

## REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

MEDIUM TERM

# 2020 BUDGET POLICY STATEMENT

HARNESSING THE “BIG FOUR” FOR JOB  
CREATION AND ECONOMIC PROSPERITY

FEBRUARY 2020

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© Budget Policy Statement (BPS) 2020

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## Foreword

The 2020 Budget Policy Statement (BPS) is prepared against a background of a weak global economy. The global economy is projected to grow marginally at 3.3 percent in 2020 from the estimated 2.9 percent in 2019. The sluggish global growth is on account of weak global trade and subdued investment and demand for capital goods. In tandem, growth in the Sub-Saharan African region is projected to rise to 3.5 percent in 2020 from 3.3 percent in 2019 largely on account of improved commodity prices and access to capital markets.

On the domestic scene, Kenya's economic growth has remained strong and resilient. The economy is estimated to have expanded by 5.6 percent in 2019 from the 6.3 percent registered in 2018, partially reflecting the impact of delayed rainfall in the first half of 2019 that affected agricultural production. Growth momentum is expected to pick up to 6.1 percent in 2020 and 7.0 percent over the medium term. This growth will be supported by a rebound in agricultural activities, strong services sector, stable macroeconomic environment and ongoing investments in strategic priorities of the Government under the "Big Four" Agenda. In terms of fiscal years, economic growth is estimated at 6.2 percent in the FY 2020/21 up from an estimate of 5.8 percent in FY 2019/20.

The policy measures outlined in the 2020 Budget Policy Statement prioritize investments in the "Big Four" Agenda and are anchored on the Third Medium Term Plan (MTP III) (2018-2022) of the Kenya Vision 2030. This being the third Budget Policy Statement since the onset of the "Big Four" Agenda, it highlights the progress made in the implementation of the strategic interventions under the Agenda which has contributed to stimulating the economy and improving the lives of Kenyans. Building on these gains, the Government will strengthen implementation of programmes and measures that ensure a more inclusive growth, foster macroeconomic stability, and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).

As we finalize preparation of the budget for the FY 2020/21, we are cognizant of our limited fiscal space occasioned by revenue shortfalls and rising expenditure pressures. To reverse this situation, the Government will continue to pursue the fiscal consolidation policy in order to provide and maintain necessary balance between revenues and expenditures. The objective is to ensure that the overall fiscal deficit is kept under control and to a bare minimum to safeguard macroeconomic stability and reduce the pace of growth of the public debt. In this regard, fiscal deficit is projected to decline gradually from the estimated 6.3 percent of GDP in FY 2019/20 to 4.9 percent of GDP in FY 2020/21 and further to around 3.0 percent of GDP over the medium term.

Given the tight resource envelope amidst significant expenditure demands, budget allocations in the 2020 BPS have been realigned to the "Big Four" Agenda as prioritized in MTP III. Thus, detailed budgets of all Government Ministries,

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Departments and Agencies (MDAs) have been scrutinized to curtail spending on non-productive areas and ensure that public expenditures goes to the most impactful programmes with highest welfare benefits to Kenyans. Going forward, spending programmes for all MDAs will be premised on the sustainability, affordability and strict prioritization to ensure that they contribute towards job creation and reduction in poverty and inequality.

The policy intentions outlined in this BPS have benefited from wide consultations. I would like to thank H.E. The President and H.E. The Deputy President for their guidance while developing this document. Much appreciation to my Cabinet colleagues, staff of the National Treasury and Planning, Stakeholders and the general public for their valuable contributions.



**HON. (AMB). UKUR K. YATANI, EGH**  
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## **Acknowledgement**

The 2020 BPS has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans, as a basis for the FY 2020/21 budget. This publication is expected to improve the public's understanding of Kenya's public finances and guide debate on economic and development matters.

Despite the challenging global economic environment, Kenya's economy remains resilient and is poised to continue to register robust growth, thanks to the strategic investment in the "Big Four" Agenda and preserved macroeconomic stability. The policy measures outlined in this BPS are expected to further bolster broad-based growth as well as enhance the wellbeing of all Kenyans.

The Government will continue to prudently manage the use of public resources over the 2020/21-2022/23 Medium Term Expenditure Framework (MTEF). While developing the budget proposals for the medium-term, Sector Working Groups reviewed budget performance for the past three years and reflected on priorities for the ensuing period while taking into account the available resources. The exercise was carried out to ensure that the programmes are in alignment with the "Big Four" Agenda as prioritized in MTP III. Thus, funding has only been availed to the priority programmes that are supportive of accelerated inclusive growth and development.

The preparation of the 2020 BPS was a collaborative effort among various Government Agencies. We are grateful for their inputs. We thank all the spending units, the Government Ministries, Departments and Agencies for timely provision of information. We are also grateful for the comments received from the Macro Working Group, participants of the January 2020 Public Sector Hearings and the general public which provided invaluable inputs to the 2020 BPS. Finally, we are grateful to the core team from the Macro and Fiscal Affairs Department and Budget Department that coordinated the finalization of this document. The core team under the guidance of the Director, Macro and Fiscal Affairs tirelessly put together this document and ensured it was produced in time while maintaining high quality standards.



**JULIUS MUIA, PhD, CBS**  
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### *About the Budget Policy Statement*

The Budget Policy Statement (BPS) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent financial year and over the medium term.

In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

Section 25 of the PFM Act, 2012, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15<sup>th</sup> of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The Cabinet Secretary, the National Treasury and Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2020/21.

The Budget Policy Statement contains:

- (a) an assessment of the current state of the economy including macroeconomic forecasts;
- (b) the financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;
- (c) the proposed expenditure ceilings for the National Government, including those of Parliament and the Judiciary and indicative transfers to County Governments;
- (d) the fiscal responsibility principles and financial objectives over the medium-term including limits on total annual debt; and
- (e) Statement of Specific Fiscal Risks.

Preparation of the BPS is a consultative process that involves seeking and taking into account the views of: The Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission; Judicial Service Commission; Ministries, Departments and Agencies; the public; and any other interested persons or groups.

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

### 1.1 Overview

1. The Kenyan economy remains resilient and grew by an average of 5.4 percent in the first three quarters of 2019 and is estimated at 5.6 percent by end of the year, mostly supported by strong performance in the services sector. Growth momentum is expected to pick up to 6.1 percent in 2020 and further to 7.0 percent over the medium term supported by a strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector, and strategic investments under the “Big Four” Agenda.

2. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that support exports. Year-on-year overall inflation remained within the Government target range of  $5\pm 2.5$  percent in January 2020 at 5.8 percent up from 4.7 percent in January 2019 due to higher food prices. Inflation is expected to remain within target in 2020, largely due to lower energy prices and expected stability in food prices.

3. The foreign exchange market remains stable supported by the narrowing of the current account deficit. The current account deficit is estimated at 4.6 percent of GDP in 2019 down from 5.0 percent of GDP in 2018. The narrowing of the deficit reflects strong growth in diaspora remittances and tourism receipts, increase in exports particularly coffee and cut flowers and lower imports of food and SGR-related equipment.

### 1.2 Recent Economic Developments and Outlook

#### *Global and Regional Economic Developments*

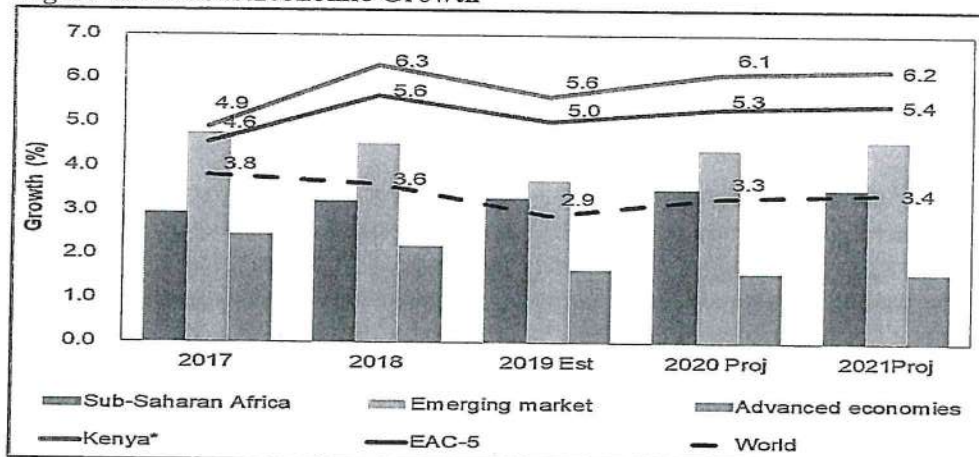
4. Global growth is projected to pick up to 3.3 percent in 2020 and further to 3.4 percent in 2021, from an estimated 2.9 percent growth in 2019 (**Figure 1.1**). The projected pick up is on account of recoveries in stressed emerging and developing market economies and macroeconomic policy support by advanced economies.

5. In advanced economies, growth is expected to slow down to 1.6 percent in 2020 and 2021 from an estimated 2.2 percent in 2018 mainly due to rising global oil prices resulting from tensions between U.S.A and Iran and the return to neutral fiscal policy stance in the United States.

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Figure 1.1 Global Economic Growth



6. Among emerging markets and developing countries, growth is expected to pick up to 4.4 percent in 2020 and further to 4.6 percent in 2021 from an estimated 3.7 percent in 2019 (Table 1.1). The growth profile reflects a projected recovery from deep downturns for stressed and underperforming emerging market economies as well as improved growth in India.

Table 1.1: Global Economic Growth, Percent

Economy	2019*	2020**	2021**
World	2.9	3.3	3.4
Advanced Economies	1.7	1.6	1.6
Of which: USA	2.3	2.0	1.7
Emerging and Developing Economies	3.7	4.4	4.6
Of which: China	6.1	6.0	5.8
India	4.8	5.8	6.5
Sub-Saharan Africa	3.3	3.5	3.5
Of which: South Africa	0.4	0.8	1.0
Nigeria	2.3	2.5	2.5
EAC-5	5.0	5.3	5.4
Of which: Kenya	5.6	6.1	6.2

\* Estimate    \*\* Projected

EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

Source of Data: January 2020 WEO; \*Projections by the National Treasury

7. Growth prospects for Sub-Saharan Africa continue to strengthen. Growth is projected to improve to 3.5 percent in 2020 and 2021 from 3.3 percent in 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

8. Growth in the East African Community (EAC) region is estimated to improve to 5.3 percent in 2020 and 5.4 in 2021 from an estimated 5.0 percent in 2019 mostly supported by a stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments and strong private consumption.

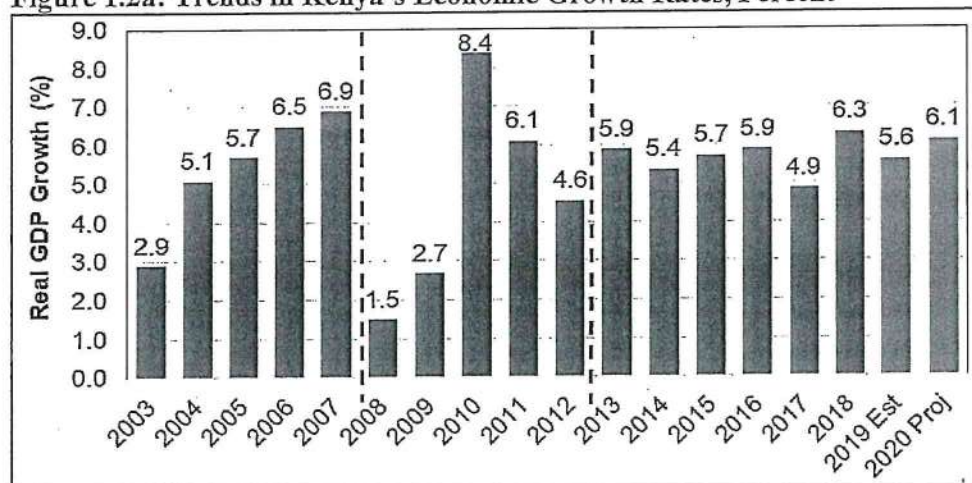
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### Domestic Economic Developments

9. Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth for 2018 to 2020 has been estimated at an average of 6.0 percent outperforming the 5.6 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012. Growth is projected to recover to 6.1 percent in 2020 from an estimated growth of 5.6 percent in 2019 (Figure 1.2a).

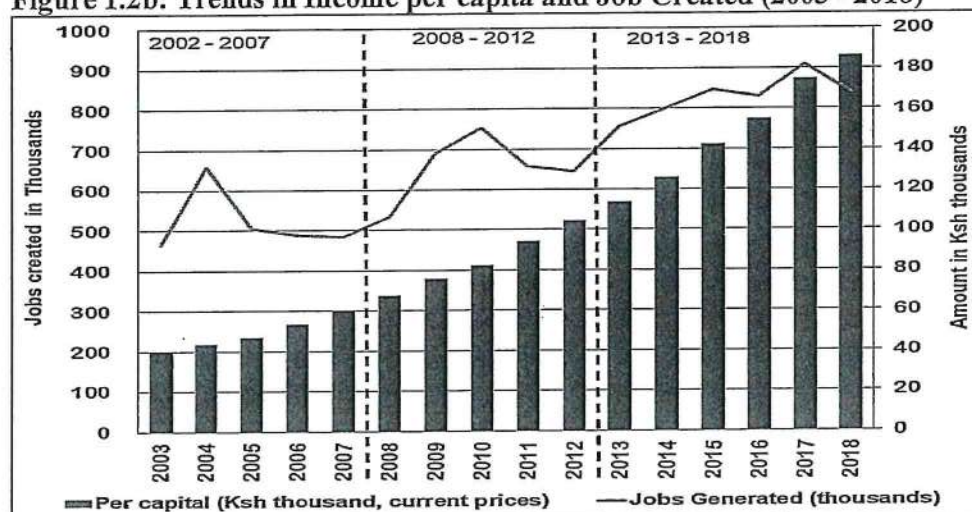
**Figure 1.2a: Trends in Kenya's Economic Growth Rates, Percent**



Source of Data: Kenya National Bureau of Statistics

10. Per capita income rose from Ksh 113,539 in 2013 to an estimated Ksh 202,859 in 2019, a compounded annual growth rate of 10.5 percent. This enabled generation of around 831,000 new jobs per year in the period 2013 - 2018 up from 656,500 new jobs per year in the period 2008 -2012 (Figure 1.2b).

**Figure 1.2b: Trends in Income per capita and Job Created (2003 - 2018)**



Source of Data: Kenya National Bureau of Statistics

### Quarterly GDP growth

11. In the third quarter of 2019, the economy grew by 5.1 percent compared to a growth of 6.4 percent in a similar quarter in 2018, mainly supported by a strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant (Table 1.2).

**Table 1.2: Sectoral Real GDP Growth Rates, Percent**

Sectors	Sector Growth									Sector Contribution to Real GDP Growth								
	2017			2018			2019			2017			2018			2019		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
Primary Industry	4.2	0.8	2.8	7.3	6.3	6.7	5.2	4.3	3.3	1.1	0.2	0.6	2.0	1.5	1.3	1.4	1.0	0.6
Agriculture, Forestry and Fishing	4.1	0.7	2.7	7.5	6.5	6.9	5.3	4.2	3.2	1.1	0.2	0.5	1.9	1.5	1.3	1.4	1.0	0.6
Mining and Quarrying	5.8	4.3	4.5	2.4	2.9	3.3	2.2	5.7	4.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Secondary Sector (Industry)	4.3	3.8	2.5	5.0	5.5	5.8	4.3	5.3	4.5	0.8	0.7	0.5	0.9	1.0	1.1	0.7	1.0	0.8
Manufacturing	1.6	0.1	0.1	3.8	4.7	4.6	3.2	4.2	3.1	0.2	0.0	0.0	0.4	0.5	0.5	0.3	0.4	0.3
Electricity and Water supply	8.2	8.3	5.8	6.5	8.4	7.8	6.1	5.6	4.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Construction	7.9	9.1	5.5	6.6	5.4	7.0	5.6	7.2	6.6	0.4	0.5	0.3	0.3	0.3	0.4	0.3	0.4	0.4
Tertiary sector (Services)	6.1	5.7	5.5	6.6	6.4	6.5	6.0	6.5	5.7	2.9	2.7	2.9	3.2	3.1	3.4	2.9	3.2	3.0
Wholesale and Retail trade	3.4	5.0	6.6	5.9	6.2	6.5	5.5	6.0	4.7	0.2	0.4	0.6	0.4	0.4	0.6	0.4	0.4	0.4
Accommodation and Restaurant	24.2	12.3	12.0	13.1	15.4	15.7	10.1	10.6	9.0	0.3	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Transport and Storage	7.3	6.5	5.1	8.5	8.4	9.0	6.7	7.2	7.1	0.4	0.4	0.4	0.5	0.6	0.7	0.4	0.5	0.5
Information and Communication	13.6	11.4	10.7	12.5	11.1	9.8	10.4	11.3	8.4	0.5	0.3	0.4	0.5	0.4	0.4	0.4	0.4	0.3
Financial and Insurance	3.8	3.3	2.3	5.2	4.5	5.3	5.5	7.2	5.6	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Public Administration	3.8	4.8	6.5	6.2	5.9	6.1	6.5	6.0	5.8	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.2
Others	5.4	5.5	4.9	5.3	5.3	5.0	4.8	5.4	5.0	1.1	1.1	1.0	1.0	1.1	1.1	0.9	1.1	0.0
of which Real Estate	6.4	6.3	6.1	5.3	4.6	3.8	4.2	5.4	4.9	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4	0.4
Taxes less subsidies	4.0	6.0	4.6	5.7	5.5	5.6	5.8	4.6	4.2	0.4	0.7	0.6	0.6	0.6	0.7	0.6	0.5	0.5
GDP at market price	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1
of which Non-Agriculture	5.9	5.6	4.9	6.4	6.3	6.5	5.8	6.2	5.7	3.7	3.6	3.4	4.1	4.1	4.5	3.7	4.1	4.0

Source of Data: Kenya National Bureau of Statistics

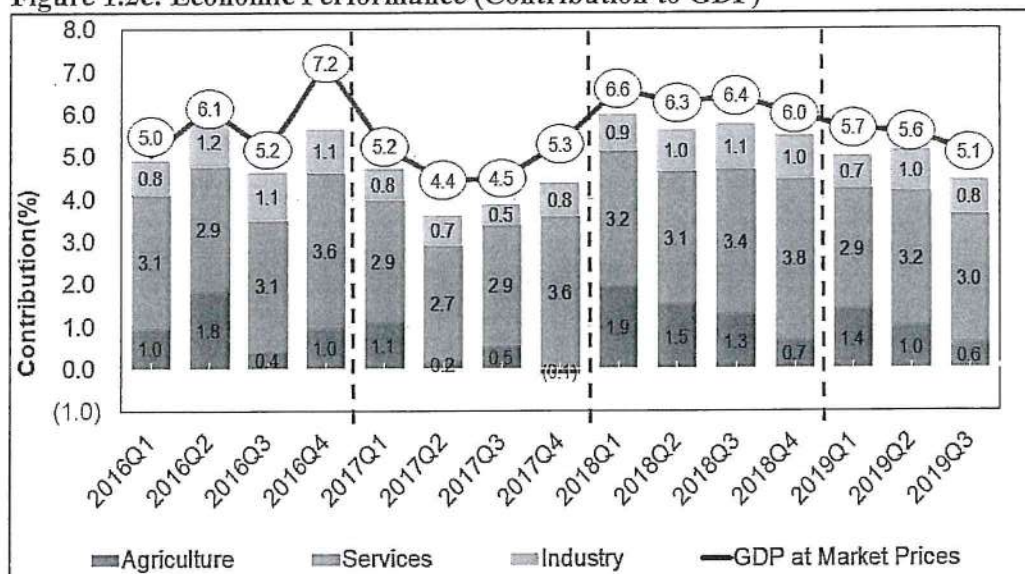
12. Agriculture sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018.

13. A resilient non-agricultural sector continues to support economic growth. The sector remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018. The contribution of the non-agricultural sector to real GDP growth was 4.0 percent in the third quarter of 2019, mainly supported by the services sector (Figure 1.2c).



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Figure 1.2c: Economic Performance (Contribution to GDP)



Source of Data: Kenya National Bureau of Statistics

14. Services sector remained the main source of growth and expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. The services sector was supported by improved growth in accommodation and restaurant (9.0 percent), transport and storage (7.1 percent) and financial and insurance (5.6 percent). Growth of activities in information and communication (8.4 percent) and real estate (4.9 percent) also remained vibrant. The services sector contributed 3.0 percentage points to real GDP growth in the third quarter of 2019 largely supported by transport and storage (0.5 percentage points), wholesale and retail trade (0.4 percentage points) and real estate (0.4 percentage points).

15. The performance of industry slowed down to 4.5 percent in the third quarter of 2019 compared to 5.8 percent in the same quarter in 2018 following subdued activities in the manufacturing, electricity and water supply and construction sub-sectors occasioned by delayed rainfall that affected agro-processing activities and electricity generation.

16. The industry sector accounted for 0.8 percentage points of growth in the third quarter of 2019, largely driven by construction and manufacturing sectors with a contribution of 0.4 and 0.3 percentage points respectively.

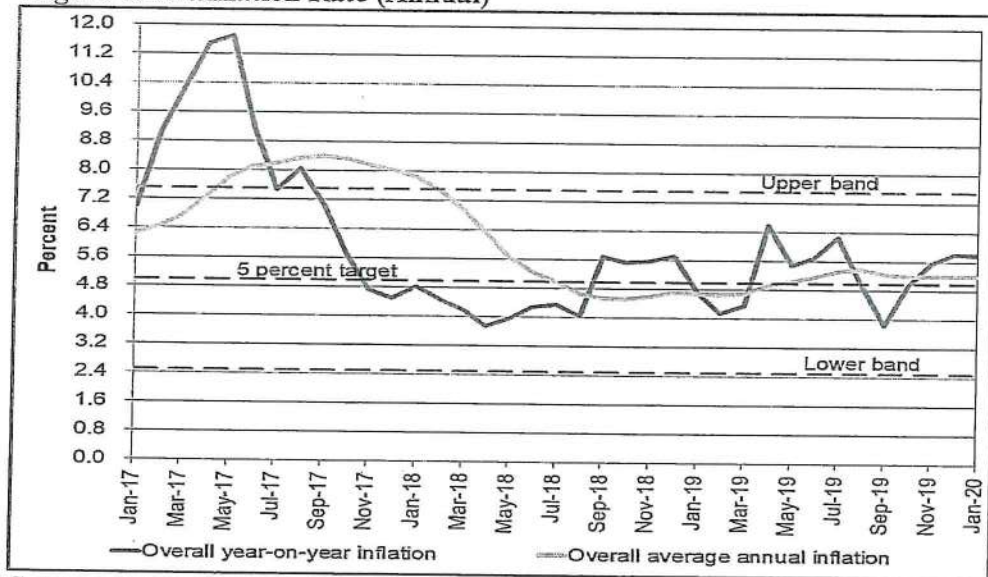
#### Inflation Rate

17. Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in January 2020 at 5.8 percent up from 4.7 percent in January 2019 due to higher food prices (Figure 1.3a).

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Figure 1.3a: Inflation Rate (Annual)

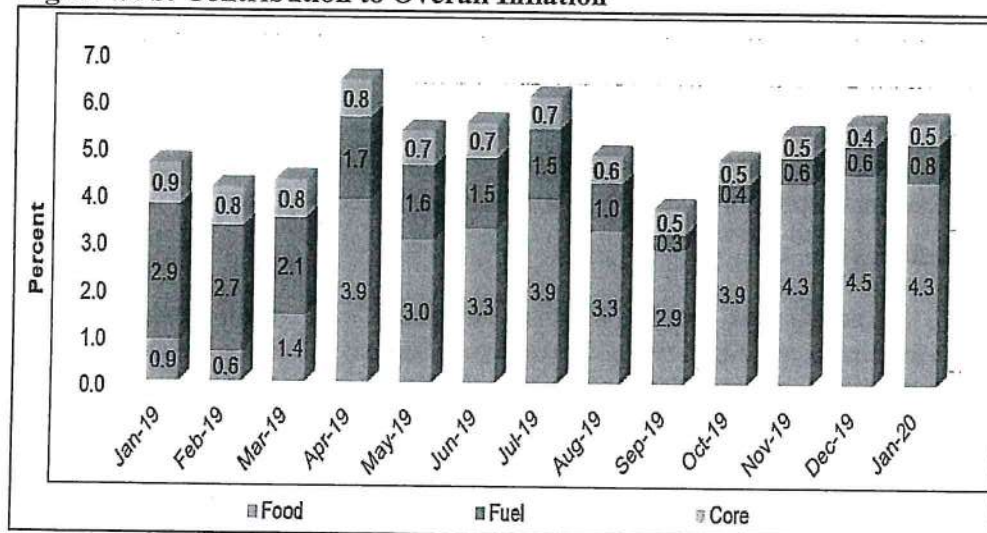


Source of Data: Kenya National Bureau of Statistics

18. The delay in the onset of rains resulted in lower agricultural activities and raised food inflation from 1.8 percent in January 2019 to 8.9 percent in January 2020 on account of rising prices of key food items such as loose maize grain, sifted maize floor, green grams and onions. The contribution of food inflation to overall inflation increased from 0.9 percent to 4.3 percent over the same period.

19. Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent, with a low and stable contribution to overall inflation, reflecting muted demand pressures in the economy on account of prudent monetary policies. The contribution of fuel to overall inflation declined from 2.9 percent in January 2019 to 0.8 percent in January 2020 on account of declining energy prices. The major driver of overall inflation beginning March 2019 has therefore been food inflation (Figure 1.3b).

Figure 1.3b: Contribution to Overall Inflation



Source of Data: Kenya National Bureau of Statistics

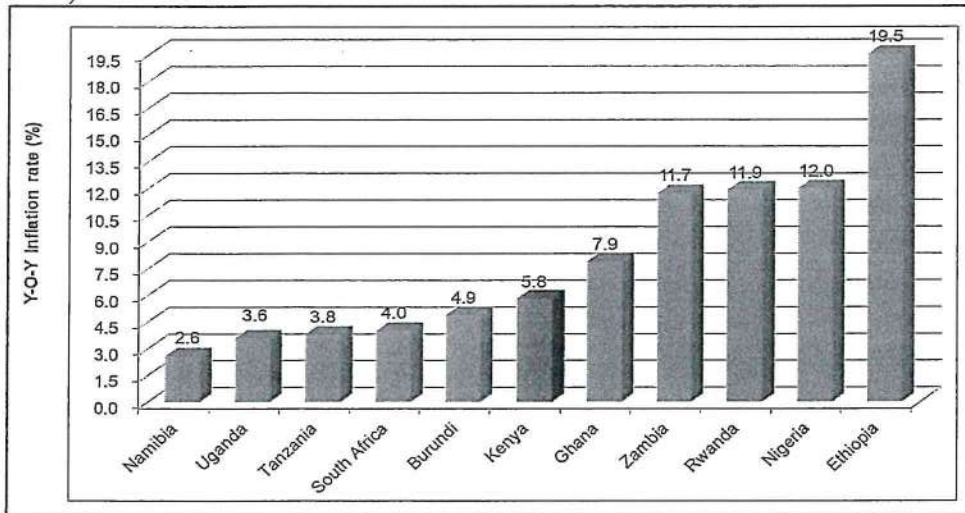
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20. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan African countries. In December 2019, Kenya recorded a lower inflation than Ghana, Zambia, Rwanda, Nigeria and Ethiopia. (Figure 1.3c).

**Figure 1.3c: Annual Inflation Rates in selected African Countries (December 2019)**

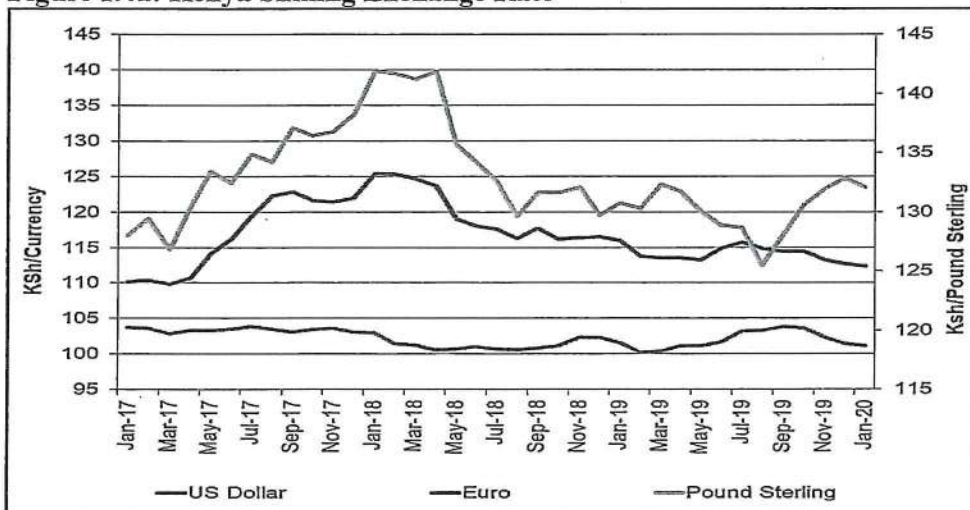


Source of Data: Various National Central Banks

#### Kenya Shilling Exchange Rate

21. The Kenya Shilling remained competitive supported by continued narrowing of the current account deficit and adequate foreign exchange reserves. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Ksh 101.1 and Ksh 112.3 in January 2020 from Ksh 101.6 and Ksh 115.9 in January 2019, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Ksh 132.1 in January 2020 compared to Ksh 130.8 in January 2019 (Chart 1.4a).

**Figure 1.4a: Kenya Shilling Exchange Rate**

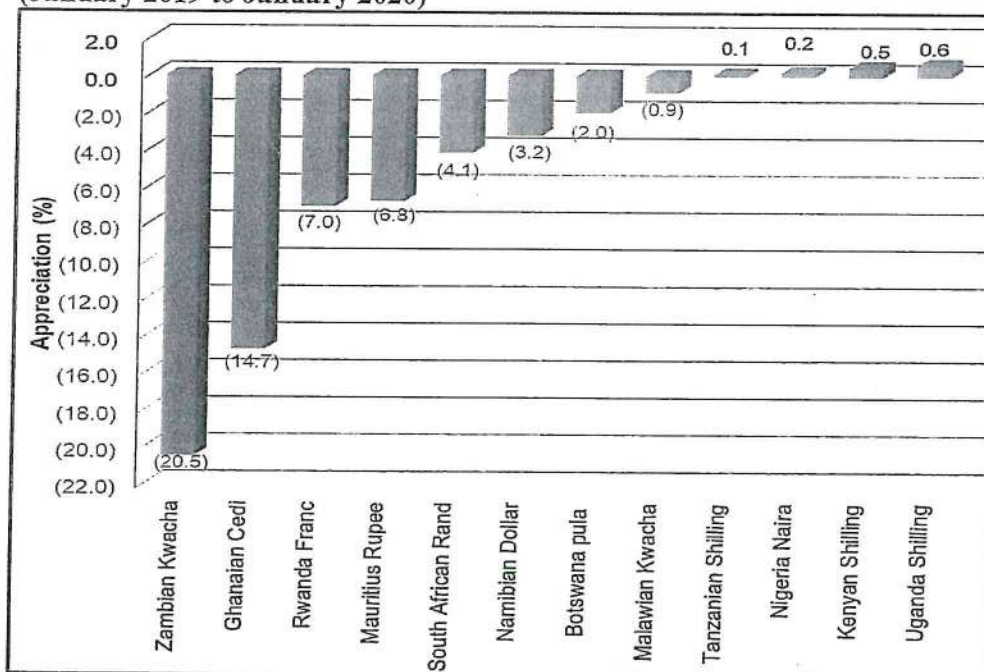


Source of Data: Central Bank of Kenya

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22. The Kenya Shilling has remained relatively stable, compared to most sub-Saharan Africa currencies (**Figure 1.4b**). In the year to January 2020, the Shilling strengthened by 0.5 percent against US Dollar, when most of currencies such as Ghanaian Cedi, Rwanda Franc, Mauritius Rupee among others were depreciating. The low volatility is attributed to resilient performance in exports particularly coffee and cut flowers, strong diaspora remittances, improved receipts from services such as tourism and lower imports of food and SGR-related equipment.

**Figure 1.4b: Performance of selected currencies against the US Dollar (January 2019 to January 2020)**



Source of Data: Various National Central Banks

### Interest Rates

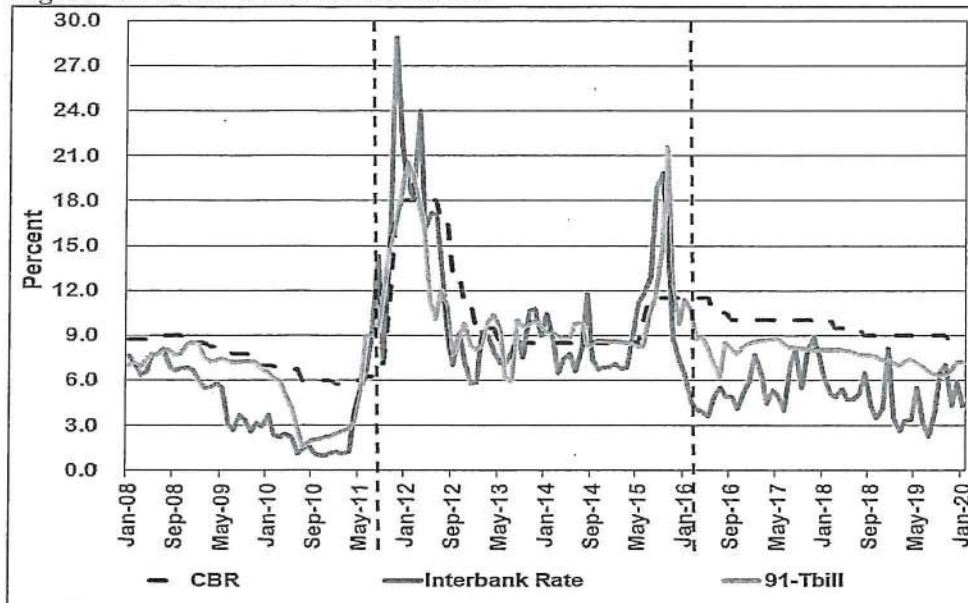
23. Interest rates remained stable and low in the period 2013 to January 2020, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflationary expectations (**Figure 1.5**). The Central Bank Rate was reduced to 8.25 percent on 27<sup>th</sup> January 2020 from 8.5 percent to support economic activity.

24. The interbank rate increased to 4.3 percent in January 2020 from 3.5 percent in January 2019 due to tight liquidity in the money market. Government securities' interest rates have been stable indicating that the implementation of government domestic borrowing program has supported market stability. The 91-day Treasury bills rate was at 7.2 percent in January 2020 same as in January 2019. Over the same period, the 182-day Treasury bills rate declined to 8.2 percent from 8.9 percent while the 364-day rate declined to 9.8 percent from 9.9 percent.



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Figure 1.5: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

### Money and Credit

25. Growth in broad money supply, M3, slowed down to 5.6 percent in the year to December 2019 compared to a growth of 10.1 percent in the year to December 2018 (Table 1.3). This was due to the decline in both net foreign assets (NFA) and net domestic assets (NDA). Despite the slowdown, growth in M3 was supported by an improvement in the growth of demand deposits despite a decline in the time and savings deposits, foreign currency deposits, and currency outside banks.

Table 1.3: Money Supply and Credit, Ksh billion

				Absolute Change		Percent Change	
	2017 December	2018 December	2019 December	2017-2018 December	2018-2019 December	2017-2018 December	2018-2019 December
<b>COMPONENTS OF M3</b>							
1. Money supply, M1 (1.1+1.2+1.3)	1,385.9	1,477.5	1,525.2	91.6	47.7	6.6	3.2
1.1 currency outside banks	225.4	230.3	198.6	4.9	31.7	2.2	(13.8)
1.2 Demand deposits	1,119.1	1,175.5	1,238.4	56.4	62.9	5.0	5.4
1.3 Other deposits at CBK	41.4	71.7	88.2	30.3	16.5	73.2	23.1
2. Money supply, M2 (1+2.1)	2,551.8	2,756.0	2,904.4	204.2	148.4	8.0	5.4
2.1 Time and savings deposits	1,165.9	1,278.4	1,379.1	112.6	100.7	9.7	7.9
Money supply, M3 (2+3.1)	3,030.6	3,337.8	3,524.0	307.2	186.2	10.1	5.6
3.1 Foreign currency deposits	478.8	581.9	619.7	103.0	37.8	21.5	6.5
<b>SOURCES OF M3</b>							
1. Net foreign assets (1.1+1.2)	516.3	714.1	804.5	197.8	90.4	38.3	12.7
1.1 Central Bank	627.1	739.5	833.3	112.4	93.8	17.9	12.7
1.2 Banking Institutions	(110.8)	(25.4)	(28.8)	85.4	3.5	(77.1)	13.6
2. Net domestic assets (2.1+2.2)	2,514.3	2,623.7	2,719.6	109.4	95.8	4.4	3.7
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,232.6	3,381.1	3,628.1	148.5	247.0	4.6	7.3
2.1.1 Government (net)	755.7	858.2	941.2	102.5	83.1	13.6	9.7
2.1.2 Other public sector	112.4	100.9	92.3	11.4	8.7	(10.2)	(8.6)
2.1.3 Private sector	2,364.5	2,422.0	2,594.6	57.5	172.6	2.4	7.1
2.2 Other assets net	(718.2)	(757.3)	(908.5)	39.1	151.2	5.4	20.0

Source of Data: Central Bank of Kenya

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26. NFA of the banking system in the year to December 2019 grew by 12.7 percent compared to a growth of 38.3 percent in the year to December 2018. The decline in NFA of the Central Bank partly reflected declined foreign currency deposits by the central Bank. On the other hand, increase in NFA of commercial banks, partly reflected increase in growth of their deposit holdings with non-resident banks alongside decreased foreign currency deposits accumulation.

27. Meanwhile, NDA declined to register a growth of 3.7 percent in the year to December 2019 from a growth of 3.9 percent over a similar period in 2018. This is largely due to a decline in net credit flows to the government. However, net credit flows to other public sector and the private sector increased during the review period.

28. Annual credit to the private sector grew by 7.1 percent in the year to December 2019, compared to a growth of 2.4 percent in the year to December 2018. In particular, credit to consumer durables, manufacturing, trade and transport & communication sectors registered strong growths of 26.0 percent, 9.2 percent, 8.9 percent and 8.1 percent respectively. This offset the substantial loan repayments recorded in the mining and construction sectors in the year to December 2019. Private sector credit growth is expected to strengthen in 2020 due to the repeal of interest rate cap.

### *Balance of Payments*

29. The overall balance of payments position improved to a deficit of US\$ 1,049.9 million (1.1 percent of GDP) in the year to November 2019 from a deficit of US\$ 1,068.7 million (1.2 percent of GDP) in the year to November 2018 (**Table 1.4 and Figure 1.6**). The improvement in the overall balance of payments was due to an improvement in the current account.

**Table 1.4: Balance of Payments (million)**

						Year to November 2019		Nov-19
	Nov-18	Mar-19	Jun-19	Sep-19	Nov-19	absolute change	Percent Change	Percent of GDP
<b>Overall Balance</b>	(1,068.7)	721.0	(544.7)	(1,061.7)	(1,049.9)	18.8	(1.8)	(1.1)
<b>Current Account</b>	(4,512.6)	(3,984.3)	(3,827.8)	(3,750.8)	(3,931.3)	581.2	(12.9)	(4.1)
<i>Merchandise Account (a-b)</i>	(10,349.2)	(10,172.3)	(10,110.5)	(9,896.2)	(9,987.9)	361.3	(3.5)	(10.4)
a) Goods: exports	6,152.7	6,075.7	5,949.3	5,866.0	5,911.8	240.9	(3.9)	6.2
b) Goods: imports	16,501.9	16,248.1	16,059.8	15,762.2	15,899.7	602.3	(3.6)	16.6
<i>Net Services (c-d)</i>	1,620.0	1,897.8	1,892.4	1,823.9	1,767.6	147.6	9.1	1.8
c) Services: credit	5,377.1	5,677.2	5,704.3	5,598.9	5,520.2	143.1	2.7	5.8
d) Services: debit	3,757.1	3,779.4	3,812.0	3,775.0	3,752.6	4.5	(0.1)	3.9
<i>Net Primary Income (e-f)</i>	(792.4)	(890.8)	(855.5)	(943.5)	(997.1)	204.7	25.8	(1.0)
e) Primary income: credit	708.2	744.1	745.6	749.6	750.7	42.5	6.0	0.8
f) Primary income: debit	1,500.6	1,634.9	1,601.2	1,693.1	1,747.8	247.2	16.5	1.8
<i>Net Secondary Income</i>	5,009.1	5,181.0	5,245.8	5,265.1	5,286.1	277.0	5.5	5.5
g) Secondary income: credit	5,058.9	5,228.5	5,288.6	5,304.7	5,325.1	266.2	5.3	5.6
h) Secondary income: debit	49.8	47.4	42.8	39.7	39.0	10.8	(21.6)	0.0
<b>Capital Account</b>	261.9	222.2	214.9	211.2	214.7	47.2	(18.0)	0.2
<b>Financial Account</b>	(6,026.4)	(4,361.2)	(6,979.0)	(7,252.5)	(6,639.9)	613.5	10.2	(6.9)

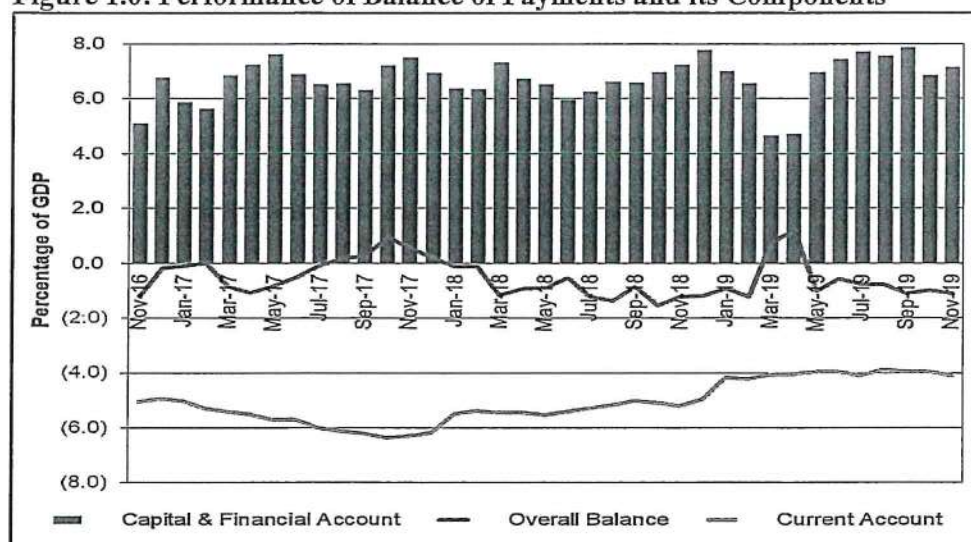
*Source of Data: Central Bank of Kenya*



30. The capital account balance declined by US\$ 47.2 million to US\$ 214.7 million in the year to November 2019, reflecting a decline in project grants. Similarly, the financial account balance deteriorated to US\$ 6,639.9 million in November 2019 compared to US\$ 6,026.4 million in November 2018. The financial inflows were mainly in the form of other investments, direct investments and portfolio investments which stood at US\$ 4,153.9 million, US\$ 1,209.1 million and US\$ 1,285.3 million, respectively in November 2019. Other investment inflows mainly included foreign financing for Government infrastructure projects.

31. The current account balance narrowed by 12.9 percent to a deficit of US\$ 3,931.3 million (4.1 percent of GDP) in the year to November 2019 compared to a deficit of US\$ 4,512.6 million (5.2 percent of GDP) in the year to November 2018. This was due to a decline in merchandise account as well as an increase in net service and primary and secondary incomes. The balance in the merchandise account narrowed by US\$ 361.3 million to US\$ 9,987.9 million in the year to November 2019 on account of increase in exports particularly coffee and cut flowers and lower imports of SGR-related equipment. Net services recorded an improvement of 9.1 percent over the same period mainly on account of higher receipts from tourism subsector. The current account deficit is estimated to have narrowed to 4.6 percent of GDP by end of 2019.

