	5.9	6.1	6.0	6.1	6.1	6.1	6.2
GDP deflator	5.0	4.8	5.8	6.1	5.3	5.8	5.2	5.7	6.0	6.7	6.8
CPI Index (eop)	6.1	5.2	6.2	5.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.7	5.4	6.5	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-3.6	1.1	1.1	4.2	0.2	4.2	0.3	4.4	0.4	3.9	3.7
in percentage of GDP, unless otherwise indicated											
Investment and Saving											
Investment	20.1	23.9	19.2	19.3	20.7	20.2	21.1	20.2	21.2	19.9	19.7
Central Government	4.9	4.7	4.2	4.7	4.9	5.0	5.0	5.1	5.0	5.3	4.9
Other	15.2	19.1	15.0	14.6	15.7	15.2	16.1	15.1	16.2	14.7	14.8
Gross National Saving	14.1	19.1	13.5	14.2	15.4	15.1	15.4	14.7	15.4	13.7	14.3
Central Government	-2.2	-5.3	-1.5	-0.7	-2.2	1.1	-1.6	1.7	-1.1	2.5	2.2
Other	16.3	24.4	15.0	14.9	17.6	14.0	17.0	13.0	16.5	11.2	12.1
Central Government Budget											
Total revenue	15.7	17.1	17.3	17.5	18.1	18.0	18.1	18.1	18.1	18.4	18.6
Total expenditure and net lending	24.2	25.6	23.7	23.9	22.8	22.8	22.2	22.2	21.5	21.9	22.1
Overall Fiscal balance excl. grants	-8.5	-8.5	-6.5	-6.4	-4.7	-4.7	-4.1	-4.1	-3.5	-3.5	-3.5
Overall Fiscal balance, incl. grants, cash basis	-8.2	-8.0	-6.2	-6.1	-4.4	-4.4	-3.9	-3.8	-3.2	-3.2	-3.2
Primary budget balance	-3.8	-3.3	-1.6	-1.2	0.2	0.1	0.5	0.6	0.9	0.9	1.0
External Sector											
Current external balance, including official transfers	-5.9	-4.8	-5.7	-5.0	-5.3	-5.1	-5.7	-5.4	-5.9	-6.3	-5.4
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0
Memorandum Items:											
Nominal GDP (in Ksh Billion)	11,370	12,646	12,752	14,038	15,605	15,708	17,402	17,549	19,577	19,712	22,342

Source of Data: National Treasury

C. Risks to the Domestic Economic Outlook

90. There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, the emergence of new Omicron COVID-19 variants may occasion restrictive measures. Other risks relate to lower agricultural output due to potential adverse weather conditions. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures, would put a strain to the fiscal space.

91. On the external front, the key downside risks include: uncertainty about the global outlook, reflecting adverse effects of the war in Ukraine, inflationary risks (from rising prices of food and oil), continuing COVID-19 pandemic related disruptions, and supply chain constraints as well as increased global financial markets volatility amid the tightening of monetary policy in advanced economies.

92. The Government has faced difficult policy trade-offs to secure economic recovery and navigate existing macroeconomic challenges amidst diminishing fiscal space. Among the fiscal measures implemented by Government to minimize the adverse impact of these emerging issues to the Kenyan economy include, among others:

- Subsidizing pump prices through the Petroleum Development Levy Fund;
- Reduction in electricity tariff by 15 percent to lower cost of power;
- Granting waiver of import duty on 540,000 metric tonnes of white non-genetically modified (non-GMO) imported into the country; and waived for a period of 3 months, the

Railway Development Levy and the Import Declaration Fee on the importation of the gazetted white maize;

- Implemented Fertilizer Subsidy - to farmers during the April planting season (Ksh 3.0 billion) and a further Ksh 2.7 billion for the next planting season in October 2022;
- Reduced the VAT rate on LPG from 16% to 8% in the Finance Act, 2022;
- Increased the minimum wage for low earners by 12 percent with effect from 1st May, 2022.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2022/23 Budget

93. Implementation of the FY 2022/23 Budget has begun well with indicators in the first month pointing to meeting the end year target especially in revenue collection. This performance coupled with a strong outcome in revenue collection in the FY 2021/22 indicate that the projections for the FY 2022/23 are realistic and offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget. Building from this confidence, the revenue projections and the expenditure estimates for the FY 2022/23 have been retained as approved by Parliament in June 2022 and are broadly in line with the 2022 Budget Policy Statement.

94. Therefore, total revenues for the FY 2022/23 are projected at Ksh 2,462.4 billion (17.5 percent of GDP) with ordinary revenues at Ksh 2,141.6 billion (15.3 percent of GDP). On the other hand, total expenditures are projected at Ksh 3,358.6 billion (23.9 percent of GDP) with recurrent expenditures projected at Ksh 2,271.0 billion (16.2 percent of GDP), development expenditures are projected at Ksh 676.6 billion (4.8 percent of GDP) and an allocation of Ksh 5.0 billion to contingency fund. Transfer to County Governments is projected at Ksh 407.0 billion (2.9 percent of GDP). The resulting fiscal deficit of Ksh 862.9 billion (6.1 percent of GDP) will be financed by a net external financing of Ksh 280.7 billion and a net domestic borrowing of Ksh 582.2 billion **(Annex Table 2 and 3).**

B. FY 2023/24 Budget Framework

95. The FY 2023/24 and the Medium Term Budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes in the Economic Recovery Strategy, the ongoing "Big Four" projects and priority programmes outlined in the Fourth Medium Term Plan (MTP IV) of the Vision 2030. Additionally, the Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth. Expenditure measures will include cost budgeting and curtailing initiation of new projects, a review of portfolio of externally funded projects to restructure and re-align with the Government priority programmes and reducing non-priority spending. As a result, the overall fiscal deficit is expected to decline from 6.1 percent of GDP in FY 2022/23 to 4.4 percent of GDP in FY 2023/24. This will boost the country's debt sustainability position and ensure the country's development agenda is sustainably funded.

96. In the FY 2023/24 total revenue including Appropriation-in-Aid (A-i-A) is projected at Ksh 2,835.5 billion (18.0 percent of GDP). Of this, ordinary revenue is projected at Ksh 2,516.3 billion (16.0 percent of GDP). This revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by implementation of priority programmes under the Economic Recovery Strategy, the "Big Four" priority projects and other priority programmes outlined in MTP IV of Vision 2030. On the other hand, the overall expenditure and net lending are projected at Ksh 3,579.6 (22.8 percent of GDP). Of this, recurrent expenditure will amount to Ksh 2,365.7 billion (15.1 percent of GDP) while development expenditure will amount to Ksh 796.6 billion (5.1 percent of GDP). Transfer to Counties and Contingency Fund are projected at Ksh 412.3 billion and Ksh 5.0 billion, respectively.

