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THE NATIONAL TREASURY AND ECONOMIC PLANNING

MEDIUM TERM

2023 BUDGET POLICY STATEMENT

THE BOTTOM – UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE GROWTH

FEBRUARY 2023

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© Budget Policy Statement (BPS) 2023

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Foreword

The 2023 Budget Policy Statement (BPS), which is the first to be prepared under the new Administration, the Kenya Kwanza Government, is based on the framework of Bottom-up Economic Transformation Agenda (BETA). It sets out the Administration's priority programs, policies and reforms to be implemented in the Medium-Term Expenditure Framework (MTEF). The 2023 BPS comes at a time when the Government is finalising the preparation of the Fourth Medium-Term Plan (2023-2027) of the Kenya Vision 2030 that will prioritize implementation of economic recovery strategies of the new Administration to re-position the economy on a steady, inclusive and sustainable growth trajectory.

The BPS is framed against a backdrop of global economic slowdown underpinned by the ongoing Russia-Ukraine conflict, elevated global inflation, the lingering effects of the COVID-19 pandemic, and persistent supply chain disruptions and the drought effects that have created urgency on food security and climate change effects. This urgency allows us to refocus investments on mitigation, adaptation and firm resilience. As the effects of COVID-19 pandemic started to fade away, the Kenyan economy bounced back recording a GDP growth rate of 7.5 percent in 2021, propelled by heavy public investments in public infrastructure. However, the momentum has been slowed again by the Russia-Ukraine conflict that has disrupted global trade through increased fuel, fertiliser and food prices. For the first time in five years, inflation rate in Kenya is above the Government target range mainly driven by supply side constraints occasioned by the external shocks as well as the drought effects. In addition, the drought impacts in the economy has created a strong focus on food security and climate change. These effects will become dominant in economic management and focussing on its quality and structure. We have witnessed how it has reversed efforts in poverty reduction and inequality, but above all promoted social conflicts. These effects are compounded and amplified by declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; weak governance; and fiscal risks including pension's liabilities, stalled public projects, payment arrears; and high debt service that has hindered the economy from achieving its full potential.

The need to address these constraints and bolster resilience forms the basis of the Kenya Kwanza Government's Bottom-Up Economic Transformation Agenda (BETA). The Agenda is geared towards economic turnaround and inclusive growth, and aims to increase investments in at least five sectors envisaged to have the largest impact and linkages to the economy as well as on household welfare. These include: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; Digital Superhighway and Creative Industry. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The implementation of these interventions is expected to stimulate economic recovery to 6.1 percent growth in 2023 from the estimated 5.5 percent in 2022. But more importantly improve the

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quality of growth from public sector investment led growth to a dynamic private sector led growth.

The fiscal policy stance over the medium term aims at supporting the Bottom - Up Economic Transformation Agenda of the Government through a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective liability management strategy without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that Kenya's development agenda honours the principle of inter-generational equity.

As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. In order to achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms. The KRA will implement among others, the following measures: reduction of Value Added Tax (VAT) gap from 38.9 percent to 19.8 percent of the potential by fully rolling out electronic Tax Invoice Management System (eTIMS); reduction of Corporate Income Tax (CIT) gap from 32.2 percent to 30.0 percent of the potential as envisaged in the KRA Corporate Plan; integration of KRA tax system with the Telecommunication companies (Telcos); tax base expansion in the informal sector; implementation of rental income tax measures by mapping rental properties; roll out of measures at the Customs and Border Control leveraging on technology and enhanced data analytics to enhance revenue per unit; and, up scaling the technical capacity of KRA through skills, technology and additional staffing.

On the tax policy, the Government will implement various tax policy measures to further boost revenue collection. In addition, to further strengthen revenue mobilization efforts, the Government will finalise the development of the National Tax Policy and the Medium-Term Revenue Strategy. The National Tax Policy Framework will enhance the administrative efficiency of the tax system, provide consistency and entrench predictability in tax legislations and management of tax expenditure. But more importantly, build confidence and compliance in the tax system. Taxation should not distort domestic markets' prices and investment decisions. The Medium-Term Revenue Strategy will provide a comprehensive approach of undertaking effective tax system reforms for boosting tax revenues and improving the tax system over the medium term. Additionally, the Government will continue to improve efficiency in public spending to ensure value for money by eliminating non-priority expenditures; retiring expensive and unsustainable consumption subsidies; reducing tax exemptions; scaling up the use of Public Private Partnerships financing for commercially viable projects; rolling out an end-to-end e-procurement system; and streamlining the initiation, execution, delivery and sustainability of public investment projects.

In light of the above fiscal consolidation plan, the expenditure ceilings in this Budget Policy Statement have been revised to reflect emerging realities. All proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2023/24 have been scrutinized carefully to ensure quality and alignment to the

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Government's Bottom–Up Economic Transformation Agenda as outlined in this BPS and the Fourth MTP and other strategic interventions of national interest.

The budgeting process for the priority programmes will be developed through a value chain approach under five clusters: i) Finance and Production Economy; ii) Infrastructure; iii) Land and Natural Resource; iv) Social Sectors; and v) Governance and Public Administration. This process ensures there is no break in the value chain cycle in the resource allocations. The process also ensures adequate resources are allocated to all the components along the value chain and helps to eliminate duplication of roles and efficient budgeting of available resources.

In this regard, all Sector Working Groups and MDAs are expected to prepare their budgets consistent with the hard sector ceilings and adopt the value chain approach under the five clusters to facilitate the finalization of the FY 2023/24 and the medium-term budget proposals.

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CABINET SECRETARY
NATIONAL TREASURY AND ECONOMIC PLANNING

Acknowledgement

The 2023 BPS is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the new Administration, highlights the current state of the economy, provides macro-fiscal outlook over the medium term together with a summary of Government spending plans as a basis for the FY 2023/24 budget. The publication of the 2023 BPS aims to improve the public's understanding of Kenya's public finance management and guide debate on economic and development matters.

As we finalize the budget for the FY 2023/24 and the medium term, I wish to emphasize that the economy is operating under tight fiscal constraints. This has warranted tough choices including suspension of subsidies on fuel, electricity and food to ensure that scarce resources are directed towards priority areas of socio-economic transformation while ensuring that debt levels are sustainable. The New Administration's position is that subsidies can only support production but not consumption. This has laid a strong foundation for the country to be self-reliant – a move from dependence on debt to dependence on revenues that are raised from taxpayers. Sector working groups (SWGs) are therefore urged to undertake a careful scrutiny of individual MDA's budgets execution reports to curtail growth of recurrent budgets and ensure funding of the new Administration's Bottom-Up Bottom - Up Economic Transformation Agenda is accorded priority.

The preparation of the 2023 BPS was a collaborative effort among various Government Agencies. We are grateful for their inputs. We thank the MDAs for timely provision of information. We are also grateful for the comments received from the Macro Working Group and participants of the January 2023 Public Sector Hearings and the general public which provided invaluable inputs to the 2023 BPS. Finally, we are grateful to the core team from the Macro and Fiscal Affairs and Budget Departments 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 and is of high-quality standard.



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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 Economic Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2023/24 and the medium term.

The Budget Policy Statement contains:

(a) an assessment of the current state of the economy, including macroeconomic forecasts as well as the priorities of the Government current pillars of growth and strategic directions;
(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.

The preparation of the BPS is a consultative process that involves seeking and taking into account the current Government priorities and challenges in economic management and 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. THE BOTTOM – UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE GROWTH

1.1 Overview

1. The 2023 Budget Policy Statement is the first to be prepared under the Kenya Kwanza Government and sets out the priority programs, policies and reforms of the Administration that will be implemented in the Medium-Term Expenditure Framework (MTEF). It presents the Bottom–Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth. The document is framed against a backdrop of global economic slowdown occasioned by the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the COVID-19 pandemic, persistent supply chain disruptions and the food security and climate effects.

2. In the context of these challenging times, Kenya's economy remains resilient with an impressive economic performance of 7.5 percent in 2021 largely on rebound from negative growth the previous year on account of bold economic policies and structural reforms as well as sound economic management implemented overtime. However, the momentum has been slowed again by the Russia-Ukraine conflict that has disrupted global trade through increased fuel, fertiliser and food prices. For the first time in five years, inflation rate in Kenya is above the Government target range mainly driven by supply side constraints occasioned by external shocks. Aside from these shocks, the Kenyan economy is confronted by various bottlenecks including: recurrent drought affecting agricultural productivity; declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; weak governance; and fiscal risks including pension's liabilities, stalled public projects, pending bills; and high debt service that has hindered the economy from achieving its full potential

3. The need to address these challenges, bolster resilience while building on successes realized overtime forms the basis of the Kenya Kwanza Government's Bottom-Up Economic Transformation Agenda. The Agenda is geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings.

4. The priority programmes are classified under two categories; core pillars and the enablers which aim at creation of a conducive business environment for socio-economic transformation. Under the core pillars, the Government seeks to increase investments in five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. To make these programmes feasible, the Government will implement strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; the Services Economy, Environment and Climate Change; Education and Training;

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Women Agenda; Youth Empowerment and Development Agenda; Social Protection; Sports, Culture and Arts; and Governance.

5. The budgeting process for the priority programmes will be done through a value chain approach under five clusters: i) Finance and Production Economy; ii) Infrastructure; iii) Land and Natural Resource; iv) Social Sectors; and v) Governance and Public Administration. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process also ensures adequate resources are allocated to any entity along the value chain and helps to eliminate duplication of roles and budgeting of resources.

6. The priority programmes will be implemented through a value chain approach under five clusters: i) Finance and Production Economy; ii) Infrastructure; iii) Land and Natural Resource; iv) Social Sectors; and v) Governance and Public Administration. This will ensure no break in the cycle either by not allocating requisite resources to any entity along the value chain and also eliminate duplication of allocations and roles.

7. Through the various priority economic policies, structural reforms, fiscal consolidation plan and sectoral expenditure programs outlined in this 2023 BPS, the Government is taking determined steps to address these challenges, bolster resilience to shock as part of the strategy for socio-economic transformation and inclusive growth. Over the medium term, the Government through the Fourth Medium-Term Plan (2023-2027) will prioritize implementation of economic recovery strategies to re-position the economy on a steady and sustainable growth trajectory.