**Figure 1.6: Performance of Balance of Payments and its Components**



Source of Data: Central Bank of Kenya

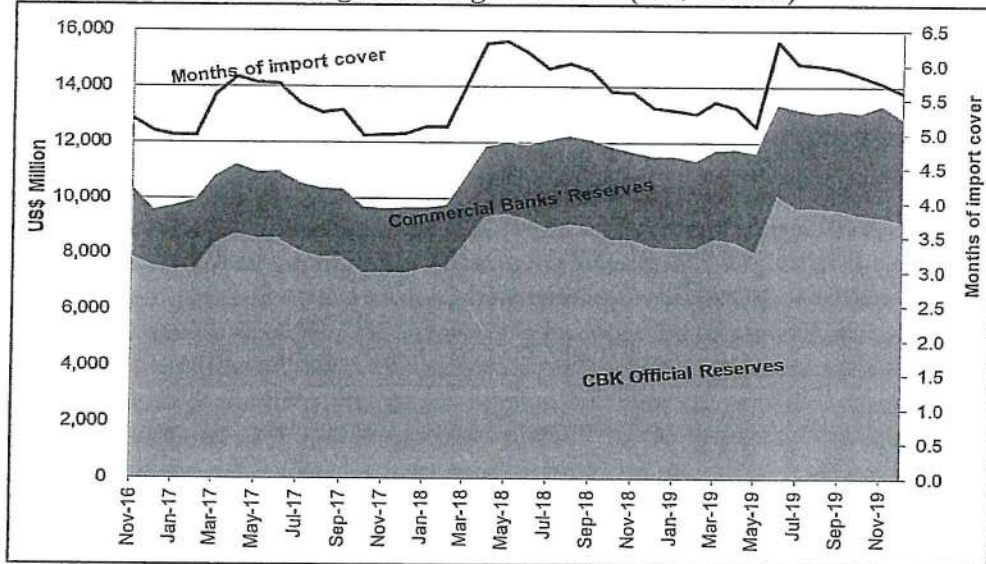
### Foreign Exchange Reserves

32. The banking system's foreign exchange holding remained strong at US\$ 12,873.5 million in November 2019 from US\$ 11,531.1 million in November 2018 (Figure 1.7). The official foreign exchange reserves held by the Central Bank improved to US\$ 9,174.5 million (5.6 months of import cover) in November 2019 compared with US\$ 8,280.7 million (5.4 months of import cover) in November 2018. This meets the CBK's statutory requirement to maintain at least 4 months of imports cover, and the EAC convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign

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exchange market. Commercial banks holdings stood at US\$ 3,698.9 million in November 2019 up from US\$ 3,250.4 million in November 2018.

Figure 1.7: Official Foreign Exchange Reserves (US\$ million)

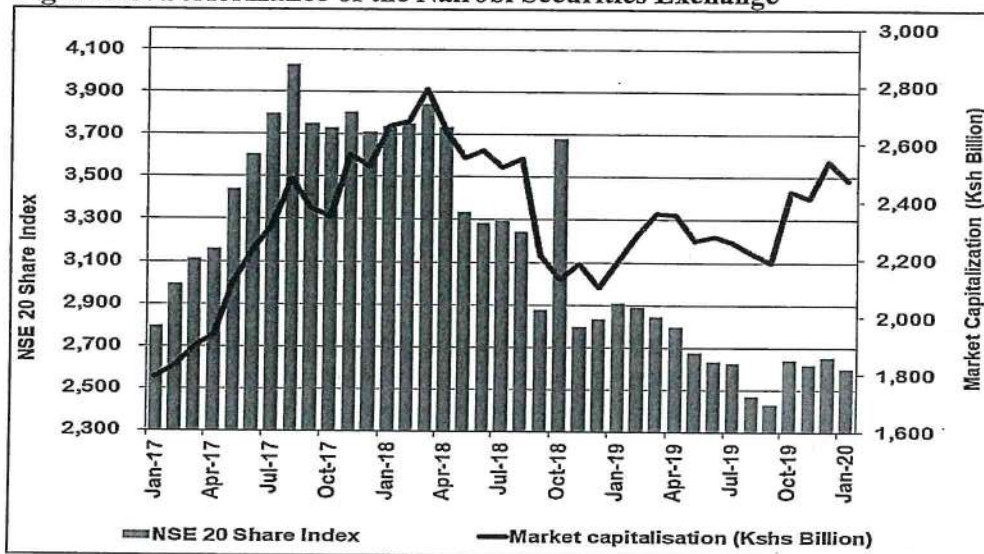


Source of Data: Central Bank of Kenya

#### Nairobi Securities Exchange

33. Activity in the capital markets slowed down in January, 2020 compared to January, 2019 with share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,600.4 points by end of January, 2020 compared to 2,907.7 points by end January, 2019. However, market capitalization improved to Ksh 2,473.9 billion from Ksh 2,192.8 billion over the same period, reflecting rising prices of some equities (Figure 1.8).

Figure 1.8: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

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### 1.3 Fiscal Performance

34. Budget execution is on course despite the underperformance in the first quarter of the FY 2019/20. The underperformance was partially attributed to delays in the approval of county allocation of revenue proposed in the revised Division of Revenue Bill, 2019. In addition, expenditure rationalization which was effected to reflect a downward revision of revenue took into account lower than projected outturn of FY 2018/19 which was the projection base for the FY 2019/20.

35. The exercise to clean-up the development project portfolio triggered by the budget rationalization on inclusion of new projects in the budget also slowed down the uptake of development expenditures in the first quarter of FY 2019/20. However, this picked up strongly in the second quarter of FY 2019/20.

36. The Government embarked on expenditure rationalization to ensure a sustainable fiscal position in the FY 2019/20 and the medium term, and reaffirm its commitment to the fiscal consolidation plan and to prudent fiscal management in general.

#### Revenue Performance

37. Revenue collection to December 2019 grew by 15.9 percent compared to a growth of 12.0 percent in December 2018. This growth was driven in part by a rebound effect of various tax heads, after the poor performance in the previous financial year. Despite the growth, cumulative ordinary revenue fell short of the target by Ksh 138.7 billion.

38. The shortfall was due to underperformance in all broad categories of ordinary revenues with income tax recording the highest shortfall on account of lower than targeted performance in both Pay as You Earn (PAYE) and other income taxes. The National Treasury will continue to monitor revenue collection in the second half of the financial year and especially when the expected yields from the full impact of the tax policy measures introduced in the Finance Act, 2019 is realized. Should the shortfall in collection persist, further expenditure rationalization will be effected in the context of Supplementary Budget II.

39. As the financial year progresses, the National Treasury will closely monitor the performance of income tax, excise taxes and taxes from international trade and transactions (Import duty) and Value Added Tax (VAT) which performed below the December 2019 cumulative targets. Income tax from corporations is expected to bounce back to target levels by the third quarter due to the strong performance recorded in the economy in the first half of the financial year. VAT on locally produced goods remained largely on target and is expected to remain on course in the second half of the year. However, import duty and VAT on imported goods and services shortfalls have been related to a decline in revenues from imports, specifically the motor vehicles and containerized cargo.

40. In nominal terms, total revenue collection including Ministerial Appropriation in Aid (A.i.A) by December 2019 amounted to Ksh 920.6 billion (equivalent to 8.9 percent of GDP) against a target of Ksh 1,059.3 billion (equivalent to 10.2 percent of GDP). The recorded shortfall of Ksh 138.7 billion

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was due to underperformance in ordinary revenue by Ksh 88.4 billion and A.i.A amounting to Ksh 50.3 billion.

#### **Expenditure Performance**

41. Total expenditure and net lending for the period ending December 2019 amounted to Ksh 1,144.9 billion which was below the projected amount by Ksh 163.1 billion. Recurrent spending amounted to Ksh 772.5 billion while development expenditures and transfer to County Governments (equitable share only) were Ksh 250.2 billion and Ksh 112.0 billion respectively.

42. Recurrent spending was below the projected target by Ksh 24.8 billion mainly on account of lower than targeted pensions payments. The shortfall in pensions & other consolidated fund services (CFS) was due to slower than targeted processing of pension payments in the recurrent category. Similarly, development expenditures were below target by Ksh 98.0 billion on account of below target absorption of foreign and domestically financed development expenditures by Ksh 42.3 billion and Ksh 52.6 billion, respectively.

43. Fiscal operations of the Government by end of December 2019 in the FY 2019/20 resulted in an overall deficit of Ksh 228.3 billion against a projected deficit of Ksh 232.2 billion. This deficit was financed through net domestic borrowing of Ksh 152.9 billion, other domestic borrowing amounting to Ksh 1.6 billion, and net foreign borrowing of Ksh 73.8 billion.

#### **1.4 Fiscal Policy**

44. Going forward into the medium term, the Government will curtail growth in public expenditures to ensure it attains its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the 2020 BPS. This will ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 7.7 percent of GDP in FY 2018/19 to around 3.0 percent of GDP by FY 2023/24. This deliberate fiscal consolidation plan also resonates well with the East African Monetary Union's (EAMU) Protocol target ceiling of 3.0 percent of GDP.

45. To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. In the FY 2019/20, the Government is implementing a raft of tax policy measures through the tax amendment law and the Finance Act, 2019 whose revenue yield is estimated at Ksh 62.1 billion. In addition, the modernized Income Tax Bill, will also ease administrative bottlenecks, improve compliance and boost revenue collection, thereby supporting the Government's fiscal consolidation efforts.

46. Further, the newly established Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency and accountability of public spending. In particular, the implementation of PIM regulations under the PFM Act, 2012 will streamline the initiation, execution and delivery of public investment projects. It will also curtail

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runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

47. In this regard, expenditures as a share of GDP are projected to decline from 26.0 percent in the FY 2018/19 to 23.6 percent in the FY 2020/21 and further to 21.8 percent in the FY 2023/24. On the other hand, revenues as a share of GDP are projected to remain at 18.4 percent in the medium term.

48. The Government continues to implement initiatives to boost revenue performance and enhance tax compliance. These revenue supporting initiatives have been implemented at considerable cost and will over the medium to long term help drive revenue performance. The initiatives include:

- i. Government systems integration to allow for 3<sup>rd</sup> party data matching and improve service delivery;
- ii. Implementation of a Consolidator framework to enhance trader traceability and accountability of all imports;
- iii. Integration of scanners which has drastically reduced cases of mis-declaration and concealment while simultaneously allowing for non-intrusive inspection;
- iv. Identification and elimination of revenue administration gaps and stopping revenue leakages, including leveraging on information technology to improve collection efficiency, through the use of third party data and ensure compliance of registered professionals;
- v. Identification and implementation of strategies to improve Value Added Tax collection including fast tracking automation, and enhanced tax payer education; and,
- vi. Fast track Tax Appeals Tribunal cases and move cases from Court to Alternative Dispute Resolutions.

49. Given the expenditure rationalization and the revenue enhancement measures put in place, fiscal deficit inclusive of grants is projected to reduce from Ksh 721.1 billion (equivalent to 7.7 percent of GDP) in the FY 2018/19 to Ksh 571.2 billion (equivalent to 4.9 percent of GDP) in the FY 2020/21 and further to Ksh 501.7 billion (equivalent to 3.0 percent of GDP) in the FY 2023/24. To finance the fiscal deficit in the FY 2020/21, domestic borrowing is projected at Ksh 222.9 billion, foreign financing at Ksh 345.1 billion and other domestic financing at Ksh 3.2 billion as reflected in **Table 1.5**. In the medium term, debt is projected to remain sustainable.



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**Table 1.5: Fiscal Framework (Ksh million)**

	FY 2018/19		FY 2019/20				FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
	Revised Budget II final	Preliminary	Budget	BROP 2019	SUPP 1	Deviation	BPS Projections			
<b>TOTAL REVENUE</b>	1,794,522	1,698,847	2,115,902	2,090,536	2,084,246	(31,656)	2,134,141	2,417,080	2,706,559	3,046,424
Ordinary Revenue	1,588,132	1,496,930	1,877,176	1,851,811	1,843,813	(33,364)	1,856,705	2,144,871	2,418,289	2,720,563
Ministerial Appropriation in Aid	206,391	201,887	238,725	238,725	240,433	1,708	277,437	272,209	288,269	325,861
<b>TOTAL EXPENDITURE AND NET LENDING</b>	2,555,132	2,433,679	2,796,027	2,835,718	2,874,171	78,144	2,748,220	2,968,238	3,214,068	3,595,013
Recurrent	1,582,974	1,531,055	1,760,330	1,744,928	1,760,001	(329)	1,780,956	1,945,284	2,067,931	2,404,113
Development	607,199	541,884	652,348	707,440	730,820	78,473	587,302	633,492	747,413	784,745
County Transfer	364,958	360,740	378,350	378,350	378,350	-	374,962	384,462	393,723	401,155
Contingency Fund	-	-	5,000	5,000	5,000	-	5,000	5,000	5,000	5,000
<b>BALANCE EXCLUSIVE OF GRANTS</b>	(760,609)	(734,862)	(680,125)	(745,181)	(789,925)	(109,800)	(614,078)	(551,157)	(507,509)	(548,589)
Grants	34,990	19,702	38,785	38,785	41,804	3,019	42,846	46,057	46,929	46,929
<b>BALANCE INCLUSIVE OF GRANTS</b>	(725,619)	(715,160)	(641,341)	(706,397)	(748,121)	(106,781)	(571,233)	(505,100)	(460,581)	(501,661)
Adjustment to cash	75,104	-	-	66,170	90,748	90,748	-	-	-	-
Balance inclusive of Grants (Cash)	(650,515)	(715,160)	(641,341)	(640,227)	(657,374)	(16,033)	(571,233)	(505,100)	(460,581)	(501,661)
Discrepancy	-	5,894	-	-	-	0	-	-	-	-
<b>TOTAL FINANCING</b>	650,515	721,053	641,341	640,227	657,374	16,033	571,233	505,100	460,581	501,661
Net Foreign Financing	444,850	414,518	331,313	331,313	353,460	22,147	345,156	319,350	297,095	101,223
Other Domestic Financing	3,925	2,878	3,213	3,213	3,213	-	3,213	3,343	3,343	3,343
Net Domestic Financing	201,739	303,658	306,814	305,700	300,700	(6,114)	222,864	182,408	160,143	397,094
Nominal GDP (Fiscal Year)	9,510,446	9,348,273	10,765,655	10,355,352	10,383,093	(382,563)	11,636,899	13,044,077	14,673,644	16,527,234

*Source: National Treasury*

## 1.5 Economic Outlook

### Global Growth Outlook

50. Owing to weaker trade and investment at the start of the year, global economic growth is expected at 3.3 percent in 2020 from a projection of 2.9 percent in 2019. The sluggish growth reflects the continued geopolitical tensions between the U.S.A and Iran, subdued investment and demand for consumer durables in emerging markets, developing economies and rising energy prices.

51. As a result of the weaker prospects in the United States as its fiscal stimulus fades and the forthcoming increase in the consumption tax rate in Japan, growth in the advanced economies is expected to ease to 1.6 percent in 2020 from 1.7 percent in 2019.

52. Growth in the emerging markets and developing economies is expected to pick up to 4.4 percent in 2020 from an estimated growth of 3.7 in 2019. Similarly, the sub-Saharan Africa region is expected to remain relatively robust growing by 3.5 percent in 2020 from 3.3 percent in 2019.

### Domestic Growth Outlook

53. On the domestic scene, despite the challenging global environment, Kenya's economy has remained strong and resilient. The economy expanded by an average of 5.4 percent in the first three quarters of 2019. The latest economic indicators in the fourth quarter of 2019 point to continued economic recovery that will culminate to an overall projected growth of about 5.6 percent in 2019. Economic growth is further projected to rise to 6.1 percent in 2020 and 7.0 percent over the medium term. In terms of fiscal years, economic growth is estimated at 6.2 percent in the FY 2020/21 up from an estimate of 5.8 percent in FY 2019/20.

54. The growth outlook for the FY 2020/21 and the medium term is supported by a stable macroeconomic environment, investments in the strategic areas under the "Big Four" Agenda and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth. The economic growth projections over the medium term are aligned to those of the MTP III (Table 1.6 and Annex Table 1).

**Table 1.6: Macroeconomic Framework**

	2017/18			2018/19			2019/20			2020/21			2021/22			2022/23			2023/24	
	Prel. Act	Rev. Budget II	Prel. Act	Printed Estimates	BROP'19	Rev. Budget I	BPS'19	BROP'19	BPS'20	BPS'19	BROP'19	BPS'20	BPS'19	BROP'19	BPS'20	BROP'19	BPS'20			
Annual percentage change																				
National Account and Prices																				
Real GDP	5.6	6.3	5.9	6.2	5.9	5.8	6.4	6.2	6.2	6.7	6.4	6.3	7.0	6.7	6.6	6.9	6.8			
GDP Deflator	6.7	4.9	3.9	6.5	4.9	5.3	6.0	5.1	5.6	6.0	5.1	5.4	5.8	5.1	5.3	5.2	5.4			
CPI Index (eop)	5.1	5.3	5.0	5.2	5.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0			
CPI Index (avg)	5.2	5.2	4.9	5.3	5.4	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0			
Terms of Trade (-deterioration)	0.8	-3.5	0.6	0.4	0.5	-1.6	-1.8	0.3	0.8	1.1	1.1	1.1	-2.2	0.0	0.3	-0.2	0.4			
Percentage of GDP																				
Investment and saving																				
Investment	18.6	21.9	19.7	24.4	24.2	21.5	23.3	24.1	21.4	25.0	25.5	22.1	27.9	28.7	22.4	31.2	22.6			
Gross National Savings	13.9	17.1	15.2	19.8	19.2	16.9	17.4	19.1	16.6	19.7	21.2	17.8	22.8	24.9	19.6	26.5	21.2			
Central Government Budget																				
Total revenue	17.9	18.9	18.2	19.7	20.2	20.1	18.5	18.5	18.3	18.8	18.3	18.5	18.8	18.4	18.4	18.3	18.4			
Total expenditure and net lending	25.2	26.9	26.0	25.9	27.4	27.7	22.8	24.1	23.6	22.5	23.2	22.8	22.2	22.7	21.9	21.9	21.8			
Overall Fiscal balance excl. grants	-7.3	-8.0	-7.9	-6.3	-7.2	-7.6	-4.3	-5.7	-5.3	-3.7	-4.9	-4.2	-3.4	-4.3	-3.5	-3.6	-3.3			
Overall Fiscal balance, incl. grants, cash basis	-7.4	-6.8	-7.7	-5.9	-6.2	-6.3	-3.9	-5.3	-4.9	-3.3	-4.5	-3.9	-3.1	-4.0	-3.1	-3.4	-3.0			
Nominal debt (eop), net of deposits	52.7	54.8	56.7	54.1	57.3	57.4	52.6	56.6	56.1	50.4	55.1	53.9	48.2	53.1	51.0	50.5	48.3			
External sector																				
Current external balance, incl. official transfers	-4.7	-4.8	-4.5	-4.6	-4.9	-4.5	-5.9	-5.0	-4.7	-5.4	-4.3	-4.3	-5.1	-3.9	-2.9	-4.7	-1.3			
Gross reserves in months of imports	6.3	7.0	6.4	7.1	6.4	6.5	7.2	6.4	6.0	7.3	6.4	6.0	7.4	6.4	6.0	6.4	6.0			



## 1.6 Risks to the Economic Outlook

55. The macroeconomic outlook is faced with risks from both external and domestic sources. Risks from global economies relate to rising global oil prices due to tensions between U.S.A and Iran, uncertainty of the trade agreement between the United Kingdom and the European Union as well as uneven and sluggish growth in advanced and emerging market economies could hamper the forecasted growth. The low commodity prices and the risk of energy prices taking an upward trend, if the rising geopolitical tensions are not subdued, could negatively impact our exports.

56. Domestically, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and the inevitable climate change and variability which has led to an increase in frequency of disasters such as landslides, droughts and destruction of physical infrastructure. In addition, the desert locust invasion witnessed in the country in late 2019 and early 2020 poses a risk to agricultural production and food security. These shocks are likely to have negative impact on energy generation and agricultural output leading to higher inflation that could slow down economic growth. The Government continually monitors these risks to inform appropriate mitigating measures to preserve macroeconomic stability and strengthen resilience in the economy.

57. To cushion the country against the downsides of these risks, the Government is deepening reforms in the financial sector to ensure a stable and strong financial system in Kenya. The Government is also safeguarding macroeconomic stability through prudent fiscal and monetary policies. In particular, the Government continues to accumulate foreign exchange reserves to deal with external shocks. In addition, the ongoing enhanced domestic resource mobilization and expenditure rationalization will significantly reduce wage related pressures and reduce debt accumulation thus creating fiscal space necessary for economic sustainability.

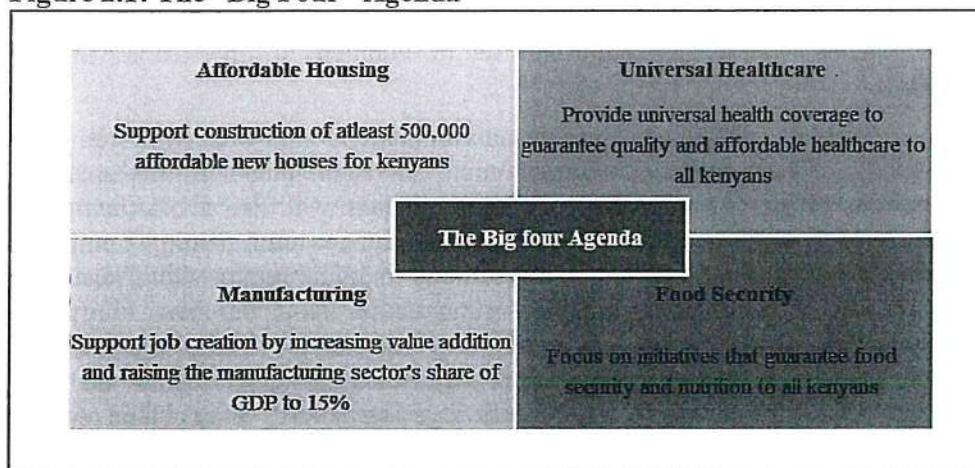
58. To protect the country from climate related risks and disasters, the Government has put in place various policies, strategies and financial risk protection instruments that help to cushion the economy against budget disturbances emanating from the need to address the unforeseen natural disaster. In particular, the Government has put in place a Disaster Risk Financing Strategy which outlines various financial protection instruments in the economy in the event of a disaster. Additionally, the Government is expanding irrigation schemes to reduce dependence on rain-fed agriculture, diversifying exports and promoting value addition in agriculture.

## II. HARNESSING THE “BIG FOUR” FOR JOB CREATION AND ECONOMIC PROSPERITY

### 2.1 Preamble

60. The 2020 BPS seeks to accelerate the implementation of the “Big Four” Agenda which has gained traction over the past two years. The Agenda is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution. Actualization of policies and programmes under each pillar is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society in which Kenyans have access to affordable and decent housing (Figure 2.1).

**Figure 2.1: The “Big Four” Agenda**



### 2.2 The “Big Four” Agenda

#### 2.2.1 Supporting Manufacturing Sector for Job Creation

61. To enhance the manufacturing sector, the Government continues to scale up reforms to encourage investment and protect local industries against dumping. In this regard, significant efforts and attention are being made towards the development of Special Economic Zones (SEZ) and Industrial Parks across the country. Already, the Government is developing the Dongo Kundu SEZ which is expected to transform the coastal region, unlock more than 60,000 direct jobs and promote the culture of “Buy Kenya, Build Kenya”. Additionally, the Government has launched the construction of the Naivasha Industrial Park which will boost job creation in the town and surrounding areas. Furthermore, 1,000 acres of land in Miwani has been identified for the Kisumu Special Economic Zone and pre-feasibility studies are on-going through technical support of the World Bank Group.



62. On agro processing, the Government is committed to revitalizing and restoring the contribution of major cash crops to the national income. The Government will thus continue to support tea farmers to diversify tea varieties and at the same time restructure the coffee value chain to stimulate productivity and value addition. In addition, to boost cotton production and provide a ready market to farmers, the Government has modernized Rivatex East African Limited thereby expanding its production capacity. In addition, the Government has approved the commercialization of BT cotton to ensure adequate raw materials for revamping textiles and apparels, animal feeds and oil industries.

63. Kenya remains a leading producer of hides and skins in Africa. To ensure that all hides and skins are processed locally, the Government introduced tax incentives in the Finance Act 2019 which are expected to promote value addition and make locally produced goods competitive in various export markets. The Government also continues to improve infrastructure at Kinanie Leather Park, Kenya Industrial Research and Development Institute (KIRDI), Leather Development Centre in Kisumu and the development of other leather industrial parks.

64. Kenya's coastal and marine environment is endowed with rich natural resources with massive economic potential. The recent launch of the Kenya Coast Guard has provided a major boost to fish production with fish stocks having more than doubled within a period of six months at the Liwatoni Fishing Complex. To further boost fish production, the Government in collaboration with Canada, is in the process of constructing fisheries infrastructure along the coast. Further, the Government in partnership with Trade Mark East Africa (TMEA) have finalized feasibility studies to develop Trade and Logistics Clusters (TLCs) for the coastal region to facilitate industrial investments targeting priority value chains of textile and apparels, agro-processing and fisheries for local and export market.

65. To boost the automotive industry, the Government is finalizing on the National Automotive Policy which targets to gradually and systematically reduce and eliminate the imports of used vehicles and used parts from domestic market by promoting assembly and production of automotive products locally. Already, the Government prioritized local motor vehicle assembly and manufacturing of spare parts which has witnessed Peugeot and Volkswagen assembly lines set up in Kenya. This is a positive beginning for the sector that is expected to rapidly expand and make Kenya the regional Motor Vehicle Assembly hub with resultant job opportunities for Kenyans, particularly for the youth. Further, to secure the steel industry which is vital in manufacturing, the Government is restructuring the Numerical Machining Complex into a state corporation with the mandate under Vision 2030 to develop an Integrated Steel Mill which will cater for the needs of the steel industry at the downstream level and reduce importation especially of grinding medial balls for the cement manufacturing industry.

66. To further enhance the development of manufacturing sector including SMEs, Kenya Industrial Training Institute is being transformed into a centre of excellence to provide high quality programmes to respond to the evolving industry skill needs by expansion of the teaching and learning facilities to enhance access to quality training. In addition, the Government is investing in research technology



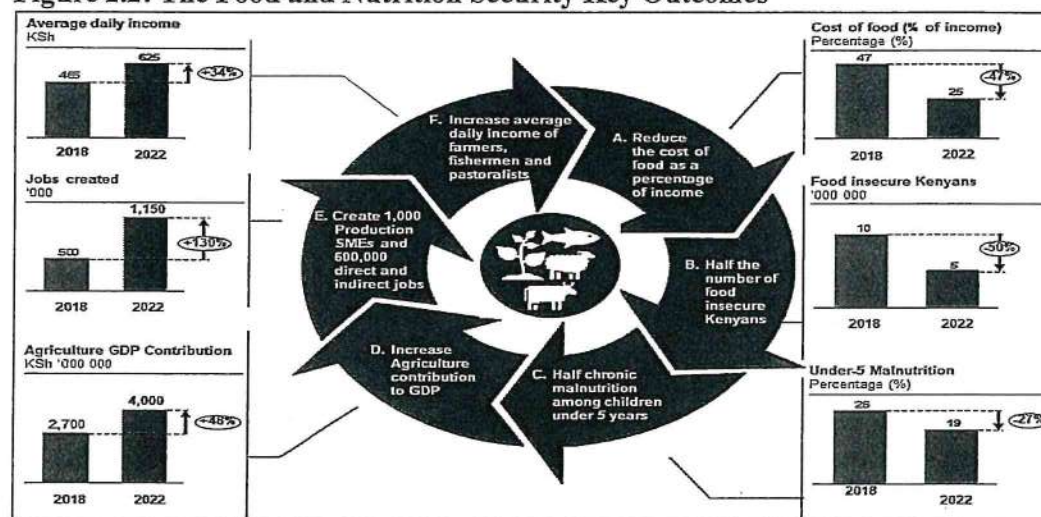
and innovation laboratories at KIRDI. The research laboratories will be able to develop and transfer to industry, globally competitive value addition technologies as well as provide incubation services to Micro, Small and Medium Enterprises (MSMEs). Furthermore, the Government is going, through the manufacture and supply of light industry machinery, equipment and tools to Constituency Industrial Development Centres for SMEs, to facilitate value addition in SME products for local and regional markets.

67. Moreover, to further support the manufacturing sector, the Government continues to improve the business environment and fight illicit trade and contrabands. These efforts have borne fruits with Kenya improving to position 56 out of 190 countries in the World Doing Business Index. The Government will not relent and is committed to seeing Kenya ranked among the top thirty economies in the coming years. Particular focus will be placed on reducing the time and processes involved in establishing businesses, issuing construction permits, acquiring electricity, ease in accessing credit, paying taxes and trading across borders. The Government will also continue investing in the energy sector, embrace ICT and sustain the war against corruption.

## 2.2.2 Food and Nutrition Security to all Kenyans

68. Under this pillar of the “Big Four” Agenda, the Government targets to ensure food and nutrition security. The overall strategy involves reducing the number of food insecure Kenyans by expanding irrigation schemes, supporting large-scale production of staples, increasing access to agricultural inputs, implementing programmes to support smallholder farmers and promoting the use of appropriate farming techniques (Figure 2.2). In a bid to eliminate child malnutrition, the Government has successfully carried out the Cost of Hunger in Africa (COHA) Kenya Study and estimated the economic and social impact of child under-nutrition in Kenya. Going forward, the Government is developing an implementation plan and mobilizing resources to facilitate the execution of policy recommendations emanating from the study findings.

**Figure 2.2: The Food and Nutrition Security Key Outcomes**





69. The Government has made great strides towards increasing the land under irrigation under the National Expanded Irrigation Programme. Notable achievements include: increasing Galana Kulalu farm acreage from 52,000 to 100,000; the launching of Lower Nzoia Irrigation Project which targets 10,000 acres and once complete will serve 12,000 households; rehabilitation of Bura Irrigation Scheme is underway which once complete will increase land under irrigation from the current 6,000 acres to 15,000 acres. The Government also developed small scale irrigation infrastructure covering 545 Ha in Samburu, Baringo, West Pokot, Isiolo and Marsabit counties. Further, the recently enacted Irrigation Act, 2019 is expected to hasten and improve coordination of irrigation activities in the country. These measures will greatly reduce the overreliance on rain-fed agriculture.

70. To boost maize production, the Government has continued to provide subsidized fertilizer to farmers every planting season. For instance, during the 2019 planting season, the Government subsidized 370,250 MT of fertilizer that benefitted 1.4 million farmers. The Government also partnered with local fertilizer blending companies to further reduce the cost of production to farmers. The Government has also put in place a Multi-Institutional Technical Team (MITT) whose work has been instrumental in the development and implementation of strategies of managing Fall Army Worm.

71. To increase rice production, the Government has embarked on expanding the Mwea Irrigation Scheme by 10,000 acres through construction of dams, and improvement of roads and other enabling infrastructure in the area. Already, the Government through the National Irrigation Board is constructing Thiba dam to improve the reliability of irrigation water and increase the area under irrigation. Additionally, once complete, the Lower Nzoia Irrigation Project is expected to contribute to increased rice production.

72. Increasing fish production is one of the strategies that the Government is employing to attain food and nutrition security. Significant progress has been achieved in this area. Fish production more than doubled within the first six months of the launch of the Kenya Coast Guard Service at the Liwatoni Fishing Complex. In addition, the Government has committed substantial financial resources towards the development of designated ports in the coast to facilitate landing by deep sea fishing vessels. Some of these fish landing sites under construction include Kichwa cha Kati and Ngomeni in Kilifi County, Gazi, Kibuyuni, and Vanga in Kwale, and two markets in Malindi and Mombasa. To further increase fish production, the Government has restocked water bodies with 8,000 fish brooders and 720, 000 fingerlings. The Government has also constructed fish quality control laboratories in Nairobi, Mombasa and Kisumu to ensure that only high quality fish gets into the market.

73. To enhance the income levels of farmers, the Government is promoting agriculture through structured trading by negotiating market access of their produce in international markets and restructuring the Kenya National Trading Corporation to better receive and manage farm produce. This will help reduce post-harvest losses and improve post-harvest handling of agricultural produce. In addition, the Government will continue to promote local produce abroad to deepen

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markets and further explore marine and aquaculture resources in view of the new global blue economy model.

74. To enhance credit accessibility among maize farmers, the Government has commenced the operationalization of the Warehouse Receipt System (WRS) Act, 2019 with the goal of issuing warehouse receipts as collaterals to the financial sector. Currently, the Government is in the process of establishing a Warehouse Receipt Council which will be charged with seamless operationalization of the WRS Act 2019.

75. To further support farmers and enhance food security, the Government will: reduce agricultural related risk by providing a 50 percent subsidy crop insurance cover to 900,000 farmers in 33 counties; and reduce pre-and post-harvest losses through provision of agricultural pesticides, capacity building and surveillance, promote and support food and crop diversification to enhance uptake of high yielding crop varieties.

### **2.2.3 Universal Health Coverage to all Kenyans**

76. The Government is committed to ensuring that every Kenyan has access to quality primary healthcare under the Universal Health Coverage (UHC) program. The roll out of UHC Pilot Programme marked a great milestone in the transformation of health services in this country. Notably, the Programme has enhanced access to essential health services, with an average of 39 percent reported in Kisumu, Nyeri, Machakos and Isiolo counties. In addition, the percentage of skilled deliveries has also increased by 65 percent in FY 2018/19 supported by other interventions including training of health care providers under the Linda Mama initiative. The lessons from the pilot phase affirm that robust primary healthcare system is the right vehicle to secure sustainable Universal Health Coverage. In this regard, the Government has invested considerable resources to prepare for the full rollout of this programme in 2020.

77. Other milestones in the health sector include operationalization of the Kenyatta University Teaching, Research, and Referral Hospital and Othaya National Teaching and Referral Hospital which is expected to enhance health service delivery to Kenyans. In addition, all 47 counties have received Beyond Zero mobile clinics with an aim to reduce new HIV infections among children and improve maternal newborn and child health. The Government has also decentralized cancer management services through establishment of ten (10) chemotherapy units in Nakuru, Mombasa, Garissa, Machakos, Nyeri, Bomet, Embu, Meru, Kakamega, and Kisumu which has improved access to chemotherapy.

78. Under the Managed Equipment Service, the Government has enhanced access to specialized services across a hundred and twenty (120) hospitals across the country. Moreover, in the FY 2018/19, the Government increased access to immunization services with a total of 1.3 million infants immunized against preventable diseases.

79. To further enhance access to quality healthcare, the Government has reduced financial barriers with more than 181,315 poor Kenyans accessing health

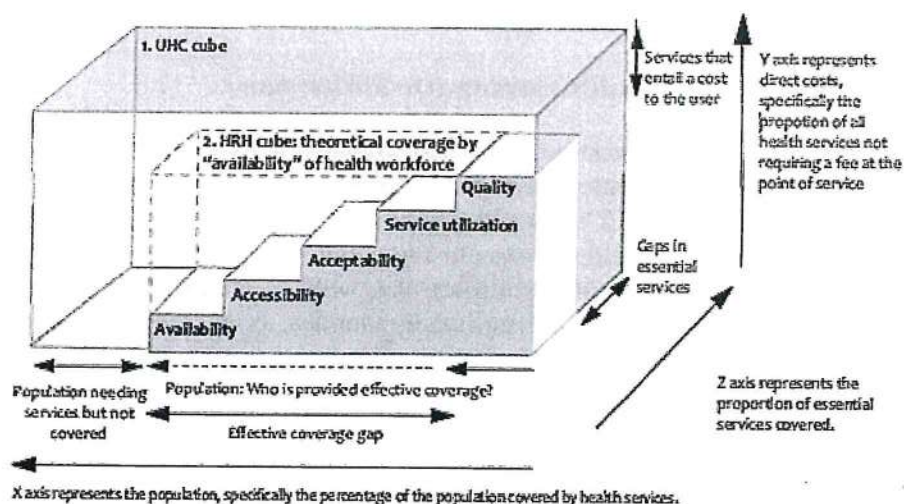
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services under Health Insurance Subsidy Programme (HISP). In addition, more than 42,000 elderly persons and persons with disability have been insured under NHIF.

80. Moving forward, the Government will focus on primary healthcare, progressively address human resources needs, provide basic equipment in primary health care facilities and ensure availability of pharmaceutical and non-pharmaceutical commodities in all health facilities. In a bid to achieve this, the Government will accord preference to locally manufactured medicine as incentives to local pharmaceutical manufacturers to produce essential medicines at affordable rates, to minimize overreliance on imported products. The Government will also forge multi-sectoral collaboration to make UHC a success in the rest of the 43 counties upon full roll out slated for 2020 (Figure 2.3).

**Figure 2.3: Achieving 100 percent Universal Health Coverage**



81. To further enhance access to UHC, the Government will continue to work towards building a strong referral system which will reduce overcrowding, waiting times and build patient confidence with the goal of changing treatment seeking behavior. The Government will also increase uptake of NHIF by availing resources to provide comprehensive medical cover to students in public secondary schools, elderly and vulnerable persons in all the NHIF-accredited mission and private hospitals. Further, under the Social Health Protection Programme, the Government will increase health insurance coverage for the poor and increase utilization of health facilities for deliveries and basic health services.

## 2.2. Affordable and Decent Housing for All Kenyans

82. Access to adequate and affordable housing remains a key concern in Kenya. The 2019 population and housing census estimates that 10 million Kenyans dwell in slums while over 90 percent of Kenyans living in urban areas live in rented houses, 65 percent of whom live in informal settlements. Access to housing finance is also a major problem for majority of Kenyans which is evidenced by the fact that

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there are only 25,000 mortgages in the country. The Affordable Housing Program is therefore designed to address these challenges.

83. To realize the goal of constructing 500,000 affordable housing units by 2022, forging partnerships with the private sector and development partners is paramount. The recently launched Habitat Height, a project of the United Nations Office for Project Services (UNOPS), is an example of such strategic partnerships. Once complete, the project will avail 8,888 low cost units to Kenyans. The Government has already signed a Memorandum of Understanding (MoU) with UNOPS for the development of a further 200,000 units of which the Habitat Heights is a first of these units. The Government has also identified land to develop 100,000 units and ensure provision of all the amenities of a modern metropolis as provided in the Urban Areas and Cities Act.

84. High cost of land is a major impediment to the development of affordable houses in Kenya. Land and horizontal infrastructure accounts for about 60 percent of the cost of housing development. In this regard, the National and County Governments will avail appropriate land for affordable housing projects at no cost. In addition, County Governments through the Kenya Urban Support Programme have committed to prioritize funding and development of infrastructure that will support the creation of sustainable affordable settlements.

85. To enhance affordability, the Government through the Finance Act, 2019 provided VAT exemptions for all inputs into the affordable housing development schemes. For the first time, home owners will be exempt from stamp duty under the Affordable Housing Scheme and doubling of the Home Ownership Saving Plan. Further, National Environmental Management Authority (NEMA) and National Construction Authority have waived charges on constructions to reduce the cost of construction for ordinary Kenyans.

86. The Government also operationalized the National Housing Development Fund and the Kenya Mortgage Refinancing Company (KMRC) whose goal is provision of accessible and affordable financing. Notably, the Boma Yangu website which connects individuals to the Housing Fund has already attracted the interest of over 270,000 Kenyans. The Government will amend the Housing Fund law to make contributions to the Housing Fund voluntary. The platform will provide real life evidence of demand aggregation to strategic partners of Affordable Housing Programme and at the same time allow individuals to see progress towards realization of the dream of home ownership.

87. Further, under social housing, the Government is in the process of selecting suitable investors to implement the decent homes project for Nairobi's Kibera Zone B residents. Resettlement of Kibera Zone B residents is underway to pave way for implementation of the development. The project will provide decent homes to about 4,400 households who have already been enumerated.



## 2.3 Enablers for the “Big Four” Agenda

88. Investment in the enablers of the “Big Four” Agenda play a major role in ensuring its success. This resonates well with the country’s Economic Transformation Plan and the need to improve the welfare of Kenyans. To achieve this, the Government has prioritized spending in the following strategic areas and has realized notable progress.

### 2.3.1 Conducive Business Environment

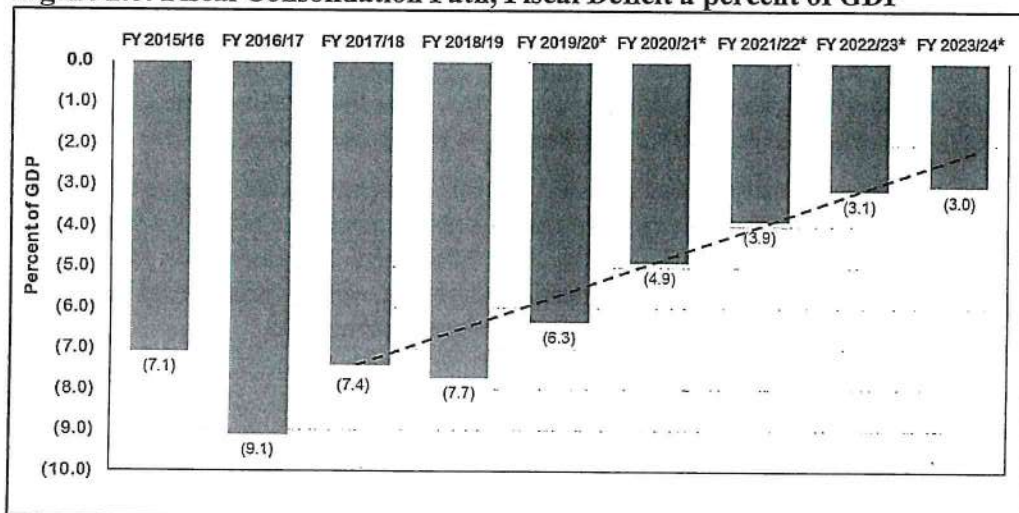
89. The Government remains dedicated to creating and sustaining a more conducive business environment through achieving a stable macroeconomic environment, supporting business regulatory reforms, and enhancing security to attract investors, and promote trade leading to job creation.

#### 2.3.1.1 Stable Macroeconomic Environment

90. The Government strives to maintain macroeconomic stability by pursuing prudent fiscal and monetary policies that support strong economic growth, growth of businesses, job creation and attainment of the “Big Four” Agenda. In particular, the Government has continued to keep inflation rate within the target range of 5.0  $\pm$  2.5 percent to boost economic activity. In addition, the Government continues to foster a stable and competitive exchange rate to support exports and adequate foreign exchange reserves as a buffer from external shocks.

91. To complement the monetary policy, the Government continues to sustain fiscal consolidation efforts which is anchored on revenue mobilization and expenditure rationalization. These measures are expected to gradually reduce fiscal deficit from 7.7 percent in FY 2018/19 to 6.3 percent in FY 2019/20 and down to 3.0 percent of GDP in FY 2023/24 (**Figure 2.6**). Further, nominal public debt on a net basis (as a percentage of GDP) is projected to decline from the estimated 56.7 percent of GDP in FY 2018/19 to 48.3 percent of GDP in the FY 2023/24.

**Figure 2.6: Fiscal Consolidation Path, Fiscal Deficit a percent of GDP**



Source: National Treasury

### 2.3.1.2 Deficit Financing Policy

92. The main sources of funding for the Government are external creditors (multilateral, bilateral and commercial lenders) and domestic market through issuance of debt securities (T-Bills and T-Bonds). The Government continues to diversify these resources by maintaining its presence in the international and domestic capital markets. In this regard, official external sources for loans on concessional terms have been maximized while non-concessional and commercial external borrowing have been limited to development projects with high financial and economic returns and are in line with the Vision 2030 and the “Big Four” Agenda.

93. However, the increasing fiscal constraints in concessional financial sources as well as Kenya’s graduation to lower middle-income economy has led to a slowdown in access to concessional funding. Since 2014, the cost of deficits financing and refinancing maturing debt has therefore continued to increase year on year.

94. In order to reduce vulnerabilities to risks of public debt, the National Treasury has formulated Public Debt and Borrowing Policy to act as a guideline for borrowing and debt management by the National Government. The policy will improve the quality of decisions and articulation of policy goals, offer clearer guidelines for the structure of debt issuance and act as a demonstration of commitment to long-term capital and financial planning. In addition, the Government will continue to support the development of the domestic debt market by implementing various financial reforms in the domestic debt market aimed at deepening it and improving efficiency to reduce debt yields and make credit affordable to all sectors.

95. Further, accumulation of commercial borrowing, especially issuance of sovereign debt securities in the international markets will be curtailed to minimize the risks of external debt on the fiscal space. Increasingly, debt and debt service obligations will be evaluated from an economic security perspective to inform public expenditure policy and in line with the Medium Term Debt Management Strategy. Additionally, the Government is working on re-profiling its debt portfolio by replacing expensive commercial debt with cheaper funds from alternative sources. Moreover, the fiscal consolidation that the Government is pursuing will progressively reduce the debt service over the medium term. The reduction in fiscal deficits will be reinforced by better selection of public investment projects underpinned by prudent pricings and costs containment.

### 2.3.1.3 Business Regulatory Reforms

96. The Government remains committed to making Kenya secure and an attractive destination for investments that are critical for a strong and sustained high growth, poverty reduction and the attainment of the “Big Four” Agenda. Towards this end, the Government continues to implement business regulatory reforms aimed at removing red-tape thereby reducing the cost of doing business while enhancing service delivery to the public. These efforts have paid off, with the country’s ease of doing business ranking improving to position 56 in 2019 from



position 61 in 2018 and position 80 in 2017. In addition, for four consecutive years (2016-2019), Kenya emerged the third best in sub-Saharan Africa. The Government's target is to further improve the country's ranking to top 30 globally and attain the top 25 status in the next decade.

97. To attain this target, the Government will continue to implement various initiatives aimed at reducing the cost of doing business by accelerating infrastructure investment and reducing regulatory burdens. The business regulatory reforms will in particular focus on Micro, Small and Medium-Sized Enterprises (MSMEs) which are instrumental in shaping Kenya's economy. Some of the reforms will include reducing the number of trade facilitation agencies involved in the clearance of goods at the ports, enhancing customer relations and provision of credit to MSMEs.