97. The resulting fiscal deficit of Ksh 696.5 billion (4.4 percent of GDP) in FY 2023/24 will be financed by a net external financing of Ksh 198.6 billion (1.3 percent of GDP) and a net domestic financing of Ksh 497.9 billion (3.2 percent of GDP).

C. Medium Term Fiscal Projections

98. Over the medium term, driven by economic recovery strategies, continued reforms in revenue administration and revenue enhancement measures, the Government's total revenue including A-i-A is projected to rise from 17.5 percent of GDP in the FY 2022/23 to 18.0 percent of GDP in the FY 2023/24 and 18.6 percent of GDP in the FY 2026/27. On the other hand, the Government will continue to pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. In addition, provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies will be prioritized. Therefore, total expenditure is projected to progressively decline from 23.9 percent of GDP in the FY 2022/23 to 22.8 percent of GDP in the FY 2023/24 and further to 22.1 percent of GDP in the FY 2026/27. Of the total expenditures, recurrent expenditures are expected to decline from 16.2 percent of GDP in the FY 2022/23 to 15.1 percent of GDP in the FY 2023/24 and further to 14.7 percent in the FY 2026/27. While development and net lending expenditure is expected to remain stable at around 5.0 percent of GDP over the medium term.

99. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to decline from 6.2 percent of GDP in the FY 2022/23 to 4.4 percent of GDP in the FY2023/24 and further to 3.2 percent of GDP in the FY 2026/27 **(Annex Table 2 and 3).** This is intended to significantly improve Kenya's debt sustainability position.

D. Medium-Term Expenditure Framework

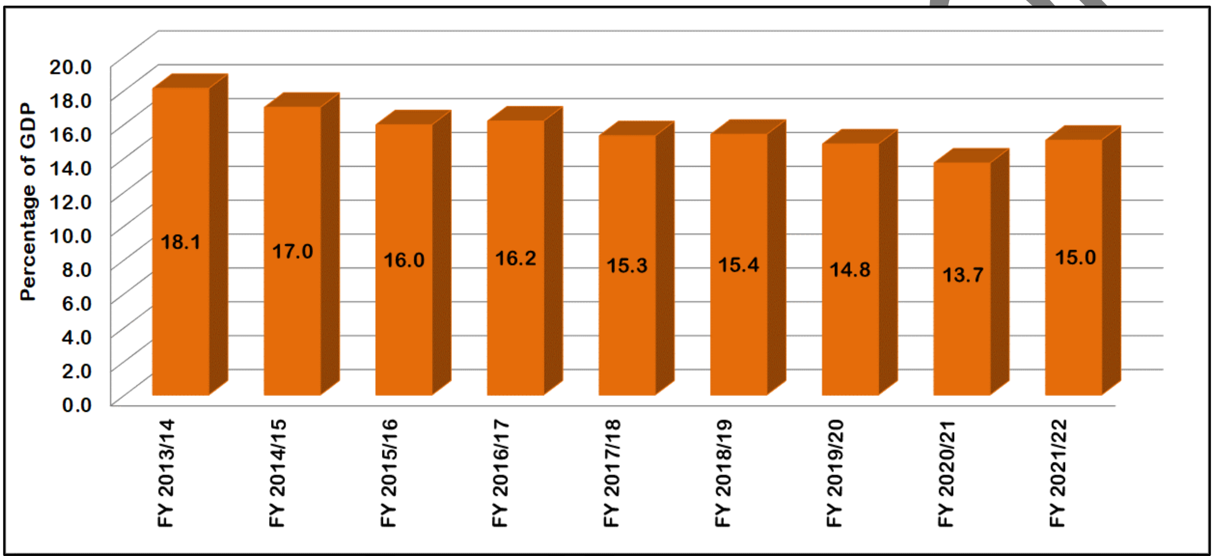
100. The Government will continue with its policy of expenditure prioritization with a view to supporting economic recovery and achieving its transformative development agenda. This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. Realization of these objectives will have implications in the budget ceilings provided in this BROP. The following criteria will serve as a guide for allocating resources:

i. Linkage of Programmes that support Economic Recovery;
ii. Linkage of programmes that support completion of ongoing intervention under the 'Big Four' Agenda either as drivers or enablers;
iii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
iv. Degree to which a programme addresses job creation and poverty reduction;
v. Degree to which a programme addresses the core mandate of the MDAs,
vi. Expected outputs and outcomes from a programme;
vii. Cost effectiveness and sustainability of the programme;
viii. Extent to which the Programme seeks to address viable stalled projects and verified pending bills; and
ix. Requirements for furtherance and implementation of the Constitution

V. MEDIUM TERM REVENUE STRATEGY

101. The National Government tax revenues as share of GDP has been declining since FY 2013/14. The revenues declined from 18.2 percent in the FY 2013/14 to 15.4 percent in the FY 2018/19, this decline was mainly associated with various challenges including increase in tax incentives, growth of the informal sectors which are hard to tax, change in business models (use of new technology), thus creating tax administrative bottlenecks. The emergence of COVID-19 pandemic worsened revenue performance for the FY 2019/20 and FY 2020/21 with revenues declining to 14.8 percent and 13.7 percent, respectively. Revenue collection improved to 15.0 percent of GDP in the FY 2021/22 as economic activities picked up following the easing of COVID-19 restrictions. Despite the effort to mobilize revenue, Kenya's revenue yield is still below the desired East African Community target of 25 percent of GDP (**Figure 20**).

Figure 20: Ordinary Revenue as a percentage of GDP



Source: National Treasury

102. Further, the decline in domestic resource mobilization, the realization of the Vision 2030 through implementation of its Medium Term Plans is lagging behind. To catch up to the goal in the Vision 2030 of providing a high quality of life to all our citizens by 2030 in a clean and secure environment, the gap in domestic resources must be bridged. In the last decade Kenya's infrastructure development drive has been funded mainly by borrowing including from international bond markets. Although Kenya's debt remain sustainable, the faster pace of debt acquisition has increased debt vulnerabilities and worsened our debt indicators. To reduce these vulnerabilities and have full control of our own development agenda domestic revenues mobilization is crucial.

103. To address the declining revenue trends and ensure a fair taxation system, the Government is developing a medium-term revenue strategy that would:

- Facilitate the implementation of Government programs under the Vision 2030;
- Entrench predictability on tax rates by providing greater certainty of policy direction for investors;
- Enhance self-reliance in financing economic development thus less dependence on the international capital markets and development partners;
- Encourage voluntary tax compliance; and

- Identify tax reforms to be undertaken such as widening the tax base and tax administration reforms.

