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# REPUBLIC OF KENYA

## THE NATIONAL TREASURY AND PLANNING

TABLED
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THE NATIONAL ASSEMBLY
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MEDIUM TERM

# 2021 BUDGET POLICY STATEMENT

## BUILDING BACK BETTER: STRATEGY FOR RESILIENT AND SUSTAINABLE ECONOMIC RECOVERY

FEBRUARY 2021

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© Budget Policy Statement (BPS) 2021

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# Foreword

The 2021 Budget Policy Statement (BPS) is prepared against a background of a contracting global economy occasioned by the outbreak and the rapid spread of the Covid-19 Pandemic. The Pandemic and the ensuing containment measures have devastated global economies disrupting businesses and livelihoods. As a result, global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019. Global growth is projected to pick up to 5.5 percent in 2021 reflecting expectations of a vaccine-powered strengthening of activity and additional policy support in a few large economies.

On the domestic scene, Kenya has not been spared of the negative impact of the Pandemic. The Pandemic and the resultant containment measures have adversely affected businesses and economic activities. Nonetheless, there has been an improvement in economic activity in the third and fourth quarters of 2020, albeit at a slow pace, following reopening of the economy. The recovery in economic activities resulted to a contraction of 1.1 percent in the third quarter of 2020, which is an improvement, compared with the contraction of 5.5 percent registered in the second quarter of 2020. The economy is therefore estimated to grow by 0.6 percent in 2020 and projected to bounce back to above 6.0 percent over the medium term. This economic recovery will be supported by the stable macroeconomic environment, turn around in trade as economies recover from Covid-19 Pandemic and expected favourable weather that will support agricultural output.

To further reinforce this growth outlook, the policy measures outlined in the 2021 Budget Policy Statement aim at stimulating economic recovery. Building on the gains made under the Economic Stimulus Programme, the Government will roll out the Post Covid-19 Economic Recovery Strategy (ERS) to mitigate the adverse impacts of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. The policies in this document have also been anchored on the Medium-Term Plan III of the Vision 2030 as prioritized in the "Big Four" Agenda. The focus of the policies is to provide an enabling environment for a resilient and sustainable economic recovery to continue safeguarding livelihoods, jobs, businesses and industrial recovery. In this respect, 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 2021/22, we are cognizant of the prevailing unfavorable economic conditions which have adversely affected revenue performance. At the same time, additional expenditure requests for FY 2020/21 budget are at unprecedented levels which necessitated alignment of expenditures to the available fiscal space. We have also had to critically review our existing programmes and policies to ensure that they are not only consistent with

our development agenda but also informed by emerging realities brought about by the emergence of Covid-19 Pandemic.

Towards this end, detailed budgets of all Government Ministries, Departments and Agencies (MDAs) have been scrutinized to curtail growth of recurrent budgets, especially for budget items under the category referred to as use of goods and services; to ensure completion of ongoing projects with particular emphasis placed on projects nearing completion to ensure that citizens benefit from such public investments. Further, resource allocation is aligned to prioritized programmes in the MTP III. In particular, the budget framework has focused on the "Big Four" Agenda, Post Covid-19 Economic Recovery Programme and the strategic policy initiatives of the Government to accelerate growth, employment creation and poverty reduction.

Going forward, we expect revenue collection in the FY 2021/22 to spring back buoyed by the improving economic environment, tax policy and revenue administration measures that we have put in place. The enhanced revenue will enable implementation of the "Big Four" Agenda, initiatives under the Economic Stimulus Programme as well as the Post Covid-19 Economic Recovery Strategy. Together with expenditure rationalization measures that we have instituted, we expect the funding pressures to ease and create fiscal space for priority programmes in the FY2021/22 and the Medium Term Budget.

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 YATANI, EGH**
**CABINET SECRETARY/ NATIONAL TREASURY & PLANNING**

# Acknowledgement

The 2021 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 2021/22 budget. This publication is expected to improve the public's understanding of Kenya's public finances and guide debate on economic and development matters.

As we finalize the budget for the FY 2021/22 and the medium term, I wish to emphasize that resources are limited while at the same time, the Government is confronted with significant expenditure demands including financing the Post Covid-19 Economic Recovery Strategy and the "Big Four" Agenda. This calls for proper prioritization to ensure that we focus on critical expenditures with the highest positive impact on the well-being of Kenyans. For this reason, the Government will continue to prudently manage the use of public resources over the 2021/22-2023/24 Medium Term Expenditure Framework (MTEF).

Towards this end, while developing the budget proposals for the medium-term, Sector Working Groups (SWGs) undertook a critical scrutiny of individual MDAs' budgets execution reports to curtail growth of recurrent budgets especially budget items under the category referred to as use of goods and services. The SWGs also ensured that funding priority is accorded to completion of ongoing projects, which are supportive to accelerated inclusive growth and development.

The preparation of the 2021 BPS was a collaborative effort among various Government Agencies. We are grateful for their inputs. We thank all 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 November 2020 Public Sector Hearings and the general public which provided invaluable inputs to the 2021 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**
**PRINCIPAL SECRETARY/THE NATIONAL TREASURY**

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## *About the Budget Policy Statement*

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

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

Section 25 of the PFM Act, 2012, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15th of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The Cabinet Secretary, the National Treasury and Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2021/22.

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. In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted economic activities. As a result, our economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter in 2020. Nonetheless, the economy has demonstrated signs of recovery in the third quarter of 2020 contracting by only 1.1 percent following the reopening of the economy. Economic growth is therefore estimated to slow down to around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP). The economic growth is projected to rebound from 3.8 percent in the FY 2020/21 to 6.1 percent over the medium term supported by the recovery in the services sector.

2. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year-on-year overall inflation remained within the Government target range of 5±2.5 percent in January 2021 at 5.7 percent from 5.8 percent in January 2020. The low inflation was mainly supported by a reduction in food prices and muted demand pressures. The reversal of tax measures in January 2021 are expected to have modest impact on overall inflation.

3. The foreign exchange market has largely remained stable but partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. Despite this, the current account deficit, in percent of GDP, is estimated to improve to 4.9 percent in 2020 from 5.8 percent in 2019 and projected at 5.1 percent in 2021 mainly supported by an improvement in the trade balance partly reflecting expected pickup in imports.

## 1.2 Recent Economic Developments and Outlook

***Global and Regional Economic Developments***

4. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures devastated global economies. As a result, the global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019 **(Table 1).** This economic slowdown is worse than the growth reported during the 2008 - 2009 global financial crisis.

5. Advanced economies are estimated to have contracted by 4.9 percent in 2020 from a growth of 1.6 percent in 2019. Significant contraction of the economy was in the United States (3.4 percent), Japan (5.1 percent), Canada (5.5) and the United Kingdom (10.0 percent). Growth in the Euro area is estimated to have contracted by 7.2 percent in 2020 from a growth of 1.3 percent in 2019.

6. The emerging markets and developing economies also contracted by 2.4 percent from a growth of 3.6 percent in 2019. All major economies contracted in

2020 except China which is estimated to have grown by 2.3 percent, a slowdown from a growth of 6.0 percent in 2019.

**Table 1: Global Economic Growth, Percent**

| Economy | 2019 | 2020* | 2021** | 2022** |
|---|---|---|---|---|
| World | 2.8 | (3.5) | 5.5 | 4.2 |
| Advanced Economies | 1.6 | (4.9) | 4.3 | 3.1 |
| Of which: USA | 2.2 | (3.4) | 5.1 | 2.5 |
| Emerging and Developing Economies | 3.6 | (2.4) | 6.3 | 5.0 |
| Of which: China | 6.0 | 2.3 | 8.1 | 5.6 |
| India | 4.2 | (8.0) | 11.5 | 6.8 |
| Sub-Saharan Africa | 3.2 | (2.6) | 3.2 | 3.9 |
| Of which: South Africa | 0.2 | (7.5) | 2.8 | 1.4 |
| Nigeria | 2.2 | (3.2) | 1.5 | 2.5 |
| EAC-5 | 6.0 | 0.3 | 4.5 | 5.5 |
| Of which: Kenya*** | 5.4 | 0.6 | 6.4 | 5.5 |

**Estimate **Projected*
*EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda*

***Source of Data: January 2021 WEO; ***Projections by the National Treasury***

7. The Sub-Saharan African region has not been spared by the negative impact of the pandemic with the region estimated to have contracted by 2.6 percent in 2020 from a growth of 3.2 percent in 2019. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies slowed significantly, but in many cases was still positive in 2020.

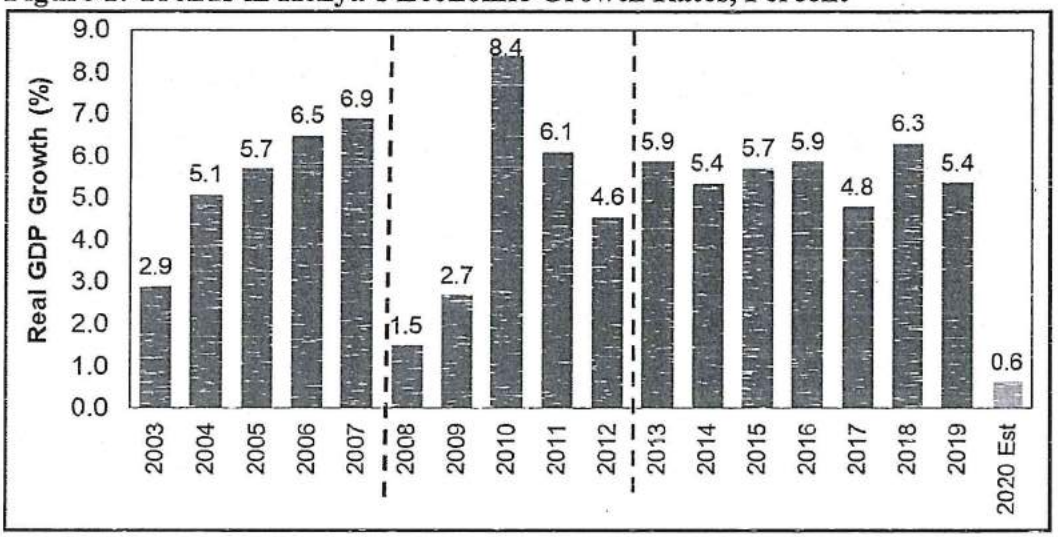
8. Growth in the East African Community (EAC) region is estimated to slow down to 0.3 percent in 2020 compared to a growth of 6.0 percent in 2019. This growth was supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda contracted in 2020.

***Domestic Economic Developments***

9. Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012 **(Figure 1).**

10. In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, our economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by above 6.0 percent over the medium term.

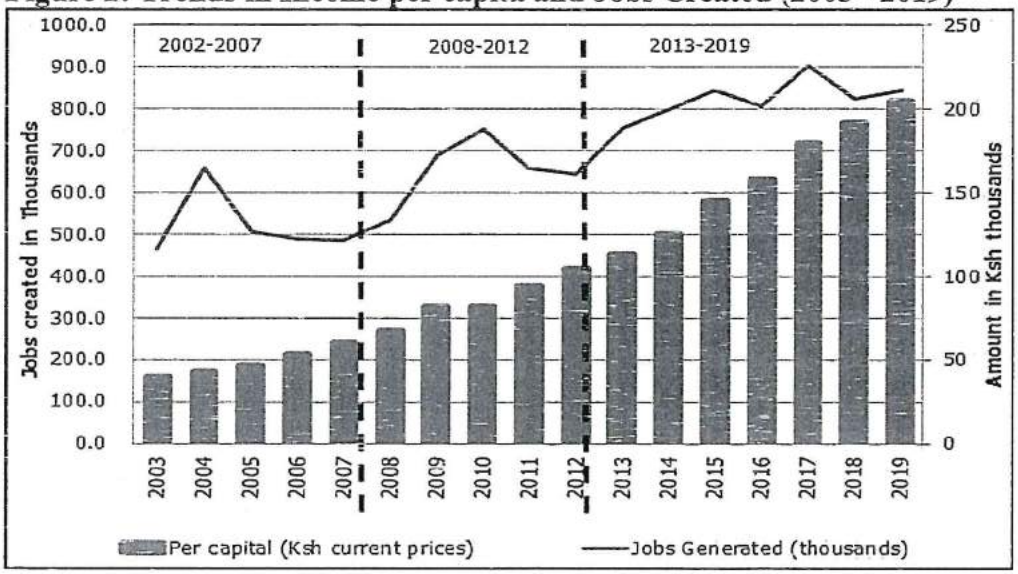
**Figure 1: Trends in Kenya's Economic Growth Rates, Percent**




*Source of Data: Kenya National Bureau of Statistics*

11. Per capita income rose from Ksh 113,539 in 2013 to Ksh 204,783 in 2019, translating to a compounded annual growth rate of 11.5 percent. This enabled generation of around 827,000 new jobs per year in the period 2013 - 2019 up from 656,500 new jobs per year in the period 2008 -2012 **(Figure 2).**

**Figure 2: Trends in Income per capita and Jobs Created (2003 - 2019)**




*Source of Data: Kenya National Bureau of Statistics*

### *Quarterly GDP growth of 2020*

12. The economy grew by 5.2 percent in the first quarter of 2020 same as the growth recorded in the first quarter of 2019 mainly supported by the agricultural sector as a result of above average rainfall. However, the service sector was hampered by the decline in economic activities in most of the country's major trading partners due to the uncertainties associated with Covid-19 pandemic **(Table 2).**

13. In the second quarter of 2020, the economy contracted by 5.5 percent from a growth of 5.1 percent in the same quarter in 2019. The poor performance in the second quarter of 2020 was to a large extent negatively affected by measures aimed at containing the spread of Covid-19 Pandemic. As a result, the performance of most sectors of the economy contracted. However, the economy was supported by improved performance of Agriculture, Forestry and Fishing activities, Health Services and Mining and Quarrying activities.

14. The economy demonstrated signs of recovery in the third quarter of 2020 following reopening of the economy, but the pickup is weak. The economy contracted by 1.1 percent in the third quarter of 2020, which is an improvement compared to the contraction of 5.5 percent in the second quarter of 2020. However, this was a slowdown compared to a growth of 5.8 percent in the third quarter of 2019.

**Table 2: Sectoral Real GDP Growth Rates, Percent**

| Sectors | Sector Growth (%) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | 2019 | | | | 2020 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Primary Industry | 6.7 | 5.9 | 6.5 | 3.5 | 3.9 | 2.2 | 4.9 | 3.4 | 5.9 | 7.4 | 6.9 |
| Agriculture, Forestry and Fishing | 6.9 | 6.0 | 6.7 | 3.6 | 4.0 | 2.0 | 5.0 | 3.6 | 5.8 | 7.3 | 6.3 |
| Mining and Quarrying | 3.1 | 3.5 | 3.2 | 1.2 | 1.4 | 5.0 | 3.4 | 0.3 | 9.5 | 10.0 | 18.2 |
| Secondary Sector (Industry) | 5.1 | 5.4 | 6.1 | 5.9 | 4.2 | 5.5 | 5.1 | 4.2 | 4.1 | (1.0) | 4.2 |
| Manufacturing | 4.1 | 4.6 | 4.8 | 3.8 | 2.3 | 4.1 | 3.9 | 2.6 | 2.9 | (3.9) | (3.2) |
| Electricity and Water supply | 6.1 | 8.3 | 8.1 | 9.5 | 7.8 | 7.3 | 6.4 | 6.4 | 6.3 | (0.6) | 4.7 |
| Construction | 6.7 | 5.6 | 7.3 | 7.7 | 6.1 | 7.2 | 6.6 | 5.7 | 5.3 | 3.9 | 16.2 |
| Tertiary sector (Services) | 6.2 | 6.0 | 6.6 | 7.9 | 6.3 | 6.8 | 6.7 | 6.7 | 5.5 | (11.0) | (4.7) |
| Wholesale and Retail trade | 5.6 | 6.5 | 7.3 | 7.9 | 6.3 | 7.8 | 6.1 | 6.4 | 6.4 | (7.0) | (2.5) |
| Accomodation and Restaurant | 13.3 | 15.1 | 15.5 | 21.5 | 11.0 | 12.1 | 9.9 | 9.0 | (9.3) | (83.2) | (57.9) |
| Transport and Storage | 6.5 | 6.6 | 8.5 | 11.8 | 6.4 | 7.6 | 7.6 | 9.2 | 6.1 | (11.4) | 2.9 |
| Information and Communication | 13.2 | 11.7 | 9.8 | 10.6 | 10.0 | 7.5 | 8.0 | 9.1 | 9.8 | 4.6 | 7.3 |
| Financial and Insurance | 4.0 | 3.5 | 5.1 | 8.5 | 6.3 | 5.2 | 8.1 | 6.6 | 6.2 | 4.2 | 5.3 |
| Public Administration | 5.5 | 6.1 | 7.1 | 8.1 | 8.9 | 8.7 | 8.4 | 6.2 | 6.7 | 5.7 | 9.6 |
| Others | 5.1 | 5.0 | 4.9 | 4.7 | 4.8 | 5.8 | 5.6 | 5.2 | 4.7 | (19.2) | (13.0) |
| of which Real Estate | 5.2 | 4.5 | 3.8 | 3.1 | 4.7 | 6.0 | 5.5 | 5.1 | 4.4 | 2.3 | 5.3 |
| Education | 5.3 | 5.2 | 5.5 | 7.0 | 4.3 | 6.0 | 6.0 | 5.5 | 5.3 | (56.2) | (41.9) |
| Health | 4.1 | 3.4 | 5.3 | 4.5 | 5.4 | 6.2 | 5.5 | 6.2 | 5.8 | 10.3 | 5.6 |
| Taxes less subsidies | 6.1 | 6.0 | 6.2 | 4.3 | 4.7 | 4.0 | 4.2 | 4.5 | 3.4 | (14.2) | (4.2) |
| Real GDP | 6.3 | 6.1 | 6.5 | 6.3 | 5.2 | 5.1 | 5.8 | 5.4 | 5.2 | (5.5) | (1.1) |
| of which Non-Agriculture | 6.2 | 6.1 | 6.5 | 7.3 | 5.7 | 6.4 | 6.3 | 6.0 | 5.2 | (8.4) | (2.5) |

***Source of Data: Kenya National Bureau of Statistics***

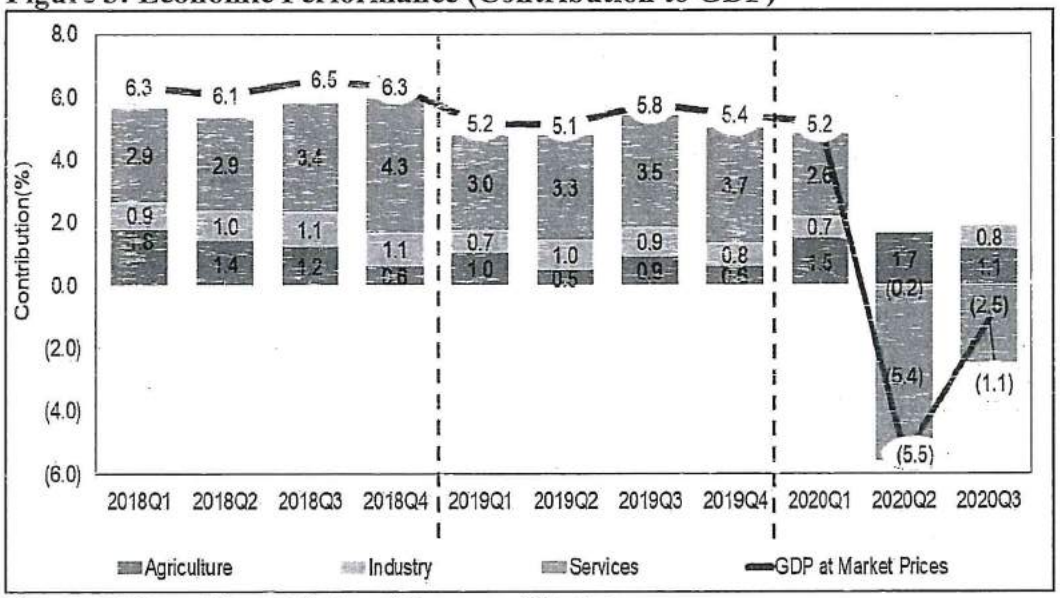
15. The agriculture sector recorded an improved growth of 6.3 percent in the third quarter of 2020 compared to a growth of 5.0 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production. The sector's contribution to GDP growth was 1.1 percentage points in the third quarter of 2020 compared to 0.9 percentage points over the same period in 2019 **(Figure 3).**

16. The non-agriculture (service and industry) sectors were adversely affected by the Covid-19 pandemic. As a result, the sectors contracted by 2.5 percent in the third quarter of 2020 from a growth of 6.3 percent in a similar quarter in 2019.

However, this was an improvement compared to the contraction of 8.4 percent in the second quarter of 2020 demonstrating economic recovery. The sector's contribution to real GDP was -1.7 percentage points in the third quarter of 2020 compared to a contribution of 4.3 percentage points in the same quarter in 2019.

17. Services sub sector contracted by 4.7 percent in the third quarter of 2020 compared to a growth of 6.7 percent in the same quarter in 2019. The decline was largely characterized by substantial contractions in accommodation and food services (57.9 percent), education (41.9 percent), and wholesale and retail trade (2.5 percent). However, the service sub sector was cushioned from a deeper slump by positive growths in public administration (9.6 percent), health (5.6 percent), real estate (5.3 percent) and transport and storage (2.9 percent). The services sub-sector contributed -2.5 percentage points to real GDP growth in the third quarter of 2020 compared to the 3.5 percentage points contribution in the same quarter of 2019.

**Figure 3: Economic Performance (Contribution to GDP)**



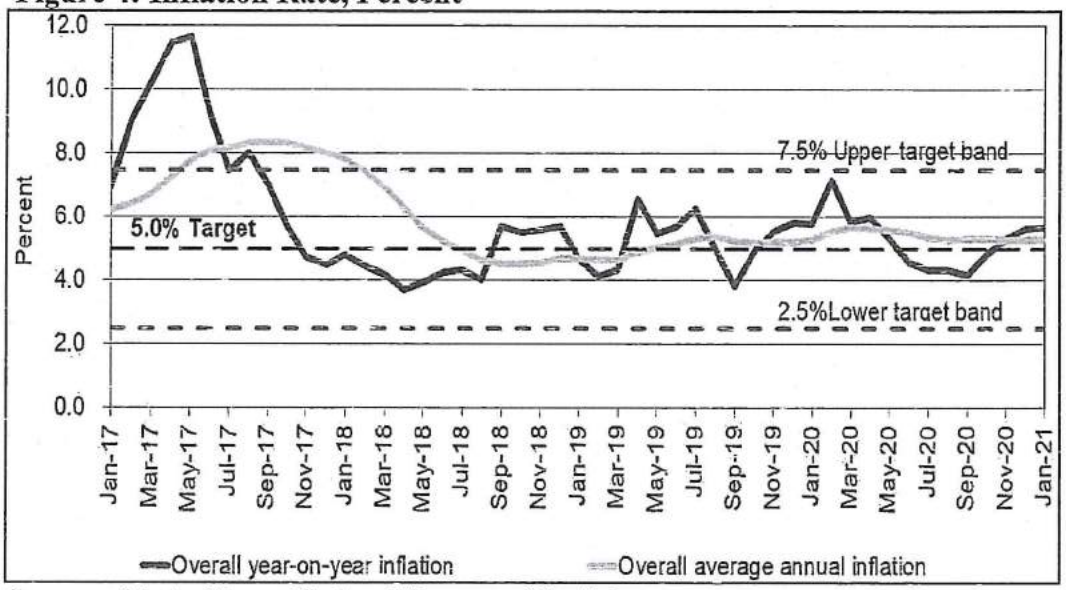

***Source of Data: Kenya National Bureau of Statistics***

18. The industry sub sector grew by 4.2 percent in the third quarter of 2020, a slowdown compared to a growth of 5.1 percent in the same quarter of 2019. This was mainly due to a decline in activities in Electricity and Water supply and Manufacturing sub-sectors. The industry sub sector was however supported by the Construction sector which grew by 16.2 percent in the third quarter of 2020 compared to a growth of 6.6 percent in the same quarter in 2019. The industry sub sector accounted for 0.8 percentage points of growth in the third quarter of 2020 compared to 0.9 percentage point contribution to GDP in 2019.

***Inflation Rate***

19. Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since end 2017 demonstrating prudent monetary policies. The inflation rate stood at 5.7 percent in January 2021 from 5.8 percent in January 2020. The low inflation was supported by a reduction in food prices and muted demand pressures **(Figure 4)**.

**Figure 4: Inflation Rate, Percent**

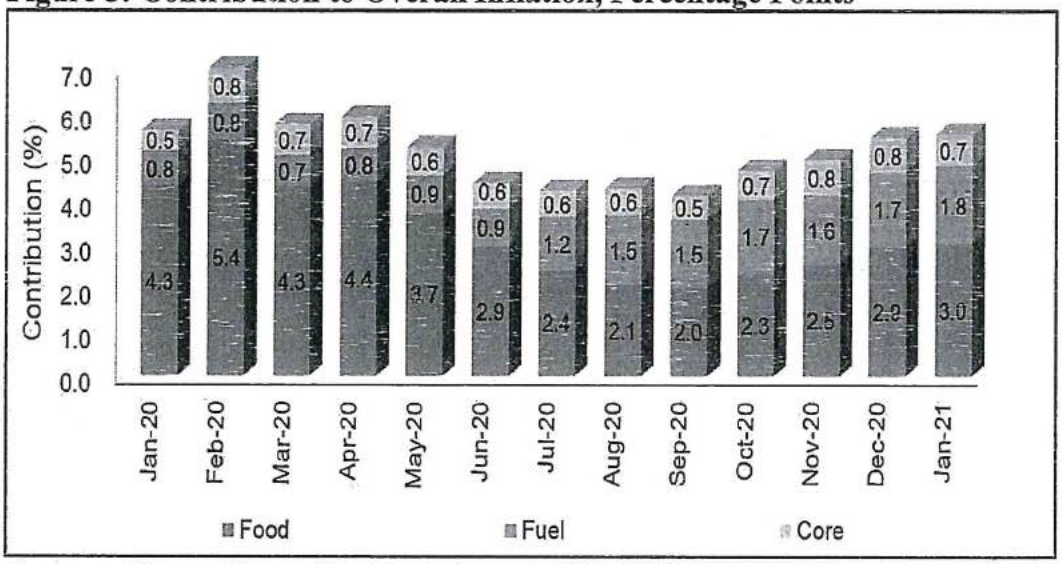



*Source of Data: Kenya National Bureau of Statistics*

20. Core inflation (Non-Food-Non-Fuel) contribution to inflation remained low at 0.7 percentage points in January 2021 from 0.5 percentage points in January 2020 reflecting muted demand pressures in the economy on account of prudent monetary policies. However, the contribution of fuel inflation to overall year-on-year inflation rose to 1.8 percentage points in January 2021 compared to 0.8 percentage points in January 2020 on account of increasing electricity prices **(Figure 5).**

21. The major driver of the overall inflation has been food inflation, but its contribution to overall inflation declined from 4.3 percentage points in January 2020 to 3.0 percentage points in January 2021 on account of a reduction in food prices particularly tomatoes and fortified maize flour.

**Figure 5: Contribution to Overall Inflation, Percentage Points**



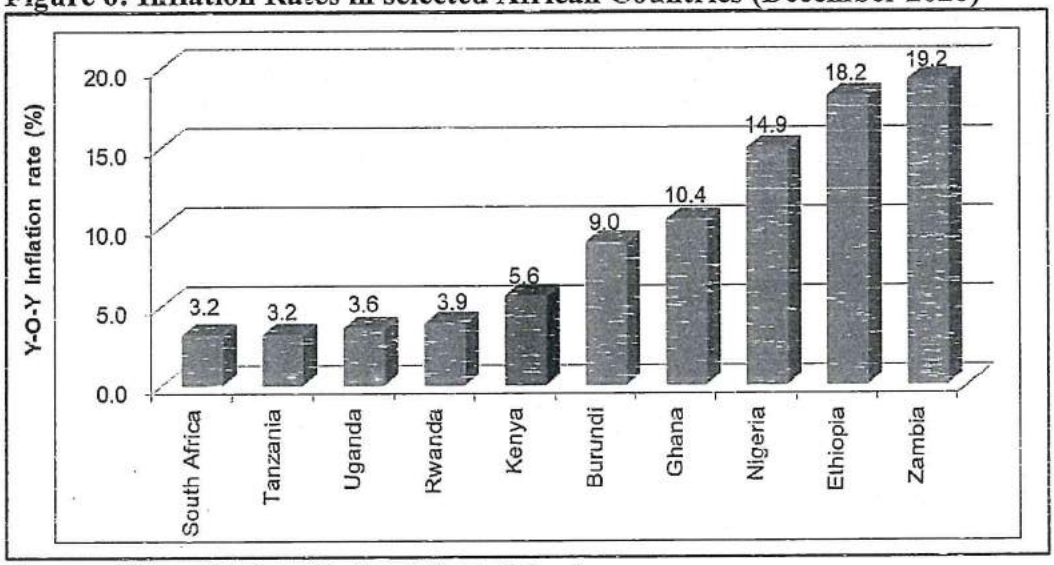

*Source of Data: Kenya National Bureau of Statistics*



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22. Kenya's rate of inflation compares favourably with the rest of Sub-Saharan Africa countries. In December 2020, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia and Ethiopia **(Figure 6).**

**Figure 6: Inflation Rates in selected African Countries (December 2020)**

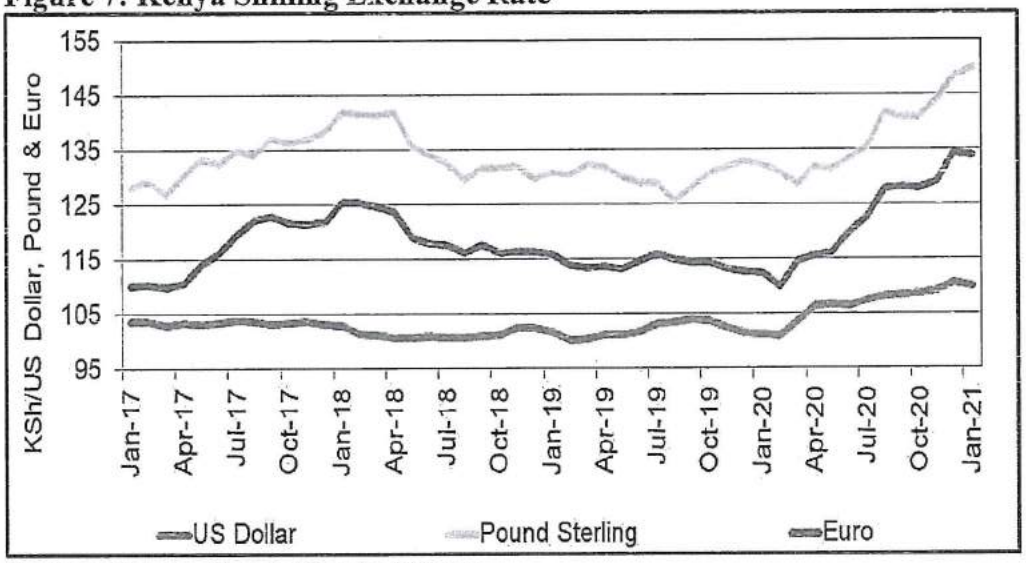



***Source of Data: Various National Central Banks***

***Kenya Shilling Exchange Rate***

23. The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 109.8 in January 2021 compared to Ksh 101.1 in January 2020 **(Figure 7).**

**Figure 7: Kenya Shilling Exchange Rate**

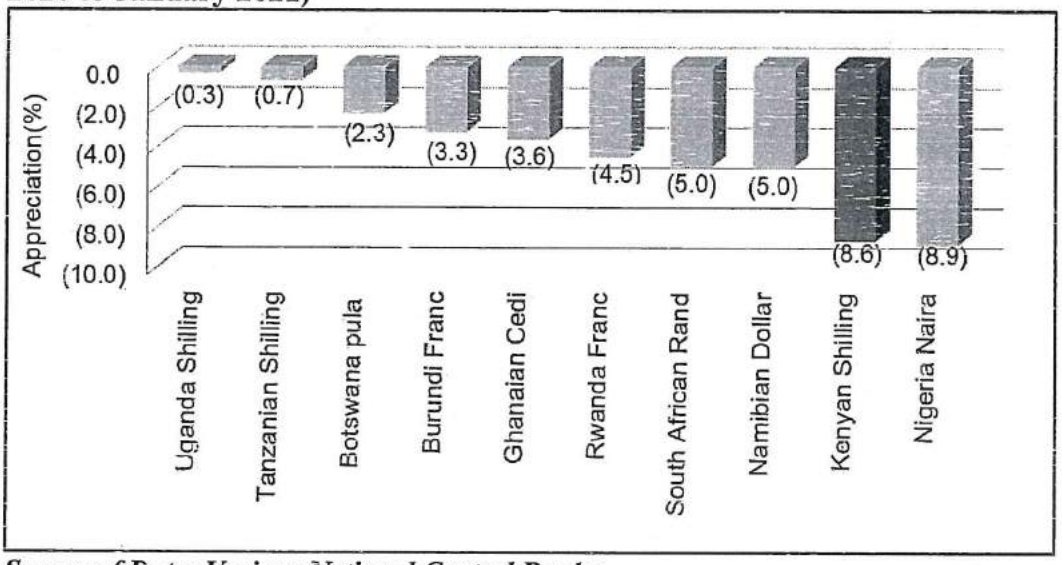



***Source of Data: Central Bank of Kenya***

24. Like most Sub-Saharan African currencies, the Kenya Shilling has remained relatively stable weakening by only 8.6 percent against the US Dollar in

the year to January 2021 **(Figure 8)**. This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

**Figure 8: Performance of selected currencies against the US Dollar (January 2020 to January 2021)**

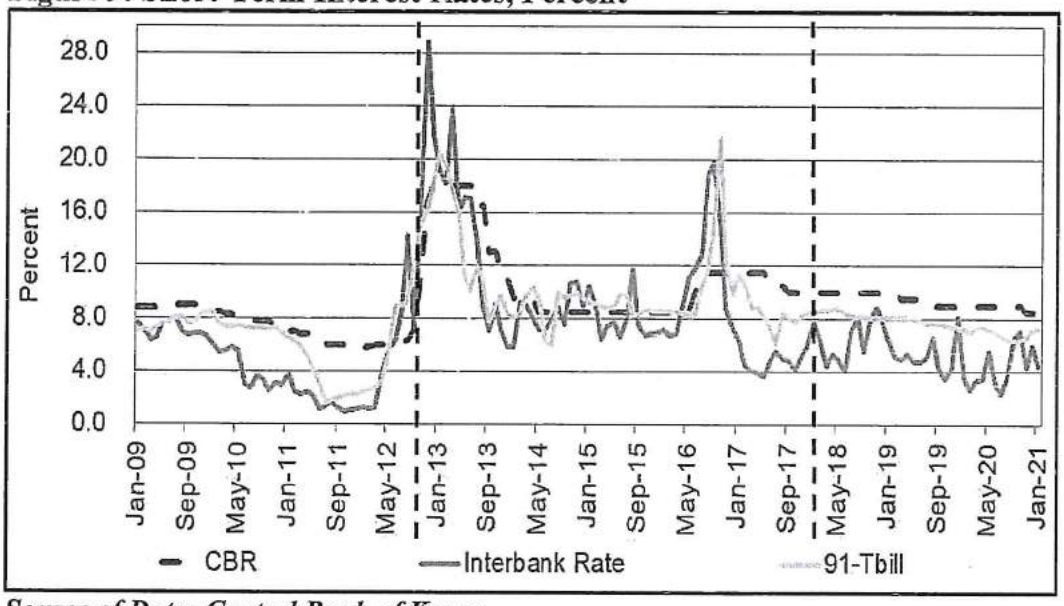



***Source of Data: Various National Central Banks***

***Interest Rates***

25. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on January 27, 2021 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises, distressed by Covid-19 Pandemic. The interbank rate remained low at 5.2 percent in January 2021 from 4.4 percent in January 2020 in line with the easing of the monetary policy and adequate liquidity in the money market **(Figure 9).**

**Figure 9: Short-Term Interest Rates, Percent**




***Source of Data: Central Bank of Kenya***

26. The 91-day Treasury Bills rate was at 6.9 percent in January 2021 from 7.2 percent in January 2020. Over the same period, the 182-day Treasury Bills rate declined to 7.5 percent from 8.2 percent while the 364-day decreased to 8.5 percent from 9.9 percent in January 2020.

***Money and Credit***

27. Growth in broad money supply, M3, improved to 13.2 percent in the year to December 2020 compared to a growth of 5.6 percent in the year to December 2019 **(Table 3).** The improved growth in M3 was attributed to an increase in the Net Domestic Assets (NDA) particularly improvement in net credit flows to the government and the private sector.

28. The primary source of growth in M3 in the year to December 2020 was the Net Domestic Assets (NDA) of the banking system, which improved to register a growth of 19.3 percent from a growth of 3.7 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to both the Government and the private sector.

29. Private sector credit grew by 8.4 percent in the 12 months to December 2020 compared to a growth of 7.1 percent in the year to December 2019. This was supported by a recovery in demand with the improved economic activities following the easing of COVID-19 containment measures, and accommodative monetary policy. Strong credit growth was observed in the following sectors: manufacturing (12.0 percent), transport and communications (13.6 percent), agriculture (15.3 percent), real estate (8.7 percent) and consumer durables (18.1 percent). The operationalisation of the Credit Guarantee Scheme for the vulnerable Micro Small and Medium sized Enterprises (MSMEs), will de-risk lending by commercial banks, and is critical to increasing credit to the private sector.

**Table 3: Money Supply and Credit, Ksh billion**

| | | | | Change | | Percent Change | |
|---|---|---|---|---|---|---|---|
| | 2018 December | 2019 December | 2020 December | 2018-2019 December | 2019-2020 December | 2018-2019 December | 2019-2020 December |
| COMPONENTS OF M3 | | | | | | | |
| 1. Money supply, M1 (1.1+1.2+1.3) | 1,477.5 | 1,525.2 | 1.720.3 | 47.7 | 195.1 | 3.2 | 12.8 |
| 1.1 currency outside banks (M0) | 230.3 | 198.6 | 233.7 | (31.7) | 35.1 | (13.8) | 17.7 |
| 1.2 Demand deposits | 1,175.5 | 1,253.3 | 1.395.0 | 77.8 | 141.8 | 6.6 | 11.3 |
| 1.3 Other deposits at CBK | 71.7 | 73.4 | 91.6 | 1.7 | 18.3 | 2.3 | 24.9 |
| 2. Money supply. M2 (1+2.1) | 2,756.0 | 2,904.4 | 3,250.2 | 148.4 | 345.9 | 5.4 | 11.9 |
| 2.1 Time and savings deposits | 1,278.4 | 1,379.1 | 1,529.9 | 100.7 | 150.8 | 7.9 | 10.9 |
| **Money supply, M3 (2+3.1)** | **3,337.8** | **3,524.0** | **3,990.9** | **186.2** | **466.9** | **5.6** | **13.2** |
| 3.1 Foreign currency deposits | 581.9 | 619.7 | 740.7 | 37.8 | 121.0 | 6.5 | 19.5 |
| SOURCES OF M3 | | | | | | | |
| 1. Net foreign assets (1.1+1.2) | 714.1 | 804.5 | 746.4 | 90.4 | (58.1) | 12.7 | (7.2) |
| 1.1 Central Bank | 739.5 | 833.3 | 738.5 | 93.8 | (94.8) | 12.7 | (11.4) |
| 1.2 Banking Institutions | (25.4) | (28.8) | 7.9 | (3.5) | 36.8 | (13.6) | 127.4 |
| 2. Net domestic assets (2.1+2.2) | 2,623.7 | 2,719.6 | 3,244.5 | 95.8 | 524.9 | 3.7 | 19.3 |
| 2.1 Domestic credit (2.1.1+2.1.2+2.1.3) | 3,381.1 | 3,628.1 | 4,245.3 | 247.0 | 617.2 | 7.3 | 17.0 |
| 2.1.1 Government (net) | 858.2 | 941.2 | 1.341.0 | 83.1 | 399.8 | 9.7 | 42.5 |
| 2.1.2 Other public sector | 100.9 | 92.3 | 91.2 | (8.7) | (1.1) | (8.6) | (1.2) |
| 2.1.3 Private sector | 2,422.0 | 2,594.6 | 2,813.1 | 172.6 | 218.5 | 7.1 | 8.4 |
| 2.2 Other assets net | (757.3) | (908.5) | (1,000.8) | (151.2) | (92.3) | (20.0) | (10.2) |

***Source of Data: Central Bank of Kenya***

30. Net Foreign Assets (NFA) of the banking system in the year to December 2020 contracted by 7.2 percent, compared to a growth of 12.7 percent in the year to December 2019. The contraction in the growth of NFA was mainly reflected in the decline of the foreign currency reserves by the Central Bank. The NFA of commercial banks improved during the review period as a result of an increase in the commercial banks' deposits with the non-resident banks.

***Balance of Payments***

31. The overall balance of payments position improved to a surplus of USD 1,434 million (1.5 percent of GDP) in the year to December 2020 from a deficit of USD 1,059 million (1.1 percent of GDP) in the year to December 2019 **(Table 4 and Figure 10).** This was mainly due to an improvement in the current account balance.

32. The current account deficit was USD 4,744 million (4.9 percent of GDP) in December 2020 from USD 5,541 million (5.8 percent of GDP) in December 2019. The improvement in the current account balance was mainly due to the improvement in the merchandise account balance and the net primary income balance.

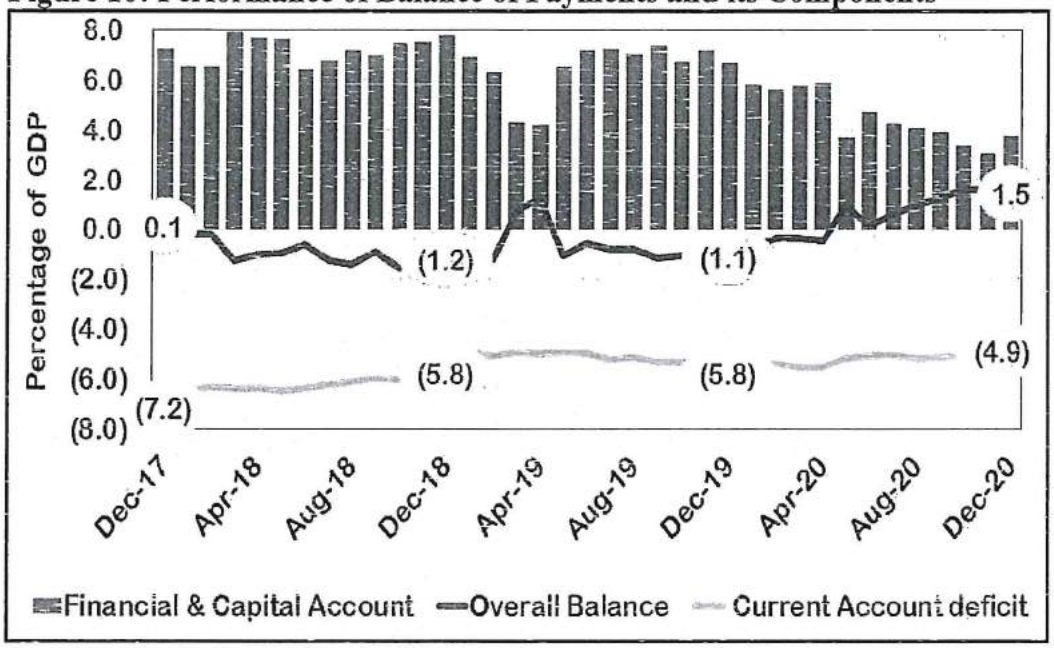
33. The balance in the merchandise account improved by USD 2,302 million to a deficit of USD 8,377 million in the year to December 2020 on account of a decline in imports and a marginal increase in exports. In the year to December 2020, exports grew by 3.3 percent primarily driven by tea exports, on account of increased production. On the other hand, imports declined by 12.5 percent in the year to December 2020 mainly reflecting lower imports of oil products due to relatively low international oil prices.

**Table 4: Balance of Payments (USD Million)**

| | | | | | | | Year to December 2020 | | Percent of GDP | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-18 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Change | Percent Change | Dec-19 | Dec-20 |
| **Overall Balance** | **(1,030.2)** | **(1,059.4)** | **(340.7)** | **179.3** | **1,264.5** | **1,434.0** | **2,493.4** | **(235.4)** | **(1.1)** | **1.5** |
| A) Current Account | (5,047.8) | (5,541.2) | (5,635.7) | (5,066.9) | (5,032.8) | (4,744.0) | 797.2 | (14.4) | (5.8) | (4.9) |
| *Merchandise Account (a-b)* | (10,201.0) | (10,679.5) | (10,442.8) | (9,460.0) | (8,940.4) | (8,377.0) | 2,302.4 | (21.6) | (11.1) | (8.6) |
| a) Goods: exports | 6,087.6 | 5,871.9 | 6,070.1 | 5,923.6 | 6,015.9 | 6,034.8 | 162.9 | 2.8 | 6.1 | 6.2 |
| b) Goods: imports | 16,288.5 | 16,551.4 | 16,512.8 | 15,383.6 | 14,956.3 | 14,411.9 | (2,139.5) | (12.9) | 17.2 | 14.7 |
| *Net Services (c-d)* | 1,596.3 | 1,767.4 | 1,352.7 | 1,028.1 | 605.2 | 238.5 | (1,528.8) | (86.5) | 1.8 | 0.2 |
| c) Services: credit | 5,477.5 | 5,621.5 | 5,333.0 | 4,783.4 | 4,288.8 | 3,834.0 | (1,787.5) | (31.8) | 5.8 | 3.9 |
| d) Services: debit | 3,881.2 | 3,854.1 | 3,980.3 | 3,755.3 | 3,683.6 | 3,595.5 | (258.6) | (6.7) | 4.0 | 3.7 |
| *Net Primary Income (e-f)* | (1,449.2) | (1,914.1) | (1,778.2) | (1,647.6) | (1,685.0) | (1,578.5) | 335.6 | (17.5) | (2.0) | (1.6) |
| e) Primary income: credit | 198.9 | 229.6 | 226.6 | 198.2 | 21.8 | (2.5) | (232.1) | (101.1) | 0.2 | (0.0) |
| f) Primary income: debit | 1,648.0 | 2,143.7 | 2,004.8 | 1,845.8 | 1,706.8 | 1,576.0 | (567.7) | (26.5) | 2.2 | 1.6 |
| *Net Secondary Income* | 5,006.0 | 5,285.0 | 5,232.6 | 5,012.6 | 4,987.5 | 4,973.1 | (312.0) | (5.9) | 5.5 | 5.1 |
| g) Secondary income: credit | 5,053.9 | 5,339.7 | 5,286.8 | 5,064.1 | 5,042.4 | 5,024.5 | (315.2) | (5.9) | 5.6 | 5.1 |
| h) Secondary income: debit | 47.9 | 54.7 | 54.2 | 51.5 | 55.0 | 51.5 | (3.2) | (5.9) | 0.1 | 0.1 |
| B) Capital Account | 262.6 | 207.7 | 189.6 | 146.1 | 155.1 | 130.4 | (77.3) | (37.2) | 0.2 | 0.1 |
| C) Financial Account | (6,535.4) | (6,238.9) | (5,720.5) | (4,597.6) | (3,726.2) | (3,535.0) | 2,703.8 | (43.3) | (6.5) | (3.6) |

***Source of Data: Central Bank of Kenya***

**Figure 10: Performance of Balance of Payments and its Components**




*Source of Data: Central Bank of Kenya*

34. Net services declined by 86.5 percent in the year to December 2020 mainly due to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo throughput performed well during the review period and provided a buffer in terms of transport receipts.

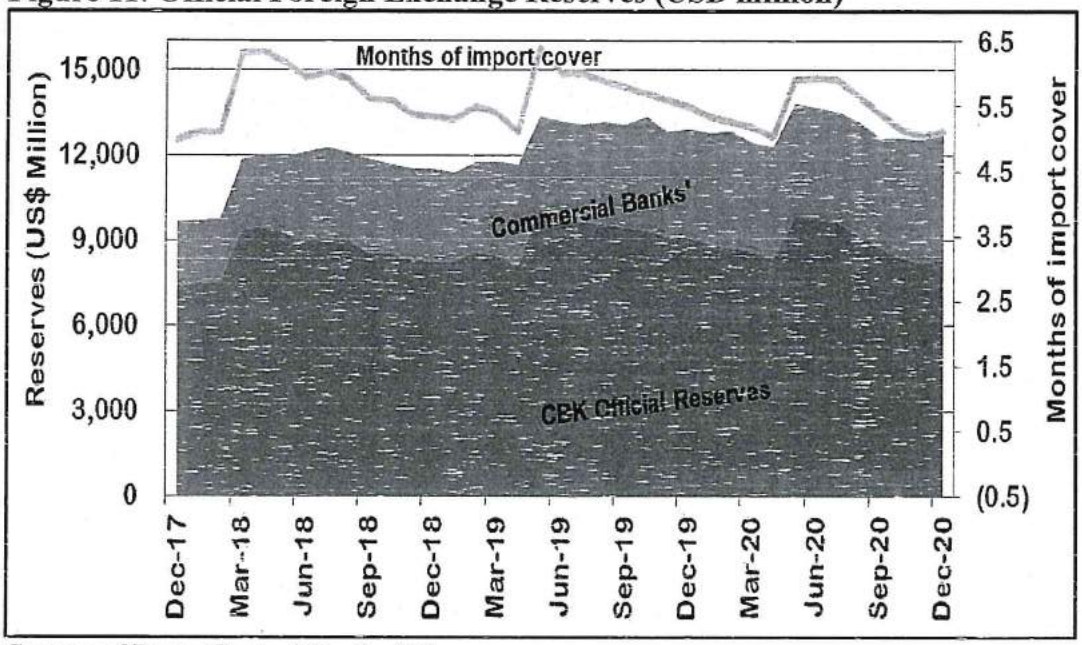
35. The capital account balance registered a surplus of USD 130.4 million in the year to December 2020. However, this was a USD 77.3 million decline compared to the balance witnessed in December 2019. Net Financial Inflows declined to USD 3,535 million from USD 6,239 million in the year to December 2019 (**Table 4**). The financial inflows were mainly in the form of direct investments, financial derivatives and other investments which stood at USD 243.7 million, USD 9.1 million and USD 4,671.6 million, respectively in December 2020. The Net Portfolio investments outflows stood at USD 1,389.3 million.

***Foreign Exchange Reserves***

36. The banking system's foreign exchange holdings remained strong at USD 12,991.9 million in December 2020 up from USD 12,919.2 million in December 2019. The official foreign exchange reserves held by the Central Bank was at USD 8,297.3 million (5.1 months of import cover) in December 2020 compared with USD 9,115.8 million (5.5 months of import cover) in December 2019 **(Figure 11).**

37. This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,694.6 in December 2020 from USD 3,803.4 million in December 2019.