#### **2.3.1.4 Improving National Security**

98. A safe and secure environment is a necessary precondition for achieving the "Big Four" Agenda. To realize this, the Government continues to implement reforms targeted at improving the operational capacities of our security forces to protect Kenyans against external and internal threats. In particular, the Government has increased funding to all security agencies to improve their operations.

99. Going forward, the Government will continue to invest in the modernization and reforms in the National Police Service and National Government Administration (NGA), mobility enhancement (lease of motor vehicles) for both police and NGA officers, and motorcycles for chiefs and assistant chiefs as well as operationalization of the newly gazetted administrative units in order to bring services closer to the people.

100. The recent implementation of the digital occurrence book (OB) by the National Police Service is expected to improve the efficiency of service delivery to Kenyans. Further the Government will continue to invest in the e-passport programme, 3<sup>rd</sup> generation ID cards and digitization of birth certificates to facilitate the implementation of Universal Health Care (UHC) programme.

#### **2.3.2 Infrastructure Development**

101. Infrastructure development contributes enormously towards improving our competitiveness and interconnectivity and laying ground for achieving the "Big Four" Agenda. For this reason, the Government has continued to scale-up on a network of high-quality roads, railways, sea and airports, to enable Kenyans enjoy the benefits of expanded infrastructure assets.

##### **2.3.2.1 Expansion of the Road Network**

102. The Government has scaled up investment in the road network by building more highways, urban roads and also extending rural roads to previously unreachable rural localities. This has opened up rural areas to economic activities, trade and commerce. Due to the heavy Government investments, almost every corner of the country now has at least a kilometer of top-grade roads, with others actively under construction.

103. Notably, from the FY 2016/17, the Government has constructed 3,939 kilometers of new roads, rehabilitated over 445 kilometers and maintained 103,860 kilometers of roads around the country. Building on these gains, the Government has committed to construct 5,424 kilometers of new roads, rehabilitate 836 kilometers and maintain another 103,062 kilometers of roads. Key among the plans for greater expansion is the East Africa's first overpass from Jomo Kenyatta International Airport (JKIA) to Westlands in Nairobi, which is presently under construction.

104. Additionally, the Government is focused on developing urban roads to decongest cities and major towns. Under the Nairobi Regeneration Programme, the Government has repaired more than 80 kilometers of roads in the city during the first phase and will see all roads upgraded to the required standards at a cost of US \$15m under the second phase.

### **2.3.2.2 Rail, Marine and Air Transport**

#### ***Standard Gauge Railway Line***

105. The completion of phase I of the Standard Gauge Railway (SGR) from Mombasa to Nairobi improved the movement of passengers and cargo across the two cities. By September 2019, Madaraka Express had ferried about 3.6 million passengers and 6.2 million cargo tonnage. With the completion and the launch of Phase 2A, SGR has created a link between Nairobi and some towns in the Rift Valley region such as Naivasha, Mai Mahiu, Ongata Rongai, Ngong and Suswa.

106. Building on these gains, the Government has embarked on financing negotiations and detailed designs for the construction of Phase 2B (Naivasha to Kisumu). The completion of Phase 2B will connect Kisumu city with the newly established Naivasha Inland Container Depot to ease cargo freight through to Mombasa. This will in turn boost the export of fish and agricultural commodities in the Western and Nyanza regions.

#### ***Sea Ports***

107. The Government's continued massive investments have seen various ports and harbours expanded. Notably, following the Government's huge investments in the Kilindini port, the volume of cleared cargo passing through the port annually has more than doubled. This has further led to the creation of more than 8,000 jobs and a significant number of indirect beneficiaries. In addition, the Lamu Port is expected to begin initial operations as a trans-shipment hub for global shipping lines and create many job opportunities for Kenyans. Supported by a special economic zone, the Lamu Port will attract investors from all parts of the world to undertake various economic activities. To make it more robust, the Government plans to link the Lamu Port to the LAPSET Corridor through road, rail and oil pipeline infrastructure. This will see the port play a crucial role in the export of Kenya's crude oil. The Government is also reviving the Kenya National Shipping Lines in a bid to cement the country's position as both a regional and continental logistics hub.



108. The rehabilitation of the Kisumu Port will further harness opportunities for inter-country transport and trade among the East African Countries around the Lake Victoria. The rehabilitation of the Kisumu Port will make Kisumu a regional economic hub and Lake Victoria, a crucial transport corridor in the shipment of general cargo into and out of the East African region.

#### *Airports*

109. The recent award of an International Civil Aviation Organization (ICAO) President's award to Kenya, reflects the country's commitment to resolving aviation security and oversight deficiencies. In addition, Kenya received a commendable score of 78.2 percent in the recent ICAO safety audit. All these is a result of the Government's efforts geared towards making Kenya a strategic transport hub in support of the 'Big Four' Agenda.

110. To further boost air transport, the Government will continue to expand and modernize aviation facilities across the country which will maintain our competitive edge in the region. Already, plans are underway to develop a second runway at Jomo Kenyatta International Airport (JKIA) in line with the development objectives envisaged in the Kenya Vision 2030. Expansion of JKIA is geared towards enhancing economic efficiency, regional integration, and facilitating international trade all of which are key in supporting the manufacturing pillar of the "Big Four" Agenda.

#### **2.3.2.3 Adequate, Affordable and Reliable Energy Supply**

111. Access to stable, reliable and affordable energy supply is directly linked to all aspects of socio-economic growth, hence critical for uplifting the welfare of Kenyans. Therefore, the Government remains committed to ensure efficient production, transmission and distribution of affordable, clean and reliable energy to Kenyans.

112. In this regard, the Government through the Last Mile Project has connected millions of Kenyan households to affordable and reliable electricity. The Project has also seen electrification of industrial parks, Economic Processing Zones, food processing Plants and Government Housing Schemes to boost the availability of electricity and to meet the growing demand for energy in Kenya. This has boosted businesses, reduced disparities between rural and urban areas which have spurred economic development in Kenyan rural areas. Building on this progress, the Government is in the process of implementing the Fourth Phase of the Last Mile Project which seeks to connect 280,475 more Kenyans in 32 Counties to the national grid. To further boost the availability of electricity and to meet the growing demand for energy, the Government will invest in the construction of additional electricity substations, transmission lines, erection of street lighting points, and distribution of transformers to all counties.

113. To enhance energy generation, the Government is supporting exploration and distribution of oil and gas in the country as well as exploration of alternative energy sources such as solar, wind, geothermal and small community hydro-power generation. The Government also intends to generate additional 87.7MW geothermal energy and implement solar power projects in off grid areas.

#### **2.3.2.4 Promoting the use of Information, Communication and Technology (ICT)**

114. Information, Communication and Technology (ICT) forms the backbone of today's digital economy and has a strong potential to accelerate economic growth and improve the lives of Kenyans in fundamental ways. Indeed, the attainment of the "Big Four" Agenda and prosperity is to a larger extent hinged on Kenya's ability to take full advantage of both the rapid technological change and the domestic potential to innovate in ICT.

115. To take advantage of the digital dividend and cement Kenya's leading position in the technology space, the Government continues to invest in ICT to boost literacy and digital skills, invest in digital infrastructure and improve access to affordable broadband connectivity. To this end, the Government is implementing the Digital Literacy Programme, expanding the Second Phase of the National Optic Fibre Backbone as well as installing an Internet Based 4000 Network. Other investments include the ongoing construction of the Konza Technopolis Complex and the Konza Data Centre and Smart City Facilities Project.

116. To make Kenya an industrialized information society and a globally competitive knowledge-based economy, the Government passed the National ICT Policy in November 2019. This will facilitate the creation of jobs that provide financial security and independence to allow greater innovation and future thinking for the attainment of the "Big Four" Agenda and Vision 2030 development goals. Further, the Digital Economy Blueprint developed by the Ministry of ICT seeks to make Kenya a digitally empowered citizenry, living in a digitally enabled society.

117. To improve the fight against cybercrimes and fraud which result to data corruption or loss, the Government enacted the Data Protection Act, 2019 which together with the Computer Misuse and Cybercrimes Act, 2018 will regulate the collection of and processing of data in Kenya to enhance data security.

118. To further maximize on the benefits accruing from the country's position in the technology space, the Government is committed to establishing constituency innovation hubs (CIHs) across the 290 constituencies to provide free Wi-Fi and internet access, digital devices and work spaces for use by members of the public. Among others, the CIHs are expected to offer job openings through online work platforms mostly the youth, equalize the youth from deprived rural backgrounds with their urban counterparts with regards to access to digital job opportunities and promote youth empowerment, innovation and creativity.

#### **2.3.3 Sectoral Transformation for Broad Based Sustainable Economic Growth**

##### **2.3.3.1 Environmental Conservation and Water Supply**

119. The Government remains committed to ensuring access to water and sanitation for all. Kenya being a water scarce country it is imperative that deliberate efforts are made towards the development and expansion of the sector. Water management is critical for the realization of the "Big Four" Agenda and the Vision 2030 development goals.



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120. In its efforts to ensure every Kenyan has access to clean, secure, and adequate water, the Government launched the Water Services Regulatory Board (WASREB) Guidelines aimed at streamlining the sector. Other guidelines already in place include; Provision of Water Services in Rural and Underserved Areas in Kenya; Water Safety Planning; Water Vending; and Corporate Governance as developed by WASREB. In addition, Ukunda town is set to benefit from Ksh 400 million Decentralized Treatment Facility (DTF) which will serve residents in the area. The Government has also established the National Water Harvesting Authority (NWAHA) which plays an important role in ensuring sustainable management of water and drought. To date, a total of 1,016 small dams and water pans have been constructed and 1,133 boreholes equipped.

121. The Government has also embraced the concept of green economy by fostering innovation in the financial sector. This has resulted in the development of a domestic green bond markets in collaboration with various players in the private sector. The funds raised through the green bonds will be very instrumental in protecting Kenya from adverse impact of extreme weather on agriculture. Kenya's first corporate green bond issue raised Ksh 4.3 billion for construction of environmentally-friendly student accommodation. With tax incentives in place, more green bonds are expected to be issued in Kenyan market.

122. Moving into the future, the Government will pay significant attention to the development of policies and programmes touching on conservation and management of forests, wildlife resources, conservation of catchment areas, management of water resources, and climate change. Plans are underway to issue the first sovereign Green Bond to finance public projects that are green (climate friendly).

123. Moreover, in recognition of the critical role played by environmental conservation in achieving the sustainable development through poverty eradication, the Government has rolled out plans to domesticate and implement Multilateral Environmental Agreements and programmes, restore all degraded landscapes, rivers & wetlands, implement the Climate Change Action Plan and coordinate implementation of both the National and County Environment Action Plans.

#### **2.3.3.2 Stimulating Tourism Recovery, Sports, Culture, and Arts**

124. Tourism, Sports, Culture, and Arts sub-sectors contribute immensely to economic development through boosting job creation and generating foreign exchange. With this realization, concerted efforts have been geared towards sport development, promoting Kenya as a preferred tourism destination, development of the film industry, preservation of various cultures, nurturing of talents and arts, and preservation of our national heritage.

125. Great strides have been made to support these sub-sectors. The Government has almost completed the rehabilitation of the Nyayo Stadium where sportsmen and women are already enjoying state-of-the-art facilities at Kasarani Stadium. Through the Kenya Academy of Sports, the Government has established numerous satellite academies throughout the country whose aim is to develop talents at the grass root level.

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126. The tourism sector is one of the main foreign exchange earner in Kenya and creates many jobs each year especially in the restaurants and accommodation subsector. The Government will therefore continue providing an enabling environment for the sector to thrive in addition to marketing Kenya as preferred tourism destination.

127. The Government has over the years through the Kenya Cultural Centre supported development and performance of music, drama, and dance; exhibition of works of art and crafts; and fostered discussions of matters of literary, historical, scientific, and education importance. In furtherance of similar objectives, plans are underway to establish an international arts and cultural center aimed at developing and nurturing talents among the youth. This is geared towards making arts and culture a source of livelihood.

#### **2.3.3.3 Sustainable Management of Land for Social-Economic Development**

128. Land is a vital resource in the attainment of the “Big Four” Agenda and the Vision 2030. Construction of affordable houses for instance is heavily dependent on availability of affordable land. It is for this reason that the Government has formulated policies and programs to guide land use, access to land title, security of tenure, and development of a transparent and secure land registration system. In this regard, the Government launched the online Kenya Land Registry through which every Kenyan and investor can seamlessly search for land online.

129. In support of food and nutrition security, the Government is in the process of developing policy guidelines on leasing of idle arable land owned by public institutions. The Government will also facilitate transfer and registration of property by securitizing and reforming land registration process for quick and transparent registration of properties and is in the process of reviewing Sectional Properties Act and developing of relevant regulations to facilitate registration of properties owned on apartments.

130. The National Government will also continue extending its support to County Governments to strengthen their capacity to plan for urbanization and effective public land use planning for economic development. Further, National Spatial Plan (NSP) and National Land Use Policy (NLUP) already in place are critical policy frameworks for guiding county governments in formulation of responsive County spatial plans and Integrated Urban Development Plans.

#### **2.3.4 Enhancing Service Delivery through Devolution**

131. The National Government has remained committed to ensuring the success of devolution. Since 2013, the National Government has supported service delivery at the County Governments through sufficient funding as required by law and provision of technical capacity to improve on governance and ensure effective service delivery. Fiscal transfers to Counties have been significantly enhanced. In total, for the period FY 2013/14 to FY 2018/19, County Governments received Ksh. 1.7 trillion cumulatively, 92.52 percent of which is equitable share, 3.56 percent being conditional grants that are part of national government share of revenue, 3.62 percent being allocations from Roads Maintenance Levy Fund



(RMLF) and external loans and grants. In addition, Ksh 25.3 billion have been disbursed to County Governments as part of RMLF to assist in maintaining County Governments' roads.

132. Through conditional grants, the National Government has made a number of efforts to enhance service delivery at the County level. Most of these programmes are Pf4R (Programme for Results) which are aimed at incentivizing the County Governments to achieve certain agreed results. Among these include a World Bank Credit of Kshs 4.3 billion aimed at improving delivery, utilization and quality of primary health care services with focus on reproductive, maternal, newborn, child and adolescent health at the county level. Others include Kenya Urban Support Program (KUSP), which aims to support counties in financing infrastructure investments in urban areas; Kenya Devolution Support Program (KDSP) which aims strengthening the capacity of national and county institutions to improve delivery of devolved services; Water and Sanitation Development Project (WSDP), which aims at improving water supply and sanitation services in six selected counties, and Agricultural Sector Development Support Programme (ASDSP) which aims at assisting in transformation of crop, livestock and fishery production into commercially oriented enterprises that ensure sustainable food and nutrition security, among others.

133. Low own-source revenue (OSR) collection by County Governments undermines devolution and compromises service delivery. To unlock County Governments' huge own-source revenue (OSR) potential, the National Treasury and other stakeholders including the Council of Governors are implementing a policy framework that aims at supporting the enhancement of County Governments' OSR. The policy proposes a number of measures including legal and administrative reforms, automation of revenue collection and enforcement mechanisms among others. Increased OSR will not only enhance service delivery at the county level, but will also minimize the heavy reliance of County Governments on the exchequer.

134. To ensure success of the "Big Four" Agenda launched in FY 2017/18 and consequently prioritized in the Third Medium Term Plan, the National Government is partnering with the County Governments to ensure speedy and efficient implementation of the plan in FY 2020/21. In December 2018, the Government launched Universal Health Care (UHC) which seeks to ensure quality affordable health care to all Kenyan citizens. Four counties were selected to pilot the project namely Kisumu, Nyeri, Isiolo and Machakos. With respect to affordable housing, the National Government has signed Memoranda of Understanding (MOU) with a number of Counties for development of at least 2,000 housing units in each county. Engagements with the rest of the counties are ongoing to bring all the counties on board.

135. Improvements in delivery of devolved services will be sustained only if County Governments adhere to existing fiscal rules. During the FY 2020/21, the National Treasury will maintain its focus on enforcing compliance with the Fiscal Responsibility Principles with focus on payment of pending bills, ensuring the County Governments reduce the wage bill to sustainable levels as specified in the

PFM Act, as well as ensuring prudent management of fiscal risks that may occur due to mismanagement of public funds.

### **2.3.5 Investing in Kenyans for a Shared Prosperity**

136. Investment in human capital is central to development and delivering substantial economic benefits. For this reason, the Government strategically invests in human capital to support the achievement of the “Big Four” Agenda and to meet the requirements of the Fourth Industrial Revolution. The Government has been investing in all social sectors leading to improvements in the country’s human capital index.

137. The Government has also prioritized human capital development by revamping the education system to factor in inclusivity and equity to match the future needs of the global labour market. Principally, the Government is investing in quality and relevant education including revamping the technical, vocational training (TVET) sector which together with creating a strong manufacturing base will create a roadmap to achieving the “Big Four” and leading to the country’s prosperity. The Government is also scaling up social safety nets to promote the wellness of vulnerable members.

138. The importance of skills in the attainment of the “Big Four” Agenda cannot be over-emphasized. As such, the Government through the Public Service Commission has continued to design and implement human resource management and development policies, rules and regulations to equip staff with the required skills for effective implementation of the programmes under the “Big Four” Agenda.

139. The Government is also reviewing the labour law to improve the adeptness of its labour in delivering on the “Big Four” Agenda. This will also help respond to emerging issues and challenges in the labour market. The establishment of an Alternative Dispute Resolution (ADR) mechanism will provide conciliation and mediation services that are necessary for settling labour disputes thus reducing industrial strikes and lockouts. Additionally, the Government is developing an integrated National Wages and Remuneration Policy to provide a framework and necessary guidance on wage levels, wage formation and adjustment mechanisms and other wage administration issues to be applicable in the country.

#### **2.3.5.1 Quality and Relevant Education for all Kenyans**

140. To break the traditional norm that education was a preserve for elites in society, the Government has continued to make sustained investments in the education sector. This has increased access to quality basic education and improved the outcomes of our public schools as seen in high literacy levels ranking among peer nations. In particular, Kenya has the highest rate of primary-to-secondary school transition, which is currently close to 100 percent. Moreover, the huge investments in education have increased enrolment in both lower and higher institutions of learning.

141. To improve skill development and competencies of learners, the Government in 2019 introduced the Competency-Based Curriculum at the lower



primary school level and will progressively scale it up to other levels. This curriculum extensively utilizes digital platforms that are fit for learning and meets demands of the 21<sup>st</sup> century.

142. Going forward, the Government will continue to prioritize the education sector and allocate resources to enhance access to basic and higher education, skills development and training, teacher recruitment, and infrastructure development as well as construction and equipping of technical institutions.

#### **2.3.5.2 Strengthening the Social Safety Nets**

143. To continue sharing the benefits of our growing economy and relieve the country of vulnerable members in society, the Government continues scaling up resources to Social Safety Nets Programmes (Inua Jamii) including the Kenya Hunger Safety Net Programme and the National Council for Persons Living with Disabilities Fund.

144. Going forward, the Government is in the process of developing a financing plan for the Hunger Safety Net Programme. The adoption of the financing plan will bring additional financial resources to the Programme.

#### **2.3.5.3 Empowering Youth, Women and Persons with Disabilities**

145. The most pressing challenge in today's society is lack of jobs for the Kenyan youth. The Government continues to solve this challenge by dedicating resources to youth empowerment programmes and supporting businesses owned by youth, women and persons living with disabilities (PWDs). These programmes include the Youth Enterprise Development Fund (YEDF), the Women Enterprise Fund (WEF) and Uwezo Fund which have been consolidated to enhance their efficiency.

146. The Government is also leveraging on partnerships with businesses and other private organizations to create opportunities for the youth through internships, apprenticeships, mentorship and entrepreneurship. In this regard, the Government is implementing the "Ajira Digital Program" to help bridge the gap between skills available and skills demand. The Program together with the Presidential Digital Talent Programme, has availed training on online jobs to thousands of youths.

147. Through the National Employment Authority launched in 2019, the Government seeks to provide employment and internship services to the Kenyan youth. This will play a key role in facilitating foreign employment recruitment through private agencies. Further, the Government through the Public Service Commission (PSC) has offered more than 3,100 youths internships in various public institutions. These programmes are key in increasing youth employability in Kenya and the world.

## **2.3.6 Entrenching Structural Reforms**

### **2.3.6.1 Strengthening Governance and the Fight against Corruption**

148. Corruption is detrimental to socio-economic development thus inhibiting efforts to better the lives of all Kenyans. As such, the Government has taken bold steps in implementing a raft of measures to strengthen accountability at all stages of the public finance management cycle which will immensely help in curbing loss of public funds. In particular, The Government has undertaken reforms to improve the Public Procurement and Disposal System in order to effectively and efficiently manage our resources as provided for in the Constitution.

149. Further, the Government continues to enhance allocations to all institutions mandated to fight corruption including the Ethics and Anti-Corruption Commission, the Office of the Director of Public Prosecutions, the Assets Recovery Agency, the Financial Reporting Centre, the Criminal Investigations Services and the Office of the Auditor General. This is to enable them bring all corruption suspects to book in record time, instill good governance and recover corruptly acquired assets.

### **2.3.6.2 Deepening Public Financial Management Reforms**

150. The achievement of the “Big Four” Agenda is strongly anchored on prudent management of available public resources. As such, the Government will continue to strengthen expenditure control and improve the efficiency and effectiveness of public spending through necessary public financial management reforms.

151. In particular, coupled with the expenditure rationalization and fiscal consolidation efforts, the Government will continue to curtail resources going to lower-priority areas using the adopted zero-based budgeting approach. These resources will be redirected to support the “Big Four” Agenda and other public investments in critical sectors such as education, infrastructure, energy and social protection.

152. To improve project selection, budgeting and management, a new Public Investment Management (PIM) Unit has been created at the National Treasury and charged with the responsibility of establishing a framework for public investment management that accounting units in National and County Governments shall adhere to before projects are selected for budgeting and implementation. This will ensure that priority projects are selected and implemented on time, within budget and to required quality standards. The PIM Unit shall independently review major projects before they are included in the budget. The PIM processes will be automated to ensure operational effectiveness through establishment of a Public Investment Management Information System (PIMIS).

153. Going to FY 2020/21, the use of PIMIS will be mandatory for budget preparation, execution, monitoring and reporting on public investment projects. The PIM Regulations, as a minimum, will require that all projects ideas/concepts are subjected to the same quality assurance processes, thus ensuring all projects selected for funding have undergone an appraisal. Additionally, projects that have received financing will be required to adhere to budget and timelines for delivering



the expected outputs. Monitoring and evaluation of projects will therefore be key in ensuring that service delivery is improved, value for money is realized, and lessons documented to improve future policy. The PIM Regulations will also require that all multi-year agreements be subjected to a fiscal space test and be approved by the Cabinet Secretary, National Treasury and Planning before inclusion in the budget.

154. Further to that, the National Treasury will develop a detailed methodology manual on Economic Project Appraisal and Management that will be used to guide, train and strengthen the capacity of the both Ministries, Departments, Agencies (MDAs) and Counties on the preparation, appraisal and management of public investments. It will also develop a database of commodity specific conversion factor and estimate the National Parameters for Kenya. This database will contain Commodity-Specific Conversion Factors (CSCFs) that will be used for estimating economic values for both tradable commodities and non-tradable commodities.

#### **2.3.6.3 Fostering Financial Sector Developments and Reforms**

155. The Government has continued to implement measures and reforms aimed at further developing the financial sector. This has led to the country's better ranking in the Africa Financial Markets Index, particularly in the ease of access to foreign trading.

156. To cement the country's position as a regional financial hub, the Government is fast tracking the operationalization of the Nairobi International Financial Centre (NIFC) which is a key Vision 2030 flagship project. Development of regulations on NIFC activities and incentives are at an advanced stage. All these are geared towards facilitating and supporting the development of an efficient and competitive financial sector as envisaged in Vision 2030. On bank supervision and regulatory framework, the Government continues to strengthen implementation of the risk-based supervision to promote competition, safety and soundness of the financial sector.

157. To facilitate development of an orderly, fair and efficient capital market in Kenya, the Government has been promoting the diversification of products and services within the capital markets space. Some key initiatives include the implementation of the derivatives market, commodities exchange market, strengthening of the capital markets infrastructure and institutions, promoting cross border trade and laying down of a framework to enable State Corporations and County Governments to raise funds through the capital markets. The Government is also formulating a national policy for the insurance industry in Kenya to strengthen the framework of providing insurance services in the country.

158. In line with the Government's larger financial and pension inclusion agenda, the Government is seeking to further strengthen the legal and regulatory framework in order to achieve more comprehensive pension coverage across the formal and informal sectors and better protect the beneficial interests and rights of pension subscribers. A National Pensions Policy is therefore being developed to ensure that individuals have retirement income from various sources that is sufficient to avoid old-age poverty.

159. To increase insurance penetration, the Government is in the process of developing a National Insurance Policy that will strengthen policy, legal and regulatory environment for improved access, usage and affordability of insurance products and services in Kenya.

160. Financial stability has become critical to the proper functioning of any economy across the globe. A financial crisis can lead to systemic risks where financial instability becomes so widespread that it impairs the functioning of a financial system to the point where economic growth and welfare suffer materially. To this end, the Government has initiated a process to formulate a macro-prudential policy and crisis management framework for the financial services sector in Kenya. This will complement the traditional micro-prudential frameworks as measures to mitigate systemic risks in the financial services sector

161. To enhance access to credit, the Government has repealed the cap on the lending rate for banks which was introduced in September 2016. This is expected to enhance credit access to the private sector especially the MSMEs who were starved of credit. This will boost business activities and promote economic growth in the country. In addition, the Government will launch a country wide public awareness campaign aimed at educating the public including MSMEs on the need to strengthen their credit score in order to benefit from risk based pricing. Further, the Government is finalizing the establishment of a National Credit Guarantee Framework expected to guide guaranteeing of loans to MSMEs who lack sufficient collateral.

162. To exploit Kenya's established lead in digital finance, the Government is implementing reforms aimed at accelerating the creation and adoption of digital financial services. Specifically, the Government is fast tracking the creation of a 'digital money grid' as a form of national infrastructure to unleash a new wave of innovation to provide financial solutions across all parts of the economy. Additionally, the development of a National Policy on Digital Finance is in the final stages while initiatives to ensure full interoperability between mobile money and banking system are ongoing. The Government continues to pursue complete digitization of Government payments as well as adoption of a single national biometric identity standard for digital financial transactions across all sectors of the economy.

163. To strengthen the policy framework for dealing with all unclaimed financial assets in Kenya, the National Treasury is in the process of developing a comprehensive National Policy on unclaimed financial assets. The key principles which guide the policy framework include: protecting consumers' perpetual right to property, and ensuring guaranteed safety of Unclaimed Financial Assets and expediting reunification of Unclaimed Financial Assets to the rightful beneficiaries. The Policy provides a robust institutional framework for effective management of the Unclaimed Financial Assets regime in the Country.



### III. BUDGET FOR FY 2020/21 AND THE MEDIUM TERM

#### 3.1 Fiscal Framework Summary

164. The FY2020/21 Budget framework will continue with the fiscal consolidation policy to strengthen the debt sustainability position. With the fiscal consolidation strategy, MDAs will be encouraged to adopt efficiency in allocation of resources and observe the concept of value for money with a view to promoting sustainability and affordability. This will ensure efficiency not only in tax administration but also in how tax revenues are utilized

165. The fiscal framework for the FY2020/21 Budget is based on the Government's policy priorities and macroeconomic policy framework set out in Chapter I and Chapter II.

##### Revenue Projections

166. In the FY 2020/21 revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 2,134.1 billion (18.3 percent of GDP) up from the estimated Ksh 2,084.2 billion (20.1 percent of GDP) in the FY 2019/20. Revenue performance will be underpinned by on-going reforms in tax policy and revenue administration. Ordinary revenues will amount to Ksh 1,856.7 billion (16.0 percent of GDP) in FY 2020/21 from the estimated Ksh 1,843.8 billion (17.8 percent of GDP) in FY 2019/20.

##### Expenditure Projections

167. While the Government expenditure is projected to decline as a share of GDP to 23.6 percent, the overall nominal expenditure and net lending for FY 2020/21 is projected at Ksh 2,748.2 billion from the estimated Ksh 2,874.2 billion (27.7 percent of GDP) in the FY 2019/20 budget. The expenditures comprise of recurrent of Ksh 1,781.0 billion (15.3 percent of GDP) and development of Ksh 587.3 billion (5.0 percent of GDP).

##### Deficit Financing

168. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 571.2 billion (4.9 percent of GDP) in FY 2020/21 against the estimated overall fiscal balance of Ksh 657.4 billion (6.3 percent of GDP) in FY 2019/20.

169. The fiscal deficit in FY 2020/21, will be financed by net external financing of Ksh 345.1 billion (3.0 percent of GDP), Ksh 222.9 billion (1.9 percent of GDP) net domestic borrowing and other net domestic receipts of Ksh 3.2 billion.

#### 3.2 FY2020/21 and Medium-Term Budget Priorities

170. The Government is committed to implementing priority programmes under the MTP III to achieve the aspirations of Kenyans as outlined in the Vision 2030 while taking into account the need to optimize use of taxes and other resources during the period.

171. The Government will in this regard develop a framework for better quality services based on strong links between resources, budgeting, monitoring and clear expectations for delivering planned outcomes.

172. Whilst consolidating earlier gains, the Medium-Term Budget for 2020/21 – 2022/23 will primarily focus on priority programmes aimed at achieving the “Big Four” Agenda. These priorities notwithstanding, the Government will strive to ensure that public spending leads to high quality outcomes. Consequently, the medium-term spending programme will continue to focus on the quality of public spending.

173. Sustainability, affordability and strict prioritization are expected to be the norm rather than an exception under this strategy. To achieve this, we need to ensure that:

- Spending is directed towards the most critical needs of the country and is well utilized;
- More outputs and outcomes are achieved with existing or lower level of resources; and
- MDAs request for resources are realistic and take into account the resource constraints, in light of the Government’s fiscal consolidation policy.

### 3.3 Budgetary Allocations for the FY2020/21 and the Medium-Term

174. The budgetary allocations to the three arms of Government including sharable revenues to County Governments is summarized in Table 3.1:

**Table 3.1: Summary Budget Allocations for the FY2020/21 – 2022/23 (Ksh Million)**

	FY 2019/20 Supplementary Estimates No. 1. 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<b>1. National Government</b>	<b>2,006,964</b>	<b>1,832,406</b>	<b>1,954,145</b>	<b>2,126,976</b>
Executive	1,947,873	1,778,133	1,897,105	2,067,139
Judiciary	19,202	18,051	18,572	19,308
Parliament	39,889	36,222	38,468	40,529
<b>2. Consolidated Fund Services*</b>	<b>550,063</b>	<b>574,650</b>	<b>675,293</b>	<b>729,889</b>
<b>3. County Governments**</b>	<b>316,500</b>	<b>316,500</b>	<b>325,694</b>	<b>334,836</b>
<b>TOTAL.....</b>	<b>2,873,527</b>	<b>2,723,556</b>	<b>2,955,132</b>	<b>3,191,701</b>
<b>% Share in Total Expenditure</b>				
<b>1 National Government</b>	<b>69.8%</b>	<b>67.3%</b>	<b>66.1%</b>	<b>72.0%</b>
Executive	67.8%	65.3%	64.2%	70.0%
Judiciary	0.7%	0.7%	0.6%	0.7%
Parliament	1.4%	1.3%	1.3%	1.4%
<b>2. Consolidated Fund Services*</b>	<b>19.1%</b>	<b>21.1%</b>	<b>22.9%</b>	<b>24.7%</b>
<b>3. County Governments**</b>	<b>11.0%</b>	<b>11.6%</b>	<b>11.0%</b>	<b>11.3%</b>

NB: \* Consolidated Fund Services is composed of domestic interest, foreign interest and pension

NB: \*\*The allocation for County Government is based on the sharable revenue

Source: National Treasury



### Allocation Baseline Ceilings

175. The baseline estimates reflect the current ministerial spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of public debts and interest therein, salaries for Constitutional office holder and pensions.

176. Development expenditures have been shared out on the basis of the flagship projects in Vision 2030, the “Big Four” Agenda and the MTP III priorities. The following criteria was used in apportioning capital budget:

- *On-going projects*: emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- *Counterpart funds*: priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners.
- *Strategic policy interventions*: further priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

### Criteria for Resource Allocation

177. The FY2020/21 Medium-Term Budget will be finalized after thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. Expenditure prioritization will be undertaken with a view to ensure provision of core services and minimizing costs through the elimination of duplication and inefficiencies.

178. The following criteria will serve as a guide for allocating resources:

- (i) Linkage of programmes to the ‘Big Four’ Plan either as drivers or enablers;
- (ii) Linkage of the programme with the objectives of MTP III;
- (iii) Degree to which a programme promotes job creation and addresses poverty reduction;
- (iv) Degree to which the programme is addressing the core mandate of the MDAs;
- (v) Expected outputs and outcomes from a programme;
- (vi) Cost effectiveness and sustainability of the programme;
- (vii) Immediate response to the requirements and furtherance of the implementation of the Constitution; and
- (viii) Meeting debt service obligations as a first charge.

179. Detailed budgets will be scrutinized and should additional resources become available in the process of firming up the resource envelope, the Government will redirect them to inadequately funded strategic priorities. Specifically, the following will receive priority:

- Interventions identified by the stakeholders consultation forums for the FY2020/21 Medium-Term Budget;
- Strategic interventions which are addressing areas of the “Big Four” Agenda, namely; manufacturing and agro-processing, food security and nutrition, affordable housing, and universal health coverage; and
- Interventions aimed at enhancing job creation and poverty reduction.

### 3.4 Details of Sector Priorities

180. The medium-term budget framework for 2020/21 – 2022/23 has taken into account the need to ensure that resource allocation is aligned to prioritized programmes in the MTP III. In particular, the budget framework has focused on the “Big Four” Agenda and the strategic policy initiatives of the Government to accelerate growth, employment creation and poverty reduction. **Table 3.2** provides the projected baseline ceilings for the FY2020/21 and the medium-term, classified by sector.

**Table 3.2: Medium Term Sector Ceilings, 2020/21 - 2022/23 (Ksh Million)**

Code	Sector		Supplementary Estimates No. 1	BPS Ceiling	Projection		% Share in Total Ministerial Expenditure	% Share in Total Ministerial Expenditure		
			2019/20	2020/21	2021/22	2022/23	FY 2019/20 Supplementary No. 1	2020/21	2021/22	2022/23
010	Agriculture, Rural & Urban Development	Sub Total	59,408.9	48,094.2	48,641.8	53,909.6	3.0%	2.6%	2.5%	2.5%
		Rec. Gross	18,360.8	17,441.4	17,912.6	18,349.4	0.9%	1.0%	0.9%	0.9%
		Dev. Gross	41,048.1	30,652.9	30,729.2	35,560.2	2.0%	1.7%	1.6%	1.7%
020	Energy, Infrastructure & ICT	Sub Total	480,866.0	388,974.8	438,339.1	523,284.7	24.0%	21.2%	22.4%	24.6%
		Rec. Gross	89,197.7	93,123.2	98,144.1	103,281.7	4.4%	5.1%	5.0%	4.9%
		Dev. Gross	391,668.2	295,851.6	340,195.0	420,003.0	19.5%	16.1%	17.4%	19.7%
030	General Economic & Commercial Affairs	Sub Total	32,734.2	23,553.8	23,964.3	28,999.8	1.6%	1.3%	1.2%	1.4%
		Rec. Gross	14,633.0	14,310.9	14,447.0	14,660.5	0.7%	0.8%	0.7%	0.7%
		Dev. Gross	18,101.2	9,242.8	9,517.3	14,339.3	0.9%	0.5%	0.5%	0.7%
040	Health	Sub Total	115,629.1	114,477.5	120,385.8	130,550.9	5.8%	6.2%	6.2%	6.1%
		Rec. Gross	62,903.9	63,714.5	64,197.8	65,697.9	3.1%	3.5%	3.3%	3.1%
		Dev. Gross	52,725.1	50,763.0	56,188.0	64,853.0	2.6%	2.8%	2.9%	3.0%
050	Education	Sub Total	496,732.1	497,798.5	528,437.5	544,241.0	24.8%	27.2%	27.0%	25.6%
		Rec. Gross	468,385.9	479,120.5	507,049.5	519,499.0	23.3%	26.1%	25.9%	24.4%
		Dev. Gross	28,346.3	18,678.0	21,388.0	24,742.0	1.4%	1.0%	1.1%	1.2%
060	Governance, Justice, Law & Order	Sub Total	210,379.1	201,909.5	224,537.6	230,173.0	10.5%	11.0%	11.5%	10.8%
		Rec. Gross	192,482.1	190,136.4	212,700.6	218,242.6	9.6%	10.4%	10.9%	10.3%
		Dev. Gross	17,897.0	11,773.1	11,837.0	11,930.4	0.9%	0.6%	0.6%	0.6%
070	Public Administration & International Relations	Sub Total	285,925.1	232,187.4	242,495.5	276,363.1	14.2%	12.7%	12.4%	13.0%
		Rec. Gross	183,728.0	148,246.3	156,056.6	181,818.8	9.2%	8.1%	8.0%	8.5%
		Dev. Gross	102,197.1	83,941.1	86,438.9	94,544.3	5.1%	4.6%	4.4%	4.4%
080	National Security	Sub Total	159,150.6	159,319.8	153,339.7	158,255.1	7.9%	8.7%	7.8%	7.4%
		Rec. Gross	142,071.5	145,345.4	138,365.3	143,280.8	7.1%	7.9%	7.1%	6.7%
		Dev. Gross	17,079.0	13,974.3	14,974.3	14,974.3	0.9%	0.8%	0.8%	0.7%
090	Social Protection, Culture & Recreation	Sub Total	71,354.4	69,361.7	69,569.2	73,037.7	3.6%	3.8%	3.6%	3.4%
		Rec. Gross	28,648.9	39,441.3	39,918.0	40,443.9	1.4%	2.2%	2.0%	1.9%
		Dev. Gross	42,705.5	29,920.3	29,651.1	32,593.8	2.1%	1.6%	1.5%	1.5%
0100	Environment Protection, Water & Natural Resources	Sub Total	94,784.8	96,728.9	104,434.4	108,161.0	4.7%	5.3%	5.3%	5.1%
		Rec. Gross	23,865.7	25,195.0	25,625.0	26,362.0	1.2%	1.4%	1.3%	1.2%
		Dev. Gross	70,919.1	71,533.9	78,809.4	81,799.0	3.5%	3.9%	4.0%	3.8%
		Grand Total	2,006,964.3	1,832,405.9	1,954,144.8	2,126,975.9	100.0%	100.0%	100.0%	100.0%
		Rec. Gross	1,224,277.6	1,216,074.9	1,274,416.6	1,331,636.6	61.0%	66.4%	65.2%	62.6%
		Dev. Gross	782,686.7	616,331.0	679,728.3	795,339.3	39.0%	33.6%	34.8%	37.4%

Source: National Treasury



### **Agriculture, Rural and Urban Development Sector**

181. The overall goal of the sector is to attain food and nutrition security; sustainable management and utilization of land and the blue economy. The sector is a key player in economic and social development of the country through food production, employment and wealth creation, foreign exchange earnings, security of land tenure and land management. For example, the sector's contribution to GDP was 31.3% (equivalent to Ksh 2.209 trillion) in 2016, 29.7% (equivalent to Ksh 2.342 trillion in 2017), and 32.9% (equivalent to Ksh 2.929 trillion) in 2018.

182. The following key achievements were realized by this sector in the 2016/17-2018/19 MTEF period:- registered 1,277,596 land title deeds countrywide; developed the National Land Value Index in 17 counties; produced 2,724,560 straws of semen and 133.48 million doses of assorted vaccines; procured and distributed 284 milk coolers; subsidized 370,250 Metric Tonnes (MT) of fertilizer that benefitted 1.4 million farmers; increased area under irrigation through development of small-scale irrigation infrastructure to cover 545 ha; restocked water bodies with 8,000 fish brooders and 720,000 fingerlings; constructed fish quality control laboratories in Nairobi, Mombasa and Kisumu; procured an offshore Patrol Vessel (PV Doria); established two liquid nitrogen plants in Sotik (Bomet County) and Kirinyaga; produced and distributed 1,077,213 litres of liquid nitrogen; and sustained tsetse and trypanosomiasis control in 5 tsetse belts (lake Victoria, coastal, northern rift, central and western).

183. Key outcomes expected in MTEF period 2020/21-2022/23 include improved land management for sustainable development; enhanced livestock resource management and development; increased production and productivity, increased food and nutrition security and incomes; conducive environment for sustainable development of agriculture and the blue economy; enhanced access and use of land and improved agricultural research for socio-economic development and industrialization.

184. To enable the Sector achieve these outcomes, it was allocated Ksh 48.1 billion of which Ksh 17.4 billion is for Recurrent and Ksh 30.7 billion for Development in the 2020/21, while for the FY 2021/22 Ksh 48.6 billion was allocated of which Ksh 17.9 billion is for Recurrent and Ksh 30.7 billion is for Development, and Ksh 53.9 allocated for the FY 2022/23 of which Ksh 18.3 billion is Recurrent and Ksh 35.6 billion is for Development expenditure.

### **Energy, Infrastructure and Information, Communication and Technology Sector**

185. The sector plays a significant role, as a driver and an enabler in the implementation of the "Big Four" Agenda. The housing sub-sector targets 500,000 affordable houses, while the rest of the sub-sectors provide the requisite infrastructure which will not only support the realization of the "Big Four" Agenda but also the growth of the other sectors of the economy.

186. During implementation of 2016/17-2018/19 MTEF budget, the Sector realized significant achievements that include: construction of 3,939 Km of roads; 66 number of bridges; rehabilitation of 445 Km of roads; construction of second



container terminal phase 1 (berth 20 and 21 in Mombasa Port); installation of marine communication system in Lake Victoria; completion and operationalization of SGR between Mombasa and Nairobi; expansion and modernization of JKIA (Terminal building 1A, 1E & T2); sensitization of the public on potentials in the blue economy; development of 1,230 housing units for National Police and Prisons Services; completion of 228 affordable housing units in park road; construction of 42 km sewer line in Juja-Thika; completion of 19 markets; rehabilitation of one stadium in Narok County; completion of 6 stalled Government building projects; construction of 42 footbridges; laying of 4,542 Km fiber optic; establishment of 155 Constituency Innovation Hubs; modernization of training facilities at Kenya Institute of Mass Communication; establishment of 5 Studio Mashinani; installation of 87.7MW of geothermal and 360MW from wind and solar; construction of 1,832.5 km of transmission line and 12 new substations; connection of 2,361,310 new customers and 1,785 public facilities to the National grid; drilled 10 petroleum exploration wells; and exported 204,044 barrels of crude oil under the Early Oil Pilot Scheme.

187. In the 2020/21-2022/23 MTEF period, the sector aims at providing efficient, affordable, sustainable and reliable infrastructure and services in energy, transport, ICT and built environment. In this regard, the following programmes will be implemented: construction of 65,051 housing units; construction of Bus Rapid Transit (BRT) infrastructure such as 48 BRT stations; park and ride facilities, 4 depots and 60 km BRT lanes; 13 flagship markets; universal access of electricity by year 2022; construction of 2,946 km of transmission lines and 21 substations; promotion of clean cooking solutions; construction of 6,000 km of roads and missing link roads to identified industrial parks, health centers and housing units; completion of the first berth of Lamu port; construction of Naivasha Special Economic Zones; provision of connectivity of the “Big Four” projects; and provision of digital services to schools under DLP, among others.

188. To enable the Sector achieve these outcomes, it was allocated Ksh 388.9 billion of which Ksh 93.1 billion for Recurrent and Ksh 295.9 billion for Development in the 2020/21, while for the FY2021/22 Ksh 438.3 billion was allocated of which Ksh 98.1 billion is for Recurrent and Ksh 340.2 billion is for Development, and Ksh 523.3 billion allocated for the FY2022/23 of which Ksh 103.3 billion is Recurrent and Ksh 420.0 billion is for Development expenditure.

#### **General Economic and Commerce Affairs Sector**

189. The mandate of the sector is promotion and development of domestic and regional trade, tourism, industrialization and entrepreneurship, innovation, cooperative development and savings, mobilization and investment and regional integration, regional and basin-based development.

190. Remarkable achievements in the MTEF period, 2016/17 -2018/19 include: modernization of New KCC increased milk processing capacity from 300,000 litres/day to 500,000 litres/day; Ksh 1.7 Billion Coffee STABEX loan was cleared; growth in value of exports from Ksh 594 Billion to Ksh 613 Billion; ranking under World Bank Ease of Doing Business improved from 108 in 2016 to 56 in 2019; 136 firms are operating in EPZA creating 60,733 direct jobs opportunities; equipping of 2 laboratories at KIRDI Kisumu was completed; increased student



enrollment in KITI from 1565 to 2105 ; Ksh 4.243 Billion was advanced to Micro and Small Enterprises (MSE) and large firms by KIE, IDB and ICDC; growth of international tourists arrivals from 1.34 Million to 2.03 Million; increase in income from tourism from Ksh 99.7 Billion in 2016 to Ksh 157.4 Billion in 2018; growth with domestic tourism from 3.5 Million to 4.6 Million; Irrigated 2,765 acres; 468 tonnes of food produced; 2.8 Million trees planted; 40 water points developed and five (5) processing factories established.