104. The main objective of this Strategy is to provide a comprehensive framework for guiding tax reforms for boosting revenues and improving the tax system over the medium-term. The specific objectives are:

i) Raise tax revenue to GDP from 15.0 percent in FY 2021/22 to 25 percent by 2030.

ii) Increase tax compliance rate from 70 percent in FY 2021/22 to 90 percent by 2030.

iii) Align the tax policy objectives with other government objectives such as ease of doing business, trade policies among others; and

iv) Enhance collaboration between the Government MDAs, County Governments, private sector, civil society and the general public for enhancement of the domestic revenue mobilization.

105. There will be two MTRS prepared to cover the remaining period of Vision 2030 which targets to raise tax revenue to GDP collection by an additional 10 percent gradually through the Strategy period. The first MTRS will cover the FY 2023/24 - 2026/27 while the second MTRS will cover the FY 2027-28 to FY 2029-30. The additional tax revenue generated from the Strategy is expected to hasten the fiscal consolidation process thus reducing the fiscal deficit, to the EAC target of 3 percent of GDP. This will support reduction in the growth of public debt to safeguard debt sustainability.

106. The National Treasury has embarked on the process of preparing the first National Medium Term Revenue Strategy (MTRS) for FY 2023/24 - 2026/27. The Strategy will be developed through a consultative process and will focus on enhancing tax compliance, broadening the tax base and improving tax administration to achieve the above objectives. To kick off the process, the National Treasury issued a Circular on 30th August, 2022, inviting proposals from Government MDAs and the County Governments for the development of the MTRS. The Circular provides timelines for the completion of the draft Strategy by June 2023.

107. To enable the development of an evidence-based reform strategy, the process will involve reviewing academic papers, diagnostic studies, and technical assistance reports on tax policy and administration, covering both Kenyan, regional, and global experiences. Further, the objectives and interventions in the MTRS will be aligned with Vision 2030, the Medium-Term Plans, the Medium-Term Expenditure Framework, the Budget Policy Statement, and will be within the Public Financial Management Reform Strategy (2018-2023).

108. The reforms in MTRS will also be aligned with the National Tax policy which is at the final stage of development. The National Tax Policy aims at having an efficient and fair tax system that promote equity in tax administration and predictable tax environment for business to operate. It provides broad principles of tax administration and revenue collection and sets parameters on tax policy and other tax related matters. Further, the policy guides tax reforms and forms the basis for tax legislation and review.

VI. CONCLUSION AND NEXT STEPS

109. Global economic outlook has become more uncertain reflecting, the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to its diversified nature and the proactive measures by the Government to cushion the vulnerable, support businesses and accelerate economic recovery. The economy expanded by 7.5 percent in 2021, from a contraction of 0.3 percent in 2020 and is expected to remain resilient in 2022 going forward. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the Economic Recovery Strategy. The economic growth over the medium term will further be supported by implementation of strategic interventions contained in the Fourth Medium Term Plan (2023-2027) of the Vision 2030 aimed at driving the economy towards a sustainable growth path.

110. The strong revenue performance in the FY 2021/22 offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget. The approved fiscal year 2022/23 budget broadens tax collection and maintains careful expenditure control while protecting social spending. To strengthen the economic recovery, the budget for FY 2023/24 and the medium term will focus on revenue mobilization and reduction on non-core expenditures in order to reduce the fiscal deficit and ensure debt sustainability. To address the declining revenue trends and ensure a fair taxation system, the Government is developing a medium-term revenue strategy. The main objective of this Strategy is to provide a comprehensive framework for guiding tax reforms for boosting revenues and improving the tax system over the medium-term.

111. To restrict growth in expenditures, the Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2023/24 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned to the achievement of the objectives. In this regard, the Sector Working Groups are expected to unbundle the medium term development strategies and develop policies, programmes and projects for implementation over the medium term period. The 2022 BROP will form inputs into the 2023 Budget Policy Statement that will summarize the various projects and initiatives that will be undertaken during the Fourth Medium Term Plan (MTP IV 2023-2027) of Vision 2030 and therefore set a momentum for the next long term development blue print.

Annex Table 1: Macroeconomic Indicators for the FY 2020/21- 2026/27 Period

	2020/21	2021/22		2022/23	2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
	annual percentage change, unless otherwise indicated										
National Account and Prices											
Real GDP	3.6	6.8	6.5	5.8	5.9	6.1	6.0	6.1	6.1	6.1	6.2
GDP deflator	5.0	4.8	5.8	6.1	5.3	5.8	5.2	5.7	6.0	6.7	6.8
CPI Index (eop)	6.1	5.2	6.2	5.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.7	5.4	6.5	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-3.6	1.1	1.1	4.2	0.2	4.2	0.3	4.4	0.4	3.9	3.7
Money and Credit (end of period)											
Net domestic assets	11.7	11.1	18.8	9.4	11.4	11.7	11.4	9.0	12.0	7.9	12.2
Net domestic credit to the Government	27.1	19.6	26.3	13.1	10.7	9.9	11.4	10.2	8.9	8.3	10.9
Credit to the rest of the economy	7.7	10.8	12.3	12.8	12.7	13.7	12.9	13.6	16.0	13.9	13.9
Broad Money, M3 (percent change)	6.4	11.4	7.4	10.1	11.4	11.9	11.5	11.7	12.5	12.3	13.3
Reserve money (percent change)	5.4	-11.1	15.4	-27.2	-0.9	-0.5	-0.8	-0.6	0.1	-0.1	0.8
	in percentage of GDP, unless otherwise indicated										
Investment and Saving											
Investment	20.1	23.9	19.2	19.3	20.7	20.2	21.1	20.2	21.2	19.9	19.7
Central Government	4.9	4.7	4.2	4.7	4.9	5.0	5.0	5.1	5.0	5.3	4.9
Other	15.2	19.1	15.0	14.6	15.7	15.2	16.1	15.1	16.2	14.7	14.8
Gross National Saving	14.1	19.1	13.5	14.2	15.4	15.1	15.4	14.7	15.4	13.7	14.3
Central Government	-2.2	-5.3	-1.5	-0.7	-2.2	1.1	-1.6	1.7	-1.1	2.5	2.2
Other	16.3	24.4	15.0	14.9	17.6	14.0	17.0	13.0	16.5	11.2	12.1
Central Government Budget											
Total revenue	15.7	17.1	17.3	17.5	18.1	18.0	18.1	18.1	18.1	18.4	18.6
Total expenditure and net lending	24.2	25.6	23.7	23.9	22.8	22.8	22.2	22.2	21.5	21.9	22.1
Overall Fiscal balance excl. grants	-8.5	-8.5	-6.5	-6.4	-4.7	-4.7	-4.1	-4.1	-3.5	-3.5	-3.5
Overall Fiscal balance, incl. grants, cash basis	-8.2	-8.0	-6.2	-6.1	-4.4	-4.4	-3.9	-3.8	-3.2	-3.2	-3.2
Statistical discrepancy	0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	-8.2	-8.0	-6.2	-6.1	4.4	-4.4	3.9	-3.8	3.2	-3.2	-3.2
Primary budget balance	-3.8	-3.3	-1.6	-1.2	0.2	0.1	0.5	0.6	0.9	0.9	1.0
Net domestic borrowing	5.5	5.4	4.7	4.1	3.1	3.2	3.3	3.2	2.6	2.6	2.5
External Sector											
Exports value, goods and services	10.2	11.0	11.6	12.6	10.7	12.2	10.4	12.9	10.1	13.5	13.8
Imports value, goods and services	19.0	17.6	19.6	19.7	17.1	18.8	16.7	19.4	16.4	20.5	19.7
Current external balance, including official transfers	-5.9	-4.8	-5.7	-5.0	-5.3	-5.1	-5.7	-5.4	-5.9	-6.3	-5.4
Gross reserves in months of next yr's imports	5.0	5.5	5.6	5.7	5.5	5.3	5.5	5.1	5.6	5.6	5.4
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0
Public debt											
Nominal central government debt (eop), gross	67.7	68.4	67.3	67.3	64.9	64.5	62.1	61.6	58.3	57.9	55.1
Nominal debt (eop), net of deposits	62.8	63.9	63.0	63.4	61.3	61.1	58.8	58.5	55.4	55.2	52.7
Domestic (gross)	32.5	34.5	33.6	34.7	34.4	34.2	34.2	33.8	33.0	32.7	32.0
Domestic (net)	27.6	30.0	29.4	30.8	30.8	30.7	30.9	30.7	30.1	29.9	29.6
External	35.2	33.9	33.6	32.6	30.5	30.4	27.9	27.7	25.4	25.3	23.1
Memorandum Items:											
Nominal GDP (in Ksh Billion)	11,370	12,646	12,752	14,038	15,605	15,708	17,402	17,549	19,577	19,712	22,342
Nominal GDP (in US$ Million)	105,677	114,595	111,757	114,898	131,276	123,746	141,823	133,867	154,252	145,302	158,523