**Figure 11: Official Foreign Exchange Reserves (USD million)**

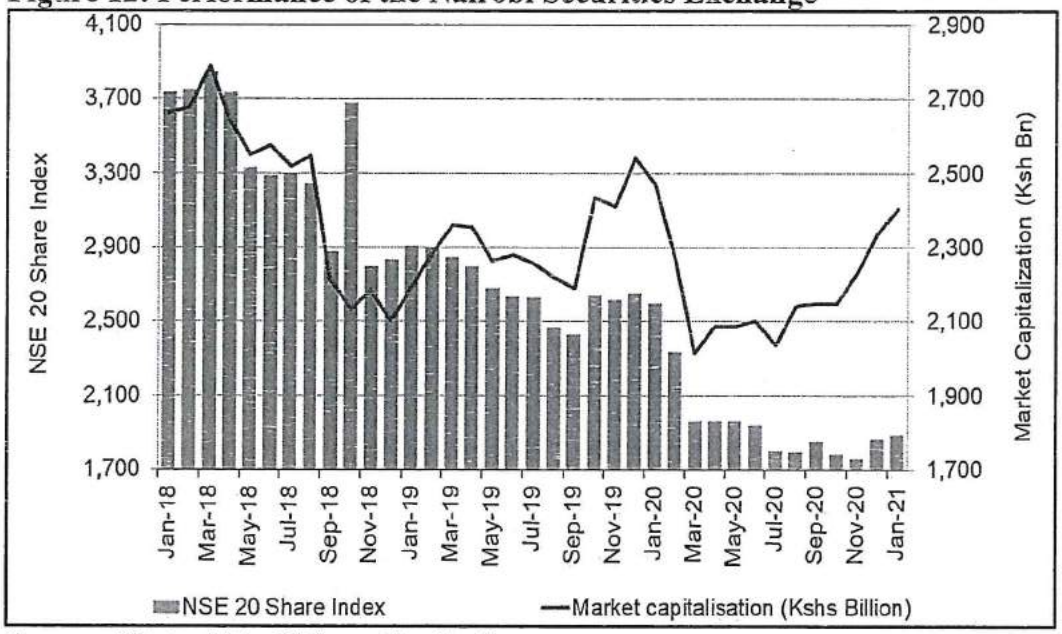



*Source of Data: Central Bank of Kenya*

*Nairobi Securities Exchange*

38. Activity in the capital markets declined in January 2021 compared to January 2020, with equity share prices declining as shown by the NSE 20 Share Index. The decline reflects the volatility in the financial markets as a result of the uncertainty surrounding the Covid-19 Pandemic. The NSE 20 Share Index stood at 1,889 points by end of January 2021 compared to 2,600 points by end January 2020. Consequently, market capitalization declined from Ksh 2,474 billion to Ksh 2,405 billion over the same period **(Figure 12).**

**Figure 12: Performance of the Nairobi Securities Exchange**




*Source of Data: Nairobi Securities Exchange*



SECRET

## 1.3 Fiscal Performance

39. Budget execution in the first half of FY 2020/21 was hampered by revenue shortfalls and rising expenditure pressures. The shortfalls in revenues reflect the weak business environment and the impact of the tax reliefs implemented in April 2020 to support people and businesses from the adverse effect of Covid-19 Pandemic. Revenues are expected to progressively improve in the second half of the fiscal year following the gradual reopening of the economy and the increased demand for imports as well as improved domestic sales. Revenue performance is also expected to get a boost from reversal of tax reliefs, introduced in April 2020, effective January 2021.

40. The Government has embarked on expenditure rationalization and prioritization to ensure that expenditures are on the most impactful programmes that yield the highest welfare benefits to Kenyans.

**Revenue Performance**

41. Revenue collection to December 2020 declined by 12.9 percent compared to a growth of 17.1 percent in December 2019. This decline is attributed to the difficult operating environment due to the Covid-19 pandemic which has adversely affected revenue performance from March 2020. As at end December 2020, the cumulative total revenue - inclusive of Ministerial Appropriation in Aid (AiA) amounted to Ksh 810.6 billion against a target of Ksh 907.7 billion, with shortfalls recorded in both ordinary revenues (Ksh 75.8 billion) and Ministerial A-I-A (Ksh 21.3 billion).

42. Ordinary revenue collection to December 2020 amounted to Ksh 726.4 billion which was a contraction of 15.3 percent compared to a growth of 18.8 percent over the same period in 2019. The contraction was due to a decline in growth of all broad categories of ordinary revenues except import duty which grew marginally by 0.5 percent during the review period. Specifically; Income tax declined by 15.8 percent, Value Added Tax (VAT) declined by 15.3 percent and Excise taxes declined by 0.6 percent.

43. Ministerial A-I-A inclusive of the Railway Development Levy amounted to Ksh 84.1 billion against a target of Ksh 105.4 billion majorly on account of lower than targeted collections in the tourism and education sectors. Ministerial AIA revenue, recorded 16.0 percent growth for the period ending December 2020 compared to a growth of 0.2 percent over a similar period in 2019, this growth is attributed to better than envisaged performance in the Road Maintenance Levy collection and the positive impact of the upward adjustment in Petroleum Development Levy rate from Ksh 0.4 to Ksh 5.4 per litre.

**Expenditure Performance**

44. Total expenditure and net lending for the period ending December 2020 amounted to Ksh 1,214.8 billion which was below the projected amount by Ksh 44.0 billion. Recurrent spending amounted to Ksh 823.4 billion while development expenditures amounted to Ksh 262.8 billion. Transfer to County Governments

amounted to Ksh. 128.7 billion of which the equitable share amounted to Ksh. 115.0 billion.

45. Recurrent spending was below the projected target by Ksh 19.5 billion mainly on account of lower than targeted expenditure on operation and maintenance, attributed to depressed operations of the National Government in first half of the FY 2020/21 due to Covid-19 Pandemic and lower than projected payments in compensation of employees and foreign interest. Development expenditure was also below target by Ksh 6.9 billion on account of below target disbursements to foreign financed programmes by Ksh 48.8 billion signaling continued challenges with absorption of externally financed projects as well as the effects of the COVID-19 containment measures. Disbursements to domestically financed programmes on the other hand, was above target by Ksh 44.7 billion reflecting accelerated absorption in the second quarter of the financial year.

46. Fiscal operations of the Government by end of December 2020 resulted in an overall deficit, including grants of Ksh 359.5 billion against a projected deficit of Ksh 323.9 billion. This deficit was financed through net domestic borrowing of Ksh 345.0 billion and net foreign financing of Ksh 14.5 billion.

## 1.4 Fiscal Policy

47. Going forward into the medium term, the Government will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 8.7 percent of GDP in FY 2020/21 to 3.6 percent of GDP by FY 2024/25.

48. To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. The Government has also been cutting down on non-priority expenditures such as: hospitality, training, travel and freezing of employment in non-priority sectors in order to manage the public wage bill.

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

50. In order to ease the burden of pension payments in future, the Government rolled out the Super Annuation Scheme for all civil servants below the age of 45

years in January 2021. The rollout is being implemented in phases to ensure Government expenditures remain within the set ceiling in the current fiscal year and in the medium term. Further, the government will continue to support devolution and ensure quality services are offered by the devolved units. The National Government in FY 2021/22 has increased the shareable revenue to the counties by Ksh 50.0 billion.

51. In this regard, expenditures as a share of GDP are projected to decline from 25.6 percent in the FY 2020/21 to 24.3 percent in the FY 2021/22 and further to 22.0 percent in the FY 2024/25. On the other hand, revenues as a share of GDP are projected to decline from 16.6 percent in the FY 2020/21 to 16.4 percent in the FY 2021/22, before rebounding to 17.3 percent in the FY 2022/23 and further to 18.1 percent in the FY 2024/25.

52. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by the Economic Stimulus Programme and the planned Post Covid-19 Economic Recovery Strategy. In particular, the reversal of tax cut measures which took effect from January 2021, will enhance revenue collection. In addition, in the FY 2020/21, the Government is implementing a raft of tax policy measures through the Finance Act, 2020 that will boost revenue performance. The measures include: introduction of a minimum tax payable at 1 percent of gross turnover; introduction of a digital services tax on income from services provided through a digital marketplace in Kenya at the rate of 1.5 percent on the gross transactional value; increase of income threshold qualifying for residential rental income tax; and abolishment of incentives under Home Ownership Savings Plans (HOSP).

53. To ensure timely implementation of these initiatives, the Kenya Revenue Authority (KRA) has embarked on: (i) registration drive for taxpayers in the Digital Service Tax and VAT Digital Marketplace Supply space and followed by compliance monitoring and enforcement, (ii) follow up taxpayers for effective implementation of the Digital Service Tax, (iii) review taxpayers seeking remission under the Voluntary Tax Disclosure Programme to ensure only the qualified benefit, (iv) enhanced recruitment of landlords, informal taxpayers, professionals, registered companies and individuals trading online.

54. To further boost revenue performance and mitigate revenue risks arising from the Covid-19 Pandemic, the Government will implement the following revenue enhancement measures:

i. Revamp Audit Function: Audit teams have been set up in Large Taxpayers Office (LTO) and Medium Taxpayers Office (MTO) of KRA and will make use of data to identify compliance risks, develop and implement compliance improvement plans at the sector levels for both Large and Medium taxpayers. The audits will leverage on Data Warehouse and Business Intelligence Solution for case management;

ii. Enhance Debt Programme: KRA is focused on reducing the collectible debt by making use of the debt module in i-Tax, reconciliation of debt portfolio and reviewing of payment plans;

iii. Implement initiatives to boost customs revenue including: continued implementation of Post Clearance Audits, review of the end-use of exempt products, comprehensive audit of exemptions, profiling and targeting, document processing centre, enhanced scanning, and conducting intelligence led verification of cargo;

iv. Robust intelligence collection, utilization and investigation;

v. Aid the resolution of tax disputes through the Alternative dispute resolution (ADR) within the statutory timeline of 90 days; and focus on big ticket cases (from LTO and Investigations & Enforcement) to unlock revenue held;

vi. Independent Review of Objections (IRO) to issue objection decisions within the statutory timeline of 60 days; and prioritise big ticket cases to unlock revenue held; and

vii. Engage the Judiciary to fast track conclusion of KRA cases, engage the Tax Appeals Tribunal to address administrative bottlenecks to reduce case turnaround time and identify, evaluate and recommend cases (especially those with high yield) for out of court settlement and ADR.

55. Given the expenditure rationalization and the revenue recovery measures put in place, fiscal deficit inclusive of grants is projected to decline from Ksh 966.6 billion (8.7 percent of GDP) in the FY 2020/21 to Ksh 930.0 billion (7.5 percent of GDP) in the FY 2021/22 and further to Ksh 613.8 billion (3.6 percent of GDP) in the FY 2024/25 (**Table 5**). In the medium term, debt is projected to remain sustainable.

**Table 5: Fiscal Framework (Ksh million)**

| | FY2019/20 | FY2020/21 | | | | FY2021/22 | FY2022/23 | FY2023/24 | FY2024/25 |
|---|---|---|---|---|---|---|---|---|---|
| | Prel | Budget Estimates | BROP | Rev. Budget I | Deviation | BPS PROJECTIONS | | | |
| **TOTAL REVENUE** | **1,736,982** | **1,892,647** | **1,860,320** | **1,849,213** | **(43,434)** | **2,033,930** | **2,379,720** | **2,796,351** | **3,099,808** |
| Ordinary revenue | 1,573,418 | 1,633,767 | 1,601,440 | 1,594,009 | (39,758) | 1,775,624 | 2,141,597 | 2,516,259 | 2,807,370 |
| Ministerial Appropriation in Aid | 163,564 | 258,880 | 258,880 | 255,204 | (3,676) | 258,305 | 238,123 | 280,092 | 292,438 |
| **TOTAL EXPENDITURE AND NET LENDING** | **2,565,444** | **2,774,711** | **2,918,996** | **2,864,529** | **89,818** | **3,016,035** | **3,201,990** | **3,495,624** | **3,762,898** |
| Recurrent Expenditure | 1,645,222 | 1,826,718 | 1,843,563 | 1,838,005 | 11,287 | 1,986,040 | 2,119,982 | 2,318,597 | 2,506,048 |
| Development | 594,944 | 589,705 | 675,225 | 638,520 | 48,815 | 609,146 | 670,465 | 759,760 | 834,364 |
| County Transfer | 325,278 | 353,288 | 395,208 | 383,004 | 29,716 | 409,849 | 406,542 | 412,267 | 417,486 |
| Contingency Fund | - | 5,000 | 5,000 | 5,000 | - | 5,000 | 5,000 | 5,000 | 5,000 |
| **BALANCE EXCLUSIVE OF GRANTS** | **(828,461)** | **(882,064)** | **(1,058,676)** | **(1,015,316)** | **(133,252)** | **(976,106)** | **(822,270)** | **(699,273)** | **(663,090)** |
| Grants | 19,820 | 40,921 | 56,841 | 48,737 | 7,817 | 46,057 | 46,929 | 48,102 | 49,304 |
| **BALANCE INCLUSIVE OF GRANTS** | **(808,642)** | **(841,143)** | **(1,001,835)** | **(966,579)** | **(125,436)** | **(930,048)** | **(775,341)** | **(651,171)** | **(613,785)** |
| Adjustments to cash basis | 11,801 | - | - | - | - | - | - | - | - |
| Balance Inclusive of Grants (Cash Basis) | (796,841) | (841,143) | (1,001,835) | (966,579) | (125,436) | (930,048) | (775,341) | (651,171) | (613,785) |
| Discrepancy | (6,036) | - | | - | - | - | - | - | - |
| **TOTAL FINANCING** | **790,804** | **841,143** | **1,001,835** | **966,579** | **125,436** | **930,048** | **775,341** | **651,171** | **613,785** |
| Net Foreign Financing | 340,431 | 346,793 | 401,805 | 426,491 | 79,698 | 267,276 | 263,147 | 173,779 | 154,265 |
| Net Domestic Financing | 450,373 | 494,350 | 600,031 | 540,088 | 45,738 | 662,773 | 512,195 | 477,392 | 459,520 |
| **Nominal GDP (Fiscal Year)** | **10,175,226** | **11,275,797** | **11,266,647** | **11,168,511** | **(107,286)** | **12,393,063** | **13,759,945** | **15,373,117** | **17,128,374** |

***Source of Data: National Treasury***

## 1.5 Economic Outlook

### *Global Growth Outlook*

56. The outbreak and the rapid spread of the Covid-19 Pandemic coupled with the ensuing containment measures have devastated global economies disrupting businesses and livelihoods. As a result, global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019. Global growth is projected to pick up to 5.5 percent in 2021 reflecting expectations of a vaccine-powered strengthening of activity and additional policy support in a few large economies.

57. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spill overs, and structural characteristics entering the crisis. Growth in the advanced economies is projected to improve to 4.3 percent in 2021 compared to a contraction of 4.9 percent in 2020 supported by improved growths in the major economies particularly the United States and the United Kingdom. Growth in the Euro area is also projected to improve to 4.2 percent from a contraction of 7.2 percent in 2020. This growth in the advanced economies reflects expectations of earlier widespread vaccine availability compared to the emerging market and developing economy group.

58. The emerging markets and developing economies are also projected to improve to 6.3 percent in 2021 from a contraction of 2.4 percent in 2020. This recovery is well echoed in the forecasted growths of Emerging and Developing Asia and Europe, Latin America and the Caribbean, and Sub-Saharan Africa.

59. Consistent with the forecast in the other regions, economic growth in the Sub-Saharan Africa region is expected to recover to 3.2 percent in 2021 from a contraction of 2.6 percent in 2020 as most of the economies in the region recover from the adverse effects of the Covid-19 Pandemic following reopening of economies.

### *Domestic Growth Outlook*

60. On the domestic scene, Kenya has not been spared of the negative impact of the Pandemic. The Pandemic and the resultant containment measures have adversely affected businesses and economic activities. Nonetheless, there has been an improvement in economic activity in the third and fourth quarters of 2020, albeit at a slow pace, following reopening of the economy. The recovery in economic activities resulted to a contraction of 1.1 percent in the third quarter of 2020, which is an improvement, compared with the contraction of 5.5 percent registered in the second quarter of 2020.

61. In this respect, economic growth outlook for 2020 has been revised down from the initial projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP) to 0.6 percent following receipt of more recent indicators and taking into account the quarterly GDP releases by Kenya National Bureau of Statistics for second and third quarter of 2020 that showed the economy contracted by 5.5 percent and 1.1 percent, respectively. The revision also took into account updated figures from the World Economic Outlook by the IMF in January 2021.

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62. The economic growth is projected to bounce back to 7.0 percent in 2021 reflecting recovery due to reopening after the closure associated with the Covid-19 Pandemic. This also in part reflects the lower base in 2020 when most service sectors especially accommodation and restaurant, education as well transport services contracted in second and third quarters of 2020 with huge margins.

63. In terms of fiscal years, the economy is projected to expand by 3.8 percent in the FY 2020/21, 6.3 percent in FY 2021/22 and 6.1 percent in FY 2024/25. This growth outlook will be supported by a stable macroeconomic environment, turn around in trade as economies recover from Covid-19 Pandemic, expected favourable weather that will support agricultural output, ongoing investments in strategic priorities of the Government under the "Big Four" Agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Programme and the implementation of the Post Covid-19 Economic Recovery Strategy. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030 **(Table 6 and Annex Table 1).**

**Table 6: Macroeconomic Framework**

| | 2018/19 | 2019/20 | 2020/21 | | | 2021/22 | | 2022/23 | | 2023/24 | | 2024/25 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act | Act | Budget | BROP'20 | Rev Budget I | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BROP'20 | BPS'21 |
| | *annual percentage change, unless otherwise indicated* | | | | | | | | | | | | |
| **National Account and Prices** | | | | | | | | | | | | | |
| Real GDP | 5.9 | 3.0 | 4.2 | 4.0 | 3.8 | 5.2 | 6.3 | 5.4 | 5.7 | 5.9 | 6.0 | 5.9 | 6.1 |
| GDP deflator | 3.2 | 5.6 | 6.2 | 6.2 | 6.4 | 5.5 | 5.2 | 5.3 | 5.0 | 5.4 | 5.4 | 5.3 | 5.3 |
| CPI Index (eop) | 5.1 | 5.2 | 5.0 | 5.0 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| CPI Index (avg) | 4.9 | 5.2 | 5.0 | 5.0 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Terms of trade (-deterioration) | 0.6 | -2.2 | 4.2 | -1.1 | -2.9 | 1.1 | 1.1 | -0.5 | -0.3 | 0.4 | 0.5 | 0.5 | 0.6 |
| | *in percentage of GDP, unless otherwise indicated* | | | | | | | | | | | | |
| **Investment and Saving** | | | | | | | | | | | | | |
| Investment | 17.6 | 9.4 | 21.6 | 13.3 | 12.6 | 16.4 | 19.8 | 17.2 | 18.3 | 18.4 | 19.0 | 18.5 | 19.4 |
| Central Government | 8.1 | 5.8 | 5.0 | 5.9 | 5.5 | 5.0 | 4.9 | 4.8 | 4.8 | 4.6 | 4.9 | 4.6 | 4.8 |
| Other | 9.5 | 3.5 | 16.6 | 7.3 | 7.0 | 11.4 | 14.9 | 12.4 | 13.4 | 13.8 | 14.1 | 13.9 | 14.6 |
| Gross National Saving | 13.5 | 3.5 | 16.5 | 8.2 | 6.5 | 11.6 | 13.8 | 12.3 | 12.2 | 13.7 | 12.8 | 13.8 | 13.1 |
| Central Government | -1.3 | -2.1 | 0.5 | 0.3 | -3.0 | 0.8 | -2.7 | 1.6 | -1.6 | 2.2 | -0.5 | 2.1 | -0.1 |
| Other | 14.8 | 5.6 | 16.0 | 7.9 | 9.5 | 10.8 | 16.5 | 10.8 | 13.7 | 11.5 | 13.2 | 11.7 | 13.2 |
| **Central Government Budget** | | | | | | | | | | | | | |
| Total revenue | 18.3 | 17.1 | 16.8 | 16.5 | 16.6 | 16.2 | 16.4 | 16.4 | 17.3 | 16.6 | 18.2 | 16.4 | 18.1 |
| Total expenditure and net lending | 26.2 | 25.2 | 24.7 | 25.9 | 25.6 | 23.7 | 24.3 | 22.5 | 23.3 | 21.8 | 22.7 | 21.5 | 22.0 |
| Overall Fiscal balance excl. grants | -7.8 | -8.1 | -8.0 | -9.4 | -9.1 | -7.5 | -7.9 | -6.1 | -6.0 | -5.2 | -4.5 | -5.1 | -3.9 |
| Overall Fiscal balance, incl. grants, cash basis | -7.6 | -7.8 | -7.5 | -8.9 | -8.7 | -7.1 | -7.5 | -5.8 | -5.6 | -4.9 | -4.2 | -4.8 | -3.6 |
| Primary budget balance | -3.6 | -3.5 | -3.4 | -4.8 | -4.5 | -2.7 | -3.0 | -1.5 | -1.0 | -0.7 | 0.3 | -0.7 | 0.6 |
| **External Sector** | | | | | | | | | | | | | |
| Current external balance, including official transfers | -4.1 | -5.9 | -5.1 | -5.1 | -6.0 | -4.8 | -6.0 | -4.8 | -6.1 | -4.8 | -6.2 | -4.7 | -6.3 |
| Gross reserves in months of this yr's imports | 6.4 | 6.3 | 6.0 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.9 | 5.9 |
| **Memorandum Items:** | | | | | | | | | | | | | |
| Nominal GDP (in Ksh Billion) | 9,367 | 10,175 | 11,276 | 11,267 | 11,169 | 12,502 | 12,393 | 13,879 | 13,760 | 15,495 | 15,373 | 17,286 | 17,128 |

***Source of Data: National Treasury***

## 1.6 Risks to the Economic Outlook

64. Risks from the global outlook relate to a surge of the Covid-19 virus (including from new variants) and required lockdowns, voluntary social distancing



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and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.

65. The upside risk to global outlook relate to the policy measures being adopted by the new US administration such as funding of WHO, rejoining Paris climate agreement, and consideration of additional fiscal stimulus could renew optimism at the global scene and support demand for the Kenyan exports.

66. On the domestic front, risks will emanate from weaker external demand, reduced tourist arrivals and containment measures to curb further spread of Covid-19 Pandemic. In addition, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage and security related recurrent expenditures and the erratic weather associated shocks that could have negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth. Upside risk on the domestic scene relate to faster than projected rebound in economic activity and government revenue.

67. The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against these risks, the Government is implementing an Economic Stimulus Programme and finalizing a Post Covid-19 Economic Recovery Strategy to protect lives and livelihoods to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges.

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# II. BUILDING BACK BETTER: STRATEGY FOR RESILIENT AND SUSTAINABLE ECONOMIC RECOVERY

## 2.1 Preamble

68. The Covid-19 Pandemic has devastated global economies with Kenya not being spared. On the domestic front, the economic impact of the Pandemic is already being felt across all sectors of the economy. Thus, 2021 BPS is premised on the need to urgently overcome the immediate socio-economic challenges that the country faces today. At the heart of the policies in this document, is the desire to foster a conducive environment critical to return the economy back to long term growth path while at the same time, providing impetus for building a cohesive and prosperous Kenya.

69. The 2021 BPS, therefore articulates priority economic policies and structural reforms as well as sectoral expenditure programs to be implemented under the Medium Term Expenditure Framework for FY 2021/22– 23/24 in order to provide an enabling environment for a resilient and sustainable economic recovery to continue safeguarding livelihoods, jobs, businesses and industrial recovery.

70. To respond to the current challenges and cushion Kenyans and businesses from the adverse effects of the Pandemic, the Government is currently implementing an Economic Stimulus Programme - whose objective is to return the economy to the pre Covid-19 growth trajectory by increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor, and creating employment and incomes. Great gains have been realized under the Programme including: job creation for our youth under the "Kazi Mtaani" Programme; enhanced liquidity to support businesses through monetary measures that were introduced; and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the Pandemic.

71. Building on the gains made, the Government will implement the Post Covid-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impact of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. Successful implementation of the Post-Covid-19 ERS is predicated on faster implementation of policy, legal and institutional reforms that are necessary for effective implementation of the Strategy. The Government will ensure that all the proposed policies and legislation are implemented within the specified timelines. In this regard, the Parliamentary Calendar will be amended to accommodate the passing of key legislations required to facilitate implementation of the Post-Covid-19 ERS.

72. Further, the Government will accelerate implementation of the "Big Four" Agenda which has gained traction over the past three 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


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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.

## 2.2. Priority Pro-Growth Policy Measures

73. As indicated above, the 2021 BPS, articulates measures that will stimulate growth, promote job creation, reduce poverty, protect vulnerable groups and businesses. To achieve these, the Government will:

i. Roll out the Post-Covid-19 Economic Recovery Strategy;

ii. Implement the "Big Four" Agenda for job creation;

iii. Foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security; improving business regulations;

iv. Fast track development of critical infrastructure in the country such as roads, rail, energy and water, among others, so as to reduce the cost of doing business as well as promote competitiveness;

v. Transform economic sectors for broad based sustainable economic growth;

vi. Improve access to education, strengthen health care systems and enhance cash transfers to support the vulnerable members of our society;

vii. Support youth, women and persons with disability to enable them actively contribute to the economic recovery agenda;

viii. Facilitate the County Governments in strengthening their systems to enhance service delivery; and

ix. Implement various structural reforms to enhance the efficiency of public service delivery while at the same time ensuring accountability for better macroeconomic and fiscal stability, sustained credit ratings, improved fiscal discipline and minimized corruption.

### 2.2.1 Implementing the Post-Covid-19 Economic Recovery Strategy

74. The fundamental pillar of Post-Covid-19 Economic Recovery Strategy (ERS) is a sound macroeconomic framework. The other key pillars include accelerated growth in private sector investment; enhanced allocations to strengthen health care systems; supported recovery and growth of MSMEs; full implementation of the Economic Stimulus Programme (ESP); up-scaled investment in ICT and digital infrastructure; facilitated clean, green and resilient growth; enhanced resilience of the economy to global supply chain shocks; and better disaster preparedness and management. In addition, the Government will pay greater attention to economic governance, inequality, social cohesion, gender, youth, regional integration, and international cooperation.

#### 2.2.1.1 Enhanced Budgetary Allocations to Strengthen Health Care Systems

75. The Covid-19 pandemic has overstretched the country's health care system. To address this, the Government has enhanced allocations to the heath sector. The

country has also received significant financial assistance from multilateral and bilateral development partners including the IMF, World Bank, African Development Bank and European Union. This support will strengthen health care systems with the requisite equipment, supplies and medical personnel.

### 2.2.1.2 Enhanced Role of the Private Sector in the Recovery Strategy

76. The Covid-19 Pandemic has reduced economic activities in the private sector leading to massive job losses, pay cuts and reduced contribution to government revenue. The private sector is expected to play a significant role in financing the implementation of Post Covid-19 ERS by taking advantage of opportunities arising from investment in ICT and digital infrastructure, technological innovations, PPP framework, and Special Economic Zones (SEZs) as well as from increased trade in goods and services as a result of the East African Community (EAC) common market protocol, African Continental Free Trade Area (AfCFTA) and various bilateral trading arrangements.

77. To promote private sector investment and enhance its role in the recovery and growth strategy, the Government will expedite the passing and implementation of legislation on Road Toll fees that will facilitate private sector participation in construction and maintenance of roads and highways. The Government will also expedite the implementation of the requisite reforms to improve Kenya's ranking in the World Bank Ease of Doing Business to at least position 20 by 2022 from position 56 in 2019 and make Kenya the best country in the continent in terms of ease of doing business. The Government will further operationalize the public procurement regulations and roll-out a new e-procurement platform.

### 2.2.1.3 Support Recovery and Growth of MSMEs

78. The Post-Covid-19 ERS will prioritize renewed growth in MSMEs which have been severely impacted by the measures put in place by the Government to contain the spread of the Pandemic such as restrictions on movement and curfews which has led to significant loss of business by MSMEs. Towards this end, the Post-Covid-19 ERS will prioritize implementation of the following programme: MSME Credit Guarantee Scheme; MSMEs Capacity Building Programme; and MSME ICT Platforms to improve productivity and competitiveness of MSMEs.

### 2.2.1.4 Full and Timely Implementation of the Economic Stimulus Programme

79. Full and timely implementation of the Government's 8-Point Economic Stimulus Programme (ESP) is an important component of the Post-Covid-19 ERS. A faster realization of the programme objectives will stimulate and sustain economic activities intended to cushion vulnerable citizens and businesses, particularly those affected by the Covid-19 Pandemic. The Stimulus Programme for FY 2020/21 focuses, among other things, on keeping food supply chains functional while promoting the use of locally produced goods and services thus securing the livelihoods of daily wage earners.

### 2.2.1.5 Up-scale Investment in ICT and Digital Infrastructure

80. A key component of the Post-Covid-19 economic recovery is enhancing investment in development of the requisite ICT and digital infrastructure to facilitate e-commerce and efficient delivery of public services. In particular, focus will be on prioritizing critical connectivity infrastructure and bridging the digital gaps, development of appropriate content, skills development, and enhancing affordability, accessibility and reliability of digital infrastructure.

### 2.2.1.6 Facilitated Clean, Green and Resilient Growth

81. The Post-Covid-19 ERS will place emphasis on climate change adaptation and mitigation measures that will exploit green economic activities to put the economy on a green and climate resilient recovery build-back path. The Strategy will therefore focus on measures that will drive sustainability while boosting green jobs, income and growth at the same time reducing drivers of climate change and environmentally damaging activities.

### 2.2.1.7 Improved Economic Management and Governance

82. The Post-Covid-19 ERS is premised on implementation of prudent economic management policies and strengthening of governance systems to create an enabling environment for accelerated economic recovery and long-term growth. To improve economic management and governance, the Government will strengthen transparency and accountability mechanisms to fight corruption through enhanced multi-agency anti-corruption efforts at the national and county level. This will produce more tangible results in terms of prosecution, convictions as well as asset recoveries. The Government will also ensure strict adherence to PFM Act 2012, and the Public Procurement and Disposable Act 2015 and their attendant regulations and PIM Regulations .

### 2.2.1.8 Increased Resilience of the Economy to Global Supply Chain Shocks

83. Measures implemented to contain the spread of the Covid-19 pandemic have resulted in disruption of global supply chains and by extension negatively affected Kenya's economy. To strengthen Kenya's resilience, the Post-Covid-19 ERS will enhance economic diversity by deepening domestic supply and value chains; establishing a Global Supply Chain Information Centre to undertake surveillance of global supply chain; promoting domestic production of key imported products such as food and pharmaceutical products; diversifying product and raw materials sources; and implementing measures to support the agricultural sector through extension services, accumulation of buffer stocks during good harvests and promotion of value addition to improve longevity of perishables.

84. Towards this end, manufacturers will be provided with incentives to locally produce goods and services while local farmers will be supported and offered necessary incentives to enhance the agricultural production of cash crops such as sugar cane, wheat, rice and cotton, the bulk of which are currently imported.

### 2.2.1.9 Strengthened National Capacity for Disaster Risk Management

85. The Covid-19 Pandemic has exposed weaknesses of many countries including Kenya in their preparedness to deal with highly infectious diseases and pandemics. Currently the frameworks for responding to disasters are fragmented across several laws. To address this challenge, the Government will develop a harmonized Disaster Risk Management (DRM) legal framework and finalize the Disaster Management Fund Regulations to facilitate effective and efficient response to disasters in a more coordinated manner. In addition, to strengthen Disaster Risk Management, the Government will: finalize the National Disaster Risk Policy; fast track the development and enactment of the National Disaster Management Bill, operationalize the National Drought Emergency Fund (NDEF); speed up implementation of the Disaster Risk Financing Strategy and strengthen National Disaster Management and Coordination Framework.

86. Further, to strengthen the capacity of the County Governments to respond effectively to pandemics, the following programmes will be implemented under the Post Covid-19 ERS: County Level Emergency and/or Contingency Plans; County Disaster Risk Profiles; and development of urban resilience strategies to enhance disaster preparedness and management in the urban areas and urban water supply.

### 2.2.1.10 Addressing Inequality, Social Cohesion, Community Resilience and Strengthening Social Protection

87. The Covid-19 Pandemic has clearly demonstrated the challenges in implementation of effective containment measures in unequal societies. Unequal access to services widens social and economic inequalities thereby undermining the overall goal of social cohesion that is so vital to our society. To address inequality, enhance social cohesion, build community resilience and strengthen social protection, the following measures will be undertaken under the Post Covid-19 ERS: Socio-economic Empowerment of Women, Youth and PWDs; Operationalization of National Gender Based Violence Emergencies Working Group to prevent and respond to Gender Based Violence; and Gender Mainstreaming of Post-Covid-19 Pandemic Initiatives. The Government will also carry out deliberate outreach programmes in marginalized counties to scale up youth involvement in gainful economic activities.

88. Additionally, the following policy, legal and institutional reforms will be undertaken to address inequality, social cohesion, community resilience and strengthen social protection: Finalization and implementation of the Women Economic Empowerment (WEE) Policy; Review of the National Policy on Gender Based Violence, 2014; Finalization of the regulations on the Protection against Domestic Violence Act, 2015; Review and finalization of Sessional Paper No. 8 on National Values and Principals of Governance; Review of Sessional Paper No. 9 on National Cohesion and Integration; and Review of the National Cohesion and Integration Act No. 12 of 2008.

### 2.2.1.11 Coordinated Multilateral and Regional Collaboration Initiatives

89. Properly coordinated multilateral and regional initiatives are critical in achieving Kenya's national transformative agenda and in furthering the global discourse on Post-Covid-19 sustainable development. The Covid-19 Pandemic is a shared global problem that can only be overcome through stronger partnerships and collaborations at the national, regional and global levels. To enhance coordination of multilateral and regional collaboration initiatives to address the pandemic and support economic recovery, the Government will: advance economic and commercial diplomacy through virtual meetings; consolidate and voice the position of developing countries at the UN Security Council; and deepen South-South partnerships and grow Kenya's linkages with the emerging and newly industrializing economies while preserving traditional partnerships with the global North.

90. The Government will also promote deeper and wider integration within the East African region and the African continent at large, given that Africa constitutes Kenya's largest export market with immense potential for growth. Further, the Government will consolidate Kenya's relationship with existing trade partners, while expanding her horizons to accommodate new partnership agreements.

### 2.2.1.12Enhanced Budgetary Support to Security Related Services

91. As part of the Post-Covid-19 ERS measures, the Government will enhance budgetary allocations to facilitate delivery of services by security agencies. Police and National Government Administration officers play a crucial role in maintaining law and order and ensuring adherence to curfews and other rules and regulations put in place to contain the pandemic including contact tracing. Part of these resources will used to sensitize police and National Government Administration Officers in appropriate Covid-19 personal safety measures to protect themselves and those they serve from being infected by the virus; and provide police officers with adequate protective gear and equipment including face masks, sanitizers and WASH facilities.

92. To further enhance security operations during and after the pandemic, the Government will: operationalize the newly gazetted Police Stations; implement border security management system to enhance cross border movements of both passengers and goods; acquire additional assorted security equipment, acquire additional vehicles for National Government Administration (NGA) officers and acquire over 5,000 motor cycles for Chiefs and Assistant Chiefs; cascade e-passports and visa automation to four additional stations locally and abroad; complete digitization and automation of immigration; Comprehensive Registration System (CRS).

### 2.2.1.13 Mainstreamed Diaspora Resources to Support the ERS

93. The Kenyan Diaspora wields significant financial and intellectual resources that can support the Post-Covid-19 Economic Recovery. For this reason, mainstreaming Diaspora intellectual and financial resources, business networks and economic diplomacy is a key component of the Post-Covid-19 ERS. Towards

this end, the Government will provide the requisite incentives for the Diaspora to invest in infrastructure projects including in key sectors of ICT and digital infrastructure, housing, health, education and manufacturing, and in clean energy and green projects. The Ministry of Foreign Affairs, through its diplomatic missions, abroad will also engage Diaspora associations and their business networks to facilitate such initiatives.

### 2.2.2 Harnessing the "Big Four" Agenda for Job Creation

94. The "Big Four" Agenda is the Government's economic development strategy which aims at liberating the urban poor from the 'poverty of dignity' caused by poor housing and inadequate services; transitioning the Kenyan youth from being 'wage earners' to 'owners of capital'; building a holistic base of human capital that is food secure and health assured; and jump-starting the shift from being a country of net consumption to one of production leading to creation of jobs and improved livelihoods. The Government is realizing this vision by implementing programmes under the four pillars and the enabling interventions.

#### 2.2.2.1 Supporting Growth of Manufacturing for Job Creation

95. The manufacturing pillar of the Big Four continues to provide the necessary training ground for the Kenyan youth to acquire skills for onward replication in various industries. In order to hasten the process of shifting the youth from wage earners to owners of capital, the Government through this pillar is developing productive capabilities to necessitate a shift from rudimentary to complex operations. For example, the revival and modernization of RIVATEX as a producer of textiles and consumer of locally produced cotton in line with the Agricultural Transformation Strategy that obliges the growth of new strains of bio-technical cotton as a key area of opportunity for Kenyan farmers, was timely.

96. Building on the gains already made, the Government continues to invest in the manufacturing sector to scale up operations, protect local industries and increase the sector's contribution to GDP. In particular, the development of Special Economic Zones (SEZ) among them Naivasha Industrial park, the Dongo Kundu Special Economic Zone in the coastal region and Kisumu Special Economic Zone in Miwani will spur local industrial activities and unlock additional employment opportunities for the unemployed population. The Government has also prioritized establishment of private SEZs to boast the manufacturing sector.

97. To maximize benefits from our major cash crops, the Government is reviving and restoring the performance of major cash crops in the country through agro-processing. Particularly, the Government is supporting tea and coffee farmers by providing diversified tea varieties and restructuring the coffee value chain to increase productivity and boost value addition. Further, the Government continues to invest in local value addition for meat dairy, fruits, nuts and oils. The strategy will involve operationalization of various factories that nearing completion like mango value chain factory located in Eldoret, integrated fruit and honey processing in Mombasa, gums arabic and raisins factory in Wajir as well as construction of the ongoing factories like tomato processing factory in Kajiado. Investment in

warehousing and cold chain sites, aquaculture and fish feeds mills and fish processing industries has also been accorded priority.

98. The Government has prioritized the leather sector under the Big Four Agenda and the Kenya Vision 2030, MTP III due to its huge potential supported by a large livestock population sufficient to sustain demand for supply of raw hides and skins for a robust leather and leather products manufacturing industry. In support of this sector, the Government has drafted the Kenya National Leather Development Policy that will provide a roadmap for the transformation of the leather sector. The proposed interventions are expected to spur growth in the sector to meet demand both locally and in the export market. In addition, the Government continues to give tax incentives with the goal of making locally produced products competitive in the export markets. Improvement of infrastructure at Kinanie Leather Industrial Park, development of Athi River Textile Hub and Leather Development Centre in Kisumu is also expected to further spur growth in the sector. Additionally, the Government will fully operationalize the Ewaso Ng'iro Tannery and leather factory located in Narok County as envisaged in the Kenya Vision 2030, MTP III due to its huge potential supported by a large livestock population which will contribute to growth in the leather sector to meet demand both locally and in the export market.

99. Second hand car models account for more than 85% of the imported Fully Built Units (FBUs) in Kenya. The Government through the Ministry of Industrialization drafted the National Automotive Policy to streamline the motor assembly industry with the ultimate goal of phasing out importation of second-hand vehicles by 2026. The policy also aims at spurring growth in local car assembly as it prescribes clear measures to promote utilization of locally manufactured products, local content, sub-contracting, innovation, research and development, capacity and skills development and training, and technology transfer. These measures will enhance local value addition, create jobs for the youth and contribute towards raising the manufacturing sector share to GDP.

100. In support of the Blue Economy, the Government has continued to allocate more resources to the State Department of Fisheries, Aquaculture, and the Blue Economy to facilitate development of the Kenya Fishing Fleet through joint ventures and to promote sustainable offshore fishing.

101. The fight against illicit trade and contrabands is a priority to Government. Illicit trade has a detrimental impact on the substantial growth of legitimate business in the country. These trades not only negatively affect the economy but also places the health and safety of the citizens at risks. To scale up efforts geared towards combating illicit trade, the Government's Multi-Agency Team against illicit Trade has entered into a collaboration with the private sector. The Government in partnership with the private sector unveiled a National Illicit Trade Observatory to be a data management and reporting tool that will provide a platform for the enforcement agencies to report seized goods and provide industries with a platform to report on counterfeited products.

102. To provide the necessary skills and expertise required to boost manufacturing activities, the Government is transforming the Kenya Industrial Training Institute (KITI) to make it a centre of excellence that provides quality

programmes that resonate well with the evolving industries' skills. In particular, the Government has expanded the teaching and learning facilities with an aim to promote access to quality training KITI centres. To promote research technologies and innovations, the Government has heavily invested in Kenya Industrial Research and Development Institute (KIRDI) with a leather laboratory at the KIRDI Kisumu already operationalized while KIRDI South B is 70% complete. Equipping of food, natural products and energy laboratories at the Kisumu facility is ongoing. The laboratories are instrumental in providing incubation services to Micro, Small and Medium Enterprises (MSMEs) which drive the Kenyan economy. Further, the Government will promote FDIs through completion of infrastructural development of Athi River Textile Hub that will be key in attracting export-oriented investments.

### 2.2.2.2 Food and Nutrition Security to all Kenyans

103. Attainment of food and nutrition security is necessary in developing a holistic human capital base that will in turn increase national productivity and enhance economic development. In pursuit of this, the Government has been implementing various measures such as the Agricultural Sector Transformation and Growth Strategy, the successful reforming of the Agricultural Inputs Subsidy Programme, expansion of irrigation schemes, supporting large-scale production of staples, implementing programmes to support smallholder farmers and promoting the use of appropriate farming techniques. These measures have borne fruits but are not without challenges.

104. Locust invasion, flooding and the Covid-19 control measures have lately affected the progress of agricultural seasons, livestock sales, market functioning and income generating activities posing a threat to the country's food security position. To cushion farmers from these adverse effects and further secure food supply chains, the Government through the Economic Stimulus Programme subsidized the supply of farm inputs through the e-voucher system to reach 200,000 small scale farmers. Further, the Government is expanding community household irrigation to cushion farmers from the adverse effects of weather and improve productivity.

105. Following recommendations of the Cost of Hunger Africa (COHA) study report that estimated the economic and social impact of child malnutrition in Kenya, the Government launched the implementation framework for securing a breastfeeding friendly environment at work places. Further, the Government commits to developing social support systems to protect and facilitate the implementation of this framework, which aims at improving the health, nutrition status and human capital of the nation.

106. The Government is using a wholesome approach to ensure a 100 percent food and nutrition security. Through projects such as the Kenya Climate Smart Agriculture Project (KSCAP), National Agricultural and Rural Inclusive Growth Project (NARIGP) and Small-Scale Irrigation and Value Addition Project (SIVAP), the Government is enabling Kenyan households to produce affordable and nutritious food through the establishment of 1 million Kitchen Gardens

Initiative with over 200,000 households having been already supported in the first phase.

107. Through the Expanded National Irrigation Programme, the Government has made progress in increasing land under irrigation through construction of over 200 irrigation projects across all the 47 Counties; rehabilitation, expansion and modernization of public irrigation schemes that has seen the irrigation area increase from 23,326.5 acres to 35,326 acres; and construction of 47 water pans with a combined volume of 2,600,000 cubic metres in arid areas for domestic, animal consumption and irrigation in greenhouses. This has seen over 70,000 farmers benefit from the program with water pans ensuring constant supply of irrigation water.

108. Other projects which have significantly increased land under irrigation and boosted productivity are: expansion of Galana Kulalu farm acreage from 52,000 to 100,000; the launch of Lower Nzoia Irrigation Project which targets 10,000 acres; rehabilitation of Bura Irrigation Scheme which is set to increase land under irrigation by about 9,000 acres. Additionally, the Government has developed small scale irrigation infrastructure covering 545 Ha in Samburu, Baringo, West Pokot, Isiolo and Marsabit counties. Going forward, the Government plans to implement nine small scale irrigation projects across which will contribute to food and nutrition security, improve household incomes in line with the Government's priority of transforming the youth from wage earners to owners of capital. These together with the operationalization of the Irrigation Act, 2019 has improved and will continue to enhance the coordination of irrigation activities in the country and will greatly reduce the overreliance on rain-fed agriculture.

109. Through the National Rice Development Strategy-2 (2019--2030), the Government is making deliberate efforts to increase rice production by addressing the various challenges faced by stakeholders in the rice value chain and offer opportunities to increase production and productivity. Specific interventions to address challenges in this sector include development and dissemination of improved production technologies, introduction of high yielding rice varieties along the value chain, provision of improved knowledge and skills on harvest and postharvest handling and value addition in rice and rice by-products. Research and extension will also play a critical role in achieving this objective.

110. Moreover, the expansion of Mwea Irrigation Scheme by 10,000 acres, Lower Nzoia Irrigation Project and the Lower Kuja Irrigation Development Project are expected to significantly increase rice production with Mwea Irrigation Scheme alone increasing rice production to approximately 160,000 tonnes. Also, the construction of Thiba dam will improve the reliability of irrigation water and increase the area under irrigation.

111. The Government is also committed to improve production of maize, coffee, tea, wheat among other crops through continued provision of subsidized fertilizer and partnering with local fertilizer blending companies to further reduce the cost of production to farmers. Through enhanced efforts such as putting in place a Multi-Institutional Technical Team (MITT), the Government has made significant strides in developing and implementing strategies to manage fall army worms and other pests.

112. The recently inaugurated Warehouse Receipt System (WRS) is expected to enhance credit accessibility among farmers. Farmers will be able to deposit their produce in certified warehouses and get issued with Warehouse Receipts, which they will be able to use as collateral to access credit from participating financial institutions or institutions trading in commodity markets. This will reduce pressure on farmers to sell their produce immediately after harvests when prices are usually low.

113. Further, to enhance the income levels of farmers, the Government is promoting agriculture through structured trading by negotiating market access in international markets for produce such as avocado, miraa, horticultural products among others. The restructuring of the Kenya National Trading Corporation will improve the management of farm produce thus reducing middlemen, post-harvest losses and improve post-harvest handling. Moreover, through the Crops Value Chain Reforms being undertaken via the Coffee Bill, 2020; the Fibre Crops Development Authority Bill, 2020; the Food Crops Development Bill 2020; the Horticulture Crops Authority Bill, 2020; and the Miraa, Pyrethrum, and Industrial Crops Bill, 2020 will increase farmers' incomes in line with the "Big Four" Agenda and the Agriculture Growth and Transformation Strategy.

114. Finally, the Government continues to promote local produce abroad to deepen markets and further explore marine and aquaculture resources in view of the new global blue economy model. To take advantage of this, the Government is employing varied strategies to increase fish production. The setting up of the Kenya Coast Guard Service at the Liwatoni Fishing Complex and the development of designated ports in the coast to facilitate landing by deep sea fishing vessels has significantly increased fish production. Further, the restocking of water bodies with fish brooders and fingerlings coupled with the construction of fish quality control laboratories in Nairobi, Mombasa and Kisumu will improve the quality of fish getting into the market. Other initiatives under the sector include fast tracking the Aquaculture Regulations and Strategy, Fisheries Research and Development Fund, Fish Levy Trust Fund Regulations, Blue Economy and Marine Strategy; rehabilitation of fish landing sites in Lake Victoria, and empowerment of Kenya Fisheries Service and Kenya Fish Marketing Authority.

### 2.2.2.3 Universal Health Coverage to all Kenyans

115. The Government has made great strides in ensuring that every Kenyan has access to quality and affordable healthcare under the Universal Health Coverage (UHC) Program. However, the outbreak and rapid spread of COVID -19 Pandemic has necessitated the urgent need to upscale implementation of the UHC to help eradicate the 'poverty of dignity' and transition our nation into an era where no Kenyan is forced to sell their land in order to settle medical bills; or be forced to make a choice between buying the much needed medicine and using the money to feed their children.

116. The implementation of the UHC pilot programme in the counties of Machakos, Nyeri, Isiolo and Kisumu has provided the Government with critical learning points that have enhanced health policy priorities ahead of the national roll out. The UHC pilot phase led to an increase in the utilization of health services,

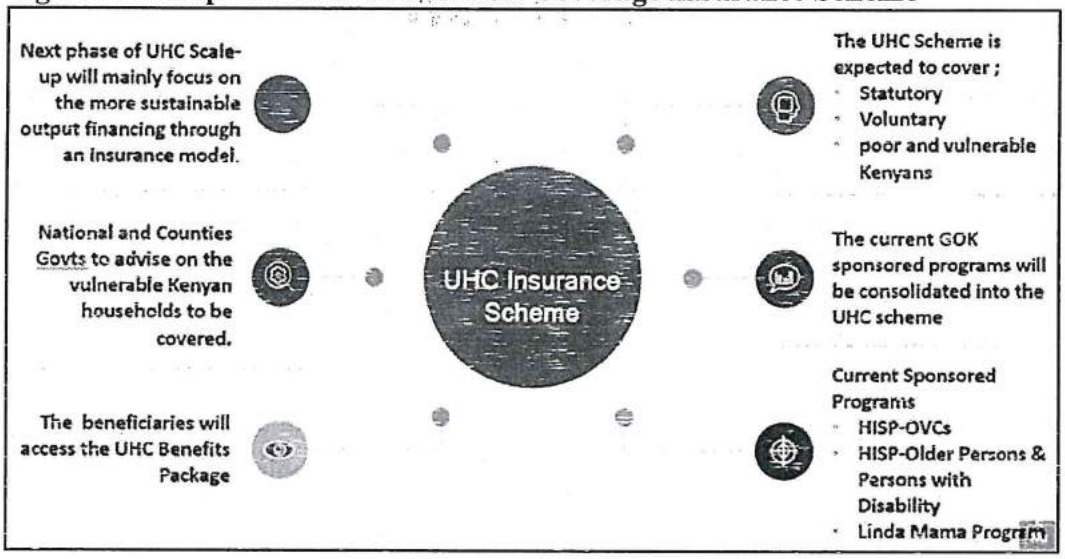
with over 1.6 million additional hospital visits made during the 12-month period of the pilot phase. This milestone was equally supported by other health interventions such as training of health care providers under the 'Linda Mama' initiative and the 'Beyond Zero' campaign initiatives.

117. In preparation for the national rollout, the Government launched the Biometric Registration for the Universal Health Coverage Scheme to capture the biometric data within the framework of the country's Universal Health Coverage (UHC) scheme. Additionally, the Government is instituting far-reaching reforms at NHIF to ensure the country has a national social health insurer that is able to responsively meet the needs of Kenyans by strategically purchasing services for their health and wellbeing. Other areas of Government focus are:

- Establishment of a mandatory UHC scheme to be managed by NHIF and regulated by the Ministry of Health and act as the national scheme for all persons resident in Kenya, notwithstanding one's social status;
- Adoption of the completed Essential Health Benefits Package to enable Kenyans gain access to an essential set of health services at a much lower cost. The package covers several areas including outpatient and inpatient services, communicable and non-communicable disease management, maternity, dialysis, radiology, mental health, minor and major surgery, substance abuse rehabilitation, emergency services and cancer treatment, among others; all at the low cost of Ksh. 6,000 per household per annum.
- Provision of health insurance cover to initially one million households who are vulnerable and unable to meet even that low cost premium. The identification of these one million households by the Ministry of Health, Ministry of Labour and Social Protection, and the Counties across the entire Country has already began; and
- Fostering partnerships with the County Governments to realize the aspirations of UHC.