191. The programmes prioritized for the MTEF period FY 2020/21-2022/23 are: Promotion of Industrial development and Investment; Standards and Business Incubation; Trade Development and Promotion; Cooperative Development and Management; East African Affairs and Regional Integration; Integrated Regional Development; Tourism Development and Promotion. As a driver of the 'Big Four' Plan, GECA will undertake targeted investments in manufacturing and agro-processing industry. As an enabler, the sector will also create an enabling environment for business, mobilization of resources for investments and industrial development, promotion of exports, promotion of sustainable tourism, deepen the EAC integration, and promote equitable regional socio-economic basin- based development.

192. During the MTEF period FY 2020/21-2022/23, the sector was allocated Ksh 23.6 billion of which Ksh 14.3 billion is recurrent and Ksh 9.2 billion is Development in financial year 2020/21. The allocation for the financial year 2021/22 is Ksh 23.9 billion of which Ksh 14.4 billion is recurrent and Ksh 9.5 billion is development. The financial year 2022/23 the sector was allocated Ksh 28.9 billion of which Ksh 14.7 billion is for recurrent and Ksh 14.3 billion is for development.

### **Health Sector**

193. Health sector's overall goal is to attain the highest possible standards of health care to all in accordance with the Constitution and the Kenya Vision 2030. As envisaged in the Constitution, health functions are largely devolved under the Fourth Schedule. The National and County Governments have their specific functions that are complementary towards achievement of quality, efficient and affordable Universal Health Coverage (UHC) for all Kenyans, being one of the pillars of the "Big Four" Agenda.

194. During the 2016/17-2018/19 MTEF period, the sector recorded major achievements, among them; implementation of UHC. The pilot project for UHC was launched in December 2018 in four counties of Kisumu, Nyeri, Machakos and Isiolo. In these counties, all residents were enrolled and entitled to comprehensive quality health services at all points of service delivery. The lessons learnt in these counties are going to be used in the scale-up of the UHC programme in the country during the current financial year beginning January 2020.

195. The sector also carries out key interventions to ensure increased access to quality health for all Kenyans. Reduction of HIV prevalence in the country as well as maintaining the health of PLHIVs remained a key priority. The prevalence rate remained at 4.9 percent, with 1.1 million persons receiving life-saving ART. HIV positive expectant women receiving ARVs to prevent-mother-to-child-

transmission of HIV was 94 percent of eligible mothers. Tuberculosis control also registered positive performance during the period under review, with treatment success rate being above 85 percent of treated cases.

196. The sector priorities in the MTEF period 2020/21 - 2022/23 are aligned to the health sector development Plan and will be achieved through full implementation of UHC as part of the "Big Four" Agenda. First on the list is scaling up UHC. The initiatives under this include the Linda Mama (free maternity health services), subsidies for the poor, elderly and vulnerable groups, persons with mental health, secondary school children and the informal sector and reducing out of pocket/catastrophic health expenditures through reforming the provider payment mechanisms and ensuring efficiency and equity in use and distribution of resources.

197. During the MTEF period FY 2020/21-2022/23, the sector was allocated Ksh 114.5 billion of which Ksh 63.7 billion is recurrent and Ksh 50.8 billion is Development in financial year 2020/21. The allocation for the financial year 2021/22 is Ksh 120.4 billion of which Ksh 64.2 billion is recurrent and Ksh 56.2 billion is development. The financial year 2022/23 the sector was allocated Ksh 130.6 billion of which Ksh 65.7 billion is for recurrent and Ksh 64.9 billion is for development.

### **Education Sector**

198. The Education sector aims to achieve five goals namely (i) to provide access, equity, quality and relevant education and training at all levels; (ii) to establish, maintain and manage professional teaching and learning service for all basic learning and tertiary institutions (iii) formulate, review and implement appropriate policies, legal and institutional frameworks for the Sector; (iv) to promote innovativeness and popularize research, technology and innovation in industry and learning institutions; and (v) promote vibrant industry-institutional linkages in the area of skilling for employability.

199. The sector made significant achievements in the FY 2016/17 through to FY 2018/19. Key achievements include: - Primary schools increased from 21,953 to 22,746 while secondary schools increased from 9,966 to 11,399. Registered TVET institutions increased from 874 to 1,707 and universities increased from 70 to 74. In this regard enrolment in public Technical and Vocational Colleges increased from 101,108 in 2016/17 to 175,278 in FY 2018/19 while that of Youth Polytechnics grew from 77,465 to 89,598 and University enrolment increased from 539,749 to 559,210. These increases are attributed to sub sector initiatives like free primary education, 100% transition from primary to secondary that led to an increase in capitation at secondary education level from Ksh 12,870 to Ksh 22,244, the on-going revitalization of TVET and the placement of 12,096 students in 29 private universities in 2016 which increased to 17,362 students placed in 35 private universities in 2018.

200. The sector priorities in the MTEF period 2020/21 - 2022/23 will focus on enhancing the quality of education as guided by the strategic objectives as articulated in the MPT III and the Constitution of Kenya. Specifically, the sector will continue to implement the free primary education, 100% transition from



primary to secondary by providing capitation for all learners in public schools and paying examination fees. In addition, revitalization of TVET will continue through physical infrastructure, equipping and operationalization of new institutions. The sector will also support the “Big Four” Agenda through its programmes like provision of health insurance cover to all high school students and other initiatives in the University subsector and as an overall enabler in producing educated labour force.

201. To achieve the above outcomes in the MTEF period 2020/21 - 2022/23, the sector has been allocated Ksh 497.8 billion of which Ksh 479.1 billion for Recurrent and Ksh 18.7 billion for Development in FY 2020/21, while for the FY2021/22 Ksh 528.4 billion was allocated of which Ksh 507.0 billion is for Recurrent and Ksh 21.4 billion is for Development, and Ksh 544.2 billion allocated for the FY2022/23 of which Ksh 519.5 billion is Recurrent and Ksh 24.7 billion is for Development expenditure.

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

202. The Sector plays a key role by establishing and maintaining a favourable environment for economic, social and political development of the country as envisaged in the Kenya Vision 2030. Among the key functions of the sector is provision of Security and Enhancement of National Values and Ethics, which are enablers for Macro-Economic Performance.

203. During the MTEF period, 2016/17 -2018/19, the Sector recorded notable achievements in key programmes such as: acquisition of assorted modern security equipment; completion of the construction of the national forensic laboratory; restructured the National Police Service with the roll out of the new command structure, transited from accommodating police officers in leased properties to payment of house allowances and integrated them with communities and neighborhoods; registered 30 million Kenyans into the National Integrated Information Management System (NIIMS); enhanced mobility for police and administrative officers, enhanced crime surveillance system especially in Nairobi and Mombasa & their environs and prisons, corruption prevention and asset recovery, prosecution of criminal offences and expansion of courts in counties. The sector also facilitated drafting various legislations to harmonize existing laws with the Constitution and continued to promote national values and cohesion.

204. Key outputs planned in the MTEF period FY 2020/21-2022/23 include:- implementation of police reforms, equipping of the forensic laboratories, acquisition of additional assorted security equipment, installation of CCTV cameras in Nairobi, Mombasa and its environs, Kisumu, Nakuru and Eldoret; improved population management system; production of 3<sup>rd</sup> generation ID cards, enhancement of accountability and governance structures. Maintain security, law and order; strengthen systems of governance; ensure Constitutional compliance among state and non-state actors; provide safe custodial rehabilitation of offenders; improve access to justice; promote the rule of law, provide legal services and protect public interest; combat corruption; promote national values and ethics, ethnic harmony and cohesion; enhance access to immigration services and refugee management; enforce human rights and gender equality; ensure free, fair and

credible elections; regulate gaming industry; reduce drugs and substance abuse; promote competitive politics and democracy; and build public confidence and trust in policing.

205. During the MTEF period FY 2020/21-2022/23, the Sector was allocated Ksh 201.9 billion of which Ksh 190.1 billion is for recurrent and Ksh 11.8 billion for the financial year 2020/21. The allocation for the financial year 2021/22 is Ksh. Ksh 224.5 billion of which Ksh 212.7 billion is for recurrent and Ksh 11.8 billion is development while the financial year 2022/23 is Ksh 230.2 billion of which Ksh 218.2 billion is recurrent and Ksh. 11.9 billion is for development. This includes the allocation for the Judiciary.

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

206. The sector core mandate is unique as it cuts across the entire Public Service. The sector provides overall leadership and policy direction in the management of public & international affairs and resources while coordinating policy formulation, implementation, monitoring and evaluation there on.

207. During the MTEF period 2016/17 - 2018/19, a total of thirty-three (33) programmes were implemented within the sector. The sector made considerable achievement of the set targets for the programmes during the period under review. This includes but not limited to: provided overall leadership and policy direction to MDAs; expanded Kenya's diplomatic representation and footprint across the globe and strengthened Kenya's leadership role in shaping global Plan at the Bilateral and Multilateral levels; enhanced youth skills development and mainstreaming; implemented performance management systems, improved resource mobilization, allocation and oversight in the public Sector and, facilitated the operationalization of key legislation including the legal, policy and regulatory frameworks.

208. During 2020/21 – 2022/23 MTEF period, the sector plans to implement thirty-three (33) programmes. The programmes will prioritize maintaining a stable macroeconomic environment to enable achievement of the “Big Four” Agenda, provision of overall leadership and policy direction to MDAs, enhancing the image of the country as well as leadership role in the global plan, enhancing youth skills development as well as enhancing performance management systems in the public service.

209. Allocation of resources in the sector aims at achieving the outcomes highlighted above. In this regard, resource allocation for the financial year 2020/21 is Ksh 232.2 billion of which Ksh 148.2 billion is for recurrent and Ksh 83.9 billion. The allocation for the financial year 2021/22 is Ksh 242.5 billion of which Ksh 156.1 billion is for recurrent and Ksh 86.4 billion is for development, while the financial year 2022/23 the allocation is Ksh 276.4 billion of which Ksh 181.8 billion is for recurrent and Ksh 94.5 billion is for development. This includes allocation for the Parliament.

#### **National Security**

210. The sector is key in creating a secure and conducive environment for socio-economic and political development. The sector entails promoting a cohesive,



egalitarian, technologically efficient and progressive society with a good quality of life. It is therefore a critical enabler in the realization of the “Big Four” Agenda.

211. The sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges.

212. In order to implement the prioritized programmes and minimize the above mentioned threats, the sector has been allocated Ksh 159.3 billion, Ksh 153.3 billion and Ksh 158.3 billion in FY 2020/21, FY 2021/22 and FY 2022/23, respectively.

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

213. The sector plays a strategic role in the country’s transformation and socio-economic development through implementation of special programmes for the development of the ASALs. Furthermore, the sector undertakes promotion of sustainable employment, harmonious industrial relations, productive workforce and gender equity and equality. Other key roles include empowerment of communities and vulnerable groups and safeguarding children’s rights, promotion of diverse cultures, arts and sports to enhance cohesiveness and Kenya’s regional and international competitiveness. The sector envisions a globally competitive workforce, sports, culture and recreation industry, and a resilient equitable and informed society.

214. Major achievements during the MTEF period 2016/17 - 2018/19 include: increased financial support to older persons, PWD, OVC and food-insecure households through cash transfer programmes; provision of assistive and supportive devices to PWD; distribution of relief food to food insecure persons in ASAL; investment in drought preparedness and resilience; rescue and rehabilitation of street families; provision of support to vulnerable children; and capacity building for youth, women and PWD on entrepreneurship and successfully hosted IAAF under 18 Championship. Labour Attaché offices were established in three countries in the Middle East to cater for the welfare of Kenyan migrant workers. The sector also scaled-up the provision of sanitary towels to school going girls to reduce absenteeism; enhanced awareness on Gender Based Violence issues. In addition, Thimlich Ohinga in Migori was elevated to a world heritage site among other achievements.

215. In the 2020/21-2022/23 MTEF period, the Sector’s main focus will be to implement policies, programmes and projects outlined in the MTP III and contribute to the achievement of the “Big Four” Agenda. The projected key programmes for implementation include manpower development, employment and productivity management, sports promotion, promotion of best labour practices, social development, children services, community development, gender empowerment, performing arts, culture development, accelerated ASALs development, National Safety Net and library services.

216. To implement the programmes outlined above, the sector has been allocated Ksh 69.4 billion of which Ksh 39.4 billion is recurrent and Ksh 29.9

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billion is for development in the financial year 2020/21. The allocation for the financial year 2021/22 is Ksh 69.6 billion of which Ksh 39.9 billion is recurrent and Ksh 29.6 billion is development, while the financial 2022/23 is Ksh 73.0 billion of which Ksh 40.4 billion is for recurrent and Ksh 32.6 billion is for development.

## Environment Protection, Water and Natural Resources

217. The sector plays a critical role in Kenya's economy, securing, stewarding and sustaining the environment and natural capital of the country. The sector contributed significantly to GDP in 2018 and has a great potential in contributing to the attainment of the targeted annual GDP growth rate of 10% as envisioned in Vision 2030.

218. During the MTEF period 2016/17 - 2018/19, four Hydromet stations were established, urban sewerage coverage increased from 21.5% to 25% which translates to 0.9 million additional people being served. Poaching was reduced to 83% against a target of 80%; increased response rate to Human Wildlife Conflicts to 98% of all reported cases against a target of 100%; 102 Km of fence were constructed and 5,060 Km maintained. Over 777,000 Ha of degraded critical indigenous forest areas were protected for rehabilitation in 37 Counties and 681,690 Ha of new forest areas were gazetted in various Counties, 772 nature based enterprises were established, improved 4,544 Km of forest roads, maintenance of 300 Km of forest fire breaks for ease of protection. Completed and equipped Voi Gem cutting centre, established geo-scientific data centre, enhanced revenue collection from Ksh 1.4 billion to Ksh 1.6 billion, initiated three (3) additional value added centers among other achievements.

219. In 2020/21 - 2022/23 MTEF period this sector has prioritized programs intended to promote sustainable utilization and management of environment and natural resources for socio-economic development. The sector will play an enabling role to the "Big Four" Agenda through provision of water to industrial park in Naivasha and housing projects as well as all health facilities. Further, the sector will prioritize protection of forests and wildlife as well as water catchment areas. In addition, the sector will ensure that environmentally sensitive areas are protected as well as sustaining the eradication of plastic use in the Country.

220. In order to achieve the priorities above in the MTEF period 2020/21 - 2022/23 the Sector has been allocated Ksh 96.7 billion of which Ksh 25.2 billion for Recurrent and Ksh 71.5 billion for Development in FY 2020/21, while for the FY 2021/22 Ksh 104.4 billion was allocated of which Ksh 25.6 billion is for Recurrent and Ksh 78.8 billion is for Development, and Ksh 108.2 billion allocated for the FY 2022/23 of which Ksh 26.4 billion is Recurrent and Ksh 81.8 billion is for Development expenditure.

## Programme Performance Information for 2020/21 - 2022/23 MTEF Period

221. **Annex Table 4a** of this BPS provides a summary of expenditures by programmes for the 2020/21 – 2022/23 period.

222. **Annex Table 4b** of this BPS provides a detailed report with information on programmes outputs, key performance indicators, and the set targets for the 2020/21 – 2022/23 period.



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

223. The law requires that the input of the public be taken into account before the Budget proposals are firmed up. In this regard, Public Hearings for the FY 2020/21 Budget were held between 15<sup>th</sup> and 17<sup>th</sup> January 2020. **Annex Table 6** provides a summary of policy issues raised during the Public Hearings and the responses.

224. Further, as required by the Public Finance Management (PFM) Act, 2012 this BPS was shared with various stakeholders and the public for comments before finalization. **Annex Table 7** provides a summary of the comments received and the actions taken and or response given.

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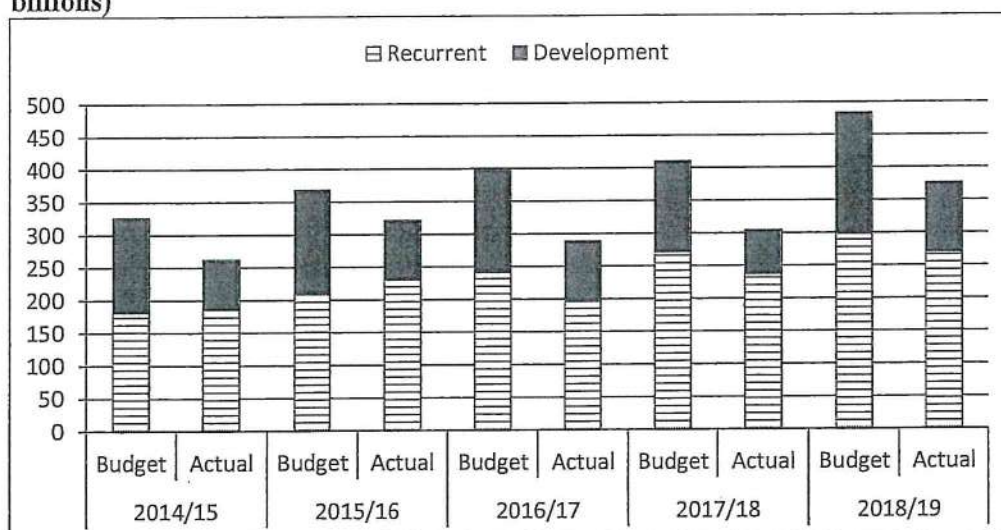
## IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

### 4.1 Fiscal Performance of County Governments in FY 2018/19

225. In financial year (FY) 2018/19, the aggregate budget for County Governments was Ksh 483.47 billion, which was Ksh 72.97 billion (or 17.79 percent) higher than the previous year's budget. (Figure 4.1). County Governments' collective budget increased by 13.0 percent in FY 2015/16; 8 percent in FY 2016/17; 3.0 percent in FY 2017/18 and 18 percent in FY 2018/19. On the other hand, the County Governments' actual spending was Ksh 376.4 billion in FY 2018/19 from Ksh 303.8 billion in FY 2017/18 representing an expansion of 5.0 percent and 24.0 percent respectively in FY 2017/18 and FY 2018/19. The actual spending grew by 23.0 percent in FY 2015/16 but declined from Ksh 321 billion to Ksh 288 billion in the FY 2016/17.

226. In FY 2018/19 the aggregate recurrent and development budget was Ksh. 297.7 billion and Ksh 185.8 billion respectively however aggregate actual recurrent and development expenditure was Ksh 269.0 billion and Ksh 107.4 billion, respectively.

**Figure 4.1: County Governments' Aggregate Budget and Outturn (Ksh. billions)**



*Source of Data: Controller of Budget*

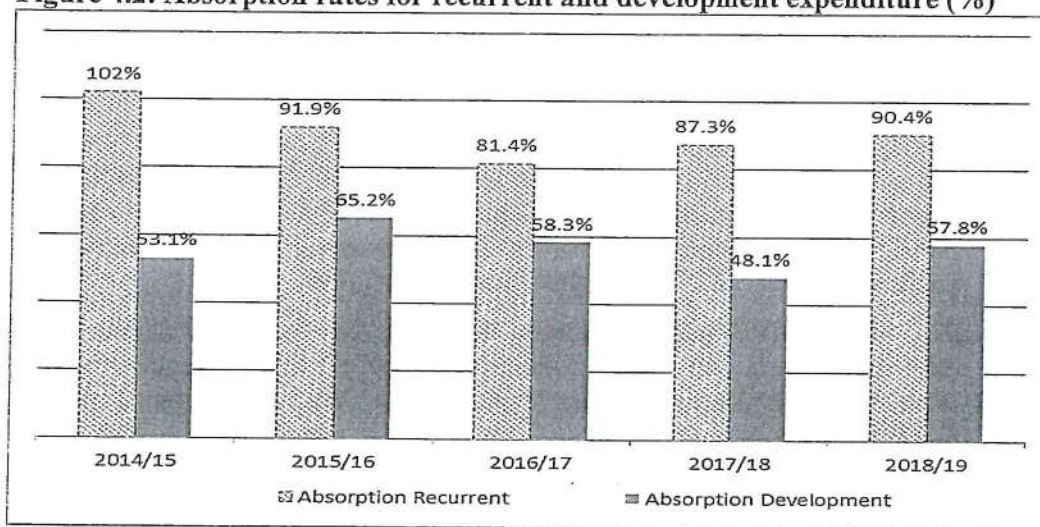
#### 4.1.1 County Governments' Budget Absorption

227. Variances between County Governments' approved aggregate budgets and expenditure increased from Ksh 64 billion in FY 2014/15 to Ksh 107 billion in FY 2018/19. While absorption rate of recurrent budget has remained high over the last five years (i.e. more than 80 percent in each year), absorption of development budget initially increased from 53.1 percent in FY 2014/15 to 65.2 percent in FY 2015/16 before declining to 48.1 percent in FY 2017/18 and then increasing to 57.8



in FY 2018/19. (Figure 4.2). The low absorption rate is explained in large part by procurement challenges at the County Government level and capacity deficits, especially in terms of planning. Ongoing implementation of the Kenya Devolution Support Program (KDSP), and continuous capacity building to the County Governments is expected to address challenges faced by Counties in planning, procurement and budget execution, among other areas.

**Figure 4.2: Absorption rates for recurrent and development expenditure (%)**



*Source of Data: Controller of Budget*

228. As far as County Governments' fiscal performance is concerned, the main challenges relate to low Own Source Revenue (OSR) collections vis-a-vis their OSR potential, high wage bill, accumulation of pending bills and unstable pattern of financial activity within each budget period. The rest of this chapter discusses these challenges, as well as efforts by the National Treasury to improve fiscal performance of the County Governments and ensure that the quality of spending is enhanced within the context of the Public Finance Management Act, 2012.

#### 4.1.2 County Governments' Own-Source Revenue

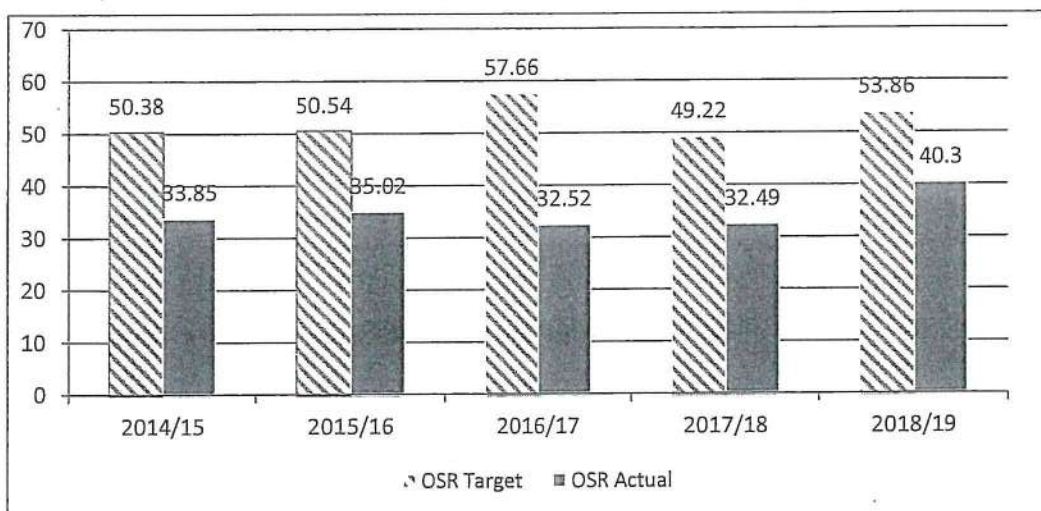
229. In FY 2018/19, County Governments' actual OSR collection of was Kshs 40.30 billion against a target of Ksh 53.86 which was a significant improvement from the achievement of FY 2017/18 which recorded 32.49 billion (Figure 4.3). This represents a better OSR outturn in FY 2018/19 (of 74.8 percent compared to 66 percent in FY 2017/18. Counties' OSR performance has improved in the last two years both as a proportion of targeted collections and also in absolute terms. According to the report from the Controller of Budget, 12 counties surpassed their revenue targets in the FY 2018/19. These counties include Bungoma (104.7%), Elgeyo Marakwet (108.8%), Isiolo (107.2%), Kiambu (100.2%), Kirinyaga (100.6%), Kwale (103.9%), Laikipia (102%), Lamu (116%), Nakuru (104.8%), Narok (109.1%), Taita Taveta (110.9%) and Tana River 104.4%). This could be attributed to improved revenue collection or better revenue forecasting. However, a number of Counties OSR performance was below target. These include Migori,

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Wajir, Kisii and Meru with collections of 25%, 30%, 36% and 44.8% respectively of their targeted OSR.

230. However, many counties have not met their revenue targets in the past, a clear indication OSR forecasting still remains a challenge. To address this, the National Treasury will partner with the relevant stakeholders to train the County Governments on Tax Analysis and Revenue Forecasting.

**Figure 4.3: County Governments' Own-Source-Revenue Performance (Ksh billions)**



*Source of Data: Controller of Budget*

231. In FY 2017/18, the National Treasury finalized preparation of the National Policy to Support Enhancement of County Governments' OSR, which was submitted to and approved by the Cabinet. The Policy highlights a number of challenges contributing to the underperformance of OSR among the Counties. These challenges include; i) absence of revenue policies and legislation; ii) low automation and integration of revenue administration; iii) inappropriate institutional arrangements; and, iv) lack of effective internal controls and audit mechanisms among others.

232. Further, the policy proposes a legal framework to ensure that County Governments comply with Article 209(5) of the Constitution when formulating their revenue raising measures. In this regard, a draft legislation, the County Governments (Revenue Raising Process) Bill, 2018, was developed and is currently in the second reading stage at the National Assembly.

233. In March 2019, a Multiagency Secretariat, headed by the National Treasury was constituted to coordinate the implementation of the OSR Policy. Among the TORs of this Secretariat include dissemination the policy to various stakeholders and spearheading the proposed reforms. To this end, members of the Secretariat met with the Departmental Committee on Finance and National Planning of the National Assembly in November 2019 as part of efforts to disseminate this policy. The Committee was generally in support of the Policy and emphasized on the need to have it disseminated country wide and specifically to the County Governments.

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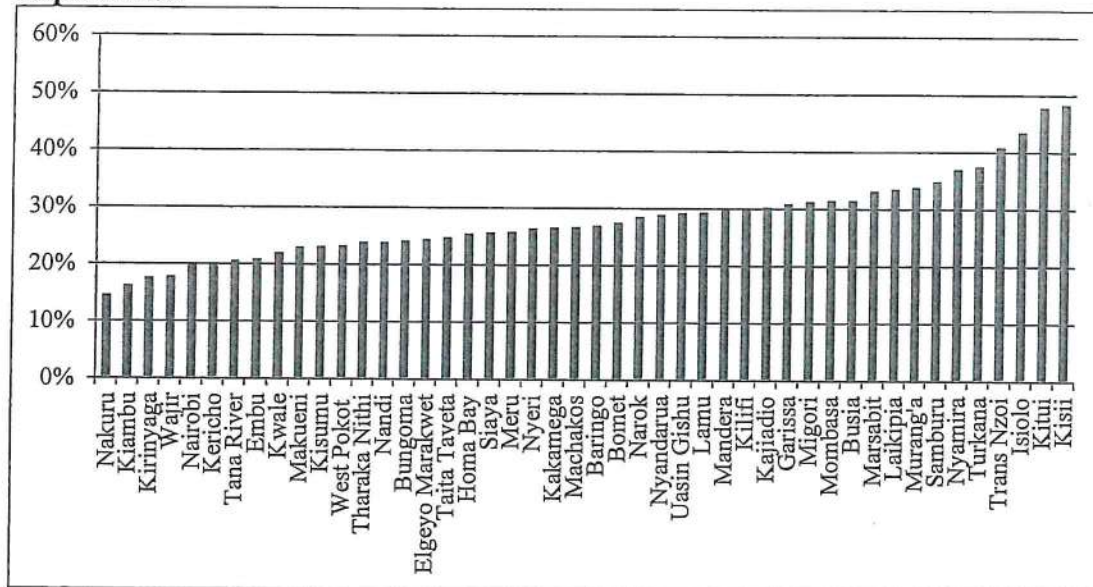
This was done by the Secretariat to the Executive Arm of the County Governments in December 2019. Dissemination to the County Assemblies is scheduled to take place within the third quarter of the FY 2019/20.

## 4.2 County Governments' Compliance with Fiscal Responsibility Principles

### 4.2.1 Compliance with the Requirement for Development Spending Allocations

234. Section 107(2) of the PFM Act 2012 requires that County Governments allocate a minimum of 30 percent of their budget to development expenditure. However, even though approved County budgets comply with this requirement, actual development expenditure for most of the Counties fall below 30 percent. In the FY 2018/19, only 17 Counties had actual development expenditures as a percentage of total budget of 30 percent and above. Among the Counties with the lowest percentage of development to total expenditure are Nakuru, Kiambu, Kirinyaga, Wajir and Nairobi, all which had below 20 percent (**Figure 4.4**).

**Figure 4.4: FY 2018/19 Development Expenditure as a Percentage of Total Expenditure**



Source of Data: Controller of Budget

### 4.2.2 Compliance with the Requirement for Expenditure on Wages

235. Section 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. In FY 2018/19, only 5 Counties namely Tana River, Marsabit, Turkana, Mandera and Kilifi complied with this requirement. Some Counties including Nakuru, Baringo, Nyamira and Homa Bay had wage expenditures above 50 percent of their total revenue. On average, County Governments have struggled

to stay within the legal wage spending threshold since FY 2014/15. To this end, enhanced OSR may help county governments to comply with this provision.

### 4.3 Prudent Management of Fiscal Risks

#### 4.3.1 Pending Bills

236. Article 225 of the Constitution read together with Section 96 of the PFM Act gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to a County Government whenever such County Government is in persistent material breach of its obligations or financial commitments. Based on Section 94 (1) of the PFM Act, failure by County Governments to make payments as and when due, or default on financial obligations may indicate material breach of legally-established measures. The National Treasury has been receiving a number of complaints from members of the public that some County Governments are reluctant to settle their dues even where the correct procedure had been followed and the right documentation provided. Therefore, in line with Section 96(3) of the PFM Act, the National Treasury requested the Auditor-General to undertake a special audit to assess the status of the County Governments pending bills.

237. As at 30<sup>th</sup> June, 2018, this special audit report indicated that out of a total Ksh 88.98 billion pending bills presented for audit to the OAG, bills amounting to Ksh 51.2 billion (58%) were reported as payable while Ksh 37.7 billion (42%) lacked sufficient documentations to support services rendered or work done and therefore were not recommended for payment. This position was communicated to the County Governments with a requirement to immediately commence payment of these bills. As at 3<sup>rd</sup> February 2020, the amount of eligible pending bills paid was Ksh 31.42 billion leaving an outstanding balance of Ksh 219.87 billion.

238. To ensure full compliance, significant resources have been made available to the County Governments to clear their pending bills. As at, 31<sup>st</sup> January 2020, National Treasury had cumulatively released to County Governments Ksh 145.21 billion as their equitable share of revenue raised nationally and Ksh 8.09 billion as conditional grants in the FY 2019/20. Processing of subsequent disbursements will be based on submission of monthly reports on payments of pending bills in line with the County Governments payment plans submitted to National Treasury and Controller of Budget.

239. In relation to the ineligible pending bills, IBEC through a resolution of 18th June 2019 instructed all the County Governments to establish Ineligible Pending Bills Committee to verify the bills. Once verified, it was resolved that they should be prioritized and paid within this FY, 2019/20.

240. There has been a challenge of variance in figures of pending bills submitted to the Office of Controller of Budget from those disclosed in their annual financial statements and submitted to the Auditor General.

241. To this end, the National Treasury has developed a solution to enable counties capture the pending bills at the beginning of every financial year and make payments from authorized list of pending bills without requesting auto create from the National Treasury. The National Treasury also conducted the on-sight training



on pending bills solution to procurement and accounting officers. This solution is meant to facilitate tracking and monitoring of county governments list of pending bills. This will further ensure transparency and accountability in capture and payment of eligible pending bills.

242. Moreover, County Governments are still facing challenges in terms of monthly and annual financial reporting of pending bills and other liabilities (as well as assets) due to the cash accounting method currently being applied. In addition, tracking of resources allocated to specific government interventions such as the “Big Four” Agenda, Climate change mitigation, gender issues, etc, remains a major challenge. To address this challenge, the National Treasury and Planning in partnership with UNICEF is in the process of revising the Standard Figure of Accounts (SCOA). The exercise which commenced in July 2018, among other objectives, is expected to: i) better address the financial reporting needs of County Governments including facilitating the generation of sector specific reports; ii) improve support to programme-based budgeting; iii) align accounting and reporting to 2014 Government Finance Statistics (GFS) Manual; and, iv) prepare for a possible future migration from cash- to accrual-based accounting as proposed by the Public Sector Accounting Standards Board (PSASB).

#### **4.3.2 Other Risks Identified in County Financial Reports**

243. In order to better understand evolving intergovernmental fiscal relations issues and to guide on policy interventions, the National Treasury has been analysing County Governments’ budgets, their financial statements and audit opinions over the last six years. Findings of the analyses will be consolidated into the County Governments’ Fiscal Performance Report, which will be published within the calendar year 2020. In addition to issues already highlighted in this chapter, the analysis has identified the following recurring issues, which the National Treasury is addressing primarily through enhanced capacity building for the Counties and more stringent enforcement:

- a) Lack of reconciliation between financial statements and balances in the IFMIS, which arises when County Governments fail to post all their transactions on the system;
- b) Procurement irregularities including unjustified single sourcing and contract variations, inflation of contract prices and undocumented purchases of assets;
- c) Weak human resource management practices, including ineffectiveness of County Public Service Boards, which contributes to uncontrolled hiring of non-core personnel outside approved staff establishments and remuneration guidelines;
- d) High staff turnover especially after every general election leading to service disruption. As part of the solution to this, the National Treasury will conduct a Training Needs Assessment to the County Governments to inform future capacity building programmes.

- e) Failure by County Government to submit statutory deductions, especially pensions under the new contributory scheme. If this is not well executed, it could jeopardize the lives of the ageing work force at the County Governments
- f) Weak link between County Integrated Development Plans, Annual Development Plans, County Fiscal Strategy Paper and budget implementation. The analysis indicates that once these documents are prepared and submitted, they are abandoned as other priorities get implemented in the budget; and
- g) Escalation of governance-related investigations and court cases, which may comprise service delivery at the affected County Governments.

### 4.3.3 Status of Transfer of Devolved Functions

244. The transfer of assets previously owned by the defunct Local Authorities is being done and the final report has been submitted to IBEC. Other the other hand, the exercise on the transfer of assets of the devolved functions is currently on going.

245. So far, the Library function has been transferred through Kenya Gazette Supplement No. 140 of 9th August 2019, Legal Notice 142. In addition, the transfer of the following functions is on-going; Museums, Disaster Management and Cooperatives.

## 4.4 Division of Revenue between the Two Levels of Government

### *Ordinary revenue continues to underperform*

246. In the Budget Review and Outlook Paper (BROP) 2019 as well as in the draft BPS 2020, the National Treasury had proposed that County Governments be allocated Ksh 317.8 billion as their equitable share of revenue raised nationally in FY 2020/21. This proposal was informed largely by the underperformance in ordinary revenue witnessed in recent years. Between FY 2013/14 and FY 2018/19, cumulative ordinary revenue shortfalls amounted to Ksh 932 billion. (Table 4.1).

**Table 4.1: Ordinary Revenue (Ksh billions)**

	Original estimate	Actual / Revised estimates	Shortfall	Cumulative shortfall
2013/14	1,027.2	919.0	108	108
2014/15	1,087.1	1,031.8	55	163
2015/16	1,242.7	1,153.0	90	253
2016/17	1,380.2	1,306.6	74	327
2017/18	1,560.3	1,365.1	195	522
2018/19	1,769.2	1,496.9	272	794
2019/20	1,877.2	1,766.9	110	905
2020/21	1,883.7	1,856.7	27	932

*Source of Data: National Treasury*

*Note: Revised estimate for FY 2019/20 excludes Ksh 76.9 billion, being a one-off mop-up from State Corporations*



*National Government has borne all revenue shortfalls, through spending cuts*

247. As per respective annual Division of Revenue Acts (DoRA), the National Government has always borne the revenue shortfall. To balance the budget, this has been achieved by downsizing spending by MDAs; County allocations have never been affected by the shortfalls. In FY 2017/18 when ordinary revenue grew by 4% against a target of 13% culminating in a Ksh 195 billion shortfall, Counties' allocation grew by 8% (from Ksh 280.3 billion to Ksh 302 billion). In contrast, the National Government's net issues contracted by 7% (from Ksh 1,149 billion in FY 2016/17 to Ksh 1,072 billion<sup>1</sup>). (Table 4.2). Similarly, actual net issues in FY 2018/19 reflects a Ksh 82 billion reduction from what was proposed in the revised budget (II) estimates.

**Table 4.2: Composition of National Government's Net Issues (Ksh billions)**

FY	Development	Wages & salaries	FPE, FSE & SGR	IEBC	KRA	Defense & NSIS	Other O&M	TOTAL
2013/14	191.0	281.2	35.4	1.9	13.7	93.8	168.8	786
2014/15	241.5	298.0	0.0	0.0	0.0	93.7	242.5	876
2015/16	277.1	307.4	47.1	1.9	13.5	113.7	212.3	973
2016/17	353.2	336.6	52.1	12.2	14.1	130.2	250.4	1,149
2017/18	229.2	388.9	79.4	28.0	19.8	126.1	201.1	1,072
2018/19	262.2	417.5	82.3	4.5	18.9	135.3	278.4	1,199
2019/20	374.2	487.6	77.5	4.7	23.8	142.1	306.3	1,416
2020/21	257.7	490.7	86.7	3.2	24.3	145.3	262.6	1,271

*Source of Data: National Treasury*

*Notes: FPE = free primary educ; FSE = free secondary educ; SGR = strategic grain reserves*

*FY 2019/20 funding gap will cause more spending cuts*

248. The National Government's estimated net issues for FY 2019/20 of Ksh. 1,416 billion shown in Table 2 are not fully funded -- the proposed budget contains a Ksh 161 billion gap, the bridging of which will require further expenditure cuts of a similar magnitude. The scope for these cuts exists only in the development budget and to a small extent in 'other O&M'. Accordingly, the base for the current FY will be adjusted to account for the above funding gap. This means that the National Government's net issues for development and 'other O&M' will drop from Ksh 680 billion to Ksh 519.5 billion. The implication is that in FY 2020/21:

<sup>1</sup> The National Government's net issues excludes: i) domestic and foreign interest; ii) contribution to civil service pension and other consolidated fund services (CFS); iii) recurrent conditional transfers to Counties (i.e. "level-5" and "foregone user fees"); iv) ministerial recurrent and development appropriations-in-aid (AIA); v) foreign financing and net lending; and, vi) capital transfers to Counties funded from the National Government's equitable revenue share.

- a) The National Government's spending on development and other O&M will not grow at all; and,
- b) The National Government's total spending will expand by only Ksh 15.4 billion or 1.2% (i.e. from Ksh 1,255 billion to Ksh 1,271 billion). This growth is itself uncertain considering the revenue collection challenges experienced in previous FYs.

***In FY 2020/21, net spending by the National Government will contract***

249. As part of measures to narrow the projected deficit, the BPS, 2020 reflects a Ksh 146 billion or 10.3% contraction in the National Government's estimated FY 2020/21 net issues (i.e. from Ksh 1,416 billion in FY 2019/20 to Ksh 1,271 billion). Below is a summary of the FY 2020/21 proposals as contained in the BPS:

- a) The National Government's development spending will contract by 31% (i.e. from Ksh 374 billion in FY 2019/20 to Ksh 258 billion in FY 2020/21). The last such contraction happened in FY 2017/18. As a result, development spending in FY 2020/21 will comprise 20% of net issues, a drop from the 26% average recorded in the last seven FYs.
- b) Expenditure on 'other O&M' will contract by 14% (from Ksh 306 billion in FY 2019/20 to Ksh 263 billion in FY 2020/21). This is only slightly less than the 20% contraction in FY 2017/18.
- c) Spending on wages & salaries will increase albeit insignificantly by 1% (i.e. from 488 billion in FY 2019/20 to Ksh 491 billion in FY 2020/21), making this the smallest expansion in recent times. Although wages & salaries in FY 2020/21 will equal 40% of National Government's net issues/expenditure (vis-à-vis an average of 34% over the last six FYs), this is primarily due to the large drop in overall net issues.
- d) Among the few expenditure components that will grow notably in FY 2020/21 are:
  - ***free primary education*** (12%). This growth is intended to facilitate continued implementation of the FPE.
  - ***free secondary education*** (12%). This growth is intended to sustain the 100% primary-to-secondary school transition, as a result of which capitation for secondary education has increased by 73% (i.e. from Ksh 12,870 to Ksh 22,244).
  - ***the strategic grain reserve*** (6%). The growth will contribute towards the "Big Four" goals of reducing both the cost of food and the number of food insecure Kenyans.

***Revenue growth in FY 2020/21 will go to neither level of Government***

250. Despite the depressed revised revenue forecasts for FY 2019/20 and 2020/21 vis-à-vis original estimates for both years, collections in FY 2020/21 are now projected to grow by Ksh 89.8 billion (i.e. from Ksh 1,766.9 billion to Ksh 1,856.7 billion). The National Treasury proposes that the additional revenue be



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directed towards Consolidated Fund Services (CFS), specifically debt repayment, pensions and gratuities, and some salaries for Constitutional Offices and Independent Commissions. These are non-discretionary expenditures which take first charge in the public budget.

251. Accordingly, of the projected additional revenue in FY 2020/21, an estimated Ksh 57.2 billion will be earmarked for debt repayment i.e. principal and interest (Table 4.3). This focus on debt repayment is in accordance with the Government's deficit financing policy, which is elaborated in both the BPS, 2020 and the Medium Term Debt Management Strategy. The balance from the anticipated revenue growth (i.e. approximately Ksh 19.7 billion) will be earmarked for retirees' pension payments as well as GoK contribution to civil servants' pension. The enhanced allocations are intended to make up for shortfalls experienced in FY 2019/20, which was due to slower than targeted processing of pension payments. Clearly, the Ksh 89.8 billion revenue growth is itself inadequate to cover the above-mentioned CFS, which will therefore be supplemented with part of the 'savings' from reduced National Government net issues.

**Table 4.3: Allocations towards Consolidated Fund Services (Ksh billions)**

Payments	FY 2019/20	FY 2020/21	Variance
Debt repayment (principal)	131.4	174.1	42.7
Debt repayment (interest)	441.5	456.0	14.5
Pensions	108.6	118.7	10.1
Contribution to civil service pension	4.8	14.4	9.6
<b>TOTAL</b>	<b>686.3</b>	<b>763.2</b>	<b>76.9</b>

*Source of Data: National Treasury*

## ***Proposal on Counties' FY 2020/21 equitable share of revenue raised nationally***

252. The National Treasury's revised proposal for County Governments' equitable revenue share allocation for FY 2020/21 is informed by five (5) factors namely:

- Continued underperformance in ordinary revenue, which forms the base for the annual division of revenue;
- The fact that the National Government continues to solely bear shortfalls in revenue in any given FY;
- The Ksh 161 billion funding gap in the FY 2019/20 budget;
- The 10.3% projected contraction in National Government's net spending in FY 2020/21 vis-à-vis FY 2019/20; and,
- The proposal by National Treasury that the entire incremental revenue in FY 2020/21 be earmarked for CFS, specifically debt repayment and pensions.

253. Based on the above factors, it is proposed that County Governments' equitable revenue share for FY 2020/21 be retained at Ksh 316.5 billion. The implication of this is that there will be no additional funding from the equitable

revenue share for County Governments' wage and salary costs as well as development and other O&M costs. Nevertheless, the National Treasury notes that an opportunity exists for the Counties to finance any planned growth in their expenditures from own-source revenue (OSR). According to the Controller of Budget (CoB), the Counties raised Ksh 40.3 billion in FY 2018/19 from OSR, equivalent to 75% of targeted collections, and a 24% improvement from recorded collections in FY 2017/18. Assuming that Counties maintain this growth trajectory in OSR collections in FY 2019/20 and FY 2020/21, there should be sufficient additional resources to finance an expansion in service delivery. **Table 4.4** summarizes the ordinary revenue as shared by the two levels of Government.

**Table 4.4: Division of Revenue Raised Nationally FY 2016/17 – 2020/21 (Ksh Million)**

Type/level of allocation	2016/17	2017/18	2018/19	2019/20	2020/21
National Government	1,099,899	1,247,412	1,367,069	1,554,916.5	1,533,668
Of which:					
<i>Free maternal healthcare</i>	4,121				
<i>Rehabilitation of Village polytechnics</i>		2,000	2,000	2,000	2,000
<i>Leasing of Medical Equipment</i>	4,500	4,500	9,400	6,205	6,205
<i>Compensation for user fees forgone</i>	900	900	900	900	900
<i>Level 5 hospitals</i>	4,000	4,200	4,326	4,326	4,326.0
<i>Special Purpose Grant (Emergency Med. Serv.)</i>	200				
<i>Supplement for construction of county headquarters</i>		605	605	300	300
Equalization Fund	6,000	7,727	4,700	5,760	6,532
County equitable share	280,300	302,000	314,000	316,500	316,500
<b>Total shareable revenue</b>	<b>1,380,199</b>	<b>1,549,412</b>	<b>1,681,069</b>	<b>1,877,176</b>	<b>1,856,700</b>

254. In addition to their proposed equitable share of revenue, County Governments will receive additional funds as conditional grants. These include the following:

- From the National Governments' equitable revenue share, **Ksh 13.7 Billion** for: i) level-5 hospitals; ii) rehabilitation of village polytechnics; iii) leasing of medical equipment; iv) compensation for foregone user fees; and, v) construction of County headquarters
- Equalization Fund to the marginalized areas amounting to **Ksh 6.532 billion**;
- **Ksh 9.4 billion** from the Road Maintenance Fuel Levy Fund (RMLF). As in previous years, this is calculated at 15 percent of projected FY 2020/21 collections by the Kenya Roads Board (KRB); and
- **Ksh 30.2 billion** from proceeds of external loans and grants, which will finance devolved functions in accordance with the signed financing agreement for each loan/grant. **Table 4.5** shows the disaggregation of total proposed transfers to the Counties.