Source of Data: The National Treasury

Annex Table 2: Government Operations for the FY 2020/21 - 2026/27 Period, Ksh Billion

	2020/21	2021/22		2022/23	2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
TOTAL REVENUE	**1783.7**	**2,192.0**	**2,199.8**	**2,462.4**	**2,820.8**	**2,835.0**	**3,146.0**	**3,179.2**	**3,533.8**	**3,633.1**	**4,154.8**
Ordinary Revenue	1562.0	1,851.5	1,917.9	2,141.6	2,516.3	2,516.3	2,822.6	2,840.6	3,189.2	3,272.2	3,750.7
Income Tax	694.1	836.7	876.7	997.3	1,178.6	1,178.6	1,285.7	1,285.7	1,460.1	1,500.1	1,734.5
Import duty (net)	108.4	115.9	118.3	144.9	170.4	170.4	181.4	199.4	204.0	224.0	252.5
Excise duty	216.3	255.9	252.1	297.2	346.9	346.9	395.1	395.1	453.0	453.0	513.5
Value Added Tax	410.8	514.1	523.1	584.7	691.6	691.6	792.7	792.7	896.2	916.2	1,049.8
Investment income	45.1	37.7	43.7	31.5	33.1	33.1	34.7	34.7	35.1	38.1	42.3
Other	87.4	91.2	104.1	86.0	95.7	95.7	133.1	133.1	140.8	140.8	158.1
Ministerial Appropriation in Aid	**221.7**	**340.4**	**281.9**	**320.8**	**304.5**	**318.7**	**323.3**	**338.5**	**344.6**	**360.9**	**404.1**
Railway Development Levy	28.5	31.6	36.4	35.1	*33.2*	33.2	*43.5*	*43.5*	*48.6*	*48.6*	*54.7*
African Union & Int't Subscription Fund	0.0	4.1	5.6	5.2	*9.0*	9.0	*6.5*	*6.5*	*7.2*	*7.2*	*8.1*
Road Maintenance Levy Transfer to Counties	0.0	9.7	0.0	10.1	*10.5*	10.5	*10.9*	*10.9*	*11.3*	*11.3*	*12.8*
Recurrent	143.0	200.4	169.8	199.9	191.7	191.7	*197.6*	*197.6*	*207.4*	*207.4*	*232.5*
NMS - Recurrent	0.0	3.2	0.0	0.0	0.0	0.0	0.0	*0.0*	*0.0*	*0.0*	*0.0*
PDL - Recurrent	1.6	25.0	22.1	20.4	0.0	0.0	0.0	*0.0*	*0.0*	*0.0*	*0.0*
Development/NMS	26.6	47.7	43.3	36.8	60.1	60.1	64.9	*64.9*	70.1	*70.1*	*78.5*
NMS - Development	0.0	6.5	0.0	0.0	0.0	0.0	0.0	*0.0*	0.0	*0.0*	*0.0*
PDL - Development	22.0	12.1	4.7	13.3	0.0	14.2	0	*15.2*	0	*16.2*	*17.4*
EXPENDITURE AND NET LENDING	**2,749.5**	**3,286.1**	**3,027.5**	**3,358.6**	**3,550.9**	**3,579.6**	**3,865.3**	**3,893.6**	**4,214.6**	**4,316.2**	**4,943.4**
Recurrent expenditure	1,798.2	2,227.3	2,135.0	2,271.0	2,359.9	2,365.7	2,569.3	2,577.5	2,804.9	2,824.9	3,275.0
Interest payments	495.1	605.3	577.7	690.6	712.2	718.0	758.3	766.5	796.8	816.8	954.1
Domestic interest	388.8	479.2	456.8	553.4	572.3	572.3	615.0	615.0	637.2	657.2	767.9
Foreign Interest	106.3	126.1	120.8	137.2	139.9	145.7	143.3	151.5	159.6	159.6	186.2
Pensions & Other CFS	112.9	137.3	122.4	150.6	168.2	168.2	192.9	192.9	217.6	217.6	250.3
Pensions	110.3	132.8	119.3	146.0	163.5	163.5	188.1	188.1	212.5	212.5	244.4
Other CFS	2.6	4.5	3.2	4.6	4.6	4.6	4.9	4.9	5.1	5.1	5.9
Contribution to Civil ServicePension Fund	3.3	20.8	26.4	25.9	28.5	28.5	31.3	31.3	34.4	34.4	44.3
Net Issues/Net Expenditure	1,051.7	1,231.2	1,211.0	1,178.4	1,250.3	1,250.3	1,382.8	1,382.8	1,541.4	1,541.4	1,785.6
O/W: Wages & Salaries	493.0	525.1	525.1	537.2	600.0	600.0	645.3	645.3	703.4	703.4	886.5
IEBC	4.9	14.2	14.2	16.5	6.5	6.5	6.9	6.9	6.9	6.9	7.3
Defense and NIS	157.7	157.1	175.8	174.3	170.0	170.0	170.0	170.0	170.0	170.0	176.8
Nairobi Metropolitan Service (NMS)	16.3	14.8	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	301.2	438.1	399.2	294.7	315.2	312.2	395.5	388.8	496.0	483.8	527.1
Ministerial Recurrent AIA	135.2	229.5	197.5	225.5	200.7	200.7	204.0	204.0	214.7	214.7	240.6
Ministerial Recurrent AIA - NMS	0.0	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**552.3**	**657.5**	**540.1**	**676.6**	**774**	**796.6**	**873.5**	**893.6**	**962.3**	**1,043.9**	**1,127.8**
Domestically financed (Gross)	385.3	411.3	378.2	372.6	416.4	439.2	475.7	495.7	522.8	584.8	619.7
O/W Domestically Financed (Net)/NMS	308.2	281.5	290.4	287.4	323.1	345.9	367.3	387.3	404.1	466.2	469.0