118. To further enhance the UHC, the Government has rolled out the UHC insurance scheme which will consolidate all the state sponsored schemes into UHC scheme (HISP OVC, Elderly, PWD, Linda Mama, Edu-Afya) (**Figure 13**). The UHC insurance scheme, a one single national scheme will achieve equity and efficiency through effective cross-subsidization across the poor and rich and across the sick and healthy. In addition, a UHC fund has been established to ensure seamless operations of the UHC agenda. The UHC fund regulations are being drafted.

**Figure 13: Proposed Universal Health Coverage Insurance Scheme**




119. To further improve the quality and reach of health care services in the country, the Government will continue to improve maternal, new born and child health services; reduce malaria related mortality in Kenya; enhance early diagnosis and management options for cancer and renal diseases through the recently launched oncology center at Kenyatta University Teaching, Research and Referral Hospital. Going forward, cancer treatment services have now been made available through the establishment of 10 cancer centers across the country to manage the cancer burden.

120. Mental illness has increasingly caused serious national distress and anguish across the country. To curb further increase, the Government has established an Office in the Ministry of Health, with the full responsibility of spearheading the national response to the disruption caused by mental illness to our social order and the nation's wellness. To institutionalize this initiative, the Government is establishing an ultra-modern National Mental Health Hospital by elevating Mathari National Teaching and Referral Hospital as a semi-autonomous specialized hospital. The hospital will be the East Africa's Premier Mental Health Facility and will offer training and research in psychiatry, specialized psychiatric services, forensic psychiatric services, child and adolescent mental services and substance abuse related and addictive disorders treatment and rehabilitation services.

121. Other milestones in the health sector is the investment by the Government in the development of the East African Kidney Institute which is under development in Nairobi to improve health outcomes. This is an EAC investment which is in tandem with ongoing capacity building expected to improve access to quality health care services for renal patients from countries in the region. Also, the Managed Equipment Service project initiated by the Government has enhanced diagnostic and specialized treatment capacity across the 47 counties. It is now possible to get kidney dialysis and mammography services at the County health facilities.

### 2.2.2.4 Affordable and Decent Housing for All Kenyans

122. The provision of affordable housing remains a key challenge in Kenya with over 90 percent of people living in the urban areas residing in rented houses and spending up to 40 percent of their income on rent with over 65 percent of them living in the informal settlements characterized by the 'poverty of dignity' caused by poor housing and inadequate services. The Government through the Affordable Housing Programme (AHP) pillar is prioritizing the social housing program in order to address these challenges and contain the proliferation of slums in the urban cities. As a pilot programme, the Nairobi Metropolitan Services has been successful in rolling back the frontiers of urban indignity.

123. Since the Affordable Housing Pillar under the Big Four was unveiled, the Government has been mobilizing resources through the National Housing Development Fund and fostering public-private partnership in order to fund the 500,000 affordable housing units. Following on this, the pilot project of 1,370 housing units at Park Road was completed ahead of schedule and within budget. The National Housing Development Fund continues to mobilize resources to fund the housing projects in Mavoko and NHC Stoni Athi, which are at various stages of completion. The construction of 25,965 affordable housing units in Starehe (3,360), Shauri Moyo (4,470), Kibera Zone B (4,435) and Mukuru, Meteorological site (13,700) is set for commencement with the investors having already been identified.

124. The housing situation in Kenya is also faced with high cost and limited access to housing finance as evidenced by existence of less than 25,000 mortgages in the country. To address this, the Government has concluded the successful incorporation and capitalization of the Kenya Mortgage Refinance Company (KMRC). KMRC will provide long term funds to primary housing mortgage providers in the housing sector. The Company, will improve mortgage affordability, increase the number of qualifying borrowers, and result in the expansion of the primary mortgage market and home ownership in Kenya while also deepening the capital markets through large-scale medium to long-term refinance options

125. So far, the Company has managed to raise a capital of Ksh 2 billion and the National Treasury has mobilized additional Ksh 35 billion from partners to support the company's operations. This will help maintain adequate liquidity to keep the housing finance and housing market functioning even in the wake of Covid-19 Pandemic, which has affected the business environment.

126. The cost of land has also been a major impediment to the development of affordable houses. To address this, the Government is implementing various reforms in the land sector to improve access to land as a factor for development. Key to mention is the ongoing National Land Titling Programme, which has seen over 4.5 million titles issued since 2013. This is also a milestone in solving some of the longstanding historical land injustices.

127. Further, the Government is restoring full sanctity of titles by digitizing all the land records across the Republic. This national endeavor is anchored under the National Land Information Management System (NLIMS), which is designed to

enhance security of land records, improve accessibility, and dramatically reduce the cost of land transactions. Other reforms in the sector include the formulation of the Sectional Properties Bill to bring legal clarity to the ownership of sectional properties. This Bill is in its final stages before introduction in the National Assembly.

### 2.2.3 Conducive Business Environment for Employment Creation

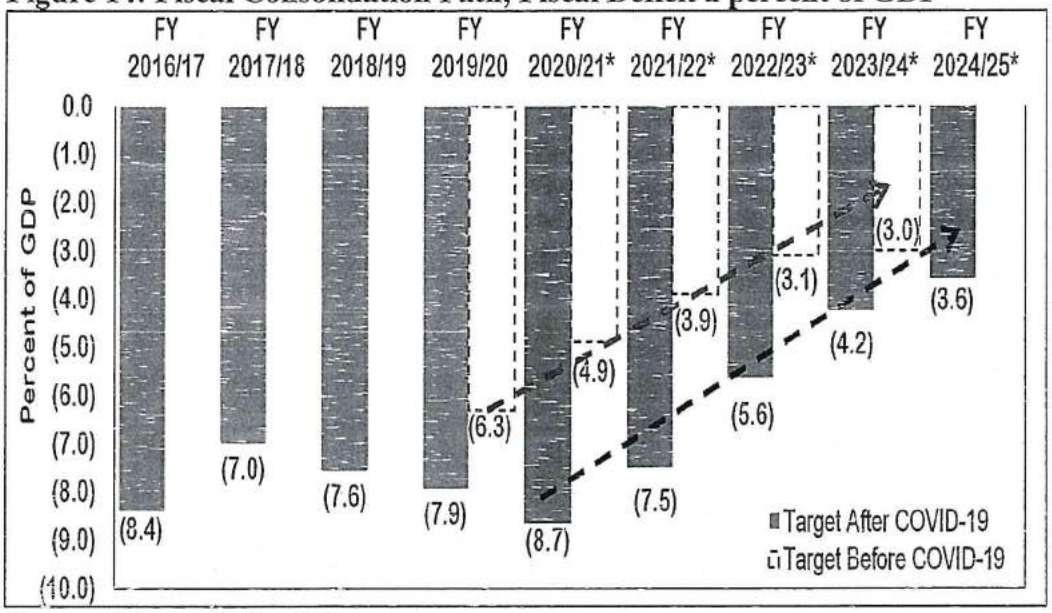
128. The business environment has been affected by Covid-19 Pandemic and continues to remain uncertain. However, despite all the reservations brought about by the Pandemic, the Government remains committed to creating and sustaining a conducive business environment by ensuring the existence of stable macroeconomic environment, enhanced security to attract both domestic and international investors, and promote trade that is geared towards job creation.

#### 2.2.3.1 Stable Macroeconomic Environment

129. Macroeconomic stability provides the necessary conducive environment for the private sector investments as a ground for sustained economic growth. The Government continues to maintain macroeconomic stability by pursuing judicious fiscal and monetary policies that will stimulate the economy to safeguard livelihoods, jobs, businesses and industrial recovery. In particular, the Government has kept inflation rate within the prescribed target range of 5.0-/+ 2.5 percent to boost the economic activity. To ensure price stability, monetary policy supported by fiscal policy will help maintain interest rates at its reasonably low levels. Despite the advent of Covid-19 pandemic that has threatened the stability of the domestic currency, the Government has strived to promote a stable and competitive exchange rate to support exports and to ensure sufficient exchange reserves as a cushion from external shocks.

130. To further complement the monetary policy, the Government continues to sustain fiscal consolidation efforts through revenue mobilization and expenditure rationalization. Before Covid-19 Pandemic, the fiscal deficit was expected to gradually decline from 6.3 percent of GDP in FY 2019/20 to 4.9 percent of GDP in FY 2020/21 and further to a 3.0 percent of GDP in FY 2023/24. However, due to economic disruptions caused by Covid-19 Pandemic, the fiscal deficit was 7.9 percent of GDP in FY 2019/20 and is projected to decline from 8.7 percent of GDP in FY 2020/21 gradually to 7.5 percent of GDP in FY 2021/22 and eventually to 3.6 percent of GDP in FY 2024/25 (**Figure 14**).

**Figure 14: Fiscal Consolidation Path, Fiscal Deficit a percent of GDP**




*Source of Data: National Treasury*

### 2.2.3.2 Deficit Financing Policy

131. The Government's main source of funding includes both external and domestic. External sources are mainly from multilateral, bilateral, commercial lenders and Sovereign bond issuance while the issuance of debt securities (T-Bills and T-Bonds) in the domestic market comprise of domestic source. In this regard, official external sources for loans on concessional terms will be maximized while non-concessional, commercial external borrowing and Sovereign bond issuance will be limited to projects with high financial and economic returns in line with Government's developmental Agenda.

132. The Government will continue to diversify these resources by maintaining its presence in the international and domestic capital markets. The Government also intends to explore other sources of possible financing options, such as the Islamic financing instruments, Green bonds, Samurai and Panda bonds and diaspora bonds over the medium term.

133. The domestic debt market remains to be a major source of funding to the Government through issuance of Treasury Bills and Bonds. The National Treasury will continue to spear head the financial market sector reforms aimed at improving the market efficiency and transparency. The Government will also provide support for infrastructure aimed at improving Debt management operations for both the primary and secondary markets, enhancing investor access, promoting confidence amongst market participants and further deepening the capital markets.

134. The Public Debt and Borrowing Policy in place will continue acting as a guideline for borrowing and public debt management by the National Government. The policy aims at improving 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.

135. In addition, the Government will continue to support the development of the domestic debt market through continuing with the financial reforms implementation with the aim of deepening and improving efficiency in the domestic market in order to reduce debt costs.

136. The Government`s commitment to fiscal consolidation will reduce the debt service over the medium term progressively despite challenges of Covid 19 Pandemic.

**2.2.3.3 Business Regulatory Reforms**

137. The Government remains committed to making Kenya secure and an attractive destination for investments that are critical for a sustained high growth, poverty reduction and the attainment of the "Big Four" Agenda to accelerate economic recovery. To achieve this, the Government has continuously enhanced the ease of doing business and put in place measures to create an enabling environment for all businesses to thrive. The commissioning of a Transit Shed at the Kenya Railways, Nairobi, last year to function as a clearing point for cargo imported into the country by small traders will reduce the time taken to clear trade wares and save them considerable financial cost.

138. The sustained reforms and investments that the Government continues to put in place have enhanced our competitiveness and ranking globally. Kenya's 80-slot improvement since 2014 and the current ranking at 56$^{th}$ globally and 3$^{rd}$ in Sub-Saharan Africa on the Ease of Doing Business Global Ranking Report, from a low of 136$^{th}$ globally in 2014 is attributable to strong business regulatory reforms that the Government has undertaken through removal of excessive bureaucracy. The Government`s objective is to further improve the country`s Doing Business ranking in line with our ambition of being among the top 30 nations globally and attainment of the 25$^{th}$ status in the next decade.

139. Further, as a result of the sustained reforms by the Government to improve the ease of doing business, Kenya currently ranks 1st in Protecting Minority Investors and 4$^{th}$ globally on Getting Credit. This can be attested in the increase in the number of newly registered companies. Since 2014, the number of companies registered daily has increased by 500% from 30 to 200 in 2020, and a daily average of 300 during the Covid-19 period. On aggregate, 400,000 companies are annually now registered in Kenya. This is particularly attributed to the reduction in multiplicity of licenses at both the national and county levels, such as the waiver of Single Business Permits for all new businesses registered in Nairobi for the first 2 years of their operations, and waiver of the presumptive tax requirement for all new businesses. Once these initiatives are rolled out nationwide, setting up, operating and expanding businesses by both local and international investors will become easier and eventually make Kenya the best country on the African Continent in Doing Business.

**2.2.3.4 Enhancing National Security for Sustained Growth and Employment**

140. To maintain economic stability and attract investment, national security is critical. A safe and secure environment remains a prerequisite for achieving the "Big Four" Agenda. The Government has undertaken reforms that target to

improve the capacity of the security forces to protect Kenyans against internal and external aggression. In particular, the Government has increased funding to all security agencies to improve their operations. The increased funding also aims to strengthen security agencies by equipping them to improve their effectiveness and rapid response to incidents of crime.

141. Amidst increased regional insecurity, our national security is under no threat. The war against crime and criminality has been up scaled driven by a National Police Service that continues to undertake technological, human resource and skills reforms to better serve Kenyans. This will be supported by the ongoing expansion of the National Police Service Control and Command Centre for surveillance and communication.

142. In order to improve efficiency of service delivery to the Kenyans, the Government has implemented the digital occurrence book (OB) by the National Police Service, digital HR Information system, a digital duty roster and a patrol system and a report generator for inferring crime trends and dynamics. The introduction of digital Occurrence Book (OB) has seen the distribution of more than 10,000 iPad to officers working within the capital. The Government continues to invest in Huduma cards (3rd generation ID cards), digitization of birth certificates and e-passport Programme. In addition, the recent unveiling of the national security innovations exhibition at the Kenya Wildlife Service (KWS) Law Enforcement Academy in Manyani, Taita Taveta County will allow leveraging on technology to address problems facing citizens; from cyber security, crime, revenue collection gateways and social media communication to geospatial mapping, and resource consolidation and even small arms manufacturing.

143. To enhance human capacity in the police force and to reduce the wide police-population ratio gap, the Government has trained more than 89,000 officers in the police service unit over the FY2017/18 and FY2019/20. Further, in an effort to ensure that our police officers have enough offices to render services to the people, the Government is working on expanding the administration offices across the country and will continue to upgrade and modernize the police officer's infrastructure. This is in addition to providing clean and safe places of residence for police officers. In line with this commitment, the Government, under the affordable housing programme, is working on expanding the housing units for the police officers. To enhance the mobility for both police and National Government Administration (NGA) officers, the Government is working to acquire 1,200 assorted vehicles and 5,000 motorcycles for Chiefs and Assistant Chiefs.

### 2.2.4 Infrastructure Development for Inclusive Growth

144. In order to ensure businesses thrive in an enabling environment, realize significant progress from manufacturing and agro-processing, the Government continues to build a strong transport system to enhance connectivity in the country through ports, road and rail. This will in turn support growth in the other sectors of the economy. In view of this, the Government has put in place deliberate efforts to scale up a robust network of high-quality roads, railways, sea and airports to enable Kenyans enjoy the benefits of expanded infrastructure assets, interconnectivity and

competitiveness leading to improvement and better ranking in the ease of doing business in the country.

### 2.2.4.1 Expansion of the Road Network

145. In order to ensure every Kenyan enjoys the benefits of an expanded road network, the Government has been scaling up the construction of modern highways as well as urban and rural roads in every part of the country. This will continue to open up many areas to economic activities and spur growth in other sectors of the economy. In respect to key national trunk roads, the construction of the Nairobi Expressway Project and Africa's largest Public-Private Partnership funded project - Nairobi-Mau-Summit Express Way will have significant positive impact on the economy, by decongesting Nairobi's gateways on the part of the Expressway Project and by opening up the economies of and increasing connectivity in Western, Rift Valley and Central Kenya on the part of the Nairobi-Mau-Summit Project.

146. During the FY 2019/20, the Government constructed 1,489 Km of new roads and rehabilitated 35 Km of roads. Additionally, over the same period, the Government constructed 15 bridges. Among other major projects that the Government is undertaking is the construction of the Dongo Kundu Southern Bypass, which once complete will connect Mombasa and Kwale Counties.

147. Going forward, during the FY 2021/22 to FY 2023/24 period, the Government has committed to construct 6,381 Km of roads through the implementation of various programmes and projects including the construction of 322 Km of roads under the Horn of Africa Gateway Development Project to boost regional integration; construction of 4,045 Km under Low Volume Seal Road Programme to connect more agricultural areas; and the construction of 128 Km of roads under the South Sudan Eastern Africa Regional Trade and Transport Development Facilitation project. Other projects include: the construction of 649.5 Km of Mau Mau Road and the 84 Km of Kenol-Sagana-Marua Road. Further, under the Economic Stimulus Programme, the Government is rehabilitating damaged access roads and foot bridges in all major towns at a cost of Ksh 5.0 billion.

### 2.2.4.2 Rail, Marine and Air Transport

***Standard Gauge Railway Line***

148. The construction of the Standard Gauge Railway (SGR) has improved passenger and cargo transport activities with most businesses currently transporting their cargo from Mombasa to Nairobi and Naivasha via the SGR reducing congestion in the roads. As at August 2020, Madaraka Express had ferried about 9.9 million cargo tonnage and 4.3 million passengers. This has also led to increased economic activities in other towns in the Rift Valley region such as Naivasha, Mai Mahiu, Ongata Rongai, Ngong and Suswa.

***Meter Gauge Railway***

149. The Government is rehabilitating the old meter gauge railway to improve interconnectivity and transport across the country. The recently launched Diesel

Multiple Units and modernization of the Central Railway Station will ease road traffic congestion and dramatically change the public transport in Nairobi and across the Metropolitan Area. Other meter gauge railway that the Government is rehabilitating are the Nairobi-Nanyuki railway to pave way for cheaper fuel and the 216 Km Naivasha - Kisumu railway line that will connect to the recently refurbished Kisumu Port to enable ferrying of passengers and goods such as fertilizer, cement, rice, edible oil, and spare parts, among others to Uganda, Rwanda, Burundi and Democratic Republic of Congo on ships via Lake Victoria. The overhaul of the Naivasha – Kisumu railway is being spearheaded by a multi-agency team coordinated by the Kenya Defense Forces.

***Airports***

150. Air transport is one of the sectors that was adversely hit by the containment measures put in place to prevent further spread of Covid-19 Pandemic. Despite this, the Government is committed towards making Kenya a strategic transport hub in support of the 'Big Four' Agenda. Already, the Government waived landing and parking fees at all airports in order to facilitate movement of cargo in and out of Kenya.

151. The Government is also committed to repairing, expanding and modernizing aviation facilities to maintain our competitive edge in the region. Additionally, the Government is developing strategies to improve operational efficiency of Kenya Airways to ensure it remains afloat. This will enhance regional integration and promote tourism and international trade which are key in supporting the manufacturing pillar of the "Big Four" Agenda.

***Seaports***

152. The Government has continued to undertake massive investments in various ports and harbours in the country. Through massive investment in Kilindini harbour, the volume of cargo passing through the port has more than doubled. The investment has created more than 8,000 indirect jobs. In addition, the Lamu Port Berth-One is complete and is expected to begin full operation as a trans-shipment hub for shipping lines and create job opportunities for Kenyans. The Government is also in the final stages of installing the Likoni Floating Bridge, the first automated floating bridge in Kenya, which will help to decongest ferry transport at the Likoni Channel in the context of Covid-19 safety concerns and beyond by providing alternative safe pedestrian connectivity between Liwatoni on Mombasa Island to Ras Bofu on the Likoni mainland side.

153. In a bid to harness inter-county transport and trade among East African Countries around Lake Victoria, the Government has rehabilitated the Kisumu Port. This rehabilitation will make Kisumu a regional and economic hub and Lake Victoria a crucial transport corridor in the shipment of cargo into and out of the East African region. Already, the new port is processing fuel products to Uganda.

### 2.2.4.3 Adequate, Affordable and Reliable Energy Supply

154. The socio-economic status and the general well-being of society largely depends on access to stable, reliable and affordable energy supply. In this regard, the Government is committed to ensure an efficient and reliable production, transmission and distribution of affordable, clean and reliable energy. Further, the programmes under the "Big Four" Agenda continue to benefit from this initiative. First, lower cost energy is needed to support manufacturing and connect to all level 3 and 4 health facilities to electricity through grid and off-grid solutions. Energy has also been promoting the food and nutrition agenda by supporting the initiative to enhance large scale food production and drive small holder productivity through irrigation, value addition, connecting electricity to water points and livestock holding grounds. With regards to affordable housing for all Kenyans, the energy sector is boosting the initiative by supplying electricity to the housing units.

155. The last mile connectivity programme crossed the 7.2 million household connections mark and the country is proceeding well towards the aspiration of 100% universal electricity access by 2022 from the current 75 percent access. Going forward, the Government is set to boost power generation from the current 2,819 MW to over 6,700 MW with major energy sources being geothermal, coal, and wind, solar and hydro. This will enable connection of an additional 2.4 million new households through the grid and off-grid solutions by the year 2022. In order to achieve this, 3,082.9 km of additional transmission lines are set for construction, setting up of 37 transmissions and 45 distribution substations to improve system reliability and stability and reduce electricity losses.

156. In order to promote a 24-hour economy and enhance security in designated areas, 110,000 street lights have been set for installation and a further 3,003 public facilities, including schools, trading centres, health centres, water points and administrative offices will be connected to electricity.

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

157. Information, communication and technology plays a big role in today's digital economy. Amidst the disruptions caused by Covid-19 Pandemic and most people working from homes, ICT has taken center stage in driving activities in other economic activities and as such it has shown great potential to increase economic growth and improve the lives of Kenyans.

158. The Government takes cognizance of the critical role ICT and innovation play in overall national development. As such, the attainment of the "Big Four" Agenda hinges on the country's ability to reap on the full potential of technological advancement and innovations in ICT in the country. Going into the FY 2021/22, the Government is set to connect 27 level 4 to level 6 health facilities in the country contributing to the attainment of Universal Health Coverage. To leverage on these gains, the Government has continued to make huge investments in ICT sector, which has greatly improved access to Government services and enabled the Kenyan youth access job opportunities outside Kenya. However, to ensure Kenyans continue to enjoy these benefits, Government has increased access to ICT

infrastructure and connectivity through the roll out of the Basic Voice Infrastructure in 67 sub-locations in un-served areas.

159. To further improve access to information and e-government services, the Government has established 135 Constituency Innovation Hubs across the country to provide free Wi-Fi and internet access, digital devices and work spaces for use by members of the public. This will facilitate the training and mentorship of youths on access to online jobs, incubation of 15 technological innovations and training and mentorship of 500 entrepreneurs under the white box programme. The Government will also recruit and train about 400 ICT graduates on high end skills under the Presidential Digital Talent Programme. This will provide more digital job opportunities and promote youth empowerment, innovation and creativity across all corners of the country.

160. The Government is also developing various ICT policies such as the Huduma Number Digital Integration Policy, Strategic Plan and the Digital Economic Strategy to help maintain its leading position in ICT penetration. The implementation of the Digital Literacy Programme, expansion of the Second Phase of the National Optic Fibre Backbone as well as the installation of the Internet Based 4000 Network have played a major role in achieving this milestone.

161. Further, the Government will continue to deploy public digital TV Broadcasting Infrastructure to achieve 100% national coverage from the current 92%. The infrastructure will enhance universal access to TV broadcasting services through the provision of affordable quality digital infrastructure for both public and private media houses including small and medium enterprises. The Government will also finalize the development of National Spectrum Policy and the National Film Policy to improve regulatory and business environment in the sector. Other investments that the Government is committed to include the construction of the Konza Technopolis Complex and the Konza Data Centre, the Smart City Facilities Project and the completion of the Konza conference facilities.

### 2.2.5 Sectoral Transformation for Broad Based Sustainable Economic Growth

#### 2.2.5.1 Environmental Conservation and Water Supply

162. Environmental conservation and sustainable access to water is essential for sustained agricultural transformation, higher productivity and growth as well as overall development. Towards this end, the Government has continued to prioritize the sustainable exploitation, utilization, management and conservation of the environment and protection of water catchment areas. As a result, an additional 1.5 million people have had access to clean, secure and adequate water. The groundwater mapping for counties including that of Marsabit and Turkana has provided practical groundwater maps, tools and information for the national and County Governments and will help devolve functions of water and sewerage provision for its people. Schools have also benefited from the connection to clean water and construction of small dams for water storage.

163. During the Covid-19 Pandemic, the Government in collaboration with other agencies introduced initiatives intended to curb spread of the virus by implementing 93 water projects in the informal settlements with the goal of providing free water within Nairobi County. The water projects composed of drilling and equipping new boreholes, rehabilitation of existing boreholes, construction of elevated steel tanks and construction of water kiosks where an additional 250,000 people benefited.

164. The Government has also developed 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 ongoing to issue the first sovereign Green Bond to finance public projects that are green (climate friendly).

165. Over the medium term, the Government will prioritize the implementation of environmental conservation programs including tree planting and afforestation, water harvesting, smart agriculture, investments in green energy (micro-hydro, solar, biomass) construction of mini dams, water pans and rehabilitation of existing dams and water pans. As part of this process, the Government will undertake various water catchment and conservation activities which will enhance access to water; construct and rehabilitate water pans, roll out water harvesting and storage in all public institutions throughout the country, and invest in mid-size dams to store water for household and agricultural use. In particular, the Government also construct mini dams like Oloyiangalani Dam in Kajiado County which will provide water storage for household and domestic use, carry out conservation activities like Cherangany Watershed Conservation Programme, Integrated Bamboo environmental conservation in Mau Forest, Ewaso Ng'iro North Conservation Programme along the Ewaso Ng'iro riverine.

### 2.2.5.2 Stimulating Tourism Recovery, Sports, Culture, and Arts

166. Sports, culture and heritage remains the cornerstone of our tourism strategy. Therefore, tourism transformation and its integration with promotion of commerce, sports, culture and arts will be positioned as a key driver of inclusive growth and employment creation. Great strides have been made to support these sub-sectors. The Government has completed the rehabilitation of the Nyayo Stadium with sportsmen and women already enjoying state-of-the-art facilities at Kasarani Stadium.

167. The tourism sector is one of the worst hit sectors by the Covid-19 Pandemic and the ensuing containment measures. The massive cancellation of hotel bookings prompted by lockdowns and travel bans imposed by various countries in an effort to curb the spread of the virus, occasioned massive job and income losses by many Kenyans directly and indirectly employed in the tourism sector.

168. To stimulate recovery of the tourism sector, the Government is scaling up efforts to promote aggressive post Covid-19 tourism marketing and providing support for hotel refurbishment through soft loans to be channeled through the Tourism Finance Corporation. This will continue to provide an enabling environment for the sector to thrive in addition to marketing Kenya as a preferred tourism destination. Furthermore, the sector is expected to recover gradually

following the ease of travel restrictions, opening of international travel, implementation of protocol for management of restaurants and eateries, execution of Magical Kenya Tourism and Travel health and safety protocols and subsequent 'Safe Travels' Stamp endorsements and Safer Tourism Seal. Going forward and building on the progress made thus far, the Government working, in partnership with key stakeholders, will, among other measures: continue supporting the development and performance of music, drama, and dance; exhibition of works of art and crafts; and fostered discussions of matters of literacy, historical, scientific, and education importance.

#### 2.2.5.3 Sustainable Management of Land for Social-Economic Development

169. Land as a factor of production is critical to economic, social, political and cultural development. Secure access to land, sustainable land use planning and equitable distribution of land remain immensely important for food security, employment creation and the socio-economic development of the country. Towards this end, the Government has continued to develop and implement policies and programs to guide land use, access to land title, security of tenure, and development of a transparent and secure land registration system.

170. The Government will also continue to strengthen implementation of National Spatial Plan (NSP) and National Land Use Policy (NLUP), construct and renovate more land offices, digitize land records, enhance land survey by developing topographical and thematic maps and geo-referencing land parcels, develop a policy framework for public land management strategy, and fast track implementation of the Public Land Information Management System (PLIM).

### 2.2.6 Expand Access to Quality Social Services

171. Investment in human capital is critical in driving inclusive economic growth. For this reason, the Government strategically invests in human capital to enhance knowledge and skills required to be competitive in the information age and help realize the "Big Four" Agenda. The Government has been investing in all social sectors leading to improvements in the country's human capital index as shown by the 2020 World Bank Human Capital Index where Kenya ranked second in Africa and 94$^{th}$ globally.

172. The Government has also prioritized human capital development by investing in quality and relevant education including revamping the Technical and Vocational Education and Training (TVET) sub sector. Coupled with creating a strong manufacturing base, these investments will create a roadmap to achieving the "Big Four" Agenda and lead to the country's prosperity. The Government is also scaling up social safety nets to promote the wellness of vulnerable members of the society.

#### 2.2.6.1 Quality and Relevant Education for all Kenyans

173. Despite the negative effects of Covid-19 Pandemic and the ensuing containment measures, the education sector remains an important enabler in achieving the "Big Four". To protect livelihoods supported by the education sector during the Pandemic period, the Government hired 10,000 teacher interns under

the Economic Stimulus Programme. The Government also committed an additional Ksh 4.0 billion for supporting local artisans and builder's businesses through the purchase of 250,000 locally fabricated desks and construction of additional classrooms for secondary schools.

174. To protect, nurture and mould our young children into responsible citizens, the Government has continued to institute far-reaching reforms within the education sector. Early 2019, the roll-out of the Competency Based Curriculum commenced which has been fully embraced by all stakeholders in the education sector. This is a fit-for-purpose, fit for context curriculum that aims to equip our learners with the current and emerging industrial needs. As at the end of 2019 calendar year, a textbook to pupil ratio of 1:1 for grades 1 through to 3 had been achieved.

175. The Government continues 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 level rankings 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. The Government has also developed skills development policy and programme that bridge the gap between skills and industry needs, increasing productivity of graduates as well as stimulation of employment, mobility and creation.

176. 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.

**2.2.6.2 Strengthening the Social Safety Nets**

177. As the economy continues to expand, the Government continues to scale up resources to cushion the vulnerable members of the society under the Social Safety Nets Programmes (Inua Jamii) including the Kenya Hunger Safety Net Programme and the National Council for Persons Living with Disabilities Fund. During the Covid-19 Pandemic period, the Government has implemented a range of measures including injection of cash and provision of additional disposable incomes to the people and businesses providing the much needed relief to the economy and cushioning the vulnerable in the society.

178. To further cushion the vulnerable in the society, progress has been made in peace building and establishment of early warning information sharing initiatives in ASAL counties. With the rapid change in climate and global warming, Kenya and other Intergovernmental Authority on Development (IGAD) member states have committed themselves to ending drought emergencies in the region.

179. 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. Further the Government

targets to establish institutional framework for coordination of social protection in the country.

### 2.2.6.3 Empowering Youth and Women for Employment Creation

180. The most pressing challenge in today's society is lack of jobs for the Kenyan youth. In fulfillment of the "Big four" youth empowerment is an important component. Through the Kenya Youth Development Policy 2019, the Government targets to provide empowerment opportunities to unemployed youths, in addition to access to services and support programmes.

181. The Government also continues to allocate funds in the different youth empowerment programs including Youth Enterprise Development Fund (YEDF), the Women Enterprise Fund (WEF), Uwezo Fund and Youth Empowerment Centres (YECs), which have been consolidated to enhance their efficiency. The outbreak of the Covid-19 Pandemic has exacerbated the need for loans with an increase in loan disbursements by 46 percent. In addition, and in a bid to cushion unemployed youth from the adverse effect of the Covid-19 Pandemic the Government committed Ksh 10 billion through the "Kazi Mtaani" Programme which is currently employing youths across the country.

182. The youth have been involved in implementation of the "Big Four" in different pillars. On food security 860,000 youths are engaged in different agricultural activities including rabbit farming, poultry, and pig among others. In Manufacturing, the youth have been engaged in the establishment of 5000 cottage industries and linked to industrial development centers. On affordable housing, 20,000 youths have been trained on affordable housing technologies, 400,000 on affordable housing job opportunities and 31,304 trained on affordable housing construction skills. Finally, 201,000 youth have access to youth friendly health care with a further 150,000 engaged as community-based youth ambassadors of UHC.

183. Going forward, the Government is leveraging on partnerships with businesses and other private organizations to create opportunities for the youth through internships, apprenticeships, mentorship and entrepreneurship through programs such as the Ajira Digital Program and Presidential Digital Talent. The Government will also continue to commit resources to the Kenya Youth Opportunities and Employment Program which seeks to develop skills and create employment for youth.

### 2.2.7 Enhancing Service Delivery through Devolution

184. The National Government has continued to render its support to the County Governments to ensure that devolution succeeds as envisaged in the Kenyan constitution. Since FY 2013/14, the National Government has provided sufficient funds to the County Governments to ensure continuous provision of services at the county level. In total for the period FY 2013/14 to FY 2019/20, Kshs 2.0 trillion has been transferred to the 47 County Governments. From this cumulative amount, County Governments received 91.3 percent as equitable share and 4.0 percent as Government of Kenya - funded conditional allocations out of which 0.4 percent was channelled to Covid-19 responses. Further, County Governments received a

total of Ksh 39.1 billion from proceeds of loans and grants from development partners.

185. County Governments have received conditional grants from the National Government which has enabled them to implement various projects and programmes for equitable and sustainable development. During the FY 2019/2020, Counties received a total of Ksh 5.76 billion as allocation to the Equalisation Fund in line with Article 204 of the Constitution. In addition to this, the World Bank's Kenya Devolution Support Programme (KDSP Level I) received Ksh 1.4 billion while the Danida Covid-19 Support of Level II and III Hospitals received 502 million to help in the fight against Covid-19 Pandemic. Other programmes such as Kenya Urban Support Program (KUSP) received Ksh 8.5 billion to support counties in financing infrastructure in urban areas while Ksh 563 million was channelled to Water and Sanitation Development Project (WSDP) to assist counties improve water supply and sanitation services. The Government will also implement phase II of Kenya Informal Settlement Improvement Project (KISIP II) with the support from the World Bank Group in participating counties. The project will improve access to basic services through upgrading infrastructure, land tenure regularization and strengthening institutional capacity in identified informal settlements.

186. Implementation of *The National Policy to Support Enhancement of County Governments' Own-Source Revenue* is expected to address challenges around OSR collection and administration faced by the county governments. Moreover, implementation of an integrated revenue management system will eliminate leakages, high costs of collecting revenues by counties and address OSR collection and administration challenges facing county governments. Further, plans are underway to develop principal laws which anchor county revenue measures in line with Article 210(1) of the constitution.

187. On the Big Four agenda, both the National Government and County Governments have made significant strides towards achieving the agenda. For instance, the National Government has partnered with County Governments to make agreement on extending the housing project whereby the county Governments will provide land while the National Government will provide the required infrastructure inform of power, water and roads. To foster manufacturing sector, County Governments have prioritized value addition with Makueni County developing a second fruit processing plant in Kalamba while Nyandarua County is in the process of developing a potato processing plant. On health care, fourteen counties have expanded their health infrastructure by adding maternity wings, increasing human resource and equipment. This ensures availability of health services at the grassroots level leading to improvement in the wellbeing of Kenyans as well as helping County Governments in the fight against Covid-19 Pandemic.

188. The National Treasury continues to fulfil its mandate in accordance with PFM Act, 2012 by assisting County Governments build their capacity for efficient, effective and transparent financial management. This has been achieved through conducting trainings which put more emphasis on vote book and budgetary controls to curtail spending at source and ensure that spending is within approved budget.

### 2.2.8 Entrenching Structural Reforms to Facilitate Business and Employment Growth

#### 2.2.8.1 Strengthening Governance and the Fight against Corruption

189. The Government remains committed in eliminating corruption which inhibit Kenya's economic growth and development through loss of funds. In this respect, the Government has stepped its efforts in the fight against corruption through implementing a raft of measures that strengthens accountability at all stages of the public finance management cycle. To effectively and efficiently manage public resources, reforms have been undertaken by the Government towards improving the Public Procurement and Disposal system. Towards this end, the Executive Order No 2 of 2018 requiring State Agencies to make public the details of all Government tenders continue to be effected at all levels of Government, thus eliminating secrecy which facilitates corruption.

190. Moreover, in recognition of the critical role played by institutions mandated to fight corruption, the Government has progressively increased allocations to these institutions such as the Office of the Director of Public Prosecutions, the Office of the Auditor General, the Ethics and Anti-Corruption Commission, the Assets Recovery Agency, the Criminal Investigations Services and the Financial Reporting Centre. This is to enable them to work seamless together in developing and promoting standards and best practices in ethics and anti-corruption which will increase efficiency in the fight against corruption as well as recovery of the corruptly acquired assets.

191. To enhance access to justice, the Government expanded physical infrastructure including establishment of mobile courts, automation of court processes and digitization of judicial systems, adoption of virtual courts, entrenchment of alternative dispute resolution initiatives such as mediation, arbitration and traditional justice systems, clearance of case backlog and improvement in case management in courts.

#### 2.2.8.2 Deepening Public Financial Management Reforms

192. In its effort to ensure efficiency and effectiveness of public spending, the Government will continue to strengthen expenditure control through necessary fiscal measures and prudent public financial management reforms. To facilitate the attainment of the "Big Four" Agenda priority projects, the Government will focus on implementation and completion of ongoing priority projects and programmes as set out in the Agenda. As a measure of accountability, the Government will adhere to strict project timelines and budgets through ground inspection of projects and robust public engagements. This will enable redirecting of resources to other fundamental and critical sectors of the economy with the Manufacturing, Universal Health Coverage, Food security and Affordable Housing projects being accorded priority consideration. In addition, to strengthen the implementation of the public investment projects in the country, the National Treasury issued the Public Investment Management (PIM) Guidelines Circular No. 16/2019 in January 2020 to provide a standard framework for the management of public investments.

Compliance with PIM Guidelines is being sought when planning, appraising, approving and budgeting for all new projects.

193. The Covid-19 crisis presents an opportunity to reprogram and rationalize the stalled stock of projects and enhance compliance with PIM Guidelines appraisal process for the new projects. A comprehensive Nation-wide project stock taking baseline has been concluded. This is meant to consolidate all public investment projects data in a centralized system with the aim of carrying out a thorough analysis to help identification of projects which qualify for re-appraisal, re-prioritization, and rationalization. This contributes to fiscal consolidation attainment as rationalization / cancellation of even a third of the stalled projects could yield up to 1.5 percent of the GDP in fiscal savings.

194. To ensure a standardized systematic mechanism for regularly monitoring, flagging and declaring the official status of projects across all MDAs the PIM Unit is developing a Manual for Economic Project Appraisal and also a Manual for Monitoring and Evaluation of Projects

**2.2.8.3 Fostering Financial Sector Developments and Reforms**

195. The Government remains committed in developing the financial sector by implementing a raft of measures and reforms to boost her performance and ease access to foreign trading. To strengthen the financial sector reforms, the Government is fast-tracking full operationalization of the Nairobi International Financial Centre (NIFC) which is a key Vision 2030 flagship project. Towards this end, the Government has instituted a Board of Directors that will oversee the operations of the NIFC Authority. The Government is also finalizing the NIFC Regulations to implement the NIFC Act. Once operational, the NIFC will create an improved business environment, making it easier and more attractive to conduct financial services and related activities in Kenya. This will increase flow of investments and private capital for financing development and create new financing options for Kenyan businesses.

196. The banking sector is stable and resilient, as it supports the economy through the Covid-19 Pandemic by continued provision of financial services and support to borrowers. The resilience of the sector is anchored on reforms in the last five years by the Central Bank of Kenya (CBK). Additionally, the need to build resilience and exploit emerging opportunities has led to increased consolidations and combinations among several banks. As the banking sector supports the economy during the pandemic, it remains on track towards realizing the vision outlined in CBK's Banking Sector Charter of a banking sector that works for and with Kenyans. The Charter is anchored on four pillars, namely adoption of customer-centric business models, risk-based credit-pricing, transparency and ethical banking. CBK will continue with the focus of building a resilient banking sector that will support Kenya's post-pandemic recovery.

197. To support the banking sector during the Covid-19 Pandemic, the CBK implemented a number of measures. The measures including loan restructuring and lowering the cash reserve ratio (CRR) were:

- Total loans amounting to Ksh 1.63 trillion have been restructured (54.2 percent of the total banking sector loan book of Ksh 3.0 trillion) by the end of December 2020, in line with the emergency measures announced by CBK on March 18 to provide relief to borrowers. Of this, personal and household loans amounting to Ksh 333.0 billion (39.6 percent of the gross loans to this sector) have had their repayment period extended. For other sectors, a total of Ksh 1.29 trillion had been restructured mainly to trade (21.3 percent), manufacturing (20.4 percent), real estate (15.4 percent) and agriculture (12.4 percent). These measures have continued to provide the intended relief to borrowers.
- A total of Ksh 35.2 billion was released by the lowering of the CRR in March out which Ksh 32.6 billion (92.7 percent) was used to support lending, especially to the tourism, trade and transport and communication, real estate, manufacturing and agriculture sectors.

198. To further ensure stability of Kenya's financial sector in the wake of global and domestic financial markets uncertainties; trade and political tensions; corruption, money laundering and rapid adoption of financial technology and innovations, the Government through the CBK continues to closely monitor and regulate the commercial banking sector in order to ensure sound risk management decisions are made and fraudulent activities are tamed. This has been achieved through consolidation by way of mergers and acquisitions and leveraging on financial technology.

199. To promote development of a robust, and efficient capital market, the Government continues to gear up its efforts in products diversification and innovativeness in the capital markets. A key initiative is the ongoing development of a regulatory framework to provide oversight of private equity and venture capital funds licensed by the Capital Markets Authority. This is expected to increase investment by pension schemes and other contractual savings in private equity funds and venture capital funds licensed by the Capital Markets Authority. Additionally, the Government will continue to fast-track implementation of liquidity enhancing mechanisms with a view to ensuring that domestic capital markets remain attractive to local as well as foreign investors.

200. To pave way for a modernized pension management system that will guarantee smooth transition of retirees from a monthly salary cheque to a monthly pension payment, the National Treasury is re-engineering and upgrading the pensions system in order to clear all pension payment backlogs. Further, the Government is also developing a National Retirement Benefits Policy that will harmonize all the pensions' laws. This will strengthen the legal and regulatory framework to achieve comprehensive pension coverage across the formal and informal sectors and better protect the interests of beneficiaries and rights of pension contributors. To enhance pension coverage to the informal sector, the Government intends to establish a national micro-pension scheme, within a sustainable model that combines long-term saving with pressing short term needs that will be open to all the Informal Sector workers. The scheme will leverage on technology to provide an affordable low-cost pension product at high efficiency.

201. To improve access and inclusivity of insurance products and services in Kenya, the Government is in the process of developing a National Insurance Policy

that will strengthen policy, legal and the regulatory environment of insurance products and services in Kenya. Other recent reforms in the insurance sector include: adoption and implementation of risk-based capital, Regulations on investment management, operationalization of a regulatory sandbox framework, and adoption of consumer centric policies.

202. To enhance access to credit, the Government through the Economic Stimulus Programme has de-risked lending to MSMEs by operationalizing the Credit Guarantee Scheme. Towards this end, the Government has amended the Public Finance Management Act 2012 through the Public Finance Management (Amendment) (No. 2) Act, 2020 to empower the Cabinet Secretary for the National Treasury to establish a credit guarantee scheme to guarantee credit extended to MSMEs. Further the Public Finance Management (Credit Guarantee Scheme) Regulations, 2020 have been published. The regulations prescribe the operation of the Scheme. The National Treasury has since rolled out the Scheme following the execution of Credit Guarantee Scheme Agreement with Seven Commercial Banks that were competitively selected to implement the Scheme. The rollout of the Scheme is expected to support MSMEs who have been heavily impacted by Covid-19 Pandemic in accessing finance.

203. To ensure compliance with the international standards on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), the Government will engage Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to undertake the second mutual evaluation this year. The evaluation covers a wide range of issues including examining the AML/CFT legal and supervisory framework for various sectors considered vulnerable to money laundering threats. Kenya was first evaluated on its AML/CFT regime in 2010, and the report revealed significant deficiencies, including the absence of legislation on terrorism financing and non-designation of lawyers as reporting entities.

204. To cement Kenya's established lead in digital finance, the Government is fast-tracking the creation of a "Digital Finance Grid" to provide financial solutions across all parts of the economy. In line with the aspiration of the Vision 2030, the Government will play a coordinating function to ensure that its aims of creating an open digital system enabling downstream competition are achieved. Six key aspects of infrastructure will be addressed: (i) the development of digital identities, (ii) open data interchange; (iii) real-time money transfer through full interoperability; (iv) cash digital interface; (v) national payment addressing system; and (vi) payments interface. The digitizing of all remaining Government payments will provide a market impetus to support these developments, facilitate e-commerce and efficient delivery of public services.

205. To ensure protection to the consumers' perpetual right to property, the Government through the Unclaimed Financial Assets Authority (UFAA) seeks to develop a comprehensive National Policy on unclaimed financial assets. The policy will ensure good governance practices, improved access to justice and recovery of corruptly acquired asset.

# III. BUDGET FOR FY 2021/22 AND THE MEDIUM TERM

## 3.1 Fiscal Framework Summary

206. The FY2021/22 and the medium term budget framework will continue with the fiscal consolidation policy critical to strengthen the debt sustainability position. With the fiscal consolidation strategy, MDAs will be encouraged to adopt efficiency in allocation of resources and ensure value for money by promoting sustainability and affordability. In addition, the Government will ensure efficiency not only in tax administration but also in how tax revenues are utilized

207. The fiscal framework for the FY2021/22 and the medium term budget is based on the Government's policy priorities and macroeconomic policy framework set out in Chapter I and Chapter II.

**Revenue Projections**

208. In the FY 2021/22 revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 2,033.9 billion (16.4 percent of GDP) up from the estimated Ksh 1,849.2 billion (16.6 percent of GDP) in the FY 2020/21. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration. Ordinary revenues will amount to Ksh 1,775.6 billion (14.3 percent of GDP) in FY 2021/22 from the estimated Ksh 1,594.0 billion (14.3 percent of GDP) in FY 2020/21.

**Expenditure Projections**

209. While the Government expenditure as a share of GDP for FY 2021/22 is projected to decline to 24.3 percent, the overall nominal expenditure and net lending is projected at Ksh 3,010.0 billion from an estimated Ksh 2,864.5 billion (25.6 percent of GDP) in the FY 2020/21 budget. The expenditures comprise of recurrent of Ksh 1,986.0 billion (16.0 percent of GDP) and development of Ksh 609.1 billion (4.9 percent of GDP).

**Deficit Financing**

210. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 930.0 billion (7.5 percent of GDP) in FY 2021/22 against the estimated overall fiscal balance of Ksh 966.6 billion (8.7 percent of GDP) in FY 2020/21.

211. The fiscal deficit in FY 2021/22, will be financed by net external financing of Ksh 267.2 billion (2.2 percent of GDP), and net domestic borrowing of Ksh 662.8 billion (5.3 percent of GDP).

## 3.2 FY2021/22 and Medium-Term Budget Priorities

212. 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.

213. 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.

214. Whilst consolidating earlier gains, the Medium-Term Budget for 2021/22 – 2023/24 will primarily focus on priority programmes aimed at economic recovery and achieving the "Big Four" Agenda. These priorities notwithstanding, the Government will strive to ensure that public spending leads to high quality outcomes within a sustainable and affordable framework

215. In this regard, spending will be directed towards the most critical needs of the country with the aim of achieving quality outputs and outcomes with existing or lower level of resources. Further the Government will ensure MDAs request for resources are realistic and take into account the resource constraints, in light of the fiscal consolidation policy.

## 3.3 Budgetary Allocations for the FY2021/22 and the Medium-Term

216. The budgetary allocations to the three arms of Government including sharable revenues to County Governments is summarized in **Table 7:**

**Table 7: Summary Budget Allocations for the FY2021/22 – 2023/24 (Ksh Million)**

**Table 3.1: Summary of Allocations for the FY 2021/22 -2023/24(Kshs.Million)**

| S/NO. | Details | Financial Years | | | |
|---|---|---|---|---|---|
| | | Approved Original Budget | BPS Projection | | |
| | | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| 1.0 | National Government | 1,871,648.0 | 1,950,377.7 | 2,047,387.2 | 2,171,405.9 |
| | Executive | 1,816,342.2 | 1,894,576.8 | 1,989,844.9 | 2,112,557.9 |
| | Parliament | 37,306.0 | 37,882.7 | 38,535.7 | 39,207.6 |
| | Judiciary | 17,999.8 | 17,918.3 | 19,006.7 | 19,640.5 |
| | | | | | |
| 2.0 | Consolidated Fund Services | 586,468.6 | 697,623.5 | 796,892.9 | 863,577.0 |
| 3.0 | County Government | 316,500.0 | 370,000.0 | 370,000.0 | 375,000.0 |
| | **Total.....Kshs.** | **2,774,616.6** | **3,018,001.3** | **3,214,280.1** | **3,409,982.9** |
| | | | | | |
| | **% Share in the Total Allocation** | | | | |
| 1.0 | National Government | 67.5 | 64.6 | 63.7 | 63.7 |
| | Executive | 65.5 | 62.8 | 61.9 | 62.0 |
| | Parliament | 1.3 | 1.3 | 1.2 | 1.1 |
| | Judiciary | 0.6 | 0.6 | 0.6 | 0.6 |
| | | - | - | - | - |
| 2.0 | Consolidated Fund Services | 21.1 | 23.1 | 24.8 | 25.3 |
| 3.0 | County Government | 11.4 | 12.3 | 11.5 | 11.0 |

*Notes***

** Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest and pension*

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

**** The Net provision for Nairobi Metropolitan is assumed in the figures for the County Sharable*

***Source of Data: National Treasury***

### Allocation Baseline Ceilings

217. 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 holders and pensions.

218. Development expenditures have been allocated on the basis of the flagship projects in Vision 2030, the "Big Four" Agenda, Post Covid -19 Economic Recovery Strategy and the MTP III priorities. The following criteria was used in apportioning capital budget:

a. *On-going projects:* emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation;

b. *Counterpart funds:* priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners;

c. *Post-Covid 19 Recovery:* Consideration was further given to interventions supporting Post-Covid 19 recovery; and

d. *Strategic policy interventions:* further priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

**Criteria for Resource Allocation**

219. The FY2021/22 Medium-Term Budget will be finalized after Parliamentary approval, and thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. The following criteria will serve as a guide for allocating resources:

i. Linkage of Programmes to Post-Covid-19 Economic Stimulus Programme (PC-ESP);
ii. Linkage of Programmes to the 'Big Four' Plan either as drivers or enablers;
iii. Linkage of the programme with the objectives of Third Medium-Term Plan of Vision 2030;
iv. Degree to which the programme is addressing the core mandate of the MDAs;
v. Cost effectiveness and sustainability of the programme;
vi. Requirements for furtherance and implementation of the Constitution; and
vii. Meeting debt service obligations as a first charge.

