



## **THE NATIONAL TREASURY AND ECONOMIC PLANNING**

### **MEDIA BRIEFING NOTES ON THE 2024 BUDGET POLICY STATEMENT**

---

**1.** The 2024 Budget Policy Statement is a document required by law, prepared according to the Public Finance Management Act of 2012. It's presented to Parliament every year by February 15th, after Cabinet approval. In the meeting held on February 14th, 2024, the Cabinet considered and approved the 2024 Budget Policy Statement, together with the: i) Division of Revenue Bill, 2024, ii) County Allocation of Revenue Bill, 2024, iii) County Governments Additional Allocations Bill, 2024, and iv) Medium-Term Debt Management Strategy 2024.

**2.** The 2024 Budget Policy Statement, the second under the Kenya Kwanza Administration, emphasizes key policies and strategies supporting the Bottom-Up Economic Transformation Agenda (BETA) and aligned with the Vision 2030's Fourth Medium-Term Plan.

**3.** Since assuming office in September 2022, the Government has implemented bold policy responses to mitigate the negative global and persistent shocks that have pushed the economy to its lowest vibrant level, and embarked on structural reforms to stabilize Government finances and the economy. These shocks include, global supply chain

disruptions due to ongoing conflicts in Eastern Europe and the Middle East; high interest rates limiting access to credit and exacerbating debt servicing costs; significant losses and damages due to frequent extreme weather events; and elevated commodity prices like petroleum products on account of increased geopolitical fragmentation and global oil supply cuts.

**4.** Against this background, the Government continues to implement interventions and policies to reduce the cost of living and improving livelihoods, while at the same time fostering a sustainable inclusive economic transformation through the BETA. This is meant to reverse the economic recession and ignite economic recovery.

**5.** The Agenda recognizes the importance of managing the cost of living through well-functioning markets to enhance income generation, productivity, availability and affordability of goods and services for all citizens. Indeed, market failures in sectors that supported the economy are glaring. The interventions target five core priority areas namely: i) Agricultural Transformation and Inclusive Growth; ii) Micro, Small and Medium Enterprise (MSME) Economy; iii) Housing and Settlement; iv) Healthcare; and v) Digital Superhighway and Creative Industry.

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

**7.** In this respect, and in order to capture the aspirations of the Government, the theme for the 2024 Budget Policy Statement (BPS) is: **Sustaining Bottom-Up Economic Transformation Agenda for Economic Recovery and Improved Livelihoods.**

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

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

**10.** The fiscal policy stance for the FY 2024/25 and the medium-term budget aims to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation will be supported by enhanced revenue mobilization and rationalization of non-priority expenditure while protecting essential social and development spending.

**11.** As part of the process, the Government has embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that will further strengthen tax revenue mobilization efforts to over 20.0 percent of GDP over the medium term. In addition, tax administration by the Kenya Revenue Authority will be strengthened through scaling up use of technology to seal leakages. In part, this will involve enhancements of iTax and Integrated Customs Management System (iCMS) and usage of Tax Invoice Management System (e-TIMS).

**12.** Further, the Government will scale up efforts on requiring the various Ministries, Departments and Agencies (MDAs) to not only mobilize more non-tax revenues but also transfer resources to exchequer. Eventually, majority of the MDAs are expected to be self-financing. These policy strategies are expected to expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position.

### **FY 2024/25 Budget**

**13.** In the FY 2024/25 budget, revenue collection including Appropriation-in-Aid (A.i.A) is projected at Ksh 3,435.0 billion (19.1 percent of GDP). Of this, ordinary revenue is projected at Ksh 2,948.1 billion (16.4 percent of GDP). On the other hand, total expenditure is

projected at Ksh 4,188.2 billion (23.2 percent of GDP); comprising of recurrent expenditure of Ksh 2,859.3 billion (15.9 percent of GDP); development expenditure of Ksh 887.8 billion (4.9 percent of GDP); transfer to County Governments of Ksh 446.0 billion (includes Ksh 391.1 billion for equitable share and Ksh 54.9 billion in additional allocations); and Ksh 5.0 billion for Contingency Fund.

- 14.** The resulting fiscal deficit including grants of Ksh 703.9 billion (3.9 percent of GDP) in the FY 2024/25 will be financed by a net external financing of Ksh 326.1 billion (1.8 percent of GDP) and a net domestic financing of Ksh 377.7 billion (2.1 percent of GDP).
- 15.** The budget ceilings for the FY 2024/25 amount Ksh 2,511.5 billion comprising of Ksh 1,657.5 billion in recurrent expenditures and Ksh 853.9 billion in development expenditure.
- 16.** Given the limited resources, the hard sector ceilings provided for the FY 2024/25 and the medium-term budget will form the basis of the detailed budget allocations for submission to Parliament by 30th April 2024.

## **THE NATIONAL TREASURY AND ECONOMIC PLANNING**