1.2 Core Thematic Areas

8. The Government will implement policies and structural reforms and promote investment in five core thematic areas that are expected to have the highest impact at the bottom of the economy. These are: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

1.2.1 Agricultural Transformation and Inclusive Growth

9. The Kenyan economy remains highly dependent on the agriculture sector, contributing on average 21.4 percent of the GDP directly, forming approximately 65 percent of Kenya's total exports and has the highest employment multiplier in the economy. However, agricultural productivity in the country has been declining largely occasioned by the prolonged drought as a result of failed rain and high global fertiliser prices resulting in severe food shortage. The spread of the COVID-19 pandemic worsened the situation with world fertiliser prices having more than doubled in the past two years, affecting productivity of Kenyan farmers.

10. The Government's initial interventions involved stepping up food supply in northern Kenya and other regions and enhanced coordination between National and County Governments, private sector and development partners through the National Steering Committee on Drought Response to cushion communities affected by drought, especially in the worst-hit arid and semi-arid (ASAL)

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counties. To make fertilizer available and improve productivity in counties and regions that plant in the short rain season, the Government imported 1.5 million 50 kg bags of fertilizers and distributed them at a lower cost of Ksh 3,500. The Government working with the private sector has also made arrangements to make another 6 million bags of various types of fertiliser available for the long rains season. To support dairy farmers, the Government has taken immediate steps to reinstate the stalled milk coolers' programme and the distribution of 650 milk coolers.

11. Investing in agriculture as the sector that will lead the economic recovery is predicated on seven factors.

- **Quick turnaround**. First, agriculture offers the quickest payback period for investments. This is because, in many cases, there is no new capital investment required. Increasing production only requires addressing the cost, quality and availability of inputs and providing farmers with the working capital to buy adequate supply of the inputs as well as other direct production expenses such as ploughing of land and labour.
- **Cost of living.** The cost of living can only be resolved by raising agricultural productivity. The battle is between farmers needing higher incomes and consumers who want low prices. Food accounts for 54 percent of household expenditures but poor households spend more than 60 percent.
- **Foreign exchange:** Dependence on food imports has grown considerably in recent years. Three food commodities: edible oils, wheat and rice are consuming an equivalent of 25 percent of goods' export earnings. Kenya has the capacity to produce a bigger share of its consumption of edible oils and rice competitively. Agriculture is also the sector that the Country is most globally competitive in, both in traditional exports such as tea, coffee, cut flowers and vegetables as well as emerging export crops such as avocado and macadamia nuts. However, several export crops have collapsed, notably pyrethrum, cashew nuts and bixa.
- **Jobs**: Agriculture has the highest employment multiplier effect, owing to its strong forward and backward linkages to other sectors of the economy. Research conducted by Kenya Institute for Public Policy Research and Analysis (KIPPRA) shows that four of the five value chains with the highest job creating impact are agricultural. They are livestock (cattle, sheep and goats), hotels and restaurants, poultry, vegetables and rice.
- **Incomes**. Two thirds of Kenyans derive all or part of their incomes from agriculture. Thus agriculture-led growth will put more money in people's pockets directly than any other sector. This also means that agricultural incomes have the highest income multiplier effect, that is, when farmers have money, they buy consumer goods and services from other sectors. Moreover, given the large share of food in household expenditures, savings on food costs have a very large multiplier effect on other sectors.
- **Ending poverty:** Extreme poverty and vulnerability is also an agricultural phenomenon. Support to farmers to raise productivity would not only enable

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them to feed themselves, but also generate a surplus that contributes to national food security and the economy.

- **Industrialisation:** The manufacturing sector is largely agriculture-based, with food processing and beverage manufacturing contributing 40 percent and 48 percent of manufacturing employment and GDP respectively. When non-food agro-processing is added, agro-processing becomes more than half of the manufacturing sector. Moreover, the manufacturing that is not agro-based is highly dependent on imported raw materials such as metals, chemicals and plastics.

12. Over the medium term, the Government will develop policy, legal and institutional reforms to provide an enabling environment for agricultural productivity. In particular, the Government will:

i. Provide adequate affordable working capital to farmers through well-managed farmer organisations;

ii. Deploy modern agricultural risk management instruments that ensure farming is profitable and income is predictable, such as was provided for scheduled crops by the Guaranteed Minimum Returns (GMR) Scheme in the 1970s. These instruments include crop and livestock insurance schemes, commodity market instruments such as forward contracts, futures contracts and price stabilisation schemes

iii. Transform two million poor farmers from food deficit to surplus producers through input finance and intensive agricultural extension support, with a target to generate a minimum productivity target of Ksh 50,000 revenues an acre;

iv. Raise productivity of key value food chains and other value chains (maize 8 -15 bags an acre, dairy 2.5kg- 7.5kg a cow a day, beef carcass weight from 110kg - 150kg); Support dairy farmers by supplying feeds to lower cost of milk production;

v. Reduce dependence on basic food imports by 30 percent (domestic oil crops production from 5 percent to 25 percent, rice from 18 percent to 40 percent);

vi. Revamp underperforming and collapsed export crops while expanding emerging ones (coffee, cashew nuts, pyrethrum, avocado, macadamia nuts);

vii. Avail high yielding cotton seeds to increase productivity per acre from 0.25 bales to 2.7 bales per acre by 2027;

viii. Boost tea value chain (blending & branding).

1.2.2 Transforming the Micro, Small and Medium Enterprise (MSME) Economy

13. The Micro, Small and Medium Enterprise (MSME) Economy contribute very significantly to the economy, employing about 85 percent of non-farm jobs. Access to credit is a stimulant that enhance growth in the MSME economy. However, high interest rates crowd out the private sector and the MSMEs. The Government is committed to ensure Kenyans access affordable credit.

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14. As part of the process, the Government initiated the Hustlers Fund as an intervention to correct market failure problems at the bottom of the pyramid and to cushion the MSMEs against high cost of credit. This program aims to lift those at the bottom of the pyramid through structured products in personal finance that includes savings, credit, insurance and investment.

15. Other interventions by the Government will include:

i. End criminalisation of work by enacting a right to work law, and making trading licences and provision of a trading location an entitlement to every citizen who applies. The Government will work with County Governments to provide one-street trading premises for every 50 urban residents, with a view to increasing average daily income of informal traders by Ksh 200;

ii. Regressive taxation, bureaucracy and regulatory compliance costs: the Government will review and rationalise all business licences, cap total licences at 1.5 percent of turnover and enact administrative burden law (similar to US Reduction of Paper Work Act) ensuring no business spends more than 4 person hours a month on tax and regulatory compliance;

iii. Access to finance: The Government will commit Ksh 50 billion a year to provide MSMEs with 100 percent access to affordable finance through SACCOs, venture capital, equity funds and long-term debt for start-ups and growth-oriented SMEs;

iv. Infrastructure & Capacity Building: The Government will establish MSME Business Development Centre in every ward, and an industrial park and business incubation centre in every TVET institution.

1.2.3 Housing and Settlement

16. The cost of housing is a heavy burden to majority of Kenyans and is the major factor driving the proliferation of slums.

1.2.3.1 Urban Housing

17. The Government plans to close the housing gap by facilitating delivery of 250,000 houses per year. To realize this, the Government will implement policies and administrative reforms to lower the cost of construction and improve access to affordable housing finance while creating jobs and entrepreneurial opportunities to all Kenyans. In this regard, the Government will not only provide land and bulk infrastructure, but also implement measures to unlock the challenges that inhibit investment in the housing sector.

18. As part of the process, the Government will restructure affordable long-term housing finance scheme, including a National Housing Fund and Cooperative Social Housing Schemes that will guarantee off take of houses from developers. This is expected to grow the number of mortgages from 30,000 to 1,000,000 by enabling low-cost mortgages of Ksh 10,000 and below. This plan is expected to create quality jobs for 100,000 youths, employing graduates from TVETS, directly in construction sector and indirectly through manufacturing of building products every year.

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19. The Government will also implement policies to strengthen the Jua Kali sector by building its capacity to produce high quality construction materials such as doors, windows, gates and hinges. As part of the process, The Government will upgrade and support Jua Kali by linking it with technical and vocational education institutions. This will see enterprises that produce housing products emerge or expand, create jobs and wealth for hustlers, making housing plan truly transformational from the bottom up.

1.2.3.2 Rural Housing and Settlement

20. The Government will establish a Settlement Fund similar to the one that was used to acquire land from settler farmers after independence. To stop land fragmentation, the land purchased by the scheme will be subject to land use planning where beneficiaries will own transferable residential plots in planned settlement, and right to lease non-transferable agricultural land.

1.2.4 Healthcare

21. Access to quality and affordable healthcare is critical for socio-economic development. It is estimated that Kenyan families spend a total of Ksh 150 billion in out-of-pocket expenditures on health services a year. For this reason, the Government will continue to implement the Universal Health Care plan that will lift this punitive burden from the shoulders of Kenyans and their businesses. The strategy will involve revitalisation of primary healthcare by emphasising on preventive and promotive strategies. Many critical health illnesses, including cancer, heart complications, kidney failure and hypertension, can be detected and addressed at this level without the need for a hospital visit or admission.

22. As part of the health sector interventions, the Government will reform the National Health Insurance Fund (NHIF) as a necessary imperative. Progress has been made in enrolling more members into the insurance scheme. In the past 10 years, 12 million Kenyans have joined the Fund. The challenge, however, is that the NHIF is an occupational scheme for salaried people on payroll in the public and private sectors, and not the social insurance scheme it ought to be. The Government will thus change the contribution structure from an individual contributory scheme to a household contribution model.

23. The Government will promote investment to expand existing health infrastructure and improve procurement of medical supplies. Pharmaceuticals and consumable medical supplies account for an estimated 20 percent of total health expenditures with more than 70 percent of pharmaceutical products being imported. Domestic pharmaceutical manufacturers have the capacity to manufacture bigger share competitively, but are hampered by the high cost of production and punitive tax regime. The Government will work towards entrenching Kenya as regional pharmaceutical manufacturing hub by reviewing the tax regime and cost of doing business in the country, and leveraging on Universal Health Care and human capital to identify and scale up domestic manufacturing of pharmaceutical products and other essential supplies.