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**Table 4.5: Disaggregation of County Governments' Allocation (Ksh. Million)**

Type/level of allocation	2016/17	2017/18	2018/19	2019/20	2020/21
County equitable share	280,300	302,000	314,000	316,500	316,500
Additional conditional allocations, of which:					
Free maternal healthcare	4,121	-	-	-	-
Leasing of medical equipment	4,500	4,500	9,400	6,205	6,205
Compensation for user fees forgone	900	900	900	900	900
Level 5 hospitals	4,000	4,200	4,326	4,326	4,326
Special Purpose Grant (Emergency Med. Serv.)	200	-	-	-	-
Supplement for construction of county headquarters		605	605	300	300
Rehabilitation of Village polytechnics		2,000	2,000	2,000	2,000
Allocation from Fuel Levy Fund (15% of collections)	4,306.8	7,875	8,269	8,984.00	9,433
Allocations from loans and grants	3,870.7	12,541.4	33,241.9	39,089.9	30,204.3
<b>Total County Allocations</b>	<b>302,198.5</b>	<b>334,621.4</b>	<b>372,741.9</b>	<b>378,304.9</b>	<b>369,868.3</b>

## 4.5 Horizontal Allocation of Revenue among the County Governments

255. In April 2019, the CRA submitted to the Senate Recommendations Concerning the Third Basis for Revenue Sharing among County Governments for the Period FY 2019/20 – 2023/24. If approved in time, the proposed third formula will become effective in FY 2020/21. Pending Parliament's approval of CRA's proposed third formula, the horizontal distribution of County Governments' equitable revenue share allocation for FY 2020/21 shall be based on the current formula, which uses six parameters with specific weights as shown in the Table 4.4 above. On the other hand, each additional conditional allocation shall be distributed based on its objectives, criteria for selecting beneficiary Counties and distribution formula. Accordingly, in FY 2020/21, the Counties will share an estimated Ksh 369.9 billion. **Table 4.6** shows the projected transfer to each County in FY 2020/21.

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Table 4.6: Revenue Allocation for Each County Government

County	FY 2019/20			FY 2020/21									
	Equitable Share	Total Allocations	Allocation Ratio	Equitable Share	Level-5 Hospitals	Compensation for user fees foregone	Rehabilitation of Village Polytechnics	Road Maintenance Levy Fund	Licensing of Medical Equipment	Supplement for construction of county headquarters	Loans & Grants	Total Allocations	Per capita allocation (KSh)
Baringo	5,095,650,000	5,735,598,489	1.62	5,127,300,000	-	13,191,000	20,494,894	152,818,903	132,021,277	-	434,339,263	5,880,165,337	10,384
Bomet	5,507,100,000	6,316,709,334	1.74	5,507,100,000	-	16,713,357	48,995,894	164,138,822	132,021,277	-	470,975,357	6,339,448,705	8,754
Bungoma	8,899,930,000	10,323,135,388	2.83	8,956,950,000	-	32,837,306	67,849,894	266,961,417	132,021,277	-	376,922,526	9,833,512,420	6,029
Busia	6,013,500,000	6,850,420,495	1.93	6,108,450,000	-	16,934,085	57,199,894	182,062,027	132,021,277	-	437,658,804	6,954,326,086	14,248
Elgeyo/Marakwet	3,861,300,000	4,531,745,040	1.22	3,861,300,000	-	8,788,919	27,904,894	115,085,841	132,021,277	-	431,406,116	4,596,507,046	12,423
Embu	4,304,400,000	5,485,859,024	1.44	4,357,600,000	301,040,462	10,724,225	34,249,894	135,839,025	132,021,277	-	384,183,435	5,555,658,317	10,762
Garissa	7,026,500,000	8,654,383,282	2.22	7,026,500,000	344,719,884	12,964,636	17,899,894	209,418,497	132,021,277	-	934,781,540	8,678,125,727	13,028
Homa Bay	6,741,450,000	7,721,872,171	2.13	6,741,450,000	-	22,185,346	40,995,894	200,928,538	132,021,277	100,000,000	577,117,295	7,446,401,693	7,766
Isiolo	4,241,100,000	5,031,755,943	1.32	4,177,800,000	-	3,472,461	5,344,894	124,519,106	132,021,277	-	539,702,274	5,120,275,032	35,733
Kajiado	6,424,550,000	7,417,723,307	2.02	6,393,300,000	-	16,955,365	28,504,894	190,551,966	132,021,277	-	7,321,055,775	12,071,076,824	10,652
Kakamega	10,412,850,000	12,119,705,238	3.34	10,571,100,000	427,383,237	37,789,290	102,945,894	315,071,072	132,021,277	-	485,462,055	12,071,076,824	7,269
Kericho	5,380,500,000	6,312,205,681	1.72	5,443,800,000	-	18,048,789	22,444,894	162,252,169	132,021,277	-	445,266,392	6,223,833,520	8,207
Kimbu	9,431,700,000	12,841,250,928	3.11	9,845,150,000	538,716,763	34,671,542	61,984,894	293,374,561	132,021,277	-	357,387,255	11,261,306,291	6,937
Kilifi	10,444,500,000	12,458,238,784	3.35	10,602,750,000	-	23,969,864	79,999,894	316,014,598	132,021,277	-	1,253,234,710	12,409,900,143	11,183
Kisumu	7,785,900,000	9,341,831,923	2.47	7,817,500,000	-	11,282,570	26,899,894	127,349,086	132,021,277	-	795,037,247	4,865,940,073	7,214
Kisumu	6,836,400,000	8,713,938,639	2.16	6,836,400,000	-	26,138,997	70,549,894	233,001,661	132,021,277	-	364,718,901	9,061,552,083	7,864
Kiui	8,350,350,000	10,105,524,197	2.8	8,862,000,000	-	22,499,906	45,345,894	203,758,538	132,021,277	-	425,782,038	8,033,628,576	8,291
Kwale	7,785,900,000	9,196,541,797	2.42	7,659,300,000	-	15,209,593	56,299,894	264,131,438	132,021,277	-	323,077,845	9,695,879,359	9,574
Laikipia	4,177,800,000	4,775,259,988	1.52	4,810,800,000	-	9,968,208	18,219,894	143,385,028	132,021,277	-	732,337,859	8,233,453,359	13,576
Lamu	2,595,300,000	3,271,800,295	0.87	2,753,550,000	-	2,451,034	50,299,894	82,069,411	132,021,277	50,000,000	412,138,832	5,526,633,848	13,843
Machakos	7,754,250,000	9,944,924,657	2.54	8,039,100,000	383,383,815	24,139,039	62,749,894	239,604,947	132,021,277	-	453,357,718	3,523,749,334	34,703
Makueni	7,406,100,000	8,532,765,528	2.3	7,279,500,000	-	19,435,760	68,299,894	216,965,109	132,021,277	-	388,984,714	8,105,206,753	9,163
Mandera	10,222,550,000	11,286,152,190	3.23	10,222,550,000	-	25,474,920	15,049,894	304,694,480	132,021,277	-	681,208,984	11,381,399,554	11,096
Marsabit	6,773,100,000	7,647,080,951	2.17	6,868,050,000	-	6,643,714	10,699,894	204,701,864	132,021,277	-	616,904,659	7,839,021,407	26,923
Meru	8,039,100,000	9,393,443,078	2.56	8,102,400,000	373,872,832	31,648,428	58,249,894	241,491,000	132,021,277	-	320,613,089	9,260,297,120	6,828
Migori	6,773,100,000	8,214,478,026	2.17	6,868,050,000	-	21,655,884	36,439,894	204,701,864	132,021,277	-	332,385,398	7,595,254,316	8,281
Mombasa	7,057,950,000	9,486,367,295	2.35	7,437,750,000	388,439,306	23,385,934	18,484,894	221,681,742	132,021,277	-	1,292,369,448	9,514,152,601	10,128
Muranga	6,298,350,000	7,233,225,488	2.04	6,456,000,000	-	20,138,691	97,999,894	192,438,019	132,021,277	-	423,235,015	7,332,433,495	7,768
Narok	15,919,950,000	16,800,884,386	5.04	15,951,600,000	-	79,423,251	16,009,894	475,436,588	132,021,277	-	166,720,323	16,871,211,332	5,360
Nakuru	10,476,150,000	12,972,701,629	3.08	9,748,200,000	373,872,832	38,723,265	66,289,894	290,544,581	132,021,277	-	327,483,267	10,977,135,116	6,846
Nandi	5,348,850,000	6,402,316,832	1.7	5,380,500,000	-	18,086,363	27,912,894	160,365,516	132,021,277	-	433,775,389	6,152,668,438	8,171
Narok	8,039,100,000	9,978,106,427	2.25	7,121,250,000	-	20,595,297	16,084,894	212,248,477	132,021,277	-	404,396,553	7,906,596,496	9,292
Nyanza	4,810,800,000	5,729,209,017	1.55	4,905,500,000	-	13,175,221	60,469,894	146,215,617	132,021,277	50,000,000	549,161,906	5,806,335,915	9,766
Nyandarua	4,874,100,000	5,693,650,100	1.55	4,905,500,000	-	12,735,922	30,949,894	146,215,617	132,021,277	-	484,866,657	5,762,539,507	9,664
Nyeri	5,412,150,000	6,716,240,413	1.61	5,095,650,000	407,861,272	13,701,379	48,949,894	151,875,577	132,021,277	-	413,326,122	6,263,385,519	9,031
Samburu	4,620,900,000	5,442,873,499	1.26	3,987,900,000	-	5,235,578	10,549,894	118,859,147	132,021,277	-	335,728,670	4,590,294,565	20,497
Siaya	5,791,950,000	6,542,494,466	1.85	5,855,250,000	-	18,194,808	48,199,894	174,515,414	132,021,277	-	482,239,557	6,710,440,949	7,967
Taita Taveta	4,241,100,000	5,288,651,135	1.39	4,399,350,000	-	5,296,305	57,634,894	131,172,392	132,021,277	-	794,109,323	5,519,594,190	19,390
Tana River	5,855,250,000	6,693,314,719	1.77	5,602,050,000	-	5,682,537	14,674,894	166,968,002	132,021,277	50,000,000	550,425,744	6,524,823,253	27,166
Thika/Ngini	3,924,600,000	4,540,544,890	1.22	3,861,300,000	-	8,218,119	60,799,894	175,085,841	132,021,277	50,000,000	489,787,815	4,777,212,945	12,912
Trans Nzoia	5,760,300,000	6,976,361,734	1.83	5,791,950,000	-	21,304,915	43,609,894	172,628,761	132,021,277	-	363,274,338	6,525,089,184	7,970
Turkana	10,539,450,000	11,835,530,006	3.34	10,571,100,000	-	25,634,941	12,709,894	315,071,072	132,021,277	-	809,914,377	11,866,451,560	13,872
Uasin Gishu	6,330,000,000	7,801,490,366	1.91	6,045,150,000	-	20,813,065	40,129,894	180,175,373	132,021,277	-	504,253,916	6,922,543,525	7,742
Wajir	4,652,550,000	5,801,784,214	1.43	4,525,950,000	-	12,637,201	69,979,894	134,895,086	132,021,277	-	388,286,930	5,263,791,000	9,401
Wajir	8,545,500,000	9,670,631,024	2.7	8,545,500,000	-	15,784,997	14,074,894	254,698,172	132,021,277	-	771,895,369	9,833,975,708	14,856
West Pokot	5,000,700,000	5,703,288,726	1.58	5,000,700,000	-	12,128,484	17,749,894	149,045,597	132,021,277	-	502,634,431	5,814,279,682	11,341
GRAND TOTAL	316,500,000,000	373,595,091,894	100.0	316,500,000,000	4,326,000,000	900,000,000	2,000,000,000	9,433,265,025	6,205,000,000	300,000,000	30,204,347,510	369,868,613,135	11,945

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## **4.6 Emerging Issues**

### **4.6.1 County Corporations**

256. Section 182 of the PFM Act allows County Governments to create County Corporations for Investment purposes or to take care of County Government interests. However, some County Governments have created, or have proposed to create multiple Corporations which cannot financially sustain themselves leaving them to depend on the county revenues to run their operations. This poses a major threat to the wage bill, which many counties are currently struggling with. To address this, discussions are ongoing among the Salaries and Remuneration Commission (SRC), National Treasury, Council of Governors, State Department of Devolution and other stake holders on how this will be addressed.

### **4.6.2 County Borrowing**

257. Section 58 (2) of the PFM Act sets out the conditions that a County Government should meet before obtaining a credit guarantee from the National Government. Some of these conditions include compliance with the Fiscal Responsibility Principles and a demonstration that financial position of the borrower over the medium term is likely to be satisfactory among others. In the recent past, some counties have been obtaining unqualified audit reports and there are indications that some County Governments are in the right direction as far as the borrowing requirements are concerned. To this end, the World Bank in conjunction with CRA unveiled the Credit Worthiness Academy for the County Governments and financial officials with a view of helping them to master the underlying principles of creditworthiness. At the moment, counties are voluntarily participating in this self-assessment programme.

### **4.6.3 County Revenue Management System**

258. To address the challenges that county governments face with respect to revenue administration, the National Treasury constituted a multiagency team to develop an Integrated Revenue Collection System for County Governments. This team is currently working on the best option for the County Governments that will enhance efficiency and create value for money for the County Governments. The team will be expected to give a way forward within the FY 2019/20.

### **4.6.4 Conditional Grants**

259. The National Government since FY 2014/15 has been allocating additional conditional allocations to County Governments based on its policy priorities.

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However, it was realized that Ministries, State Departments and Agencies (MDAs) and Development Partners (DPs) had over the years been making late submissions of requests for additional conditional allocations to County Governments for inclusion in Division of Revenue Bill (DoRB) and County Allocation of Revenue Bill (CARB). These late submissions often required National Treasury to make requests to Parliament to make amendments to the two bills in order to accommodate the new grants as requested. Further it was also noted that there had been inconsistencies in the frameworks for management of these grants as submitted by MDAs with the Treasury Circular No. 8/2017 on “Guidelines for the Management of Intergovernmental Fiscal Transfers in Kenya”.

260. In order address the above challenges and institutionalize Management of Intergovernmental Fiscal Transfers. The National Treasury and Planning organized for a stakeholder workshop in May, 2019. To this end, only additional conditional allocations with duly signed financing agreements, approved donor commitment and counterpart funding having been secured at the sector should be submitted for inclusion in DoRB and CARB. Any additional conditional allocations not included in DoRB and CARB by January should be held in abeyance till the next financial year.

261. Further, all disbursement should be done through the National Treasury pursuant to Circular No. 8/2017. Otherwise, any financing agreement in respect of funds flow and disbursement inconsistent with PFMA, its Regulations and this circular should be amended accordingly. In this regard, the MDAs should notify the National Treasury to disburse the funds and notify the county governments of any disbursement.

## 4.6.5 Financing of Urban Areas and Cities

262. The Constitution of Kenya (2010) and the Urban Areas and Cities Act (UACA) 2011 conferred the responsibility for local urban services delivery previously performed by local authorities to county governments, including refuse removal, solid waste disposal, storm water management, water and sanitation, informal settlements, housing, public mass transport, and electricity and gas reticulation. The composition of most counties is predominantly rural, and county governments have the responsibility to share a common pool of resources to ensure service delivery over both urban and rural areas.

263. Five cities have been recognized since adopting of the UACA, 2011: Nairobi, Mombasa and Kisumu were recognized as cities with passing of the Act in 2011, while Nakuru and Eldoret were recognized with amendment to the UACA in 2017. Though County Governments have established cities and municipal boards, in line with the provisions UACA provision of basic services including sewage systems, water reticulation, solid waste disposal, and storm water drainage remains poor in urban areas across the country. Further Population density presents unique service delivery challenges in cities. Kenya is urbanizing rapidly, with half of the country’s population expected to live in urban areas by 2033. Currently, over



30% of the population lives in cities, with more than 250,000 individuals moving to cities and urban areas every year.

264. With the population growth of cities, there has been an urbanization of poverty with 22% of the population in the Kenya's five cities living in slums. The number of individuals living in slums varies significantly by city, with 36% of residents in Nairobi living in slums while 24% of Mombasa residents living in slum areas. Conversely, cities account for the majority of global economic growth and centers of employment and high productivity. Nairobi alone accounts for 22 percent of the national GDP, and the five counties together account for 39 of the national GDP.

265. The framework for management of urban areas has been weak in the current arrangement under devolution. The lack of clarity in the UACA regarding the urban hierarchy and the absence of regulations to operationalize the Act have discouraged most county governments from issuing Figureers and establishing urban boards. Kenyan urban centres are not currently able to meet the rapidly growing demands for infrastructure and services due to poor management and limited investment. Rapid urbanization has left Kenyan cities with huge unmet demand for critical infrastructure and basic services, which has constrained the productivity of businesses and negatively impacted the quality of life of residents. Access to key urban services including sewerage systems, water reticulation, solid waste disposal, and storm water drainage and mass transport systems remains poor.

266. There have been initiatives to address the challenges of financing of cities and urban areas. The National Government has continued to invest in cities and municipalities in Kenya. Some of this programmes include;

**a) Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG).**

267. There are two types of grants under KUSP, namely the Urban Infrastructure Grant (UIG) and Urban Development Grant (UDG). UIG, which came to end the last Financial Year, 2019/20 was supporting the participating County Governments in formulation of Urban Development Plans including the establishment and operation of urban institutional arrangements such as charters and boards. UDG is still running and has been allocated Ksh 6.4 Billion for the FY 2020/21. The grant is meant to strengthen the urban institutions and allocation among counties will be based on performance.

**b) Nairobi Metropolitan Services Improvement Project (NaMSIP)**

268. NaMSIP supports the growth of the Nairobi Metropolitan Region (NMR) into a world class African metropolis through the design and implementation of critical urban services including transport, storm water management, street lighting and disaster management, sanitation and solid waste management. It is implemented in collaboration with five County governments which comprise the NMR namely; Nairobi, Kiambu, Machakos, Kajiado and Murang'a. The Project is part of a metro-wide development initiative and is financed by the National Government of Kenya with support from the World Bank at a cost US\$300 million

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and US\$30 from government as counter fund. The project started on 17<sup>th</sup> December 2012 and is due for completion on March 31<sup>st</sup> 2020.

269. From the foregoing, there is need to come up with innovative ways of financing cities and urban areas. The National Treasury has identified monitoring and evaluation of the fiscal and financing framework for urban areas and cities as one of its strategic goals. In this regard, Ministry of Devolution and ASAL, National Treasury and Planning, Ministry of Infrastructure Housing and Urban Development and County Governments will engage stakeholders to come up with innovative ways of financing urban areas and cities for enhanced service delivery.

#### **4.6.6 Equalization Fund**

270. There is a High court ruling declaring that among other things the guidelines on administration of equalization fund unconstitutional null and void. This will have a bearing on the implementation of ongoing projects, including possible litigation from contractors, due to disruption of the administrative structure of the Fund. Towards this end, the National Treasury has sought the legal opinion of the Attorney General (AG) on the bearing of the Court decision and especially on completed and ongoing projects which may attract litigation from the contractors. The National Treasury, in consultation with stakeholders will prepare a policy and or a statutory instrument on administration of the equalization fund in line with the direction of the court.

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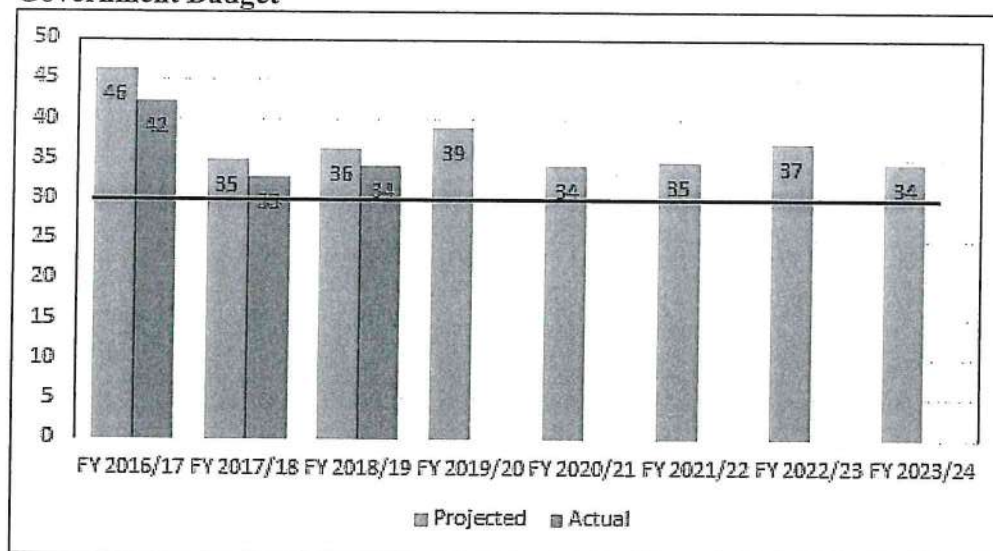


## ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

1. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows:

- a) Consistent with the requirements of the law, the National Government's allocation to development expenditures has been above the 30 percent of its total expenditures. In the FY 2018/19, the allocation to development expenditures to the total expenditures was 34 percent meeting the set threshold. In the fiscal outlays presented in this BPS, the National Government continue to observe this requirement and has allocated more than 30 percent of total expenditures to development in FY 2020/21 and over the medium term (**Figure 1.1**).

**Figure 1.1: Development Expenditures as a Percent of Total National Government Budget**

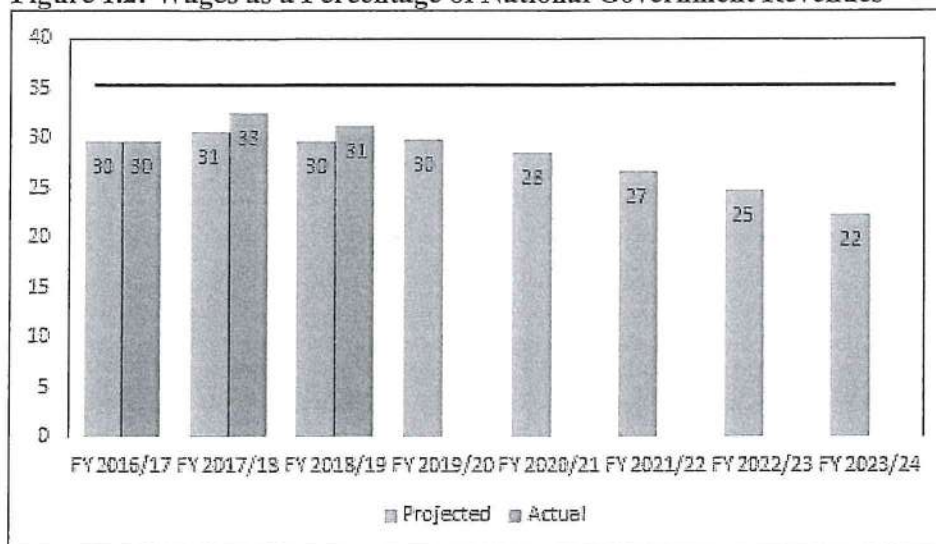


Source: National Treasury

- b) The law requires that the National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National

Government pursuant to Article 209 (4) of the Constitution. In conformity to this regulation, the National Government share of wages and benefits to revenues was 31.0 percent in the FY 2018/19, and is projected at 30.0 percent in the FY 2019/20, declining to 22.0 percent by FY 2023/24 (Figure 1.2).

**Figure 1.2: Wages as a Percentage of National Government Revenues**



*Source: National Treasury.*

- c) The principle of ensuring that the national government's borrowings is used only for purposes of financing development expenditure and not for recurrent expenditure as per the PFM Act section 15(2) (c) is adhered to by the National Treasury as finances raised through borrowing are used to finance only development projects as approved by parliament in the National budget.
- d) The Act also requires that the National Treasury ensures that public debt and obligations remain at sustainable levels. The Government is committed to adhering to this at all times. Kenya's overall debt ratios compared with internationally recognized threshold continues to show that debt level remains sustainable.
- e) For the external debt sustainability, Kenya's risk remain as moderate, however, this is expected to be temporary as implementation of fiscal consolidation reforms continue.
- f) To manage fiscal risks prudently as required, the Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget. Potential fiscal risks arising from contingent liabilities, including from Public Private



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Partnership projects among others are taken into account and a contingency provision made to cushion the economy from unforeseeable shocks.

- g) On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government continues to carry out tax reforms through modernizing and simplifying tax laws. In order to lock in predictability and enhance compliance with tax system, the Government through the Finance Act, 2018, amended the Income Tax Act, Excise Duty Act, VAT Act and the Tax Procedures Act.

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## ANNEX 2: STATEMENT OF SPECIFIC FISCAL RISKS

### Introduction

1. Kenya's economic growth has remained strong and resilient amidst emerging global challenges, unfavourable weather conditions and elevated public expenditure pressures coupled by revenue underperformance. However, the economy is prone to both domestic and external shocks. For prudent management of risks, the PFM Act, 2012 requires the preparation of a "Statement of Fiscal Risks."

2. This section provides an assessment of fiscal risks that the Kenyan economy is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this Budget Policy Statement. The fiscal risks arise from assumptions that underlie fiscal projections, the dynamics of public debt, and operations of state corporations, contingent liabilities, financial sector vulnerabilities and natural risks. Emergence of these risks could make it difficult for the Government to actualise and sustain macroeconomic policies detailed in this BPS. Thus, this section also details the measures that the Government is implementing to mitigate such risks.

### Risk in Changes in Macroeconomic Assumptions

3. Macroeconomic variables play a key role in the formulation of the budget. Kenya's economy is projected to grow at 6.1 percent in 2020 with inflation rate expected at 5.0 percent which is within the government target range. The economy is expected to remain competitive in the external market with the exchange rate against major currencies remaining stable. The unexpected changes in these outcomes may pose risks to both revenue and expenditure projected in this BPS. **Table 2.1** summarizes the likely impact of such changes on the fiscal outcomes.

**Table 2.1: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2020/21 – 2023/24**

	Revenue				Expenditures				Budget Balance			
	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24
Reduction in real GDP (%) by 1.0 % point	-18.0	-20.0	-22.3	-25.0	-8.4	-9.2	-10.2	-11.4	-9.6	-10.7	-12.1	-13.7
Increase in inflation rate (%) by 1.0 % Point	19.9	23.5	26.1	29.2	8.8	9.8	10.8	12.0	11.0	13.7	15.3	17.2
Depreciation in exchange rate (Ksh/US\$) by 10%	11.3	12.6	12.9	13.4	7.9	8.6	9.5	10.5	3.4	4.0	3.4	2.9
Increase in value of imported goods (US\$) by 10%	9.0	0.8	0.9	1.0	0.0	0.0	0.0	0.0	8.9	0.8	0.9	1.0
All shocks Combined	23.1	16.8	17.5	18.5	8.3	9.1	10.0	11.1	14.8	7.7	7.5	7.4

*Source: National Treasury*



4. Stress test (**Table 2.1**) shows that if the projected real GDP growth in 2020 was to decline by one percent (from 6.1 percent to 5.1 percent), both revenues and expenditure would be on a downward path. Revenues would decline by Ksh 18.0 billion while expenditures would decline by Ksh 8.4 billion in FY2020/21. Going forward, this shock would result to a decline in revenues by Ksh 2 billion in FY 2021/22, Ksh 2.3 billion in 2022/23 and cumulatively by Ksh 25.0 billion in FY 2023/24. Similarly, the shock would reduce expenditure by Ksh 0.8 billion, Ksh 1.0 billion in 2021/22 and FY 2022/23 respectively. Cumulatively, expenditures would decline by Ksh 11.4 billion over the medium term. The shock would result to a net decline of Ksh 9.6 billion in FY 2020/21 and Ksh 13.7 billion over the medium term.

5. If the projected inflation rate for 2020 were to be increased by one percent (from 5 percent to 6 percent), revenues and expenditures would increase by Ksh 19.9 billion and Ksh 10.8 billion respectively in FY 2020/21 resulting to a net increase in revenue of Ksh 11.1 billion. In the outer years, the shock would reduce revenues by Ksh 3.6 billion in FY 2021/22, Ksh 2.6 billion in FY 2022/23 and Ksh 29.2 billion cumulatively over the medium term. Similarly, expenditures would increase by Ksh 1.0 billion in FY 2021/22 and FY 2022/23 with a cumulative increase of Ksh 12.0 billion in FY 2023/24. This would result to a net revenue increase of Ksh 17.2 billion over the medium term.

6. Supposing the Kenya shilling depreciates against US dollar by 10 percent, revenues and expenditures would increase by Ksh 13.4 billion and Ksh 10.5 billion respectively over the medium term reflecting a net increase in revenues by Ksh 2.9 billion. The revenue for FY 2020/21 would increase by Ksh 9.0 billion if the estimated value of imports for 2020 were to increase by 10 percent but would not significantly change in the outer years. Overall, if all the shocks were to be applied concurrently, revenues and expenditures would increase by Ksh 23.1 billion and Ksh 8.3 billion in FY 2020/21. On net basis, revenues would increase by Ksh 7.4 billion cumulatively over the medium term.

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

7. Overall, the macroeconomic assumptions underlying the recent budgets and actual budget outturn have generally been accurate with minimal deviations as shown in **Table 2.2**.

8. Over the period 2016/17-2019/20, the average deviation between the assumed and provisional actual real GDP growth rates was 0.4 percentage points. With respect to inflation assumptions, the largest deviation was 3.1 percent in FY 2016/17 and averaged 0.7 percentage points over 2016/17-2019/20. The Kenya Shilling has remained less volatile, strengthening by 0.6 percent against the US dollar in the FY 2019/20.

9. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2016/17 and FY 2019/20 fell short of its target by an average of Ksh 131.3 billion mainly on account of underperformance

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in ordinary revenue which was below target by an average of Ksh 140.0 billion. The A-I-A was above its target by an average of Ksh 16.9 billion.

10. The average deviation of total expenditure and net lending between FY 2016/17 and FY 2019/20 was an underspending of Ksh 88.7 billion. This shortfall was mainly due to lower absorption in development expenditures of Ksh 81.0 billion.

11. The lower-than-projected spending on development expenditure poses a risk to the fiscal program, going forward. In order to prevent this risk from materializing and improve efficiency of public investments, the National Treasury froze initiation of new capital projects until the completion of the ongoing ones. The National Treasury has also established the Public Investment Management Unit which is responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget.

**Table 2.2: Deviations in Macroeconomic and Fiscal Aggregates**

	2016/17			2017/18			2018/19			2019/20			Average Deviations	Standard Deviations
	Proj.	Act.	Dev.	Proj.	Act.	Dev.	Proj.	Act.	Dev.	Proj.	Pre Act.	Dev.		
<b>I. Key Macroeconomic Assumptions</b>														
Real GDP	6.1%	5.4%	-0.7%	6.2%	5.6%	-0.6%	5.9%	5.9%	0.0%	6.2%	5.8%	-0.4%	-0.4%	0.5%
Inflation Rate (avg)	5.0%	8.1%	3.1%	5.0%	5.2%	0.2%	5.0%	4.9%	-0.1%	5.4%	5.1%	-0.3%	0.7%	1.6%
Exchange rate (Ksh/US\$), avg		102.4			102.4			102.4			101.8			
Export growth		-3.9%			0.8%			5.4%			5.6%			
Import growth		-12.2%			18.3%			5.7%			2.0%			
<b>II. Fiscal Aggregates (in Ksh billion)</b>														
Total Revenue	1500.5	1439.6	-60.9	1704.5	1522.5	-182.0	1949.2	1698.8	-250.4	2115.9	2084.2	-31.7	-131.3	158.54
Ordinary Revenue	1376.4	1306.6	-69.9	1549.4	1365.1	-184.3	1769.2	1496.9	-272.3	1877.2	1843.8	-33.4	-140.0	168.90
AiA	103.9	114.1	10.2	134.0	136.6	2.7	155.2	180.6	25.4	211.0	240.4	29.4	16.9	20.12
Grants	72.7	27.0	-45.8	58.8	27.6	-31.2	48.5	48.5	0.0	38.8	41.8	3.0	-18.5	27.74
Total Expenditure	2275.6	2111.9	-163.7	2298.8	2146.7	-152.1	2557.2	2433.7	-123.6	2789.5	2874.2	84.6	-88.7	134.49
Recurrent	1168.5	1165.0	-3.4	1335.3	1349.9	14.6	1550.0	1531.1	-19.0	1760.3	1760.0	-0.3	-2.0	12.10
Development	817.3	641.8	-175.4	612.8	469.5	-143.3	625.7	541.9	-83.8	652.3	730.8	78.5	-81.0	126.98
Domestic	395.5	387.0	-8.5	366.3	266.0	-100.2	364.9	307.0	-57.9	390.2	442.5	52.3	-28.6	63.65
External	413.6	246.4	-167.2	236.4	201.0	-35.5	249.8	225.4	-24.4	255.8	281.9	26.2	-50.2	87.33
Net Lending	2.1	2.4	0.3	2.4	2.5	0.1	2.5	2.5	0.0	0.6	0.6	0.0	0.1	0.17
Equalization Fund	6.0	6.0	0.0	7.7	0.0	-7.7	8.5	7.0	-1.5	5.8	5.8	0.0	-2.3	3.93
County Allocation	284.8	305.0	20.2	345.7	327.3	-18.4	376.5	360.7	-15.7	371.8	378.3	6.5	-1.9	16.11
Balance	-702.3	-659.5	42.8	-535.5	-631.3	-95.9	-559.6	-721.1	-161.5	-634.8	-657.4	-22.5	-59.3	96.96
Financing	702.3	697.2	-5.1	535.5	631.3	95.9	559.6	721.1	161.5	634.8	657.4	22.5	68.7	94.60
Net Foreign Financing	462.3	385.7	-76.5	256.0	355.0	99.0	287.0	414.5	127.5	331.3	353.5	22.1	43.0	90.02
Net Domestic Financing	236.1	309.2	73.1	275.7	273.7	-2.0	268.7	303.7	35.0	300.3	300.7	0.4	26.6	40.53
<b>Memo Items:</b>														
Nominal GDP (Ksh billion)	7259.0	7658.1	399.1	8689.9	8524.7	-165.2	9726.6	9348.3	-378.4	10765.7	10355.4	-410.3	-138.67	352.87

*Source: National Treasury*

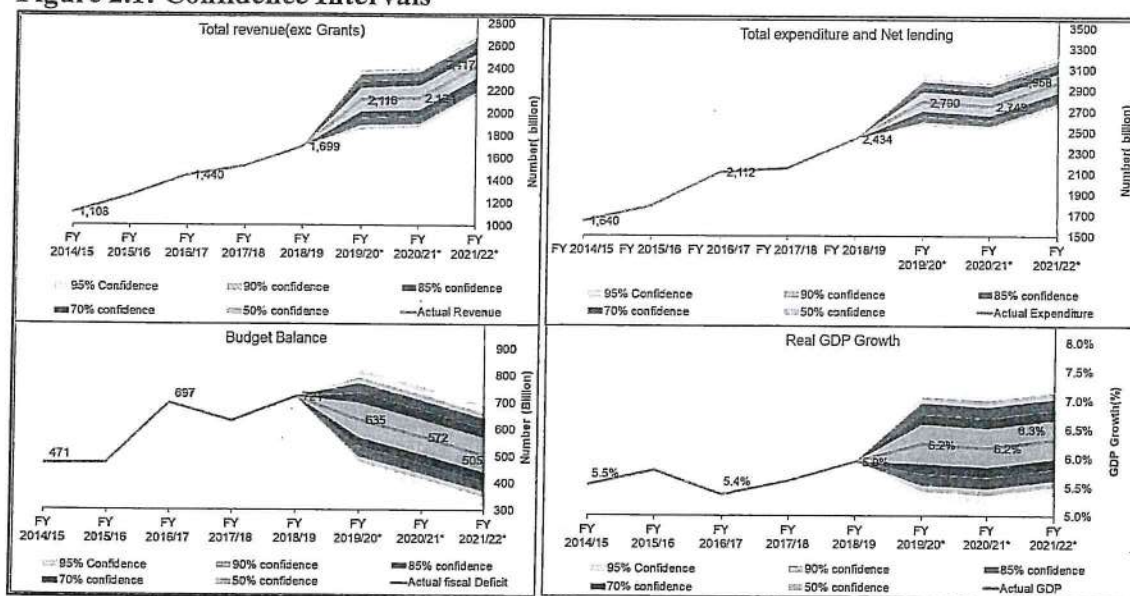
12. Real GDP is projected to grow by 5.8 percent in 2019/20 with a 90 percent confidence level ranging between 5.7 percent and 6.8 percent at 0.5 percent standard deviation. There is a 90 percent chance that the forecasted total revenue in FY 2019/20 is within the actual revenue range of Ksh 2,345.0 billion and Ksh 1,823.4 billion and a 70 percent possibility between Ksh 2,249.1 billion and Ksh 1,919.3 billion with a standard deviation of Ksh 158.4 billion.

13. There is a 90 percent confidence, that the forecasted expenditure of Ksh 2,789.5 billion in FY 2019/2020 is the actual value and will range between Ksh



3,010.8 billion and Ksh 2,568.3 billion, with a 134.49 percent standard deviation. The fiscal deficit will therefore fall between Ksh 733.2 billion and Ksh 536.45 billion at a 70 percent confidence level with a standard deviation of Ksh 94.6 billion.

Figure 2.1: Confidence Intervals



Source: National Treasury

## SPECIFIC FISCAL RISKS

14. This section covers specific fiscal risk that Kenya faces. Most of these risks have a linkage to infrastructure expansion in the country, a critical priority for the Government, which elevates the importance of effective risk management. The specific fiscal risks include:

- Foreign exchange depreciation effect on the public debt service;
- Materialization of Explicit Contingent Liabilities
- Materialization of Implicit Contingent Liabilities
- Fiscal Risks Related to Devolution

### Foreign Exchange Depreciation Effect on the Public Debt Service

15. Kenya faces a fiscal risk in the event of depreciation of the Kenya Shilling due to the fact that 50 percent of the debt is held in external currencies. Such an event will lead to increase in debt service over and above the Consolidated Fund Services (CFS) budget in local currency. Prudent macroeconomic management (including monetary policy and fiscal consolidation) will help keep the exchange rate stable.

16. In addition, contracting of new debt on short term maturities increases the refinancing risk. To cushion the country against the downsides of the risks emanating from the global sphere, the Government is deepening reforms in the

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domestic debt market to ensure a stable and strong financial system in Kenya capable of funding increasing share of the fiscal deficits.

## **Materialization of Explicit Contingent Liabilities**

### **State Corporations/State Owned Enterprises (SOEs)**

#### *Governance*

17. A presidential taskforce was constituted and key among its recommendations was restructuring of State-owned corporations. In line with a presidential directive to implement these recommendations, the Government was able to successfully restructure the debt and equity of Kenya Airways with the goal of tapping into the airline's potential and critical role in making Nairobi an international travel hub in the region. Some of the State Corporations undergoing restructuring include;

- i. Reforming the Agricultural Finance Corporation (AFC) to help deliver on its mandate of ensuring food and nutrition security within "The Big Four" Plan through provision of cheap credit to farmers; and
- ii. Consolidation of Industrial and Commercial Development Corporation (ICDC), IDB Capital, and Tourism Finance Corporation (TFC) to form Kenya Development Bank to boost manufacturing under "The Big Four" Plan.

18. The unbundling of regulatory functions in the ICT sector has unlocked great potential in the technological and financial sectors that are major drivers of the economy. These reforms premised on Government policy of a private sector led economy resulted in privatization of some Corporations like Kenya Commercial Bank which is now a major driver in the banking industry. Further, this led to the establishment of Safaricom by Government in partnership with private sector players. Safaricom has played a significant role in the economy by creating employment opportunities, remitting reasonable dividends to the national exchequer and tax revenues.

19. The Government has continued to strengthen corporate governance of State Corporations through the Mwongozo guidelines. This, together with the establishment and operationalization of audit committees and risk management frameworks for Government entities including State Corporations under the PFM Act/Regulations are geared towards enhancing capacity for effective delivery of strategic objectives on behalf of the Government. In addition, the Capital Market Authority has issued Regulations under the Capital Market Act (Cap 486) on code of governance requirements to be observed by companies listed at the NSE. This will enhance accountability, transparency and full disclosure by Companies listed in NSE which include Government-linked entities.



*Restructuring of State Corporations/State Owned Enterprises (SOEs)*

20. In order to enhance the contribution of the State Corporations to the Country's economic and social progress, key reforms aimed at addressing systemic weaknesses and challenges facing the individual institutions in the Parastatals sub-sector will be pursued. The specific restructuring initiatives will include merging of the Industrial and Commercial Development Corporation (ICDC) with the Industrial Development Bank (IDB) and the Tourism Finance Corporation (TFC) to create the Kenya Development Bank with enhanced capacity to meet the financing requirements of key sector; and implementation of initiatives to address the challenges of government investments in the banking sector. The merging process of ICDC, TFC and IDB are at an advanced stage. It is noted that in 2018/2019 FY, the merging of Export Promotion Council and Brand Kenya was completed to form the Kenya Export Promotion and Branding Agency (KEPROBA).

21. The Government Privatization Programme remains on course. The Privatization objectives aims at unlocking the potential of the identified institutions to capacity expansion, modernization, performance and efficiency improvement, mobilization of private capital, improved competitiveness and reduced reliance on public financing. Arising from change in policy objectives however, the Cabinet approved the removal of Kenya Pipeline Company, KenGen, New KCC and National Bank of Kenya from the privatization program in 2018/2019 FY.

- i. On privatization of hotels, the offer to transfer shares of TFC made in 2014 by the Privatization Commission of Kenya to the other shareholders of Hilton Hotel, Intercontinental Hotel, Mountain Lodge and The Ark Hotel expired without successful offers. The PCK has therefore restarted the privatization process of these hotels. The privatization process of other hotels i.e. Kabarnet Hotels, Mt Elgon Hotel Limited, Kenya Safari Lodges and Hotels is ongoing.
- ii. In regard to the privatization of sugar companies, structured engagements with all primary stakeholders in the sugar industry are on-going. Consultations have been held with the Council of Governors with a view to identifying sustainable solutions to the challenges facing the operations of the state-owned sugar milling companies.

*National Government Loans and Guarantees to State Corporations*

22. Under the State Corporations Act, State Corporations have legal capacity to contract debts and other liabilities to finance their requirements. Approval to procure such loans however, must be obtained from the Parent Ministry with the concurrence of the National Treasury as required under the State Corporations Act. Government Loans to State Corporations are either direct or on-lent. Direct loans refer to loans that the Government lends to State Corporations from exchequer resources. On the other hand, on lent-loans are procured by GOK mainly from

bilateral and multilateral sources and on-lend to State Corporations. Capital grants or loans to State Corporations are effected through a Subsidiary Loan/ Grant Agreements between the National Treasury and the individual State Corporations. The Loan/Grant Subsidiary Agreements spell out the terms and conditions of the financing.

23. When a State Corporation's Statement of Financial Position is not able to support a debt for a project that is of national importance, the National Government may be called upon to provide a guarantee. The National Treasury however, provide a guarantee upon approval by Parliament. The debt may be denominated in foreign or domestic currencies. As at 30<sup>th</sup> June, 2019 total outstanding Government guaranteed debt was Ksh 159,405 million from Ksh 138,803 million as at 30<sup>th</sup> June, 2018. It is to be noted that even though the Government did not issue new guarantees during FY 2018/2019, the total stock of guarantees increased. The increase to the tune of Ksh 20,602 million was attributed to drawdown of the already guaranteed debt as detained in the Table below.

**Table 2.3 National Government Loans and Guarantees to State Corporations (Ksh Million)**

Agency	June 30 2016	June 30 2017	June 30 2018	June 30 2019
KBC	2,224	1,386	1,035	357
Tana and Athi River Dev. Authority	1,156	811	673	279
East Africa Portland Cement	1,438	1,008	836	346
KenGen	29,571	27,700	25,784	43,035
KPA	22099	21,825	30,141	34,061
KRC	4,044	4,667	4,547	4,603
Kenya Airways	0	77,784	75,787	76,724
<b>Total</b>	<b>60,532</b>	<b>135,181</b>	<b>138,803</b>	<b>159,405</b>

24. Except for Kenya Broadcasting Corporation, East African Portland Cement and Tana Athi River Development Authority who have defaulted in their obligation to repay GoK guarantee loans, the other State Corporations are servicing their loans. In 2017/2018 Financial Year, GoK paid a total sum of Ksh 1,374 million on behalf of State Corporations that were in financial distress that comprised of Ksh 301 million on behalf of Tana Athi River Development Authority, Ksh 379 million on behalf of East African Portland Cement and Ksh 739 million on behalf of Kenya Broadcasting Corporation.