Ministerial Development AIA	81.7	79.4	79.6	71.9	93.3	93.3	110.6	110.6	141.9	141.9	133.3
Foreign financed	167.0	239.4	161.9	294.7	349.9	349.9	390.0	390.0	431.7	431.7	495.6
Net lending	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0	19.6	0.0
Equalization Fund	0.0	6.8	0.0	7.1	7.5	7.5	7.9	7.9	7.8	7.8	12.6
County Tranfers	**399.0**	**401.2**	**352.4**	**407.0**	**412.3**	**412.3**	**417.5**	**417.5**	**442.5**	**442.5**	**535.6**
Equitable Share	346.2	370.0	340.4	370.0	375.0	375.0	380.2	380.2	405.2	405.2	498.7
Conditional Allocation	52.8	31.2	12.0	37.0	37.3	37.3	37.3	37.3	37.3	37.3	37.0
Contingency Fund	**0.0**	**0.0**	**0.0**	**4.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance ***(commitment basis excl. grants)***	**-965.7**	**-1,094.1**	**-827.7**	**-896.2**	**-730.2**	**-744.6**	**-719.4**	**-714.4**	**-680.8**	**-683.2**	**-788.6**
Grants	**31.3**	**62.9**	**31.0**	**33.3**	**48.1**	**48.1**	**49.3**	**49.3**	**53.2**	**53.2**	**66.5**
Fiscal Balance ***(incl. grants)***	**-934.4**	**-1,031.2**	**-796.7**	**-862.9**	**-682.0**	**-696.5**	**-670.0**	**-665.1**	**-627.5**	**-629.9**	**-722.2**
Adjustment to Cash Basis	5.1	0.0	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance ***(incl. grants) Cash Basis***	**-929.3**	**-1,031.2**	**-784.8**	**-862.9**	**-682.0**	**-696.5**	**-670.0**	**-665.1**	**-627.5**	**-629.9**	**-722.2**
Statistical discrepancy	20.9	0.0	-37.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**950.2**	**1,031.2**	**747.8**	**862.9**	**682.0**	**696.5**	**670.0**	**665.1**	**627.5**	**629.9**	**722.2**
Net Foreign Financing	**323.3**	**343.1**	**142.5**	**280.7**	**192.3**	**198.6**	**95.4**	**99.7**	**125.5**	**125.9**	**154.7**
Disbuserments	**451.6**	**545.2**	**327.1**	**521.8**	**674.2**	**674.2**	**381.1**	**381.1**	**415.4**	**415.4**	**466.1**
Commercial Financing	114.3	124.3	0.0	105.6	270.0	270.0	0.0	0.0	0.0	0.0	0.0
O/W Export Credt	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	107.6	124.3	0.0	105.6	270	270.0	0	0.0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	168.7	257.6	192.0	286.5	338.8	338.8	377.6	377.6	415.4	415.4	466.1
O/W Project Loans AIA	104.8	134.4	92.6	184.9	239.1	239.1	263.0	263.0	289.3	289.3	298.1
Project Loans Revenue	52.4	81.1	58.6	101.6	99.7	99.7	114.6	114.6	126.1	126.1	168.0
Project Loans SGR _ Phase I _AIA	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation		42.2	40.8								
Programme Loans	168.6	163.2	135.0	129.7	65.4	65.4	3.5	3.5	0.0	0.0	0.0
Debt repayment - Principal	-128.3	-202.1	-184.5	-241.1	-482.0	-475.6	-285.7	-281.5	-289.9	-289.5	-311.3
of which: External Debt Operations - Refinancing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Financing	**626.9**	**688.1**	**605.3**	**582.2**	**489.8**	**497.9**	**574.7**	**565.4**	**502.1**	**504.0**	**567.4**
Memo items											
Gross Debt (Stock)	7,696.6	8,579.1	8,579.1	9,442.0	10,107.2	10,138.5	10,777.2	10,803.6	11,394.9	11,423.2	12,315.7
External Debt	3,999.5	4,290.7	4,290.7	4,571.5	4,758.9	4,770.1	4,854.3	4,869.8	4,969.9	4,985.4	5,157.3
Domestic Debt (gross)	3,697.1	4,288.3	4,288.3	4,870.5	5,348.3	5,368.4	5,923.0	5,933.9	6,425.0	6,437.8	7,158.4
Domestic Debt (net)	3,140.7	3,828.8	3,746.0	4,328.2	4,805.9	4,826.1	5,380.6	5,391.5	5,882.7	5,895.5	6,616.0
Financing gap	15.8	0.0	-48.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**11,370.3**	**12,844.3**	**12,752.2**	**14,038.4**	**15,604.6**	**15,707.5**	**17,401.9**	**17,549.1**	**19,577.0**	**19,712.4**	**22,342.0**

Source of Data: The National Treasury

Annex Table 3: Government Operations for the FY 2020/21 - 2026/27 Period (% of GDP)