24. To improve health outcomes and reach of healthcare services, the Government will leverage on information technology to drive responsiveness,

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efficiency, seamlessness between providers, transparency and fraud prevention. The strategy will involve deployment of an integrated state-of-the-art health information system that will enable every Kenyan to own and control access to their health record.

25. In order to build a better human resource for healthcare, the Government will work with County Governments to build a centralised system of Human Resource management similar to that of teachers. Measures will be put in place to address the challenge of inadequate human resources in the public hospitals and the poor industrial relations between health professionals. This will address the in-equitability in distribution of health professional and will enable doctors get equal treatment in capacity building, and solve the shortage in health specialists in the county health services. The Government will also mainstream community health workers and make them the foundation of the country's healthcare system in partnership with County Governments.

26. Other commitments of the Government to ensure a Universal Health Coverage (UHC) system include:

i. Employment and initiation of payment for community health workers who shall form part of the Primary Health Care system;
ii. Prioritization of employment of 20,000 healthcare workers- doctors, nurses, clinical officers, laboratory technologists, physiotherapists, among others, to bridge the gap according to WHO recommendations of 23 HC per 10,000 populations;
iii. Set up of an emergency medical treatment fund to cater for emergency, cancer treatment and referrals;
iv. Setting aside of Ksh 50 billion for Kenya Association of Retired Officers medical schemes;
v. Integration of preventive and promotive services/ establish MDT (a primary healthcare approach) as envisioned in the Afya Bora Mashinani;
vi. Setting aside of seed deposit amount of Ksh 100 billion into co-funding the strategic programs for HIV, tuberculosis, blood transfusion, malaria, family planning and reproductive health;
vii. Ring-fencing funds for healthcare from facility improvement funds to allocations from the Treasury in collaboration with County Governments; and
viii. Building up supply chain management system (KEMSA) to ensure efficiency and accountability in the medical supplies to all health facilities;

1.2.5 Digital Superhighway and Creative Economy

1.2.5.1 Digital Superhighway

27. Kenya is a strong leader in the Information, Communication and Technology space. Appropriate policy framework, constitutionally protected freedoms of expression, media, information and communication has cemented the country's position as a regional and continental hub of innovation overtime. Despite this feat, there is tremendous potential for the country to become a global leader, employing hundreds of thousands of young people and generating immense wealth if the

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young people are facilitated to plug into the global digital economy. For this reason, the Government will promote investment in the digital superhighway and the creative economy in order to further enhance productivity and overall competitiveness.

28. Over the next 5 years, the Government will support extension of National Optic Fibre Backbone infrastructure work to ensure universal broadband availability. The laying out of an additional 100,000 km of the national fibre-optic network is expected to deliver this target.

29. Government will also digitize and automate all critical Government processes throughout the country, with a view to bringing at least 80 percent of all Government services online for greater convenience to citizens. To achieve this, the Government will revamp Huduma Centre Infrastructure to enable end to end physical and digital access to Government services under the one-stop-shop platforms. Moreover, the Government will undertake measures to bring down the cost of calls and data in order to bring more Kenyans, especially the youth online for businesses, learning, entertainment and socialisation. This initiative converges with the efforts to boost the creative economy and scale up cultural production and the arts industry. As more services are digitized, the Government plans to strengthen its cyber security capacity in order to protect against potential cyber-attacks.

30. To further entrench Kenya's lead in the digital economy, the Government will establish a Presidential Advisory Council on Science and Technology Policy that will ensure a wholesome Government approach to technological development and use and build necessary capacities across Government. The Government will also promote investment in Konza Technopolis to bring together industry, academic institutions and other innovators to co-invest in emerging technologies to create high-quality jobs that leverage on artificial intelligence, robotics and other technologies and thus enhance regional and global competitiveness. The establishment of the Africa Regional Hub and promotion of the development of software for export will cement Kenya's position as a digital leader.

1.2.5.2 Creative Economy

31. Kenya has a highly talented youth in a diverse spectrum of creative work which includes music, theatre, graphic design, digital animation, fashion and craft, among others. The digital revolution, reinforced by good connectivity has opened up opportunities for this sector to be a significant economic actor in its own right. Additionally, the creative industry can add value to Kenya's exports such as fashion, leather products and craft industries that can employ millions of Kenyan youths. To realize these benefits, the Government will:

i. Work with stakeholders to expand the space for creativity, including freedom of expression and protection of intellectual property rights;

ii. Mainstream arts and culture infrastructure (theatres, music halls, art galleries) into the infrastructure development programme, and identify dedicated streams of resources for their development;

iii. Work with stakeholders to identify the incentives, capacity building and other support required from the State to scale up cultural production and the creative economy; and

iv. Mainstream the creative economy in Brand Kenya and commercial diplomacy, including appointing accomplished Kenyan artistes and creative sector personalities as cultural ambassadors.

1.3 Enablers

32. The Government's Bottom – Up Economic Transformation Agenda will be underpinned by sound and innovative policy and structural reforms targeted at all socio-economic sectors, building efficient infrastructure, climate-change mitigation mechanisms, as well as foster strict compliance with the Constitution and the rule of law.

1.3.1 Infrastructure

33. The Government will intensify national connectivity through water, road, rail, port, energy and fibre-optic infrastructure to foster an enabling environment for economic recovery and inclusive growth. The Government is finalising a framework for centralisation of resources to deal with all stalled infrastructure projects.

1.3.1.1 Water

34. Two-thirds of Kenya's agricultural land requires irrigation, against only 4 percent that is irrigated. Irrigation is the single most important game changer in agriculture. To enhance access to safe water for domestic and industrial use, the Government has planned to construct small and medium dams, water pans, boreholes and large scale dams under "Water 10,000 Program" and connection of water to 1,000,000 households. This will be done by: Shifting focus from large dams to household/community water projects, with emphasis on harvesting and recycling; Where large reservoirs are viable, adopt PPP model (using IPP model); Using modern technologies on desalination, develop Turkana aquifers using PPP model (potential to irrigate a million acres of land); Deploy climate smart agriculture technologies (micro-irrigation, precision irrigation, hydro and aquaponics technologies).

1.3.1.2 Roads

35. Roads are the most important infrastructure in the country. Overtime, the Government has pursued ambitious projects that have doubled the number of paved roads. This has been achieved by adopting the Low Volume Sealed Roads (LVSR) programme resulting in 6,000 kilometres completed with another 3,800 kilometres under construction. The adoption of the LVSR standard has reduced cost of paving low traffic roads substantially.

36. However, the need for roads remains immense as one third of classified roads need either reconstruction or rehabilitation. Over the medium term, the Government will continue to invest in road infrastructure by completing all roads

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under construction. The Government will also prioritize upgrading and maintaining rural access roads as well as improve road infrastructure in urban informal settlement and critical national and regional trunk roads that have the highest immediate economic impact.

1.3.1.3 Electricity

37. Electricity is a vital economic and social good critical for production of consumer goods and provision of essential services such as health and security. While generation capacity and total electricity connections have increased considerably in the recent years, electricity in the country remains expensive and unreliable. One of the key contributors to both the cost and quality of power is the aging transmission and distribution network. The investment required to upgrade the network is considerable, more so in the difficult financial situation that the country is in.

38. To improve reliability and bring down the cost of power, the Government will:

i. Mobilise the resources needed to revamp the transmission and distribution network and accelerate geothermal resources development;

ii. Develop Liquified Natural Gas (LNG) storage facility in Mombasa, with a view to phasing out heavy fuel oil (HFO) from the power generation portfolio. This will also contribute to meeting Kenya's emission reduction commitments; and

iii. Enforce transparency and public accountability of the electricity sector requiring the Energy & Petroleum Regulatory Authority (EPRA) to publish quarterly system, financial and operational performance reports.

39. Further, the Government will delink development initiatives from the Kenya Power and let the company to operate on commercial principle. A policy, regulatory and financing framework for off-grid community-owned development projects (mini and micro-grids) will be instituted.

1.3.1.4 Petroleum and E-mobility

40. Petroleum is the largest import in terms of volume and price in the country, and will remain an important component for several decades. Price volatility in this commodity is a challenge for consumers and economic stability. In particular, the recent fuel price escalation as a result of global price shock has severely affected Kenyans with significant fiscal implications. In order to stabilize consumer prices against unpredictable swings in global oil prices, the Government will set up a legal framework to ring-fence the Fuel Stabilization Fund.

41. The Government will also roll out electric vehicle (EV) charging infrastructure in all urban areas and along the highways and create incentives for adoption of electric mass transit systems in all cities and towns; provide financial and tax incentives for public service vehicles and commercial transporters to convert to electric vehicles; leverage the financial support that will be provided to the bodaboda sector through the Hustler Fund, to develop the nascent electrical

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vehicle (EV) and motorcycle assembly industry. Accelerating transition to electric vehicles is a win-win proposition in terms of contributing to Kenya's emission reduction commitment, cheaper transport, and leveraging on the large local and regional motorcycle market to build an electric vehicle industry.

1.3.2 Manufacturing Sector

42. The manufacturing sector has been declining as a percent of GDP in the recent years. To improve productivity in the sector, the Government has adopted a value chain approach through the Bottom-Up initiative that will address the bottlenecks that impede the growth of manufacturing sector and enhance the country's competitiveness. The value chain adopted enables analysis of the economy on a competitiveness angle and to address the bottlenecks that impede the growth of the manufacturing sector in a deliberate manner. The value chains highlighted below are examples and are by no means the only ones:

1.3.2.1 Leather and Leather Products

43. Kenya has a big potential to develop its leather sector given the available market in uniformed services and schools. Key challenges in the sector arise from: poor quality of hides and skins, lack of skills, and limited leather factories in the country. As part of the economic turnaround strategy, the Government will support value chains in the leather sector in order to increase recovery and enhance quality of hides and skins to enable creation of 100,000 jobs per year. Towards this end, the Government will:

i. Reinstate hides and skins buyers, exporters and importers licenses in the Hide, Skin and Leather Trade Act (Cap 359);
ii. Facilitate collection, preservation and delivery of hides and skins to tanneries;
iii. Map out existing MSMEs in the value chain in Narok, Athi-River, Isiolo & Wajir;
iv. Complete development of Kenya Leather Industrial Park (KLIP), Kenanie through provision of industrial power sub-station, storage, reticulation of water; ICT infrastructure, and security; and upgrading and completion of road networks;
v. Complete construction of Common Effluent Treatment Plant (CETP);
vi. Optimize Ewaso Nyiro tannery to produce up to finished leather;
vii. Support establishment of processing clusters in Isiolo, Wajir, Narok, Ewaso Ng'iro;
viii. Facilitate local production of accessories for footwear and leather articles;
ix. Link MSMEs with uniformed forces, schools and other institutions to provide a market for locally made leather wears; and enhance market linkages for finished leather goods & products for export; and
x. Sensitize MSMEs & create public awareness on commercial opportunities in the value chain within the cluster areas.