#### *Contingent Liabilities of SOEs*

25. While liabilities of state-owned enterprises constitute a potential source of fiscal risk, they are currently not a major cause of concern. The government is cautious in issuance of guarantees and other support measures to the state owned enterprises. However, as the principal owner of all State Corporations/State Owned Enterprises, the Government is the natural underwriter of risk that they face.

26. Contingent liabilities are potential liabilities that may occur depending on the outcome of uncertain future event and are generally not shown in the statement of



financial position, but must be given adequate disclosure. However, a contingent liability is only recorded in the financial statements if the contingency is probable and the amount of the liability can reasonably be estimated. Contingent liability can be explicit or implicit. Explicit contingent liabilities are specific government obligations established by law or a contract authorized by law. The government is legally mandated to settle such an obligation when it becomes due. On the other hand, implicit contingent liabilities represent a moral obligation or expected burden for the government not in the legal sense, but based on public expectations and political pressures e.g. GOK intervention in revival of Uchumi supermarket, revival bid of Mumias Sugar Company and Kenya Airways.

27. Contingent liabilities are frequently not recorded directly in the budget and thus are not subjected to budgetary oversight. These could lead to poor quantification of Contingent Liabilities and the possibility of large unplanned expenditures if the guarantee materializes. There is need for monitoring of these contingent liabilities to avoid fiscal difficulties in the budget year in the event they happen.

28. A study that conducted few years ago identified some sources of liabilities in state corporations including on-going court cases, penalties for non-compliance with statutory deductions, poor and non-performance of state corporations leading to calls on government guarantees, under insurance of assets, and liabilities associated with defined-benefit pension schemes.

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

#### **Rising Pension Liabilities**

30. Currently the Public Service Pension Scheme (PSPS) is governed by the Pensions Act Cap 189 and operates on a non-contributory basis. Benefits accrued under the non-contributory scheme are budgeted for and drawn directly from the CFS. With the increasing number of retired officers and the increased life expectancy rate the non-contributory scheme has continued to contribute to the increased wage bill in the Government. The actuarial study conducted in year 2009 found there was a contingent Pension Liability of Kshs 499 billion at the time. The liability increased to Ksh 990 billion in year 2014 magnifying the need for a more sustainable scheme for public servants.

31. The Public Service Superannuation Scheme (PSSS) Act, 2012 established the contributory Public Service Superannuation Scheme for providing retirement

benefits to persons in the public service and aimed at reforming the Public Service Pension Scheme for civil servants. The Act was assented to on 9<sup>th</sup> May, 2012. The Cabinet Secretary is expected to appoint and gazette 1st of May 2020 to be the commencement date of the Act.

32. With the coming into force of the Public Service Superannuation Scheme Act, specifically Section 6, the concept of mandatory contributions to a scheme has been introduced to the public service. Every member shall contribute to the PSPS at the rate of 7.5 percent, which is deducted from his or her monthly pensionable salary while the government makes a contribution for each member at the rate of at least 15 percent of the member's monthly pensionable salary. A member may also make voluntary addition to their contributions towards their retirement benefits in the PSSS. The government is also mandated to take out and maintain a life insurance policy that has disability benefits in favour of every member of the scheme. The policies must be worth a minimum of five times the member's annual pensionable emoluments.

#### **Public Private Partnership (PPP) Projects**

33. Since 1996 and as a result of progressive legal, regulatory and institutional reforms of the economy, Kenya has attracted private investments into the Country's economic Infrastructure Sectors including Telecommunications, Energy, Transport, Water and Sewerage. The frontrunner sector to lock in private participation in public infrastructure development is the energy sector – which witnessed its first Independent Power Producers (IPPs) in electricity generation beginning 1996.

34. Currently, all of the Country's generated electricity is private sector-led, with sixteen (16) active IPPs that generate a total of 699 MW out a total of 2,278 MW effective capacity (*contracted output from the stations under normal operating conditions*) in Kenya as documented by the Kenya Power in its annual report for year ended 30th June 2018. In addition, the transmission line evacuating the 310MW Lake Turkana Wind Power Project (LTWP) is complete and in use. The project is already injecting into the National Grid. At full capacity, it will be 300 MW of wind energy added onto the National Grid. The greatest economic impact from this new addition is expected to be seen in electricity tariff reduction for consumers.

#### ***Planned Infrastructure PPP Projects in Kenya***

35. Following the adoption of the PPP Policy in 2011, and the enactment of the PPP Act in 2013, as well as the establishment and operationalization of critical PPP institutions (the PPP Committee, the PPP Unit and the Petition Committee), there has been a steady growth in the quality and size of the PPP pipeline of projects, drawn from diverse economic sectors and county governments. A total of 80 projects are in the National Priority List of PPP projects as of November 2019. These projects are in various sectors i.e. Transport and Infrastructure, Energy,



Health, Education, Water and Environment, Housing, Tourism, Manufacturing, Agriculture and Livestock. The **Table 2.4** below highlights some of the projects that are currently at advanced stages of the PPP process.

**Table 2.4: Planned PPP projects for the period 2019-2021**

Sector
<p>Roads</p> <p>PPP Toll Road Projects:</p> <p><i>Procurement is ongoing for the following projects</i></p> <ul style="list-style-type: none"> <li>○ 2<sup>nd</sup> Nyali Bridge</li> <li>○ Nairobi-Nakuru-Mau Summit road</li> </ul> <p><i>The following projects are ready for tender</i></p> <ul style="list-style-type: none"> <li>○ O&amp;M Nairobi-Thika Highway</li> <li>○ O&amp;M Nairobi Southern Bypass</li> <li>○ Nairobi-Mombasa Highway</li> </ul> <p>Road Annuity Phase I</p> <p><i>PPP projects at construction phase</i></p> <ul style="list-style-type: none"> <li>○ Lot 33 (Ngong-Kiserian-Isinya Road, and Kajido-Mashuru-Isara Road)- 90.55 KM</li> </ul> <p><i>PPP Project agreements have been signed for;</i></p> <ul style="list-style-type: none"> <li>○ Lot 3 (Modogashe-Habaswein-Wajir and El Wak-Rhamu-Mandera Roads)- 143 KM</li> <li>○ Lot 15 (select urban roads in Nyeri, Kirinyaga, Murang'a, Embu, Tharaka Nithi and Laikipia Counties)- 45.12 KM</li> <li>○ Lot 18 ( select urban roads in Kakamega, Vihiga, Bungoma and Busia Counties) - 35.1 KM</li> <li>○ Lot 32 (Illasit - Njukini – Taveta)- 66.5 KM</li> <li>○ Nairobi JKIA James Gichuru Road Expressway</li> </ul> <p>The following project has been tendered</p> <p>Lot 6 (The project is the construction and rehabilitation of a total 233.3 km comprising of Kilgoris - Lolgorian (B3) Kehancha – Lolgorian, Turbo - Shikhendu – Endebess Kakamega – Ingotse –Namukoye - Nzoia River –Musikoma( JN C33) Road, Ugunja - Ukwala – Ruambwa, Ruambwa - Port Victoria and Kimaeti - Malakisi – Lwakhakha through Njukini)</p> <p><i>Contract negotiations with private party have been ongoing for the following projects;</i></p> <ul style="list-style-type: none"> <li>○ Nairobi-Nakuru- Mau Summit Highway</li> <li>○ Lot 8(The project is the construction and rehabilitation of the 71.5 km roads to augment the existing roads from Bomas to Magadi; Bomas to Ruiru via Dagoreti and other link roads)</li> <li>○ Lot 10 (Nanyuki – Gwa Kungu (B22) Road- 83.6 Km and Laisamis – Ngurunit-Nursery (South Horr) (B74) Road- 136 Km)</li> </ul>

<p><b>Sector</b></p> <ul style="list-style-type: none"> <li>○ Lot 20 (The project is the construction and rehabilitation of a total 65.5 km comprising of Kamiti-Roysambu-Kasarani-Mwika Roads, James Gichuru-Thika By-pass, Kajiado By-pass, Komarock road )</li> </ul> <p><i>Contract negotiations with private party are ongoing for the following projects;</i></p> <ul style="list-style-type: none"> <li>○ Lot 8 (Bomas – Kiserian – Magadi , Bomas- Karen - Dagoret – Ruiru, Uplands-Githunguri-Ngewa-Ruiru)- 71.46 KM</li> <li>○ Lot 10 (Nanyuki- Gwa Kungu, Laisamis-Ngurunit-Nursery (South Horr)- 219.6 KM</li> </ul>
<p><b>Transport</b></p> <ul style="list-style-type: none"> <li>○ Likoni Aerial Cable Car- PPP project agreements have been signed for the following projects and conditions precedent to Financial Close are being addressed.</li> <li>○ O&amp;M Shimoni Port- ready for tender</li> </ul>
<p><b>Energy</b></p> <p><i>PPP project agreements have been signed for the following projects and conditions precedent to Financial Close are being addressed</i></p> <ul style="list-style-type: none"> <li>○ 1050MW Coal Power Plant in Lamu</li> <li>○ 105 MW Menengai Phase 1 (35 MW Sosian Menengai Geothermal Power Plant, 35 MW Quantum Menengai Geothermal Power Plant)</li> <li>○ 35MW Sosian Menengai Geothermal Power Plant Project</li> <li>○ 35MW Quantum Menengai Geothermal Power Plant Project</li> <li>○ 35MW Orpower 22 Geothermal Power Plant Project</li> </ul> <p><i>Contract negotiations ongoing for the following project</i></p> <ul style="list-style-type: none"> <li>○ 105 MW Menengai Phase 1 (35 MW Ormat Orpower Geothermal Power Plant)</li> </ul> <p><i>the following project has been tendered</i></p> <ul style="list-style-type: none"> <li>○ 140 MW Geothermal PPP project at Olkaria</li> </ul>
<p><b>LAPSSET</b></p> <p><i>Negotiations with private party are ongoing for the following projects</i></p> <ul style="list-style-type: none"> <li>○ O&amp;M of Lamu Port (1<sup>st</sup> three berths)</li> <li>○ Lamu – Garissa- Isiolo Highway- Negotiations with private party ongoing</li> </ul>
<p><b>Health</b></p> <p><i>The following project has been tendered</i></p> <ul style="list-style-type: none"> <li>○ 300 Bed Private Hospital at Kenyatta National Hospital</li> </ul> <p><i>Preparations for procurement of Transaction Advisor are underway for the following projects</i></p> <ul style="list-style-type: none"> <li>○ Pwani University Teaching and Referral Hospital at Pwani University</li> <li>○ Amenity Wing at Kisii Teaching and Referral Hospital, Kisii County</li> <li>○ Cancer Centre at Meru Teaching and Referral Hospital, Meru County</li> <li>○ Upgrading of Nyamira Level 5 Hospital, Nyamira County</li> </ul>
<p><b>Education</b></p> <p><i>PPP Project Agreement has been signed for the following project;</i></p> <ul style="list-style-type: none"> <li>○ Kenyatta University Student Hostels</li> </ul>



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<b>Sector</b>
<p><i>The following projects are at RFP stage of procurement;</i></p> <ul style="list-style-type: none"> <li>○ Moi University Student Hostels</li> <li>○ University of Embu Student Hostels</li> <li>○ South Eastern Kenya University Student Hostels</li> </ul> <p><i>The following projects are ready for tender</i></p> <ul style="list-style-type: none"> <li>○ Egerton University</li> <li>○ Kenya Technical Trainers College</li> </ul>
<p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>○ Nairobi International Convention and Exhibition Centre - <i>Feasibility Study has been completed</i></li> </ul>
<p><b>Water and Environment</b></p> <p><i>Projects ready for tender</i></p> <ul style="list-style-type: none"> <li>○ Nanyuki Bulk Water Supply, Laikipia County-</li> <li>○ Murang'a Water Supply, Murang'a County- <i>Feasibility Study has been completed</i></li> <li>○ Nakuru Integrated Solid Waste Management, Nakuru County – <i>feasibility study is being finalized</i></li> </ul>
<p><b>Housing</b></p> <ul style="list-style-type: none"> <li>○ KCB Usalama Police Housing - <i>Negotiations with private party are ongoing</i></li> <li>○ Civil Servants Housing- <i>Procurement stage</i></li> </ul>
<p><b>Manufacturing</b></p> <ul style="list-style-type: none"> <li>○ Dongo Kundu Special Economic Zone- <i>Negotiations with private party are ongoing</i></li> <li>○ Naivasha Special Economic Zone - <i>Negotiations with private party are ongoing</i></li> <li>○ Development of Muguga Agri-City in Kiambu, Kiambu County - <i>Preparations for procurement of Transaction Advisor are underway</i></li> </ul>
<p><b>Agriculture and Livestock</b></p> <ul style="list-style-type: none"> <li>○ Export Quarantine Station &amp; Livestock Export Zone – <i>project structuring for procurement ongoing</i></li> </ul>
The estimated total value of these projects is <b>USD Million 11,422</b>

36. The Government understands that any PPP project comprises roles and responsibilities for both the public and private sector. In particular and based on specific project needs, the public sector's contributions to the "partnership" of PPPs would typically include the use of multiple instruments of support and credit enhancement measures such as project development funding, Viability Gap Funding for instance upfront capital grants contribution and operational grants or subsidies or unitary payments, as well as various forms of revenue guarantees, Partial Risk Guarantees (PRG), among others. The Government has finalized and is already implementing a policy on the issuance of Government Support Measures (GSM) with an objective of providing a clear structure and process for the issuance of Government Support instruments for public infrastructure projects. The GSM policy document is available at [www.treasury.go.ke](http://www.treasury.go.ke) (**Annex Table 5**).

37. In accordance with section 7(1) of the PPP Act, the PPP Committee has adopted a Fiscal Commitments and Contingent Liabilities (FCCL) Management Framework to ensure approval of, and fiscal accountability in, the management of financial and any other form of Government support granted in the implementation of the country's PPP programme.

38. To implement the FCCL Framework, an FCCL Unit has been established under the Directorate of Public Debt Management within the National Treasury and Planning and the Unit is responsible for: mandatory evaluation of all proposed PPP projects for financial risks and contingent liabilities as a condition of project approval; confirmation of this initial approval at feasibility stage, as well as at preferred bidder stage and also after the final negotiated project structure is secured; regular monitoring of all support measures for any amendment(s) or variation(s) to a project agreement's terms and conditions during the implementation period of the project, as well as oversight of FCCL-impacting aspects of a project's overall outputs or any variations to the project agreement. Currently, the Government is in the process of strengthening the staffing levels of the FCCL Unit to make it fit for purpose

39. All Government Support Measures and other security instruments provided under the PPP plan, together with all other contingent liabilities are integrated into the national debt management process. As part of the Annual Debt Report, published under Article 201 of the Constitution by the National Treasury, all FCCLs are disclosed and reported on in appropriate detail. The Annex Table 5 In addition, as part of increasing accountability and transparency within the PPP space, the PPP Unit in collaboration with the World Bank finalized and unveiled a PPP Disclosure Framework in June 2018. The Disclosure Portal is available at [www.pppunit.go.ke](http://www.pppunit.go.ke) and will be routinely updated to ensure it serves the purposes for which it was set up.

40. To support PPP project implementation, the PPP Project Facilitation Fund (PFF) (a multi-purpose revolving fund) established under the PPP Act became operational in June 2018 and provides a good Governance Framework for the more efficient development of the PPP programme in Kenya. The Fund is dedicated to four fundamental project-related functions: firstly, to support project preparation, secondly, to provide Viability Gap Funding for PPP projects, thirdly, to provide a source of liquidity for the management of Contingent Liabilities arising from PPP project implementation, and fourthly to support the technical mandate of the PPP Unit.

41. To entrench better outcomes in fiscal risk management in PPP projects, the National Treasury is also placing a lot of emphasis in project financial models, with the view to ensuring that project financial structured are optimized to achieve a balance between efficient and affordable project-debt repayment and equity pay-out, but more importantly, to ensure greater project-level transparency for more effective contract management structures for PPP projects. This way, overall fiscal exposure of Government is potentially lowered.



## Materialization of Implicit Contingent Liabilities

### Natural Disasters and Man-made Hazards

42. Kenya is prone to both natural and human inflicted hazards. Losses resulting from these disasters can be economic, environmental and social, reducing the coping abilities of the affected population and increase vulnerability to recurring disasters. The post-disaster needs assessment by the Government indicates that the natural disasters experienced in the recent past have adversely impacted Kenya's key sectors of the economy. For instance, the drought in the 2016-2017 period adversely affected the growth of the agricultural sector thereby lowering economic growth with huge budgetary implications. Furthermore, the floods experienced in 2018 impacted on agriculture, infrastructure such as electricity poles and transformers, roads, bridges and therefore affect households both directly and indirectly. Delayed long rains which were expected between March and May 2019 affected agriculture productivity and the manufacturing sector in 2019.

43. This was followed by excessive rains in October 2019 which resulted to floods and landslides in various parts of the country. Over 30 counties affected. Most affected ASAL counties include: West Pokot, Wajir, Mandera, Marsabit, Turkana, Makueni, Garissa, Tana River, Kwale, Lamu, Taita Taveta, and Isiolo. This resulted in Loss of lives of at least 130 people, more than 160,000 people affected by floods or landslides, about 20,000 people displaced countrywide, damage of infrastructure, livestock washed away, farmland crops destroyed, learning in schools disrupted, impassable roads hampered transport, food supply & other essential commodities. In addition, Locust invasion witnessed in the country in late 2019 and early 2020 poses a risk to agricultural production and food security. The locust swarms have so far been reported in Mandera, Wajir, Marsabit, Garissa, Isiolo, Samburu, Baringo, Meru, Laikipia and Kitui counties.

44. Beside the natural disasters, the Government is concerned about the rise in and intensity of man-made hazards, structural collapses and developments in energy and petroleum sector and their implications on lives and properties.

45. Once a disaster occurs the Government is always obligated to prevent social welfare reduction by incurring cost of returning the citizen's welfare to normalcy. This in turn has fiscal implications. Therefore, to mitigate against this fiscal risk, the Government has prioritized disaster risk management and has been sensitizing both the National Government and County Governments' staff on the Sendai Framework for Disaster Risk Reduction (SFDRR) 2015-2030 in order to address the increasing potential losses. Through this framework, the Government intends to substantially reduce disaster risks and loss of lives, livelihoods and health across the country.

46. The Government developed a Disaster Risk Management (DRM) policy which was approved by Parliament in May 2019. The policy aims to increase the understanding of disaster risk, strengthen disaster risk governance aimed at reducing disaster risk, enhance disaster preparedness for effective response,

enhance coordination with all the 47 Counties DRM, and rebuild better recovery, rehabilitation and reconstruction.

47. To fully operationalize the DRM framework, the Government has developed an effective multi-hazard early warning system and preparedness, operationalized the National Drought Emergency Fund. Further, the Government has been implementing National Disaster Risk Financing Strategy to improve its response to the impact of disasters and improve efficiency and effectiveness of budget allocation and execution.

48. Through one of the Strategic priorities of the Strategy, the Government seeks to strengthen and expand the portfolio of sovereign disaster risk financing instruments. The Government has added the Development Policy Credit with a Catastrophe Deferred Draw-Down Option (Cat DDO) into its portfolio of instruments. Following the recent floods, Kenya accessed USD 70 Million for response from this instrument. In addition to being a credit line that can provide immediate liquidity to the country when a natural disaster strikes, this instrument has promoted institutional reforms in the disaster risk management framework of the country.

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

49. Temperature is expected to increase majorly due to human activity and natural variability brought about by climate change. The physical consequences of such rise include changed precipitation patterns, rise in sea level, more intense and frequent extreme weather events, and increased prevalence of vector-borne diseases as well as catastrophic events, such as prolonged droughts and flooding in many Counties. These pose grave threats to Kenya's development goals.

50. Our economy is largely dependent on rain-fed agriculture and tourism which are vulnerable to climate variability and extreme weather events. Increasing inter-seasonal variability and declining rainfall in the rainy seasons have resulted into reduced agricultural yields in recent years. Recurrent droughts and floods lead to stresses on health, fragile ecosystem and water system, famine and displacement. The expansion of informal settlements as a result of high population growth in urban areas are also at risk of water scarcity, flooding and heat. Other economic consequences include, changes in trading patterns and international investment flows and financial market disruption.

51. The fiscal implications could be among the most powerful effects of climate change. Climate developments will directly affect fiscal position by lowering tax revenues and increasing public spending to mitigate the resulting natural disasters. In particular, climate change results to substantial reallocation of resources towards mitigation, adaptation to climate change and addressing emergence of natural disasters. For example, the severe drought of mid-2016 and 2017 and floods in early 2018 and late 2019 led to reallocation of substantial funds to the affected areas.



52. In recognition of the serious threats posed by climate change, the Government has been leading the process of developing instruments for climate proofing vulnerable sectors of the economy through; continued facilitation of adherence to the Climate Change Act, 2016, operationalize the Kenya Climate Change Fund (CCF), increase mobilization of climate finances from the Green Climate Fund (GCF) and Green Bonds in order to finance mitigation and adaptation initiatives at the National and County Governments and implementing of the National Policy on Climate Finance. However, climate change continues to pose significant fiscal risk especially through potential flooding and drought incidences.

53. The Government is also implementing a Green Economy Strategy which seeks to guide development actors to adopt pathways with higher green growth. Further, the National Government is partnering with County Governments to implement climate change initiatives at the County level which include development of Climate Change Bills and policies in various Counties and Sectorial Climate Change Policies and initiatives.

#### **Evolving Acts of Terrorism (Violent Extremism)**

54. Terrorist attacks may hinder economic development through direct costs such as loss of labour and capital, and diversion of funds to counter terrorism. In recent past, Kenya faced terror attacks including in; Westgate shopping mall in Nairobi (September 2013), Eastleigh (April 2014), Thika highway attack (May 2014), Gikomba market attack (November 2014), Mandera bus attack (November 2014), Mandera quarry workers attack (December 2014), Garissa University College attack (April 2015) and most recent, Dusit D2 attack (January 2019). These attacks resulted in loss of lives, destruction of property, loss of business, restriction of movement of people, religious animosity, and reduction in investments and tourism which is a great earner for Kenya.

55. The direct and other indirect costs including loss of jobs have negative repercussions on Government revenue from tax, increased Government spending on security and peace restoration as well as redeeming the country's image and, hence, is a risk to the Government's fiscal framework.

56. Privy to the serious threats posed by terrorism, the Government is continuously prioritizing reforms that enhance security and sustain a conducive business environment. These reforms include development of counter-terrorism strategies that involve cooperation among all security agencies, enhanced specialised training and use of technology by security agencies specific to changing trends in crime, increasing collaboration with local communities on security matters, security modernization involving acquisition of modern security equipment, and raising awareness to potential threats.

#### **Technological Risk**

57. Information, Communication and Technology (ICT) remains a key sector for the achievement of "The Big Four" Plan and the Kenya Vision 2030. It links

strongly with all other sectors and plays a catalytic role in enhancing productivity and lowering the cost of achieving financial intermediation, e-commerce and governance. The sector also continues to be vital as the Government pursues to attain a knowledge-based society.

58. The number of mobile, internet and mobile money subscribers has increased sharply in the recent past signifying that more Kenyans have access to efficient financial services. Owing to the success of mobile money, various financial products have been leveraged on this payment channel increasing the inter linkages between this technology and the banking sector. The Government is also using the technology to provide services and receive payments online using products such as the IFMIS, GHRIS, and IPPD, i-Tax, e-procurement, Huduma centres and e-citizen. In this regard, large volumes of money are transacted through the mobile money systems, being payments to Government for services offered as well as payments to the private sector.

59. If this system was to be compromised through cybercrime, fraud and the disruption of the mobile money, it would lead to data corruption and substantial loss of potential Government revenue, customer deposits and market confidence. The Government might therefore, be under pressure to compensate losses and hence should be considered as a plausible fiscal risk.

60. Recognizing the possibility of occurrence of these threats, the Government is continuously sensitizing all users on the importance of enhancing cyber security. The Government has also established the Kenya Computer Incidence Response Team, the Cyber Command and Incidence Response Centre and developed the Information Security Policy to guide secure use of ICT in Government.

61. To secure the ICT Sector, the Government has enhanced Government Common Core Network (GCCN) security, implemented security policies and deployed firewall at all the gateways, developed security framework of the entire Government cloud and established cyber security Research Institute.

### **Financial Integrity**

62. To combat terrorism and money laundering, the Government established the Financial Reporting Centre (FRC) under the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) 2009. Further, the Government established the Kenya Depository Insurance Corporation (KDIC) through an Act of Parliament to provide deposit insurance scheme for depositors of member institutions. Prior to the establishment of KDIC, deposit insurance was being handled by the Deposit Protection Fund under the Central Bank of Kenya.

63. KDIC together with Central Bank of Kenya, FRC and other Government agencies are mandated to undertake joint monitoring and surveillance of financial institutions and suspicious financial transactions to detect any governance gaps, financial malpractices and challenges to institute early interventions to prevent major corporate scandals that have seen some financial institutions placed under receivership.



64. The establishment of FRC & KDIC together with Government efforts to enhance good corporate governance will go a long way in building public trust and investors' confidence in corporate bodies operating in the country. With enhanced public trust and investors' confidence in corporate bodies, the country will attract and retain the much-needed foreign direct investments to spur economic growth and development.

65. To enhance the fight against money laundering and terrorist financing, the National Treasury has formed a taskforce to carry out a National Risk Assessment (NRA) on money laundering and terrorist financing. This involves making judgment on money laundering and terrorist financing threats, vulnerabilities and consequences. The aim of conducting the NRA is to identify, understand and assess the money laundering and terrorist financing risks faced by Kenya, inform efficient allocation of resources and mitigate those risks. NRA will enable Kenya identify the high risk activities, people, products, services, transactions and geographic areas and is the foundation for implementation of effective anti-money laundering and countering the financing of terrorism regime.

#### **Fiscal Risks Related to Devolution**

66. The constitution of Kenya provides for two levels of government, The National and County governments which are both independent and inter-dependent. County governments, under Article 209 of the Constitution, has power to collect assigned revenues, budgets and spend. The counties spend as per the functions assigned to them under schedule 4 of the Constitution (Devolved function). They are financed through Central Government Transfers, Own Source Revenues and conditional allocations.

67. However, major risks have emerged from Kenya's fiscal decentralization, which require prudent management especially by the County governments. These include:

- i. Underperformance of total (and ordinary) revenue presents a significant risk, as it undermines the basis for division of revenue between the two levels of Government.
- ii. Dependence by some counties on one major own-source revenue hence exposing them to fiscal shocks occasioned by a dip in their main revenue source.
- iii. The escalation in pending bills by County Governments, which is caused mainly by underperformance of OSR, technical challenges with cash flow management and violation of laid down procurement regulations.
- iv. Duplication of functions that risk generating intergovernmental conflicts, wasteful spending and financing gaps that could adversely affect implementation of fiscal framework.

Annex Table 1: Macroeconomic Indicators

	2017/18	2018/19		2019/20			2020/21			2021/22			2022/23			2023/24	
	Prel. Act	Rev. Budget II	Prel. Act	Printed Estimates	Rev. Budget I	BROF19	BPS19	BROF19	BPS20	BPS19	BROF19	BPS20	BPS19	BROF19	BPS20	BROF19	BPS20
<i>annual percentage change, unless otherwise indicated</i>																	
National Account and Prices																	
Real GDP	5.6	6.3	5.9	6.2	5.9	5.8	6.4	6.2	6.2	6.7	6.4	6.3	7.0	6.7	6.6	6.9	6.8
GDP deflator	6.7	4.9	3.9	6.5	4.9	5.3	6.0	5.1	5.6	6.0	5.1	5.4	5.8	5.1	5.3	5.2	5.4
CPI Index (top)	5.1	5.3	5.0	5.2	5.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.2	5.2	4.9	5.3	5.4	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	0.8	-3.5	0.6	0.4	0.5	-1.6	-1.8	0.3	0.8	1.1	1.1	1.1	-2.2	0.0	0.3	-0.2	0.4
Money and Credit (end of period)																	
Net domestic assets	9.3	17.6	4.7	12.0	17.9	15.0	13.3	7.1	16.8	11.9	13.2	6.5	11.1	12.5	15.4	6.8	15.9
Net domestic credit to the Government	15.3	15.3	19.5	14.0	14.2	14.0	9.1	15.1	9.1	9.2	14.1	6.8	9.2	11.5	5.6	13.7	13.2
Credit to the rest of the economy	4.3	13.9	4.3	11.5	13.5	9.9	14.6	4.6	13.6	13.0	12.0	13.1	12.1	12.1	15.9	5.1	14.2
Broad Money, M3 (percent change)	11.1	11.6	9.2	13.2	10.8	11.1	12.8	11.7	12.1	13.1	11.9	12.1	13.2	12.3	12.5	12.4	12.6
Reserve money (percent change)	7.4	9.7	2.5	12.5	3.6	6.6	12.1	7.4	7.6	12.4	7.6	7.6	12.6	8.0	8.0	8.2	8.1
<i>in percentage of GDP, unless otherwise indicated</i>																	
Investment and Saving																	
Investment	18.6	21.9	19.7	24.4	24.2	21.5	23.3	24.1	21.4	25.0	25.5	22.1	27.9	28.7	22.4	31.2	22.6
Central Government	5.5	6.6	5.8	6.1	7.0	7.2	5.9	5.3	5.3	5.8	5.1	5.1	6.0	5.1	5.3	4.9	4.9
Other	13.1	15.3	13.8	18.3	17.1	14.2	17.4	18.8	16.1	19.2	20.4	17.1	21.9	23.7	17.2	26.3	17.6
Gross National Saving	13.9	17.1	15.2	19.8	19.2	16.9	17.4	19.1	16.6	19.7	21.2	17.8	22.8	24.9	19.6	26.5	21.2
Central Government	1.8	2.7	1.8	3.4	3.3	3.1	4.3	2.7	3.0	4.8	3.1	3.7	5.0	3.4	4.4	3.8	4.0
Other	12.2	14.4	13.4	16.4	15.9	13.9	13.1	16.5	13.6	14.9	18.2	14.1	17.9	21.4	15.1	22.7	17.3
Central Government Budget																	
Total revenue	17.9	18.9	18.2	19.7	20.2	20.1	18.5	18.5	18.3	18.8	18.3	18.5	18.8	18.4	18.4	18.3	18.4
Total expenditure and net lending	25.2	26.9	26.0	25.9	27.4	27.7	22.8	24.1	23.6	22.5	23.2	22.8	22.2	22.7	21.9	21.9	21.8
Overall Fiscal balance excl. grants	-7.3	-8.0	-7.9	-6.3	-7.2	-7.6	-4.3	-5.7	-5.3	-3.7	-4.9	-4.2	-3.4	-4.3	-3.5	-3.6	-3.3
Overall Fiscal balance, incl. grants, cash basis	-7.4	-6.8	-7.7	-5.9	-6.2	-6.3	-3.9	-5.3	-4.9	-3.3	-4.5	-3.9	-3.1	-4.0	-3.1	-3.4	-3.0
Primary budget balance	-3.2	-3.8	-3.6	-1.8	-2.6	-3.0	-0.3	-0.3	-1.0	0.2	0.2	0.3	0.2	0.2	0.8	0.7	1.0
Net domestic borrowing	3.2	2.1	3.2	2.8	3.0	2.9	1.7	1.7	1.9	1.7	1.7	1.4	1.6	1.6	1.1	3.0	2.4
Total external support (grant & loans)	2.4	3.0	2.6	3.7	3.7	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.1	2.1
External Sector																	
Exports value, goods and services	14.6	14.9	14.5	15.3	15.6	14.2	14.9	16.1	13.8	16.0	17.5	13.4	16.8	18.6	13.3	18.6	13.2
Imports value, goods and services	22.6	22.5	21.9	22.5	23.1	21.4	23.0	23.3	20.9	23.3	23.7	19.9	23.7	24.2	18.2	24.9	16.4
Current external balance, including official transfers	-4.7	-4.8	-4.5	-4.6	-4.9	-4.5	-5.9	-5.0	-4.7	-5.4	-4.3	-4.3	-5.1	-3.9	-2.9	-4.7	-1.3
Gross reserves in months of next yr's imports	5.4	6.2	4.5	6.2	4.7	4.5	6.3	5.6	4.3	6.3	5.6	5.8	6.4	5.6	5.9	5.6	5.9
Gross reserves in months of this yr's imports	6.3	7.0	6.4	7.1	6.4	6.5	7.2	6.4	6.0	7.3	6.4	6.0	7.4	6.4	6.0	6.4	6.0
Public debt																	
Nominal debt (cop), net of deposits	52.7	54.8	56.7	54.1	57.3	57.4	52.6	56.6	56.1	50.4	55.1	53.9	48.2	53.1	51.0	50.5	48.3
Domestic (gross)	29.1	28.9	29.8	28.3	29.9	29.7	27.3	29.9	28.4	26.4	29.8	26.8	25.5	29.1	24.9	28.9	24.5
Domestic (net)	22.6	23.6	24.4	23.5	25.0	24.8	23.1	25.5	24.1	22.8	25.9	22.9	22.2	25.6	21.4	25.8	21.4
External	30.0	31.2	32.3	30.6	32.4	32.5	29.5	31.1	32.0	27.6	29.2	31.0	26.0	27.4	29.6	24.7	26.9
Memorandum Items:																	
Nominal GDP (in Ksh Billion)	8,525	9,510	9,348	10,766	10,355	10,383	12,796	11,564	11,637	14,475	12,935	13,044	16,393	14,522	14,674	16,326	16,527
Nominal GDP (in US\$ Million)	83,277	92,907	91,323	104,748	100,868	102,016	124,638	112,533	115,217	140,251	125,145	130,124	157,655	139,421	145,788	155,246	163,349

Source: National Treasury

Notes: BPS = Budget Policy Statement; BROF = Budget Review &amp; Outlook Paper; SGR = Standard Gauge Railway



Annex Table 2: Government Fiscal Operations, Ksh Billion

	2017/18	2018/19	2019/20		2020/21			2021/22			2022/23			2023/24	
	Act	Prd. Act	Printed Estimates	Rev. Budget 1	BPS19	BROP19	BFS20	BPS19	BROP19	BFS20	BPS19	BROP19	BFS20	BROP19	BFS20
<b>TOTAL REVENUE</b>	1,522.5	1,698.8	2,115.9	2,090.5	2,084.2	2,369.6	2,135.5	2,134.1	2,718.0	2,372.3	2,417.1	3,079.4	2,665.0	2,706.6	2,985.2
Ordinary Revenue	1,365.1	1,496.9	1,877.2	1,851.8	1,843.8	2,142.8	1,883.7	1,856.7	2,465.4	2,106.1	2,144.9	2,798.0	2,381.8	2,418.3	2,690.9
Income Tax	640.6	685.4	884.4	808.2	804.5	1,027.6	863.9	862.3	1,194.2	981.9	996.9	1,361.9	1,121.3	1,141.3	1,280.6
Import duty (net)	93.9	107.7	135.4	129.3	128.2	152.1	137.5	126.5	170.8	147.7	147.7	191.8	164.1	164.1	182.3
Excise duty	167.8	194.3	242.2	266.5	261.6	274.6	260.0	258.0	313.0	272.0	272.0	357.7	303.1	303.1	338.1
Value Added Tax	356.9	413.2	496.0	462.7	464.5	571.8	514.9	496.4	658.8	587.0	602.0	744.6	664.1	670.6	747.8
Investment income	24.1	23.8	33.0	19.7	19.7	20.4	18.5	21.0	21.4	18.4	21.6	22.5	19.3	22.3	20.2
Other	81.8	72.6	86.1	165.6	165.3	96.3	88.8	92.5	107.2	99.2	104.7	119.4	109.9	116.9	121.8
Railway Development Levy	20.8	21.3	27.7	27.7	28.4	31.1	27.8	27.8	35.0	29.2	29.2	39.3	32.5	32.5	36.1
Ministerial and Departmental Fees (AIA)	136.6	180.6	211.0	211.0	212.0	195.6	224.0	249.6	217.6	237.0	243.0	242.2	250.8	255.8	258.3
<b>EXPENDITURE AND NET LENDING</b>	2,146.7	2,433.7	2,789.5	2,835.7	2,874.3	2,922.3	2,790.6	2,748.2	3,251.5	3,002.2	2,968.2	3,641.5	3,290.5	3,214.1	3,579.4
Recurrent expenditure	1,349.9	1,531.1	1,760.3	1,744.9	1,760.0	1,818.4	1,823.0	1,781.0	2,043.0	1,982.8	1,945.3	2,284.4	2,177.7	2,067.9	2,374.3
Interest payments	323.9	375.7	441.5	441.5	441.5	460.9	476.0	456.0	507.6	529.7	541.3	531.1	598.4	577.0	661.6
Domestic interest	239.5	272.4	290.5	290.5	290.5	315.0	313.6	308.4	359.4	359.4	371.0	374.4	403.4	382.0	454.2
Foreign interest	84.4	103.4	150.9	150.9	150.9	145.9	162.4	147.6	148.2	170.2	170.2	156.6	195.0	195.0	207.5
Wages and Salaries <sup>1</sup>	388.9	417.5	483.5	483.5	487.6	493.9	510.7	500.7	518.5	541.3	541.3	544.5	573.8	573.8	591.0
Contribution to civil service pension fund	0.0	0.0	10.3	4.8	4.8	25.4	20.4	10.3	33.8	21.6	21.6	50.7	22.9	22.9	24.3
Pensions etc	65.1	70.8	108.6	108.6	108.6	124.5	124.5	118.7	139.0	139.0	134.0	152.9	152.9	152.9	170.5
Other	445.9	531.7	574.2	570.1	575.4	569.5	556.1	550.0	698.1	614.3	570.1	857.2	689.6	601.3	784.8
Defense and NSIS	126.1	135.3	142.2	136.4	142.1	144.3	133.3	145.3	145.9	136.9	136.9	148.1	140.0	140.0	142.0
Development and Net lending	469.5	541.9	652.3	707.4	730.8	723.8	587.5	587.3	819.6	626.1	633.5	955.4	705.5	747	770
Domestically financed	266.0	307.0	390.2	445.3	442.5	429.8	338.4	334.5	485.1	359.2	345.1	577.8	410.3	427.2	456.0
o/w Domestically Financed (Net)	229.2	262.2	323.0	378.1	374.2	371.9	269.2	265.3	421.6	286.6	272.4	508.2	332.2	349.1	372.9
o/w Exchequer Issues	229.2	262.2	323.0	378.1	374.2	371.9	269.2	265.3	421.6	286.6	272.4	508.2	332.2	349.1	372.9
Ministerial Development AIA	36.9	44.8	67.2	67.2	68.3	57.9	69.2	94.9	63.5	72.7	78.7	69.6	78.1	78.1	83.1
Foreign financed	201.0	225.4	255.8	255.8	281.9	286.3	242.6	246.3	326.0	260.1	281.6	368.2	287.7	312.7	306.4
Net lending	2.5	2.5	0.6	0.6	0.6	1.1	0.0	0.0	1.1	0.0	0.0	1.1	0.0	0.0	0.0
Contingencies	0.0	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	8.0	5.0	5.0	5.0
County Allocation	327.3	360.7	371.8	378.3	378.3	375.0	375.0	375.0	383.8	388.2	384.5	393.7	402.3	393.7	429.7
Shareable	302.0	314.0	310.0	316.5	316.5	317.8	317.8	316.5	325.7	330.7	325.7	333.8	344.8	334.8	371.2
Conditional Allocation	25.3	46.7	61.8	61.8	61.8	57.3	57.3	58.5	58.1	57.5	58.8	59.9	57.5	58.9	58.5
Level Five Hospital	4.2	4.3	4.5	4.5	4.5	4.6	4.6	4.6	4.7	4.7	4.7	5.1	4.8	4.8	5.0
Road Maintenance Levy 15%	10.6	9.4	9.0	9.0	9.0	8.3	8.3	9.4	8.3	8.6	9.9	9.0	9.0	10.4	9.4
Capital Transfers	2.0	8.8	8.8	8.8	8.8	8.7	8.7	8.7	8.7	7.7	7.7	9.2	6.5	6.5	6.3
Recurrent Transfers	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Foreign Financed Transfers	7.5	23.3	38.7	38.7	38.7	34.8	34.8	34.8	35.5	35.5	35.5	35.7	36.2	36.2	37.0
Equalization Fund for Marginal areas	0.0	7.0	5.8	5.8	5.8	6.5	6.5	6.5	7.4	6.8	6.8	8.2	7.5	7.5	8.0
<b>Fiscal Balance (commitment basis excl. grants)</b>	-624.2	-734.9	-673.6	-745.2	-789.9	-552.7	-655.1	-614.1	-533.4	-629.8	-551.2	-562.1	-625.4	-507.5	-594.2
<b>Grants</b>	27.6	19.7	38.8	38.8	41.8	52.4	40.9	42.8	54.4	43.1	46.1	57.6	46.9	46.9	46.9
Of which: Project grants	22.9	15.4	33.8	33.8	37.8	48.9	37.9	37.9	51.4	42.1	43.6	54.6	46.9	46.9	46.9
Programme grants	4.7	4.3	5.0	5.0	4.0	3.5	3.0	4.9	3.0	1.0	2.5	3.0	0.0	0.0	0.0
County Health Facilities - DANIDA	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (incl. grants)</b>	-596.6	-715.2	-634.8	-706.4	-748.1	-500.2	-614.1	-571.2	-479.0	-586.8	-505.1	-504.5	-578.5	-460.6	-547.2
Adjustment to Cash Basis	-34.7	5.9	0.0	66.2	90.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (incl. grants) Cash Basis</b>	-631.3	-721.1	-634.8	-640.2	-657.4	-500.2	-614.1	-571.2	-479.0	-586.8	-505.1	-504.5	-578.5	-460.6	-547.2
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>FINANCING</b>	631.3	721.1	634.8	640.2	657.4	500.2	614.1	571.2	479.0	586.8	505.1	504.5	578.5	460.6	547.2
Net Foreign Financing	355.0	414.5	331.3	331.3	353.5	284.2	240.8	345.16	245.6	184.7	319.3	248.0	204.4	297.1	50.4
Project loans	180.8	222.3	247.6	247.6	269.8	272.1	239.1	242.88	310.1	253.5	273.5	349.3	277.0	302.0	296.4
IDA counterpart refinancing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme loans	8.5	84.8	2.0	2.0	2.0	2.0	2.0	2.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Commercial Financing	304.0	373.7	213.1	213.1	213.1	200.1	180.3	274.4	150.0	150.0	273.6	100.0	200.0	240.2	250.0
Repayments due	-138.4	-266.2	-131.4	-131.4	-131.4	-190.0	-180.6	-174.1	-218.0	-222.3	-231.3	-204.8	-276.2	-248.7	-499.6
Other Domestic Financing	2.6	2.9	3.2	3.2	3.2	-1.2	3.2	3.2	-5.5	3.3	3.3	-5.5	3.3	3.3	3.3
Net Domestic Financing	273.7	303.7	300.3	305.7	300.7	217.2	370.1	222.9	239.0	398.7	182.4	262.1	370.8	160.1	493.5
Financing gap	34.7	3.9	0.0	-66.2	-90.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memo items</b>															
External Debt	2,560.2	3,023.1	3,354.5	3,354.5	3,376.6	3,472.4	3,595.3	3,721.8	3,699.5	3,780.0	4,041.1	3,945.1	3,984.4	4,338.2	4,034.8
Domestic Debt (gross)	2,478.8	2,785.9	3,086.3	3,091.6	3,086.6	3,283.7	3,461.7	3,309.5	3,322.6	3,860.4	3,491.9	3,784.7	4,231.2	3,652.1	4,724.8
Domestic Debt (net)	1,928.1	2,278.5	2,578.8	2,584.2	2,579.2	2,774.6	2,954.3	2,802.1	3,013.6	3,353.0	2,984.5	3,275.7	3,723.8	3,144.6	4,217.3
Primary budget balance	-272.7	-339.4	-193.4	-264.9	-306.6	-39.4	-138.1	-115.2	28.6	-57.1	36.2	26.6	19.9	116.4	114.4
Nominal GDP*	8,524.7	9,348.3	10,765.7	10,355.4	10,383.1	12,795.9	11,564.3	11,636.9	14,475.2	12,935.5	13,044.1	16,393.0	14,522.5	14,673.6	16,326.4

Source: The National Treasury

Notes: BPS = Budget Policy Statement, BROP = Budget Review &amp; Outlook Paper, SGR = Standard Gauge Railway



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Annex Table 3: Government Fiscal Operations, Percent of GDP