	2020/21	2021/22		2022/23	2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
TOTAL REVENUE	**15.7**	**17.1**	**17.3**	**17.5**	**18.1**	**18.0**	**18.1**	**18.1**	**18.1**	**18.4**	**18.6**
Ordinary Revenue	**13.7**	**14.4**	**15.0**	**15.3**	**16.1**	**16.0**	**16.2**	**16.2**	**16.3**	**16.6**	**16.8**
Income Tax	6.1	6.5	6.9	7.1	7.6	7.5	7.4	7.3	7.5	7.6	7.8
Import duty (net)	1.0	0.9	0.9	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.1
Excise duty	1.9	2.0	2.0	2.1	2.2	2.2	2.3	2.3	2.3	2.3	2.3
Value Added Tax	3.6	4.0	4.1	4.2	4.4	4.4	4.6	4.5	4.6	4.6	4.7
Investment income	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.8	0.7	0.8	0.6	0.6	0.6	0.8	0.8	0.7	0.7	0.7
Ministerial Appropriation in Aid	**2.0**	**2.7**	**2.2**	**2.3**	**2.0**	**2.0**	**1.9**	**1.9**	**1.8**	**1.8**	**1.8**
EXPENDITURE AND NET LENDING	**24.2**	**25.6**	**23.7**	**23.9**	**22.8**	**22.8**	**22.2**	**22.2**	**21.5**	**21.9**	**22.1**
Recurrent expenditure	**15.8**	**17.3**	**16.7**	**16.2**	**15.1**	**15.1**	**14.8**	**14.7**	**14.3**	**14.3**	**14.7**
Interest payments	4.4	4.7	4.5	4.9	4.6	4.6	4.4	4.4	4.1	4.1	4.3
Domestic interest	3.4	3.7	3.6	3.9	3.7	3.6	3.5	3.5	3.3	3.3	3.4
Foreign Interest	0.9	1.0	0.9	1.0	0.9	0.9	0.8	0.9	0.8	0.8	0.8
Civil service Reform	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pensions & Other CFS	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Pensions	1.0	1.0	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil ServicePension Fund	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	9.2	9.6	9.5	8.4	8.0	8.0	7.9	7.9	7.9	7.8	8.0
O/W: Wages & Salaries	4.3	4.1	4.1	3.8	3.8	3.8	3.7	3.7	3.6	3.6	4.0
IEBC	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defense and NIS	1.4	1.2	1.4	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.8
Nairobi Metropolitan Service (NMS)	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.6	3.4	3.1	2.1	2.0	2.0	2.3	2.2	2.5	2.5	2.4
Ministerial Recurrent AIA	1.2	1.8	1.5	1.6	1.3	1.3	1.2	1.2	1.1	1.1	1.1
Ministerial Recurrent AIA - NMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**4.9**	**5.1**	**4.2**	**4.8**	**5.0**	**5.1**	**5.0**	**5.1**	**4.9**	**5.3**	**5.0**
Domestically financed (Gross)	3.4	3.2	3.0	2.7	2.7	2.8	2.7	2.8	2.7	3.0	2.8
O/W Domestically Financed (Net)/NMS	2.7	2.2	2.3	2.0	2.1	2.2	2.1	2.2	2.1	2.4	2.1
Ministerial Development AIA	0.7	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.6
Foreign financed	1.5	1.9	1.3	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Equalization Fund	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
County Tranfers	**3.5**	**3.1**	**2.8**	**2.9**	**2.6**	**2.6**	**2.4**	**2.4**	**2.3**	**2.2**	**2.4**
Equitable Share	**3.0**	**2.9**	**2.7**	**2.6**	**2.4**	**2.4**	**2.2**	**2.2**	**2.1**	**2.1**	**2.2**
Conditional Allocation	0.5	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-8.5**	**-8.5**	**-6.5**	**-6.4**	**-4.7**	**-4.7**	**-4.1**	**-4.1**	**-3.5**	**-3.5**	**-3.5**
Grants	**0.3**	**0.5**	**0.2**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-8.2**	**-8.0**	**-6.2**	**-6.1**	**-4.4**	**-4.4**	**-3.9**	**-3.8**	**-3.2**	**-3.2**	**-3.2**
Adjustment to Cash Basis	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.2	-8.0	-6.2	-6.1	-4.4	-4.4	-3.9	-3.8	-3.2	-3.2	-3.2
Statistical discrepancy	0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**8.4**	**8.0**	**5.9**	**6.1**	**4.4**	**4.4**	**3.9**	**3.8**	**3.2**	**3.2**	**3.2**
Net Foreign Financing	**2.8**	**2.7**	**1.1**	**2.0**	**1.2**	**1.3**	**0.5**	**0.6**	**0.6**	**0.6**	**0.7**
Disbuserments	**4.0**	**4.2**	**2.6**	**3.7**	**4.3**	**4.3**	**2.2**	**2.2**	**2.1**	**2.1**	**2.1**
Commercial Financing	**1.0**	**1.0**	**0.0**	**0.8**	**1.7**	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
O/W Export Credt	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	0.9	1.0	0.0	0.8	1.7	1.7	0.0	0.0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.5	2.0	1.5	2.0	2.2	2.2	2.2	2.2	2.1	2.1	2.1
O/W Project Loans AIA	0.9	1.0	0.7	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.3
Project Loans Revenue	0.5	0.6	0.5	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.8
Project Loans SGR _ Phase I AIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	1.5	1.3	1.1	0.9	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Debt repayment - Principal	**-1.1**	**-1.6**	**-1.4**	**-1.7**	**-3.1**	**-3.0**	**-1.6**	**-1.6**	**-1.5**	**-1.5**	**-1.4**
of which: External Debt Operations - Refinancing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Financing	**5.5**	**5.4**	**4.7**	**4.1**	**3.1**	**3.2**	**3.3**	**3.2**	**2.6**	**2.6**	**2.5**
Memo items											
Gross Debt (Stock)	67.7	69.8	67.3	67.3	64.8	64.5	61.9	61.6	58.2	57.9	55.1
External Debt	35.2	34.7	33.6	32.6	30.5	30.4	27.9	27.7	25.4	25.3	23.1
Domestic Debt (gross)	32.5	35.1	33.6	34.7	34.3	34.2	34.0	33.8	32.8	32.7	32.0
Domestic Debt (net)	27.6	30.5	29.4	30.8	30.8	30.7	30.9	30.7	30.0	29.9	29.6
Financing gap	0.1	0.0	-0.4	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 of Data: The National Treasury