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1.3.2.2 Building and Construction Materials

44. Building products are currently one of Kenya's leading manufactured exports to neighbouring countries. To support building and construction value chains, the Government will:

i. Initiate the establishment of industrial park for construction materials;
ii. Enhance manufacture of construction materials (clinker, cement, cabros, prefabs) locally;
iii. Complete the modernization of kiln and installation of new moulds for cabros and prefabs;
iv. Promote use of Jua Kali products (mass fittings);
v. Promote local production of electrical &electronics fittings, cables and products;
vi. Strengthen capacity of Jua Kali MSMEs to produce high quality products for construction through skills development, access to technology and certification;
vii. Enhance testing of construction materials, accreditation of inspections for ongoing construction, use of professional personnel registered by accredited CABs;
viii. Promote use of alternative building materials for construction (soil, plants); and
ix. Ring fence certain components of the low cost housing project for MSMEs.

1.3.2.3 Garments and Textiles

45. Garments and textiles exports is Kenya's third largest component at Ksh 60 billion and employing 50,000 people. The sector is however confronted by numerous challenges including high cost of labour and low agricultural productivity that hampers the competitiveness of Kenya's garment export. In order to support locally manufactured textiles, the Government will:

i. Promote modernization of cotton ginneries, textiles mills and attraction of new investments in integrated textile mills and cotton ginneries;
ii. Launch Luanda Farmers' Cotton Ginnery;
iii. Complete construction of Athi Textile Hub; Textiles Value Addition Centers (Nyando, Kieni); Naivasha SEZ administration block, access roads, boundary walls;
iv. Attract investment in manufacture of garments & apparels;
v. Capacity building on fashion and design of clothing & textiles products; and
vi. Promote linkage of MSMEs (tailors) with schools, institutions to provide a market for uniforms.

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1.3.2.4 Dairy Products

46. Dairy and livestock economy are sub-sectors with the quickest economic turnaround time and they will become key drivers in improving food security, creating jobs and boosting exports. However, dairy farmers in Kenya struggle with the high cost of feed and challenges of storage, preservation of milk and access to markets. To support value chains under the dairy sub-sector, the Government will:

i. Establish cottage industries for animal feeds, in particular, promote animal feeds production at the Nasewa Industrial park;

ii. Customize, modernize and equip CIDCs and link with TVETs to promote value addition of animal feeds;

iii. Supply and installation of dairy mechanization and value addition equipment including: bulk milk coolers; liquid nitrogen plants; embryo transfer facility; milking parlor; lab equipment; and feeds equipment; andModernize new KCC plants; fabricate dairy products machinery and equipment; and promote investment in the cold chains.

1.3.2.5 Edible and Crop Oils

47. Edible oils, primarily palm oil, is Kenya's second largest import after petroleum, on which the country is spending approximately Ksh 60 billion a year before the recent price surge, which pushed the import bill to over Ksh 90 billion. As part of its economic turnaround plan, the Government targets to increase domestic oil crops production from 5 percent to 25 percent thereby reducing importation of edible oil raw materials. Towards this end, the Government will attract investment to support oil cottage industries; provision of CMFs and processing machinery for small industries; and expand processing capacity of existing industries.

1.3.2.6 Tea Sub-sector

48. Tea sub-sector provides livelihoods to millions of Kenyans. Despite its contribution to foreign exchange earnings, the returns to farmers have been declining due to low productivity, high input costs, low levels of value addition and weak regulatory and institutional framework. To enhance productivity and improve competitiveness of the sub-sector, the Government will undertake the following interventions:

i. Provision of processing equipment to tea cooperatives;

ii. Establishment of tea value addition hub and promote investments into the hub;

iii. Export market development and export promotion including market diversification, legal and regulatory reform; and

iv. Provision of fiscal incentive; and establishment of warehouse for value added tea in key development markets.

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1.3.3 Blue Economy

49. Sustainable use of ocean and blue economy resources remains a key socio-economic development priority for the Government as a means to end hunger, reduce poverty, create jobs and spur economic growth. Building on the historic 2018 Sustainable Blue Economy Conference in Nairobi, the Government will review the National Blue Economy Strategy to strengthen community structures in participatory management of freshwater, coastal and marine resources and ecosystems. The strategy is expected to contribute to socio-economic development through food and nutrition security, coastal and rural development and income increases along the aquaculture value chains, maritime transport and tourism.

1.3.4 The Services Economy

1.3.4.1 Financial Services

50. Kenya is a global leader in financial innovation with access to formal financial services standing at 83.7 percent in 2021 largely attributed to the progress made by Kenya to expand financial access through various channels including mobile money financial platforms. The Government is currently implementing the MSMEs Credit Guarantee Scheme (CGS) to promote enterprise development through access to quality and affordable credit to MSMEs. Despite the recent improvements in the Credit Information Sharing (CIS) framework, some concerns persist about its use. This relates largely to the use of adverse credit reports issued by credit Reference Bureaus, which are used to deny borrowers credit ('blacklisting'). Additionally, continued over reliance on domestic debt poses risk of crowding out the private sector.

51. The Government will implement targeted interventions to strengthen the financial services sector's role in driving the Government's Bottom - Up Economic Transformation Agenda, cement Kenya's position as the region's financial and technological hub and help millions of ordinary citizens overcome pressing economic challenges and achieve prosperity. In particular, the Government will; deploy a credible macroeconomic framework and growth strategy to strengthen external creditworthiness, enabling Government to borrow cheaply externally and end crowding out of private sector from the domestic credit market; leverage on Kenya's well advanced SACCO system to develop a tier three financial system that will facilitate disbursement of affordable credit through the Hustlers Fund to cushion those affected by the current predatory lending interest rates e.g. market traders, boda boda; and develop and deploy a robust financial services consumer protection policy and legal framework that will protect Kenyans from predatory lenders.

52. To continue leveraging the potential of digital technologies, the Government will work with key agencies such as the Central Bank of Kenya to continue rolling out cost-effective and innovative payment services and protecting vulnerable Kenyans from risks that may arise from emerging technologies. Over the short-to medium-term, the Government will be forwarding and supporting proposals by the Central Bank of Kenya to update the national payments legal and regulatory

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framework, aimed at strengthening oversight, bolstering affordability and improve service delivery to Kenyans.

53. To enhance agricultural productivity and support increasing incomes for smallholder farmers, the Government is implementing the rural Kenya financial inclusion facility project (RK-FINFA) that incentivizes private and public funding for increased rural financial inclusion and green investments by agriculture value chain stakeholders. The project's intervention will benefit 190,000 rural Kenyan households and 41 financial institutions. These interventions will stimulate rural employment, especially among the rural youth, women and vulnerable members of society. The project is also contributing to the Government's focus on using public private partnerships financing for commercially viable projects by leveraging development funding to pro-actively stimulate the interest of the financial institutions to expand the volumes and outreach of their agricultural and rural operations.

1.3.4.2 Tourism Sector

54. Tourism is a historically important sector for the economy, in terms of foreign exchange earnings and job creation. To support the sector, the Government will focus on a bottom up job-creating tourism industry by: i) Nurturing a tourism ecosystem that supports independent travel particularly for young people, including quality and secure budget hotels and bed and breakfast facilities, affordable budget air travel to all parts of the country and safe road travel; ii) Diversify Kenya's tourism by promoting niche market products, notably adventure, sport and cultural tourism; and iii) Diversify source markets to include African markets.

1.3.4.3 Aviation Sector

55. Aviation is a strategic industry for the economy. It is vital for the tourism industry, exports of fresh produce and maintenance of Kenya's position as a regional hub. The Kenya Airways had demonstrated that Kenya could become a global aviation hub. To support the aviation industry, the Government will develop a turnaround strategy for Kenya Airways. A critical plank of this strategy will be a financing plan that does not depend on operational support from the exchequer beyond December 2023.

1.3.5 Environment and Climate Change

56. Environmental conservation and response to the impacts of climate change are at the centre of the Government's socio-economic transformation agenda. Provision of a cleaner and safer environment is consistent with the Constitutional obligations and will cement the country's position as a global leader in environmental protection and sustainable development. To actualise this, the Government will continue to mainstream issues of environment conservation, climate change mitigation and adaptation, halt and reversal of deforestation, biodiversity loss and land degradation, in all Government programmes and across all levels of Government.

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57. Already, the Government has commenced its plan to grow 15 billion trees across the country by 2030. The goal is to increase the national tree cover from the current 12 percent to 30 percent over that period. This will ensure that the country attains the Constitutional mandate of at least 10 percent land area forest cover. The reforestation programme will be implemented through the Ministry of Environment, Climate Change and Forestry in collaboration with County Governments and other stakeholders both local and foreign including youth and women groups, civil societies and religious organisations. To achieve this, the Government will continue to support efforts by the Kenya Forestry Research Institute (KEFRI) to produce high quality tree seedlings in the 18 Tree Seeds Centres countrywide.

58. In pursuit of the climate change agenda, Kenya's commitment is to reduce greenhouse gas emissions by 32 percent by 2030 as contained in Kenya's Nationally Determined Contribution (NDC). Towards this end, the Government will adopt a Bottom-Up 3P solutions (people, planet, profit) whose priority value chains include: biomass energy (wood fuel), agro-forestry and solid waste management. The strategy will involve modernizing and commercializing the charcoal value chain by adopting modern kilns, decriminalize the charcoal trade, supporting scaling up of clean cooking technologies and promoting youth-owned and operated briquette-making enterprises.