220. 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.

## 3.4 Details of Sector Priorities

221. The medium-term budget framework for 2021/22 – 2023/24 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, Post Covid-19 Economic Recovery Strategy and the strategic policy initiatives of the Government to accelerate growth, employment

creation and poverty reduction. **Table 8** provides the projected baseline ceilings for the FY2021/22 and the medium-term, classified by sector.

**Table 8: Summary of Budget Allocations for the FY2021/22 – 2023/24 (Ksh Million)**

| Code | Sector | | Approved Budget Estimates | BPS Ceiling | Projection | | %Share In Total Ministerial Expenditure | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| 010 | AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD) | Sub_Total | 63,236.4 | 70,046.7 | 63,865.3 | 56,817.2 | 3.3 | 3.2 | 3.0 | 2.6 |
| | | Rec_Gross | 20,275.4 | 24,426.7 | 25,471.6 | 26,689.2 | 1.6 | 1.9 | 1.9 | 1.9 |
| | | Dev_Gross | 42,961.0 | 45,620.0 | 38,393.7 | 30,128.0 | 6.8 | 6.9 | 5.6 | 3.9 |
| 020 | ENERGY, INFRASTRUCTURE AND ICT | Sub_Total | 362,769.1 | 334,777.4 | 357,731.2 | 402,805.8 | 19.2 | 17.0 | 17.3 | 18.4 |
| | | Rec_Gross | 92,351.0 | 87,759.4 | 90,786.5 | 94,504.8 | 7.4 | 6.7 | 6.6 | 6.6 |
| | | Dev_Gross | 270,418.1 | 247,018.0 | 266,944.7 | 308,301.0 | 42.7 | 37.5 | 38.7 | 40.4 |
| 030 | GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA) | Sub_Total | 27,906.2 | 23,391.7 | 22,741.3 | 23,301.0 | 1.5 | 1.2 | 1.1 | 1.1 |
| | | Rec_Gross | 16,144.2 | 16,828.0 | 17,119.0 | 17,286.0 | 1.3 | 1.3 | 1.2 | 1.2 |
| | | Dev_Gross | 11,762.0 | 6,563.7 | 5,622.3 | 6,015.0 | 1.9 | 1.0 | 0.8 | 0.8 |
| 040 | HEALTH | Sub_Total | 111,702.7 | 112,572.7 | 109,827.0 | 115,256.9 | 5.9 | 5.7 | 5.3 | 5.3 |
| | | Rec_Gross | 64,450.7 | 65,059.5 | 66,887.0 | 69,230.0 | 5.1 | 5.0 | 4.9 | 4.9 |
| | | Dev_Gross | 47,252.0 | 47,513.2 | 42,940.0 | 46,026.0 | 7.5 | 7.2 | 6.2 | 6.0 |
| 050 | EDUCATION | Sub_Total | 505,101.2 | 508,589.1 | 521,757.0 | 537,191.0 | 26.8 | 25.9 | 25.3 | 24.6 |
| | | Rec_Gross | 481,167.6 | 487,711.0 | 503,925.0 | 517,429.0 | 38.4 | 37.3 | 36.7 | 36.3 |
| | | Dev_Gross | 23,933.6 | 20,878.1 | 17,832.0 | 19,762.0 | 3.8 | 3.2 | 2.6 | 2.6 |
| 060 | GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO) | Sub_Total | 197,794.7 | 216,223.5 | 227,994.2 | 219,356.6 | 10.5 | 11.0 | 11.0 | 10.0 |
| | | Rec_Gross | 186,874.8 | 205,531.9 | 217,771.8 | 206,690.6 | 14.9 | 15.7 | 15.9 | 14.5 |
| | | Dev_Gross | 10,919.9 | 10,691.6 | 10,222.4 | 12,666.0 | 1.7 | 1.6 | 1.5 | 1.7 |
| 070 | PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR) | Sub_Total | 289,312.8 | 356,623.0 | 383,379.7 | 424,594.8 | 15.3 | 18.1 | 18.6 | 19.4 |
| | | Rec_Gross | 180,832.7 | 197,412.2 | 222,275.7 | 255,747.0 | 14.4 | 15.1 | 16.2 | 18.0 |
| | | Dev_Gross | 108,480.0 | 159,210.8 | 161,104.1 | 168,847.9 | 17.1 | 24.2 | 23.3 | 22.1 |
| 080 | NATIONAL SECURITY | Sub_Total | 154,532.6 | 170,014.4 | 180,890.5 | 196,843.9 | 8.2 | 8.6 | 8.8 | 9.0 |
| | | Rec_Gross | 145,324.0 | 156,934.4 | 161,922.4 | 170,763.9 | 11.6 | 12.0 | 11.8 | 12.0 |
| | | Dev_Gross | 9,208.6 | 13,080.0 | 18,968.1 | 26,080.0 | 1.5 | 2.0 | 2.7 | 3.4 |
| 090 | SOCIAL PROTECTION, CULTURE AND RECREATION | Sub_Total | 70,089.7 | 71,316.7 | 73,450.2 | 75,718.4 | 3.7 | 3.6 | 3.6 | 3.5 |
| | | Rec_Gross | 39,700.2 | 39,134.3 | 39,107.8 | 39,417.8 | 3.2 | 3.0 | 2.8 | 2.8 |
| | | Dev_Gross | 30,389.6 | 32,182.4 | 34,342.4 | 36,300.6 | 4.8 | 4.9 | 5.0 | 4.8 |
| 0100 | ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES | Sub_Total | 105,216.6 | 102,836.7 | 121,765.0 | 135,535.0 | 5.6 | 5.2 | 5.9 | 6.2 |
| | | Rec_Gross | 27,232.8 | 26,656.0 | 27,871.0 | 26,047.0 | 2.2 | 2.0 | 2.0 | 1.8 |
| | | Dev_Gross | 77,983.7 | 76,180.7 | 93,894.0 | 109,488.0 | 12.3 | 11.6 | 13.6 | 14.3 |
| | GRAND TOTAL | Sub_Total | 1,887,661.9 | 1,966,392.0 | 2,063,401.2 | 2,187,419.8 | 100.0 | 100.0 | 100.0 | 100.0 |
| | | Rec_Gross | 1,254,353.4 | 1,307,453.4 | 1,373,137.6 | 1,423,805.3 | 66.5 | 66.5 | 66.5 | 65.1 |
| | | Dev_Gross | 633,308.5 | 658,938.6 | 690,263.6 | 763,614.5 | 33.5 | 33.5 | 33.5 | 34.9 |

***Source of Data: National Treasury***

### Agriculture Rural and Urban Development (Arud) Sector

222. The sector contribution to GDP, agriculture accounted for 33.6% valued at Ksh 2.743 trillion in 2017, 32.8% valued at Ksh 2.917 trillion in 2018 and 32.8% valued at Kshs. 3.200 trillion in 2019. Other achievements were on land sector reforms where 1,238,623 title deeds were issued, land records for Nairobi digitized; land value index in 18 counties completed; surveyed and maintained 1,099

boundary pillars covering 190 kms along international boundaries, geo-referenced 166,389 land parcels; 26,791 households were settled; and 8 maritime maps developed.

223. On livestock and agriculture, 2,305,636 straws of semen produced; supported livestock insurance cover for 90,060 Tropical Livestock Units (TLU) annually; 350 milk bulking and cooling equipment was installed; 117.78 million doses of assorted livestock vaccines produced; 771,923 litres of liquid nitrogen distributed; suppressed tsetse fly population from 100 Fly per Trap Per day (FTD) to 0.01 FTD; availed 325,040 litres of pesticides for control of trans-boundary pests and 165 MT of aflasafe for aflatoxin management in 28 counties; developed 1,346 Ha small-scale irrigation infrastructure in 6 Counties; rolled out crop insurance in 33 counties covering 1,247,775 farmers, and 40,599 farmers compensated amounting to Kshs. 254 million; subsidized 192,650 MT of fertilizer benefitting 667,600 farmers, enrolled 71,678 smallholder farmers under the e-voucher input access system.

224. In regard to fisheries and blue economy development, Kenya Fisheries Industries Corporation and the Liwatoni Fishing Port were gazetted; improved local strain of tilapia was developed; developed one and refurbished four fish landing sites in coastal region; constructed fish quality control laboratories and national aquaculture resource centre; Blue Pages for the Coast and Lake Victoria regions developed; and Offshore Patrol Vessel procured.

225. To promote cooperatives, Kenya Planters Co-operative Union Limited restructured to administer the Coffee Cherry Advance Revolving Fund with seed capital of Kshs. 3 billion; modernized New KCC to increase its processing capacity from 350,000 to 720,000 litres of milk per day and stabilize farm gate milk price earnings at between Kshs 25 to Kshs 38; increased co-operative savings from Ksh 637 billion in FY 2016/17 to Ksh 802 billion in FY 2019/2020.

226. In the MTEF period 2021/2022-2023/2024 the sector has prioritized 10 programmes that are intended to facilitate attainment of food nutrition and security. The expected key outputs during this period include: Issuance of 1,350,000 title; settlement of 39,000 landless households; digitization of land records in 68 land offices. In regard to livestock industry development, 177 million doses of livestock assorted vaccines will be produced; avail to farmers 2,035,000 straws of semen; Install 4 Liquid Nitrogen plants in strategic sites; install 640 milk coolers. Crop development and agricultural research expected outputs include; increase maize production from 44.6 million (90 kgs) bags to 50 million bags and potato production from 1.2 million MT to 1.9 million MT in 2023/24 and rice production from 128,000 MT to 170,000 MT; provide a 50% subsidy crop insurance cover to 1.5 million farmers in 38 counties; expand land area under cotton production to 170,000 acres and avail 235 MT of seed annually to farmers; implement the

Warehouse Receipt System Act 2019 as well as refurbishment of 20 warehouses to stabilize commodity prices and food availability. In regard to fisheries and blue economy development, aquaculture production will be raised from 12,356 MT to 84,551MT; marine fisheries production raise from 23,286 MT to 126,056 MT; inland fisheries production raised from 99,458 MT to 185,964 MT; reduce post-harvest fish loses by 10%; raise fish consumption from 4.6 kg to 10 kg per person per year; and develop 11 fish landing sites along Lake Victoria and Indian Ocean. To promote cooperatives continued modernization and expansion of New KCC; undertake coffee and textile industries reforms through co-operatives; strengthen housing co-operatives in construction of affordable houses; and support restructuring of transport co-operatives.

227. To actualize the expected outputs for the period 2021/2022-2023/2024, the sector has been allocated recurrent budget amounting to Kshs 24.4 billion, Kshs. 25.5 billion and Kshs. 26.7 billion for the Financial Years 2021/22, 2022/23 and 2023/24 respectively and development budget amounting to Kshs. 45.6 billion, Kshs. 38.4 billion and Kshs. 30.1 billion in Financial Years 2021/22, 2022/23 and 2023/24, respectively.

**Energy, Infrastructure and ICT**

228. The Energy, Infrastructure and ICT (EII) Sector plays a significant role as a driver and an enabler in the implementation of the Big Four Action Plan. The Sector aims at providing efficient, affordable and reliable infrastructure which is critical for socio-economic transformation underscored in the Third Medium Term Plan (MTP III) 2018-2022 of the Kenya Vision 2030.

229. During the previous MTEF period, the Sector made major achievements which included: Construction of 4,703Km of new roads, maintained a total of 99,427 Km of roads, constructed Standard Gauge Railway (SGR) line Phase 2A; the Second Container Terminal at the Port of Mombasa and the Lamu Port; bilateral agreements for maritime training with the Det Forenede Dampskibs-Selskab (DFDS) Shipping Line of Denmark and the Maritime Administration of Peru were concluded. Under affordable housing, 488 units were constructed in Park Road, Nairobi; under Sustainable Neighbourhood Programme (SNP), 462 housing units in Mavoko, 240 housing units for National Police and Kenya Prison Services were completed; 200 housing units were completed in Machakos while contruction of 220 housing in Embu and 200 housing units in Kiambu was ongoing under Civil Servants Housing Scheme; 12 modern markets were completed (Uhur Business Park in Kisumu, Karandani, Mwariro, Ngong, Kikuyu, Kihara, Juja, Ruiru, Daraja Mbili, Westlands and Buchifi.

230. In addition, 6 stalled government buildings were completed; 376 New Government Buildings were designed, documented and supervised to completion; 6 ESP District Headquarters were constructed; three Jetties were

constructed/rehabilitated (Shimoni Fisheries Jetty, Manda and Lamu Terminal jetties) and 36 footbridges constructed across the country; The National ICT policy finalized; 2,500KM National Optic Fibre Backbone Infrastructure (NOFBI) phase II Expansion connecting sub-counties, hospitals and police stations laid; Konza Complex Phase I Office block completed; Communications and Multimedia Appeals Tribunal established and operationalized; 165.4 MW of electricity generation capacity from Olkaria V geothermal power plant was completed, 310MW from Lake Turkana wind power plant and 50MW from Garissa solar power plant installed; customer connections to electricity increased by 1,522,858; Early Oil Pilot Scheme project commissioned with a total of 419,076 Barrels of Early Oil delivered to KPRL storage terminal and the first crude oil exportation was accomplished.

231. The Sector's Major Planned outputs during 2021/22-2023/24 MTEF Period include: Construction of 6,462 kms of new roads and maintenance of 108,146 kms, rehabilitation of airstrips; construction and operationalization of the First Three Berths at Lamu Port; development of Dongo Kundu Special Economic Zone; development of the Ship building/repair yard in Kisumu; Maritime Education and Training (MET) Support Programme; develop and maintain Maritime Information System. In addition, under affordable housing, the sector targets to construct 725,965 affordable homes; complete construction of 2,032 housing units for National Police and Prisons Services; complete construction of 1,770 housing under Civil Servants Housing Scheme; and complete 16 stalled government buildings; construction of 13 modern markets across the country; design, document and supervise to completion Big Four projects; construction of 76 kilometres BRT lanes, 50 stations and 2 park and ride facilities; complete 5 County Government Headquarters, construct 200 footbridges across the country, construct 7,700 meters of Seawall; implement the Presidential Digital talent initiative and Konza Data Centre and Smart City Project; maintain and rehabilitate NOFBI cable; construct KIMC Eldoret Campus; generate 62.82MW from geothermal resources; drill 15 geothermal and 20 coal exploration wells; test 45,000 samples of petroleum products for adulteration; promote LPG uptake through Mwananchi Gas Project among others.

232. In the FY 2021/22-2023/24 MTEF Period the programmes have been allocated a total Ksh. 334.6 billion, Ksh. 357.7 billion and Ksh. 402.8 billion in financial years 2021/22, 2022/23 and 2023/24 respectively. This comprises of Ksh 87.8 billion, Ksh 90.8 billion and Ksh 94.5 billion for recurrent expenditure and Ksh 246.8 billion, Ksh 266.9 billion and Ksh 308.3 billion for development expenditure in financial years 2021/22, 2022/23 and 2023/24, respectively.

**General Economic and Commercial Affairs (GECA) Sector**

233. The sector is a significant player in the delivery of the 'Big Four' Agenda in terms of manufacturing, universal health coverage, food and nutrition security and affordable housing. The sector also contributes to employment and wealth creation; promotion of industrial investments, trade and tourism; and basin-based development and regional integration in a sustainable clean environment.

234. During 2017/18-2019/20 MTEF period, the sector implemented eight (8) programmes and thirty one (31) sub programmes whose total approved budget was Ksh 78.59 billion, while the actual expenditure stood at Ksh 66.47 Billion representing 84.6% absorption level. Remarkable achievements were realized from the utilization of the funds during the MTEF period. These included an increase in the value of wholesale and retail trade from Ksh 601 billion to Ksh 740.4 billion reflecting a 23% increase, the exportation of goods worth Kshs 1.80 trillion and the seizure of counterfeit goods worth Ksh 1.85 trillion. Significant improvements were also realized in the international Tourism arrivals and earnings from 1.45 million and Ksh 119.9 billion in 2017 to 2.04 million and Ksh 163.6 billion in 2019, respectively.

235. During the 2021/22 to 2023/24 Medium Term Expenditure Framework (MTEF) period, the sector will continue to play a key role in delivery of the 'Big Four' Agenda. This will include increasing manufacturing contribution to Gross Domestic Product (GDP) from 9.2% in 2017 to 15% by 2022; contribution to the achievement of the targeted 500,000 decent and affordable housing; as well as specific outputs under food security. GECA will undertake targeted investments in manufacturing and agro-processing industry. 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 East African Community (EAC) integration, and promote equitable regional socio-economic basin- based development.

236. In the FY2021/22 and the Medium-Term, the Sector has been allocated Ksh 16.8 billion, Ksh 17.1 billion and Ksh 17.3 billion for recurrent expenditure for financial years 2021/22, 2022/23 and 2023/24 respectively. The development expenditure allocation for the same period is Ksh 6.6 billion, Ksh 5.6 billion and Ksh 6.0 billion, respectively.

**Health Sector**

237. 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. The Constitution underscores the "right to health" while the Vision 2030, the Medium-Term Plan III as well as the "Big Four" (4) agenda for the Government recognizes provision of equitable, accessible and affordable health care of the

highest attainable standards to all Kenyans. 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.

238. Significant achievements were realized during the period 2017/18-2019/2020; HIV and AIDS prevalence rate decreased from 5.6% to 4.8%. The number of people on ARV increased from 1,054,884 in 2017/18 to, 1,093,331 in 2018/19 and 1,138,674 in 2019/20 while the proportion of HIV pregnant and breastfeeding women who received maternal Highly Active Antiretroviral. Youth Adolescent Programmes through peer to peer engagement reached 8,300,000 young people while a total of 10,131,843 condoms were distributed outside non-health settings. These efforts realized a reduction in new HIV infection from 77,648 to 52,767 and 41,416 infections in the year 2016, 2018 and 2020 respectively.

239. The sector through "Linda Mama" programme improved skilled birth attendance from 62 % in 2018/19 to 75 % in 2019/2020. Proportion of married women using a modern method of contraception increased from 53% to 62 % in 2018/19 and 2019/2020 respectively, while immunization coverage increased from 76% in 2018/19 to 82% in 2019/20. As part of the International Health Regulations to contain COVID-19 pandemic, the sector increased diagnostic capacity for COVID-19 Pandemic in twelve counties. At the same time 24,282 complete Personal Protective Equipment (PPEs) were distributed, 7,411 Isolation beds and 319 ICU beds were setup across 47 counties to contribute towards achievement of UHC and medical tourism beyond the COVID-19 pandemic.

240. The sector launched the KNH Diagnostic and Reporting Centre which includes a medical teleconferencing facility and Artificial Intelligent Tele-radiology service. The centre is a pioneer in the diagnosis of viral pneumonia related infections such as COVID-19 infection and tracking treatment of confirmed cases

241. Kenyatta University Teaching Referral and Research Hospital (KUTRRH) operationalized 560 beds out of which 400 beds were designated for COVID-19 response. The LINAC machine was installed at KUTRRH being one of the latest Radiotherapy treatment equipment with a 3D treatment and Intensity Modulated Radiation Therapy (IMRT) capability, a highly specialized mode of treatment.

242. Towards actualization of the Big Four Agenda the Ministry implemented Phase I Pilot of Universal Health Coverage (UHC) in four (4) counties of Isiolo, Nyeri, Machakos and Kisumu that saw a total of 3 Million Kenyans registered as beneficiaries of UHC. A total of KSh 3.9 Billion (USD 40 million) was expended in the 4 pilot counties focusing on community and primary healthcare services, health systems, basic and specialized medical services. In preparation for UHC

scale up, the Ministry and County Governments signed Intergovernmental Participatory Agreements (IPAs). A total of 26,280 Community Health Volunteers (CHVs) (84%) were trained as part of establishment of Community Health Units.

243. The key sector Programme priorities for the FY 2021/2022 - 2023/24 include i) Preventive and promotive and RMNCAH services; ii) National Referral and Specialized Services; iii) Health Research and Development; iv) General Administration and Support services; and v) Health Policy, Standards and Regulations. The prioritized programs and projects aim at achieving improved accessibility, affordability of health services, and reduction of health inequalities and optimal utilization of health services across the sector, additionally, the programs aim to revitalize and sustain the aspirations of UHC.

244. During the MTEF period FY 2021/22-2023/24, the sector has been allocated Ksh 112.6 billion, Ksh 109.8 billion and Ksh 115.2 billion in the FY 2021/22, 2022/23 and 2023/24 respectively. The recurrent expenditure allocation for the same period is Ksh 65.1 billion, Ksh 66.9 billion and Ksh 69.2 billion for recurrent expenditure for financial years 2021/22, 2022/23 and 2023/24 respectively. The development expenditure allocation for the same period is Ksh 47.5 billion, Ksh 42.9 billion and Ksh 46.0 billion respectively.

**Education Sector**

245. The sector aims to achieve seven strategic objectives namely (i) enhance access, equity, quality and relevance in education, training and research; (ii) establish, maintain and manage professional teaching and learning services for all early learning centers, primary, secondary and tertiary institutions; (iii) enhance development capacities for Science Technology and Innovations; (iv) enhance mechanisms for dissemination and commercialization of research findings; (v) improve data quality and sharing in education, training, research and labor market; (vi) promote vibrant industry-institutional linkages in the area of skilling for employability; and (vii) integrate ICT in Education, Training and Research for management, teaching and learning at all levels.

246. During the previous MTEF period, enrolment to primary schools increased from 10,290,155 in FY 2017/18 to 10,072,040 in FY 2019/20. Enrolment of learners with special needs increased from 108,221 learners in FY 2017/18 to 134,466 in FY 2019/20. A total of 8,488,274 learners received capitation under the free primary education programme in FY 2019/20. The sector developed the ECDE Policy and its Service Standard Guidelines to roll out the policy to all the 47 counties. The sector also reviewed the Gender in Education and training and special needs policies. Number of students enrolled in Public Secondary Schools increased from 2,810,655 in FY 2017/18 to 3,045,227 in FY 2019/20. Enrolment in public TVET increased from 164,432 in FY 2017/18 to 219,589 in FY 2019/20. In addition, enrolment in Special Needs TVET institutions increased from 1,725 in

FY 2017/18 to 2414 in FY 2019/20. The number of public and private TVET institutions increased from 1,763 in 2017/18 to 2,028 in 2018/19 and further to 2,191 in 2019/20. Enrolment of students pursuing university education varied from 559,210 in 2017/18 to 547,133 in 2019/20 distributed in 74 universities. HELB awarded 101,221 students with bursaries, 310 students with post graduate scholarships and another 213,886 TVET students with loans.

247. The sector funded three hundred and eighty-four (384) research projects, registered seven (7) research institutions and issued six thousand, one hundred and forty-one (6,141) research licenses. In addition, five (5) innovators were awarded cash prizes while fourteen (14) others were provided with grants for commercialization of products and services. The sector also funded twenty (20) projects to support ST&I Infrastructure in ST&I institutions.

248. The pupil teacher ratio improved from 41:1 in FY 2017/18 to 40:1 in FY 2019/20. The number of intern teachers employed was 4,300 in 2019/20 to plug the staffing gaps in public primary schools. Also, a total of 21,495 teachers and 6,000 interns were employed in public secondary schools. In FY 2018/19, a total of 91,969 teachers were trained on Competence Based Curriculum and an additional 185,045 teachers were trained in FY 2019/20.

249. In the FY2021/22 and the Medium-Term the Sector has been allocated Ksh 487.7 billion, Ksh 503.9 billion and Ksh 517.4 billion for recurrent expenditure for financial years 2021/22, 2022/23 and 2023/24 respectively. The development expenditure allocation for the same period is Ksh 20.9 billion, Ksh 17.8 billion and Ksh 19.8 billion, respectively.

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

250. The Sector plays a key role in establishing and maintaining a favorable 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.

251. During the MTEF review period, 2017/18 -2019/20, the Sector recorded achievements in key programmes notably: acquisition of assorted security equipment, improved police and prison officers' welfare through provision of housing allowances and to provide housing units through Public Private Partnership (PPP) for the formed units, enhanced mobility for police and administrative officers, enhanced surveillance system and enhanced corruption prevention measures, represented the Government in international arbitral courts and domestic courts which saved the Government Ksh 233.6 billion, 1.2 million indigents were offered legal aid, promoted national values and cohesion. Other notable achievements included 1,837 students trained as Advocates, gazetted 1,428 qualified Candidates for admission into the Roll of Advocates, provision of online

public services, increase in the rate of investigation and prosecution of corruption cases, recovered proceeds of crime worth Ksh 4.8 billion, conducted six by-elections, enhanced equality and equity, reviewed and developed various sectoral policies, provided protection to witnesses and promotion of human rights.

252. Key outputs planned in the FY2021/22 – 2023/24 MTEF period include: conducting the general elections; implementation of police reforms; equipping of the forensic laboratory; acquisition of additional assorted security equipment; installation of CCTV cameras in Nairobi, Mombasa, Kisumu, Nakuru and Eldoret, improved population management system; production of Huduma cards; enhancement of accountability and governance structures; maintenance of security, law and order; provision of safe custodial rehabilitation of offenders; enhancement of access to justice; promotion of the rule of law; advise and representation of the Government in International and domestic courts; continuous improvement on the ease of doing business; investigation and prosecution of cases; recovery of proceeds of crime; provision of legal training and administration of Advocates Training Programme examinations; provision of public legal services; combating corruption; promotion of national values and ethics; ethnic harmony and cohesion; access to immigration services and refugee management; enforcing human rights and gender equality; ensuring free, fair and credible elections; regulating gaming industry; reduction of drugs and substance abuse; and promotion of competitive politics and democracy.

253. Other key outputs include: deepening peace initiatives across the country ahead of the Constitutional Referendum and 2022 General Elections; strengthening coordinated response to disasters; streamlining the bodaboda sector; mainstreaming road safety in programmes and activities of government MDAs; and implementation of Huduma Namba.

254. In the FY2021/22 and the Medium Term the Sector has been allocated Ksh 205.5 billion, Ksh 217.8 billion and Ksh 206.7 billion for recurrent expenditure for financial years 2021/22, 2022/23 and 2023/24 respectively. The development expenditure allocation for the same period is Ksh 10.7 billion, Ksh 10.2 billion and Ksh 12.7 billion, respectively.

**Public Administration and International Relations (PAIR)**

255. The Sector is a fundamental pillar of the Kenyan economy. It provides overall national leadership, oversight and policy direction; prudent public finance management for transparency and accountability; coordinates national and sectoral development planning; management of population policy; supports devolution and coordination of Government activities; ensures effective and efficient Public Service; youth empowerment and employment creation and enforces administrative justice and access to information; promotes foreign relations, wage bill management; the development of a sound legislative and regulatory

framework; as well as enhances the effectiveness and visibility of NGAOs through increased provision of vehicles under the leasing programme and motorcycles for Chiefs and Assistant Chiefs.

256. During the Medium-Term period 2017/18 - 2019/20, the sector implemented thirty-three (33) programmes and made the following key achievements: provided cash transfer to 244,000 food insecure persons in 23 ASAL counties; expanded diplomatic footprint by opening and operationalizing four new fully-fledged diplomatic missions; leased 2,420 vehicles towards improved security; facilitated provision of Anti-Retroviral Therapy provided to over 1.2 million adults and children and ACT Malaria treatment to 18.6 million persons; conducted 178 value for money audits; and provided mentorship to over 4,000 pupils under the Pupils Reward Scheme (PURES) programme developed Regulations for Alternative Dispute Resolution (ADR). Further, the Sector registered 57,156 enterprises under the AGPO programme; trained 16,139 MDA officers on PFM function; maintained inflation within the policy range of 5 per cent plus/minus 2.5 Per cent; reduced Cargo dwelling time at ports of entry from seven (7) days to four (4) days; provided agricultural loans to 337,658 clients; developed and disseminated MTP III Report, Sector Plans and Thematic Plans; published 597 policy papers and statistical reports for evidence based decision making; issued 814 Advisories on remuneration and benefits to MDAs and other public institutions; and under the National Capacity Building Framework, the Sector trained and certified 54,134 participants from National and County Government at KSG.

257. In the MTEF planning period, 2021/22-2023/24, the Sector will continue to strengthen administration of public services at all levels of Government to enhance effective and efficient implementation of programmes as provided under the MTP III of the Kenya Vision 2030. The Sector will also upscale its activities in line with the Big Four Plan and MTP III to promote dynamic, inclusive and sustainable development.

258. In the FY2021/22 and the Medium Term the Sector has been allocated of Ksh 197.4 billion, Ksh 222.3 billion and Ksh 255.7 billion for recurrent expenditure for financial years 2021/22, 2022/23 and 2023/24 respectively. The development expenditure allocation for the same period is Ksh 159.2 billion, Ksh 161.1 billion and Ksh 168.8 billion, respectively.

**National Security**

259. The Sector is key in facilitating 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.

260. The Sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges. In view of the current school indiscipline, unrest and lawlessness, the Sector will work on modalities to strengthen security and safety of public schools, tertiary training institutions and universities.

261. In order to implement the prioritized programmes and minimize the above mentioned threats, the sector has been allocated Ksh 170.0 billion, Ksh 180.9 billion and Ksh 196.8 billion in FY 2021/22, FY 2022/23 and FY 2023/24, respectively.

**Social Protection, Culture and Recreation Sector**

262. The Sector plays a critical role towards the achievement of the Third Medium Term Plan (MTP III) of the Kenya Vision 2030, the 'Big Four' Agenda programmes and projects and contributes to the fulfilment of various regional and international obligations including the Sustainable Development Goals (SDGs) and Africa Union Agenda 2063. In addition, 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, safeguarding children's rights and promotion of diverse cultures, arts and sports to enhance cohesiveness and Kenya's regional and international competitiveness.

263. Major achievements during the MTEF period 2017/18 - 2019/20 include: Modernization of drought early warning system; Cushioned 100,538 poorest households in Turkana, Mandera, Wajir and Marsabit Counties against extreme hunger and effects of drought through provision of regular cash transfer; Completion of the construction of the ultra-modern National Library of Kenya building; Completion of Fort Jesus UNESCO World Heritage Site Sea Wall; Establishment of the Alternative Disputes Resolution (ADR) Mechanism for labour and employment disputes, to fast-track resolution of labour disputes; Updated An interactive web-based Kenya Labour Market Information System (KLMIS); Completed upgrading of Nyayo National Stadium to international standards and Established 30 satellite sports academies. During the same period, the Sector also promoted retention of school girls through provision of sanitary towels to 3.9 Million school girls; and provided bursaries and scholarships to 71,025 students and grants to 7,030 vulnerable groups.

264. In the 2021/22-2023/24 Medium Term Expenditure Framework (MTEF) period, the Sector's main focus will be to implement policies, programmes and projects outlined in the Third Medium Term Plan 2018-2022 of the Kenyan Vision 2030 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; The Arts; Culture development; Accelerated ASALs development; National Safety Net and Library services.

265. To implement these programmes, the Sector has been allocated Ksh 39.1 billion, Ksh 39.1 billion and Ksh 39.4 billion in the financial years 2021/22, 2022/23 and 2023/24 respectively under recurrent expenditures while for development expenditure the sector has been allocated Ksh 32.2 billion, Ksh 34.3 billion and Ksh 36.3 billion for the financial years 2021/22, 2022/23 and 2023/24, respectively.

**Environment Protection, Water and Natural Resources Sector**

266. The sector plays an essential role in Kenya's economy, securing, stewarding and sustaining the environment and natural capital of the country. The sector contributes significantly to Gross Domestic Product (GDP) and has a great potential in contributing to the attainment of the targeted annual GDP growth rate of 10% as envisioned in Vision 2030.

267. During the MTEF period 2017/18 - 2019/20, there was 85% reduction in use of banned plastic carrier bags, installed an Integrated Meteorological Data Collection System (IMDCS) and a Climate Diagnostic Laboratory, 516.3 million tree seedlings produced, 588,393 Ha of degraded critical indigenous forest protected, 602 ha of mangrove forest secured, recovered and restored 17,101 Ha of Maasai Mau Water Tower. Further, improved access to water services from 62.9% to 64% serving 1.5 million additional people, and continued with the construction of the Northern Connector Tunnel, urban sewerage services increased from 25% to 26%, 137 schools connected to clean water, 191 pans with capacity of 2.7 million cubic metres were completed, constructed 22km water distribution pipeline in Nairobi City, additional 118,094 acres were put under irrigation, 140 ha of degraded land was rehabilitated for irrigation purposes, and in response to Covid-19 Pandemic, 93 water boreholes were drilled in informal settlements, increased response rate to Human Wildlife Conflicts to 97% and 299 death cases settled, 127 km new fences constructed, 6,125 km fences maintained; improved mineral revenue collection from Ksh 1.2 to Ksh 1.6 billion as royalties, increased volume of minerals produced for export from 865 to 1,124 million metric tonnes, developed an Integrated Mineral Information System and constructed a gemstone value addition centre in Voi among other achievements.

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268. To implement these programmes, the Sector has been allocated Ksh 26.7 billion, Ksh 27.9 billion and Ksh 26.0 billion in the financial years 2021/22, 2022/23 and 2023/24 respectively under recurrent expenditures while for development expenditure the sector have been allocated Ksh 76.2 billion, Ksh 93.9 billion and Ksh 109.5 billion for the financial years 2021/22, 2022/23 and 2023/24, respectively.

**Programme Performance Information for 2021/22 - 2023/24 MTEF Period**

269. **Annex Table 4a** of this BPS provides a summary of expenditures by programmes for the 2021/22– 2023/24 period.

270. **Annex Table 4b** of this BPS provides a detailed report with information on programmes outputs, key performance indicators, and the set targets for the 2021/22 – 2023/24 period.

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

271. 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 2021/22 and medium term budget were held between 25th and 27th November, 2020. **Annex Table 5** provides a summary of policy issues raised during the Public Hearings and the responses.

272. 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 6** provides a summary of the comments received and the actions taken and or response given.



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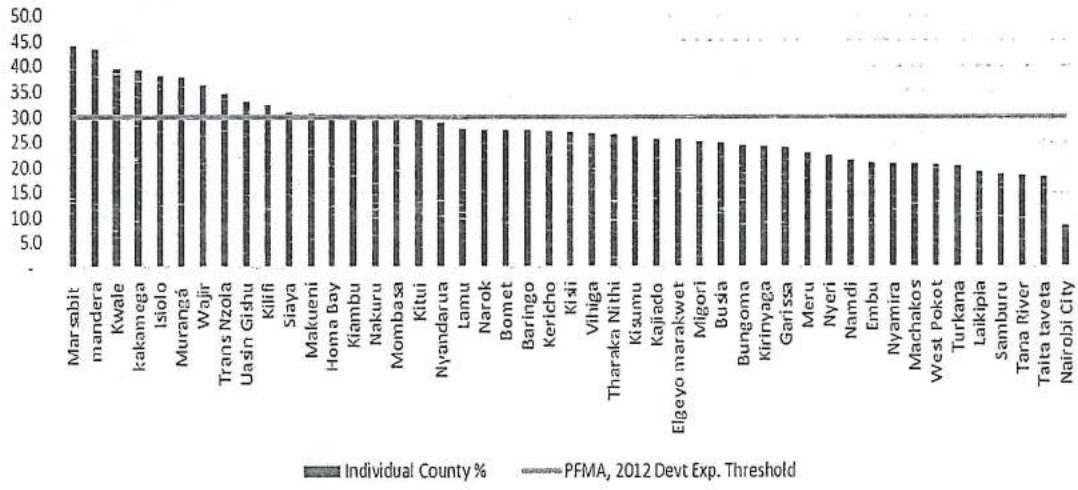
# IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

## 4.1 County Governments' Compliance with Fiscal Responsibility Principle

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

273. County Governments are required to allocate a minimum of thirty percent of their budget over the medium-term to development expenditure pursuant to Section 107 (2) (b) of the Public Finance Management Act, 2012. Most of the County Governments' meet this legal requirement and allocate at least thirty percent of their approved budget to development. However, in actual budget execution, most Counties are not adhering to this requirement. In the FY 2019/20, only 13 Counties had actual development expenditures as a percentage of total budget of thirty percent and above. Among the Counties with the highest percentage of development to total expenditure are Marsabit (44.1%), Mandera (43.4%), Kwale (39.4%), Kakamega (39.3%) and Isiolo (38.1) while those with the lowest development to total expenditure are Nairobi City (8.5%), Taita Taveta (18.1%), Tana River (18.4%), Samburu (18.7%) and Laikipia (19%) (**Figure 15**).

**Figure 15: FY 2019/20 Development Expenditure as a Percentage of Total Expenditure**




***Source of Data: Controller of Budget***

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

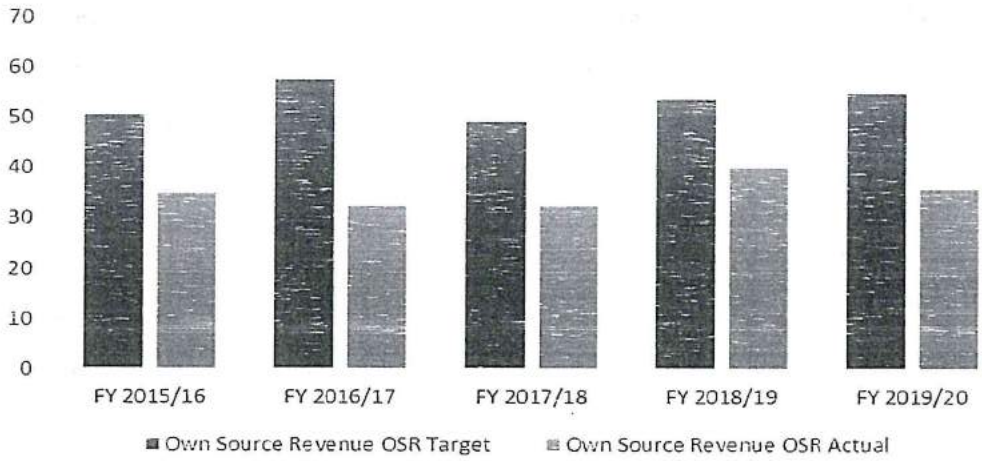
274. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. In FY 2019/20, eleven Counties met this requirement which was an improvement from five Counties that met the requirement in FY 2018/19. These eleven County Governments are; Mandera, Kwale, Nakuru, Lamu, Narok, Tana

River, Uasin Gishu, Kilifi, Nyandarua, Marsabit and Kericho. On average, Counties spent 44.8% of their total expenditure in FY 2019/20 on the wage bill. This is a worrying trend that if not tamed would greatly impact negatively on service delivery as most of the other developmental needs of the Counties suffer.

## 4.2 Enhancement of County Governments' Own-Source-Revenue

275. The County Governments' actual Own Source Revenue (OSR) collection for FY 2019/20 was Ksh. 35.8 billion against a target of Ksh. 54.9 billion representing 65.2 percent of the annual target. This was a drop in absolute terms from Ksh. 40.3 billion collected in FY 2018/19 that was 74.8 percent of the annual OSR target by the Counties. (**Figure 16**). According to the County Governments Budget Implementation Review Report for FY 2019/20 by the Controller of Budget, five Counties surpassed their revenue targets in the FY 2019/20. These Counties are; Homa Bay (154.6%), Taita Taveta (128.7%), Machakos (118.6%), Lamu (108.9%) and Bomet (100.3%). However, this was a decrease from twelve Counties that surpassed their OSR targets in FY 2018/19. On the other hand, seven Counties annual OSR collection was below 50 percent of their target. These Counties are Kisii (38.3%), Kajiado (39.1%), Wajir (40.3%), Siaya (42.7%), Nandi (45.0%) and Meru (46.5%).

**Figure 16: County Governments' Own-Source-Revenue Performance (Ksh billions)**




***Source of Data: Controller of Budget***

276. The *National Policy to Support Enhancement of County Governments' Own-Source Revenue* aims to address challenges in collection and administration of decentralized taxes, fees and charges. In order to support implementation of the Policy, a range of national level legislative reforms have been proposed, which are intended to improve performance of County Governments' revenue sources. So far, the following legislative reforms have been initiated: i) the National Treasury in collaboration with the Ministry of Lands and Physical Planning is in the process of developing a National Rating Legislation to replace the outdated Valuation for Rating Act (Cap. 266) and Rating Act (Cap.267); ii) the Ministry of Industrialization, Trade and Enterprise Development is developing a National Trade Bill which is expected to harmonize business licensing countrywide; and

iii) the State Department for Transport has constituted a multi-agency committee to come up with recommendations on harmonization of cess as well as other fees and levies charged by Counties on transporters.

277. In its recommendations to Parliament on the *Third Basis for Sharing Revenue Among County Governments*, the Commission on Revenue Allocation (CRA) included a 'fiscal effort' parameter with a 2% weight intended to incentivize OSR collection by the Counties. This is consistent with the approach in other jurisdictions, where the formula for horizontal revenue distribution among subnational governments typically incorporates measures of fiscal capacity alongside those of expenditure need. CRA's fiscal effort parameter was defined in terms of each County Government's actual revenue collection relative to the County's Gross County Product[1] (GCP) as computed by the Kenya National Bureau of Statistics (KNBS). In approving CRA's recommendations however, Parliament disregarded the fiscal effort parameter, effectively shifting the 2% weight to other parameters. This means that during the formula's five-year application, it will not be easy to motivate Counties to strengthen their local revenue collection efforts. It is hoped that future revenue sharing formulae will reinstate the fiscal effort parameter.

## 4.3 Prudent Management of Fiscal Risks

### 4.3.1 Pending Bills

278. According to Section 94 (1)(a) of the PFM Act, 2012, failure to make any payments as and when due by a State organ or a public entity may be an indicator of a serious material breach or a persistent material breach of measures established under the Act. In this context, Article 225 of the Constitution read together with Section 96 of the PFM Act gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to the concerned State organ. A special audit by Office of the Auditor General (OAG) verified eligible pending bills by County Governments amounting to Ksh. 51.2 billion as at 30th June, 2018. Another Ksh. 37.7 billion worth of pending bills was found to be ineligible for payment due to lack of documentation to support services rendered or work done.

279. A report by the Controller of Budget (CoB) indicates that by 10th November 2020, Counties had settled Ksh. 39.07 billion (76.2% of the eligible pending bills) leaving an outstanding balance of Kshs. 12.22 billion. During this period, the National Government released to the Counties significant resources to enable them clear their pending bills. As at 1st February 2021, the National Treasury had cumulatively released to County Governments Ksh 147.9 billion as their equitable share of revenue raised nationally and Ksh 13.04 billion as conditional grants for FY 2020/21.

280. In relation to the ineligible pending bills, the Intergovernmental Budget and Economic Council (IBEC) through a resolution of 18th June 2019 instructed all

[1] The GCP measures the size and structure of a county's economic activity and the changes taking place within the county.

County Governments to establish an Ineligible Pending Bills Committee to verify these bills. Once verified, it was resolved that the arrears should be prioritized and paid. As at 10th November 2020, twenty-two (22) County Governments had submitted their ineligible pending bills reports while twenty-five (25) County Governments had not submitted.

281. In addition, the National Treasury requested the OAG to conduct a special audit of the County Governments' pending bills for the Financial Years 2018/2019 and 2019/2020.

282. In order to ensure that pending bills do not accumulate, a number of mechanisms have been put in place. In a Circular No. 18/2019 dated 22nd October 2019, the National Treasury informed all Governors and County Executive Committee Members (CECMs) for Finance of the following among other measures geared at ensuring that there is no further accumulation of pending bills:

a) All Counties are to regularly report on pending bills in accordance with the financial reporting template by the Public Service Accounting Standards Board (PSASB). Further to this, the National Treasury issued a Circular Ref: AG.3/88/Vol.7 (11) dated 13th June 2020 to all CECMs for Finance on Year End Closing Procedures for Financial Year 2019/2020. According to this Circular Part 3.15 (ix), County Governments are required to disclose in a note to the financial statements, details of all pending bills, including the date, beneficiary, description and amount and the reason why the amount was not settled by the due date.
b) The CoB will continue to provide regular updates on the progress made on settlement of eligible pending bills; and,
c) County Governments are to provide monthly payment plans for outstanding pending bills which aim at settling the pending bills on a First-In First-Out basis.

283. To address the issue of financial and non-financial reporting needs by the two levels of Government, the National Treasury and Planning in partnership with UNICEF undertook an exercise of revising the Standard Chart of Accounts (SCOA). The final report of this exercise which was finalized in July 2020, proposes among other issues the following; i) that the revised SCOA be designed to accommodate the changes brought in by Government Finance Statistics Manual (GFSM) 2014 for consistency and to facilitate international comparison; ii) the new SCOA and its attendant manual seeks to facilitate harmony between budgets and financial reports, and capacity building to enable accurate use of the chart across levels of government; iii) harmonization and standardization of expenditure and revenue items within the economic segment; iv) the new chart of accounts is based on IPSAS accrual standards to accommodate accrual-basis of accounting in GOK; and v) the revised SCOA is comprehensive and supported by a detailed manual that explains the rationale of the segments, the structure of the chart, and it's coding by each segment so as to provide guidance on how transactions are to be coded using the revised SCOA. The recommendations contained in the final report are now being included in a Cabinet Memo which is to be submitted to Cabinet to seek approval for its implementation.

### 4.3.2 Non-Remittance of County Pension Contributions

284. Most of the County Governments owe money to the various pension funds (LAPTRUST, LAPFUND and County Pension Fund) which have accumulated over the years. Some County Governments are not reflecting these pension liabilities in their pending bills stock hence posing a great risk that these liabilities may not be prioritized for payment. In addition, the County Governments' Retirement Scheme Act (2019) which was expected to provide clarity on the County pension was challenged in court thus hindering the effective implementation of this legal framework. There is need for the County Governments to take stock of all the pension liabilities and ensure proper recording in the stock of County pending bills. In addition, Counties should prioritize the settling of these liabilities to ensure County staff do not retire without a pension. The issues surrounding the County Governments' Retirement Scheme Act, 2019 need to have a speedy resolution in order to have a legal framework in place to provide for the implementation of the pension fund for the County Governments.

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

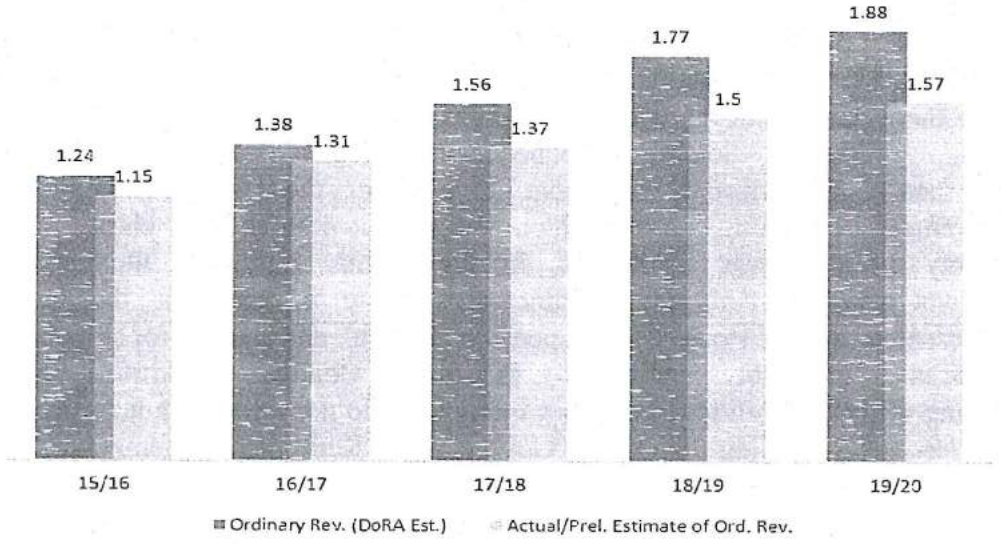
### 4.4.1 Shortfall in Ordinary revenue

285. Ordinary revenue collected in FY 2019/20 was Ksh. 1.57 trillion against a target of Ksh. 1.88 trillion. This means that there was a shortfall of Ksh. 0.31 trillion (**Figure 17**). It is evident that over the years, the ordinary revenue has been underperforming resulting in revenue shortfalls that has necessitated the need for implementation of austerity measures.

286. The underperformance of ordinary revenue has been made worse by the outbreak of the Covid-19 pandemic which has disrupted economic activities and necessitated implementation of tax relief measures to cushion Kenyans against adverse effects of the pandemic. As at December 2020, the shortfall in ordinary revenue for FY 2020/21 was Ksh 75.8 billion, midway to the end of the financial year. This is an indication that the shortfall in ordinary revenue is getting even wider in the current financial year.

287. As per the annual Division of Revenue Act (DoRA), if the actual revenue raised nationally in the financial year falls short of the expected revenue, the shortfall shall be borne by the National Government, while County allocations have to be disbursed in full.

**Figure 17: Estimates of Ordinary Revenue vs. Actual Revenue (Ksh trillion)**




***Source of Data: National Treasury***

### 4.4.2 County Allocations for FY2021/22

288. The Division of Revenue Bill (DoRB), 2021 proposes to allocate to County Governments Ksh. 370 billion as their equitable revenue share, equivalent to a growth of Ksh 53.5 billion (or 16.9 percent) against FY 2020/21. (**Table 9**). This growth in County Governments' equitable revenue share is arrived at by:

a) adjusting the Counties' FY 2020/21 allocation (i.e., Ksh. 316.5 billion) by Ksh 36.1 billion or 11.4 percent. This growth is derived from anticipated improvement in revenues raised nationally in FY 2021/22 when the effects of Covid-19 pandemic are expected to ease. The increase as determined in the FY 2021/22 fiscal framework, will facilitate Post Covid-19 economic recovery at the Counties as well as ensure sustained service delivery by the devolved governments; and,
b) converting four existing conditional grants to County Governments into unconditional grants, and allocating the respective amounts totalling Ksh. 17.4 billion towards the Counties' FY 2021/22 equitable revenue share. The four conditional allocations are: Road Maintenance Levy Fund (RMLF); the level-5 hospital grant; the compensation for user fees foregone; and, the grant funding rehabilitation of village polytechnics.

289. Conversion of the four conditional allocations to Counties' equitable revenue share as proposed above has several advantages. Firstly, it will afford the Counties more autonomy to budget and prioritize allocation of resources. Secondly, it will achieve a more consolidated approach to funding of devolved functions, while also enabling better tracking of performance and attribution of outcomes. Thirdly, it will help to address a number of challenges which are currently being experienced including suboptimal absorption of conditional allocations (which arises due primarily to difficulties faced by many Counties in

adhering to the underlying conditions); and, failure by Counties to allocate sufficient resources in areas receiving supplemental funding by the National Government through conditional allocations.

290. Moreover, the fact that the approved third basis for allocation of the share of national revenue among the County Governments is now effectively linked to devolved functions (specifically with weighted parameters for health, roads and agriculture) means that it is now possible to achieve policy objectives of some conditional grants directly through the equitable share. In health and agriculture for instance, the new parameters to be used in distributing the equitable revenue share among Counties closely resemble those currently being used to distribute sectoral conditional allocations. In addition, the approved revenue distribution criteria contains a parameter, 'population' with a weight of 18% which is specifically designed to reflect costs of 'other County Services' including village polytechnics.