Annex Table 4: Budget Calendar for the FY 2023/24 Medium-Term Budget

Activity	Responsibility	FY2023/24 Timeline
1. Develop and issue MTEF guidelines	**National Treasury**	**30-Aug-22**
2. Launch of Sector Working Groups	**National Treasury**	**9-Sep-22**
3. Programme Performance & Strategic Reviews	**MDAs**	**21-Sep-22**
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 FY2023/24	Project Committees	"
3.5 Progress report on MTP implementation	"	"
3.6 Preparation of annual plans	"	"
4. Development of Medium-Term Budget Framework	**Macro Working Group**	**30-Sep-22**
4.1 Estimation of Resource Envelope	"	"
4.2 Determination of policy priorities	"	"
4.3 Preliminary resource allocation to Sectors, Parliament, Judiciary & Counties	"	"
4.4 Draft Budget Review and Outlook Paper (BROP)	"	"
4.5 Submission of BROP to Cabinet	"	30-Sep-22
4.6 Approval of the BROP by Cabinet		14-Oct-22
4.7 Submission of approved BROP to Parliament	"	21-Oct-22
5. Preparation of MTEF budget proposals	**Line Ministries**	**28-Nov-22**
5.1 Retreats to draft Sector Reports	Sector Working Group	16-29 th Oct & 30th Oct - 13th Nov -22
5.2 Public Sector Hearing	National Treasury	23rd Nov 22
5.3 Review and incorporation of stakeholder inputs in the Sector proposals	Sector Working Group	30-Nov-22
5.4 Submission of Sector Report to Treasury	Sector Chairpersons	1-Dec-22
5.5 Consultative meeting with CSs/PSs on Sector Budget proposals	National Treasury	6-Dec-22
6. Draft Budget Policy Statement (BPS)	**Macro Working Group**	**14-Feb-23**
6.1 Draft BPS	Macro Working Group	2-Dec-22
6.2 Division of Revenue Bill (DORB)	National Treasury	"
6.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
6.4 Submission of BPS, DORB and CARB to Cabinet for approval	National Treasury	12-Jan-23
6.5 Submission of BPS, DORB and CARB to Parliament for approval	National Treasury	14-Feb-23
8. Preparation and approval of Final MDAs Budgets		**28-Apr-23**
7.1 Develop and issue final guidelines on preparation of 2023/24 MTEF Budget	National Treasury	3-Mar-23
7.2 Submission of Budget Proposals to Treasury	Line Ministries	15-Mar-23
7.3 Consolidation of the Draft Budget Estimates	National Treasury	1-Apr-23
7.4 Submission to Cabinet for Approval	National Treasury	13-Apr-23
7.5 Submission of Draft Budget Estimates to Parliament	National Treasury	27-Apr-23
7.6 Submission of the Finance Bill	National Treasury	27-Apr-23
7.7 Review of Draft Budget Estimates by Parliament	National Assembly	15-May-23
7.8 Report on Draft Budget Estimates from Parliament	National Assembly	31-May-23
7.9 Consolidation of the Final Budget Estimates	National Treasury	6-Jun-23
7.10 Submission of Appropriation Bill to Parliament	National Treasury	8-Jun-23
8. Budget Statement	**National Treasury**	**8-Jun-23**
9. Appropriation Bill Passed	**National Assembly**	**30-Jun-23**
10. Finance Bill Passed	**National Assembly**	**30-Jun-23**

Source: National Treasury

Annex Table 5: County Governments' Fiscal Performance (July 2021 to March 2022)