59. In solid waste management, the Government working with the private sector has developed a European model called Extended Producer Responsibility (EPR) based on household level separation that is unlikely to be practical beyond the urban middle class. The Government will complement EPR system with a Bottom-Up community-based value chain; organise waste collectors into cooperatives and provide circular economy waste separation sites.

60. To ensure sustainable funding of climate change action and green economy initiatives, the Government will implement Green Financing as a flagship programme to transition to a low-carbon, climate resilient and green economy through incorporation of risks and opportunities resulting from environment and climate change in the financial sector. This would be implemented through establishment of Green Finance Coordination Framework of public and private green finance to enhance operational effectiveness, identify common challenges, encourage peer learning, and limit duplication of efforts. To further enhance increase of financial flows for climate action, the Government will develop and implement policies and strategies to tap into the global carbon market opportunities, green and climate financing mechanisms such as Green Climate Fund, promote green bonds and debt for climate swaps among others.

61. In order to deliver locally-led climate resilience actions and strengthen National and County Governments' capacity to manage climate risks, the Government in collaboration with Development Partners developed an innovative Financing Locally-led climate Action (FLLoCA) Program. The Program is designed to encourage cross-agency collaboration and vertical linkages from community level up to national level in addressing climate change. The programme is supporting counties to put in place participative climate change policy and

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legislative frameworks in order to be able to access pooled finance to support implementation of locally-led climate actions.

1.3.6 Education and Training

62. Education is the ultimate means of ensuring an equitable society. As part of its economic turnaround and inclusive growth strategy, the Government will facilitate impartation of the necessary skills and competencies to learners from pre-primary to the tertiary level, regardless of background. This will enable learners to effectively play their part by contributing to the nation building effort, and partaking of the dividends of shared prosperity.

63. As part of the process, the Government undertook to review the Competency-Based Curriculum following the concerns of many stakeholders, especially parents and teachers. This was done under the auspices of the newly set up Presidential Working Party on Education Reforms. The findings and recommendations from the Working Party shall inform subsequent necessary intervention to ensure that Kenya delivers the calibre of education, skills and training needed to successfully pursue sustainable development. In order to increase the teacher to learner ratio in primary and secondary schools, the Government has provided resources to the Teachers Service Commission to recruit 30,000 teachers.

64. Other reforms in the education sector include:

i. Pay for in-service teacher training initiated by Government and bridge the current teacher shortage gap of 116,000;

ii. Establish a Special Service Tariff for all learning institutions for basic utilities such as water, electricity and Internet connection;

iii. Improve capacity of day secondary schools to guarantee access to quality education and reduce the costs. Currently, 72 percent of learners in secondary schools are in day schools, while only 28 percent are in boarding schools;

iv. Leveraging technology in Education through Integrating technology in curriculum assessment by developing an online assessment system and enhancement of digital content and creative industry to have appropriate content accessible in Kenya Education Cloud;

v. The National Education Management Information System (NEMIS) reengineering for learner tracking and governance monitoring in the Education Sector and establishment of NEMIS Steering and Technical Teams to oversee the data management in the sector;

vi. Establish a National Skill and Funding Council that amalgamates HELB, TVET and University Funding Board and increase funding to bridge the current 45 percent gap;

vii. Build a fully equipped Technical Training and Vocational Education Training Institution (TVET) in the remaining 52 constituencies, equip ICT labs in 218 TVET institutions with equipment to create digital labs and Establish Science and Technology Park;

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viii. Set up a National Open University to increase access and reduce the cost of university education while making 100 percent transition to higher education a reality;

ix. Establish a one-year paid National Internship Programme for all students graduating from teachers, technical and medical colleges and universities, by collaborating with industry players;

x. Increase funding for research and development from the current 0.8 percent to 2 percent of GDP in accordance with the Science and Technology Innovation (ST&I) Act 2013 as per the bottom-up economic agenda. Additionally, incentivize the private sector to contribute towards research;

xi. Double the amount of money allocated to the school feeding programme to immediately raise the number of beneficiaries from two million to four million; and to provide conditional grants to County Governments to extend the programme and raise the numbers to 8 million in primary and Early Child Development (ECD) schools; and

xii. Domesticate teacher recruitment and deployment at entry level according to the UNESCO teacher deployment practice which treats education as a cultural process conducted within a people's cultural context at the local level. To deal with the challenge faced by teachers resulting from delocalization, the Government will replace this policy with a nationalization programme which will incentivize teachers who choose to serve in other parts of the country.

1.3.7 Women Agenda

65. The participation of women in key sectors of the economy is minimal, and a vast majority of them remain in low-income jobs or enterprises and endure poor working conditions. Women are also largely excluded from governance and political institutions. As part of its inclusive strategy, the Government will:

i. Provide financial and capacity building support for women through the Hustler Fund for women-led co-operative societies, 'chamas', merry-go-rounds and table banking initiatives and protect them from predatory interest rates charged by unscrupulous money lenders;

ii. Implement the two-thirds gender rule in elective and appointive positions in the public sector within 12 months after the elections including 50 percent cabinet positions for women and increase the number of, and personnel at, gender desks at police stations;

iii. Increase funding for the Anti-Female Genital Mutilation (FGM) Board and fully implement the anti-FGM law;

iv. Establish a social welfare fund for Kenyan women working abroad to provide a safety net for distressed diaspora citizens;

v. Ensure availability of clean, safe, environmentally-friendly and affordable cooking fuels;

vi. Ensure access to education and provide free sanitary towels in all schools and public washrooms; and

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vii. Take administrative measures to ensure 100 percent enforcement of the spousal consent legal provisions in land transactions to cushion women and children from dispossession of family land.

1.3.8 Social Protection

66. At the heart of the Government's development agenda, is the inclusion in society and employment opportunities for the vulnerable members. The National Social Security Fund (NSSF) payroll deduction system is not diverse enough in an economy where 85 percent of workforce is not on formal payrolls. To address this, the Government will establish a universal social security system, encompassing pension, occupational hazard and unemployment insurance.

67. The Government will also continue to support vulnerable members of the society through the Social Safety Nets Programmes (Inua Jamii), the Hunger Safety Net Programme and the National Council for Persons Living with Disabilities Fund. To protect the elderly, the Government will push for attainment of 100 percent NHIF coverage for senior citizens within three years; revamp the cash transfer programmes for elderly and vulnerable households to improve operational efficiency, prompt payment accountability and coverage; invest in education and training for caregivers and medical staff to fill the gap of skills in the provision of specialised care for older people.

68. To protect the welfare of children, the Government commits to eradicate malnutrition within five years; increase access to early stimulation and learning, and to prioritise an integrated package of services for children; and improve learning outcomes by connecting all schools to the internet.

69. To support people living with disabilities (PWDs), the Government will target for 100 percent NHIF coverage for PWDs; integrate schools to allow children with disabilities to start interacting with the general public at an early age to restore their confidence and self-esteem; and merge the National Fund for the Disabled of Kenya (NFDK) with National Council for Persons with Disabilities (NCPWD) and ensure parliamentary oversight for accountability. The Government will also set aside 15 percent of all public-funded bursaries for pupils with disabilities; and ring fence adequate percentage of the Hustlers Fund for PWDs.

1.3.9 Sports, Culture and Arts

70. The Government recognizes sports and the arts as a mega industry that can employ millions of youth and help grow the economy. Kenya sporting prowess portends tremendous opportunity to build a sports economy value chain that includes hosting of international sporting events, training facilities and manufacturing of sports apparel and equipment.

71. To support the sports industry, the Government has moved with speed to get the country's football back, protect Kenya's athletics pedigree from doping, and streamline collection and distribution of royalties to artists. Through the revolutionary 'TALANTA HELA' Plan, the Government will rebuild and monetise sports and creative industry. As part of the inclusive growth plan, the Government will champion a grassroots football development program that will see National Government work with County Governments to invest heavily in youth football.

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Arrangements are at an advanced stage to launch a Bottom-up football tournament to be contested by under-19 teams from all 47 Counties.

72. To further harness the potential of the sports and arts industry, the Government will: identify sustainable sources for sports funding and consider setting up of a national lottery, tax incentives for corporate sponsorship, a dedicated or ring-fenced tax and Public-Private Partnership framework for infrastructure development. The Government will also review the Sports Act; and establish and resource adequately a dedicated function within the Tourism Promotion Council to attract international sporting events; and leverage on the country's international athletics brand to develop a domestic sports apparel manufacturing cluster. Further, the Government will expand the National Youth Talent Academy to include all sports and simultaneously devolve it to County level; introduce County Sports Talent Academy with the capacity to systematically identify promising sporting talent and provide necessary support through sponsorship to further their skills/talent.

1.3.10 Youth Empowerment and Development Agenda

73. Towards the realization of the Governments development agenda, deliberate efforts will be undertaken to leverage on broader youth empowerment and development infrastructure that support various facets of youth Agenda in Kenya. This critical population cohort will be harnessed to realize the demographic dividends in various sectors of economic transformation to address youth unemployment as one of the key challenges.

74. The Government will continue to support harnessing youth talent and innovation; inculcating entrepreneurial culture among the youth; up-skilling youth for employability; establish youth innovation and incubation hubs to strengthen capacity for youth talent and innovations development; establish youth innovation awards; support targeted programmes for employment creation focusing employment, education and training (NEET); and enhance community-based youth social development interventions. To monitor on the efficacy of youth development interventions, the Government will develop a National Index for Youth Development and appropriate legislations for youth development in the Country.

1.3.11 Governance

75. The Government's commitment for the next five years is to scale up the implementation of the provisions of the 2010 Constitution, strengthen the rule of law, increase access to justice, ensure respect for human rights and respect the United Nations Sustainable Development Goal Number 16 on peace, justice and strong institutions. Most importantly, the Government shall endeavour to ensure zero tolerance to corruption by making all public servants accountable, and submitting to the oversight of Parliament and other constitutionally mandated institutions.