291. Currently, besides the composite of equal share, the allocation criteria for the rehabilitation of village polytechnics conditional grant is also based on total trainee enrolment in the respective county governments, which is similar to the use of population parameter in the Third Basis for Revenue Sharing among Counties. This means that village polytechnics being a devolved function, and also a composite of the population parameter of the formula should be directly financed from each County's equitable share of revenue.

292. Based on the proposal contained in the DoRB, County Governments will therefore receive a total of Ksh. 409.8 billion in FY 2021/22.

**Table 9: County Governments' Equitable Revenue Share (Ksh Million)**

| Budget item | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| Baseline *(i.e. allocation in the previous FY)* | 280,300 | 302,000 | 314,000 | 316,500 | 316,500 |
| Adjustment for revenue growth | 21,700 | 12,000 | 2,500 | - | 36,100 |
| revenue share *(i.e. RMLF, level-5 hospital grant, compensation for foregone user fees and rehabilitation of village polytechnics)* | | | | | 17,400 |
| **Compited equitable revenue share allocation** | **302,000** | **314,000** | **316,500** | **316,500** | **370,000** |

293. In addition to their proposed equitable share of revenue, County Governments will continue to receive the following additional allocations:

- From the National Governments' equitable revenue share, conditional allocations amounting to Ksh 7.5 Billion for: i) leasing of medical equipment; and, ii) construction of County headquarters (**Table 10**).
- Equalization Fund to the marginalized areas amounting to **Ksh 6.8 billion**;

**Table 10: Division of Revenue Raised Nationally FY 2017/18 – 2021/22 (Ksh Million)**

| Type/level of allocation | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| National Government | 1,247,412 | 1,367,069 | 1,554,916.5 | 1,533,668 | 1,398,799 |
| Of which: | | | | | |
| *Free maternal healthcare* | | | | | |
| *Leasing of Medical Equipment* | 4,500 | 9,400 | 7,000 | 6,205 | 7,205 |
| *Supplement for construction of county headquarters* | 605 | 605 | 300 | 300 | 332 |
| Equalization Fund | 7,727 | 4,700 | 5,760 | 6,532 | 6,825 |
| County equitable share | 302,000 | 314,000 | 316,500 | 316,500 | 370,000 |
| **Total shareable revenue** | **1,549,412** | **1,681,069** | **1,877,176** | **1,856,700** | **1,775,624** |

- **Ksh 32.3 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 11** shows the disaggregation of total proposed transfers to the Counties.

**Table 11: Disaggregation of County Governments' Allocation (Ksh. Million)**

| Type/level of allocation | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2020/21 |
|---|---|---|---|---|---|
| County equitable share | 302,000 | 314,000 | 316,500 | 316,500 | 370,000 |
| Additional conditional allocations, of which: | | | | | |
| *Free maternal healthcare* | - | - | - | - | - |
| *Leasing of medical equipment* | 4,500 | 9,400 | 7,000 | 6,205 | 7,205 |
| *Supplement for construction of county headquarters* | 605 | 605 | 300 | 300 | 332 |
| *Allocations from loans and grants* | 12,541.4 | 33,241.9 | 39,089.9 | 30,204.3 | 32,344 |
| **Total County Allocations** | **319,646.4** | **357,246.9** | **362,889.9** | **353,209.3** | **409,881** |

## 4.5 Horizontal Allocation of Revenue among the County Governments

294. Horizontal allocation of revenue among the County Governments shall be done using the third basis formula, which was considered and approved by Parliament in September, 2020. The third formula takes into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iii) Urban Index (5%); (iv) Poverty Index (14%); (v) Land Area Index (8%); (vi) Roads Index (8%), and; (vii) Basic Share index (20%). Application of the Third Basis is on condition that the formula's implementation would be preceded by a Ksh 53.5 billion increase in the Counties' equitable revenue share, which has now been achieved.

295. 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 2021/22, the Counties will share an estimated Ksh 409.9 billion. **Table 12** shows the projected transfer to each County in FY 2021/22

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## Table 12: Revenue Allocation for Each County Government

| County | FY 2020/21 | | FY 2021/2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Allocation Ratio | | Formula | | Total Equitable Share | Leasing of Medical Equipment | Supplement for construction of county headquarters | Loans & Grants | Total Allocations |
| | Equitable Share | Total Allocations | Allocation ratio | Equitable Share | Allocation ratio | Equitable Share | | | | | |
| | | | column A | column B | column C | column D | column E= B+D | | | | |
| Baringo | 5,095,650,000 | 5,880,165,336 | 1.61 | 2,547,825,000 | 1.80 | 3,821,569,592 | 6,369,394,592 | 153,297,872 | - | 528,317,166 | 7,051,009,630 |
| Bomet | 5,507,100,000 | 6,339,448,706 | 1.74 | 2,753,550,000 | 1.86 | 3,937,549,118 | 6,691,099,118 | 153,297,872 | - | 653,181,658 | 7,497,578,649 |
| Bungoma | 8,893,650,000 | 9,833,542,420 | 2.81 | 4,446,825,000 | 2.93 | 6,212,610,192 | 10,659,435,192 | 153,297,872 | - | 542,772,196 | 11,355,505,261 |
| Busia | 6,013,500,000 | 6,954,326,086 | 1.90 | 3,006,750,000 | 1.97 | 4,165,412,009 | 7,172,162,009 | 153,297,872 | - | 447,133,112 | 7,772,592,993 |
| Elgeyo/Marakwet | 3,861,300,000 | 4,596,507,046 | 1.22 | 1,930,650,000 | 1.26 | 2,675,882,480 | 4,606,532,480 | 153,297,872 | - | 702,054,383 | 5,461,884,736 |
| Embu | 4,304,400,000 | 5,555,658,318 | 1.36 | 2,152,200,000 | 1.40 | 2,973,043,762 | 5,125,243,762 | 153,297,872 | - | 453,821,524 | 5,732,363,158 |
| Garissa | 7,026,300,000 | 8,678,125,728 | 2.22 | 3,513,150,000 | 2.08 | 4,414,062,254 | 7,927,212,254 | 153,297,872 | - | 1,087,727,785 | 9,168,237,911 |
| Homa Bay | 6,741,450,000 | 7,446,401,693 | 2.13 | 3,370,725,000 | 2.09 | 4,434,628,300 | 7,805,353,300 | 153,297,872 | - | 454,463,421 | 8,413,114,593 |
| Isiolo | 4,241,100,000 | 5,120,275,033 | 1.34 | 2,120,550,000 | 1.22 | 2,589,838,265 | 4,710,388,265 | 153,297,872 | 68,000,000 | 592,196,554 | 5,523,882,692 |
| Kajiado | 6,424,950,000 | 7,321,035,775 | 2.03 | 3,212,475,000 | 2.24 | 4,742,293,229 | 7,954,768,229 | 153,297,872 | - | 576,204,540 | 8,684,270,641 |
| Kakamega | 10,412,850,000 | 12,071,076,824 | 3.29 | 5,206,425,000 | 3.39 | 7,182,987,168 | 12,389,412,168 | 153,297,872 | - | 691,090,920 | 13,233,800,961 |
| Kericho | 5,380,500,000 | 6,223,833,520 | 1.70 | 2,690,250,000 | 1.77 | 3,740,414,924 | 6,430,664,924 | 153,297,872 | - | 569,054,323 | 7,153,017,119 |
| Kiambu | 9,431,700,000 | 11,261,306,292 | 2.98 | 4,715,850,000 | 3.31 | 7,001,675,720 | 11,717,525,720 | 153,297,872 | - | 589,239,254 | 12,460,062,846 |
| Kilifi | 10,444,500,000 | 12,409,990,143 | 3.30 | 5,222,250,000 | 3.03 | 6,419,342,941 | 11,641,592,941 | 153,297,872 | - | 2,154,008,617 | 13,948,899,430 |
| Kirinyanga | 4,241,100,000 | 4,865,340,074 | 1.34 | 2,120,550,000 | 1.45 | 3,075,627,952 | 5,196,177,952 | 153,297,872 | - | 573,638,600 | 5,923,114,424 |
| Kisii | 7,785,900,000 | 9,061,552,984 | 2.46 | 3,892,950,000 | 2.36 | 5,001,324,509 | 8,894,274,509 | 153,297,872 | - | 575,643,577 | 9,623,215,959 |
| Kisumu | 6,836,400,000 | 8,033,628,577 | 2.16 | 3,418,200,000 | 2.18 | 4,607,939,240 | 8,026,139,240 | 153,297,872 | - | 769,632,733 | 8,949,069,846 |
| Kitui | 8,830,350,000 | 9,695,879,359 | 2.79 | 4,415,175,000 | 2.82 | 5,978,795,413 | 10,393,970,413 | 153,297,872 | - | 505,225,111 | 11,052,493,396 |
| Kwale | 7,785,900,000 | 8,823,453,651 | 2.46 | 3,892,950,000 | 2.06 | 4,372,635,516 | 8,265,585,516 | 153,297,872 | - | 1,084,696,427 | 9,503,579,815 |
| Laikipia | 4,177,800,000 | 5,526,633,848 | 1.32 | 2,088,900,000 | 1.44 | 3,047,365,679 | 5,136,265,679 | 153,297,872 | - | 594,808,504 | 5,884,372,056 |
| Lamu | 2,595,300,000 | 3,523,749,334 | 0.82 | 1,297,650,000 | 0.85 | 1,807,999,643 | 3,105,649,643 | 153,297,872 | 38,000,000 | 387,821,812 | 3,684,769,327 |
| Machakos | 7,754,250,000 | 9,287,150,405 | 2.45 | 3,877,125,000 | 2.50 | 5,285,179,232 | 9,162,304,232 | 153,297,872 | - | 563,831,924 | 9,879,434,029 |
| Makueni | 7,406,100,000 | 8,105,206,754 | 2.34 | 3,703,050,000 | 2.09 | 4,429,733,562 | 8,132,783,562 | 153,297,872 | - | 600,213,719 | 8,886,295,153 |
| Mandera | 10,222,950,000 | 11,381,399,554 | 3.23 | 5,111,475,000 | 2.87 | 6,078,907,598 | 11,190,382,598 | 153,297,872 | - | 607,418,422 | 11,951,098,893 |
| Marsabit | 6,773,100,000 | 7,839,021,408 | 2.14 | 3,386,550,000 | 1.84 | 3,890,454,032 | 7,277,004,032 | 153,297,872 | - | 753,314,489 | 8,183,616,394 |
| Meru | 8,039,100,000 | 9,260,297,120 | 2.54 | 4,019,550,000 | 2.59 | 5,474,207,338 | 9,493,857,338 | 153,297,872 | - | 778,344,871 | 10,425,500,081 |
| Migori | 6,773,100,000 | 7,595,254,316 | 2.14 | 3,386,550,000 | 2.18 | 4,518,470,448 | 8,005,020,448 | 153,297,872 | - | 391,091,244 | 8,549,409,564 |
| Mombasa | 7,057,950,000 | 9,514,152,602 | 2.23 | 3,528,975,000 | 1.91 | 4,038,379,061 | 7,567,354,061 | 153,297,872 | - | 1,313,902,680 | 9,034,554,613 |
| Muranga | 6,298,350,000 | 7,322,433,496 | 1.99 | 3,149,175,000 | 1.90 | 4,030,980,655 | 7,180,155,855 | 153,297,872 | - | 454,929,372 | 7,788,383,100 |
| Nairobi | 15,919,950,000 | 16,821,211,333 | 5.03 | 7,959,975,000 | 5.33 | 11,289,702,414 | 19,249,677,414 | 153,297,872 | - | 866,791,349 | 20,269,766,635 |
| Nakuru | 10,476,150,000 | 10,977,135,117 | 3.31 | 5,238,075,000 | 3.68 | 7,788,041,323 | 13,026,116,323 | 153,297,872 | - | 819,285,259 | 13,998,699,455 |
| Nandi | 5,348,850,000 | 6,152,668,439 | 1.69 | 2,674,425,000 | 2.04 | 4,316,444,041 | 6,990,869,041 | 153,297,872 | - | 524,798,208 | 7,668,965,121 |
| Narok | 8,039,100,000 | 7,906,596,496 | 2.54 | 4,019,550,000 | 2.28 | 4,825,239,456 | 8,844,789,456 | 153,297,872 | - | 645,965,988 | 9,644,053,316 |
| Nyamira | 4,810,800,000 | 5,806,733,915 | 1.52 | 2,405,400,000 | 1.29 | 2,729,940,036 | 5,135,340,036 | 153,297,872 | - | 563,367,518 | 5,852,005,426 |
| Nyandarua | 4,874,100,000 | 5,762,539,367 | 1.54 | 2,437,050,000 | 1.53 | 3,233,394,228 | 5,670,444,228 | 153,297,872 | 75,000,000 | 683,889,689 | 6,582,631,790 |
| Nyeri | 5,412,150,000 | 6,263,385,520 | 1.71 | 2,706,075,000 | 1.66 | 3,522,653,555 | 6,228,728,555 | 153,297,872 | - | 680,265,672 | 7,062,292,099 |
| Samburu | 4,620,900,000 | 4,590,294,565 | 1.46 | 2,310,450,000 | 1.45 | 3,060,896,037 | 5,371,346,037 | 153,297,872 | - | 470,939,351 | 5,995,583,260 |
| Siaya | 5,791,950,000 | 6,710,440,949 | 1.83 | 2,895,975,000 | 1.92 | 4,070,532,531 | 6,966,507,531 | 153,297,872 | - | 540,152,675 | 7,659,958,078 |
| Taita Taveta | 4,241,100,000 | 5,519,594,190 | 1.34 | 2,120,550,000 | 1.29 | 2,721,624,698 | 4,842,174,698 | 153,297,872 | - | 1,379,682,318 | 6,375,154,888 |
| Tana River | 5,855,250,000 | 6,521,823,253 | 1.85 | 2,927,625,000 | 1.70 | 3,600,783,765 | 6,528,408,765 | 153,297,872 | 75,000,000 | 468,563,507 | 7,225,270,145 |
| Tharaka Nithi | 3,924,600,000 | 4,717,212,945 | 1.24 | 1,962,300,000 | 1.06 | 2,251,898,593 | 4,214,198,593 | 153,297,872 | 76,000,000 | 600,288,742 | 5,043,785,208 |
| Trans Nzoia | 5,760,300,000 | 6,525,089,184 | 1.82 | 2,880,150,000 | 2.03 | 4,306,007,670 | 7,186,157,670 | 153,297,872 | - | 571,686,484 | 7,911,142,026 |
| Turkana | 10,539,450,000 | 11,866,451,561 | 3.33 | 5,269,725,000 | 3.47 | 7,339,580,994 | 12,609,305,994 | 153,297,872 | - | 786,247,615 | 13,548,851,481 |
| Uasin Gishu | 6,330,000,000 | 6,922,543,525 | 2.00 | 3,165,000,000 | 2.32 | 4,903,858,318 | 8,068,858,318 | 153,297,872 | - | 608,853,967 | 8,831,010,157 |
| Vihiga | 4,652,550,000 | 5,263,791,000 | 1.47 | 2,326,275,000 | 1.29 | 2,741,081,827 | 5,067,356,827 | 153,297,872 | - | 417,314,928 | 5,637,969,628 |
| Wajir | 8,545,500,000 | 9,833,975,708 | 2.70 | 4,272,750,000 | 2.46 | 5,201,976,151 | 9,474,726,151 | 153,297,872 | - | 1,160,065,181 | 10,788,089,205 |
| West Pokot | 5,000,700,000 | 5,814,279,682 | 1.58 | 2,500,350,000 | 1.79 | 3,796,934,329 | 6,297,284,329 | 153,297,872 | - | 559,953,126 | 7,010,535,327 |
| GRAND TOTAL | 316,500,000,000 | 369,868,613,151 | 100 | 158,250,000,000 | 100 | 211,750,000,000 | 370,000,000,000 | 7,205,000,000 | 332,000,000 | 32,343,890,512 | 409,880,890,515 |



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## 4.6 Intergovernmental Fiscal Transfers

296. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the national government's share of revenue, either conditionally or unconditionally. Management of intergovernmental fiscal transfers is provided in the PFM Act 2012, its Regulations and National Treasury Circular no.8 of 2017. To ensure efficiency, accountability and impact of programs and services funded through grants, all grants to Counties shall be coordinated by the line ministry which shall oversee development of frameworks and conditions to be met by Counties to receive grants including financial and non-financial reporting. The Accounting Officer has sole authority for the approval of funds and must review/approve financial reports prior to submission to the National Treasury.

### 4.6.1 Conditional Grants

297. Between FY 2013/4 and FY 2019/20, the National Government cumulatively transferred to County Governments a total of Ksh. 175.5 billion as conditional grants financed from the national government share of revenue to the tune of Ksh. 73.9 billion and proceeds of loans and grants by Development Partners (DPs) to the tune of Ksh. 91.6 billion.

298. These additional conditional grants are administered pursuant to provisions of Regulation 129-135 of the Public Finance Management (National Government) Regulations, 2015 and the Treasury Circular No. 8/2017 on "*Guidelines for the Management of Intergovernmental Fiscal Transfers in Kenya*". Additionally, the National Treasury will continue to annually issue a Circular on Frameworks for Administration of the additional conditional grants contained in the annual County Allocation of Revenue Act.

299. In this regard, and pursuant to Regulation 130 (2) of the Public Finance Management (National Government) Regulations, 2015, the Cabinet Secretary to the National Treasury and Planning shall communicate the frameworks governing intergovernmental transfers to County Governments within 15 days after the approval of the County Allocation of Revenue Bill, 2021. These frameworks shall among others contain: - i) National Government MDAs responsible for additional conditional allocation; ii) Accounting officer of National Government Responsible; iii) Responsibilities of respective National Government accounting officers; iv) Conditions of the additional conditional allocation ; v) Accounting officer of the County Government responsible; vi) Responsibilities of the County Government accounting officer; viii) Total amount allocated to the additional conditional allocation; vii) Purposes and Objective of the additional conditional allocation; ix) Allocation criteria to County Governments for each grant; and x) Amount allocated to each beneficiary County Government.

300. In order to ensure that budgeting for conditional grants is done in strict compliance with the Budget calendar timelines contained in the PFMA, 2012, and the Budget Circular issued by the Cabinet Secretary, National Treasury and Planning, 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 Division of Revenue Bill (DoRB) and County Allocation of Revenue Bill (CARB); and any additional conditional allocations not included in DoRB and CARB by January should be held in abeyance till the next financial year.

301. In addition, Development Partners are also obligated to adhere to the National Government Budget cycle in respect of processing of loans and grants for inclusion in the budget, DoRB and CARB. The submissions should be considered in the MTEF Sector Working Group meetings to ensure that the loans and grants are captured in sector reports. The finalization of financing agreements therefore, should precede the above process otherwise, the loans/grants should be considered in the subsequent financial year.

302. Further, all disbursement for conditional grants allocated for FY 2021/22 and in the medium Term, shall be done through the National Treasury pursuant to Circular No. 8/2017 and in line with PFM Act, 2012 and its Regulations, provided there are written instructions from the Accounting Officer responsible for authorizing the transfer of the allocations. Otherwise, any financing agreement in respect of funds flow and disbursement inconsistent with PFMA, its Regulations and relevant circulars should be deemed irregular and/or illegal and thus 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.

303. Finally, the National Treasury and Planning, in consultation with respective MDAs responsible, will in the financial year 2021/22 and in the Medium-Term monitor and evaluate the performance of the additional conditional allocations financed from the national government share of revenue and the Roads Fuel Maintenance Levy Fund to determine their achievements in line with their intended policy objective of the National Government. This is aimed at determining if indeed the respective financing has achieved its intended policy objectives, any challenges experienced so far with attendant recourse, and determine whether there is need for future allocations towards these conditional grants.

### 4.6.2 Equalisation Fund

304. Equalisation fund is established under article 204 of the Constitution where it is allocated one half percent of all revenue collected by the national government each year on the basis of most recently audited accounts. The fund was operationalized using guidelines on administration of equalization fund published in gazette notice No. 1711 of 13th March 2015. The High Court ruling on petition No.272/2016 on 5th November, 2019 quashed the guidelines and declared them unconstitutional. It further directed the Cabinet Secretary, the National Treasury

and Planning to develop a new statutory instrument within six (6) months on administration of Equalisation Fund. In compliance with the ruling, the National Treasury constituted a multi-agency committee comprising of representatives of the National Treasury, National Assembly, Senate, Council of Governors, Commission on Revenue Allocation and Controller of Budget to develop a new statutory instrument on administration of Equalisation Fund. The multi-agency committee has developed the Draft Public Finance Management (Equalisation Fund) Regulations, 2020 which has been submitted to the Cabinet for approval. Once approved by the Cabinet the draft Regulations will be drafted by the Attorney General, gazetted and submitted to Parliament for approval.

305. The purpose of these draft Regulations includes; (i) to provide guidance on the administration and management of the Equalisation Fund; (ii) provide for the completion of ongoing projects under the first policy, and; (iii) provide for implementation of new projects under the second policy and subsequent policies

306. The approval of these Regulations by Parliament is expected to unlock the implementation of the ongoing Equalisation Fund projects based on the first policy on marginalization through facilitating payment of pending interim certificates. Furthermore, the Regulations will facilitate the implementation of subsequent policies on marginalization specifically on identification of new projects, to be financed under the Equalisation Fund.

### 4.6.3 Funding of County Level Emergencies

307. Article 208 of the Constitution establishes the Contingencies Fund to provide advances if the Cabinet Secretary for finance is satisfied that there is an urgent and unforeseen need for expenditure for which there is no authority. Section 19 to 23 of the PFM Act, 2012 provides for the sources, administration, advances, approval of payments as well as financial reporting of Contingencies Funds. During the year 2020, a number of emergencies have occurred which include the Covid-19 pandemic and the locusts' invasion which have necessitated the need for a framework to improve on the management and funding of County level emergencies. In the development of this framework, the National Treasury and Planning will seek the views of various stakeholders including Parliament, MDA's, Council of Governors and County Governments among other stakeholders.

## 4.7 Emerging Issues

### 4.7.1 Covid-19 Pandemic

308. The Covid-19 pandemic has resulted in major economic and social disruptions which have been felt both at the National and County level. In order to cushion County Governments against the unprecedented negative effects of the Covid-19 pandemic, the Government in collaboration with development partners allocated and disbursed additional Ksh 9.21 billion in the FY 2019/20. These funds were disbursed outside CARA 2019 as part of Covid-19 pandemic emergency response measures. A large portion of this transfer (Ksh 5.0 billion) was for the

purpose of setting up requisite infrastructure for urgent response to the pandemic. The other portion of Ksh 2.36 billion was for the purposes of supplementing allowances for the frontline healthcare workers who have been playing a critical role in the fight against the pandemic. A total of Ksh 1.5 billion was disbursed to four county hospitals of Kitui, Mandera, Kisumu and Coast General. The remaining Ksh. 350 million from the Royal Danish Embassy was disbursed through the Ministry of Health. Implementation of the Economic Stimulus Programme and the medium-term Post Covid-19 Economic Recovery Strategy will help the National and County Governments to recover from the adverse effects of the Covid-19 pandemic and reposition the economy on a path to prosperity.

### 4.7.2 County Revenue Management System

309. Following the Presidential Directive issued on 7th February 2019 on the implementation of a Single Integrated County Revenue Management System (ICRMS) to be used across all the 47 County Governments, the National Treasury and Planning constituted a multi-agency task force to expedite this matter. A Technical Committee was then formed and mandated to review the existing revenue systems and come up with feasible recommendations towards achieving an ICRMS for approval by the Steering Committee. The Technical Committee has already presented their draft report to the Steering Committee with recommendations on the ICRMS. The key finding on this report is that there are two County revenue systems that meet a significant number of required system features and the Technical Committee is exploring the possibility of enhancing one of the two County revenue systems to be rolled out to all the 47 County Governments.

### 4.7.3 Late Submission of Frameworks for Conditional Grants

310. Over the years, the MDAs have continued to make requests for additional conditional allocations, mostly financed by Development Partners, after the Medium-Term Budgets have been agreed at Sector Working Groups and the Division of Revenue and the County Allocation of Revenue Bills have been approved by Parliament and assented into law by His Excellency the President. This has often required the National Treasury to make requests to Parliament to make amendments to the two Acts of Parliament in order to accommodate the new grants as requested. This indicates that the MDA's have not been adhering strictly to the budget calendar as provided for in the PFM, Act 2012, its Regulations and the relevant budget circulars. MDA,s should adhere strictly to the timelines provided for in the submission of frameworks for conditional grants in order to ensure that their allocations are included in the DoRB and CARB for disbursement to the County Governments.

### 4.7.4 County Borrowing

311. Section 140 of the PFM, Act 2012 authorizes a County Executive Committee Member for finance to borrow on behalf of the County Government

only if the terms and conditions for the loan are set out in writing and are in accordance to Article 212 of the Constitution and Sections 58 and 142 of the PFM, Act 2012 among other conditions. Before a County Government borrows, there should be established the internal rate of growth in regard to the respective County GDP, sustainability and credit worthiness besides due diligence. The Commission on Revenue Allocation in collaboration with the World Bank Group (WBG) and other stakeholders, initiated the County Creditworthiness Initiative (CCI) for Kenya to provide technical assistance to County Governments in bridging the creditworthiness gap and access market finance for infrastructure and other development projects. So far, the initiative has seen the credit rating for three County Governments (Bungoma, Kisumu and Makueni). The CCI will be rolled out to the remaining Counties progressively. More research should be done towards this field so as to establish the parameters that may be used to measure the Counties that can be loaned and to avoid burdening the guaranteeing authority (National Government).

### 4.7.5 Hosting of the 9th Edition of Africities Conference in 2022

312. The 9th edition of the Africities will be held in Kisumu City in April 2022. The successful bidding was done jointly by the Government of Kenya, Council of Governors and the County Government of Kisumu. Africities is a Summit of African Local and Regional Governments that is convened by United Cities and Local Governments of Africa (UCLGA). This is a Pan-African event that is held every three years in one of the five regions of Africa. As per the rotational calendar, it is the opportunity for East Africa to host the 9th Edition of Africities. By hosting the 9th Edition of the Africities, Kenya will get an opportunity to share its experience in implementation of devolution thereby contribute to knowledge sharing among the African countries as well as learn from them. In addition, Kenya will develop a network of academia and practitioners in devolution that will be valuable in improving its devolved system of government. The Africities Conference will cement Kenya's position as a leader and substantial contributor in the discourse on devolution in Africa besides fostering close relations with other African Nations. Finally, the conference will provide a good platform for the County Governments to learn from the rest of Africa on establishment of regional blocks which a number of Counties have been proposing to establish.

### 4.7.6 Winding up of the Joint Loans Board Scheme

313. Joint Loans Board (JLB) was first established in 1954 under the Local Government Act Cap 265 Sec 104-106 as a Loan Scheme. Other Loan boards were established by a legal notice and the administration vested in the then Ministry for Local Government. The Boards were "Joint" because it was a joint effort by the Central Government and the Local Government Authorities (grants; membership; management). In 1965 the administration of the boards was transferred to Ministry of Commerce and Industry. Currently there are 49 boards inclusive of one special loans board and five Municipal Boards. Since the Joint Loans Board Scheme was a National Government facility and anchored in a revolving fund, it is

recommended therefore that winding up of the same be done in accordance with the provisions of the PFM Act, 2012. Section 24 of the PFM Act, 2012 and Section 208 of the PFM (National Government) Regulations, 2015, mandate the Cabinet Secretary for the National Treasury and Planning to provide for the management, operations and winding up procedures for public funds. The winding up of the JLB has been referred to the Dormant Fund Committee in order to establish the financial position of these boards and initiate the process of winding up in accordance with Law.

### 4.7.7 Conflict between the two arms of County Governments

314. Instances of conflict between the Executive arm of the County Governments and the Legislative arm (county assemblies) has been on the rise. This has led to delay in the enactment of important legislations some even affecting resources mobilization and budget implementation at the County level. Such conflicts have led to stalemates in the budget making process and implementation which has greatly undermined service delivery in some Counties at the expense of the citizens. In this regard, the National Treasury will continue building the capacity of the County Executive and the County Assemblies on prudent public finance management. A good number of officers of the County Executive have been trained on Public Finance Management and focus now will shift to the County Assemblies so as to objectively and effectively carry out their oversight role within the law.

### 4.7.8 County Post Covid-19 Economic Recovery Strategy

315. The County Governments, Council of Governors in conjunction with Kenya Institute for Public Policy Research and Analysis (KIPPRA) and other stakeholders developed the County Covid-19 Social Economic Re-engineering and Recovery Strategy 2020/21 – 2022/23. This Strategy is meant to facilitate the re-engineering and recovery of the County Governments economies from the impact of Covid-19 pandemic. The Strategy has five pillars for re-engineering and recovery of County economies namely; (i) boosting private sector; (ii) strengthening ICT capacity; (iii) human capital development; (iv) policy, legislative and institutional reforms; and, (v) strengthening County Governments preparedness and response to pandemic and disasters. There is need for synergy between the national and County Governments in the implementation of Post Covid-19 recovery strategies and other medium and long term economic blue prints such as the Big Four Agenda and the Vision 2030 in order to ensure that the nation can rapidly move back to economic recovery.

### 4.7.9 Transfer of Functions from County Governments to National Government

316. Article 187 of the Constitution provides that one level of government can transfer its functions and powers to the other level of government if the function can be more effectively performed or exercised by the receiving level. The Article

further requires that arrangements are put in place to ensure that resources necessary for the performance of the function or exercise of the power are transferred. In this regard, there is an urgent need for a legal framework to ensure that the process of transferring the necessary resources for the performance of the transferred functions is clearly defined more so when the transfer is from the County Government to the National Government.

317. Pursuant to Article 187 of the Constitution as read with Section 26 of the Intergovernmental Relations Act, 2012, the Nairobi City County Government (NCCG) on 25th February, 2020, transferred the following functions to the National Government; (i) County health services; (ii) County transport services; (iii) County planning and development services; and (iv) County public works, utilities and ancillary services. The transfer was legally effected through a mutual Deed Agreement vide Gazette Notice No. 1609. The National Treasury was mandated in the Deed of Transfer as well as in the Addendum to the Deed of Transfer to develop an appropriate framework to ensure that the resources necessary for the performance of the transferred functions are transferred from NCCG to the National Government.

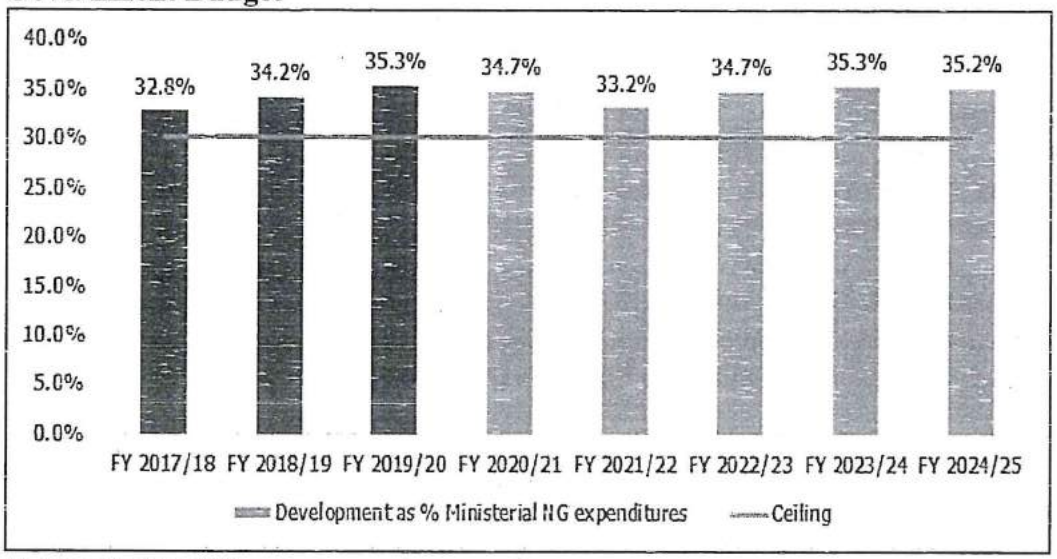
318. In this regard, the National Treasury developed a framework in line with the Constitution, the PFM Act, 2012, the Intergovernmental Relations Act 2012, the County Allocation of Revenue Act 2020, the Deed of Transfer and the Addendum to the Deed of Transfer. This framework which was shared with NCCG and NMS is expected to unlock the flow of funds to NMS.

## 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 2019/20, the allocation to development expenditures to the total expenditures was 35 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 18).**

**Figure 18: Development Expenditures as a Percent of Total National Government Budget**

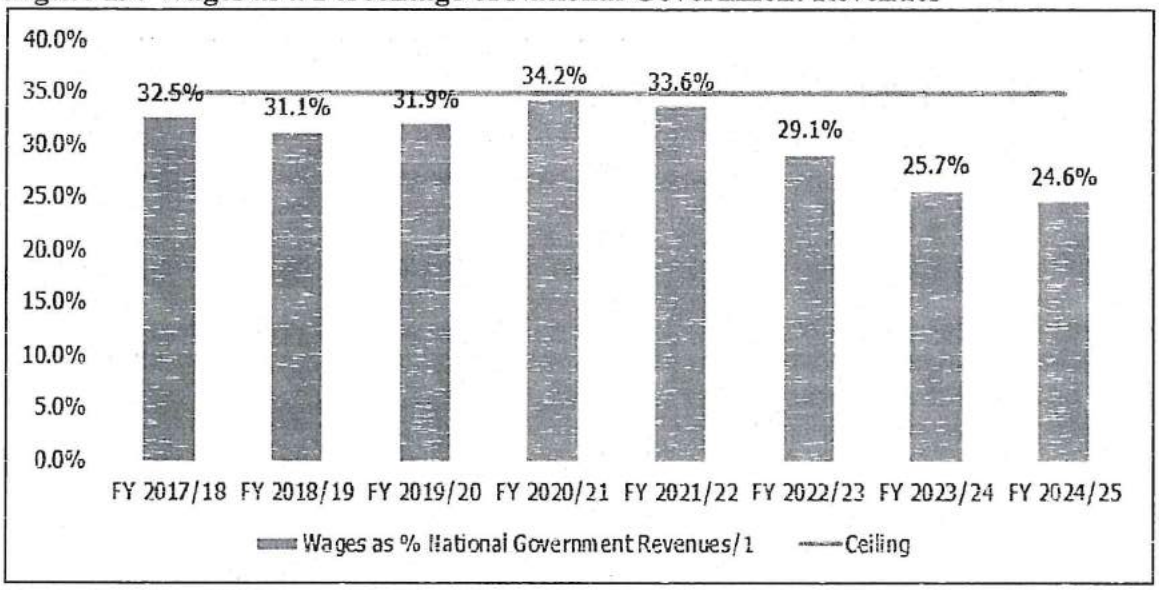



***Source: National Treasury***

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 32

percent in the FY 2019/20, and is projected at 34 percent in the FY 20/21, declining to 24.6 percent by FY 2024/25 (**Figure 19**).

**Figure 19: Wages as a Percentage of National Government Revenues**




***Source: National Treasury.***

c) The National Treasury continues to adhere to the principle as per the PFM Act section 15(2) (c) which requires that national government's borrowings is used only for purposes of financing development and not for recurrent expenditure. The funds raised through borrowing are used to finance only development projects as approved by Parliament in the National budget as tabled by the Cabinet Secretary in charge of finance.

d) The PFM Act also requires 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) Kenya's risk remains high in the context of the ongoing global Covid-19 shock. However, this is expected to be temporary as implementation of fiscal consolidation reforms continue and also the debt indicators are expected to improve when the global economy rebounds from the Covid-19 crisis.

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 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.

# 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 slow down to a growth of 0.6 percent in 2020 on account of Covid-19 pandemic and to pick up to a growth of 7.0 percent in 2021, 5.5 percent in 2022 and 6.2 percent over the medium term. The growth of 7.0 percent in 2021 is partly due to the lower base effect for 2020. 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 even amid Covid-19 pandemic. Due to the uncertainties in the economy since the onset of the pandemic, the unexpected changes in these outcomes may pose risks to both revenue and expenditure projected in this BPS. **Table 13** summarizes the likely impact of such changes on the fiscal outcomes.

**Table 13: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2021/22 – 2024/25**

| | Revenue | | | | Expenditures | | | | Budget Balance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Reduction in real GDP (%) by 1.0 % point | -8.2 | -9.1 | -10.0 | -11.1 | -8.7 | -9.6 | -10.5 | -11.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Increase in inflation rate (%) by 1.0 % Point | 8.3 | 9.1 | 10.1 | 11.2 | 9.1 | 10.0 | 11.1 | 12.2 | -0.9 | -0.9 | -0.9 | -1.0 |
| Depreciation in exchange rate (Ksh/US$) by 10% | 13.0 | -1.6 | -1.7 | -1.8 | 9.2 | 1.6 | 1.8 | 1.9 | 3.8 | -3.2 | -3.5 | -3.7 |
| Increase in value of imported goods (US$) by 10% | 7.9 | -0.6 | -0.7 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 7.8 | -0.7 | -0.7 | -0.7 |
| All shocks Combined | 21.6 | -2.2 | -2.3 | -2.4 | 9.6 | 2.0 | 2.2 | 2.4 | 12.0 | -4.2 | -4.5 | -4.9 |

***Source of Data: National Treasury***

4. Stress test **(Table 13)** shows that if the projected real GDP growth in 2021 was to reduce by one percent (from 7.0 percent to 6.0 percent), revenues and expenditure would decline by Ksh 8.2 billion and Ksh 8.7 billion respectively in FY 2021/22. Going forward, this shock would result to a decline in revenues and expenditures of Ksh 9.1 billion and Ksh 9.6 billion in FY 2022/23, Ksh 10.0 billion and Ksh 10.5 billion in FY 2023/24 and Ksh 11.1 billion and Ksh 11.6 billion in FY 2024/25, respectively.

5. A shock of a one percent increase in the projected inflation rate for 2021 (from 5 percent to 6 percent), would result in an increase in revenues and expenditures by Ksh 8.3 billion and Ksh 9.1 billion in FY 2021/22, Ksh 9.1 billion and Ksh 10.0 billion in FY 2022/23, Ksh 10.1 billion and Ksh 11.1 billion in FY 2023/24 and Ksh 11.2 billion and Ksh 12.2 billion in FY 2024/25, respectively.

6. A depreciation of the Ksh exchange rate to the dollar by 10 percent, would result to an increase in revenues by Ksh 13.0 billion in FY 2021/22 and a decline of Ksh 1.6 billion in FY 2022/23, Ksh 1.7 billion in FY 2023/24 and Ksh 1.8 billion in FY2024/25. Expenditures would increase by Ksh 9.2 billion, Ksh 1.6 billion, Ksh 1.8 billion and Ksh 1.9 billion over the same period.

7. A shock of 10 percent increase in the value of imported goods would increase revenues by Ksh 7.9 billion in FY 2021/22, and a decline of Ksh 0.6 billion, Ksh 0.7 percent in both FY 2023/24 and FY 2024/24. The shock would not significantly affect expenditures in the outer years.

8. Overall, if all the four shocks were hit the economy concurrently, revenues would increase by Ksh 21.6 billion in FY 2021/22, a decline of Ksh 2.2 billion in FY 2022/23, Ksh 2.3 billion in FY 2023/24 and Ksh 2.4 billion in Fy 2024/25. On the other hand, expenditure would increase by Ksh 9.6 billion, Ksh 2.0 billion, Ksh 2.2 billion and Ksh 2.4 billion over the same period. The combined shocks affect revenues and expenditure more in the first year and dissipates progressively over the medium term. In this respect, on net basis, the budget balance is a decline of Ksh 4.9 billion cumulatively over the medium term.

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

9. Overall, the macroeconomic assumptions underlying the recent budgets and actual budget outturn have generally been accurate with minimal deviations as shown in **Table 14**.

10. Over the period 2017/18-2020/21, the average deviation between the assumed and provisional actual real GDP growth rates was -0.4 percentage points with a standard deviation of 0.6 percentage point. With respect to inflation assumptions, the standard deviation was at 0.1 percentage point over the four years, with the largest deviation being recorded in FY 2017/18 at 0.2 percent. Despite the advent of Covid-19 pandemic that has threatened the stability of the domestic currency, the Government has strived to promote a stable and competitive exchange rate to

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support external trade. The Kenya Shilling is estimated to exchange at 108.7 per USD in FY 2020/21 compared to 107.9 per USD in FY 2019/20.

11. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2017/18 and FY 2020/21 fell short of its target by an average of Ksh 212.3 billion mainly on account of underperformance in ordinary revenue which was below target by an average of Ksh 199.3 billion.

12. The average deviation of total expenditure and net lending between FY 2017/18 and FY 2020/21 was an underspending of Ksh 104.1 billion. This shortfall was mainly due to lower absorption in development expenditures of Ksh 58.9 billion.

13. The lower-than-projected spending on development expenditure poses a risk to the fiscal program, going forward. In order to prevent this risk from materializing and improve efficiency of public investments, the National Treasury froze initiation of new capital projects until the completion of the ongoing ones. The 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 14: Deviations in Macroeconomic and Fiscal Aggregates**

| | 2017/18 | | | 2018/19 | | | 2019/20 | | | 2020/21* | | | Average Deviations | Standard Deviations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proj. | Act. | Dev. | Proj. | Act. | Dev. | Proj. | Act | Dev. | Proj. | Pre! Actual | Dev. | | |
| I. Key Macroeconomic Assumptions | | | | | | | | | | | | | | |
| Real GDP | 6.2% | 5.6% | -0.6% | 5.9% | 5.9% | 0.0% | 4.0% | 3.0% | -1.0% | 4.0% | 3.8% | -0.2% | -0.4% | 0.6% |
| Inflation Rate (avg) | 5.0% | 5.2% | 0.2% | 5.0% | 4.9% | -0.1% | 5.1% | 5.2% | 0.1% | 5.0% | 5.1% | 0.1% | 0.1% | 0.1% |
| Exchange rate (Ksh US$), avg | | 102.5 | | | 105.6 | | | 107.9 | | | 108.7 | | | |
| Export growth | | 2.9% | | | 0.6% | | | -1.3% | | | 5.8% | | | |
| Import growth | | 10.6% | | | 2.9% | | | -2.2% | | | 0.3% | | | |
| II. Fiscal Aggregates (in Ksh billion) | | | | | | | | | | | | | | |
| Total Revenue | 1704.5 | 1522.5 | -182.0 | 1949.2 | 1704.4 | -244.8 | 2115.9 | 1737.0 | -378.9 | 1892.6 | 1849.2 | -43.4 | -212.3 | 244.20 |
| Ordinary Revenue | 1549.4 | 1365.1 | -184.3 | 1769.2 | 1499.8 | -269.5 | 1877.2 | 1573.4 | -303.8 | 1633.8 | 1594.0 | -39.8 | -199.3 | 223.85 |
| AiA | 134.0 | 136.6 | 2.7 | 155.2 | 204.6 | 49.4 | 238 7 | 163.6 | -75.2 | 258.9 | 255.2 | -3.7 | -6.7 | 45.02 |
| Grants | 58.8 | 27.6 | -31.2 | 48.5 | 19.7 | -28.8 | 38.8 | 19.8 | -19.0 | 40.9 | 48.7 | 7.8 | -17.8 | 23.58 |
| Total Expenditure | 2298.8 | 2146.7 | -152.1 | 2557.2 | 2433.7 | -123.5 | 2796.0 | 2565.4 | -230.6 | 2774.7 | 2864.5 | 89.8 | -104.1 | 157.82 |
| Recurrent | 1335.3 | 1349.9 | 14.6 | 1550.0 | 1759.3 | 209.3 | 1760.3 | 1762.3 | 2.0 | 1763.3 | 1766.3 | 3.0 | 57.2 | 104.91 |
| Development | 612.8 | 469.5 | -143.3 | 625.7 | 541.9 | -83.8 | 652.3 | 594.9 | -57.4 | 589.7 | 638.5 | 48.8 | -58.9 | 91.15 |
| Domestic | 366.3 | 266.0 | -100.2 | 364.9 | 307.0 | -57.9 | 390.2 | 396.6 | 6.5 | 329.9 | 360.1 | 30.2 | -30.4 | 59.90 |
| External | 236.4 | 201.0 | -35.5 | 249.8 | 225.4 | -24.4 | 255.8 | 197.6 | -58.1 | 253.0 | 271.6 | 18.7 | -24.8 | 37.35 |
| Net Lending | 2.4 | 2.5 | 0.1 | 2.5 | 2.5 | 0.0 | 0.6 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.07 |
| Equalization Fund | 7.7 | 0.0 | -7.7 | 8.5 | 7.0 | -1.5 | 5.8 | 0.0 | -5.8 | 6.8 | 6.8 | 0.0 | -3.8 | 4.88 |
| County Allocation | 345.7 | 327.3 | -18.4 | 376.5 | 360.7 | -15.7 | 378.3 | 325.3 | -53.1 | 353.3 | 383.0 | 29.7 | -14.4 | 32.73 |
| Balance | -535.5 | -631.3 | -95.9 | -559.6 | -709.6 | -150.1 | -641.3 | -808.6 | -167.3 | -841.1 | -966.6 | -125.4 | -134.7 | 137.32 |
| Financing | 555.5 | 631.3 | 95.9 | 559.6 | 721.1 | 161.5 | 641.3 | 790.8 | 149.5 | 841.1 | 966.6 | 125.4 | 133.1 | 135.40 |
| Net Foreign Financing | 256.0 | 355.0 | 99.0 | 287.0 | 414.5 | 127.5 | 331.3 | 340.4 | 9.1 | 346.8 | 426.5 | 79.7 | 78.8 | 90.15 |
| Net Domestic Financing | 275.7 | 273.7 | -2.0 | 268.7 | 306.5 | 37.9 | 310.0 | 450.4 | 140.3 | 494.3 | 540.1 | 45.7 | 55.5 | 76.20 |
| Memo Items: | | | | | | | | | | | | | | |
| Nominal GDP (Ksh billion) | 8689.9 | 8524.7 | -165.2 | 9726.6 | 9367.3 | -359.3 | 10765.7 | 10175.2 | -590.4 | 11275.8 | 11168.5 | -107.3 | -305.6 | 359.35 |

***Source: National Treasury***

14. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated the economic activities. As a result, real GDP is projected to grow by 3.8 percent in 2020/21 with a 95 percent confidence level ranging between 4.9 percent and 2.7 percent at 0.6 percent standard deviation. This will pick up in the FY 2021/22 to a growth range of around 7.4 percent and 5.1 percent using the same standard deviation. There is a 95 percent chance that the forecasted total revenue of Ksh 2,033.9 billion in FY 2021/22 is within the

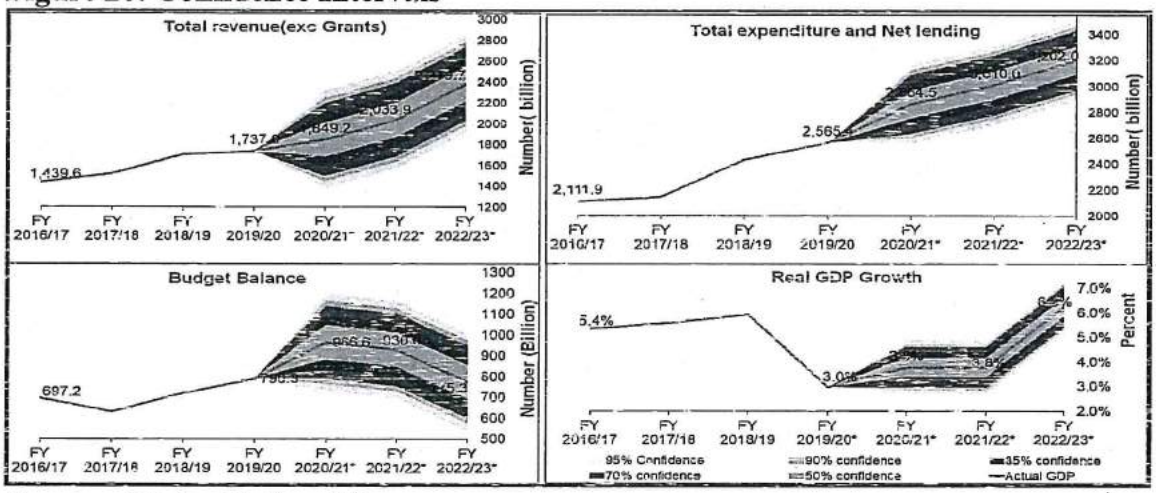


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actual revenue range of Ksh 2,512.6 billion and Ksh 1,555.3 billion and a 50 percent possibility between Ksh 2,200.0 billion and Ksh 1,867.9 billion with a standard deviation of Ksh 244.2 billion (**Figure 20**).

15. The forecasted expenditure of Ksh 3,010.0 billion in FY 2021/2022 has a 90 percent chance to range between Ksh 3,269.7 billion and Ksh 2,750.4 billion with a 157.8 billion standard deviation. The fiscal deficit at a standard deviation of 135.4 billion, within the four financial years, will therefore fall between Ksh 1,195.4 billion and Ksh 664.3 billion in FY 2021/22 at a 95 percent confidence level.

**Figure 20: Confidence Intervals**




***Source of Data: National Treasury***

## SPECIFIC FISCAL RISKS

16. 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:

i. Sustainability of Public Debt;
ii. Materialization of Explicit Contingent Liabilities
iii. Materialization of Implicit Contingent Liabilities
iv. Fiscal Risks Related to Devolution

### Sustainability of Public Debt

17. The sustainability of Kenya's debt depends on macroeconomic performance of the economy and prudent debt management. Under performance of the economy worsens the debt indicators, thus unsustainability. However, with fiscal consolidation, the government aims to contain the pace of borrowing and hence reduce the debt ratios. Contracting of new debt on short term maturities increases the refinancing risk but the government strategy is to restructure the maturing loans for external and domestic with loans of longer-term maturities.

18. The Government will continue with active liability management operations in the domestic debt primary market by switching short term domestic debt to longer term domestic debt, with the aim of lengthening the maturity structure.

19. To cushion the country against the downsides of the risks emanating from the global sphere, the Government is deepening reforms in the domestic debt market to ensure a stable and strong financial system in Kenya capable of funding increasing share of the fiscal deficits.

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

20. Kenya faces a fiscal risk as the Kenya Shilling continue to depreciate due to the fact that 51 percent of the debt is held in external currencies. This has led to increase in debt service budget in local currency and also increase on the stock of debt without inflows. The ongoing global Covid-19 shock has worsened the debt indicators however, this is expected to be temporary as global economy recovers from the crisis. Prudent macroeconomic management (including monetary policy and fiscal consolidation) will help keep the exchange rate stable. The Government is optimistic that the economy will recover from the Covid-19 Pandemic and the debt indicators will not worsen.