	2017/18	2018/19	2019/20			2020/21			2021/22			2022/23			2023/24	
	Act	Prd. Act	Printed Estimates	BROP19	Rev. Budget 1	BPS19	BROP15	BPS20	BPS19	BROP19	BPS20	BPS19	BROP19	BPS20	BROP19	BPS20
<b>TOTAL REVENUE</b>	17.9	18.2	19.7	20.2	20.1	18.5	18.5	18.3	18.8	18.3	18.5	18.8	18.4	18.4	18.3	18.4
Ordinary Revenue	16.0	16.0	17.4	17.9	17.8	16.7	16.3	16.0	17.0	16.3	16.4	17.1	16.4	16.5	16.5	16.5
Income tax	7.5	7.3	8.2	7.8	7.7	8.0	7.5	7.4	8.3	7.6	7.6	8.3	7.7	7.8	7.8	7.7
Import duty (net)	1.1	1.2	1.3	1.2	1.2	1.2	1.2	1.1	1.2	1.1	1.1	1.2	1.1	1.1	1.1	1.1
Excise duty	2.0	2.1	2.3	2.6	2.5	2.1	2.2	2.2	2.2	2.1	2.1	2.2	2.1	2.1	2.1	2.1
Value Added Tax	4.2	4.4	4.6	4.5	4.5	4.5	4.5	4.3	4.6	4.5	4.6	4.5	4.6	4.6	4.6	4.6
Investment income	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Other	1.0	0.8	0.8	1.6	1.6	0.8	0.8	0.8	0.7	0.8	0.8	0.7	0.8	0.8	0.7	0.8
Railway Development Levy	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ministerial and Departmental Fees (AIA)	1.6	1.9	2.0	2.0	2.0	1.5	1.9	2.1	1.5	1.8	1.9	1.5	1.7	1.7	1.6	1.8
<b>EXPENDITURE AND NET LENDING</b>	25.2	26.0	25.9	27.4	27.7	22.8	24.1	23.6	22.5	23.2	22.8	22.2	22.7	21.9	21.9	21.8
Recurrent expenditure	15.8	16.4	16.4	16.9	17.0	14.2	15.8	15.3	14.1	15.3	14.9	13.9	15.0	14.1	14.5	14.5
Interest payments	3.8	4.0	4.3	4.3	4.3	3.6	4.1	3.9	3.5	4.1	4.1	3.2	4.1	3.9	4.1	4.0
Domestic interest	2.8	2.9	2.7	2.8	2.8	2.5	2.7	2.7	2.5	2.8	2.8	2.3	2.8	2.6	2.8	2.7
Foreign interest	1.0	1.1	1.4	1.5	1.5	1.1	1.4	1.3	1.0	1.3	1.3	1.0	1.3	1.3	1.3	1.3
Wages and Salaries <sup>1</sup>	4.6	4.5	4.5	4.7	4.7	3.9	4.4	4.3	3.6	4.2	4.2	3.3	4.0	3.9	3.6	3.6
Contribution to civil service pension fund	0.0	0.0	0.1	0.0	0.0	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.1
Pensions etc.	0.8	0.8	1.0	1.0	1.0	1.0	1.1	1.0	1.0	1.1	1.0	0.9	1.1	1.0	1.0	1.0
Other	5.2	5.7	5.3	5.5	5.5	4.5	4.8	4.7	4.8	4.7	4.4	5.2	4.7	4.1	4.8	4.9
Defense and NSIS	1.5	1.4	1.3	1.3	1.4	1.1	1.2	1.2	1.0	1.1	1.0	0.9	1.0	1.0	0.9	0.9
Development and Net lending	5.5	5.8	6.1	6.8	7.0	5.7	5.1	5.0	5.7	4.8	4.9	5.8	4.9	5.1	4.7	4.7
Domestically financed	3.1	3.3	3.6	4.3	4.3	3.4	2.9	2.9	3.4	2.8	2.6	3.5	2.8	2.9	2.8	2.8
o/w Domestically Financed (Net)	2.7	2.8	3.0	3.7	3.6	2.9	2.3	2.3	2.9	2.2	2.1	3.1	2.3	2.4	2.3	2.3
o/w Exchequer Issues	2.7	2.8	3.0	3.7	3.6	2.9	2.3	2.3	2.9	2.2	2.1	3.1	2.3	2.4	2.3	2.3
Ministerial Development AIA	0.4	0.5	0.6	0.6	0.7	0.5	0.6	0.6	0.4	0.6	0.6	0.4	0.5	0.5	0.5	0.5
Foreign financed	2.4	2.4	2.4	2.5	2.7	2.2	2.1	2.1	2.3	2.0	2.2	2.2	2.0	2.1	1.9	1.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
County Allocation	3.8	3.9	3.5	3.7	3.6	2.9	3.2	3.2	2.7	3.0	2.9	2.4	2.8	2.7	2.6	2.4
Shareable	3.5	3.4	2.9	3.1	3.0	2.5	2.7	2.7	2.3	2.6	2.5	2.0	2.4	2.3	2.3	2.1
Conditional Allocation	0.3	0.5	0.6	0.6	0.6	0.4	0.5	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4
Level Five Hospital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Maintenance Levy 15%	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capital Transfers	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Recurrent Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Financed Transfers	0.1	0.2	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Equalization Fund for Marginal areas	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0
<b>Fiscal Balance (commitment basis excl. grants)</b>	-7.3	-7.9	-6.3	-7.2	-7.6	-4.3	-5.7	-5.3	-3.7	-4.9	-4.2	-3.4	-4.3	-3.5	-3.6	-3.3
<b>Grants</b>	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Of which: Project grants	0.3	0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Programme grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (incl. grants)</b>	-7.0	-7.7	-5.9	-6.8	-7.2	-3.9	-5.3	-4.9	-3.3	-4.5	-3.9	-3.1	-4.0	-3.1	-3.4	-3.0
Adjustment to Cash Basis	-0.4	0.1	0.0	0.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fiscal Balance (incl. grants) Cash Basis</b>	-7.4	-7.7	-5.9	-6.2	-6.3	-3.9	-5.3	-4.9	-3.3	-4.5	-3.9	-3.1	-4.0	-3.1	-3.4	-3.0
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>FINANCING</b>	7.4	7.7	5.9	6.2	6.3	3.9	5.3	4.9	3.3	4.5	3.9	3.1	4.0	3.1	3.4	3.0
Net Foreign Financing	4.2	4.4	3.1	3.2	3.4	2.2	2.1	3.0	1.7	1.4	2.4	1.5	1.4	2.0	0.3	0.6
Project loans	2.1	2.4	2.3	2.4	2.6	2.1	2.1	2.1	2.1	2.0	2.1	2.1	1.9	2.1	1.8	1.9
Programme loans	0.1	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Financing	3.6	4.0	2.0	2.1	2.1	1.6	1.6	2.4	1.0	1.2	2.1	0.6	1.4	1.6	1.5	1.5
Repayments due	-1.6	-2.8	-1.2	-1.3	-1.3	-1.5	-1.6	-1.5	-1.5	-1.7	-1.8	-1.2	-1.9	-1.7	-3.1	-2.8
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	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	3.2	3.2	2.8	3.0	2.9	1.7	3.2	1.9	1.7	3.1	1.4	1.6	2.6	1.1	3.0	2.4
Financing gap	0.4	0.1	0.0	-0.6	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memo Items</b>																
Total Public Debt (net)	52.7	56.7	49.9	57.3	57.4	52.6	56.6	56.1	50.4	55.1	53.9	48.2	53.1	51.0	50.5	48.3
External Debt	30.0	32.3	31.2	32.4	32.5	27.1	31.1	32.0	25.6	29.2	31.0	24.1	27.4	29.6	24.7	26.9
Domestic Debt (gross)	29.1	29.8	28.7	29.9	29.7	25.7	29.9	28.4	24.3	29.8	26.8	23.1	29.1	24.9	28.9	24.5
Domestic Debt (net)	22.6	24.4	24.0	25.0	24.8	21.7	25.5	24.1	20.8	25.9	22.9	20.0	25.6	21.4	25.8	21.4
Primary budget balance	-3.2	-3.6	-1.8	-2.6	-3.0	-0.3	-1.2	-1.0	0.2	-0.4	0.3	0.2	0.1	0.8	0.7	1.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The National Treasury

Notes: BPS = Budget Policy Statement; BROP = Budget Review &amp; Outlook Paper; SGR = Standard Gauge Railway

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)

SECTOR/ VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO.1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>AGRICULTURE, RURAL &amp; URBAN DEVELOPMENT</b>	<b>18,360.8</b>	<b>41,048.1</b>	<b>59,408.9</b>	<b>17,400.8</b>	<b>30,652.6</b>	<b>48,053.4</b>	<b>17,912.6</b>	<b>30,729.2</b>	<b>48,641.8</b>	<b>18,349.3</b>	<b>35,560.2</b>	<b>53,909.5</b>
1112 Ministry of Lands and Physical Planning	2,926.0	3,597.6	6,523.6	2,876.0	3,299.0	6,175.0	3,045.0	3,060.0	6,105.0	3,178.0	3,712.0	6,890.0
0101000 P: 1 Land Policy and Planning	2,926.0	3,597.6	6,523.6	2,876.0	3,299.0	6,175.0	3,045.0	3,060.0	6,105.0	3,178.0	3,712.0	6,890.0
1162 State Department for Livestock	2,067.2	4,898.2	6,965.4	2,066.2	4,277.4	6,343.6	2,186.6	4,343.2	6,529.8	2,281.4	5,608.2	7,889.6
0112000 P: 6 Livestock Resources Management and Development	2,067.2	4,898.2	6,965.4	2,066.2	4,277.4	6,343.6	2,186.6	4,343.2	6,529.8	2,281.4	5,608.2	7,889.6
1165: State Department For Crop Development & Agricultural Research	4,172.0	18,341.8	22,513.8	9,196.0	18,555.2	27,751.2	9,349.0	18,708.0	28,057.0	9,459.0	20,837.0	30,296.0
0107000 P: General Administration Planning and Support Services	3,334.3	796.1	4,130.4	2,572.0	742.0	3,314.0	2,657.0	1,257.0	3,914.0	2,703.0	1,371.0	4,074.0
0108000 P: Crop Development and Management	714.6	16,086.4	16,801.0	816.0	15,487.2	16,303.2	837.0	14,463.0	15,300.0	851.0	16,430.0	17,281.0
0109000 P: Agribusiness and Information Management	123.1	1,459.3	1,582.4	114.0	1,476.0	1,590.0	118.0	1,526.0	1,644.0	119.0	1,526.0	1,645.0
0120000 Agricultural Research & Development				5,694.0	850.0	6,544.0	5,737.0	1,462.0	7,199.0	5,786.0	1,510.0	7,296.0
1166 State Department for Fisheries and the Blue Economy	1,654.6	4,894.9	6,549.4	2,028.6	4,521.0	6,549.6	2,000.0	4,618.0	6,618.0	2,035.0	5,408.0	7,438.0
0111000 P: Fisheries Development and Management	1,431.4	2,459.4	3,890.8	1,755.0	2,355.0	4,110.0	1,780.0	2,028.0	3,808.0	1,807.0	2,330.0	4,137.0
0117000 General Administration, Planning and Support Services	126.4	-	126.4	145.0	-	145.0	148.0	-	148.0	151.0	-	151.0
0118000 Development and Coordination of the Blue Economy	96.8	2,435.5	2,532.3	128.6	2,166.0	2,294.6	72.0	2,590.0	2,662.0	77.0	3,073.0	3,150.0
1167 State Department for Irrigation	895.1	8,520.6	9,415.7									
1014000 Irrigation and Land Reclamation	733.3	6,963.6	7,696.9									
Programme 2: Water Harvesting and Storage for Irrigation.	24.8	1,030.0	1,054.8									
Programme 3: General Administration, Planning and Support Services	137.1	527.0	664.1									
1168 State Department for Agricultural Research	5,458.7	795.0	6,253.7									
0120000 Agricultural Research & Development	5,458.7	795.0	6,253.7									
2021 National Land Commission	1,487.2	-	1,487.2	1,274.0	-	1,274.0	1,332.0	-	1,332.0	1,395.9	-	1,395.9
0113000 P: Land Administration and Management	1,187.2	-	1,187.2	1,274.0	-	1,274.0	1,332.0	-	1,332.0	1,395.9	-	1,395.9

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)...Contd

SECTOR/ VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO. 1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>ENERGY, INFRASTRUCTURE AND ICT</b>												
1091. State Department of Infrastructure	89,197.7	391,667.6	480,865.4	93,173.4	295,851.7	389,025.0	98,145.1	340,195.0	438,340.1	103,281.7	420,003.0	523,284.7
0202000 P2 Road Transport	61,395.4	132,480.0	193,815.4	64,956.0	125,361.8	190,317.8	69,110.0	109,116.0	218,226.0	74,293.0	210,457.0	284,750.0
1092 State Department of Transport	61,395.4	132,480.0	193,815.4	64,956.0	125,361.8	190,317.8	69,110.0	109,116.0	218,226.0	74,293.0	210,457.0	284,750.0
0201000 P1 General Administration, Planning and Support Services	9,743.2	113,446.5	123,189.7	9,670.0	51,993.8	61,563.8	10,183.0	63,320.0	73,503.0	10,165.0	53,930.0	63,495.0
0203000 P3 Rail Transport	324.2	627.0	951.2	344.0	100.0	444.0	356.0	120.0	476.0	366.0	130.0	496.0
0204000 P4 Marine Transport	-	90,127.0	90,127.0	-	19,223.8	19,223.8	-	33,824.0	33,824.0	-	38,495.0	38,495.0
0205000 P5 Air Transport	1,283.1	20,819.5	22,102.6	1,138.0	32,125.0	33,263.0	1,287.0	29,018.0	30,305.0	1,285.0	12,556.0	13,841.0
0216000000 Road Safety	8,118.5	1,873.0	9,991.5	8,157.0	450.0	8,607.0	8,506.0	358.0	8,864.0	8,477.0	2,149.0	10,626.0
1093 State Department for Shipping and Maritime	17.3	-	17.3	31.0	-	31.0	34.0	-	34.0	37.0	-	37.0
0219000 P1 Shipping and Maritime Affairs	1,594.8	740.0	2,334.8	1,645.0	650.0	2,295.0	1,757.0	375.0	2,132.0	1,754.0	310.0	2,064.0
1094 State Department for Housing and Urban Development	1,594.8	740.0	2,334.8	1,645.0	650.0	2,295.0	1,757.0	375.0	2,132.0	1,754.0	310.0	2,064.0
0102000 Housing Development and Human Settlement	935.3	31,039.5	31,968.8	1,078.0	22,602.0	23,680.0	1,009.0	24,124.0	25,133.0	1,007.0	23,861.0	24,868.0
0103000 Urban and Metropolitan Development	467.5	13,148.0	13,615.5	591.0	10,516.0	11,107.0	548.0	14,358.0	14,906.0	553.0	15,048.0	15,601.0
0106000 General Administration, Planning and Support Services	218.4	17,895.5	18,103.9	314.0	12,086.0	12,400.0	282.0	9,766.0	10,048.0	289.0	8,813.0	9,082.0
1095 State Department for Public Works	249.4	-	249.4	173.0	-	173.0	179.0	-	179.0	185.0	-	185.0
0103000 Government Buildings	2,277.8	9,693.8	5,971.6	2,331.0	1,185.0	3,516.0	2,404.0	1,420.0	3,824.0	2,400.0	2,274.0	4,674.0
0104000 Coastline Infrastructure and Pedestrian Access	510.9	2,971.1	3,482.0	556.0	620.0	1,156.0	554.0	894.0	1,448.0	571.0	1,449.0	2,020.0
0218000 Regulation and Development of the Construction Industry	146.1	958.5	504.6	160.0	310.0	470.0	166.0	224.0	390.0	172.0	301.0	473.0
0106000 General Administration, Planning and Support Services	1,261.0	325.1	1,586.1	1,343.0	238.0	1,581.0	1,382.0	242.0	1,624.0	1,359.0	459.0	1,818.0
1122 State Department for Information Communications and Technology & Innovation	359.9	99.1	399.0	292.0	17.0	309.0	302.0	60.0	362.0	298.0	65.0	363.0
0207000 P1 General Administration, Planning and Support Services	2,580.0	26,555.9	29,136.0	2,721.7	22,375.3	25,696.9	2,743.4	27,731.0	30,474.4	2,739.0	33,905.0	36,644.0
0210000 P4 ICT Infrastructure Development	206.8	-	206.8	245.3	-	245.3	233.0	-	233.0	226.0	-	226.0
0217000 P3 E-Government Services	550.8	21,166.4	21,717.2	501.0	18,548.0	19,050.0	526.0	21,515.0	22,041.0	533.0	25,003.0	25,596.0
Programme 4: Film Development Services	890.1	5,249.5	6,139.6	961.0	4,237.3	5,198.3	911.0	6,041.0	6,952.0	919.0	8,127.0	9,046.0
1123 State Department for Broadcasting & Telecommunications	932.4	140.0	1,072.4	1,014.4	189.0	1,203.4	1,073.4	175.0	1,248.4	1,061.0	775.0	1,836.0
0207000 P1 General Administration, Planning and Support Services	4,179.6	581.0	4,760.6	4,725.7	599.0	5,324.7	4,602.7	558.0	5,160.7	4,596.7	614.0	5,210.7
0208000 P2 Information And Communication Services	218.3	-	218.3	243.0	-	243.0	249.0	-	249.0	249.0	-	249.0
0209000 P3 Mass Media Skills Development	3,751.0	412.0	4,163.0	4,280.7	530.0	4,810.7	4,163.7	558.0	4,721.7	4,161.7	514.0	4,675.7
1152 State Department for Energy	210.2	169.0	379.2	202.0	69.0	271.0	190.0	-	190.0	186.0	100.0	286.0
0212000 Power Generation	6,344.7	71,698.8	84,013.5	5,792.0	66,735.7	72,527.7	6,009.0	70,407.0	76,476.0	6,060.0	92,108.0	98,168.0
0213000 Power Transmission and Distribution	1,775.3	8,979.0	10,754.3	1,574.0	9,346.0	10,920.0	1,702.0	9,046.0	10,748.0	1,692.0	10,189.0	11,881.0
0214000 Alternative Energy Technologies	9,115.8	64,917.8	68,833.6	3,603.0	53,584.7	57,187.7	3,738.0	57,556.0	61,294.0	3,718.0	78,124.0	81,842.0
0211000 General Administration, Planning and Support Services	198.6	3,677.0	3,875.6	219.0	9,677.0	9,896.0	222.0	3,899.0	4,118.0	221.0	3,667.0	3,888.0
1193 State Department for Petroleum	425.0	125.0	550.0	396.0	128.0	524.0	407.0	128.0	535.0	429.0	128.0	557.0
0215000 Exploration and Distribution of Oil and Gas	237.0	5,438.1	5,675.1	254.0	3,844.0	4,098.0	267.0	3,144.0	3,411.0	267.0	3,144.0	3,411.0
	237.0	5,438.1	5,675.1	254.0	3,844.0	4,098.0	267.0	3,144.0	3,411.0	267.0	3,144.0	3,411.0

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)... Contd

SECTOR/VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO.1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>GENERAL ECONOMIC AND COMMERCIAL AFFAIRS</b>												
1175 State Department for Industrialization	14,633.0	18,101.2	32,734.2	14,310.9	9,242.8	23,553.8	14,447.0	9,517.3	23,964.3	14,660.5	14,339.3	28,999.8
0301000 P.1 General Administration Planning and Support Services	3,385.5	10,643.0	14,028.4	3,238.9	6,833.8	10,072.7	3,161.1	6,896.5	10,057.6	3,204.0	8,345.0	11,549.0
0302000 P.2 Industrial Development and Investments	427.4	230.0	657.4	346.7	-	346.7	356.0	-	356.0	364.6	-	364.6
0303000 P.3 Standards and Business Incubation	1,513.6	5,860.2	7,373.8	1,540.8	3,270.6	4,811.5	1,432.9	3,250.0	4,682.9	1,454.5	6,511.0	7,965.5
1173 State Department for Cooperatives	1,444.5	4,552.8	5,997.2	1,351.4	3,563.2	4,914.6	1,372.2	3,946.5	5,018.7	1,384.9	1,834.0	3,218.9
0304000 P.4 Cooperative Development and Management	651.9	3,497.5	4,149.4	831.8	845.2	1,677.0	784.2	575.9	1,360.0	800.4	711.9	1,512.3
1174 State Department for Trade	651.9	3,497.5	4,149.4	831.8	845.2	1,677.0	784.2	575.9	1,360.0	800.4	711.9	1,512.3
0307000 P.3 Trade Development and Promotion	1,646.9	460.0	2,106.9	1,646.5	99.5	1,746.0	1,680.0	289.1	1,969.2	1,714.9	242.1	1,957.0
1231 State Department for East African Community	1,646.9	460.0	2,106.9	1,646.5	99.5	1,746.0	1,680.0	289.1	1,969.2	1,714.9	242.1	1,957.0
0309000 P.1 East African Affairs and Regional Integration	619.6	-	619.6	662.5	-	662.5	681.1	-	681.1	699.9	82.6	782.5
1202 State Department for Tourism	619.6	-	619.6	662.5	-	662.5	681.1	-	681.1	699.9	82.6	782.5
0306000 P.2 Tourism Development and Promotion	6,251.9	611.0	6,862.9	5,964.5	436.8	6,401.3	6,175.2	606.4	6,781.6	6,258.4	1,069.8	7,328.1
1222 State Department for Regional and Northern Corridor Development	6,251.9	611.0	6,862.9	5,964.5	436.8	6,401.3	6,175.2	606.4	6,781.6	6,258.4	1,069.8	7,328.1
1013000 Integrated Regional Development	2,077.1	2,889.8	4,966.8	1,966.8	1,027.5	2,994.2	1,965.4	1,149.5	3,114.9	1,983.1	3,887.9	5,871.0
HEALTH	2,077.1	2,889.8	4,966.8	1,966.8	1,027.5	2,994.2	1,965.4	1,149.5	3,114.9	1,983.1	3,887.9	5,871.0
1081 Ministry of Health	62,903.9	52,725.1	115,629.1	63,714.0	50,762.5	114,476.5	64,198.0	56,188.0	120,386.0	65,697.9	64,853.0	130,550.9
0401000 P.1 Preventive, Promotive & RMNCAH	62,903.9	52,725.1	115,629.1	63,714.0	50,762.5	114,476.5	64,198.0	56,188.0	120,386.0	65,697.9	64,853.0	130,550.9
0402000 P.2 National Referral & Specialized Services	3,910.8	8,341.3	12,252.1	1,810.0	6,059.0	7,869.0	1,867.0	6,625.0	8,492.0	1,926.9	7,123.0	9,049.9
0403000 P.3 Health Research and Development	28,781.0	9,161.2	37,942.2	29,639.0	9,830.5	39,469.5	29,072.0	9,978.0	39,050.0	29,966.0	10,350.0	40,316.0
0404000 P.4 General Administration, Planning & Support Services	9,041.8	772.6	9,814.4	9,291.0	587.0	9,878.0	9,508.0	620.0	10,128.0	9,774.0	1,240.0	11,014.0
0405000 P.5 Health Policy, Standards and Regulations	7,877.6	980.0	8,857.6	7,244.0	1,195.0	8,439.0	7,993.0	1,485.0	9,478.0	8,253.0	1,420.0	9,673.0
	13,292.7	33,470.0	46,762.7	15,730.0	33,091.0	48,821.0	15,758.0	37,480.0	53,238.0	15,778.0	44,720.0	60,498.0

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million) ... Contd

SECTOR/VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO. 1				2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL		CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>EDUCATION</b>													
1066 State Department for Early Learning & Basic Education	468,385.9	28,946.3	497,332.1		479,120.5	18,678.0	497,798.5	507,048.3	21,888.0	528,937.3	519,499.0	24,742.0	544,241.0
0501000 P.1 Primary Education	89,840.4	8,378.9	98,219.3		89,417.7	6,203.0	95,620.7	96,582.0	7,408.0	103,990.0	97,427.4	8,268.0	105,695.4
0502000 P.2 Secondary Education	17,693.8	2,862.9	20,556.7		17,636.0	1,310.0	18,946.0	19,071.0	1,595.0	20,666.0	19,165.4	2,109.0	21,274.4
0503000 P.3 Quality Assurance and Standards	63,379.9	5,079.0	68,458.9		63,310.0	4,723.0	68,033.0	68,722.0	5,264.0	73,986.0	68,907.0	5,909.0	74,816.0
0508000 P. 8 General Administration, Planning and Support Services	4,430.7	314.4	4,745.1		4,253.0	100.0	4,353.0	4,376.0	329.0	4,705.0	4,503.0	-	4,503.0
1064 State Department for Vocational and Technical Training	4,339.0	122.5	4,461.5		4,218.7	70.0	4,288.7	4,413.0	220.0	4,633.0	4,552.0	250.0	4,802.0
0505000 P.5 Technical Vocational Education and Training	17,400.9	9,787.1	27,188.0		16,836.0	6,778.0	23,614.0	17,312.0	7,626.0	24,938.0	17,803.0	8,470.0	26,273.0
0507000 P.7 Youth Training and Development	16,921.2	7,700.5	24,621.7		16,669.0	4,758.0	21,427.0	17,139.0	5,606.0	22,745.0	17,622.0	6,450.0	24,072.0
0508000 P. 8 General Administration, Planning and Support Services	40.2	2,086.6	2,126.8		38.0	2,020.0	2,058.0	39.0	2,020.0	2,059.0	41.0	2,020.0	2,061.0
1065 State Department for University Education	139.5	-	139.5		129.0	-	129.0	134.0	-	134.0	140.0	-	140.0
0504000 P.4 University Education	108,723.1	9,235.2	117,958.3		108,334.0	5,097.0	113,431.0	111,817.0	6,067.0	117,884.0	115,164.0	7,775.0	122,937.0
0506000 P. 6 Research, Science, Technology and Innovation	106,272.7	9,185.2	115,457.9		106,740.0	3,943.0	110,683.0	110,066.0	4,913.0	114,979.0	112,932.0	6,619.0	119,551.0
0508000 P. 8 General Administration, Planning and Support Services	2,215.5	50.1	2,265.6		1,364.0	1,154.0	2,518.0	1,395.0	1,154.0	2,549.0	1,848.0	1,154.0	3,002.0
1068 State Department for Post Training and Skills Development	234.8	-	234.8		230.0	-	230.0	356.0	-	356.0	384.0	-	384.0
0508000 General Administration, Planning and Support Services	125.9	-	125.9		128.0	-	128.0	133.3	-	133.3	138.6	-	138.6
0512000 Work Place Readiness Services	78.4	-	78.4		99.0	-	99.0	103.0	-	103.0	107.0	-	107.0
0513000 Post Training Information Management	25.3	-	25.3		15.0	-	15.0	15.5	-	15.5	16.1	-	16.1
2091 Teachers Service Commission	22.2	-	22.2		14.0	-	14.0	14.8	-	14.8	15.5	-	15.5
0509000 P.1 Teacher Resource Management	252,586.7	945.0	253,531.7		264,404.8	600.0	265,004.8	281,204.0	287.0	281,492.0	289,266.0	231.0	289,497.0
0510000 P.2 Governance and Standards	245,719.9	945.0	246,664.9		256,767.8	600.0	257,367.8	274,025.0	287.0	274,313.0	281,860.0	231.0	282,091.0
0511000 P.3 General Administration, Planning and Support Services	986.9	-	986.9		320.0	-	320.0	338.0	-	338.0	351.0	-	351.0
GOVERNANCE, JUSTICE, LAW AND ORDER	6,479.8	-	6,479.8		7,317.0	-	7,317.0	6,841.0	-	6,841.0	7,055.0	-	7,055.0
1021 State Department for Interior	192,482.0	17,897.0	210,379.1		190,066.0	11,773.1	201,839.0	212,700.7	11,837.0	224,537.6	218,242.5	11,930.4	230,172.9
0601000 P.1 Policing Services	129,375.9	11,255.7	140,631.6		127,912.6	7,849.9	135,762.5	132,282.2	7,248.0	139,530.1	136,068.0	7,134.9	143,202.9
0602000 P.2 Planning, Policy Coordination and Support Service	97,316.7	4,623.7	101,940.4		94,490.4	3,180.9	97,671.2	97,277.0	1,004.3	98,281.3	99,826.2	958.3	100,782.5
0603000 P.3 Government Printing Services	25,912.7	3,950.5	29,863.1		25,080.7	4,750.0	25,555.7	26,525.9	1,800.9	28,326.8	27,537.7	1,779.0	29,316.6
0605000 P.4 Population Management Services	677.0	200.0	877.0		697.8	50.0	747.8	720.7	73.9	794.5	746.8	70.3	817.1
0216000000 Road Safety	2,060.0	400.0	2,460.0		3,621.5	3,177.0	6,798.5	3,607.2	3,245.8	6,853.0	3,736.1	3,223.3	6,965.4
0605000 Migration & Citizen Services Management	3,409.5	2,081.5	5,491.0		2,022.7	100.0	2,122.7	2,103.1	147.7	2,250.8	2,095.6	140.7	2,236.3
					1,999.6	867.0	2,866.6	2,048.3	975.4	3,023.7	2,125.7	959.3	3,085.0

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)...Contd

SECTOR/VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO. 1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>GOVERNANCE, JUSTICE, LAW AND ORDER</b>	<b>192,482.0</b>	<b>17,897.0</b>	<b>210,379.1</b>	<b>190,066.0</b>	<b>11,773.1</b>	<b>201,839.0</b>	<b>212,700.7</b>	<b>11,837.0</b>	<b>224,537.6</b>	<b>218,242.5</b>	<b>11,930.4</b>	<b>230,172.9</b>
1024 State Department for Immigration & Citizen Services	2,233.6	1,240.3	3,473.9									
Migration and Citizen Services Management	2,233.6	1,240.3	3,473.9									
1023 State Department for Correctional Services	26,387.3	957.5	27,344.9	27,356.9	784.1	28,151.0	28,294.1	884.9	29,179.0	29,147.4	1,000.0	30,147.4
0604000 P1 Correctional services	25,965.4	957.5	26,922.9	27,017.5	784.1	27,801.6	28,032.1	884.9	28,917.0	28,874.8	1,000.0	29,874.8
0623000 P2 General Administration, Planning and Support Services	421.9	-	421.9	349.3	-	349.3	262.1	-	262.1	272.6	-	272.6
1252 State Law Office and Department of Justice	4,817.4	126.0	4,943.4	4,727.0	118.0	4,845.0	4,930.6	80.0	5,010.6	4,906.4	118.0	5,024.4
0606000 P1 Legal Services	2,397.4	-	2,397.4	2,159.7	-	2,159.7	2,338.7	-	2,338.7	2,299.2	-	2,299.2
0607000 P2 Governance, Legal Training and Constitutional Affairs	1,802.2	70.5	1,872.7	1,866.3	20.0	1,886.3	1,893.2	-	1,893.2	1,893.9	-	1,893.9
0609000 P4 General Administration, Planning and Support Services	617.8	55.5	673.3	701.0	98.0	799.0	698.7	80.0	778.7	713.4	118.0	831.4
<b>The Judiciary</b>	<b>15,031.7</b>	<b>4,170.4</b>	<b>19,202.1</b>	<b>15,349.1</b>	<b>2,701.8</b>	<b>18,050.9</b>	<b>15,775.9</b>	<b>2,795.6</b>	<b>18,571.5</b>	<b>16,308.0</b>	<b>3,000.0</b>	<b>19,308.0</b>
1271 Ethics and Anti-Corruption Commission	2,941.6	35.0	2,976.6	3,072.2	40.8	3,113.0	3,194.3	400.0	3,594.3	3,183.1	300.0	3,483.1
0611000 P1 Ethics and Anti-Corruption	2,941.6	35.0	2,976.6	3,072.2	40.8	3,113.0	3,194.3	400.0	3,594.3	3,183.1	300.0	3,483.1
1291 Office of the Director of Public Prosecutions	3,086.2	107.5	3,193.7	3,121.3	128.5	3,249.8	3,271.6	78.5	3,350.1	3,391.9	27.5	3,419.4
0612000 P1 Public Prosecution Services	3,086.2	107.5	3,193.7	3,121.3	128.5	3,249.8	3,271.6	78.5	3,350.1	3,391.9	27.5	3,419.4
1311 Office of Registrar of Political Parties	1,266.2	-	1,266.2	1,192.1	-	1,192.1	1,237.0	-	1,237.0	1,250.7	-	1,250.7
0614000 P1 Registration, Regulation and Funding of Political Parties	1,266.2	-	1,266.2	1,192.1	-	1,192.1	1,237.0	-	1,237.0	1,250.7	-	1,250.7
1321 Witness Protection Agency	481.6	-	481.6	476.0	-	476.0	491.0	-	491.0	508.7	-	508.7
0615000 P1 Witness Protection	481.6	-	481.6	476.0	-	476.0	491.0	-	491.0	508.7	-	508.7
2011 Kenya National Commission on Human Rights	384.2	-	384.2	404.9	-	404.9	392.1	-	392.1	406.6	-	406.6
0616000 P1 Protection and Promotion of Human Rights	384.2	-	384.2	404.9	-	404.9	392.1	-	392.1	406.6	-	406.6
2031 Independent Electoral and Boundaries Commission	4,541.4	-	4,541.4	4,459.2	150.0	4,609.2	20,691.1	350.0	21,041.1	20,848.1	350.0	21,198.1
0617000 P1 Management of Electoral Processes	4,400.2	-	4,400.2	4,038.0	150.0	4,188.0	20,605.0	350.0	20,955.0	20,776.1	350.0	21,126.1
0618000 Delimitation of Electoral Boundaries	101.3	-	101.3	421.2	-	421.2	86.1	-	86.1	72.0	-	72.0
2101 National Police Service Commission	653.1	-	653.1	689.5	-	689.5	714.5	-	714.5	743.1	-	743.1
0620000 P1 National Police Service Human Resource Management	653.1	-	653.1	689.5	-	689.5	714.5	-	714.5	743.1	-	743.1
2141 National Gender and Equality Commission	390.7	4.6	395.3	495.3	-	495.3	511.1	-	511.1	531.0	-	531.0
0621000 P1 Promotion of Gender Equality and Freedom from Discrimination	390.7	4.6	395.3	495.3	-	495.3	511.1	-	511.1	531.0	-	531.0
2151 Independent Police Oversight Authority	891.2	-	891.2	799.9	-	799.9	915.2	-	915.2	949.7	-	949.7
0622000 P1 Policing Oversight Services	891.2	-	891.2	799.9	-	799.9	915.2	-	915.2	949.7	-	949.7

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)... Contd

SECTOR/ VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO.1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>												
1011 The Presidency	183,730.8	102,157.7	285,888.5	148,247.3	89,941.4	238,188.7	156,055.4	86,439.5	242,494.9	181,818.8	94,544.9	276,363.7
0702000 P2 Cabinet Affairs	9,414.8	2,245.2	11,660.0	5,819.4	471.4	6,290.8	6,086.9	521.0	6,557.9	6,235.9	578.7	6,814.6
0704000 P4 State House Affairs	1,738.0	1,620.0	3,358.0	1,308.0	225.2	1,533.2	1,327.8	236.9	1,564.7	1,359.1	110.4	1,469.5
0734000 P6 Deputy President Services	4,558.8	392.2	4,951.0	2,424.5	63.2	2,487.7	2,523.9	92.4	2,616.3	2,613.4	126.3	2,739.7
0703000 P3 Government Advisory Services	2,422.0	68.0	2,490.0	1,468.2	18.0	1,486.2	1,550.4	26.8	1,577.1	1,609.3	176.9	1,786.2
1032 State Department for Devolution	695.0	165.0	861.0	618.8	165.0	783.8	634.8	165.0	799.8	654.2	165.0	819.2
0712000 Devolution Services	1,973.6	7,478.9	9,452.5	870.2	4,875.0	5,745.2	880.9	4,735.0	5,615.9	919.2	695.0	1,614.2
0732000 General Administration, Planning and Support Services	528.3	6,957.2	7,485.5	135.4	4,875.0	5,010.4	141.8	4,735.0	4,876.8	148.1	695.0	843.1
Management of Intergovernmental Relations	301.2	521.7	822.9	312.8	-	312.8	319.7	-	319.7	325.7	-	325.7
P8: Special Initiatives	1,144.0	-	1,144.0	387.0	-	387.0	385.1	-	385.1	404.9	-	404.9
1052 Ministry of Foreign Affairs	17,441.0	1,958.0	19,399.0	15,776.9	701.4	16,478.3	17,155.9	878.0	18,033.9	17,711.1	790.4	18,501.4
0715000 P2 Foreign Relation and Diplomacy	14,134.0	1,655.0	15,789.0	12,992.3	601.0	13,593.3	14,273.2	678.0	14,951.2	14,732.4	640.4	15,372.8
0742000 P5 Economic and Commercial Diplomacy	412.0	-	412.0	80.9	-	80.9	85.0	-	85.0	88.1	-	88.1
Foreign Policy Research, Capacity Development and Technical Cooperation	154.0	200.0	354.0	153.9	70.0	223.9	153.8	150.0	303.8	161.7	100.0	261.7
0714000 P1 General Administration Planning and Support Services	2,741.0	103.0	2,844.0	2,549.9	30.4	2,580.3	2,644.0	50.0	2,694.0	2,728.9	50.0	2,778.9
1071 The National Treasury	76,855.0	36,697.0	113,552.0	59,411.5	29,670.6	89,082.2	63,777.2	30,215.3	93,992.6	85,999.4	34,995.1	120,994.6
0717000 P1: General Administration Planning and Support Services	65,976.0	2,100.0	68,076.0	47,941.3	1,322.6	49,263.9	51,547.3	1,402.6	52,949.9	72,073.6	1,405.4	73,479.0
0718000 P2: Public Financial Management	9,269.0	33,879.0	43,148.0	9,981.1	28,258.3	38,239.4	10,747.7	28,721.2	39,468.9	12,374.3	32,896.4	45,270.7
0719000 P3: Economic and Financial Policy Formulation and Management	1,304.0	663.0	1,967.0	1,213.1	59.7	1,272.9	1,206.1	61.5	1,267.7	1,215.5	63.4	1,278.9
0720000 P4: Market Competition	306.0	55.0	361.0	276.1	30.0	306.1	276.1	30.0	306.1	276.1	30.0	306.1
1072 State Department for Planning	11,764.0	43,648.0	55,412.0	3,156.8	42,450.2	45,607.0	3,200.3	42,829.9	46,030.2	3,370.7	51,419.5	54,790.2
0706000 P1: Economic Policy and National Planning	1,688.0	41,962.0	43,650.0	1,470.2	41,922.7	43,392.9	1,521.6	42,577.4	44,099.0	1,601.8	51,077.5	52,679.4
0707000 P2: National Statistical Information Services	9,697.0	1,632.0	11,329.0	1,317.6	470.2	1,787.7	1,297.1	174.3	1,471.4	1,375.5	239.7	1,615.1
0708000 P3: Monitoring and Evaluation Services	77.0	54.0	131.0	72.7	57.3	130.0	75.4	78.2	153.6	77.8	102.3	180.0
0709000 P4: General Administration Planning and Support Services	302.0	-	302.0	296.3	-	296.3	306.2	-	306.2	315.7	-	315.7

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)...Contd

SECTOR/ VOTE/ PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO.1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS</b>	<b>183,730.8</b>	<b>102,197.7</b>	<b>285,928.5</b>	<b>148,247.3</b>	<b>83,941.4</b>	<b>232,188.7</b>	<b>156,055.4</b>	<b>86,499.5</b>	<b>242,494.9</b>	<b>181,818.8</b>	<b>94,544.9</b>	<b>276,363.7</b>
1213 State Department for Public Service	8,203.0	1,081.0	9,284.0	8,066.6	312.1	8,378.7	8,102.3	456.0	8,558.3	8,286.1	623.6	8,909.7
0710000 P 5: Public Service Transformation	5,660.0	1,031.0	4,691.0	3,542.9	312.1	3,855.0	3,559.7	456.0	4,015.7	3,727.2	623.6	4,350.8
0913000 General Administration, Planning and Support Services	4,543.0	50.0	4,593.0	4,523.7		4,523.7	4,542.6		4,542.6	4,558.9		4,558.9
1214 State Department for Youth	11,073.0	5,960.0	17,033.0	11,176.4	3,444.7	14,621.1	11,019.4	4,057.8	15,077.2	11,654.5	2,710.9	14,365.4
0711000 P6: Youth Employment	11,073.0	5,960.0	17,033.0	11,176.4	3,444.7	14,621.1	11,019.4	4,057.8	15,077.2	11,654.5	2,710.9	14,365.4
<b>Parliament</b>	<b>37,053.7</b>	<b>2,835.6</b>	<b>39,889.3</b>	<b>36,371.8</b>	<b>1,850.0</b>	<b>38,221.8</b>	<b>35,818.3</b>	<b>2,650.0</b>	<b>38,468.3</b>	<b>37,329.4</b>	<b>3,200.0</b>	<b>40,529.4</b>
2061 The Commission on Revenue Allocation	400.4	-	400.4	400.0	-	400.0	410.5	-	410.5	423.1	-	423.1
0724000 P 1: Inter-Governmental Revenue and Financial Matters	400.4	-	400.4	400.0	-	400.0	410.5	-	410.5	423.1	-	423.1
<b>2071 Public Service Commission</b>	<b>2,356.5</b>	<b>65.5</b>	<b>2,422.0</b>	<b>2,108.2</b>	<b>19.3</b>	<b>2,127.5</b>	<b>2,175.7</b>	<b>28.2</b>	<b>2,203.9</b>	<b>2,241.8</b>	<b>38.5</b>	<b>2,280.3</b>
0720000 P 1: General Administration, Planning and Support Services	1,916.1	65.5	1,981.5	736.8	19.3	756.0	779.3	28.2	807.5	822.1	38.5	860.7
0726000 P 2: Human Resource management and Development	261.3	-	261.3	1,218.1	-	1,218.1	1,232.8	-	1,232.8	1,246.1	-	1,246.1
0727000 P 3: Governance and National Values	152.7	-	152.7	114.0	-	114.0	120.9	-	120.9	128.0	-	128.0
Performance and Productivity Management	26.4	-	26.4	39.3	-	39.3	42.7	-	42.7	45.6	-	45.6
2081 Salaries and Remuneration Commission	450.4	-	450.4	459.7	-	459.7	474.9	-	474.9	489.4	-	489.4
0728000 P 1: Salaries and Remuneration Management	450.4	-	450.4	459.7	-	459.7	474.9	-	474.9	489.4	-	489.4
<b>2111 Auditor-General</b>	<b>5,489.1</b>	<b>224.0</b>	<b>5,713.1</b>	<b>5,437.1</b>	<b>146.7</b>	<b>5,583.8</b>	<b>5,784.9</b>	<b>68.2</b>	<b>5,853.1</b>	<b>5,962.0</b>	<b>93.3</b>	<b>6,055.3</b>
0729000 P 1: Audit Services	5,489.1	224.0	5,713.1	5,437.1	146.7	5,583.8	5,784.9	68.2	5,853.1	5,962.0	93.3	6,055.3
<b>2121 Controller of Budget</b>	<b>651.3</b>	<b>-</b>	<b>651.3</b>	<b>663.4</b>	<b>-</b>	<b>663.4</b>	<b>671.2</b>	<b>-</b>	<b>671.2</b>	<b>692.0</b>	<b>-</b>	<b>692.0</b>
0730000 P 1: Control and Management of Public finances	651.3	-	651.3	663.4	-	663.4	671.2	-	671.2	692.0	-	692.0
<b>2131 The Commission on Administrative Justice</b>	<b>565.0</b>	<b>4.6</b>	<b>569.6</b>	<b>529.3</b>	<b>-</b>	<b>529.3</b>	<b>547.3</b>	<b>-</b>	<b>547.3</b>	<b>564.2</b>	<b>-</b>	<b>564.2</b>
0731000 P 1: Promotion of Administrative Justice	565.0	4.6	569.6	529.3	-	529.3	547.3	-	547.3	564.2	-	564.2
<b>NATIONAL SECURITY</b>	<b>142,071.5</b>	<b>17,079.0</b>	<b>159,150.6</b>	<b>145,345.4</b>	<b>13,974.3</b>	<b>159,319.7</b>	<b>138,365.3</b>	<b>14,974.3</b>	<b>153,339.6</b>	<b>149,280.8</b>	<b>14,974.3</b>	<b>158,255.1</b>
<b>1041 Ministry of Defence</b>	<b>104,411.5</b>	<b>17,079.0</b>	<b>121,490.6</b>	<b>106,294.4</b>	<b>13,974.3</b>	<b>120,268.7</b>	<b>101,106.4</b>	<b>14,974.3</b>	<b>116,080.7</b>	<b>106,279.4</b>	<b>14,974.3</b>	<b>121,253.7</b>
0801000 P 1: Defence	104,411.5	17,079.0	121,490.6	106,294.4	13,974.3	120,268.7	101,106.4	14,974.3	116,080.7	106,279.4	14,974.3	121,253.7
0802000 P 2: Civil Aid	102,729.0	17,079.0	119,808.0	104,037.0	13,974.3	118,011.3	99,350.0	14,974.3	114,324.3	104,513.8	14,974.3	119,488.1
0803000 P 3: General Administration, Planning and Support Services	200.0	-	200.0	200.0	-	200.0	200.0	-	200.0	200.0	-	200.0
National Space Management	200.0	-	200.0	1,857.4	-	1,857.4	1,356.4	-	1,356.4	1,365.6	-	1,365.6
<b>1281 National Intelligence Service</b>	<b>37,660.0</b>	<b>-</b>	<b>37,660.0</b>	<b>39,051.0</b>	<b>-</b>	<b>39,051.0</b>	<b>37,258.9</b>	<b>-</b>	<b>37,258.9</b>	<b>37,001.4</b>	<b>-</b>	<b>37,001.4</b>
0804000 P 1: National Security Intelligence	37,660.0	-	37,660.0	39,051.0	-	39,051.0	37,258.9	-	37,258.9	37,001.4	-	37,001.4