76. To strengthen governance, the Government appointed four Court of Appeal and two Environment and Land Court judges, and 20 judges of the High Court. The Government has also escalated the actualisation of the Judiciary Fund that will

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increase the allocation of resources to match the needs of enhancing access to justice throughout Kenya. Over the medium term, the Government will:

i. Equip the Attorney-General's Office with the resources and ability it needs to safeguard the public interest in court, legislating, negotiating international agreements, and signing of contracts. This will minimize the needless litigation and costly fines;
ii. Bolster the financial and technical capabilities as well as the independence of all independent (Chapter 15) institutions to make sure they are capable of defending the national interest and the people's sovereignty;
iii. Institutionalize human rights-based approaches to Counter-Terrorism (CT), including strengthening the Special CT Courts to ensure speedy and fair trials;
iv. Strengthen the Office of the Registrar of Political Parties (ORPP) by opening county offices;
v. End the weaponization and politicization of the anti-corruption efforts by allowing the relevant institutions to freely exercise the independence given to them by the Constitution;
vi. Grant financial independence to the Ethics and Anti-Corruption Commission (EACC) and the police to end their reliance on the Office of the President; and
vii. Promote accountability and openness in the management of public affairs, institutionalizing open governance in all State organs and agencies, and publishing an annual State of Openness Report.

1.3.11.1 Public Service Transformation

77. The quality of the human resource is crucial for social economic development of the Country. The Government Transformative Agenda will require highly skilled, agile and responsive Public Sector workforce well equipped with requisite skills, knowledge attitudes and competencies.

78. The quality of the human resource is crucial for socio-economic development of the country. The Kenya Kwanza Government's Bottom - Up Economic Transformation Agenda focuses on economic turnaround and inclusive growth. The turnaround will require Kenya to build a highly skilled, agile and responsive public sector workforce well equipped with requite skills, knowledge, attitudes and competencies needed to realize these objectives. The public service should thus be innovative, creative, flexible and adaptive to the needs of the county and by extensions, the needs of the citizens in view of the nation development priorities.

79. Towards this end, the Government will focus on building human capital consistent with merit system principles that will include modernizing policies and practices for training and human development of its staff. As part of the process, life-long training, education and development to mold the kind of human resources required to take the country to the next level of development will be prioritized. This will include putting in place robust policy mechanism in place to ensure both scarce and high priority skills are available under the public service in both the

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National and County Governments. To achieve this, the Public Service will embrace competency based human resource management and development framework. To achieve this, the Government both at the National and County Levels will review and implement human resource policies, procedures, laws, regulations, strategies and guidelines to improve and transform service delivery, especially in Agriculture, MSMEs, housing and settlement, healthcare, digital and creative industry sectors.

80. The Government has been advancing citizen-centered public service delivery through a variety of channels, including deploying digital technology and establishing citizen service centres across the country. Going forward, Government service delivery through digitation and automation of Government critical process and in an effort to ensure availability of 80 percent of its service, strategies will be put in place to enhance Government E-services, E-Government and Huduma service delivery platforms. In addition, the Government will develop strategies and plans for performance management effectiveness in the public service through reengineering for the current performance management framework.

81. Further, the Government will upgrade the existing GHRIS and developed a 'unified Human Resource (UHR) System' for the Public Service to ensure the Public Service Human Resource Data and Wage bill is consolidated in one system for ease of decision-making. The consolidated Human Resource data and payroll information will eventually be linked with other systems such as the Integrated Financial Management Information System (IFMIS), Kenya Revenue Authority (KRA), iTax system, the National Registration Bureau (NRB), among others.

82. In order to facilitate the desired consolidation of HR/payroll in the Public Service, each public servant is required to have a lifetime unique identification under the Unified Payroll Number (UPN) Generation/Allocation Module centrally managed by the Ministry responsible for Public Service. The acquisition of Unified Payroll Number (UPNs) is prerequisite for a Public Service organization to use the shared Unified HR platform.

83. The Government, is committed to build a robust, hardworking and dedicated human resource in the public service. Towards this end, a framework to guide in development of career management in the Public Service and Generic guidelines on career guidelines for staff in the counties will be developed. This will go a long way in attracting, motivating and retaining suitably qualified staff in the Service who clearly understand their well-defined job descriptions and specifications.

84. In the same spirit, the Government will ensure that fit for purpose organizational structures and optimal staffing levels are developed for all Ministries/State Departments, Agencies and Counties in line with the Executive Order No. 1 of 2023 on the Organization of the Government of Kenya in order to realign their mandates with the Kenya Kwanza Manifesto.

1.3.11.2 Strengthening Leadership Accountability and De-Personalising Politics

85. To strengthen leadership accountability and de-personalising politics, the Government will:

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i. Hold an annual State of the Nation Forum as an extension of the country-wide consultative economic forums that have been a core component of our campaign, as a platform for dialogue whose recommendations will inform the State of the Nation Address to Parliament, and to include appropriate monitoring and evaluation mechanisms as required by Article 132(1)(c) of the Constitution;

ii. Establish an engagement platform which will recognise and engage micro, small, medium and large business owners, civil society, faith-based groups, youth leaders, women leaders, among others, to address the cohesion and inequality challenges of the country;

iii. Review the role of the National Cohesion and Integration Commission with a view to repealing the NCIC Act;

iv. Operationalise the Public Benefits Organisations Act and expand space for Government-NGO partnerships and collaborations; and

v. Legislate an affirmative action framework to implement Article 56 of the Constitution regarding minorities and marginalised groups.

1.3.11.3 Strengthening Devolution

86. To enhance devolution, the Government will: complete transfer of all functions constitutionally earmarked to counties within six months; and develop a framework for ensuring that state-owned firms carrying out devolved or shared functions adhere to the principles of governance and ensure that the principle of funding-follows-functions is adhered to with respect to all devolved functions. The Government will also improve County Governments' capacity to generate their own income and reduce over-reliance on transfers from the National Government; and ensure that shareable revenue is transferred to counties in a timely and predictable manner and in accordance with the law.

1.3.11.4 Security

87. The security sector is critical to long-term sustainable development and poverty alleviation by ensuring safe and fair systems to enable people to work and business to operate. Despite steps towards reform, many challenges still exist in effective implementation of security sector reforms as is evident in continued cases of political interference, poor leadership and dismal performance, corruption, abduction, torture, disappearance and murder, extrajudicial killings and a lack of effective oversight and accountability.

88. To reverse this, the Government has successfully engaged security sector stakeholders to re-orient policing operations. This has ushered in a new policing paradigm geared towards achieving a high level of security for citizens while observing their rights and freedoms to the greatest extent. To strengthen policing services, the Government has executed the necessary instrument to actualise the financial independence of the National Police Service in the realisation that this is the substantive enabler of genuine institutional independence. The operational independence of the police is necessary for its efficiency, professionalism and accountability. The Government established a taskforce on police reforms in

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December 2022 to review the remuneration and terms of all officers in the security sector to be commensurate with the cost of living.

1.3.12 Foreign Policy and Regional Integration

89. Kenya's significance in world affairs is demonstrated by the fact that it is considered an anchor State in the Eastern African region. It hosts the only United Nations headquarters in the Global South (United Nation Environmental Program and Habitat), serves as a hub for international organisations, and is a key player in peace and security initiatives in the region. The Government will promote friendly relations with our neighbours, play a leading role in regional and pan-African affairs, collaborate with our international partners, and uphold our commitment to the international community.

90. The Government will develop a creative and robust foreign policy whose pillars will be:

1.3.12.1 Economic and Commercial Diplomacy

91. This entails leveraging our international engagements to create opportunities for our citizens, businesses, and investors. In particular, we aim to expand the market for our products and services by taking advantage of our membership in regional organisations such as the East African Community, the Common Market for Eastern and Southern Africa (COMESA), the African Continental Free Trade Area (AfCTA), and the Intergovernmental Authority on Development (IGAD). The administration will also take advantage of Kenya's status as tech powerhouse to further drive economic interest of the country.

1.3.12.2 Anchor State

92. Kenya Kwanza will strengthen Kenya's role as an anchor State in regional, continental, and global affairs. We will continue to lead efforts to advance regional stability and peace, aid global initiatives to counteract violent extremism and cooperate with other countries as a reliable ally or neighbour. Deploy robust, creative and engaging foreign policy to raise Kenya's profile as a regional anchor State and amplify our partnership with the rest of the world, including Africa, China, US, Europe, UK and India, among other partners.

1.3.12.3 Global citizenship

93. This entails supporting the work and decisions of international organisations that Kenya has joined or ratified. These include the African Union, the East African Community and the UN and its affiliates. Our foreign policy will be global in scope, but it will have a more pan-Africanist stance, placing more focus on causes that improve the welfare of Africans worldwide. We will not only deepen our bonds with our long-standing international and bilateral partners, but also extend our friendship to anyone with whom we share a mutually beneficial relationship.

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1.3.12.4 Diaspora

94. About three million Kenyans are currently living in various parts of the world and constitute Kenya's diaspora community. This population continues to form an integral part of the Kenyan economy and social fabric. The Government, therefore, intends to engage the Kenyan Diaspora in a more constructive and productive manner to unlock and unleash their full potential. This will be through:

i. Improving delivery of Government services through decentralising services and functions of Kenyan missions abroad;

ii. Establishing a diaspora forum which will review progress of national Government services to the diaspora and make the necessary recommendations;

iii. Establishing new and enhance trade and investment channels in order to promote further local investment by Kenyans living in the diaspora;

iv. Facilitating accreditation and endorsement of Kenya's qualifications and skills with those of foreign countries for easy access into higher education and foreign jobs by Kenyans living in the diaspora;

v. Facilitating the portability of knowledge, skills, innovation and technical resources available in the diaspora for national development;

vi. Establishing a social welfare system for Kenyans living in the diaspora, by exploring and implementing the portability of social protection;

vii. Engaging our sportsmen and women and other eminent Kenyans to promote patriotism and social cohesion in Kenya and globally; and

viii. Promoting the Kenyan brand and appoint brand ambassadors who will market Kenyan services and products and equally increase the global market share of these services and products.

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1.4 Implementation Framework

95. The policy priority areas in the Bottom – Up Economic Transformation Agenda will be implemented through a framework anchored on three pillars namely; prioritisation, sequencing and financing.