## Materialization of Explicit Contingent Liabilities

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

***Governance***

21. Cognizant of the need to inculcate good corporate governance in State Corporations, the Government issued the Mwongozo Guidelines. The State Corporations Advisory Committee (SCAC) and the Kenya School of Government have also partnered to train directors of State Corporations on good corporate governance. The SCAC have also begun board evaluation exercise for all State Corporations conducted at the end of each financial year in line with the Mwongozo Guidelines. To enhance effective financial management and oversight for efficient delivery of strategic objectives by State Corporations, the Cabinet Secretary National gazetted Guidelines for establishment and operationalization of Audit Committees and risk management frameworks for Government entities including State Corporations in line with the requirements of PFM Act.

22. In addition, the Capital Market Authority issued Regulations under the Capital Market Act (Cap 486) on code of governance requirements to be observed by companies listed at the Nairobi Securities Exchange (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)***

A presidential taskforce constituted in 2014 had restructuring and reforms of State Corporations as one of its key recommendations. In line with these reconditions the

process for merging of Industrial and Commercial Development Corporation (ICDC), Industrial Development Bank (IDB) Capital, and Tourism Finance Corporation (TFC) is at an advanced stage. The merging of ICDC with the IDB and the TFC to create the Kenya Development Corporation will enhance capacity to meet the financing requirements of key sectors of the economy at below commercial rates and long tenure debt financing.

23. The merging of Export Promotion Council and Brand Kenya was completed 2018 to form the Kenya Export Promotion and Branding Agency (KEPROBA). Further, merging of KEPROBA on one hand with Ken-Invest, KTB and Kenya Year Book on the other hand to form Promotion Kenya Agency is at an advanced stage.

24. On privatization, 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. Due to the challenges the privatization of sugar companies has faced over the years, a decision has been reached to proceed with privatization of these companies by way of long-term lease model which will transfer the Rights of Use (ROU) of each factory to the lessor for development and operation.

***National Government Loans and Guarantees to State Corporations***

25. State Corporations are body corporates and have the 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.

26. The National Treasury has guaranteed a number of loans to State Corporations and Government linked Corporations mainly to undertake strategic projects and investments. As at June 30, 2020 total outstanding Government guaranteed debt was Ksh 160,453 million up from Ksh 154,802 million as at June 30, 2019. The increase was mainly attributed to drawdown of the guaranteed loans to KPA and Kenya Airways. On servicing of the guaranteed loans, GOK fully paid off guaranteed loans on behalf of East African Portland Cement and Tana Athi River Development Authority during FY 2019/2020.

27. Total undischarged GOK on lent loans to State Corporations stood at Ksh 928,869 million by the end of FY 2019/20 compared with Ksh 829,094 million in FY 2018/19 and Ksh 718,318 million in FY 2017/18. The increase was attributed

to loans procured by the Government and on-lent to Kenya Railways Corporations for the implementation of the Standard Gauge Railway.

***Contingent Liabilities of SOEs***

28. As the principal owner (shareholder) of all State Corporations, the Government is the natural underwriter of risk that they face. Contingent liabilities are frequently not recorded directly in the budget and thus are not subjected to budgetary oversight. There is need therefore, for monitoring of these contingent liabilities to avoid fiscal difficulties in the budget year in the event they happen. Analysis of contingent liabilities therefore, is important in understanding the extent of the Government fiscal risks exposure. In FY 2019/20, total exposure in form of contingent liabilities was Ksh 174,574 million compared with Ksh 223,483 million in FY 2018/19.

**Revitalization of the Public Private Partnerships (PPP) Program**

29. The Government enacted the Public Private Partnerships (PPPs) Act in 2013 to prioritize PPPs as a mechanism to address major infrastructure funding gap in a time of constrained fiscal space, competing development pressures, particularly in the social sectors, and rising public expenditure demands from the national and devolved structure. The country's performance in PPPs however remains below expectation thus impeding the full realization of budget supplementation and the optimal potential of PPPs. In this context and in view of the lessons learnt overtime and emerging challenges, the Government has embarked on a process of revitalizing the PPP programme. The key areas of revitalization include; review of the institutional framework of the PPP to address institutional efficiencies and reform of the PPP Law. The reform is aimed at reducing the required approvals and removal of redundant processes, without compromising on governance. The reform will also provide better clarity on the roles, responsibilities and obligations of the various actors in the PPP process. The reform process is underway and is targeted to be completed within the early months of 2021.

30. In relation to the institutional structure of the PPP, the Government has elevated the PPP Unit to a Directorate, headed by a Director General.

***Priority Sectors for PPP Projects in Kenya***

31. As part of driving the economic recovery of the country and enhance sustainable development, the Government has re-prioritized the PPP Pipeline. The key priority sectors now include Ports, Roads, Power Transmission, Urban Development, Health, Housing, Affordable Real Estate, Water and Sanitation and the Blue Economy. The PPP targets to unlock at least Ksh. 200 Billion in the next 12 months in new development capital for priority projects in these sectors.

***Government Support Measures and Termination Terms for PPP Projects***

**3.** The Government has issued Government Support Measures to the PPP projects listed in the **Table 15** below:

**Table 15: Public Private Partnership (PPP) Projects with effective Project Agreements or Power Purchase Agreements (PPAs) – Kenya, Government's Support Measures and Termination Terms**

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 1 | LOT 33 of the Road Annuity Programme | Construction and rehabilitation to bitumen standards the roads in Lot 33 (90.55km) Ngong-Kiserian-Isinya and Kajiado-Mashuru-Isara. This is being done under a Finance, Design, Build, Maintain and Transfer PPP arrangement | 10 | 98.8 | **Date of contract execution:** 16th November 2016<br><br>**Financial Close:** February 2018<br><br>**Status:** Construction was completed. Operations commenced on 1st November 2020. | Letter of Support covering political risks issued on 4th August 2017 | -Debt Due<br><br>-The NPV and<br><br>-Sub-Contractor Costs | Y |
| 2 | Nairobi Expressway | Construction of the Mlolongo – JKIA- South C- Uhuru Highway – Westlands- James Gichuru (27Km) section of A8 road, a dual | 30 | 667.8 | **Date of contract execution:** 15th October 2019<br><br>**Financial Close:** Pending | Letter of Support covering political risks issued on 20th August 2020. | -Debt Due<br><br>-The NPV and<br><br>-Contract Breakage Costs | Y |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| | | carriageway with Class A standard. This is being done under Design, Construct, Finance, Operate, Maintain and Transfer PPP arrangement. | | | **Status:** Early works are ongoing | | | |
| | | **INDEPENDENT POWER PRODUCERS (IPPs)** | | | | | | |
| 3 | Africa Geothermal International 140 MW | 25year Power Purchase Agreement on a Build, Own, Operate (BOO) basis at Longonot geothermal power project adjacent to Olkaria, Kenya | 25 | 760 | **Date of contract execution**: 3rd April 2013<br><br>**Date of PPA Effectiveness**: 2nd October 2015.<br><br>**Financial Close**: Pending | Letter of support covering political risks issued on 29th January 2015. | 1. Total Project cost depreciated at 5% per annum<br>2. Expenses incurred by the seller as a result of termination<br>3. Net Present Value of 5 Years profits at 10% | N |
| 4 | Lake Turkana Wind Power – 300 MW | The wind turbine farm is being developed on BOO basis in Loyangalani, Marsabit West, on a 20 Year PPA with Kenya Power | 20 | 847 | **Date of contract execution**: 13th May 2013<br><br>**Financial Close**: 24th March, 2014<br><br>**Status**: Operational | Letter of support covering political risks issued on 28th February, 2013<br><br>Indemnity Agreement LC to be replaced with Escrow Account | 1. Total Project cost depreciated at 5% per annum<br>2. Expenses incurred by the seller as a result of termination<br>3. Net Present Value of 5 Years profits at 10% | N |



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| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 5 | Gulf Power – 80.32 MW | The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, in the Athi River region, on a 20-year PPA with KPLC. | 20 | 108 | **Date of contract execution**: 17th December 2012<br><br>**Financial Close**: 18th November, 2013<br><br>**Status**: Operational | Letter of support covering political risks issued on 2nd July 2012<br><br>Indemnity Agreement covering PRG payments was signed on 14th March 2013. PRG amount US$ 35 Mn and Euros 7 Mn | 1. Total Project cost depreciated at 5% per annum<br>2. Expenses incurred by the seller as a result of termination<br>3. Net Present Value of 5 Years profits at 10% | N |
| 6 | Triumph Power – 83 MW | The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20- year PPA with KPLC. | 20 | 156.5 | **Date of contract execution**: 14th June 2012<br><br>**Financial Close**: 7th August 2013<br><br>**Status**: Operational | Letter of support covering political risks issued on 2nd July 2012<br><br>Indemnity Agreement covering PRG payments was signed on 5th December 2012. PRG Amount US$ 45 Mn | 1. Total Project cost depreciated at 5% per annum<br>2. Expenses incurred by the seller as a result of termination<br>3. Net Present Value of 5 Years profits at 10% | N |
| 7 | Thika Power - 87MW | The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at located near Thika town in | 20 | 146 | **Date of contract execution**: 2nd July 2012 | Letter of support covering political risks issued on 2nd July 2012 | 1. Total Project cost depreciated at 5% per annum<br>2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10% | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| | | Kiambu County, on a 20-year PPA with KPLC. | | | Financial Close: 11th October 2012<br><br>**Status**: Operational from August 2013 | Indemnity Agreement covering PRG payments was signed on 28th August 2014. PRG Amount US$ 35 Mn and Euros 7.7 Mn | | |
| 8 | Orpower 150MW Olkaria III Geothermal power plant** (Expanded 1st plant 63.8MW,2nd Plant 39.6MW,3rd plant 17.6 MW and 4th Plant 29MW) | Description: 20 year – BOO, Geothermal. Location – Naivasha in Nakuru County | | ***558 | **Date of contract execution**: 26th November 2014<br><br>**Financial Close**: January 1999<br><br>**Status**: Operational | Letter of support covering political risks issued on 16th April, 2015<br><br>Indemnity Agreement LC covering PRG payments of Amount US$ 31Mn | 1. Total Project cost depreciated at 5% per annum<br>2. Expenses incurred by the seller as a result of termination<br>3. Losses incurred by the Seller | N |
| 9 | Rabai Power Plant – 90 MW | 20 year – BOOT, Thermal Power (Diesel) Plant. Located at Rabai in Kilifi County | 20 | 155 | **Date of contract execution**: 4th September 2008<br><br>**Financial Close**: October, 2008<br><br>**Status**: Operational | Indemnity Agreement<br><br>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 | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 10 | Mumias Power Plant – 35MW | 10 Years-BOO, Biomass power Plant (Bagasse) Located at Mumias Sugar Factory, Kakamega County | 10 | 50 | **Date of contract execution**: 15th May 2008<br><br>**Financial Close**: July, 2008<br><br>**Status**: PPA Expired | None | None | N |
| 11 | KenGen Kipevu III, 120MW | Located at Kipevu in Mombasa, Diesel power plant, on a BOO basis for a 20-year period | 20 | 134 | **Date of contract execution**: 20th August 2014<br><br>**Status**: Operational | None | None | N |
| 12 | Kipevu II 74MW | Located in Mombasa next to Kilindini seaport, the Heavy Fuel Oil (HFO) power plant is on BOO basis over a 20-year period | 20 | 85 | **Date of contract execution**: 28th January 2000<br><br>**Financial Close**: Sept, 1999<br><br>**Status**: Operational | Indemnity Agreement | 1. Net Present Value of Non- escalabe Capacity Charges for the remaining period to the expiry of the term discounted at 10% per annum.<br>2. Expenses incurred by the Seller as a result of termination.<br>3. The value of the stock of fuel and other consumables and spare parts at the Plant | N |
| 13 | Imenti tea Factory Limited 0.28MW | Feed in Tariff Hydro Power Plant on a BOO basis<br>PPA period – 20 years | 20 | 1.11 | **Date of contract execution**: 1st September 2009 | None | None | N |

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| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| | | Location – Meru County | | | **Status:** Operational | | | |
| 14 | Power Technology Solutions Ltd. Gikira Kianjora Small Hydro Power Stations 0.514MW | Feed in Tariff, Hydro Power Plant on a BOO basis<br>PPA period -20 years<br>Location – Nyeri County | 20 | 2.01 | **Date of contract execution**: 12th June 2013<br><br>**Status:** Operational | None | None | N |
| 15 | 1050 MW Lamu Power Project | Located in Manda Bay, the Lamu Coal Power Plant is on a BOO basis over a 20- year period | 25 | 2,000 | **Date of contract execution**: 4th August 2017<br><br>**Status**: PPA not yet effective | Letter of support covering political risks issued on 4th August, 2017 | 1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity<br>2. NPV of 5 years profits at 10% discount rate<br>3. Redundancy payments/ Termination & Breakage costs<br>4. Value of unpaid construction works as at termination | N |
| 16 | 100 MW Kipeto Wind Power | Feed in Tariff, Wind Power Plant on a BOO basis<br>PPA period – 20 years<br>Location - Kajiado County | 20 | 323 | **Date of contract execution**: 17th June 2016<br><br>**Status**: Plant commissioning underway | Letter of support covering political risks issued on 4th August 2017. | 1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity<br>2. NPV of 5 years' profits at 10% discount rate<br>3. Redundancy payments/ Termination & Breakage costs<br>4. Value of unpaid construction works as at termination | N |



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| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 17 | 35MW Geothermal Quantum Power Project | Located in Nakuru County, the Quantum Geothermal Power project is based on BOO arrangement over 20 years | 25 | 90 | **Date of contract execution**: 30th October 2014<br>Status: Financial Close pending | Letter of support covering political risks issued | 1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity<br>2. NPV of 5 years profits at 10% discount rate<br>4. Redundancy payments/ Termination & Breakage costs<br>3. Value of unpaid construction works as at termination | N |
| 18 | 40 MW Cedate Solar Power | Feed in Tariff Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Uasin Gishu County | 20 | 77 | **Date of contract execution: 5th June 2017**<br><br>**Status**: Commissioning underway | Letter of support covering political risks issued on 4th August 2017. | 1. The total project costs as derived from the audited Selenkei/Cedate Financial Model depreciated at 5% per annum.<br>2. The compensation amount to Cedate/ Selenkei shall be limited in aggregate to an amount equal to net present value calculated at 10% discount rate of the audited profit of Selenkei for the last 5 years for the loss of return on equity. | N |
| 19 | 40 MW Selenkei Solar Power | Feed in Tariff Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Uasin Gishu County | 20 | 84 | **Date of contract execution: 5th** June 2017<br><br>**Status**: Commissioning underway | Letter of support covering political risks issued on 4th August 2017. | | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 20 | 40 MW Malindi Solar Power Project | Feed in Tariff Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Kilifi County | 20 | 82 | **Date of contract execution:** 5th June 2017<br><br>**Status**: Under construction | Letter of support covering political risks issued. | 1. Total amount total amount outstanding and unpaid to all Financing Parties – Debt & Equity<br>2. NPV of 5 years profits at 10% discount rate<br>3. Redundancy payments/ Termination & Breakage costs<br>4. Value of unpaid construction works as at termination | N |
| 21 | 40 MW Alten Solar Power Project | Feed in Tariff Power Plant on BOO basis<br>PPA period – 20 years<br>Location – Uasin Gishu County | 20 | 105 | **Date of contract execution:** 5th June 2017<br><br>**Status**: Review of Interconnection Facility designs underway. | Letter of support covering political risks issued on 14th December 2017. | 1. The total project costs as derived from the audited Financial Model depreciated at 5% per annum. The compensation amount to Alten shall be limited in aggregate to amount equal to net present value calculated at 10% discount rate of the audited profit of Alten for the last complete five (5) Contract Years prior to the date of termination of the PPA | N |
| 22 | Chania Green 50MW Wind Power Plant | Feed in Tariff Wind Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Kajiado County | 20 | 102 | **Date of contract execution:** 24th August 2017<br><br>**Status**: Construction ongoing | Letter of support covering political risks issued on 26th January 2018. | 1.Total amount Total amount outstanding and unpaid to all Financing Parties – Debt & Equity<br>2. All amounts paid to Seller by way of subscription in Seller capital, less dividends and other distribution made to shareholders of Seller<br>3. Redundancy payments/ Termination & Breakage costs<br>4. Value of unpaid construction works as at termination | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 23 | Iberafric a 52.5MW | Thermal power Diesel Power Plant on a BOO basis<br>PPA period – 25 years<br>Location – Nairobi County | 25 | 65 | **Date of contract execution:** 10th November 2010<br><br>**Status:** Operational | | | N |
| 24 | Biojoule 2MW | Feed in Tariff, Biogas, 2MW Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Nakuru County | 20 | 6 | **Date of contract execution:** 25th January 2016<br><br>**Status:** Operational | | 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. | N |
| 25 | Regen Terem | Feed in Tariff Power Plant 5.0MW on a BOO basis<br>PPA period – 20 years<br>Location – Bungoma County | 20 | 20 | **Date of contract execution:** 28th January 2014<br><br>**Status:** Operational | - | 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. | N |
| 26 | Chania Power 0.5MW | Feed in Tariff Hydro Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Murang'a County | 20 | 1.4 | **Date of contract execution**: 25th May 2017<br><br>**Status**: under Commissioning | - | 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, Seller and Buyer may agree on alternative arrangements. | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 27 | Gura (KTDA), 2.8MW | Feed in Tariff, Hydro Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Nyeri County | 20 | 12 | **Date of contract execution:** 25th May 2017<br><br>**Status:** Operational | - | All amounts owed between the parties shall be paid upon termination | N |
| 28 | KTDA Ltd, North Mathioya- Metumi | 3.60MW small hydro in Meru County | 20 | 7 | **Date of contract execution:** 25th May 2017<br><br>**Status**: Under commissioning<br>Expected Commercial Operation Date- 30th June 2021 | - | | N |
| 29 | Kirinyaga Power Company Ltd & KTDA Power Company Ltd (Lower Nyamindi) | 0.80MW in Kirinyaga County | 20 | 5.3 | **Date of contract execution:** 25th May 2017<br><br>**Status**: Under construction<br><br>Expected Commercial Operation Date – | | | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| | | | | | 31st December 2021 | | | |
| 30 | Greater Meru Power Company Ltd (Iraru) & KTDA Power Company Ltd | 1.0MW Hydro, Meru County | 20 | 2.4 | **Date of contract execution:** 25th May 2017<br><br>**Status**: Under construction<br><br>Expected Commercial Operation Date – 31st December 2021 | | | N |
| 31 | Greater Meru Power Company Ltd (South Maara) & KTDA Power Company Ltd | 1.50MW, Hydro, Meru county | 20 | 6.2 | **Date of contract execution:** 25th May 2017<br><br>**Status**: Under construction<br><br>Expected Commercial Operation Date – 30th June 2021 | | | N |
| 32 | KTDA Ltd, Nyambunde | 0.50MW, Hydro, Kisii County | 20 | 6.1 | Status: **Date of contract** | | | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| | | | | | **execution:** 23rd June 2016<br><br>**Status**: Under construction<br><br>Expected Commercial Operation Date 30th June 2021 | | | |
| 33 | Kleen Energy Limited. | 6MW Hydro, Embu County | 20 | 18 | **Date of contract execution:** 12th August 2015<br><br>**Status**: Under construction Expected Commercial Operation Date – 31st December 2021 | | | N |
| 34 | Kwale International Sugar Limited (KISCOL) | 10MW, Biomass co-generation, Kwale County | 20 | | **Date of contract execution:** 15th October 2015<br><br>**Status**: Under construction | | | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| 35 | Marco Borero Co Ltd. | 1.50MW, Solar, Nyeri County | 20 | 2.5 | **Date of contract execution:** 31st August 2017<br><br>**Status:** Under construction | | | N |
| 36 | Hannan Arya Energy (K) Ltd | 10MW Solar, Kajiado County | 20 | 12.2 | **Date of contract execution:** 5th December 2017<br><br>**Status:** Financial Close pending | | | N |
| 37 | DWA Estates Ltd (Rea Vipingo) | 1.44MW Biomass, Makueni | 20 | 4.23 | **Date of contract execution:** 8th November 2017<br><br>**Status:** Under construction | | | N |
| 38 | Kianthumbi Small Hydro | 0.51MW, Hydro, Meru County | 20 | 1.4 | **Date of contract execution:** 19th February 2018 | | | N |

| No. | Project Name | Project Description | Term (Years) | Project Value ($ Mn) | Status | Type/Value/ Government Support Measure | Amount of Termination Payment (Default by GOK) | Call on Government Support Measure (Y/N) |
|---|---|---|---|---|---|---|---|---|
| | | | | | **Status**: Under construction Expected Commercial Operation Date – 18th April 2021 | | | |
| 39 | REA Garissa | 50MW Solar, Garissa County | 20 | 85 | **Date of contract execution:** 28th September 2016<br><br>**Status**: Plant is operational | | | |
| 40 | Olkaria V | 158 MW, Nakuru County | 25 | 433 | **Date of contract execution:** 2nd April 2019<br><br>**Status**: Plant is operational | | | |
| 41 | Strathmore University | Feed in Tariff, Solar, 0.25MW Power Plant on a BOO basis<br>PPA period – 20 years<br>Location – Nairobi County | 20 | 0.4 | **Date of contract execution:** 22nd November 2017<br><br>**Status**: Operational | | | N |

## Materialization of Implicit Contingent Liabilities

### Natural Disasters and Man-made Hazards

32. 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. In 2019 and 2020 rains have surpassed the expected average in some parts such as wester, central and eastern regions, precisely 105 to 120 percent of normal rains have been reported. However, the forecast below-average 2020 short rains and 2021 long rains are expected to lead to short-lived pasture and water regeneration, and gradual declines in livestock body conditions and production, limiting household access to food and income. This implies the need for government preparedness to support livelihoods in areas that are likely to be affected.

33. The above normal rains experienced in Mt. Elgon and Cherang'anyi hills has led to record high volume of 92% capacity of Turkwel dam, with continued rains it is estimated that it can lead to displacement of over 50,000 households. This number is massive and in case of the disaster, government will be required to support those households. Following 130 percent of normal rainfall from February to September, flooding from the Lake Turkana and along the Turkwel River basins has displaced around 6,500 households in Kerio, Kalokol, Kang' atotha Lake zone wards in Turkana County and Loiyangalani ward in Marsabit County.

34. Across the country, inter-annual and emergency food assistance for food-insecure households continues. In September, to mitigate the effects of the COVID- 19 pandemic on the urban poor in Nairobi, WFP targeted an additional 20,500 households for cash transfers through November on top of the initial 55,700 households already receiving cash transfers equivalent to 50 percent of daily kilocalorie needs. The Hunger Safety Net Programme (HSNP) administered by NDMA continues to provide year-round bi-monthly cash transfers of 5,400 KES (51 USD) to 100,000 households in Mandera, Wajir, Marsabit, and Turkana counties. In August, WFP assisted 695,337 people with 13,325 MT of food assistance and cash transfers totalling 4 million USD. The government also provides a monthly cash transfer of 2,000 KES (19 USD) through various safety nets to approximately 2.15 million households with orphans and vulnerable children, the elderly, and persons with severe disabilities.

35. The rise in confirmed Covid-19 cases is attributed to the scale up of testing, lifting of measures to reopen the economy, disregard of existing containment measures, difficulties in contact tracing, and possible mutation of the virus resulting in reinfection. Below-average activity in key sectors of the economy, such

as agriculture, tourism, transport, and manufacturing continues to be reported as the effect of Covid-19 continues. This implies that the economy may not recover fully in the next year, which may lead to continued revenue shortfalls. 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.

36. 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. The Disaster Risk Management (DRM) policy which was approved by Cabinet in May 2018, continues to improve 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 build back better.

37. The Government 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. Through one of the Strategic priorities of the Strategy, the Government seeks to strengthen and expand the portfolio of sovereign disaster risk financing instruments.

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

38. Climate change occasioned by increased human activities continues to cause temperature increases that pose serious threats to Kenya's development goals. These threats causes changes in precipitation patterns, rise in sea level, more intense and frequent extreme weather events, and increased prevalence of catastrophic events, such as prolonged droughts and flooding in many Counties as well as vector-borne diseases and pests as witnessed by the invasion of desert locusts in the country and Horn of Africa.

39. Kenya's economy largely depends 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 is 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.

40. 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. Long term climate change effects could impact fiscal management and debt sustainability, borrowing space and borrowing cost.

41. In recognition of the serious threats posed by climate change, the Government is developing instruments for climate proofing vulnerable sectors of the economy through; continued facilitation of adherence to the Climate Change Act, 2016, operationalization of the Kenya Climate Change Fund (CCF), increased 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. The Government is also implementing a Green Fiscal Incentives Policy that aims to provide incentives and/or subsidies to the private sector to promote private sector investment in green projects and programmes. The Government is implementing Financing Locally Led Climate Action programmes (FLLoCA) which aims to strengthen local communities' resilience to the impact of climate change, natural hazards and other shocks. This is through building local capacity to plan, budget, implement, monitor and report resilient investments in a way that promotes collaborative partnerships between communities, National and County Governments.

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

42. Terrorism acts pose a threat to a country's economic growth and development trajectories as it leads to destruction of property, loss of lives, inhibited foreign investment and diversion of public funds to help counter the same. Most of these attacks are usually instigated by the Al-Shabaab who has been noted to frequently use ambushes and IEDs to target Kenyan security forces in Wajir, Garissa, Lamu, and Mandera counties. Some of the notable terror attacks that Kenya has faced in the recent past include the Garissa University College attack (April 2015), the Dusit D2 attack (January 2019), the hospital construction site attack along Elwak-Kutulo road in Mandera (July 2019), Mandera-bound public transport bus attack between Kotulo and Wargadud in Tarbaj, Wajir County (December 2019). Lamu attack on a convoy of 3 passenger buses (January 2020) and the attack on Kenya Defense Force military base in Manda Bay (January 2020). These attacks not only result into loss of lives but also destruction of property and restrained domestic and foreign investments which are key revenue earners for Kenya.

43. The constant evolution of fire outbreaks in the Gikomba area of Nairobi County continue to pose a threat to the hub's economic well-being through destruction of property and even loss of human lives in extreme cases. Traders in

the Gikomba area have constantly linked the fire outbreaks to arson attacks as opposed to natural accidents. In the past decade, the market has burnt at least 10 times from 2010 with the most recent incidences reported in February 2019, February 2020 and June 2020. With almost all the fires starting in the wee hours of the night, fire fighters' efforts have always been thwarted with congestion in the area also posing a threat. However, going forward, the incidences are likely to diminish following the government's commitment to installing CCTV cameras around the area, establishing a perimeter wall around the market as well as drilling a borehole for the local traders.

44. The COVID-19 pandemic which struck in March 2020 has resulted into job losses with many Kenyan households' source of daily livelihood been disrupted. With job losses being culminated with reported incidences of domestic violence, the Government is poised with the responsibility of shouldering the costs related to security and peace restoration and the protection of the country's national image.

45. Going forward, the Government continues to pursue reforms that will improve the country's security and create a conducive business environment that will consistently attract foreign investment. Notable reforms continue to be undertaken and encompass the development of counter-terrorism strategies that entail cooperation among all the security agencies, enhanced training of security personnel, the adoption and use of technology by the security agencies in detecting crime, collaboration with the local communities on matters concerning security, acquisition of modern security equipment and awareness creation among Kenyans with regard to terrorism and crime acts.

**Technological Risk**

46. . Information, Communication and Technology (ICT) remains a key sector for the achievement of "The Big Four" Plan and the Kenya Vision 2030. Kenya is one of the world leaders in driving financial inclusion through the use of digital financial platforms such as MPESA, Mula, Pesalink and Pesapal. The outbreak of the Coronavirus pandemic underscored the need for digital transactions. Specifically, the total value of mobile transactions remained at 3.078T despite the income effects of the pandemic. 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.

47. Digital government continues to be an important focus for government. Roll out of the different e-government such as IFMIS, GHRIS, and IPPD, i-Tax, e-procurement and e-citizen services including Huduma number are important indicators of the significance of technological innovations. In this regard, large volumes of money continue to be transacted through the mobile money systems, being payments to Government for services offered as well as payments to the private sector.

48. Therefore, technological innovations present both benefits and risks. Disruption of mobile services due to infrastructural challenges or cybercrime and fraud could lead to significant loss of potential Government revenue, customer deposits and market confidence. The Government might therefore, be under pressure to compensate losses.

49. To mitigate against such threats, CBK is in the process of formulating a National Payments Strategy to address emerging risks and guide the payments ecosystem in Kenya. The Government through the Kenya Computer Incidence Response Team is continuously sensitizing all users on the importance of enhancing cyber security. The response team is also continues to play an important role in providing cyber security advisories and guidelines to non-technical computer users. In the third quarter of the FY2019-2020 the team detected over 500,000 web application attacks, which was a reduction from 1.9 million in the previous period.

50. To secure the ICT Sector, the Government has enhanced Government Common Core Network (GCCN) security, implemented cyber security policies and deployed firewall at all the gateways, developed security framework of the entire Government cloud and established cyber security Research Institute. The government has also gazetted the data protection Act of 2019, which has led to appointment of the data commissioner.

**Financial Integrity**

51. In order to fight terrorism and money laundering, the Government enacted Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA). The Act criminalizes money laundering activities, provides mechanisms for freezing, seizing and confiscating of proceeds of crime and stipulates obligations for Reporting Institutions. The Act also establishes institutions to combat money laundering, amongst them being the Financial Reporting Centre (FRC). FRC is an independent body that is mandated to assist in the identification of the proceeds of crime and fighting money laundering.

52. In an effort to build public trust and both domestic and international investor`s confidence in corporate body operating in the country, the Government continues to enhance good corporate governance. The Government therefore established FRC and KDIC institutions that are mandated to ensure improvement of good corporate governance in the country. Improved public trust and investors' confidence in corporate bodies will serve to attract the much needed foreign direct investment that will stimulate economic growth and development.

53. To up the game on the fight against money laundering and terrorist financing, the National Treasury has formed National Risk Assessment taskforce that is mandated to assess and determine the high-risk areas in the financial sector that is prone to money laundering and terrorism financing and put in place measures to end these activities. The taskforce will enable Kenya to identify high risk transactions activities, products and geographical areas and this will serve as a basis for effective anti-money laundering.

54. The monitoring and surveillance of financial institution remains a key focus for the Government. Through Central Bank of Kenya, FRC and other Government agencies, the Government has continued to monitor financial institution and detect any suspicious financial transaction and financial malpractice. Early detection of such major corporate scandal has elicited early intervention that has avoided some financial institution from collapse.

**Fiscal Risks Related to Devolution**

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

i. Underperformance of County Governments Own Source Revenue (OSR) since most of the Counties are collecting less than their potential revenue;
ii. Unbalanced expenditures at the Counties where some wards are not properly funded. This results in some regions of the County remaining underdeveloped thus disadvantaging the citizens from those regions;
iii. Overreliance by Counties on equitable share of revenue hence exposing them to fiscal shocks occasioned by revenue underperformance at the national level; and
iv. Delays in disbursement to County Governments resulting from disagreements on revenue sharing formula and division of revenue. This affects service delivery, budget absorption and delays submission of statutory deductions.

## Annex Table 1: Macroeconomic Indicators

| | 2018/19 | 2019/20 | 2020/21 | | | 2021/22 | | 2022/23 | | 2023/24 | | 2024/25 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act | Act | Budget | BROP'20 | Rev Budget I | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BROP'20 | BPS'21 |
| | *annual percentage change, unless otherwise indicated* | | | | | | | | | | | | |
| National Account and Prices | | | | | | | | | | | | | |
| Real GDP | 5.9 | 3.0 | 4.2 | 4.0 | 3.8 | 5.2 | 6.3 | 5.4 | 5.7 | 5.9 | 6.0 | 5.9 | 6.1 |
| GDP deflator | 3.2 | 5.6 | 6.2 | 6.2 | 6.4 | 5.5 | 5.2 | 5.3 | 5.0 | 5.4 | 5.4 | 5.3 | 5.3 |
| CPI Index (eop) | 5.1 | 5.2 | 5.0 | 5.0 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| CPI Index (avg) | 4.9 | 5.2 | 5.0 | 5.0 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Terms of trade (-deterioration) | 0.6 | -2.2 | 4.2 | -1.1 | -2.9 | 1.1 | 1.1 | -0.5 | -0.3 | 0.4 | 0.5 | 0.5 | 0.6 |
| Money and Credit (end of period) | | | | | | | | | | | | | |
| Net domestic assets | 4.7 | 13.5 | 14.8 | 13.3 | 11.3 | 11.7 | 10.2 | 12.7 | 12.0 | 13.6 | 13.0 | 13.2 | 12.6 |
| Net domestic credit to the Government | 19.5 | 21.0 | 19.6 | 23.1 | 20.8 | 14.9 | 21.1 | 14.2 | 13.5 | 10.8 | 11.1 | 10.4 | 9.6 |
| Credit to the rest of the economy | 5.2 | 7.6 | 7.5 | 12.1 | 10.5 | 12.2 | 7.7 | 14.3 | 13.8 | 14.4 | 13.7 | 13.3 | 13.2 |
| Broad Money, M3 (percent change) | 9.2 | 8.4 | 10.6 | 10.5 | 9.8 | 11.0 | 11.0 | 11.0 | 11.0 | 11.6 | 11.7 | 11.6 | 11.4 |
| Reserve money (percent change) | 2.5 | -2.9 | 6.1 | 13.6 | 12.9 | 6.5 | 6.5 | 6.5 | 6.6 | 7.1 | 7.2 | | 6.9 |
| | *in percentage of GDP, unless otherwise indicated* | | | | | | | | | | | | |
| Investment and Saving | | | | | | | | | | | | | |
| Investment | 17.6 | 9.4 | 21.6 | 13.3 | 12.6 | 16.4 | 19.8 | 17.2 | 18.3 | 18.4 | 19.0 | 18.5 | 19.4 |
| Central Government | 8.1 | 5.8 | 5.0 | 5.9 | 5.7 | 5.0 | 4.9 | 4.8 | 4.8 | 4.6 | 4.9 | 4.6 | 4.8 |
| Other | 9.5 | 3.5 | 16.6 | 7.3 | 6.9 | 11.4 | 14.9 | 12.4 | 13.4 | 13.8 | 14.1 | 13.9 | 14.6 |
| Gross National Saving | 13.5 | 3.5 | 16.5 | 8.2 | 6.5 | 11.6 | 13.8 | 12.3 | 12.2 | 13.7 | 12.8 | 13.8 | 13.1 |
| Central Government | -1.2 | -2.1 | 0.5 | 0.3 | -3.0 | 0.8 | -2.6 | 1.6 | -1.4 | 2.2 | -0.4 | 2.1 | -0.1 |
| Other | 14.7 | 5.6 | 16.0 | 7.9 | 9.5 | 10.8 | 16.4 | 10.8 | 13.6 | 11.5 | 13.2 | 11.7 | 13.2 |
| Central Government Budget | | | | | | | | | | | | | |
| Total revenue | 18.3 | 17.1 | 16.8 | 16.5 | 16.6 | 16.2 | 16.4 | 16.4 | 17.3 | 16.6 | 18.2 | 16.4 | 18.1 |
| Total expenditure and net lending | 26.2 | 25.2 | 24.7 | 25.9 | 25.6 | 23.7 | 24.3 | 22.5 | 23.3 | 21.8 | 22.7 | 21.5 | 22.0 |
| Overall Fiscal balance excl. grants | -7.8 | -8.1 | -8.0 | -9.4 | -9.1 | -7.5 | -7.9 | -6.1 | -6.0 | -5.2 | -4.5 | -5.1 | -3.9 |
| Overall Fiscal balance, incl. grants, cash basis | -7.6 | -7.8 | -7.5 | -8.9 | -8.7 | -7.1 | -7.5 | -5.8 | -5.6 | -4.9 | -4.2 | -4.8 | -3.6 |
| Primary budget balance | -3.6 | -3.5 | -3.4 | -4.8 | -4.5 | -2.7 | -3.0 | -1.5 | -1.0 | -0.7 | 0.3 | -0.7 | 0.6 |
| Net domestic borrowing | 3.3 | 4.4 | 4.4 | 5.3 | 4.8 | 3.8 | 5.3 | 3.8 | 3.7 | 2.9 | 3.1 | 2.8 | 2.7 |
| External Sector | | | | | | | | | | | | | |
| Exports value, goods and services | 14.1 | 11.3 | 12.7 | 10.1 | 10.9 | 9.9 | 11.0 | 9.3 | 10.5 | 8.6 | 10.0 | 7.9 | 9.5 |
| Imports value, goods and services | 21.2 | 20.7 | 20.3 | 17.7 | 19.5 | 16.3 | 18.6 | 15.2 | 17.8 | 14.1 | 17.0 | 13.0 | 16.2 |
| Current external balance, including official transfers | -4.1 | -5.9 | -5.1 | -5.1 | -6.0 | -4.8 | -6.0 | -4.8 | -6.1 | -4.8 | -6.2 | -4.7 | -6.3 |
| Gross reserves in months of next yr's imports | 4.9 | 5.4 | 4.5 | 5.3 | 5.2 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Gross reserves in months of this yr's imports | 6.4 | 6.3 | 6.0 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.9 | 5.9 |
| Public debt | | | | | | | | | | | | | |
| Nominal central government debt (eop), gross | 62.0 | 65.8 | 65.0 | 68.3 | 68.6 | 68.7 | 69.3 | 67.6 | 68.1 | 65.5 | 65.2 | 63.5 | 62.1 |
| Nominal debt (eop), net of deposits | 54.6 | 60.8 | 60.5 | 63.8 | 64.1 | 64.6 | 65.3 | 64.0 | 64.4 | 62.2 | 61.9 | 60.6 | 59.1 |
| Domestic (gross) | 29.7 | 31.2 | 32.0 | 33.5 | 33.3 | 34.0 | 35.3 | 34.4 | 35.6 | 33.7 | 34.9 | 33.0 | 34.0 |
| Domestic (net) | 22.3 | 26.3 | 27.5 | 29.1 | 28.8 | 30.0 | 31.3 | 30.8 | 31.9 | 30.5 | 31.7 | 30.1 | 31.1 |
| External | 32.3 | 34.6 | 33.0 | 34.8 | 35.3 | 34.6 | 34.0 | 33.2 | 32.5 | 31.7 | 30.2 | 30.5 | 28.0 |
| Memorandum Items: | | | | | | | | | | | | | |
| Nominal GDP (in Ksh Billion) | 9,367 | 10,175 | 11,276 | 11,267 | 11,169 | 12,502 | 12,393 | 13,879 | 13,760 | 15,495 | 15,373 | 17,286 | 17,128 |
| Nominal GDP (in US$ Million) | 91,509 | 96,332 | 110,672 | 111,863 | 102,611 | 127,469 | 114,334 | 143,759 | 126,082 | 163,831 | 139,749 | 188,098 | 155,429 |

*Source: National Treasury*

## Annex Table 2: Government Fiscal Operations, Ksh Billion

| | 2018/19 | 2019/20 | 2020/21 | | | 2021/22 | | 2022/23 | | 2023/24 | | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act | Act | Budget | BROP'20 | Rev Budget I | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BPS'21 |
| TOTAL REVENUE | 1,704.4 | 1,737.0 | 1,892.6 | 1,860.3 | 1,849.2 | 2,030.1 | 2,033.9 | 2,275.0 | 2,375.7 | 2,573.3 | 2,796.4 | 3,099.8 |
| Ordinary Revenue | 1,499.8 | 1,573.4 | 1,633.8 | 1,601.4 | 1,594.0 | 1,813.7 | 1,775.6 | 2,041.3 | 2,141.6 | 2,298.2 | 2,516.3 | 2,807.4 |
| Income Tax | 685.3 | 706.9 | 685.0 | 735.5 | 733.0 | 838.7 | 834.5 | 947.4 | 997.3 | 1,067.7 | 1,178.6 | 1,316.2 |
| Import duty (net) | 106.9 | 98.0 | 106.8 | 96.3 | 96.3 | 117.4 | 119.0 | 137.3 | 144.9 | 153.2 | 170.4 | 187.5 |
| Excise duty | 194.3 | 195.3 | 241.4 | 208.8 | 208.8 | 237.2 | 241.0 | 266.3 | 297.2 | 301.7 | 346.9 | 389.7 |
| Value Added Tax | 414.1 | 383.7 | 481.6 | 437.6 | 395.2 | 512.2 | 472.9 | 572.9 | 584.7 | 646.8 | 691.6 | 774.3 |
| Investment income | 26.8 | 46.0 | 28.6 | 28.6 | 45.1 | 30.0 | 30.0 | 31.5 | 31.5 | 33.1 | 33.1 | 34.7 |
| Other | 72.3 | 143.4 | 90.4 | 94.7 | 115.7 | 78.2 | 78.2 | 86.0 | 86.0 | 95.7 | 95.7 | 105.0 |
| Ministerial Appropriation in Aid | 204.6 | 163.6 | 258.9 | 258.9 | 255.2 | 216.4 | 258.3 | 233.7 | 238.1 | 275.1 | 280.1 | 292.4 |
| Railway Development Levy | 21.3 | 23.3 | 27.2 | 27.2 | 27.2 | 27.8 | 27.8 | 30.4 | 30.4 | 33.2 | 33.2 | 36.2 |
| African Union & int't Subscription Fund | 2.7 | 3.4 | | | 3.7 | | 4.1 | | 4.5 | | 5.0 | 5.5 |
| Ministerial and Departmental Fees (AiA)/NMS | 180.6 | 137.0 | 231.7 | 231.7 | 224.4 | 188.6 | 226.4 | 203.3 | 203.3 | 241.9 | 241.9 | 250.6 |
| EXPENDITURE AND NET LENDING | 2,433.7 | 2,565.4 | 2,790.6 | 2,919.0 | 2,864.5 | 2,964.3 | 3,010.0 | 3,127.0 | 3,202.0 | 3,376.2 | 3,495.6 | 3,762.9 |
| Recurrent expenditure | 1,531.1 | 1,645.2 | 1,826.7 | 1,843.6 | 1,838.0 | 1,940.1 | 1,986.0 | 2,062.8 | 2,120.0 | 2,250.1 | 2,318.6 | 2,506.0 |
| Interest payments | 375.7 | 437.2 | 463.1 | 463.1 | 458.7 | 555.8 | 560.6 | 594.8 | 644.0 | 646.6 | 695.6 | 713.8 |
| Domestic interest | 272.4 | 315.4 | 308.4 | 308.4 | 340.0 | 389.0 | 421.7 | 420.8 | 482.4 | 462.9 | 508.0 | 518.7 |
| Foreign Interest | 103.4 | 121.8 | 154.7 | 154.7 | 118.7 | 166.8 | 138.9 | 174.0 | 161.5 | 183.7 | 187.6 | 195.1 |
| Pensions & Other CFS | 70.8 | 89.6 | 123.4 | 123.4 | 115.3 | 137.0 | 137.0 | 152.9 | 152.9 | 167.9 | 167.9 | 192.6 |
| Pensions | 66.4 | 87.0 | 119.2 | 119.2 | 111.1 | 132.8 | 132.8 | 146.0 | 146.0 | 163.5 | 163.5 | 188.1 |
| Other CFS | 4.4 | 2.6 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.4 | 4.4 | 4.4 | 4.4 | 4.6 |
| Contribution to Civil ServicePension Fund | 0.0 | 0.0 | 10.3 | 10.3 | 7.3 | 21.6 | 21.6 | 22.9 | 22.9 | 23.8 | 23.8 | 24.8 |
| Net Issues/Net Expenditure | 936.8 | 1,011.5 | 1,052.8 | 1,069.6 | 1,082.6 | 1,090.4 | 1,093.6 | 1,145.0 | 1,152.9 | 1,230.8 | 1,250.3 | 1,388.3 |
| O/W: Wages & Salaries | 417.5 | 449.9 | 496.3 | 481.7 | 493.9 | 541.3 | 524.5 | 573.8 | 550.7 | 591.0 | 588.3 | 635.3 |
| Development and Net lending | 541.9 | 554.9 | 589.7 | 675.2 | 638.5 | 634.0 | 609.1 | 673.8 | 670 | 720 | 759.8 | 834.4 |
| Domestically financed (Gross) | 307.0 | 396.6 | 329.9 | 410.4 | 360.1 | 345.6 | 317.6 | 353.6 | 350.3 | 393.3 | 401.8 | 436.8 |
| O/W Domestically Financed (Net)/NMS | 262.2 | 352.7 | 275.5 | 354.9 | 291.6 | 274.3 | 246.3 | 277.6 | 274.2 | 309.9 | 318.4 | 347.3 |
| Ministerial Development AIA | 270.2 | 43.9 | 56.4 | 56.4 | 68.5 | 71.3 | 71.3 | 76.0 | 76.0 | 83.4 | 83.4 | 90.7 |
| Foreign financed | 225.4 | 197.6 | 258.0 | 258.0 | 271.6 | 281.6 | 284.7 | 312.7 | 312.7 | 318.7 | 349.9 | 390 0 |
| Net lending | 2.5 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equalization Fund | 7.0 | 0.0 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 7.5 | 7.5 | 8.0 | 8.0 | 7.6 |
| County Tranfers | 360.7 | 325.3 | 369.2 | 395.2 | 383.0 | 385.3 | 409.8 | 385.4 | 406.5 | 401.1 | 412.3 | 417.5 |
| Equitable Share | 314.0 | 286.8 | 316.5 | 342.5 | 330.3 | 326.5 | 370.0 | 326.5 | 370.0 | 341.2 | 375.0 | 380.2 |
| Conditional Allocation | 46.7 | 38.5 | 52.7 | 52.7 | 52.7 | 58.8 | 39.8 | 58.9 | 36.5 | 59.9 | 37.3 | 37.3 |
| Level Five Hospital | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.7 | 0.0 | 4.8 | 0.0 | 5.0 | 0.0 | 0.0 |
| Road Maintenance Levy 15% | 9.4 | 9.3 | 9.0 | 9.0 | 9.0 | 9.9 | 0.0 | 10.4 | 0.0 | 10.8 | 0.0 | 0.0 |
| Capital Transfers | 8.8 | 3.4 | 8.5 | 8.5 | 8.5 | 7.7 | 7.5 | 6.5 | 0.3 | 6.3 | 0.3 | 0.3 |
| Recurrent Transfers | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.9 | 0.0 | 0.9 | 0.0 | 0.9 | 0.0 | 0.0 |
| Foreign Financed Transfers | 23.3 | 20.6 | 30.1 | 30.1 | 30.1 | 35.5 | 32.3 | 36.2 | 36.2 | 37.0 | 37.0 | 37.0 |
| Contingency Fund | 0.0 | 0.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Fiscal Balance *(commitment basis excl. grants)* | -729.3 | -828.5 | -898.0 | -1,058.7 | -1,015.3 | -934.1 | -976.1 | -852.0 | -822.3 | -802.9 | -699.3 | -663.1 |
| Grants | 19.7 | 19.8 | 56.8 | 56.8 | 48.7 | 46.1 | 46.1 | 46.9 | 46.9 | 48.1 | 48.1 | 49.3 |
| Of which: Projects Grants(Revenue and AIA) | 15.4 | 15.2 | 32.7 | 32.7 | 41.3 | 43.6 | 43.6 | 46.9 | 46.9 | 48.1 | 48.1 | 49.3 |
| Debt Swap | 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 Grants/AMISOM Receipts/NMS | 4.3 | 4.6 | 24.1 | 24.1 | 7.4 | 2.5 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| County Health Facilities - DANIDA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fiscal Balance *(incl. grants)* | -709.6 | -808.6 | -841.1 | -1,001.8 | -966.6 | -888.1 | -930.0 | -805.1 | -775.3 | -754.8 | -651.2 | -613.8 |
| Adjustment to Cash Basis | 0.0 | 11.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fiscal Balance *(incl. grants) Cash Basis* | -709.6 | -796 8 | -841.1 | -1,001.8 | -966.6 | -888.1 | -930.0 | -805.1 | -775.3 | -754.8 | -651.2 | -613.8 |
| Statistical discrepancy | 11.4 | -6.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL FINANCING | 721.1 | 790.8 | 841.1 | 1,001.8 | 966.6 | 888.1 | 930.0 | 805.1 | 775.3 | 754.8 | 651.2 | 613.8 |
| Net Foreign Financing | 414.5 | 340.4 | 346.8 | 401.8 | 426.5 | 411.3 | 267.3 | 284.6 | 263.1 | 302.6 | 173.8 | 154.3 |
| Disbuserments | 680.8 | 442.0 | 526.4 | 581.4 | 783.7 | 650.6 | 880.6 | 542.2 | 542.2 | 561.1 | 455.8 | 381.1 |
| Commercial Financing | 373.7 | 3.9 | 6.2 | 6.2 | 350.5 | 0.0 | 475.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| O/W Export Credt | 11.1 | 3.9 | 6.2 | 6.2 | 6.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sovereign Bond | 212.3 | 0.0 | | | 123.8 | | 124.3 | | 0.0 | | 0.0 | 0.0 |
| External Debt Operations - Refinancing | 0.0 | 0.0 | | | 220.0 | | 351.0 | | 0.0 | | | 0.0 |
| Semi consessional Loans | 0.0 | 0.0 | 124.1 | 124.1 | 0.0 | 224.3 | 0.0 | 105.6 | 105.6 | 113.6 | 113.6 | 0.0 |
| Total Project loans (AIA + Revenue) | 222.3 | 197.1 | 244.1 | 249.1 | 253.7 | 273.5 | 273.5 | 302.0 | 302.0 | 307.6 | 338.8 | 377.6 |
| O/W Project Loans AIS | 100.6 | 104.5 | 145.6 | 150.6 | 151.5 | 181.6 | 181.6 | 204.3 | 204.3 | 207.9 | 239.1 | 263.0 |
| Project Loans Revenue | 41.7 | 47.8 | 81.3 | 81 3 | 90.3 | 91.9 | 91.9 | 97.7 | 97.7 | 99.7 | 99.7 | 114.6 |
| Project Loans SGR Phase I AIA | 35.2 | 12.2 | 2.0 | 2.0 | 4.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project Loans SGR Phase 2A AIA | 44.8 | 32.6 | 15.3 | 15.3 | 7.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Programme Loans | 84.8 | 239.0 | 152.0 | 202.0 | 179.5 | 152.8 | 131.8 | 134.6 | 134.6 | 139.9 | 3.5 | 3.5 |
| O/W: P for R Programme Loans | 8.2 | 30.1 | 2.0 | 2.0 | 4.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Rapid Credit Facility from IMF | 0.0 | 78.3 | 0.0 | 0.0 | 78.8 | 0.0 | 54.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| World Bank DPO | 76.6 | 130.6 | 150.0 | 150.0 | 82.5 | 149.3 | 74.3 | 131.1 | 131.1 | 136.4 | 0.0 | 0.0 |
| AfDB | 0.0 | 0.0 | 0.0 | 50.0 | 13.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt repayment - Principal | -266.2 | -101.6 | -179.6 | -179.6 | -357.2 | -239.4 | -613.4 | -257.6 | -279.1 | -258 5 | -282.1 | -226.9 |
| of which: External Debt Operations - Refinancing | 0.0 | 0.0 | | | -220.0 | | -351.0 | | 0.0 | | 0.0 | 0.0 |
| Net Domestic Financing | 306.5 | 450.4 | 494.3 | 600.0 | 540.1 | 476.8 | 662.8 | 520.5 | 512.2 | 452.2 | 477.4 | 459.5 |
| Memo items | | | | | | | | | | | | |
| Gross Debt (Stock) | 5,808.6 | 6,693.3 | 7,332.6 | 7,695.2 | 7,659.9 | 8,583.3 | 8,590.0 | 9,588.4 | 9,365.3 | 10,143.2 | 10,016.5 | 10,630.3 |
| External Debt | 3,023.1 | 3,515.8 | 3,722.8 | 3,917.6 | 3,942.3 | 4,328.9 | 4,209.6 | 4,613.5 | 4,472.7 | 4,916.1 | 4,646.5 | 4,800.8 |
| Domestic Debt (gross) | 2,785.5 | 3,177.5 | 3,609.9 | 3,777.6 | 3,717.6 | 4,254.4 | 4,380.4 | 4,774.9 | 4,892.6 | 5,227.1 | 5,370.0 | 5,829.5 |
| Domestic Debt (net) | 2,278.1 | 2,674.2 | 3,102.4 | 3,274.2 | 3,214.3 | 3,751.1 | 3,877.1 | 4,271.6 | 4,389.3 | 4,723.8 | 4,866.7 | 5,326.2 |
| Financing gap | 11.4 | -17.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nominal GDP | 9,303.1 | 10,175.2 | 11,275.8 | 11,266.6 | 11,168.5 | 12,501.6 | 12,393.1 | 13,879.0 | 13,759.9 | 15,494.8 | 15,373.1 | 17,128.4 |