County	Target	Actual	% of Actual OSR over target	Rec't	% of Rec't budget over total budget	Devp't	% of Dev't budget over total budget	Total	Rec't	% of Rec't expenditure over total expenditure	Dev't	% of Dev't expenditure over total expenditure	Total	Rec't	Dev't	Total
Baringo	258,546,935	187,723,960	72.6	5,241.84	52.7	4,705.50	47.3	9,947.34	3,256.83	89.2	396.13	10.8	3,652.95	62.1	8.4	36.7
Bomet	300,000,000	158,641,367	52.9	5,811.29	65.7	3,031.95	34.3	8,843.24	3,384.90	76.9	1,016.31	23.1	4,401.21	58.2	33.5	49.8
Bungoma	746,811,602	282,172,088	37.8	9,974.99	69.0	4,479.38	31.0	14,454.36	5,667.21	85.1	992.43	14.9	6,659.64	56.8	22.2	46.1
Busia	976,108,322	227,317,183	23.3	5,681.53	55.5	4,548.85	44.5	10,230.38	3,742.19	79.5	963.9	20.5	4,706.09	65.9	21.2	46.0
Elgeyo Mara	266,100,000	116,571,048	43.8	3,495.83	53.0	3,095.35	47.0	6,591.18	2,377.70	81.4	544.46	18.6	2,922.16	68.0	17.6	44.3
Embu	900,000,000	297,829,189	33.1	4,539.39	65.6	2,379.72	34.4	6,919.11	3,233.49	86.5	505.27	13.5	3,738.76	71.2	21.2	54.0
Garissa	150,000,000	48,953,500	32.6	7,096.95	68.0	3,343.79	32.0	10,440.74	5,139.39	90.0	572.88	10.0	5,712.27	72.4	17.1	54.7
Homa Bay	143,811,399	132,915,691	92.4	5,573.81	64.2	3,109.80	35.8	8,683.61	4,025.69	79.3	1,050.04	20.7	5,075.73	72.2	33.8	58.5
Isiolo	113,686,337	78,211,743	68.8	4,169.53	65.5	2,198.31	34.5	6,367.84	3,385.29	81.0	795.44	19.0	4,180.73	81.2	36.2	65.7
Kajiado	1,605,355,500	456,827,116	28.5	7,183.07	64.4	3,973.15	35.6	11,156.22	4,555.73	80.7	1,092.46	19.3	5,648.18	63.4	27.5	50.6
Kakamega	1,600,000,000	954,426,642	59.7	9,545.88	58.2	6,854.36	41.8	16,400.24	6,102.86	72.8	2,275.45	27.2	8,378.32	63.9	33.2	51.1
Kericho	852,636,240	461,292,140	54.1	5,183.82	62.2	3,155.72	37.8	8,339.54	2,992.52	78.8	803.93	21.2	3,796.44	57.7	25.5	45.5
Kiambu	4,288,015,282	2,378,221,287	55.5	12,637.21	72.2	4,869.66	27.8	17,506.87	7,772.90	92.7	615.95	7.3	8,388.84	61.5	12.6	47.9
Kilifi	925,000,000	433,394,023	46.9	9,496.72	60.3	6,262.35	39.7	15,759.07	6,223.02	85.3	1,074.00	14.7	7,297.02	65.5	17.2	46.3
Kirinyaga	485,000,000	273,954,260	56.5	4,531.06	58.8	3,174.27	41.2	7,705.33	3,200.93	78.5	879.2	21.5	4,080.13	70.6	27.7	53.0
Kisii	700,000,000	322,836,620	46.1	8,498.97	67.5	4,091.72	32.5	12,590.70	5,257.65	80.1	1,304.69	19.9	6,562.34	61.9	31.9	52.1
Kisumu	1,984,000,003	784,219,821	39.5	8,439.31	69.5	3,706.87	30.5	12,146.18	5,361.95	92.1	458.52	7.9	5,820.47	63.5	12.4	47.9
Kitui	800,000,000	280,374,666	35	8,327.23	66.8	4,141.51	33.2	12,468.74	6,026.54	73.3	2,194.45	26.7	8,221.00	72.4	53.0	65.9
Kwale	315,000,000	213,529,786	67.8	6,760.28	55.0	5,524.98	45.0	12,285.26	4,683.40	78.1	1,310.35	21.9	5,993.75	69.3	23.7	48.8
Laikipia	1,006,000,000	638,522,836	63.5	4,765.64	55.6	3,805.11	44.4	8,570.75	3,153.79	72.9	1,169.96	27.1	4,323.75	66.2	30.7	50.4
Lamu	120,000,000	91,479,787	76.2	3,025.13	60.5	1,972.25	39.5	4,997.38	1,823.05	89.2	220.39	10.8	2,043.44	60.3	11.2	40.9
Machakos	1,682,894,197	800,761,867	47.6	9,051.33	100.0	4,038.39	44.6	9,051.33	6,119.76	92.5	497.87	7.5	6,617.63	67.6	12.3	73.1
Makueni	1,091,306,710	476,588,345	43.7	6,979.64	62.0	4,271.40	38.0	11,251.04	3,977.21	76.2	1,238.83	23.8	5,216.04	57.0	29.0	46.4
Mandera	200,037,792	107,553,765	53.8	7,541.26	56.9	5,713.72	43.1	13,254.97	6,055.12	73.6	2,168.04	26.4	8,223.16	80.3	37.9	62.0
Marsabit	170,000,000	78,335,820	46.1	4,359.29	48.7	4,586.03	51.3	8,945.32	3,307.90	58.8	2,321.68	41.2	5,629.58	75.9	50.6	62.9
Meru	689,061,600	288,029,707	41.8	8,349.12	66.6	4,192.03	33.4	12,541.15	5,642.59	87.0	843.34	13.0	6,485.93	67.6	20.1	51.7
Migori	300,000,000	272,154,364	90.7	6,897.99	66.1	3,532.97	33.9	10,430.97	4,138.14	86.0	675.16	14.0	4,813.30	60.0	19.1	46.1
Mombasa	4,957,305,414	2,880,660,826	58.1	10,168.15	69.6	4,431.85	30.4	14,600.00	4,707.59	67.4	2,281.36	32.6	6,988.95	46.3	51.5	47.9
Murang&apo	1,600,000,000	394,490,229	24.7	7,372.37	69.0	3,316.19	31.0	10,688.56	4,543.06	84.0	863.77	16.0	5,406.83	61.6	26.0	50.6
Nairobi City	19,360,744,671	7,386,983,090	38.2	27,935.70	70.5	11,691.84	29.5	39,627.54	15,256.68	93.5	1,058.51	6.5	16,315.18	54.6	9.1	41.2
Nakuru	1,980,000,000	1,139,889,345	57.6	12,851.05	54.7	10,662.94	45.3	23,513.99	6,666.27	75.8	2,125.43	24.2	8,791.70	51.9	19.9	37.4
Nandi	387,106,430	166,381,995	43	6,019.80	67.1	2,945.75	32.9	8,965.55	4,606.13	84.0	877.22	16.0	5,483.35	76.5	29.8	61.2
Narok	1,869,402,102	975,125,170	52.2	8,618.70	67.0	4,248.39	33.0	12,867.09	6,348.79	92.7	501.22	7.3	6,850.01	73.7	11.8	53.2
Nyamira	295,000,000	132,440,468	44.9	4,778.83	69.9	2,053.79	30.1	6,832.62	3,475.19	83.0	713.76	17.0	4,188.95	72.7	34.8	61.3
Nyandarua	590,000,000	339,242,718	57.5	4,885.10	67.7	2,332.53	32.3	7,217.63	3,134.60	91.6	286.13	8.4	3,420.73	64.2	12.3	47.4
Nyeri	1,000,000,000	702,070,203	70.2	6,097.46	69.8	2,635.80	30.2	8,733.27	4,431.07	87.8	613.94	12.2	5,045.01	72.7	23.3	57.8
Samburu	150,000,000	85,381,694	56.9	4,472.27	61.3	2,817.83	38.7	7,290.09	2,832.11	82.4	604.05	17.6	3,436.15	63.3	21.4	47.1
Siaya	445,445,551	316,296,999	71	5,151.40	50.7	5,005.86	49.3	10,157.26	3,550.68	81.2	821.38	18.8	4,372.06	68.9	16.4	43.0
Taita Taveta	406,282,421	221,684,450	54.6	4,474.94	60.4	2,937.86	39.6	7,412.79	3,217.76	97.5	84.18	2.5	3,301.93	71.9	2.9	44.5
Tana River	87,846,000	55,036,013	62.7	5,510.90	65.0	2,973.82	35.0	8,484.71	2,948.70	78.4	813.31	21.6	3,762.01	53.5	27.3	44.3
Tharaka Nith	350,000,000	174,005,771	49.7	3,987.11	67.4	1,924.15	32.6	5,911.26	2,329.81	79.5	601.08	20.5	2,930.88	58.4	31.2	49.6
Trans Nzoia	529,500,000	128,661,714	24.3	5,232.46	56.5	4,020.71	43.5	9,253.17	2,297.29	78.2	640.88	21.8	2,938.17	43.9	15.9	31.8
Turkana	180,000,000	151,014,622	83.9	9,880.51	61.0	6,308.33	39.0	16,188.84	6,206.42	87.6	880.8	12.4	7,087.21	62.8	14.0	43.8
Uasin Gishu	1,414,917,111	681,306,574	48.2	7,103.02	53.8	6,110.64	46.2	13,213.66	4,307.33	77.0	1,287.64	23.0	5,594.98	60.6	21.1	42.3
Vihiga	232,658,877	181,303,134	77.9	4,374.70	68.3	2,034.17	31.7	6,408.88	3,077.50	88.9	384.3	11.1	3,461.79	70.3	18.9	54.0
Wajir	100,000,000	42,789,215	42.8	7,341.86	63.4	4,243.70	36.6	11,585.56	5,171.87	91.0	513.67	9.0	5,685.54	70.4	12.1	49.1
West Pokot	170,000,000	96,362,200	56.7	5,112.78	66.6	2,558.90	33.4	7,671.68	3,164.68	89.7	363.38	10.3	3,528.06	61.9	14.2	46.0
Total	**58,775,580,496**	**27,093,965,051**	**46.1**	**334,527.23**	**63.8**	**194,014.17**	**37.0**	**524,503.01**	**212,881.24**	**82.8**	**44,297.16**	**17.2**	**257,178.40**	**63.6**	**22.8**	**49.0**

Source of Data: Controller of Budget

THE NATIONAL TREASURY AND PLANNING
SEPTEMBER 2022