1.4.1 Prioritisation

96. Prioritisation is critical because resources are scarce but also because we do not have the capacity to do everything at once. Limited resources mean that we must chose, but choosing one person's preferences over another can create winners and losers, thereby undermining the goodwill needed to have everyone pulling in the same direction. It is, therefore, imperative that transparent objective criteria are used, and everyone is able to see what is in it for them.

97. The priorities in this plan have been chosen based on the impact on six objectives which, in our view, hit the most birds with the fewest stones, namely, bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax base, improving our foreign exchange balance and inclusive growth. These criteria led us to five sectors that form the core pillars of this plan. These are: Agriculture Transformation, Micro, Small and Medium Enterprise (MSME) Economy, Housing and Settlement, Healthcare, and Digital Superhighway and Creative Economy.

1.4.2 Sequencing

98. The imperative to alleviate the suffering that Kenyans are undergoing makes sequencing critical. In the context of severe resource constraints, interventions that can increase Government revenue quickly, making it much easier to finance other things. We also have to think about those interventions that have long gestation periods but very significant impact in a few years', and only if they are initiated in good time. These considerations have led us to establish four timeframes as follows:

- **Quick wins**. These are interventions that will have economic impact within six months. Examples include dairy and seasonal crops and resolution of pending bills.
- **Short term**. These are interventions that will deliver impact within 6 - 18 months. Examples include establishing feedlots for cattle and rehabilitation of crops such as coffee and cashew nuts.
- **Medium term**. These are interventions that will deliver impact between 18 – 36 months. Examples include housing programmes, Universal Health Care (UHC), coffee, fruit and nut trees.
- **Long term**. These are interventions whose impact is expected to be felt between 3 and 5 years and beyond, but need to be started in good time.

1.4.3 Financing Principles and Framework

99. **Fiscal consolidation.** The plan must be financed within a budget deficit target of 3 percent by financial year 2026/27. This will be achieved by (a) Ensuring that

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revenue projection will not exceed the average growth in preceding three years and expenditure growth capped at 75 percent of the revenue growth rate, and (b) Budget neutrality. For new programmes to be financed, the resources must be released by another programme or project that is either completed or closed.

100. **Infrastructure Fund/Bank.** An infrastructure fund will be established with initial capitalisation from privatisation proceeds, with a view to progressively reducing the financing of commercially viable infrastructure projects from the budget.

101. **Aid resources.** Water, health, education and environment/climate change will be prioritised in the utilisation of grants and concessional loans.

102. **Pending bills.** To remove pressure of settling pending bills from the annual budget allocations, a transactions advisor will be engaged to advise on securitisation of the outstanding bills subject to verification.

Delivery: Value Chain Approach

103. Competition for resources among sectors often undermines rational allocation of resources, and also wastage due to duplication, fragmentation and lack of coordination. To mitigate this, the Government has adopted a value chain approach in budgeting. Under the process, the budgeting for the priority programmes will be done through a value chain approach under five clusters: i) Finance and Production Economy; ii) Infrastructure; iii) Land and Natural Resource; iv) Social Sectors; and v) Governance and Public Administration. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process also ensures adequate resources are allocated to any entity along the value chain and helps to eliminate duplication of roles and budgeting of resources.

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II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Overview

104. The Kenyan economy continued to expand in 2022, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP is expected to have grown by 5.5 percent in 2022 supported by the services sector despite subdued performance in agriculture and weaker global growth. The economy is projected to rebound to 6.1 percent in 2023, reinforced by the Government's Bottom – Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth.

105. The coordination between monetary and fiscal policies continued to support macroeconomic stability with interest rates remaining relatively stable. Year-on-year overall inflation rate declined for the third consecutive month in January 2023. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices following the favourable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.4 percent recorded in January 2022.

106. The external sector has remained stable despite the tight global financial conditions attributed to strengthening of US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling, like all world currencies, has weakened but strengthened against other major international currencies. The current account deficit was generally stable at 5.2 percent of GDP in the 12 months to November 2022 compared to 5.4 percent of GDP in November 2021 on account of improved receipts from service exports and resilient remittances. The official foreign exchange reserves at 4.2 months of import cover in November 2022 continues to provide adequate buffer against short term shocks in the foreign exchange market.

107. The fiscal policy continues to pursue growth friendly fiscal consolidation to preserve debt sustainability. This will be achieved through enhancing revenue collection and curtailing non-core expenditures while prioritizing high impact social and investment expenditure. As such, fiscal deficit is projected to decline from 5.7 percent of GDP in FY 2022/23 to 4.4 percent of GDP in FY 2023/24.

2.2 Recent Economic Developments

Global and Regional Economic Developments

108. Global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic, and persistent supply chain disruptions. Global growth is projected to slow down to 2.9 percent in 2023 from the estimated at 3.4 percent in 2022 mainly driven by sluggish growth in advanced economies. The advanced economies is projected to decline from the estimated 2.7 percent in 2022 to 1.2 percent in 2023 reflecting slowdown in the growth in the USA, Euro Area and United Kingdom.

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109. Growth in the emerging markets and developing economies is projected to rise modestly to 4.0 percent in 2023 from an estimated 3.9 percent in 2022 mainly driven by recovery of activities in China with the full reopening in 2023. China economy is projected to improve to 5.2 percent from 3.0 percent in 2022 **(Table 2.1)**. In the sub-Saharan Africa region, growth is projected to remain moderate at 3.8 percent in 2023. This outlook reflects Nigeria's rising growth in 2023 due to measures to address insecurity issues in the oil sector.

Table 2.1: Global Economic Growth, Percent

Economy	2020	2021	2022*	2023**
	Actual		Jan. WEO	Jan. WEO
World	(3.1)	6.2	3.4	2.9
Advanced Economies	(4.5)	5.4	2.7	1.2
Of which: USA	(3.4)	5.9	2.0	1.4
Euro Area	(6.1)	5.3	3.5	0.7
Emerging and Developing Economies	(2.0)	6.7	3.9	4.0
Of which: China	2.2	8.4	3.0	5.2
India	(6.6)	8.7	6.8	6.1
Sub-Saharan Africa	(1.6)	4.7	3.8	3.8
Of which: South Africa	(6.3)	4.9	2.6	1.2
Nigeria	(1.8)	3.6	3.0	3.2
EAC-5	0.9	6.6	4.7	5.4
Of which: Kenya***	(0.3)	7.5	5.5	6.1

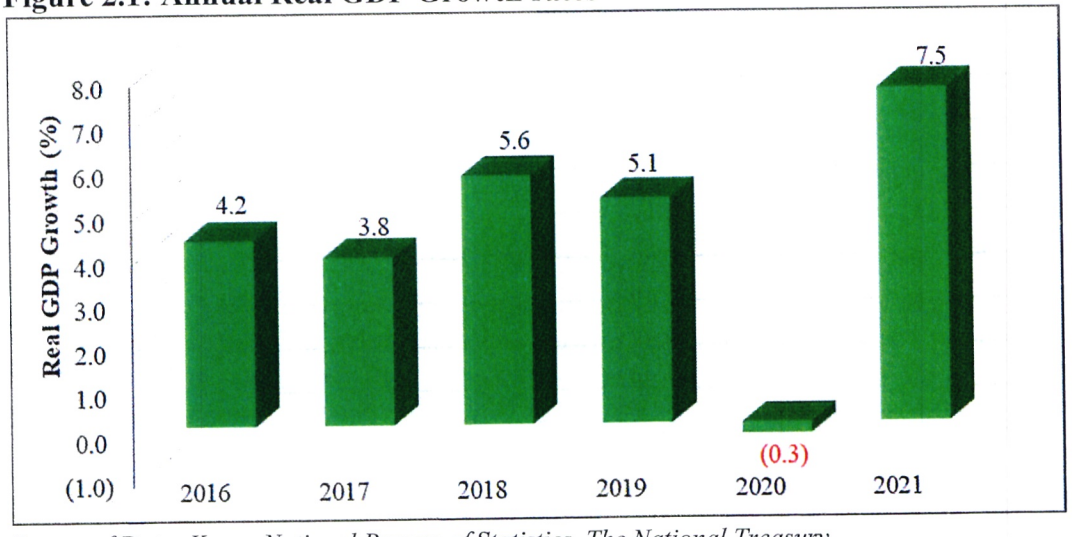
**Estimate **Projected ***budget estimate*
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

Source of Data: January 2023 WEO

Domestic Economic Developments

110. The Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 **(Figure 2.1)**.

Figure 2.1: Annual Real GDP Growth rates



Source of Data: Kenya National Bureau of Statistics, The National Treasury

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111. The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021.

112. In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. The growth in the third quarter of 2022 was mainly supported by the service sectors, particularly; Accommodation and Food Service activities, Wholesale and retail trade, Professional, Administrative and Support services, Education and Financial and Insurance activities. The growth was, however, slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors

113. The agriculture sector recorded a contraction of 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavorable weather conditions that prevailed in first three quarters of 2022. The decline was reflected in vegetable exports and milk intake by processors. The sector's performance was cushioned from a steeper contraction by improved production in fruits, coffee and cane.

114. The performance of the industry sector slowed down to a growth of 3.4 percent in the third quarter of 2022 compared to a growth of 8.3 percent in the same period in 2021. This was mainly on account of normalization of activities in the manufacturing sub-sector after the strong recovery in 2021. Manufacturing sub-sector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth in the industry sector was supported by positive growths in Electricity and Water Supply sub-sector and construction sub-sector which grew by 4.7 percent and 4.3 percent, respectively.