*Source: National Treasury*

## Annex Table 3: Government Fiscal Operations, Percent of GDP

| | 2018/19 | 2019/20 | 2020/21 | | | 2021/22 | | 2022/23 | | 2023/24 | | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act | Act | Budget | BROP'20 | Rev Budget I | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BROP'20 | BPS'21 | BPS'21 |
| TOTAL REVENUE | 18.3 | 17.1 | 16.8 | 16.5 | 16.6 | 16.2 | 16.4 | 16.4 | 17.3 | 16.6 | 18.2 | 18.1 |
| Ordinary Revenue | 16.1 | 15.5 | 14.5 | 14.2 | 14.3 | 14.5 | 14.3 | 14.7 | 15.6 | 14.8 | 16.4 | 16.4 |
| Income Tax | 7.4 | 6.9 | 6.1 | 6.5 | 6.6 | 6.7 | 6.7 | 6.8 | 7.2 | 6.9 | 7.7 | 7.7 |
| Import duty (net) | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.0 | 1.1 | 1.1 |
| Excise duty | 2.1 | 1.9 | 2.1 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 2.2 | 1.9 | 2.3 | 2.3 |
| Value Added Tax | 4.5 | 3.8 | 4.7 | 3.9 | 3.5 | 4.1 | 3.8 | 4.1 | 4.2 | 4.2 | 4.5 | 4.5 |
| Investment income | 0.3 | 0.5 | 0.3 | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other | 0.8 | 1.4 | 0.8 | 0.8 | 1.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Ministerial Appropriation in Aid | 2.2 | 1.6 | 2.3 | 2.3 | 2.3 | 1.7 | 2.1 | 1.7 | 1.7 | 1.8 | 1.8 | 1.7 |
| Railway Development Levy | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| African Union & Int'l Subscription Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ministerial and Departmental Fees (AiA)/NMS | 1.9 | 1.3 | 2.1 | 2.1 | 2.0 | 1.5 | 1.8 | 1.5 | 1.5 | 1.6 | 1.6 | 1.5 |
| Across the board Additional AiA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EXPENDITURE AND NET LENDING | 26.2 | 25.2 | 24.7 | 25.9 | 25.6 | 23.7 | 24.3 | 22.5 | 23.3 | 21.8 | 22.7 | 22.0 |
| Recurrent expenditure | 16.5 | 16.2 | 15.2 | 16.4 | 16.5 | 15.5 | 16.0 | 14.9 | 15.4 | 14.5 | 15.1 | 14.6 |
| Interest payments | 4.0 | 4.3 | 4.1 | 4.1 | 4.1 | 4.4 | 4.5 | 4.3 | 4.7 | 4.2 | 4.5 | 4.2 |
| Domestic interest | 2.9 | 3.1 | 2.7 | 2.7 | 3.0 | 3.1 | 3.4 | 3.0 | 3.5 | 3.0 | 3.3 | 3.0 |
| Foreign Interest | 1.1 | 1.2 | 1.4 | 1.4 | 1.1 | 1.3 | 1.1 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 |
| Civil service Reform | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pensions & Other CFS | 0.8 | 0.9 | 1.1 | 1.1 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Pensions | 0.7 | 0.9 | 1.1 | 1.1 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Other CFS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contribution to Civil ServicePension Fund | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| Net Issues/Net Expenditure | 10.1 | 9.9 | 9.3 | 9.5 | 9.7 | 8.7 | 8.8 | 8.2 | 8.4 | 7.9 | 8.1 | 8.1 |
| O/W: Wages & Salaries | 4.5 | 4.4 | 4.4 | 4.3 | 4.4 | 4.3 | 4.2 | 4.1 | 4.0 | 3.8 | 3.8 | 3.7 |
| Free Secondary education | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 |
| Free Primary Education | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Civil Service Reform | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Famine Relief | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Strategic Grain Reserve | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IEBC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| KRA | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Defense and NIS | 1.5 | 1.4 | 1.3 | 1.3 | 1.4 | 1.2 | 1.3 | 1.0 | 1.2 | 0.9 | 1.1 | 1.0 |
| Nairobi Metropolitan Service (NMS) | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 3.0 | 3.1 | 2.8 | 3.1 | 3.0 | 2.1 | 2.2 | 1.9 | 1.9 | 2.1 | 2.1 | 2.4 |
| Ministerial Recurrent AIA | 1.6 | 1.1 | 1.6 | 1.6 | 1.6 | 1.1 | 1.4 | 1.1 | 1.1 | 1.2 | 1.2 | 1.1 |
| Other recurrent | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Development and Net lending | 5.8 | 5.8 | 5.2 | 6.0 | 5.7 | 5.1 | 4.9 | 4.9 | 4.9 | 4.6 | 4.9 | 4.9 |
| Domestically financed (Gross) | 3.3 | 3.9 | 2.9 | 3.6 | 3.2 | 2.8 | 2.6 | 2.5 | 2.5 | 2.5 | 2.6 | 2.5 |
| O/W Domestically Financed (Net)/NMS | 2.8 | 3.5 | 2.4 | 3.1 | 2.6 | 2.2 | 2.0 | 2.0 | 2.0 | 2.0 | 2.1 | 2.0 |
| Ministerial Development AIA | 2.9 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 | 0.6 | 0.5 | 0.5 | 0.5 |
| Foreign financed | 2.4 | 1.9 | 2.2 | 2.3 | 2.4 | 2.3 | 2.3 | 2.3 | 2.3 | 2.1 | 2.3 | 2.3 |
| o/w: Donor project support | 2.6 | 2.1 | 2.5 | 2.5 | 2.6 | 2.5 | 2.6 | 2.5 | 2.5 | 2.3 | 2.5 | 2.5 |
| 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 |
| Equalization Fund | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Constitution Reform | 0.0 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.4 |
| County Transfers | 3.9 | 3.2 | 3.2 | 3.5 | 3.4 | 3.1 | 3.3 | 2.8 | 3.0 | 2.6 | 2.7 | 2.4 |
| Equitable Share | 3.4 | 2.8 | 2.8 | 3.0 | 3.0 | 2.6 | 3.0 | 2.4 | 2.7 | 2.2 | 2.4 | 2.2 |
| Conditional Allocation | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.3 | 0.4 | 0.3 | 0.4 | 0.2 | 0.2 |
| 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 |
| Road Maintenance Levy 15% | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| Capital Transfers | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 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 |
| Foreign Financed Transfers | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Contingency Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fiscal Balance (commitment basis excl. grants) | -7.8 | -8.1 | -8.0 | -9.4 | -9.1 | -7.5 | -7.9 | -6.1 | -6.0 | -5.2 | -4.5 | -3.9 |
| Grants | 0.2 | 0.2 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Of which: Projects Grants(Revenue and AIA) | 0.2 | 0.1 | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Programme Grants/AMISOM Receipts/NMS | 0.0 | 0.0 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fiscal Balance (incl. grants) | -7.6 | -7.9 | -7.5 | -8.9 | -8.7 | -7.1 | -7.5 | -5.8 | -5.6 | -4.9 | -4.2 | -3.6 |
| Adjustment to Cash Basis | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fiscal Balance (incl. grants) Cash Basis | -7.6 | -7.8 | -7.5 | -8.9 | -8.7 | -7.1 | -7.5 | -5.8 | -5.6 | -4.9 | -4.2 | -3.6 |
| Statistical discrepancy | 0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL FINANCING | 7.8 | 7.8 | 7.5 | 8.9 | 8.7 | 7.1 | 7.5 | 5.8 | 5.6 | 4.9 | 4.2 | 3.6 |
| Net Foreign Financing | 4.5 | 3.3 | 3.1 | 3.6 | 3.8 | 3.3 | 2.2 | 2.1 | 1.9 | 2.0 | 1.1 | 0.9 |
| Disbuserments | 7.3 | 4.3 | 4.7 | 5.2 | 7.0 | 5.2 | 7.1 | 3.9 | 3.9 | 3.6 | 3.0 | 2.2 |
| Commercial Financing | 4.0 | 0.1 | 0.1 | 0.1 | 3.1 | 0.0 | 3.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| O/W Export Credit | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sovereign Bond | 2.3 | 0.0 | 0.0 | 0.0 | 1.1 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External Debt Operations - Refinancing | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Semi concessional Loans | 0.0 | 0.0 | 1.1 | 1.1 | 0.0 | 1.8 | 0.0 | 0.8 | 0.8 | 0.7 | 0.7 | 0.0 |
| Total Project loans (AIA + Revenue) | 2.4 | 1.9 | 2.2 | 2.2 | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | 2.0 | 2.2 | 2.2 |
| O/W Project Loans AIS | 1.1 | 1.0 | 1.3 | 1.3 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 | 1.3 | 1.6 | 1.5 |
| Project Loans Revenue | 0.4 | 0.5 | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.7 |
| Project Loans SGR Phase I AIA | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project Loans SGR Phase 2A AIA | 0.5 | 0.3 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Programme Loans | 0.9 | 2.3 | 1.3 | 1.8 | 1.6 | 1.2 | 1.1 | 1.0 | 1.0 | 0.9 | 0.0 | 0.0 |
| O/W: P for R Programme Loans | 0.1 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Rapid Credit Facility from IMF | 0.0 | 0.8 | 0.0 | 0.0 | 0.7 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| World Bank DPO | 0.8 | 1.3 | 1.3 | 1.3 | 0.7 | 1.2 | 0.6 | 0.9 | 1.0 | 0.9 | 0.0 | 0.0 |
| AfDB | 0.0 | 0.0 | 0.0 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt repayment - Principal | -2.9 | -1.0 | -1.6 | -1.6 | -3.2 | -1.9 | -4.9 | -1.9 | -2.0 | -1.7 | -1.8 | -1.3 |
| of which: External Debt Operations - Refinancing | 0.0 | 0.0 | 0.0 | 0.0 | -2.0 | 0.0 | -2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Domestic Financing | 3.3 | 4.4 | 4.4 | 5.3 | 4.8 | 3.8 | 5.3 | 3.8 | 3.7 | 2.9 | 3.1 | 2.7 |
| Memo items | | | | | | | | | | | | |
| Gross Debt (Stock) | 67.4 | 65.8 | 65.0 | 68.3 | 68.6 | 68.7 | 69.3 | 67.6 | 68.1 | 65.5 | 65.2 | 62.1 |
| External Debt | 32.5 | 34.6 | 33.0 | 34.8 | 35.3 | 34.6 | 34.0 | 33.2 | 32.5 | 31.7 | 30.2 | 28.0 |
| Domestic Debt (gross) | 29.9 | 31.2 | 32.0 | 33.5 | 33.3 | 34.0 | 35.3 | 34.4 | 35.6 | 33.7 | 34.9 | 34.0 |
| Domestic Debt (net) | 24.5 | 26.3 | 27.5 | 29.1 | 28.8 | 30.0 | 31.3 | 30.8 | 31.9 | 30.5 | 31.7 | 31.1 |
| Financing gap | 0.1 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nominal GDP | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: National Treasury*

## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 010 | AGRICULTURE, RURAL & URBAN DEVELOPMENT | 20,275.4 | 42,961.0 | 63,236.4 | 24,424.7 | 45,640.2 | 70,064.9 | 25,477.6 | 38,994.3 | 63,865.9 | 26,287.9 | 30,728.7 | 56,816.6 |
| | 1112 Ministry of Lands and Physical Planning | 2,818.4 | 2,799.0 | 5,617.4 | 2,928.4 | 2,411.7 | 5,340.1 | 3,062.5 | 2,930.4 | 5,992.9 | 3,145.3 | 3,381.0 | 6,526.3 |
| | 0101000 Land Policy and Planning | 2,818.4 | 2,799.0 | 5,617.4 | 2,928.4 | 2,411.7 | 5,340.1 | 3,062.5 | 2,930.4 | 5,992.9 | 3,145.3 | 3,381.0 | 6,526.3 |
| | 1162 State Department for Livestock | 2,629.0 | 3,362.8 | 5,991.8 | 3,297.4 | 4,391.7 | 7,689.1 | 3,391.2 | 5,174.6 | 8,565.8 | 3,497.1 | 5,954.0 | 9,451.1 |
| | 0112000 Livestock Resources Management and Development | 2,629.0 | 3,362.8 | 5,991.8 | 3,297.4 | 4,391.7 | 7,689.1 | 3,391.2 | 5,174.6 | 8,565.8 | 3,497.1 | 5,954.0 | 9,451.1 |
| | 1166 State Department for Fisheries, Aquaculture & the Blue Economy | 1,994.9 | 4,964.0 | 6,958.9 | 2,105.4 | 7,956.2 | 10,061.6 | 2,164.3 | 7,923.3 | 10,087.6 | 2,214.6 | 6,798.4 | 9,013.0 |
| | 0111000 Fisheries Development and Management | 1,767.2 | 3,847.0 | 5,614.2 | 1,776.0 | 7,372.2 | 9,148.2 | 1,825.3 | 5,991.3 | 7,816.6 | 1,869.6 | 5,698.4 | 7,568.0 |
| | 0117000 General Administration, Planning and Support Services | 132.8 | - | 132.8 | 135.0 | - | 135.0 | 140.0 | - | 140.0 | 144.0 | - | 144.0 |
| | 0118000 Development and Coordination of the Blue Economy | 94.9 | 1,117.0 | 1,211.9 | 194.4 | 584.0 | 778.4 | 199.0 | 1,932.0 | 2,131.0 | 201.0 | 1,100.0 | 1,301.0 |
| | 1169 State Department for Crop Development & Agricultural Research | 10,798.5 | 31,010.0 | 41,808.4 | 13,465.0 | 30,486.0 | 43,951.0 | 14,033.0 | 21,861.7 | 35,894.7 | 14,801.0 | 12,895.0 | 27,696.0 |
| | 0107000 General Administration Planning and Support Services | 4,008.3 | 985.8 | 4,994.1 | 4,755.0 | 1,213.0 | 5,968.0 | 4,975.0 | 1,000.0 | 5,975.0 | 5,258.0 | 837.0 | 6,095.0 |
| | 0108000 Crop Development and Management | 1,128.4 | 27,749.6 | 28,878.1 | 2,926.0 | 26,528.0 | 29,454.0 | 3,138.0 | 17,853.7 | 20,991.7 | 3,466.0 | 9,516.0 | 12,982.0 |
| | 0109000 Agribusiness and Information Management | 135.9 | 1,426.0 | 1,562.0 | 149.0 | 1,330.0 | 1,479.0 | 143.0 | 1,330.0 | 1,473.0 | 155.0 | 1,031.0 | 1,186.0 |
| | 0120000 Agricultural Research & Development | 5,525.8 | 848.5 | 6,374.3 | 5,635.0 | 1,415.0 | 7,050.0 | 5,777.0 | 1,678.0 | 7,455.0 | 5,922.0 | 1,511.0 | 7,433.0 |
| | 1173 State Department for Cooperatives | 801.3 | 825.2 | 1,626.5 | 1,193.3 | 374.6 | 1,567.9 | 1,342.8 | 504.1 | 1,846.9 | 1,516.1 | 1,100.0 | 2,616.1 |
| | 0304000 Cooperative Development and Management | 801.3 | 825.2 | 1,626.5 | 1,193.3 | 374.6 | 1,567.9 | 1,342.8 | 504.1 | 1,846.9 | 1,516.1 | 1,100.0 | 2,616.1 |
| | 2021 National Land Commission | 1,233.3 | - | 1,233.3 | 1,437.2 | - | 1,437.2 | 1,478.0 | - | 1,478.0 | 1,513.8 | - | 1,513.8 |
| | 0116000 Land Administration and Management | 1,233.3 | - | 1,233.3 | 1,437.2 | | 1,437.2 | 1,478.0 | | 1,478.0 | 1,513.8 | | 1,513.8 |
| 020 | ENERGY, INFRASTRUCTURE AND ICT | 92,351.0 | 270,418.1 | 362,769.1 | 87,739.4 | 247,017.5 | 334,777.9 | 90,786.5 | 266,944.2 | 357,730.7 | 94,504.3 | 308,301.0 | 402,805.3 |
| | 1091 State Department for Infrastructure | 64,932.5 | 124,590.3 | 189,522.8 | 57,169.9 | 134,806.0 | 191,975.9 | 59,367.5 | 139,012.6 | 198,380.1 | 61,958.8 | 163,832.0 | 225,790.8 |
| | 0202000 Road Transport | 64,932.5 | 124,590.3 | 189,522.8 | 57,169.9 | 134,806.0 | 191,975.9 | 59,367.5 | 139,012.6 | 198,380.1 | 61,958.8 | 163,832.0 | 225,790.8 |
| | 1092 State Department for Transport | 9,188.5 | 38,366.8 | 47,555.3 | 9,468.0 | 1,706.0 | 11,175.0 | 9,823.0 | 1,975.0 | 11,798.0 | 10,195.0 | 4,312.0 | 14,507.0 |
| | 0201000 General Administration, Planning and Support Services | 320.9 | 40.0 | 360.9 | 281.0 | 70.0 | 351.0 | 289.0 | 77.0 | 366.0 | 296.0 | 95.0 | 391.0 |
| | 0203000 Rail Transport | - | 23,223.8 | 23,223.8 | - | - | - | - | - | - | - | - | - |
| | 0204000 Marine Transport | 805.9 | 14,428.0 | 15,233.9 | 801.0 | 687.0 | 1,488.0 | 817.0 | 347.0 | 1,164.0 | 839.0 | 477.0 | 1,316.0 |
| | 0205000 Air Transport | 8,031.2 | 675.0 | 8,706.2 | 8,376.0 | 603.0 | 8,979.0 | 8,707.0 | 1,076.0 | 9,783.0 | 9,050.0 | 3,260.0 | 12,310.0 |
| | 0216000 Road Safety | 30.4 | - | 30.4 | 10.0 | 346.0 | 357.0 | 10.0 | 475.0 | 485.0 | 10.0 | 480.0 | 490.0 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)…Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 020 | ENERGY, INFRASTRUCTURE AND ICT | 92,351.0 | 270,418.1 | 362,769.1 | 87,759.1 | 247,017.7 | 334,776.9 | 90,786.5 | 266,944.2 | 357,730.7 | 94,504.8 | 308,301.1 | 402,805.8 |
| | 1093 State Department for Shipping and Maritime | 1,667.6 | 850.0 | 2,517.6 | 2,236.0 | 750.2 | 2,986.2 | 2,269.0 | 634.4 | 2,903.4 | 2,356.0 | 636.0 | 2,992.0 |
| | 0220000 Shipping and Maritime Affairs | 1,667.6 | 850.0 | 2,517.6 | 2,236.0 | 750.2 | 2,986.2 | 2,269.0 | 634.4 | 2,903.4 | 2,356.0 | 636.0 | 2,992.0 |
| | 1094 State Department for Housing & Urban Development | 1,058.5 | 15,998.7 | 17,057.3 | 1,233.0 | 11,955.6 | 13,188.6 | 1,268.0 | 16,237.0 | 17,505.0 | 1,304.0 | 21,380.0 | 22,684.0 |
| | 0102000 Housing Development and Human Settlement | 531.9 | 3,078.7 | 3,610.6 | 699.0 | 8,328.0 | 9,027.0 | 717.0 | 12,255.0 | 12,972.0 | 737.0 | 16,250.0 | 16,987.0 |
| | 0105000 Urban and Metropolitan Development | 208.5 | 12,920.0 | 13,128.5 | 274.0 | 3,627.6 | 3,901.6 | 284.0 | 3,982.0 | 4,266.0 | 293.0 | 5,130.0 | 5,423.0 |
| | 0106000 General Administration Planning and Support Services | 318.1 | - | 318.1 | 260.0 | - | 260.0 | 267.0 | - | 267.0 | 274.0 | - | 274.0 |
| | 1095 State Department for Public Works | 2,314.5 | 1,185.0 | 3,499.5 | 3,111.0 | 1,127.8 | 4,238.8 | 3,190.0 | 1,269.1 | 4,459.1 | 3,289.0 | 1,868.0 | 5,157.0 |
| | 0103000 Government Buildings | 531.0 | 619.4 | 1,150.4 | 534.0 | 596.3 | 1,130.3 | 550.0 | 648.1 | 1,198.1 | 566.0 | 768.0 | 1,334.0 |
| | 0104000 Coastline Infrastructure and Pedestrian Access | 159.5 | 310.6 | 470.1 | 160.0 | 160.5 | 320.5 | 165.0 | 321.0 | 486.0 | 171.0 | 790.0 | 961.0 |
| | 0106000 General Administration Planning and Support Services | 294.3 | 17.0 | 311.3 | 289.0 | 14.0 | 303.0 | 298.0 | 28.0 | 326.0 | 305.0 | 28.0 | 333.0 |
| | 0218000 Regulation and Development of the Construction Industry | 1,329.7 | 238.0 | 1,567.7 | 2,128.0 | 357.0 | 2,485.0 | 2,177.0 | 272.0 | 2,449.0 | 2,247.0 | 282.0 | 2,529.0 |
| | 1122 State Department for Information Communication Technology & Innovation | 1,503.6 | 18,504.2 | 20,007.8 | 1,653.0 | 22,159.6 | 23,812.6 | 1,739.0 | 17,324.7 | 19,063.7 | 1,792.0 | 12,248.0 | 14,040.0 |
| | 0207000 General Administration Planning and Support Services | 230.9 | - | 230.9 | 234.0 | - | 234.0 | 240.0 | - | 240.0 | 247.0 | - | 247.0 |
| | 0210000 ICT Infrastructure Development | 477.1 | 16,940.4 | 17,417.5 | 535.0 | 20,676.6 | 21,211.6 | 591.9 | 13,836.7 | 14,427.7 | 610.0 | 8,656.0 | 9,266.0 |
| | 0217000 E-Government Services | 795.6 | 1,563.8 | 2,359.4 | 884.0 | 1,483.0 | 2,367.0 | 908.0 | 3,488.0 | 4,396.0 | 935.0 | 3,592.0 | 4,527.0 |
| | 1123 State Department for Broadcasting & Telecommunications | 5,530.6 | 698.0 | 6,228.6 | 5,916.5 | 450.9 | 6,367.4 | 5,890.0 | 601.4 | 6,491.4 | 6,099.0 | 1,693.0 | 7,792.0 |
| | 0207000 General Administration Planning and Support Services | 201.1 | - | 201.1 | 205.0 | - | 205.0 | 209.0 | - | 209.0 | 214.0 | - | 214.0 |
| | 0208000 Information And Communication Services | 4,247.4 | 530.0 | 4,777.4 | 4,595.0 | 305.9 | 4,900.9 | 4,541.0 | 391.4 | 4,932.4 | 4,692.0 | 919.0 | 5,611.0 |
| | 0209000 Mass Media Skills Development | 202.0 | 69.0 | 271.0 | 224.5 | 40.0 | 264.5 | 244.0 | 90.0 | 334.0 | 253.0 | 350.0 | 603.0 |
| | 0221000 Film Development Services Programme | 880.1 | 99.0 | 979.1 | 892.0 | 105.0 | 997.0 | 896.0 | 120.0 | 1,016.0 | 940.0 | 424.0 | 1,364.0 |
| | 1152 Ministry of Energy | 5,911.7 | 66,581.1 | 72,492.8 | 6,636.0 | 71,412.0 | 78,048.0 | 6,896.0 | 87,669.6 | 94,565.6 | 7,157.0 | 99,658.0 | 106,815.0 |
| | 0211000 General Administration Planning and Support Services | 399.4 | 85.0 | 484.4 | 404.0 | 130.0 | 534.0 | 415.0 | 100.0 | 515.0 | 426.0 | 100.0 | 526.0 |
| | 0212000 Power Generation | 1,703.5 | 8,689.7 | 10,393.2 | 2,268.0 | 11,466.0 | 13,734.0 | 2,319.0 | 16,734.0 | 19,053.0 | 2,411.0 | 28,035.0 | 30,446.0 |
| | 0213000 Power Transmission and Distribution | 3,592.5 | 54,556.5 | 58,148.9 | 3,743.0 | 57,144.0 | 60,887.0 | 3,935.0 | 69,010.6 | 72,945.6 | 4,086.0 | 70,922.0 | 75,008.0 |
| | 0214000 Alternative Energy Technologies | 216.3 | 3,250.0 | 3,466.3 | 221.0 | 2,672.0 | 2,893.0 | 227.0 | 1,825.0 | 2,052.0 | 234.0 | 601.0 | 835.0 |
| | 1193 State Department for Petroleum | 243.5 | 3,644.0 | 3,887.5 | 336.0 | 2,649.4 | 2,985.4 | 344.0 | 2,220.4 | 2,564.4 | 354.0 | 2,674.0 | 3,028.0 |
| | 0215000 Exploration and Distribution of Oil and Gas | 243.5 | 3,644.0 | 3,887.5 | 336.0 | 2,649.4 | 2,985.4 | 344.0 | 2,220.4 | 2,564.4 | 354.0 | 2,674.0 | 3,028.0 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)…Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 030 | GENERAL ECONOMIC AND COMMERCIAL AFFAIRS | 16,144.2 | 11,761.0 | 27,906.2 | 16,828.0 | 6,513.7 | 23,341.7 | 22,417.0 | 9,622.0 | 32,039.0 | 17,287.0 | 16,015.0 | 33,302.0 |
| | 1174 State Department for Trade and Enterprise Development | 1,921.8 | 1,095.6 | 3,017.4 | 1,962.0 | 1,207.8 | 3,169.8 | 2,030.0 | 415.9 | 2,445.9 | 2,077.0 | 507.0 | 2,584.0 |
| | 0307000 Trade Development and Promotion | 1,921.8 | 1,095.6 | 3,017.4 | 1,962.0 | 1,207.8 | 3,169.8 | 2,030.0 | 415.9 | 2,445.9 | 2,077.0 | 507.0 | 2,584.0 |
| | 1175 State Department for Industrialization | 2,851.9 | 5,268.1 | 8,120.0 | 2,945.0 | 3,822.9 | 6,767.9 | 3,018.0 | 3,673.3 | 6,691.3 | 3,063.0 | 3,873.0 | 6,936.0 |
| | 0301000 General Administration Planning and Support Services | 374.7 | 1,404.6 | 1,779.3 | 315.0 | - | 315.0 | 332.0 | - | 332.0 | 349.0 | - | 349.0 |
| | 0302000 Industrial Development and Investments | 1,324.6 | 1,662.1 | 2,986.7 | 1,358.0 | 1,011.0 | 2,369.0 | 1,383.0 | 1,394.0 | 2,777.0 | 1,399.0 | 1,593.0 | 2,992.0 |
| | 0303000 Standards and Business Incubation | 1,152.5 | 2,201.5 | 3,354.0 | 1,272.0 | 2,811.9 | 4,083.9 | 1,303.0 | 2,279.3 | 3,582.3 | 1,315.0 | 2,280.0 | 3,595.0 |
| | 1202 State Department for Tourism | 8,495.8 | 4,310.8 | 12,806.6 | 8,594.0 | 500.0 | 9,094.0 | 8,657.0 | 338.8 | 8,995.8 | 8,685.0 | 302.0 | 8,987.0 |
| | 0306000 Tourism Development and Promotion | 8,495.8 | 4,310.8 | 12,806.6 | 8,594.0 | 500.0 | 9,094.0 | 8,657.0 | 338.8 | 8,995.8 | 8,685.0 | 302.0 | 8,987.0 |
| | 1221 State Department for East African Community | 608.0 | - | 608.0 | 609.0 | - | 609.0 | 630.0 | - | 630.0 | 651.0 | - | 651.0 |
| | 0305000 East African Affairs and Regional Integration | 608.0 | - | 608.0 | 609.0 | - | 609.0 | 630.0 | - | 630.0 | 651.0 | - | 651.0 |
| | 1222 State Department for Regional and Northern Corridor Development | 2,266.7 | 1,087.5 | 3,354.2 | 2,718.0 | 1,033.0 | 3,751.0 | 2,782.0 | 1,194.0 | 3,976.0 | 2,811.0 | 1,333.0 | 4,144.0 |
| | 1013000 Integrated Regional Development | 2,266.7 | 1,087.5 | 3,354.2 | 2,718.0 | 1,033.0 | 3,751.0 | 2,782.0 | 1,194.0 | 3,976.0 | 2,811.0 | 1,333.0 | 4,144.0 |
| 040 | HEALTH | 64,450.7 | 47,252.0 | 111,702.6 | 65,059.5 | 47,513.2 | 112,571.7 | 66,887.0 | 42,940.0 | 109,847.0 | 69,230.0 | 46,026.0 | 115,256.0 |
| | 0401000 Preventive, Promotive & RMNCAH | 3,971.5 | 7,614.7 | 11,586.2 | 4,149.0 | 14,884.0 | 19,032.0 | 4,338.0 | 12,011.0 | 16,349.0 | 4,587.0 | 12,243.0 | 16,830.0 |
| | 0402000 National Referral & Specialized Services | 31,569.1 | 10,840.1 | 42,409.2 | 35,774.0 | 11,475.0 | 47,249.0 | 34,908.0 | 12,761.0 | 47,669.0 | 36,560.0 | 2,508.0 | 39,067.0 |
| | 0403000 Health Research and Development | 9,340.2 | 587.5 | 9,927.7 | 9,684.5 | 588.0 | 10,272.5 | 9,542.0 | 1,202.0 | 10,744.0 | 9,695.0 | 1,067.0 | 10,762.0 |
| | 0404000 General Administration, Planning & Support Services | 7,287.8 | 1,245.0 | 8,532.8 | 7,617.0 | 1,060.0 | 8,677.0 | 7,127.0 | 568.0 | 7,695.0 | 7,344.0 | - | 7,344.0 |
| | 0405000 Health Policy, Standards and Regulations | 12,282.0 | 26,964.7 | 39,246.8 | 7,835.0 | 19,506.2 | 27,341.2 | 10,972.0 | 16,398.0 | 27,370.0 | 11,044.0 | 30,208.0 | 41,252.0 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)…Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 050 | EDUCATION | 481,187.6 | 23,933.6 | 505,121.2 | 497,711.0 | 20,178.1 | 508,889.1 | 513,925.0 | 10,832.0 | 524,757.0 | 517,489.0 | 19,629.3 | 537,118.3 |
| | 1064 State Department for Vocational and Technical Training | 18,637.9 | 6,268.0 | 24,905.9 | 18,827.0 | 4,528.4 | 23,355.4 | 19,165.0 | 4,354.9 | 23,519.9 | 19,510.0 | 3,969.0 | 23,479.0 |
| | 0505000 Technical Vocational Education and Training | 18,468.3 | 4,268.0 | 22,736.3 | 18,655.0 | 4,518.4 | 23,173.4 | 18,987.0 | 4,334.9 | 23,321.9 | 19,327.0 | 3,930.0 | 23,257.0 |
| | 0507000 Youth Training and Development | 37.7 | 2,000.0 | 2,037.7 | 39.0 | 10.0 | 49.0 | 40.0 | 20.0 | 60.0 | 41.0 | 39.0 | 80.0 |
| | 0508000 General Administration, Planning and Support Services | 131.9 | - | 131.9 | 133.0 | | 133.0 | 138.0 | | 138.0 | 142.0 | | 142.0 |
| | 1065 State Department for University Education | 107,757.2 | 5,375.6 | 113,132.8 | 95,408.0 | 4,571.6 | 99,979.6 | 98,999.0 | 5,775.2 | 104,774.2 | 102,695.0 | 7,852.0 | 110,547.0 |
| | 0504000 University Education | 106,682.2 | 5,330.6 | 112,012.8 | 94,288.0 | 4,360.6 | 98,648.6 | 96,951.0 | 5,384.2 | 102,335.2 | 100,119.0 | 7,329.0 | 107,448.0 |
| | 0506000 Research, Science, Technology and Innovation | 854.9 | 45.0 | 899.9 | 894.0 | 211.0 | 1,105.0 | 1,737.0 | 391.0 | 2,128.0 | 2,239.0 | 523.0 | 2,762.0 |
| | 0508000 General Administration, Planning and Support Services | 220.1 | - | 220.1 | 226.0 | - | 226.0 | 311.0 | - | 311.0 | 337.0 | - | 337.0 |
| | 1066 State Department for Early Learning & Basic Education | 89,129.0 | 11,690.0 | 100,819.0 | 92,149.0 | 11,133.0 | 103,282.0 | 102,997.0 | 7,105.1 | 110,102.1 | 107,116.0 | 7,579.0 | 114,695.0 |
| | 0501000 Primary Education | 16,953.3 | 3,994.8 | 20,948.1 | 16,955.0 | 2,809.5 | 19,764.5 | 17,030.0 | 1,777.0 | 18,807.0 | 19,106.0 | 2,594.0 | 21,700.0 |
| | 0502000 Secondary Education | 63,343.0 | 7,475.2 | 70,818.2 | 66,343.0 | 8,103.5 | 74,446.5 | 76,943.0 | 5,026.1 | 81,969.1 | 78,810.0 | 4,676.0 | 83,486.0 |
| | 0503000 Quality Assurance and Standards | 4,150.7 | 150.0 | 4,300.7 | 4,145.0 | 150.0 | 4,295.0 | 4,229.0 | 173.0 | 4,402.0 | 4,315.0 | - | 4,315.0 |
| | 0508000 General Administration, Planning and Support Services | 4,682.0 | 70.0 | 4,752.0 | 4,706.0 | 70.0 | 4,776.0 | 4,795.0 | 129.0 | 4,924.0 | 4,885.0 | 309.0 | 5,194.0 |
| | 1068 State Department for Post Training and Skills Development | 150.9 | - | 150.9 | 268.0 | - | 268.0 | 273.0 | - | 273.0 | 279.0 | - | 279.0 |
| | 0508000 General Administration, Planning and Support Services | 97.3 | - | 97.3 | 137.0 | - | 137.0 | 142.0 | - | 142.0 | 147.0 | - | 147.0 |
| | 0512000 Work Place Readiness Services | 40.0 | - | 40.0 | 81.0 | - | 81.0 | 81.0 | - | 81.0 | 82.0 | - | 82.0 |
| | 0513000 Post Training Information Management | 13.6 | - | 13.6 | 50.0 | - | 50.0 | 50.0 | - | 50.0 | 50.0 | - | 50.0 |
| | 2091 Teachers Service Commission | 265,492.6 | 600.0 | 266,092.6 | 281,059.0 | 645.1 | 281,704.1 | 282,491.0 | 596.8 | 283,087.8 | 287,829.0 | 362.0 | 288,191.0 |
| | 0509000 Teacher Resource Management | 257,373.4 | 600.0 | 257,973.4 | 272,630.0 | 600.0 | 273,230.0 | 273,823.0 | 535.0 | 274,358.0 | 278,966.0 | 275.0 | 279,241.0 |
| | 0510000 Governance and Standards | 1,005.2 | - | 1,005.2 | 1,020.0 | - | 1,020.0 | 1,020.0 | - | 1,020.0 | 1,021.0 | - | 1,021.0 |
| | 0511000 General Administration, Planning and Support Services | 7,114.0 | - | 7,114.0 | 7,409.0 | 45.1 | 7,454.1 | 7,648.0 | 61.8 | 7,709.8 | 7,842.0 | 87.0 | 7,929.0 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)...Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 060 | GOVERNANCE, JUSTICE LAW AND ORDER | 186,874.8 | 10,919.9 | 197,794.7 | 205,531.9 | 10,891.6 | 216,423.5 | 217,770.8 | 10,222.5 | 227,993.4 | 206,689.7 | 12,666.7 | 219,356.4 |
| | 1021 State Department for Interior and Citizen Services | 125,189.2 | 6,925.0 | 132,114.2 | 131,137.0 | 6,966.0 | 138,103.0 | 134,866.5 | 5,034.4 | 139,900.9 | 138,398.0 | 5,966.7 | 144,364.7 |
| | 0601000 Policing Services | 94,328.8 | 1,738.9 | 96,067.7 | 99,648.8 | 2,125.0 | 101,773.8 | 102,772.1 | 718.7 | 103,490.8 | 105,305.3 | 1,619.6 | 106,924.8 |
| | 0602000 Planning, Policy Coordination and Support Service | 22,387.6 | 2,535.1 | 24,922.7 | | | | | | | | | |
| | 0629000 General Administration and Support Services | | | | 21,938.5 | 2,875.0 | 24,813.5 | 22,326.1 | 2,399.6 | 24,725.8 | 23,002.9 | 2,420.8 | 25,423.6 |
| | 0630000 Policy Coordination Services | | | | 878.8 | 50.0 | 928.8 | 905.3 | 44.0 | 949.3 | 939.4 | 45.0 | 984.4 |
| | 0603000 Government Printing Services | 685.7 | 50.0 | 735.7 | 700.3 | 50.0 | 750.3 | 714.1 | 44.1 | 758.2 | 735.7 | 45.3 | 781.0 |
| | 0605000 Migration & Citizen Services Management | 1,926.1 | 867.0 | 2,793.1 | 1,978.6 | 740.0 | 2,718.6 | 2,015.9 | 728.1 | 2,744.0 | 2,076.9 | 730.6 | 2,807.5 |
| | 0625000 Road Safety | 2,293.5 | 100.0 | 2,393.5 | 2,287.8 | 100.0 | 2,387.8 | 2,359.3 | 88.1 | 2,447.4 | 2,450.1 | 90.6 | 2,540.7 |
| | 0626000 Population Management Services | 3,567.5 | 1,634.0 | 5,201.5 | 3,704.3 | 1,026.0 | 4,730.3 | 3,773.8 | 1,011.8 | 4,785.6 | 3,887.8 | 1,014.8 | 4,902.6 |
| | 1023 State Department for Correctional Services | 27,317.9 | 784.1 | 28,102.0 | 28,748.5 | 980.2 | 29,728.7 | 29,920.8 | 1,354.6 | 31,275.4 | 30,761.7 | 2,450.0 | 33,211.7 |
| | 0604000 Correctional services | 26,972.5 | 784.1 | 27,756.6 | | | | | | | | | |
| | 0623000 General Administration, Planning and Support Services | 345.4 | - | 345.4 | 353.1 | 20.0 | 373.1 | 359.7 | 10.0 | 369.7 | 370.5 | 20.0 | 390.5 |
| | Prison Services | | | | 26,529.6 | 823.2 | 27,352.8 | 27,670.0 | 1,081.8 | 28,751.8 | 28,436.3 | 2,300.0 | 30,736.3 |
| | Probation and After Care Services | | | | 1,865.8 | 137.0 | 2,002.8 | 1,891.1 | 262.8 | 2,153.9 | 1,955.0 | 130.0 | 2,085.0 |
| | 1252 State Law Office and Department of Justice | 4,603.9 | 185.0 | 4,788.9 | 4,977.5 | 123.5 | 5,101.0 | 5,056.8 | 110.1 | 5,166.9 | 5,222.2 | 100.0 | 5,322.2 |
| | 0606000 Legal Services | 2,134.7 | - | 2,134.7 | 2,455.2 | - | 2,455.2 | 2,443.8 | - | 2,443.8 | 2,507.4 | - | 2,507.4 |
| | 0607000 Governance, Legal Training and Constitutional Affairs | 1,827.1 | 87.0 | 1,914.1 | 1,816.2 | 58.5 | 1,874.7 | 1,872.7 | 10.0 | 1,882.7 | 1,941.8 | 15.0 | 1,956.8 |
| | 0609000 General Administration, Planning and Support Services | 642.1 | 98.0 | 740.1 | 706.1 | 65.0 | 771.1 | 740.3 | 100.1 | 840.4 | 773.1 | 85.0 | 858.1 |
| | 1261 The Judiciary | 14,722.4 | 2,701.0 | 17,423.4 | 15,003.1 | 2,333.4 | 17,336.5 | 15,399.5 | 3,000.0 | 18,399.5 | 15,806.7 | 3,200.0 | 19,006.7 |
| | 1271 Ethics and Anti-Corruption Commission | 3,072.2 | 40.8 | 3,113.0 | 3,258.5 | 64.9 | 3,323.4 | 3,360.6 | 169.4 | 3,530.0 | 3,480.1 | 200.0 | 3,680.1 |
| | 0611000 Ethics and Anti-Corruption | 3,072.2 | 40.8 | 3,113.0 | 3,258.5 | 64.9 | 3,323.4 | 3,360.6 | 169.4 | 3,530.0 | 3,480.1 | 200.0 | 3,680.1 |
| | 1291 Office of the Director of Public Prosecutions | 2,957.0 | 129.0 | 3,086.0 | 3,125.3 | 145.1 | 3,270.4 | 3,186.1 | 257.6 | 3,443.7 | 3,282.4 | 350.0 | 3,632.4 |
| | 0612000 Public Prosecution Services | 2,957.0 | 129.0 | 3,086.0 | 3,125.3 | 145.1 | 3,270.4 | 3,186.1 | 257.6 | 3,443.7 | 3,282.4 | 350.0 | 3,632.4 |

## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)...Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 060 | GOVERNANCE, JUSTICE, LAW AND ORDER | 186,874.8 | 10,919.9 | 197,794.7 | 205,531.9 | 10,681.6 | 216,213.5 | 217,770.3 | 10,021.6 | 227,791.9 | 208,669.4 | 12,066.7 | 219,356.4 |
| | 1311 Office of the Registrar of Political Parties | 1,345.8 | - | 1,345.8 | 1,346.5 | - | 1,346.5 | 1,427.3 | - | 1,427.3 | 1,434.3 | - | 1,434.3 |
| | 0614000 Registration, Regulation and Funding of Political Parties | 1,345.8 | - | 1,345.8 | 1,346.5 | - | 1,346.5 | 1,427.3 | - | 1,427.3 | 1,434.3 | - | 1,434.3 |
| | 1321 Witness Protection Agency | 472.8 | - | 472.8 | 487.9 | - | 487.9 | 497.3 | - | 497.3 | 512.1 | - | 512.1 |
| | 0615000 Witness Protection | 472.8 | - | 472.8 | 487.9 | - | 487.9 | 497.3 | - | 497.3 | 512.1 | - | 512.1 |
| | 2011 Kenya National Commission on Human Rights | 400.7 | - | 400.7 | 407.9 | - | 407.9 | 415.8 | - | 415.8 | 428.4 | - | 428.4 |
| | 0616000 Protection and Promotion of Human Rights | 400.7 | - | 400.7 | 407.9 | - | 407.9 | 415.8 | - | 415.8 | 428.4 | - | 428.4 |
| | 2031 Independent Electoral and Boundaries Commission | 4,322.9 | 150.0 | 4,472.9 | 14,385.9 | 78.5 | 14,464.4 | 20,971.5 | 296.5 | 21,268.0 | 4,606.4 | 400.0 | 5,006.4 |
| | 0617000 Management of Electoral Processes | 4,063.3 | 150.0 | 4,213.3 | 14,283.9 | 78.5 | 14,362.4 | 20,935.0 | 296.5 | 21,231.5 | 4,372.4 | 400.0 | 4,772.4 |
| | 0618000 Delimitation of Electoral Boundaries | 259.5 | - | 259.5 | 102.0 | - | 102.0 | 36.5 | - | 36.5 | 234.0 | - | 234.0 |
| | 2051 Judicial Service Commission | 576.4 | - | 576.4 | 581.8 | - | 581.8 | 607.2 | - | 607.2 | 633.7 | - | 633.7 |
| | 0619000 General Administration, Planning and Support Services | 576.4 | - | 576.4 | 581.8 | | 581.8 | 607.2 | | 607.2 | 633.7 | | 633.7 |
| | 2101 National Police Service Commission | 606.3 | - | 606.3 | 722.2 | - | 722.2 | 685.3 | - | 685.3 | 706.0 | - | 706.0 |
| | 0620000 National Police Service Human Resource Management | 606.3 | - | 606.3 | 722.2 | - | 722.2 | 685.3 | - | 685.3 | 706.0 | - | 706.0 |
| | 2141 National Gender and Equality Commission | 424.7 | 5.0 | 429.7 | 435.8 | - | 435.8 | 444.3 | - | 444.3 | 457.7 | - | 457.7 |
| | 0621000 Promotion of Gender Equality and Freedom from Discrimination | 424.7 | 5.0 | 429.7 | 435.8 | - | 435.8 | 444.3 | - | 444.3 | 457.7 | - | 457.7 |
| | 2151 Independent Policing Oversight Authority | 862.6 | - | 862.6 | 914.2 | - | 914.2 | 932.0 | - | 932.0 | 960.1 | - | 960.1 |
| | 0622000 Policing Oversight Services | 862.6 | - | 862.6 | 914.2 | - | 914.2 | 932.0 | - | 932.0 | 960.1 | - | 960.1 |
| 070 | PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS | 180,832.7 | 108,480.0 | 289,312.7 | 197,412.7 | 159,410.1 | 356,822.8 | 212,778.6 | 161,214.4 | 373,993.0 | 205,747.0 | 108,847.9 | 314,594.9 |
| | 1011 Executive Office of the President | 25,034.6 | 11,473.3 | 36,508.0 | 25,190.5 | 9,616.0 | 34,806.5 | 25,743.4 | 9,343.7 | 35,087.1 | 26,346.8 | 9,988.8 | 36,335.6 |
| | 0702000 Cabinet Affairs | 1,152.7 | 926.0 | 2,078.6 | 1,243.6 | 225.1 | 1,468.7 | 1,348.6 | 238.5 | 1,587.1 | 1,464.3 | 247.6 | 1,711.9 |
| | 0703000 Government Advisory Services | 618.4 | 86.0 | 704.4 | 617.6 | 86.0 | 703.6 | 660.9 | 86.0 | 746.9 | 707.2 | 86.0 | 793.2 |
| | 0704000 State House Affairs | 3,803.7 | 68.6 | 3,872.4 | 3,904.3 | 67.3 | 3,971.6 | 4,196.7 | 230.1 | 4,426.8 | 4,515.0 | 339.8 | 4,854.8 |
| | 0734000 Deputy President Services | 1,419.8 | 18.0 | 1,437.8 | 1,384.8 | 17.6 | 1,402.5 | 1,497.2 | 64.0 | 1,561.2 | 1,620.1 | 95.2 | 1,715.4 |
| | 0745000 Nairobi Metropolitan Services | 18,040.0 | 10,374.7 | 28,414.7 | 18,040.1 | 9,220.0 | 27,260.1 | 18,040.1 | 8,725.1 | 26,765.2 | 18,040.1 | 9,220.2 | 27,260.3 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)…Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 070 | PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS | 180,832.7 | 108,480.0 | 289,312.8 | 197,412.2 | 159,200.8 | 356,613.1 | 221,276.4 | 161,104.4 | 382,380.8 | 255,742.0 | 168,847.9 | 424,589.9 |
| | 1032 State Department for Devolution | 930.2 | 4,734.7 | 5,664.9 | 1,384.2 | 1,263.5 | 2,647.7 | 1,012.4 | 101.6 | 1,114.0 | 1,041.5 | 60.0 | 1,101.5 |
| | 0712000 Devolution Services | 598.9 | 4,730.0 | 5,328.9 | 659.7 | 1,263.5 | 1,923.2 | 682.1 | 101.6 | 783.7 | 703.0 | 60.0 | 763.0 |
| | 0732000 General Administration, Planning and Support Services | 297.7 | 4.7 | 302.4 | 685.0 | - | 685.0 | 295.1 | - | 295.1 | 305.5 | - | 305.5 |
| | 0713000 Special Initiatives | 33.5 | - | 33.5 | 39.5 | - | 39.5 | 35.2 | - | 35.2 | 33.0 | - | 33.0 |
| | 1052 Ministry of Foreign Affairs | 14,555.8 | 1,201.4 | 15,757.2 | 16,668.1 | 1,789.6 | 18,457.8 | 16,192.5 | 1,516.9 | 17,709.4 | 16,937.7 | 1,900.0 | 18,837.7 |
| | 0714000 General Administration Planning and Support Services | 1,694.6 | 70.4 | 1,765.0 | 1,907.0 | 104.6 | 2,011.7 | 2,225.7 | 100.0 | 2,325.7 | 2,451.0 | 100.0 | 2,551.0 |
| | 0715000 Foreign Relation and Diplomacy | 12,662.5 | 1,031.0 | 13,693.5 | 14,562.5 | 1,535.0 | 16,097.5 | 13,766.1 | 1,216.9 | 14,985.0 | 14,288.0 | 1,600.0 | 15,888.0 |
| | 0741000 Economic and Commercial Diplomacy | 48.7 | - | 48.7 | 48.7 | - | 48.7 | 48.7 | - | 48.7 | 48.7 | - | 48.7 |
| | 0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation | 150.0 | 100.0 | 250.0 | 150.0 | 150.0 | 300.0 | 150.0 | 200.0 | 350.0 | 150.0 | 200.0 | 350.0 |
| | 1071 The National Treasury | 74,200.1 | 42,779.1 | 116,979.3 | 85,925.1 | 97,839.3 | 183,764.4 | 109,806.3 | 100,909.9 | 210,716.2 | 140,364.8 | 102,667.9 | 243,032.7 |
| | 0717000 General Administration Planning and Support Services | 59,293.4 | 5,803.2 | 65,096.6 | 78,042.4 | 5,779.6 | 83,822.0 | 100,703.9 | 5,803.2 | 106,507.1 | 127,076.9 | 5,803.2 | 132,880.1 |
| | 0718000 Public Financial Management | 13,276.4 | 36,529.7 | 49,806.1 | 6,252.3 | 34,573.0 | 40,825.3 | 7,472.0 | 32,639.5 | 40,111.5 | 11,657.5 | 40,193.5 | 51,851.0 |
| | 0719000 Economic and Financial Policy Formulation and Management | 1,228.2 | 416.2 | 1,644.4 | 1,228.2 | 380.2 | 1,608.4 | 1,228.2 | 416.2 | 1,644.4 | 1,228.2 | 416.2 | 1,644.4 |
| | 0720000 Market Competition | 346.0 | 30.0 | 376.0 | 346.0 | 30.0 | 376.0 | 346.0 | 30.0 | 376.0 | 346.0 | 30.0 | 376.0 |
| | 0740000 Government Clearing Services | 56.2 | - | 56.2 | 56.2 | - | 56.2 | 56.2 | - | 56.2 | 56.2 | - | 56.2 |
| | 0203000 Rail Transport | | | | | 32,798.5 | 32,798.5 | | 34,222.0 | 34,222.0 | | 37,296.0 | 37,296.0 |
| | 0204000 Marine Transport | | | | | 24,278.0 | 24,278.0 | | 27,799.0 | 27,799.0 | | 18,929.0 | 18,929.0 |
| | 1072 State Department for Planning | 3,213.7 | 42,453.4 | 45,667.1 | 3,478.1 | 42,333.8 | 45,811.9 | 3,573.4 | 42,530.9 | 46,104.3 | 3,650.9 | 48,003.1 | 51,654.0 |
| | 0706000 Economic Policy and National Planning | 1,459.6 | 41,910.2 | 43,369.8 | 1,687.6 | 42,020.4 | 43,708.0 | 1,738.9 | 42,107.0 | 43,845.8 | 1,774.4 | 47,463.7 | 49,238.1 |
| | 0707000 National Statistical Information Services | 1,317.6 | 491.2 | 1,808.7 | 1,317.6 | 231.2 | 1,548.7 | 1,342.1 | 258.4 | 1,600.5 | 1,367.2 | 285.7 | 1,652.9 |
| | 0708000 Monitoring and Evaluation Services | 170.7 | 52.1 | 222.7 | 172.0 | 82.3 | 254.2 | 178.8 | 165.5 | 344.3 | 185.9 | 253.7 | 439.6 |
| | 0709000 General Administration Planning and Support Services | 265.9 | - | 265.9 | 301.0 | - | 301.0 | 313.7 | - | 313.7 | 323.4 | - | 323.4 |
| | 1213 State Department for Public Service | 17,215.5 | 1,254.1 | 18,469.5 | 17,423.0 | 1,155.2 | 18,578.2 | 18,033.4 | 2,178.6 | 20,212.1 | 18,477.8 | 1,995.4 | 20,473.2 |
| | 0710000 Public Service Transformation | 7,565.0 | 312.1 | 7,877.1 | 7,706.0 | 209.6 | 7,915.5 | 8,029.1 | 1,133.0 | 9,162.1 | 8,199.2 | 764.5 | 8,963.7 |
| | 0709000 General Administration Planning and Support Services | 407.4 | - | 407.4 | 472.7 | - | 472.7 | 469.1 | - | 469.1 | 486.0 | - | 486.0 |
| | 0747000 National Youth Service | 9,243.0 | 942.0 | 10,185.0 | 9,244.3 | 945.6 | 10,189.9 | 9,535.3 | 1,045.6 | 10,580.9 | 9,792.6 | 1,230.9 | 11,023.5 |
| | 1214 State Department for Youth Affairs | 1,309.4 | 2,352.5 | 3,661.9 | 1,429.3 | 2,928.5 | 4,357.9 | 1,446.3 | 1,918.7 | 3,365.0 | 1,489.3 | 1,628.6 | 3,118.0 |
| | 0711000 Youth Empowerment | 1,309.4 | 2,352.5 | 3,661.9 | 1,429.3 | 2,928.5 | 4,357.9 | 1,446.3 | 1,918.7 | 3,365.0 | 1,489.3 | 1,628.6 | 3,118.0 |
| | Parliament | 35,240.4 | 2,065.6 | 37,306.0 | 35,817.1 | 2,065.6 | 37,882.7 | 36,470.1 | 2,065.6 | 38,535.7 | 37,142.0 | 2,065.6 | 39,207.6 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22– 2023/24 (Ksh Million)…Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 070 | PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS | 160,832.7 | 108,480.0 | 269,312.8 | 197,412.2 | 159,210.8 | 356,623.0 | 212,276.4 | 161,103.4 | 373,380.8 | 275,747.0 | 148,847.9 | 424,594.9 |
| | 2061 The Commission on Revenue Allocation | 372.0 | - | 372.0 | 383.6 | - | 383.6 | 397.3 | - | 397.3 | 411.4 | - | 411.4 |
| | 0737000 Inter-Governmental Transfers and Financial Matters | 372.0 | - | 372.0 | 383.6 | - | 383.6 | 397.3 | - | 397.3 | 411.4 | - | 411.4 |
| | 2071 Public Service Commission | 2,105.8 | 19.3 | 2,125.0 | 2,265.2 | 19.3 | 2,284.5 | 2,214.3 | 38.5 | 2,252.8 | 2,257.1 | 38.5 | 2,295.6 |
| | 0725000 General Administration, Planning and Support Services | 734.2 | 19.3 | 753.5 | 765.8 | 19.3 | 785.1 | 793.1 | 38.5 | 831.6 | 824.1 | 38.5 | 862.6 |
| | 0726000 Human Resource management and Development | 1,218.3 | - | 1,218.3 | 1,319.1 | - | 1,319.1 | 1,234.5 | - | 1,234.5 | 1,240.6 | - | 1,240.6 |
| | 0727000 Governance and National Values | 114.0 | - | 114.0 | 145.8 | - | 145.8 | 150.6 | - | 150.6 | 155.1 | - | 155.1 |
| | 0744000 Performance and Productivity Management | 39.3 | - | 39.3 | 34.4 | - | 34.4 | 36.2 | - | 36.2 | 37.3 | - | 37.3 |
| | 2081 Salaries and Remuneration Commission | 459.7 | - | 459.7 | 621.4 | - | 621.4 | 666.8 | - | 666.8 | 682.8 | - | 682.8 |
| | 0728000 Salaries and Remuneration Management | 459.7 | - | 459.7 | 621.4 | - | 621.4 | 666.8 | - | 666.8 | 682.8 | - | 682.8 |
| | 2111 Auditor General | 5,078.0 | 146.7 | 5,224.6 | 5,659.5 | 200.0 | 5,859.5 | 5,512.0 | 500.0 | 6,012.0 | 5,694.1 | 500.0 | 6,194.1 |
| | 0729000 Audit Services | 5,078.0 | 146.7 | 5,224.6 | 5,659.5 | 200.0 | 5,859.5 | 5,512.0 | 500.0 | 6,012.0 | 5,694.1 | 500.0 | 6,194.1 |
| | 2121 Office of the Controller of Budget | 623.0 | - | 623.0 | 639.3 | - | 639.3 | 661.9 | - | 661.9 | 685.4 | - | 685.4 |
| | 0730000 Control and Management of Public finances | 623.0 | - | 623.0 | 639.3 | - | 639.3 | 661.9 | - | 661.9 | 685.4 | - | 685.4 |
| | 2131 The Commission on Administrative Justice | 494.7 | - | 494.7 | 527.9 | - | 527.9 | 546.3 | - | 546.3 | 565.5 | - | 565.5 |
| | 0731000 Promotion of Administrative Justice | 494.7 | - | 494.7 | 527.9 | - | 527.9 | 546.3 | - | 546.3 | 565.5 | - | 565.5 |
| 080 | NATIONAL SECURITY | 145,324.0 | 9,208.6 | 154,532.6 | 153,934.5 | 17,080.0 | 171,014.5 | 161,923.2 | 18,968.1 | 180,891.3 | 170,763.0 | 26,080.0 | 196,843.0 |
| | 1041 Ministry of Defence | 106,273.0 | 9,208.6 | 115,481.6 | 114,483.5 | 13,080.0 | 127,563.5 | 114,085.9 | 18,968.1 | 133,054.0 | 119,968.9 | 26,080.0 | 146,048.9 |
| | 0801000 Defence | 104,037.0 | 9,208.6 | 113,245.6 | 112,107.0 | 13,080.0 | 125,187.0 | 111,540.5 | 18,968.1 | 130,508.6 | 117,151.8 | 26,080.0 | 143,231.8 |
| | 0802000 Civil Aid | 200.0 | - | 200.0 | 200.0 | | 200.0 | 200.0 | | 200.0 | 200.0 | | 200.0 |
| | 0803000 General Administration, Planning and Support Services | 1,836.0 | - | 1,836.0 | 1,976.5 | | 1,976.5 | 2,045.4 | | 2,045.4 | 2,117.1 | | 2,117.1 |
| | 0805000 National Space Management | 200.0 | - | 200.0 | 200.0 | | 200.0 | 300.0 | | 300.0 | 500.0 | | 500.0 |
| | 1281 National Intelligence Service | 39,051.0 | - | 39,051.0 | 42,451.0 | - | 42,451.0 | 47,837.3 | - | 47,837.3 | 50,794.1 | - | 50,794.1 |
| | 0804000 National Security Intelligence | 39,051.0 | - | 39,051.0 | 42,451.0 | | 42,451.0 | 47,837.3 | | 47,837.3 | 50,794.1 | | 50,794.1 |

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## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)...Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 090 | SOCIAL PROTECTION, CULTURE AND RECREATION | 39,700.2 | 30,389.6 | 70,089.8 | 39,114.3 | 32,182.4 | 71,316.7 | 39,107.9 | 34,342.3 | 73,450.1 | 39,417.9 | 36,300.6 | 75,718.5 |
| | 1035 State Department for Development of the ASAL | 980.4 | 8,824.3 | 9,804.7 | 1,029.5 | 9,036.2 | 10,065.7 | 1,047.4 | 11,211.0 | 12,258.4 | 1,087.5 | 12,272.3 | 13,359.7 |
| | 0733000 Accelerated ASAL Development | 980.4 | 8,824.3 | 9,804.7 | 1,029.5 | 9,036.2 | 10,065.7 | 1,047.4 | 11,211.0 | 12,258.4 | 1,087.5 | 12,272.3 | 13,359.7 |
| | 1132 State Department for Sports Development | 1,241.5 | 14,155.6 | 15,397.1 | 1,338.6 | 15,144.6 | 16,483.2 | 1,279.0 | 15,964.0 | 17,243.0 | 1,312.0 | 16,304.5 | 17,616.5 |
| | 0901000 Sports | 1,241.5 | 14,155.6 | 15,397.1 | 1,338.6 | 15,144.6 | 16,483.2 | 1,279.0 | 15,964.0 | 17,243.0 | 1,312.0 | 16,304.5 | 17,616.5 |
| | 1134 State Department for Culture and Heritage | 2,679.7 | 43.1 | 2,722.8 | 2,749.2 | 54.6 | 2,803.8 | 2,729.7 | 80.8 | 2,810.5 | 2,810.7 | 115.0 | 2,925.7 |
| | 0902000 Culture/ Heritage | 1,660.6 | 43.1 | 1,703.7 | 1,699.6 | 43.6 | 1,743.2 | 1,684.3 | 65.4 | 1,749.7 | 1,723.9 | 61.1 | 1,784.9 |
| | 0903000 The Arts | 139.6 | - | 139.6 | 142.2 | - | 142.2 | 141.8 | - | 141.8 | 150.8 | - | 150.8 |
| | 0904000 Library Services | 750.8 | - | 750.8 | 773.3 | 11.0 | 784.3 | 766.6 | 15.4 | 782.0 | 788.5 | 53.9 | 842.4 |
| | 0905000 General Administration, Planning and Support Services | 128.7 | - | 128.7 | 134.1 | - | 134.1 | 136.9 | - | 136.9 | 147.6 | - | 147.6 |
| | 1184 State Department for Labour | 2,764.3 | 2,444.4 | 5,208.7 | 2,750.6 | 2,586.5 | 5,337.1 | 2,820.3 | 2,681.9 | 5,502.3 | 2,882.9 | 2,805.7 | 5,688.6 |
| | 0910000 General Administration Planning and Support Services | 453.9 | - | 453.9 | 446.5 | - | 446.5 | 477.9 | - | 477.9 | 483.8 | - | 483.8 |
| | 0906000 Promotion of the Best Labour Practice | 676.0 | 100.0 | 776.0 | 691.1 | 87.0 | 778.1 | 705.1 | 165.6 | 870.7 | 730.8 | 170.0 | 900.8 |
| | 0907000 Manpower Development, Employment and Productivity Management | 1,634.5 | 2,344.4 | 3,978.9 | 1,612.9 | 2,499.5 | 4,112.5 | 1,637.4 | 2,516.3 | 4,153.7 | 1,668.3 | 2,635.7 | 4,304.0 |
| | 1185 State Department for Social Protection, Pensions & Senior Citizens Affairs | 31,056.2 | 2,548.2 | 33,604.5 | 30,236.1 | 3,036.6 | 33,272.7 | 30,193.5 | 2,290.5 | 32,484.0 | 30,257.5 | 2,232.4 | 32,489.9 |
| | 0908000 Social Development and Children Services | 3,408.7 | 228.7 | 3,637.4 | 3,586.2 | 217.3 | 3,803.5 | 3,623.1 | 442.2 | 4,065.4 | 3,670.8 | 512.9 | 4,183.7 |
| | 0909000 National Social Safety Net | 27,442.3 | 2,319.5 | 29,761.8 | 26,444.3 | 2,819.3 | 29,263.6 | 26,358.9 | 1,848.3 | 28,207.2 | 26,367.3 | 1,719.5 | 28,086.8 |
| | 0914000 General Administration, Planning and Support Services | 205.3 | - | 205.3 | 205.7 | - | 205.7 | 211.5 | - | 211.5 | 219.4 | - | 219.4 |
| | 1212 State Department for Gender | 978.0 | 2,374.0 | 3,352.0 | 1,030.3 | 2,324.0 | 3,354.3 | 1,038.1 | 2,114.0 | 3,152.1 | 1,067.2 | 2,570.8 | 3,638.0 |
| | 0911000 Community Development | - | 2,130.0 | 2,130.0 | - | 2,130.0 | 2,130.0 | - | 1,748.2 | 1,748.2 | - | 2,130.0 | 2,130.0 |
| | 0912000 Gender Empowerment | 690.8 | 244.0 | 934.8 | 723.1 | 194.0 | 917.1 | 710.2 | 365.8 | 1,076.0 | 725.6 | 440.8 | 1,166.4 |
| | 0913000 General Administration, Planning and Support Services | 287.2 | - | 287.2 | 307.2 | - | 307.2 | 327.9 | - | 327.9 | 341.6 | - | 341.6 |

## Annex Table 4a: Summary of Expenditure by Programmes, 2021/22 – 2023/24 (Ksh Million)...Contd

| Sector Code | Sector/Vote/Programme Details | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total | Current | Capital | Total |
| 0100 | ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES | 27,282.8 | 77,983.7 | 105,266.5 | 26,656.0 | 76,180.2 | 102,836.2 | 27,872.0 | 93,894.0 | 121,766.0 | 28,048.0 | 109,488.0 | 137,537.0 |
| | 1108 Ministry of Environment and Forestry | 10,255.0 | 5,995.1 | 16,250.1 | 10,530.0 | 5,547.3 | 16,077.3 | 10,570.0 | 8,299.0 | 18,869.0 | 10,635.0 | 10,313.0 | 20,949.0 |
| | 1002000 Environment Management and Protection | 1,677.7 | 1,536.1 | 3,213.8 | 1,949.0 | 1,491.2 | 3,440.2 | 1,952.0 | 1,998.0 | 3,950.0 | 1,954.0 | 2,052.0 | 4,007.0 |
| | 1010000 General Administration, Planning and Support Services | 326.5 | - | 326.5 | 421.0 | - | 421.0 | 434.0 | - | 434.0 | 459.0 | - | 459.0 |
| | 1012000 Meteorological Services | 1,035.3 | 592.0 | 1,627.3 | 1,032.0 | 403.0 | 1,435.0 | 1,055.0 | 646.0 | 1,701.0 | 1,092.0 | 739.0 | 1,831.0 |
| | 1018000 Forests and Water Towers Conservation | 7,111.5 | 3,847.0 | 10,958.5 | 7,128.0 | 3,653.2 | 10,781.2 | 7,129.0 | 5,655.0 | 12,784.0 | 7,130.0 | 7,522.0 | 14,652.0 |
| | 1008000 Resources Surveys and Remote Sensing | 104.0 | 20.0 | 124.0 | | | | | | | | | |
| | 1109 Ministry of Water & Sanitation and Irrigation | 6,232.6 | 70,982.8 | 77,215.4 | 6,394.0 | 69,747.0 | 76,141.0 | 6,441.0 | 84,558.0 | 90,999.0 | 6,467.0 | 98,062.0 | 104,529.0 |
| | 1001000 General Administration, Planning and Support Services | 765.7 | 40.0 | 805.7 | 761.0 | 100.0 | 861.0 | 787.0 | 170.0 | 957.0 | 791.0 | 50.0 | 841.0 |
| | 1004000 Water Resources Management | 1,656.6 | 9,251.0 | 10,907.6 | 1,664.0 | 15,077.0 | 16,741.0 | 1,667.0 | 14,775.0 | 16,442.0 | 1,672.0 | 22,793.0 | 24,465.0 |
| | 1017000 Water and Sewerage Infrastructure Development | 3,066.3 | 39,513.2 | 42,579.5 | 3,227.0 | 35,714.0 | 38,941.0 | 3,238.0 | 48,815.0 | 52,053.0 | 3,248.0 | 56,544.0 | 59,792.0 |
| | 1014000 Irrigation and Land Reclamation | 713.6 | 11,291.6 | 12,005.2 | 712.0 | 8,987.0 | 9,699.0 | 718.0 | 9,480.0 | 10,198.0 | 724.0 | 8,616.0 | 9,340.0 |
| | 1015000 Water Storage and Flood Control | - | 8,579.0 | 8,579.0 | - | 8,259.0 | 8,259.0 | - | 9,598.0 | 9,598.0 | - | 7,821.0 | 7,821.0 |
| | 1022000 Water Harvesting and Storage for Irrigation | 30.5 | 2,308.0 | 2,338.5 | 30.0 | 1,610.0 | 1,640.0 | 31.0 | 1,720.0 | 1,751.0 | 32.0 | 2,238.0 | 2,270.0 |
| | 1192 State Department for Mining | 637.1 | 312.0 | 949.1 | 629.0 | 253.4 | 882.4 | 651.0 | 340.0 | 991.0 | 674.0 | 369.0 | 1,043.0 |
| | 1007000 General Administration Planning and Support Services | 278.8 | - | 278.8 | 275.0 | - | 275.0 | 282.0 | - | 282.0 | 288.0 | - | 288.0 |
| | 1009000 Mineral Resources Management | 296.5 | 199.0 | 495.5 | 293.0 | 126.2 | 419.2 | 300.0 | 177.0 | 477.0 | 313.0 | 192.0 | 505.0 |
| | 1021000 Geological Survey and Geoinformation Management | 61.8 | 113.0 | 174.8 | 61.0 | 127.2 | 188.2 | 69.0 | 163.0 | 232.0 | 73.0 | 177.0 | 250.0 |
| | 1203 State Department for Wildlife | 10,108.1 | 693.8 | 10,801.9 | 9,103.0 | 633.0 | 9,736.0 | 10,210.0 | 697.0 | 10,907.0 | 8,272.0 | 744.0 | 9,016.0 |
| | 1019000 Wildlife Conservation and Management | 10,108.1 | 693.8 | 10,801.9 | 9,103.0 | 633.0 | 9,736.0 | 10,210.0 | 697.0 | 10,907.0 | 8,272.0 | 744.0 | 9,016.0 |
| | TOTAL | 1,254,353.4 | 633,508.6 | 1,887,662.0 | 1,307,451.5 | 658,903.3 | 1,966,354.7 | 1,373,137.6 | 690,261.7 | 2,063,401.2 | 1,423,804.3 | 763,615.6 | 2,187,419.9 |

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**Annex Table 5: Summary of Public Participation Highlights**

| Sector | Issues | Proposed way forward/ Action taken/ Response |
|---|---|---|
| **Agriculture Rural and Urban Development Sector** | **Policy Issues**<br>Revitalization of the sisal sector | Due to the worldwide ban/concern on plastics the fiber crops regulations have been developed and are currently in parliament to bring incentives for sisal farming as well as other fiber crops. |
| | Reviving of KICOMI and the Cotton industry | BT cotton has been introduced in the Country to enhance production. This is the first steps towards reviving the cotton industry in Kenya. |
| | Status of privatization of sugar mills | The Ministry of Agriculture Livestock, Fisheries and Cooperatives is working with the Office of the Attorney General and the National Treasury towards privatization of the sugar Mills |
| | **Governance Issues**<br><br>Revitalization of fish industry in Lake Victoria | 70% of fish in Kenya comes from fresh waters with most of it from Lake Victoria. The challenge of dwindling fish species and population in Lake Victoria is as a result of fishing juvenile fish. The Kenya Fisheries Service has been established and is supposed to work with the Coast Guard to monitor fishing activities with a view of ensuring that illegal fishing is controlled and managed. |
| | **Project Implementation Issues**<br>Warehouse receipting system | The state department has developed regulations for national warehouse receipt system and currently preparation of regulation on trade and multi commodity exchange system is ongoing. All commodities are on the table in the warehouse receipting system. The receipts can be used to acquire inputs. Trading of the receipts will happen at the commodities exchange. |
| | Galana Kulalu irrigation project | The Galana Kulalu project is ongoing where the model farm is almost complete. The Government is inviting the private sector to come in as large scale farmers as well as small scale farmers. The model was focused on maize but currently different crops are being tried out under irrigation in the 10,000 acres model farm. The role of Government is to provide amenities such as roads, power so as to facilitate the private sector players. |

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| **Environment Protection, Water and Natural Resources Sector** | **Project Implementation Issues**<br>Cleaning of Nairobi River | Nairobi River is supposed to feed Thwake dam, the Ministry has therefore started cleaning it from source under Nairobi River regeneration project. This includes repairing broken sewer with a view of reducing contamination of the river. |
| | Seedlings production by private nurseries<br>Enhance development budget for mineral research | The Ministry of Environment has developed a portal for registration of youth, women and other CBOs who can produce seedlings in order to be certified to produce seedling. This is to complement seedlings production by KFS towards achievement of a 10% tree cover. This is also meant to create employment to the above-mentioned groups. |
| **Social Protection, Culture and Recreation Sector** | **Policy Issues**<br>County Government vs. National Government roles in social work | The Constitution clearly demarcates the roles that belong to the National Government and those of the County Government. The Government has implemented the Constitution and what has been found not to work can be reviewed through the Constitution. The Country is currently in a Constitutional moment to cure some issues highlighted. |
| | **Project Implementation Issues**<br>Wholesomeness of impact of the social security programmes with focus on wealth creation | Ministry is coming up with a social assistance fund so that more resources can be mobilized to fund the social assistance programmes. Social sector cushions the vulnerable by ensuring harmony between the employer and employee. When there is industrial harmony there is wealth creation. |
| | Prioritize stadiums for talent development under PPP | There is a Public Private Partnership (PPP) Unit at the National Treasury that deals with PPP issues that will look at the possibility of PPP arrangement for the stadia |
| | Elderly over 70yrs left out of cash transfer programme | Cognizant that elderly left out from the programme are affected, especially during difficult times of Covid-19. There are 1.1 million Kenyans on the payroll and about 250,000 who are out of the payroll. There are plans to enhance the programme to be universal and include all the elderly who are to be taken on board automatically when they hit 70yrs. |

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| **Governance Justice Law and Order Sector** | **<u>Policy Issues</u>**<br>Focus on delivery of quality service | The subsector has increased police stations by 700 which are being operationalized with a budget for every Ward Commander. |
| | Provision of community policing in police station | Community policing is done at the police station level. Different communities have different needs. Currently there are specific budgets for the Ward Commanders and the State Department for Interior and Citizen Services is trying to harmonize community policing with Nyumba Kumi and Peace Committees so as to optimize use of resources. |
| | **<u>Resource Allocation Issues</u>**<br><br>Autonomy of the NPSC to have its own independent budget | This is currently the norm |
| | Adequacy of resources for provision of legal aid services | There can never be enough resources but resources are prioritized as well as working with other partners to provide legal aid. The National legal aid is within the bill of rights. The office has brought on board support from development partners to supplement funding. They train partners to provide legal aid through a systematic decentralization process and the hope is to reach all counties. There is also use radio shows to empower Kenyans on their rights and they are usually available during the Judiciary service weeks. |
| | Constraint of resources in view of qualified audit reports<br><br>Enhance funding to the Office of Registrar of Political Parties with the impending General Elections<br>Autonomy of the Inspector General through separate budget | The State Department is working to ensure that all audit queries are worked on and will strive to have unqualified audit reports through ensuring prudent use of resources. |

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| | Enhance funding for security operations witnessed during referendum and elections given the past experience | |
| **Education Sector** | **Resource allocation issues**<br>Increase budget allocation for government sponsored students<br>Increase capitation of TVET students from Kshs. 15,000 to Kshs. 30,000 | Need to increase funding for field offices under the State Department for Basic Education and Early Learning |
| | Enhance funding for Adult & Continuing education and staff recruitment<br>Vocational training students be allowed to join KUPPCS | The Government should consider sending funds straight to the VCTs and work in collaboration with County Governments to increase efficiency |
| **Energy, Infrastructure and ICT Sector** | **Project Implementation Issues**<br>Ahero and the Kondele-Mamboleo Inter-changes | Projects have stalled due to contractual issues leading to the contractor terminating the contract. However, the project is due to be retendered to ensure completion. |
| | Expansion of Runway at Kisumu International Airport | It was noted that Kisumu International Airport is not capable of handling big airplanes due to the size of the runway. The Ministry indicated that this expansion will be considered over the Medium-Term to allow for international flights. |
| | Meter-Gauge Railway | The Government is rehabilitating the Meter-Gauge Railway line from Naivasha to Malaba and from Nakuru to Kisumu to ease movement of goods along the transport corridor. |
| | **Resource allocation issues**<br>Centralized advertising | The Government should increase funding to Government Advertising Agency to settle pending bills |

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| **Health Sector** | **Policy Issues**<br>HIV/AIDS and teenage pregnancies control/prevention among the youths and adolescents | The Government through the Ministry of Health has outreach programs for sensitizing the youth through different platforms including social media, through the RMCAH and NASCOP programs |
| | Health Research | The Ministry of Health through Kenya Medical Research Institute and Kenya Medical Training Institute carries out the health research. The Government will endeavor to collaborate with other Non-Governmental Organizations in carrying out medical and Health Research |
| | Provision for Family Planning | The Ministry indicated there was budgetary provision for family planning.<br>The Government should provide a budget line for Family Planning. And have health facilities provide youth friendly services. NHIF cover should be expanded to cover Family planning payment for patients. |
| | Prevention of Mental Health | The Government through Ministry of Health endeavors to ensure access to quality mental health care |
| | Reproductive Health Services | Government to increase funding for reproductive health services. The National Treasury, Ministry of Health and the Ministry of Education to address the comprehensive health education in schools. |
| **Public Administration and International Relations Sector** | **Policy Issues**<br>National contractors not given a chance in national development | The Public Procurement and Asset Disposal Act (PPADA) 2015 and its regulations have provisions that give advantages to local contractors, more so when they are competing with foreign contractors. Provisions such as AGPO also ensure that local contractors who are disadvantaged and/or marginalized also participate in national development.<br>The Policy has been approved by Cabinet and disseminated to Counties for their input. |

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| | Status of own source revenue policy<br><br>Streamlining of collection of revenue across counties<br><br>Timely release of funds to Counties<br>Focus on management of public debt to make it sustainable<br>Taxation of businesses in informal sector to avoid revenue losses<br>Regulation of the proliferation of mobile loan Apps to prevent exploitation of Kenyans<br>Is the Contingency Fund sufficient to handle unexpected expenditures such as Covid-19 and other disasters? | • A taskforce is in place to look at the best system to facilitate counties collect revenue. There is an own source revenue bill which lapsed with the previous parliament. The Bill will be reintroduced in Parliament. |
| | **<u>Project Implementation Issues</u>**<br><br>Average project completion rate of 40% for dams yet people are dying of hunger | Dams are part of the Vision 2030 MTPIII and most are integrated hence providing multiple uses such as irrigation, power generation etc. There should be effort to prioritize completion of the dams as well as other government projects so that Wananchi can benefit. |

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**Annex Table 6: Public Proposals and Comments on the 2021 Budget Policy Statement**

| SECTOR/POLICY AREA | PROPOSAL/COMMENT | WAY FORWARD/ACTION TAKEN/RESPONSE |
|---|---|---|
| Economic Growth and Forecasts | • Given the global impact of Covid- 19 Pandemic to economies which are largely dependent on tourism and commodity exports such as the Kenyan economy, consider either a downward revision of the projection of 6.4 percent in 2021 or provide concrete justification to support this projection.<br>• There is a need for moderation of macroeconomic forecasts to be more realistic and prudent or a clear outline of growth-promoting policies that if successfully implemented and their benefits realized within the period, will help in attaining the ambitious macroeconomic targets<br>• Lower the forecast growth for 2022 and the medium term on account of expected shocks that will have an effect on economic performance. It is likely that the economy will perform less than optimum due to the 2022 general elections. | • The macroeconomic projections underpinning the BPS'21 are very realistic and have been verified by the Macroeconomic Working Group.<br>• Economic growth is 2021 is expected to be robust, anchored on a stable macroeconomic environment, ongoing investments in strategic priorities of the Government under the "Big Four" Agenda, the ongoing public investments in infrastructure projects, the ESP being implemented and the planned Post Covid-19 ERS.<br>• The projected growth for 2022 already takes into account the uncertainty associated with the 2022 general elections.<br>• The BPS'21 has also outlined the risks to these forecasts and measures to deal with some of these short-term shocks that may arise. |
| | Expected low growth rates due to the systemic shocks as outlined will have an effect on other macro-economic variables such as inflation as well revenue performance. Provide expected risks to the medium term outlook as they will help in realistic revenue projection | The specific risks to the growth outlook are discussed in Section 1.6 of this 2021 BPS |
| | Update the document with the latest data on the global economy (January 2021 WEO Update and domestic economy with quarter three numbers released by KNBS | The document has been updated with the latest numbers. |
| Fiscal Policy, Framework and Performance | The projection of revenue collection of Ksh 1,764.70 billion in FY 2021/22 is unrealistic. Set realistic revenue targets to promote budget credibility and fiscal discipline. | The ordinary revenue projections in the BPS'21 for FY 2021/22 are quite conservative and are based on a base growth of 8.2 percent against a ten-year average of 11.9 percent and an annual nominal GDP growth of 11.7 percent. In addition, the projections take into account the expected easing of the Covid-19 containment measures; the full impact |

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| | | of the reversals of the tax rates taking effect from January 1, 2021 and are premised on improved economic activity. |
| | Include full information on half-year targets for comparison particularly for alongside the revenue and expenditure performance during the first 6 months of the current financial year (FY 2020/21). | Section 1.3 of the 2021 BPS details fiscal performance to December 2020 citing reasons for such a performance. This performance has been used as the basis for revisions in expenditure. |
| | Include a separate table/ information detailing the fiscal performance of 2019/20, for easy comparison on the performance and projections. | As per Section 25 of the PFM Act, 2012, the BPS is supposed to detail the financial outlook for the next financial year and the medium term. The actual performance of FY 2019/20 and other previous years is contained in the 2020 BROP |
| | Minimize expenditure on non-core areas and reallocate resources to the priority areas and most pressing needs. | The Government has already rationalized expenditures directing funds to core areas only and to complete ongoing projects. |
| | Implementation of development projects through Public-Private Partnerships (PPPs) offers an opportunity to achieve developmental goals in the wake of the current fiscal deficit. The National Treasury should consider promoting PPPs as a means of enhancing development in Kenya. | The Government has prioritized the use of PPP framework to finance infrastructural projects. There are a number of projects being implemented under this framework. The PPP Unit under the National Treasury is in-charge of this arrangement |
| Fiscal Consolidation | Outline the specific measures being undertaken on expenditure rationalization and the value of their contribution to revenue enhancement in terms of the specific tax policy measures. | The BPS'21 outlines the Government's expenditure rationalization measures including restriction of growth in recurrent spending by cutting down on non-priority expenditures such as: training, domestic and foreign travels and freezing of employment in non-priority sectors to reduce wage bill. In addition, to ease the burden of pension payments in future, the Government rolled out the Super Annuation Scheme. |

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| | Fiscal consolidation efforts seem to be one sided as debt keeps accumulating. There is need for the National Treasury to come up with more aggressive policies for reduction of debt. | The average annual fiscal consolidation of 1.5 percent of GDP is by all standards a very aggressive plan of reduction in debt accumulation and stabilization. Any aggression beyond this is likely to compromise government development program and service delivery. |
| | Recalibrate the fiscal consolidation measures, particularly rationalization of recurrent expenditure such as transfers to SAGAs, wages and salary demands, domestic and foreign travels, among others to tame expenditure on non-core activities as well as explore innovative ways of financing fiscal deficit. | The spike in borrowing in the FY 2020/21 and FY 2021/22 is largely attributed to the impact of Covid-19 Pandemic on the performance of the economy and subsequently on revenue collection. As the economic activity is expected to pick up the government has put in place measures to reduce fiscal deficit in the medium term even as revenue performance improves. |
| Public Debt | Over the past 10 years, Kenya's public debt has witnessed an exponential growth, largely driven by growth in external public debt. The Central Bank of Kenya and the National Treasury and Planning should engage in citizenry training of how and the benefits of investing in domestic debt securities to diversify its domestic market. | The Government will continue to sensitize the citizens on the benefits of investing in debt securities and will seek to provide innovative products like the M-Akiba which has given opportunity to low income earners to invest in government papers. |
| | The amount incurred as public debt should be channeled towards productive sectors of the economy to address the mismatch between the rate at which the economy and public debt are growing. | This has always been done in line with the requirements of the Constitution of Kenya 2010 and the PFM Act 2012 |
| | Reduce unnecessary expenditures by minimizing the up-take of new projects and focus on completion of the current ones. | The Government has put on hold commissioning of new projects until the ongoing projects are completed first. |
| | The Government should be transparent and accountable to its citizens with regards to public funds. This includes fully disclosing what is contained in the debt service suspension contracts that the Government entered in January 2021. | In line with the requirement of the Constitution of Kenya 2010, the Government continuously makes debt and other fiscal information available through the Government Debt Register and other documents. |

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| "Big Four" Agenda | Provide an accountability matrix of the implementation status of the "Big Four" Projects and what needs to be achieved for the remaining two years. And the impact of what has already been achieved under the "Big Four". | Chapter 2 of 2021 BPS details the achievements of the drivers and enablers of the "Big Four". It also specifies measures that will be implemented in the subsequent years |
| | **Manufacturing and value addition:**<br>Amend section 2.2.2.1 to include operationalization of various factories nearing completion such as Mango value chain factory in Eldoret, integrated fruit and honey processing factory in Mombasa, Gums Arabic and Raisin factory in Wajir and a construction of on-going factories. | The section has been amended to include the said factories. |
| | **Universal Health Coverage**:<br>Increase allocation towards the health sector and particularly reproductive health, and specifically, family planning, despite other priorities of the sector. | The Government continues to make deliberate efforts to increase health spending amidst revenue challenges. Should there be additional resources, funding of health programmes will continue getting priority |
| | Allocate at least 15% of the total annual budget to the health sector in line with the Africa Union recommendation adopted from the Abuja Declaration. | Although the Government has not achieved the 15% required by the Abuja Declaration, it has increasingly allocated resources to the health sector to the health needs of Kenyans |
| | Add the following proposals which will help address the increased mental health cases in the country:<br>• Establish an independent budget line for mental health at both national & county levels<br>• Establish multi-sectoral technical working groups for mental health<br>• Digitalize mental health services to increase and ease access to them<br>• Gazette Mathari National Teaching and Referral Hospital as semi-autonomous specialized hospital<br>• Integrate mental health into the community health strategy | Section 2.2.2.3 of this BPS details the various strategies and interventions the Government is implementing to address mental health issues. All of these suggestions are part of Government interventions to address mental health. |
| | Given the low UHC coverage, expedite the national rollout of the UHC in line with Article 43 (I (a)) of the Constitution. Further, | The national roll out of UHC is a priority to Government. Ahead of this, the Government is instituting necessary reforms at NHIF and initiated the Biometric Registration for UHC Scheme for data capture. |

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| | To further enhance transparency in the use of public funds, the pending issues arising from the Medical Equipment Services (MES) contract between the national and county governments should be finalized | The Government through the relevant agencies is working to finalize on the issues surrounding MES contract between the National and County Governments |
| | **Affordable Housing:**<br>Amend paragraph 117 to indicate construction of 3,360 housing units in Starehe, 4,470 in Shauri Moyo, 4,435 in Kibera Zone B, and 13,700 in Mukuru which is set for commencement. | The paragraph has been amended to incorporate the said housing projects. |
| | Amend paragraph 184 to indicate the intention of government to implement phase II of Kenya Informal Settlement Improvement Project with support from World Bank and participating counties. | Amended accordingly. |
| | **Energy:**<br>Amend **paragraphs 96, 151,152; sub-sections 2.2.1.6, and 2.2.2** to include the contribution of clean cooking energy/technologies in boosting the immune of citizens amidst the Covid-19 Pandemic, creation of employment and reduction of the Green House Gas emissions which contributes to the realization of the reviewed Kenya's Nationally Determined Contribution. | The Government appreciates the contribution of clean and green energy in the economy. Through the "Big Four" Agenda and the Post-Covid Economic Recovery Strategy, the Government is supporting initiatives to support green and inclusive economic recovery. |
| | **Structural Reforms:**<br>**Sub-section 2.2.8.3:** Amend **paragraph 196** to include the development of a regulatory framework to provide oversight of private equity and venture capital funds licensed by the Capital Markets Authority. This is expected to increase investment by pension schemes and other contractual savings in private equity funds and venture capital funds licensed by the Capital Markets Authority. | The paragraph has been amended to incorporate the development of a regulatory framework that provide oversight of private equity |
| | **Sub-section 2.2.8.3: Paragraph 197 -** incorporate the establishment of a national micro-pension scheme, within a sustainable model that combines long-term saving with pressing short term needs that will be open to all the Informal Sector workers. The scheme will leverage on technology to provide an affordable low-cost pension product at high efficiency. | The statement has been added to the paragraph capturing the establishment of micro-insurance pension scheme. |

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| | **Sub-section 2.2.8.3: Paragraph 200** - Include what the Government is doing under the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) in compliance with the international standards | A new paragraph has been introduced summarizing the measures the Government is implementing under the AML /CFT |
| | Include a paragraph under **section 2.2.8.3** explaining the vision and stability in the banking sector in the wake of Covid-19 Pandemic | Paragraph has been introduced reiterating the stability in the banking sector |
| | Include a section to highlight outcomes of the measures implemented by CBK from March 2020 to support the banking sector during Covid-19 pandemic | Paragraph highlighting the measures implemented by CBK to support the banking sector |
| | In January 2021, the Government effected a contributory pension scheme for civil servants. Consider discussing the impact of this new arrangement in the Draft BPS. | This has been added under the fiscal policy section. |
| | **Deficit Financing Policy:**<br>Undertake an audit of current projects as stated in the PIM guidelines to control the development of unviable projects; | **Section 2.2.8.2** of this BPS details how the Government is following PIM guidelines to carry out a comprehensive Nation-wide project stock taking baseline which has been concluded to consolidate all public investment projects data in a centralized system with the aim of carrying out a thorough analysis to help identify of projects for re-appraisal, re-prioritization and rationalization. This will offer an opportunity to audit all projects financed through public debt. The Government has also adopted other financing mechanisms such as PPPs and carrying out cost-effectiveness and value for money audits. |
| | Public-Private Partnerships (PPP) models should be based on independent cost-benefit, Cost-Effectiveness and value-for-money studies, to prevent expensive low priority bilateral, donor-led investments that are funded through debt. | |
| | Develop a clear framework to trace and audit projects financed through public debt to ensure equity as contemplated under Article 201 (b) of the Constitution of Kenya, 2010. | |
| | The projected domestic borrowing of Ksh 572.7 billion will likely crowd-out the private sector from accessing credit from the domestic market to fund their operations. Consider alternative options for borrowing to reduce the fiscal gap including restructuring expenditure priorities, enhance the adoption of PPPs and strictly implement new tax policy measures to improve revenue performance. | The Government is already restructuring expenditure priorities, adopted the use of PPPs to fund projects. The Government is also strengthening implementation of new tax policy measures to boost revenue performance |
| | The fiscal deficit will be financed through borrowing externally at Ksh 345.5 billion and domestically, Ksh 592.2 billion representing 2.8 and 4.7 percent of | Consistent with the fiscal consolidation plan, borrowing through domestic government securities initially increases |

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| | GDP respectively. There is a notable steady trend in increased domestic borrowing as well as external borrowing, which risks increased public debt, which the country is currently struggling servicing. Further, domestic borrowing weighs heavily on liquidity and risks crowding out private sector and MSMEs, of which the government is trying to cushion. There is need for a comprehensive framework to ensure accountability in borrowed funds as well as reduce expenditure to bridge the fiscal deficit. | from Ksh 508.8 billion in FY 2020/21 to Ksh 662,8 billion FY 2021/22 before declining to Ksh 455.8 billion in FY 2024/25. The borrowing mix between foreign and domestic will be anchored in the Medium Term Debt Strategy. It is not the intention of Government to starve the economy of credit. |
| | Rephrase paragraph 127 to include infrastructure support to improve government debt management operations for both primary and secondary markets. | The paragraph has been paraphrased to capture the suggestion. |
| | **Enhancing Service Delivery Through Devolution:**<br>Consider including data on Own Source Revenue from counties to provide justification for the integrated revenue management system discussed in paragraph 185. | Analysis of data on County's Own Source Revenue has been provided for under Section 4.2 on *Enhancement of County Governments' Own-Source-Revenue.* |
| | Cite the partnerships with the Kenya Revenue Authority (KRA) that have seen increase in OSR such as in Nairobi City County to demonstrate progress. | The suggestion has been noted for consideration The suggestions have been noted for consideration. |
| | **ICT:**<br>Amend section 2.2.4.4 to indicate that the government will deploy public digital TV broadcasting infrastructure to achieve a 100% national coverage from the current 92%. | Section has been amended to indicate that the Government will deploy public digital TV broadcasting infrastructure to achieve 100% national coverage. |
| | **Youth empowerment:**<br>Increase the number of paid internship opportunities | The Government is implementing paid internship through the Public Service Commission. The number of internship opportunities will increase depending on availability of resources. |
| | Nurture talents, creativity, innovation and establish talent centres | Section 2.2.4.4 of this BPS details government's programmes to equip the youth by nurturing talent and innovation. |
| | Equip constituency Youth Empowerment Centers with ICT equipment and provision of WIFI services | |

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| | Equip the youth with entrepreneurial Skills | The Government is training youth on entrepreneurial skills through various initiatives such as KYEOP |
| Other Sector Priorities and Medium Term Budget | **Governance, Justice, Law and Order:**<br>Include in paragraph 249 the following other key outputs which were not captured: Deepening peace initiatives across the country ahead of the constitutional referendum and 2022 general elections; Strengthening coordinated response to disasters; Streamlining the boda boda sector; Mainstreaming road safety in programmes and activities of government MDAs, and Implementation of *Huduma Namba* | The paragraph has been amended to include the outputs |
| | Amend paragraph 249 to 252 to indicate key achievements of judiciary | The section has been amended to indicate the key achievements. |
| | **Public Administration and International Relations:**<br>In paragraph 253, highlight more with regard to enhancing the effectiveness and visibility of NGAOs through increased provision of vehicles under the leasing programme and motorcycles for Chiefs and Assistant Chiefs. | Paragraph amended to include the proposal |
| | **National Security:**<br>Highlight in paragraph 257 on how to strengthen security and safety of public schools, tertiary training institutions and universities in view of the current school indiscipline, unrest and lawlessness | The paragraph has been amended to include the proposal |
| | **Education:**<br>In the 2021/22 budget, prioritize funding the following measures to improve access to special needs education:<br>• Establish a system for high-quality data collection to inform accurate and differentiated costing and budgeting for disability-inclusive education. This will ensure that funds are allocated according to children with different disability types and needs.<br>• Enhancing access to equipment, facilities, and staff for EARCs to assess and place children with disabilities in appropriate learning programmes. | The Government through the Big Four Agenda Interventions (Inua Jamii) and Economic Stimulus Programme has enhanced initiatives targeting people with special needs even in the education sector. The proposed Post Covid-19 Economic Recovery Strategy also has measures targeted at people with special needs. |

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| | • Strengthening home-based learning for children with disabilities who cannot return to school, post-Covid-19 due to social, economic, and environmental barriers.<br>• Supporting availability and access to assistive devices will improve opportunities for children with disabilities to attend inclusive schooling. | |
| | **Social protection and employment:**<br>Elaborate how the Government will empower persons with disabilities to participate in economic recovery, post-Covid-19 pandemic by prioritizing funding measures aimed at:<br>• Equipping persons with disabilities with technological skills to access employment opportunities better and build resilience to future pandemics/disasters and economic shocks.<br>• Enhancing provision of social assistance to persons with disabilities who lost their livelihoods during the pandemic but are currently not included in the existing social protection programmes such as cash transfers to persons with severe disabilities.<br>• Enhancing availability and access to assistive devices will likely improve opportunities to engage in formal employment. | Whatever is captured in this BPS is just a summary of the social protection programme in the Post-Covid Economic Recovery Strategy and other government initiatives. All these measures, among others on how people with disabilities will be brought on board are detailed in the Post-Covid Economic Recovery Strategy |
| | Include an exclusive and substantive Child Focused Statement that demonstrates the Government of Kenya' commitment towards the realization of Children Rights as provided for under Article 53 of the Constitution of Kenya; and how children participate in budget making process. | The affairs of children are catered for under the ministry of labour and social protection and their views are usually incorporated during the budget making process. |
| | **Public Participation:**<br>Public input should not just be stated but also clear feedback given on how it was considered or not with justifications. Annex Table 5 has what is indicated as "Summary of Public Participation Highlights". This section should be framed as | Publication participation is carried out as required by law. Annex Table 5 does not only indicate responses to issues and proposals from the public, but also the action taken by the Government |

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| | the feedback part of the BPS on the National Treasury's actions based on public input and not just a listing of what the public said | |
| Specific Fiscal Risks | **Climate Change Related Fiscal Risks:**<br>Revise paragraph **38** to include Green Fiscal Incentives Policy that aims to provide incentives and/or subsidies to the private sector to promote private sector investment in green projects and programmes and the Financing Locally Led Climate Action programmes (FLLoCA). | The paragraph has been revised to include the proposed statement |
| | **Restructuring of State Corporations/State Owned Enterprises:**<br>**Paragraph 23, page 86:** For leasing of sugar companies to succeed, there will be an element of debts write offs/clearing debts owed to staff/farmers, there is no budget for that. | The suggestions have been noted and the relevant Government agencies will take necessary action |
| | Amend **paragraph 23 of page 86** to indicate that the government shall raise funds to bridge the budget deficit through further divestiture of publicly listed companies and privatization of State Owned. This will also ensure that these entities are run more efficiently and profitably by the private sector. | |
| County Financial Management and Division of Revenue | **Conditional Grants:**<br>Conversion of conditional grants to equitable share may have detrimental impact on services supported by such grants during the transition. Is there a framework to ensure smooth transition and that services supported by the grants? Conditional grants should remain in order to serve the intended purposes and that such grants should not be disbursed through respective line ministries but to the counties directly. | On the contrary, conversion of conditional grants to equitable share will afford Counties more autonomy and flexibility in their expenditure. In addition, by removing the conditions attached to these grants, the low absorption that was being witnessed when the grants were being disbursed as conditional grants will be a thing of the past. On the proposal not to disburse conditional grants from the line ministries, this proposed conversion to equitable share will achieve this objective. |
| | **Equitable Share:**<br>The National Treasury proposes to adjust county governments equitable share by Kshs 10 billion (equivalent to 3.2 percent growth) to yield a new baseline allocation of Kshs 326.5 billion. Qualify the basis for the adjustment of Ksh. 10 | This growth is derived from anticipated improvement in revenues raised nationally in FY 2021/22 when the effects of Covid-19 Pandemic are expected to ease. The increase is also part of the post Covid-19 stimulus package, as determined in |

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| | billion given that in the same section, it has been noted that revenues have underperformed over a period of time. | the FY 2021/22 fiscal framework, to facilitate post Covid-19 economic recovery at the counties as well as ensure sustained service delivery by the devolved governments. |
| | The proposed equitable share allocation to counties for FY 2021/22 is Ksh 343.9 billion, which is Ksh 26.1 billion below the Ksh 370 billion which Parliament gave as a condition for approving the Third Basis for revenue allocation in September 2020. Consider allocating counties an equitable share of Kshs. 370 billion for FY 2021/22. | Equitable share to County Governments in FY 2021/22 has been raised to Ksh 370 billion thereby, Third Basis Formula will be used for sharing revenues as approved by Parliament. |
| | The horizontal allocation of County Governments' equitable revenue share of Ksh 343.9 billion for FY 2021/22 should not be based on the Third Basis Formula. This is in accordance with Parliament's approval of the Third Basis. In approving the Third Basis, Parliament conditioned the implementation of the Third Basis on county equitable share allocation of Kshs. 370 billion and above. | |
| | The revenue growth factor of the county equitable revenue should be more predictable and realistic. There is a need for a clear determinant of how revenue to counties will grow from year to year especially informed by ordinary revenue trends from previous years. | This is well noted for consideration in future |
| | **Equalization Fund:**<br>Parliament should expedite the passage of the Equalization Fund Bill, 2019 into law to pave way for the disbursement of funds to the identified marginalized areas (as contemplated under Article 204 (2)), given that the Equalization Fund has a fixed time frame. | This is well noted and will be taken up by the relevant institution. |
| | **Pending Bills:**<br>Undertake a special audit to verify the authenticity of the pending bills. The eligible bills should be settled in line Regulation 41 (2) of the PFM (County Governments) Regulations, 2015. | The National Treasury has already written to the Office of the Auditor General (OAG) requesting them to conduct a special audit of the County Governments pending bills for the Financial Years 2018/2019 and 2019/2020. This is in addition to the Special audit undertaken by the OAG as at 30th June 2018. |

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| | Amend the PFM Act, 2012 to compel accounting officers of procuring entities at both national and county governments to pay suppliers/contractors within a reasonable time. | The requirement for accounting officers to make payments when due is already provided for in the PFM Act 2012, the Public Procurement and Assets Disposal Act 2015 and its Regulations. |
| | Rationalize and share between the national government and the county government the Ksh 119.9 billion provided for the health sector in FY 2021/22 given that the piloting of the UHC scheme in four counties at a cost of 3.9 billion has been completed. | 1. UHC is still in early formative stages requiring national government leadership to ensure its entrenchment and success.<br>2. Disintegrating the program at this time could compromise its effectiveness.<br>3. Many of the activities under UHC are of cross-county nature, with limited scope for counties to co-ordinate<br>4. Ministry of Health in currently finalizing reforms at the end of which UHC implementation could be decentralized. |

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