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)...Contd

SECTOR/VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO. 1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES</b>	<b>23,862.8</b>	<b>70,919.1</b>	<b>94,781.9</b>	<b>25,194.5</b>	<b>71,594.0</b>	<b>96,788.5</b>	<b>25,624.7</b>	<b>78,809.4</b>	<b>104,434.1</b>	<b>26,362.0</b>	<b>81,799.0</b>	<b>108,161.0</b>
1107 Ministry of Water & Sanitation and Irrigation	5,480.3	61,723.9	67,204.2	6,292.0	64,655.0	70,947.0	6,420.2	72,284.4	78,704.5	6,579.0	74,441.0	81,020.0
1001000 P.2 General Administration, Planning and Support Services	730.4	84.0	814.4	891.0		891.0	907.0		907.0	940.0		940.0
1004000 P.3 Water Resources Management	1,649.2	9,130.4	10,779.5	1,122.0	8,984.0	10,106.0	1,132.0	7,719.0	8,851.0	1,140.0	6,577.0	7,717.0
1017000 P.4 Water and Sewerage Infrastructure Development	3,100.8	41,961.5	45,062.3	3,530.0	37,505.0	41,035.0	3,619.5	43,063.0	46,682.5	3,714.0	44,637.0	48,351.0
1015000 P.1 Water Storage and Flood Control	-	10,548.0	10,548.0		8,340.0	8,340.0		8,787.0	8,787.0		9,140.0	9,140.0
Programme 5: Irrigation and Land Reclamation				724.0	8,128.0	8,852.0	736.1	11,005.4	11,741.4	758.0	12,377.0	13,135.0
Programme 6: Water Harvesting and Storage for Irrigation				25.0	1,698.0	1,723.0	25.6	1,710.0	1,735.6	27.0	1,710.0	1,737.0
<b>1108 Ministry of Environment and Forestry</b>	<b>10,094.4</b>	<b>7,279.4</b>	<b>17,373.9</b>	<b>10,153.8</b>	<b>5,643.0</b>	<b>15,796.8</b>	<b>10,164.7</b>	<b>5,229.0</b>	<b>15,393.7</b>	<b>10,310.1</b>	<b>6,032.0</b>	<b>16,342.1</b>
1012000 P.3 Meteorological Services	1,666.0	2,391.4	4,057.5	1,078.8	592.0	1,670.8	1,071.7	394.0	1,465.7	1,112.6	445.0	1,557.6
1002000 P.2 Environment Management and Protection	1,056.1	1,030.0	2,086.1	1,661.0	1,487.0	3,148.0	1,684.3	1,532.0	3,216.3	1,719.5	2,020.0	3,739.5
1010000 P.1 General Administration, Planning and Support Services	277.3	-	277.3	301.0		301.0	302.4		302.4	319.3		319.3
1018000 Forests and Water Towers Conservation	7,095.0	3,858.0	10,953.0	7,113.0	3,564.0	10,677.0	7,106.3	3,303.0	10,409.3	7,158.8	3,567.0	10,725.8
1192 State Department for Mining	551.5	447.8	999.3	660.8	312.0	972.8	667.9	589.0	1,256.9	695.9	589.0	1,284.9
1007000 P.1 General Administration Planning and Support Services	288.8	55.8	344.6	284.8		284.8	288.0	56.0	344.0	302.0	56.0	358.0
1021000 Geological Survey and Geofomation Management	59.1	102.8	161.9	84.0	112.0	196.0	84.0	98.0	182.0	89.0	98.0	187.0
1009000 Mineral Resources Management	203.5	289.2	492.7	292.0	200.0	492.0	295.9	435.0	730.9	304.9	435.0	739.9
Programme 1: Wildlife Conservation and Management	7,736.5	1,468.0	9,204.5	8,088.0	924.0	9,012.0	8,372.0	707.0	9,079.0	8,777.0	737.0	9,514.0
1203 State Department for Wildlife	7,736.5	1,468.0	9,204.5	8,088.0	924.0	9,012.0	8,372.0	707.0	9,079.0	8,777.0	737.0	9,514.0
<b>Total</b>	<b>1,224,277.4</b>	<b>782,686.7</b>	<b>2,006,964.1</b>	<b>1,216,075.1</b>	<b>616,330.7</b>	<b>1,832,405.8</b>	<b>1,274,415.0</b>	<b>679,728.8</b>	<b>1,954,144.8</b>	<b>1,331,636.5</b>	<b>795,339.6</b>	<b>2,126,976.1</b>

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Annex Table 4a: Summary of Expenditure by Programmes, 2020/21 – 2022/23 (Ksh Million)...Contd

SECTOR/VOTE/PROGRAMME DETAILS	2019/20 SUPPLEMENTARY ESTIMATES NO. 1			2020/21 CEILING			2021/22 PROJECTION			2022/23 PROJECTION		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
<b>SOCIAL PROTECTION, CULTURE AND RECREATION</b>	<b>28,648.9</b>	<b>42,705.5</b>	<b>71,354.4</b>	<b>39,462.3</b>	<b>29,920.3</b>	<b>69,382.6</b>	<b>39,917.9</b>	<b>29,651.1</b>	<b>69,569.0</b>	<b>40,443.9</b>	<b>32,593.5</b>	<b>73,037.5</b>
1035 State Department for Development of the ASAL	973.6	6,677.4	7,651.0	987.3	7,889.6	8,876.9	1,019.0	8,780.2	9,799.3	1,046.2	10,794.2	11,840.4
0733000 Accelerated ASAL Development	973.6	6,677.4	7,651.0	987.3	7,889.6	8,876.9	1,019.0	8,780.2	9,799.3	1,046.2	10,794.2	11,840.4
1132 State Department for Sports Development	1,206.6	14,000.0	15,206.6	1,270.7	14,455.6	15,726.3	1,326.8	15,312.1	16,638.9	1,374.0	16,217.0	17,591.0
0901000 P1 Sports	1,206.6	14,000.0	15,206.6	1,270.7	14,455.6	15,726.3	1,326.8	15,312.1	16,638.9	1,374.0	16,217.0	17,591.0
1134 State Department for Heritage	2,896.0	569.0	3,465.0	2,683.2	48.1	2,731.3	2,816.9	314.2	3,131.1	2,921.3	448.5	3,369.8
0902000 P2 Culture Development	1,785.7	105.6	1,891.3	1,627.7	48.1	1,675.8	1,702.3	195.3	1,897.6	1,769.4	243.5	2,012.9
0903000 P3 The Arts	204.3	-	205.3	154.7	-	154.7	196.5	44.0	240.5	199.3	158.0	357.3
0904000 P4 Library Services	764.3	463.4	1,227.7	752.4	-	752.4	766.5	74.9	841.4	799.9	47.0	846.9
0905000 P5 General Administration, Planning and Support Services	140.7	-	140.7	148.5	-	148.5	151.7	-	151.7	152.7	-	152.7
1184 State Department for Labour	2,685.8	3,190.1	5,875.9	2,790.2	2,954.7	5,744.9	2,902.8	1,117.5	4,020.4	2,984.3	325.2	3,309.5
0906000 P1: Promotion of the Best Labour Practice	625.1	93.3	718.5	664.2	45.0	709.2	692.2	104.0	796.1	711.4	144.1	855.5
0907000 P2: Manpower Development, Employment and Productivity Management	1,587.7	3,096.8	4,684.5	1,680.3	2,908.7	4,590.0	1,740.3	1,013.6	2,753.9	1,791.0	181.1	1,972.1
0910000 P3: General Administration Planning and Support Services	472.9	-	472.9	445.7	-	445.7	470.4	-	470.4	481.9	-	481.9
1185 State Department for Social Protection	19,363.7	15,437.3	34,801.0	30,233.0	2,515.3	32,748.3	30,324.5	1,747.1	32,071.6	30,525.3	1,974.3	32,499.5
0908000 P3: Social Development and Children Services	3,298.2	1,091.9	4,390.0	3,708.9	225.7	3,934.6	3,730.4	308.0	4,038.4	3,847.1	308.0	4,155.1
0909000 P4: National Social Safety Net	15,827.9	14,345.5	30,173.4	26,277.6	2,289.6	28,567.2	26,341.6	1,439.1	27,780.7	26,405.2	1,666.3	28,071.4
0910000 P5: General Administration Planning and Support Services	237.6	-	237.6	246.4	-	246.4	252.5	-	252.5	273.0	-	273.0
1212 State Department for Gender	1,523.2	2,831.7	4,354.8	1,498.0	2,362.0	3,860.0	1,527.8	2,380.0	3,907.8	1,592.9	2,834.3	4,427.2
0911000 P1: Community Development	-	2,130.0	2,130.0	-	2,130.0	2,130.0	-	2,130.0	2,130.0	-	2,130.0	2,130.0
0912000 P2: Gender Empowerment	1,190.8	701.7	1,892.4	1,180.6	232.0	1,412.6	1,190.8	250.0	1,440.8	1,244.5	704.3	1,948.8
0913000 General Administration, Planning and Support Services	332.4	-	332.4	317.4	-	317.4	336.9	-	336.9	348.4	-	348.4

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Annex Table 5: Public Private Partnerships (PPP) Projects – Kenya, Government's Support Measures and Termination Terms

No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
1.	Africa Geothermal International 140 MW	25 year Power Purchase Agreement on a Build, Own, Operate (BOO) basis at Longonot geothermal power project adjacent to Olkaria, Kenya	760	Financial Close: 3 <sup>rd</sup> April, 2014  Status: Under Construction	Letter of support being finalized	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
2.	Lake Turkana Wind Power – 310 MW	The wind turbine farm is being developed on BOO basis in Loyangalani, Marsabit West, on a 20 Year PPA with Kenya Power	847	Financial Close: 24 <sup>th</sup> March, 2014  Status: Commissioning is ongoing	Letter of support covering political risks issued on 28 <sup>th</sup> February, 2013  Indemnity Agreement LC to be replaced with Escrow Account	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
3.	Gulf Power – 80.32 MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, in the Athi River region, on a 20-year PPA with KPLC.	108	Financial Close: 18 <sup>th</sup> November, 2013  Status: Operational	Letter of support covering political risks issued on 2 <sup>nd</sup> July 2012  Indemnity Agreement covering PRG payments was signed on 14 <sup>th</sup> March 2013. PRG amount US\$ 35 Mn and Euros 7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
4.	Triumph Power – 82 MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20-year PPA with KPLC.	156.5	Financial Close: 7 <sup>th</sup> August 2013  Status: Operational	Letter of support covering political risks issued on 2 <sup>nd</sup> July 2012  Indemnity Agreement covering PRG payments was signed on 5 <sup>th</sup> December 2012. PRG Amount US\$ 45 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
5.	Thika Power - 87MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20-year PPA with KPLC.	146	Financial Close: 11 <sup>th</sup> October 2012  Status: operational from August 2013	Letter of support covering political risks issued on 2 <sup>nd</sup> July 2012  Indemnity Agreement covering PRG payments was signed on 28 <sup>th</sup> August 2014. PRG Amount US\$ 35 Mn and Euros 7.7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
6.	Kinangop Power – 60.8MW	The wind power plant is being developed on a BOO basis in South Kinangop, Nyandarua County on a 20-year PPA with KPLC.	150	Financial Close: 31 <sup>st</sup> December 2012  Status: In development	Letter of support covering political risks issued on 26 <sup>th</sup> July, 2013	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
7.	Orpower 150MW Olkaria III Geothermal power plant* (1 <sup>st</sup> plant 48MW, 2 <sup>nd</sup> Plant 36MW, 3 <sup>rd</sup> plant 16MW and 4 <sup>th</sup> Plant 29MW)	Description: 20 year - BOO	558	Financial Close: January 1999  Status: Operational	Letter of support covering political risks issued on 16 <sup>th</sup> April, 2015  Indemnity Agreement LC covering PRG payments of Amount US\$ 31Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Losses incurred by the Seller	NO
8.	Rabai Power Plant - 90 MW	20 year - BOO	155	Financial Close: October, 2008  Status: Operational	Indemnity Agreement LC Account	Net Present Value of Non-Escalabe Capacity Charges for the remaining period to the expiry of the term discounted at 12% per annum	NO
9.	Mumias Power Plant - 35MW	10 Years-BOO	50	Financial Close: July, 2008  Status: Operational	None	None	NO
10.	Kipevu III, 120MW	Located at Kipevu in Mombasa, the diesel power plant is on a BOO basis for a 20-year period	134	Status: Operational	None	None	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
11.	74MW Tsavo	Located in Mombasa next to Kilindini seaport, the Heavy Fuel Oil (HFO) power plant is on BOO basis over a 20-year period	85	Financial Close: September 1999 Status: Operational	Indemnity Agreement	1. Net Present Value of Non-escalable Capacity Charges for the remaining period to the expiry of the term discounted at 10% per annum. 2. Expenses incurred by the Seller as a result of termination. 3. The value of the stock of fuel and other consumables and spare parts at the Plant	NO
12.	Imenti tea Factory Limited 0.28MW	Feed in Tariff Power Plant on a BOO basis	1.11	Operational	None	None	NO
13.	Power Technology Solutions Ltd. Gikira Kianjora Small Hydro Power Stations 0.514MW	Feed in Tariff Power Plant on a BOO basis	2.01	Operational	None	None	NO
14.	1050 MW Lamu Power Project	Located in Manda Bay, the Lamu Coal Power Plant is on a BOO basis over a 20- year period	2,000	Financial Close Pending	Letter of support covering political risks issued on 4 <sup>th</sup> August, 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
15.	100 MW Kipeto Wind Power	Feed in Tariff Power Plant on a BOO basis	323	Status: Financial Close Pending	Letter of support covering political risks issued	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	NO
16.	Akiira Geothermal Power Project	Feed in Tariff Power Plant on a BOO basis	240.73	Status: Financial Close Pending	Letter of support covering political risks issued	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	NO
17.	35MW Geothermal Quantum Power Project	Located in Nakuru County, the Quantum Power project is based on BOO arrangement over 20 years	90	Status: Financial Close Pending	Letter of support covering political risks issued	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
18.	35 MW Geothermal Sosian Power Project	Located in Nakuru County, the Sosian Power project is based on BOO arrangement over 20 years	79	Status: Financial Close Pending	Letter of support covering political risks issued	2. NPV of 5 years profits at 10% discount rate 4. Redundancy payments/ Termination & Breakage costs 3. Value of unpaid construction works as at termination	NO
19.	40 MW Cedate Solar Power	Feed in Tariff Power Plant on a BOO basis	77	Status: Financial Close Pending	Letter of support covering political risks issued		NO
20.	40 MW Selenkei Solar Power	Feed in Tariff Power Plant on a BOO basis	84	Status: Financial Close Pending	Letter of support covering political risks issued		NO
21.	40 MW Malindi Solar Power Project	Feed in Tariff Power Plant on a BOO basis	82	Status: Financial Close Pending	Letter of support covering political risks issued	1. Total amount Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
22.	40 MW Alten Solar Power Project	Feed in Tariff Power Plant on BOO basis	105	Status: Financial Close Pending	Letter of support covering political risks issued	3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	
23	Chania Green	Feed in Tariff Power Plant on a BOO basis	102	Construction ongoing	Letter of support covering political risks issued	1. Total amount Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. All amounts paid to Seller by way of subscription in Seller capital, less dividends and other distribution made to shareholders of Seller 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	NO
24	Iberafica	Feed in Tariff Power Plant on a BOO basis	216	Operational	None	None	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
25	Orpower22	Feed in Tariff Power Plant on a BOO basis	120	Financial Close Pending	Letter of support covering political risks issued	Total project costs incurred by the Seller as at the time of termination, less 4% depreciation for every year of service from the Full Commercial Operation Date.	NO
26	Biojoule	Feed in Tariff Power Plant on a BOO basis	6	Operational	Letter of support covering political risks issued	Monthly Liquidated Damages, until the operating year when the agreement would have terminated by effluxion of time, an amount equivalent to the average monthly revenue which the seller would have earned.	NO
27	Regen Terem	Feed in Tariff Power Plant on a BOO basis	20	Operational	None	Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date.	NO
28	Chania Power	Feed in Tariff Power Plant on a BOO basis	2	Operational	None	Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date. However,	NO

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No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
29	Gura (KTDA)	Feed in Tariff Power Plant on a BOO basis	8	Commissioning is ongoing	None	Seller and Buyer may agree on alternative arrangements.	
30	Strathmore University	Located at Strathmore University. BOO with a Term of 20yrs	0.4	Status: Operational	None	All amounts owed between the parties shall be paid upon termination	NO
						None	NO

\*The Orpower's Olkaria III Geothermal power plant is currently operating at 129MW from the existing 4 plants; however, the PPA indicates the project is sized at 150MW, with the outstanding 21MW not yet implemented.

\*\*The project value for Orpower's Olkaria III Geothermal project of USD 558 Mn is for the already installed 129MW. It does not include the cost of the yet-to-be-implemented 21MW, which would bring the project to 150MW.

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Annex Table 6: Summary of Public Participation Highlights

Sector	Issues	Proposed way forward/ Action taken/ Response
Governance Justice Law and Order Sector	<u>Policy Issues</u> <ul style="list-style-type: none"> <li>Enhancement of community policing partnerships through provision of resources.</li> <li>Dedicated budget for the OCS for independence and prompt service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Currently there is a complete reorganization of national police service with a focus on human resources for policing. In addition, the OCS has changed to Ward Police Commander thus the officer will not be in-charge of the station but will be required to leave the station and man the ward.</li> <li>The Government has started the process for Ward Police Commander (OCS) to be AIE holders and there is progressive training for police officers on new skills e.g. financial management. To handle this responsibility.</li> <li></li> <li>Reforms are ongoing in police vetting with a shift to have human resource management systems in the process of vetting as well as involvement of other multi agency partners as well as citizens.</li> <li>There is need for partnership with drivers towards fighting corruption. It is noted that drivers give bribes before even they are requested and therefore recently the Government has also focused on the givers. The drivers were also urged to partner through an anonymous report system to IPOA.</li> <li>Phytosanitary and sanitary issues are already being worked on by KEPHIS and protocols and agreements have been signed.</li> <li>Extension services are a county mandate hence in line with the Constitution the ministry will employ qualified human support to build capacity in counties.</li> </ul>
	<u>Governance Issues</u> <ul style="list-style-type: none"> <li>Police vetting marred with corruption hence wastage of resources for the exercise</li> <li>Corruption and police harassment to drivers and conductors</li> </ul>	
Agriculture Rural and Urban Development Sector	<u>Policy Issues</u> <ul style="list-style-type: none"> <li>Sanitary and phytosanitary measures</li> <li>Extension and market access for export commodities</li> <li>Employment of extension officers</li> </ul>	

	<ul style="list-style-type: none"> <li>• Studies on indigenous vegetables, values and benefits of water hyacinth</li> <li>• Creation of large scale food reserve</li> <li>• Contribution of the urban sector to agriculture</li> </ul> <p><b><u>Governance Issues</u></b></p> <ul style="list-style-type: none"> <li>• Post-harvest losses and handling of management</li> </ul>	<ul style="list-style-type: none"> <li>• The link between agriculture value chain and urban development is indeed an important element that the ministry will consider.</li> <li>• The State Department has developed regulations for national warehouse receipt system and currently development of regulation on trade and multi commodity exchange system is ongoing</li> </ul>
<b>Education Sector</b>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• 100% transition rate from primary to secondary schools</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• High costs of CBC</li> <li>• School feeding programme</li> </ul>	<ul style="list-style-type: none"> <li>• The Government is committed towards improving school infrastructure to facilitate a smooth transition from primary to secondary schools.</li> <li>• The Government is committed towards successful implementation of CBC through development of manuals and engagement of parents to help them understand that CBC is affordable. Further, in a bid to manage costs, the Government has ensured 1:1 book ratio in secondary and primary schools.</li> <li>• There is need for structured participation between National Government and County Governments towards prioritization of funds to successfully implement the school feeding programme.</li> </ul>
<b>Energy, Infrastructure and ICT Sector</b>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Tax incentives/reduction on telecommunication sector</li> <li>• Traffic jam in Nairobi County</li> </ul>	<ul style="list-style-type: none"> <li>• The National Treasury will put this issue into consideration due to the sectors contribution to the GDP and employment creation.</li> <li>• Government made budgetary allocations towards rehabilitation of railway network with stop overs and upgrading of ticketing system. BRT implementation has been prioritized. The project has an allocation of <b>Ksh. 1 Billion</b> and the work will begin on Thika road. In addition, Cabinet has approved BRT 3 from Dandora to</li> </ul>



	<ul style="list-style-type: none"> <li>Subsidization of LPG</li> </ul> <p><u>Governance Issues</u></p> <ul style="list-style-type: none"> <li>Clearance of goods at the Mombasa Port</li> <li>Choice of transportation by importers</li> </ul> <p><u>Project Implementation Issues</u></p> <ul style="list-style-type: none"> <li>Kasarani/Mwiki road maintenance</li> <li>ICT fibre optic at BPO centers</li> </ul>	<p>showground funded by EU as well as BRT operating on the Outer ring road funded by Korean Government.</p> <ul style="list-style-type: none"> <li>LPG is not taxed and while its cost is lower compared to charcoal and firewood. Further subsidies don't work since they are short. There is a plan to use of technology to mimic ways gas is purchased e.g. M-Gas.</li> <li>The importers are free to use any mode of transportation for imported goods</li> <li>Works at Kasarani road will commence immediately after a meeting with key stakeholders including political leaders is held to ensure the situation goes back to normalcy.</li> <li>Coverage of fibre optic cable is currently in all Counties and the last mile is taking the cable to the Sub-Counties. Further, to increase coverage to villages will be costly and it would take time to reach down to villages. The Government has made investment on connectivity as well as partnering with other Organizations for more resources.</li> </ul>
Health Sector	<p><u>Resource Allocation Issues</u></p> <ul style="list-style-type: none"> <li>UHC full rollout and financing</li> </ul> <p><u>Policy Issues</u></p> <ul style="list-style-type: none"> <li>Adolescence health development</li> </ul>	<ul style="list-style-type: none"> <li>UHC funds cut across various health aspects and it is important to note that the health sector has had an increase in budget allocation at the expense of other sectors in order to fund UHC which is a priority for the government. UHC is a journey and the funding provided will be to kick start the full rollout.</li> <li>Adolescence youth health is a priority that was even made by the H.E President during the ICPD commitments and UHC is universal and thus covers adolescents too.</li> <li>The border UHC identifier will be Huduma number for Kenyans at the border and thus foreign populations will have to pay for treatment. The</li> </ul>

	<ul style="list-style-type: none"> <li>Isolation Centers at border points</li> </ul> <p><u>Governance Issues</u></p> <ul style="list-style-type: none"> <li>Health services should not be devolved</li> </ul> <p><u>Project Implementation Issues</u></p> <ul style="list-style-type: none"> <li>Clinical waste disposal</li> </ul>	<p>proposal for isolation centres in border counties especially from Busia had been received by the Ministry where it will be done and space had been provided by the county. These centers are important for screening of infectious diseases.</p> <ul style="list-style-type: none"> <li>The Constitution of Kenya decentralized health services and until the Kenyan people decide again to have health services centralized the services will be devolved.</li> <li>Disposal equipment was being put in place and the national government is working with counties on this. Micro disposal machines are a step towards using waste from hospital and counties are encouraged to buy the machines that can direct the wastes to the regional collectors.</li> </ul>
Social Protection, Culture and Recreation Sector	<p><u>Policy Issues</u></p> <ul style="list-style-type: none"> <li>Cash transfer program eligible age and the amount of stipend</li> <li>Anchoring of Mau Mau week from 5<sup>th</sup> - 11<sup>th</sup> February</li> <li>Programs benefiting drivers and conductors</li> </ul> <p><u>Resource Allocation Issues</u></p> <ul style="list-style-type: none"> <li>Budget has dropped in social protection yet beneficiaries are increasing.</li> </ul> <p><u>Project Implementation Issues</u></p>	<ul style="list-style-type: none"> <li>With limited resources the age limit for beneficiaries is 70 years while the stipend is meant to bolster what an individual may have accumulated and saved for old age.</li> <li>Mau Mau week requires a bigger discussion</li> <li>There will be more consultation with the drivers association to include them in Government programmes that relate to the associations' mandate and activities.</li> <li>Plans are underway to source for alternative and more funding to enable the increase of the stipend amount. But at the moment due to the resource constraints and competing needs in the economy it is currently not possible to increase the amount.</li> <li>The National Museums of Kenya (NMK) is charged with the mandate of maintenance of monuments. The maintenance of monuments has challenges such as limited funding and vandalism especially witnessed by football fanatics.</li> </ul>



	<ul style="list-style-type: none"> <li>• Maintenance of monuments e.g. Tom Mboya</li> <li>• Current status of the stadia countrywide</li> </ul>	<ul style="list-style-type: none"> <li>• There are plans to complete the stadia that the Government set out to construct though a phased out approach of completing one or two before tackling others.</li> </ul>
<b>Environment Protection, Water and Natural Resources Sector</b>	<p><b><u>Policy Issues</u></b></p> <ul style="list-style-type: none"> <li>• Sustaining forests and tree cover</li> <li>• Is Kenya water scarce?</li> <li>• Tax incentives/exemptions to NGO projects</li> <li>• Reduction in Poaching</li> </ul> <p><b><u>Project Implementation Issues</u></b></p> <ul style="list-style-type: none"> <li>• Removal of hyacinth on Lake Victoria</li> </ul> <p><b><u>Governance Issues</u></b></p> <ul style="list-style-type: none"> <li>• Inter-governmental relations</li> </ul>	<ul style="list-style-type: none"> <li>• The President declared a Government commitment towards achieving a 10 percent forest cover in the next three years. In order to achieve this goal, the Government as well as the public have to work together to plant and grow about 2 billion trees</li> <li>• Kenya is a water scarce country with water per capita being 452 cubic meter per year against United Nations recommendation of 4000 cubic meter per year and there are plans to improve this</li> <li>• The Government recognizes the role the NGOs play in the development of the sector especially in provision of water services. The National Treasury provides tax incentives and exemptions on equipment and materials for water development projects by NGOs if applications are made and deemed to meet the provisions for exemptions.</li> <li>• The sector was commended on the 83% reduction in poaching and urged to look into alternative sources of financing to fund programmes that reduce poaching especially in light of the reduced budgetary allocation.</li> <li>• The water hyacinth has been controlled through pollution control. In addition, the programme to eliminate the hyacinth focus on activities such as land degradation at the lakeside as well as mechanical harvesting of the hyacinth.</li> <li>• The National Government is always working with the county Governments to ensure proper resource utilization and provides technical capacity in areas where counties lack should they request for it</li> </ul>

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<p><b>General Economic and Commercial Affairs Sector</b></p>	<p><u><b>Policy Issues</b></u></p> <ul style="list-style-type: none"> <li>• Debt waivers in the sugar sector</li> <li>• Loans from commercial banks are expensive to SMEs.</li> <li>• Low allocation to Kenya Industrial Estate</li> <li>• None Tariff Trade barriers (NTBs)</li> <li>• Illicit trade</li> </ul>	<ul style="list-style-type: none"> <li>• Debt waivers have been going on including in the sugar sector and other key agricultural sectors to ensure they are thriving.</li> <li>• Given limited resource space available, the sector was looking into other sources of funding.</li> <li>• The Government has been working with EAC member states to ensure NTBs are dealt with and minimized to ensure smooth flow of goods in the region.</li> <li>• Government has put together a multi-agency team to deal with illicit trade and it is bearing fruits to ensure that Kenyans get their rightful share in the market</li> </ul>
<p><b>Public Administration and International Relations Sector</b></p>	<p><u><b>Policy Issues</b></u></p> <ul style="list-style-type: none"> <li>• Border conflicts with neighboring countries for instance Somalia and Uganda</li> </ul> <p><u><b>Governance Issues</b></u></p> <ul style="list-style-type: none"> <li>• Kenya's membership to UN Security Council</li> <li>• Operationalization of PIM unit within the National Treasury</li> </ul> <p><u><b>Project Implementation Issues</b></u></p> <ul style="list-style-type: none"> <li>• State of Kenyan embassy buildings abroad</li> </ul>	<ul style="list-style-type: none"> <li>• Government of Kenya is continually working to resolve border issues as well as to restore the country's relationship with her neighbors.</li> <li>• Kenya is running the campaign to clinch the membership seat as the African representative at the UN Security Council and there was high indication of a win.</li> <li>• The PIM unit is fully operational within the National Treasury</li> <li>• Government of Kenya has made efforts towards improvement of foreign missions abroad however; the progress made has been ill-reported to the public.</li> </ul>

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Annex Table 7: Public Proposals and Comments on the 2020 Budget Policy Statement

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Macro - Fiscal Policy and Projections	<ul style="list-style-type: none"> <li>The BPS should elaborate the actions the Government will undertake to ensure that the public debt is sustainable in order to maximize economic returns in line with the Vision 2030 and the "Big Four" Agenda.</li> </ul>	<ul style="list-style-type: none"> <li>Section 2.3.1.2 of the BPS elaborates the measures that the Government is implementing to control the growth of public debt. In particular, the Government will continue to implement the fiscal consolidation which will limit the growth of fiscal deficit and by extension reduce debt. Additionally, the Government is working on restructuring its debt portfolio by replacing expensive commercial debt with cheaper funds from alternative sources.</li> <li>Further, the National Treasury has formulated Public Debt and Borrowing Policy to act as a guideline for borrowing and debt management practices of the National Government.</li> <li>Recent economic developments and outlook have been updated in line with the recent data from IMF.</li> </ul>
	<ul style="list-style-type: none"> <li>Update the regional as well as global economic developments and indicators with recent data from IMF's January 2020 World Economic Outlook update.</li> </ul>	
	<ul style="list-style-type: none"> <li>The BPS should discuss the benefit of the lifting of the interest rate cap.</li> </ul>	<p>In the BPS, the projected growth in the private sector credit is attributed to the repeal of interest rate cap among other factors.</p>
	<ul style="list-style-type: none"> <li>The medium-term sector ceilings included in the BPS, projects reduction in budget for nearly all sectors, which will definitely affect the key investment projects. It would be important to</li> </ul>	<ul style="list-style-type: none"> <li>Following resource constraints, the Government continues to rationalize its expenditures. As such, detailed budgets have been scrutinized to curtail spending on non-productive areas</li> </ul>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	clarify the position of the high impact projects so as not to lose the economic benefits so far trickling in.	to ensure resources are directed to priority programmes including those in the "Big Four". Through this process, resources will continue to be redirected to inadequately funded strategic priorities over the medium term.
	<ul style="list-style-type: none"> <li>The National Treasury to set realistic revenue projections and provide policy measures undertaken to avert the country's public debt</li> </ul>	<ul style="list-style-type: none"> <li>The National Treasury employs a robust revenue projection model whose projections are realistic. The projections take into account the latest macro-fiscal developments and impacts of the instituted tax policy measures. The Government is implementing a fiscal consolidation plan that will bring debt down to sustainable levels as discussed under <b>Section 2.3.1.2</b> of this BPS</li> </ul>
	<ul style="list-style-type: none"> <li>The National Treasury through KRA should seal all loopholes in revenue collection and consider analyzing revenues lost through illicit financial flows.</li> </ul>	<ul style="list-style-type: none"> <li>Through the multi-agency team, the Government has caught up with many illicit traders and recovered stolen assets. The Government will sustain this effort going forward. The Government is also keen on elimination of revenue administration gaps which will stop revenue leakages, including leveraging on information technology to improve collection efficiency.</li> </ul>
	<ul style="list-style-type: none"> <li>Base budgeting on well thought out financing pattern and credible financing sources to ensure that funds are available for the budgeted activities and executed as planned.</li> </ul>	<ul style="list-style-type: none"> <li>Fiscal forecasting has been improved. Impact of deviation from the Macroeconomic forecast has been provided in this BPS. The implementation of the budget will be monitored</li> </ul>



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Intergovernmental Fiscal Relations/Devolution		and appropriate revisions will be done based on actual outturn.
	<ul style="list-style-type: none"> <li>Implement austerity measures with caution so as not to interfere with the day to day running of some government services.</li> </ul>	<ul style="list-style-type: none"> <li>Austerity measures have in the past been applied to non-core expenditures without affecting the normal operations of the government.</li> </ul>
	<ul style="list-style-type: none"> <li>The National Treasury to fast track the automation of the exchequer withdrawal process to reduce time wastage and inordinate delays.</li> </ul>	<ul style="list-style-type: none"> <li>The comment is well noted and the National Treasury is committed to the automation process and will implement the project within the within the provisions of the law.</li> </ul>
	<ul style="list-style-type: none"> <li>The national treasury to analyze adherence to the fiscal responsibilities at both levels of government.</li> </ul>	<ul style="list-style-type: none"> <li>An analysis of adherence to fiscal responsibility principles at both levels of Government has been provided in this BPS.</li> </ul>
	<ul style="list-style-type: none"> <li>Address the issue of underreporting of A-i-A by MDAs</li> </ul>	<ul style="list-style-type: none"> <li>The Government will pursue automation to monitor collection of A-i-A in real time.</li> </ul>
	<ul style="list-style-type: none"> <li>National Treasury should issue guidelines to counties on the operationalization of the new contributory pension scheme and consider additional budgetary allocation to cater for backdated contribution to the proposed schemes for the period before the enactment of the new law.</li> </ul>	<ul style="list-style-type: none"> <li>The comment is well noted. This remains a risk if it's not properly managed. Engagements with the relevant stakeholders is on-going to ensure smooth transition from non-contributory to contributory by both levels of government.</li> </ul>
	<ul style="list-style-type: none"> <li>Nakuru County is concerned over the reduction of its equitable by Ksh 687,910,000.</li> </ul>	<ul style="list-style-type: none"> <li>The allocation of equitable share among the counties is guided by the formula from the Commission on Revenue Allocation (CRA).</li> </ul>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<ul style="list-style-type: none"> <li>Nakuru County is also concerned over the reduction in conditional allocation from the Road Maintenance Levy Fund (RMLF) by Ksh 6.8 million.</li> </ul>	<ul style="list-style-type: none"> <li>The allocation of RMLF among the counties is guided by the formula from the Commission on Revenue Allocation (CRA).</li> </ul>
	<ul style="list-style-type: none"> <li>Inability of Nakuru County Government to remain within the 35% threshold for salaries and wages provided in the PFM Act, 2012 due to exogenous factors.</li> </ul>	<ul style="list-style-type: none"> <li>The comment is well noted. It is recommended that the County Governments should implement the CARPS recommendations and enhance their Own Source Revenue to achieve this threshold.</li> </ul>
	<ul style="list-style-type: none"> <li>The Nakuru county government sought clarity on the reduction in Loans and Grants to Nakuru County by Ksh. 1,264,121,604.</li> </ul>	<ul style="list-style-type: none"> <li>The total Loans and Grants allocated among County Governments reduced to Ksh. 30.2 billion from Ksh. 38.7 billion. It should be noted that Urban Development Grant (UDG) for the FY 2020/21 will be drawn from a pool based on performance and no County Government has been allocated. In this regard, all County Governments are required to budget for the donor funds included in the CARA, 2020.</li> </ul>
	<ul style="list-style-type: none"> <li>Lack of allocations to County Governments under KUSP UDG and UIG may compromise financing of urban areas and cities.</li> <li>No clear guidelines and timelines provided in relation automation of county revenue</li> </ul>	<ul style="list-style-type: none"> <li>A total of Ksh. 6.4 Billion has been allocated to all County Governments under KUSP UDG, to be shared among Counties based on performance as stipulated in the conditional grant framework.</li> <li>The comment is well noted. There is a taskforce driving this agenda which is spearheaded by the National Treasury. The</li> </ul>



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<ul style="list-style-type: none"> <li>There is need to build capacity for the County Governments to increase their budget absorption.</li> <li>Proposal to include a section on the BPS on how the National Treasury will prevent accumulation of pending bills in future.</li> <li>BPS should mention the draft debt policy and borrowing framework and county borrowing framework which are both pending finalization.</li> <li>That the processing of subsequent disbursements will be based on submission of monthly reports on payments of pending bills. The proposal is to have further consultations on this matter.</li> <li>The chart on development expenditure as a percentage of total expenditure does not present a realistic picture of the development expenditure performance for counties based on data from Controller of Budget.</li> </ul>	<p>team is expected to give a way forward within the FY 2019/20.</p> <ul style="list-style-type: none"> <li>The comment is well noted. 470 officers from the County Government Executive arm were trained in the FY 2018/19. More officers from the County Assemblies are scheduled for training this financial year.</li> <li>The comment is well noted and has been reflected in the document.</li> <li>The national debt and borrowing policy is undergoing validation. The matter of county borrowing is still under discussion at IBEC. However, any County Government willing to borrow can do so under the existing framework in the PFM (County Gov't) Regulations.</li> <li>The comment is well noted, and taken into consideration.</li> <li>The comment is well noted, and the data cross checked against the source document—County Governments Annual Budget Implementation Review Report FY 2018/19, page xxii.</li> </ul>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Environmental protection, water and natural resources sector	<ul style="list-style-type: none"> <li>The State Department for Wildlife has noted a discrepancy on allocation of Resources in the draft BPS and resources allocated by the Resource Allocation panel during the Mombasa sector working retreat for Environment Protection, water and Natural Resources sector.</li> </ul>	<ul style="list-style-type: none"> <li>Noted and revised in line with submissions from the sector working group.</li> </ul>
Social protection, culture and recreation sector	<ul style="list-style-type: none"> <li>Mention the major national projects supporting the empowerment of vulnerable groups such as the Youth Enterprise Development Fund (YEDF), the Women Enterprise Fund (WEF) and Uwezo Fund</li> </ul>	<ul style="list-style-type: none"> <li>The programmes have been highlighted under the section of youth empowerment.</li> </ul>
Energy, Infrastructure and ICT	<ul style="list-style-type: none"> <li>Indicate that the Last Mile is also engaged in electrification of industrial parks, Economic Processing Zones, Food processing Plants and Government Housing Schemes</li> <li>Include 87.7 MW geothermal energy and implementation of solar power projects in off grid areas as projects in the pipeline</li> <li>Inclusion of geothermal as a source of alternative energy in enhancing energy generation by the Government.</li> <li>The BPS focuses on the second runway at the JKIA but emphasis should be put on continuous expansion and modernization of the aviation facilities to maintain our competitive edge in the region.</li> </ul>	<ul style="list-style-type: none"> <li>Paragraph 114 has been amended to indicate the expanded role of the Last Mile Project</li> <li>Paragraph 115 has been revised to include the 87.7 MW geothermal energy generation.</li> <li>Geothermal has been included in the list of alternative energy</li> <li>Paragraph 112 of this BPS has been recasted to reflect the broad objective of the Government that involves expansion of aviation facilities.</li> </ul>
Financial Sector	<ul style="list-style-type: none"> <li>Include the status of National Credit Guarantee Framework in the BPS.</li> </ul>	<ul style="list-style-type: none"> <li>A paragraph has been inserted on the National Credit Guarantee Framework which is expected to guide</li> </ul>



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<ul style="list-style-type: none"> <li>Allocation of Ksh. 11.86 billion towards Kenya Urban Support Project should be allocated to all 47 County Governments, as opposed to the 45 County Governments which is excluding Mombasa and Nairobi.</li> </ul>	<ul style="list-style-type: none"> <li>The entire grant has been eliminated for all the 47 County Governments.</li> </ul>
	<ul style="list-style-type: none"> <li>NaMISIP does not spell out its funding mechanism or provide an estimate of funds required for financing.</li> </ul>	<ul style="list-style-type: none"> <li>The comment is well noted and has been addressed.</li> </ul>
	<ul style="list-style-type: none"> <li>Recommendation for a conditional grant for the five cities to improve service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Whereas the National Treasury agrees with the rationale for this proposed conditional grant, it is recommended that CRA concludes these discussions with the relevant Ministry for whose budget the proposed resources would be derived.</li> </ul>
	<ul style="list-style-type: none"> <li>Recommendation to restructure the sentences touching on the proposed 3<sup>rd</sup> Revenue sharing Formula, paragraph 241.</li> </ul>	<ul style="list-style-type: none"> <li>The comments have been well noted and addressed.</li> </ul>
	<ul style="list-style-type: none"> <li>Recommendation to use the 3<sup>rd</sup> basis recommendation for revenue sharing in line with the constitution.</li> </ul>	<ul style="list-style-type: none"> <li>The usage of the third formula is subject to approval by the National Assembly.</li> </ul>
	<ul style="list-style-type: none"> <li>The concern that there lacks clear policy guidelines on the proposed revenue management system and the county borrowing.</li> </ul>	<ul style="list-style-type: none"> <li>The comments have been noted and addressed.</li> </ul>
	<ul style="list-style-type: none"> <li>Table 4.1 does not give the complete fiscal framework. Further, there is no clarity that items on the national government net issues presented in the notes add up to the revenue sharing framework.</li> </ul>	<ul style="list-style-type: none"> <li>This is well noted, and Table 4.1 has been clearly aligned with the fiscal framework.</li> </ul>

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	<ul style="list-style-type: none"> <li>Mention the development of a National Policy on Digital Finance and that of Unclaimed Financial Assets which are expected to further develop the financial sector.</li> </ul>	<p>guaranteeing of loans to MSMEs who lack sufficient collateral.</p> <ul style="list-style-type: none"> <li>A paragraph has been inserted under section 2.3.6.3 on both the National Policy on Digital Finance and that of Unclaimed Financial Assets.</li> </ul>
Health	<ul style="list-style-type: none"> <li>Amend the sub-section Universal Health Coverage (UHC) to include Social Health Protection Programme which aims to provide medical cover for the elderly and PWDs, increase health insurance coverage for the poor, increase utilization of health facilities for deliveries and basic health services.</li> </ul>	Paragraph 80 under the UHC has been amended to include the Social Health Protection Programme.
Agriculture, Rural and Urban Development	<ul style="list-style-type: none"> <li>Amend the sub-section on Food and Nutrition Security Pillar to include Galana Kulalu irrigation development project.</li> <li>Also mention that the Government has partnered with local fertilizer blending companies to provide fertilizers to further reduce the cost of production to farmers</li> </ul>	<ul style="list-style-type: none"> <li>Galana Kulalu irrigation has been included under the various irrigation projects in the section.</li> <li>The section has been recasted to include the partnership of the Government with the blending companies to provide subsidized fertilizer to farmers.</li> </ul>
Industry, Trade and Cooperatives	<ul style="list-style-type: none"> <li>Under the paragraph on automotive industry, include the integrated Mini Iron and Steel Mill flagship project which is likely to reduce the cost of assembled vehicles.</li> <li>Include Kisumu SEZ in paragraph 68 which will aid in purging the industrial development of Kisumu in line with the Government's Big Four Agenda.</li> </ul>	<ul style="list-style-type: none"> <li>The paragraph has been recasted incorporating the Iron and Steel Mill project which will cater for the needs of the Steel Industry at the downstream level.</li> <li>The paragraph has been amended to include the Kisumu SEZ.</li> </ul>



SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
General comments/ Clarifications/ Corrections.	<ul style="list-style-type: none"> <li>Provide a review of the performance of the "Big Four" Agenda analyzing achievements and identifying key areas for more emphasis.</li> </ul>	<ul style="list-style-type: none"> <li>Chapter of this BPS details the progress made under the "Big Four" Agenda and provides the set of policy measures that will lined up for implementation in order to achieve the aspirations of the Agenda.</li> </ul>
	<ul style="list-style-type: none"> <li>In paragraph 49: the sum of financing from domestic and external sources is not adding to the deficit amounts, there is a discrepancy of Ksh 0.5 billion</li> </ul>	<ul style="list-style-type: none"> <li>This discrepancy is explained by other domestic financing which is now included in the write-up.</li> </ul>
	<ul style="list-style-type: none"> <li>Revise paragraph 99 to read "Public Debt Borrowing Policy" instead of Debt Policy and Borrowing Framework</li> </ul>	<ul style="list-style-type: none"> <li>The paragraphs have been revised accordingly.</li> </ul>
	<ul style="list-style-type: none"> <li>Under paragraph 176 (criteria for allocating resources) add the following as one of the criteria: "Meeting debt service obligations as a first charge"</li> </ul>	<ul style="list-style-type: none"> <li>The criterion has been included in the paragraph.</li> </ul>
	<ul style="list-style-type: none"> <li>In Paragraph 188, BRT refers to "Bus Rapid Transit" not Bus .Rapid Transport</li> </ul>	<ul style="list-style-type: none"> <li>BRT amended to read Bus Rapid Transit</li> </ul>
	<ul style="list-style-type: none"> <li>Amend the wind power generated at the Turkana Wind Power Project from 300MW to 310 MW</li> </ul>	<ul style="list-style-type: none"> <li>Wind power generated at the Turkana Wind Power amended to 310MW.</li> </ul>
	<ul style="list-style-type: none"> <li>Government to exempt sports and sports development from corporation tax</li> </ul>	<ul style="list-style-type: none"> <li>The proposal is well taken and will be taken into consideration in the Finance Bill, 2020</li> </ul>
	<ul style="list-style-type: none"> <li>Consider having a feedback mechanism to demonstrate how the proposals by citizens on the BPS have been incorporated</li> </ul>	<ul style="list-style-type: none"> <li>This Annex Table (Annex Table 7) provides a summary of the comments received from the public and action taken to address this comment.</li> </ul>

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