115. The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

Inflation Rate

116. The year-on-year inflation rate eased for the third consecutive month in January 2023 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and lower global commodity prices particularly for edible oils and wheat with the easing of international supply chain disruptions **(Figure 2.2)**. However, this

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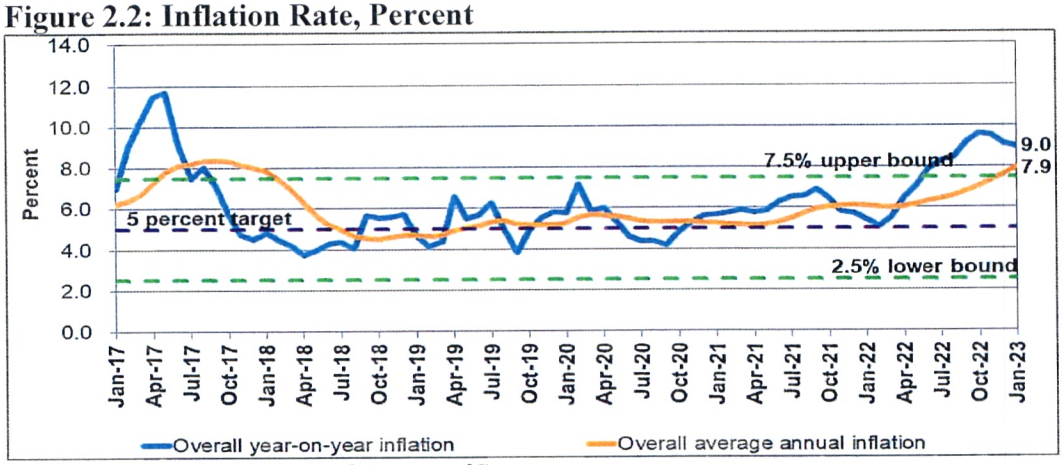
inflation rate was higher than the 5.4 percent recorded in January 2022. Overall annual average inflation increased to 7.9 percent in January 2023 compared to the 6.1 percent recorded in January 2022.

Figure 2.2: Inflation Rate, Percent



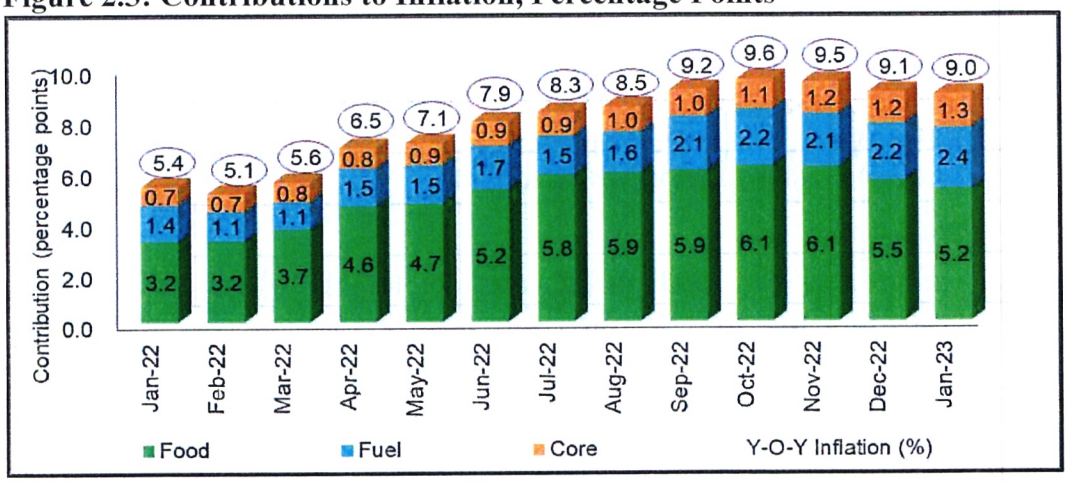
Source of Data: Kenya National Bureau of Statistics

117. Food inflation remained the main driver of overall year-on-year inflation in January 2023, contributing 5.2 percentage points, an increase, compared to a contribution of 3.2 percentage points in January 2022 **(Figure 2.3)**. The increase was mainly attributed to relatively higher prices key food items particularly cowpeas, maize grain (loose), beans, potatoes (Irish), green grams, and mangoes.

118. Fuel inflation also increased to contribute 2.4 percentage points to year-on-year overall inflation in January 2023 from a contribution of 1.4 percentage points in January 2022. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices and scaling down of the fuel subsidy.

119. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy. The contribution of core inflation to overall inflation increased to 1.3 percentage points in January 2023 compared to 0.7 percentage points contribution in January 2022.

Figure 2.3: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

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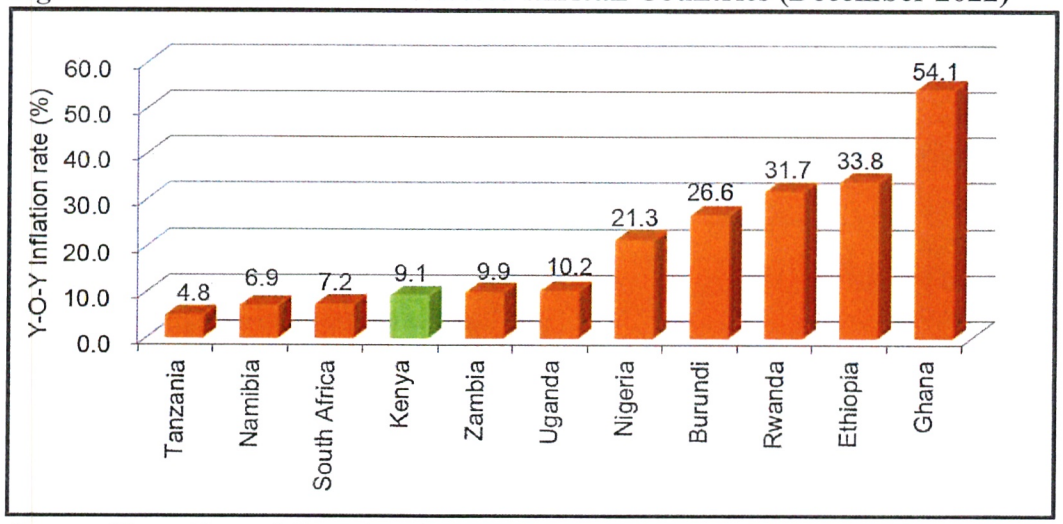
120. While inflation has been rising and remains high in most economies, Kenya's inflation rate at 9.1 percent in December 2022 is much lower than that of some countries in the Sub-Saharan African region that have double digits' inflation **(Figure 2.4)**.

Figure 2.4: Inflation Rates in selected African Countries (December 2022)

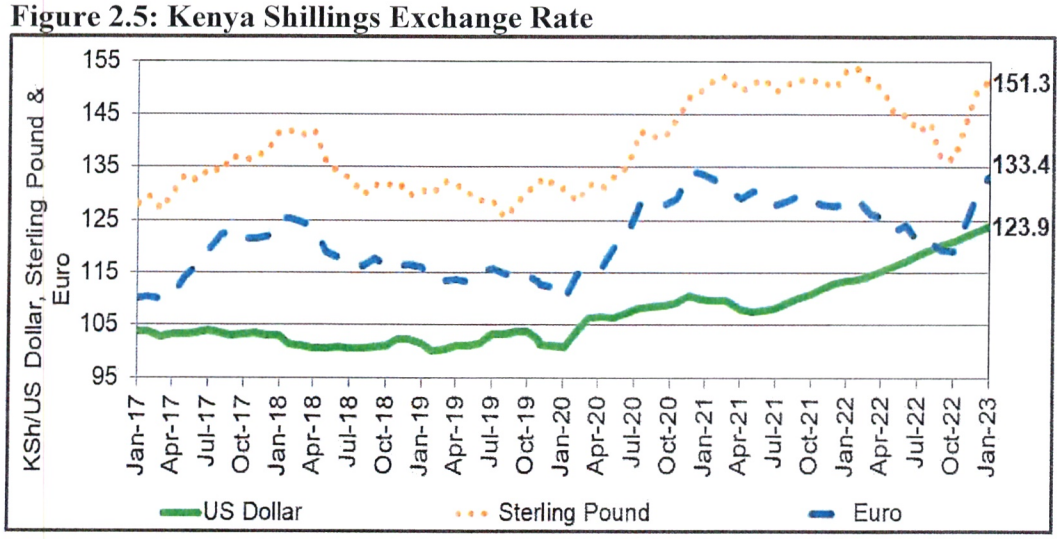


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

121. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened to exchange at Ksh 123.9 in January 2023 compared to Ksh 113.4 in January 2022 **(Figure 2.5)**. Against the Euro, the Kenya shilling also weakened to Ksh 133.4 from Ksh 128.4 over the same period. The Kenyan Shilling strengthened against the Sterling Pound exchange at Ksh 151.3 in January 2023 compared Ksh 153.6 in January 2022.

Figure 2.5: Kenya Shillings Exchange Rate



Source of Data: Central Bank of Kenya

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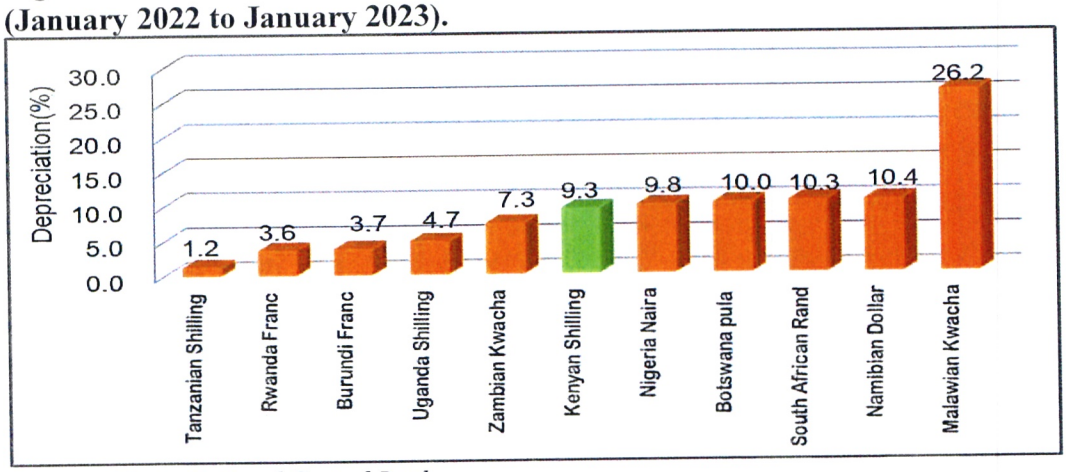
122. In comparison to Sub-Saharan Africa currencies, the depreciation of the Kenya Shilling exchange rate has remained relatively low at 9.3 percent against the US Dollar in January 2023 **(Figure 2.6)**. The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, South African Rand, Namibian Dollar and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

Figure 2.6: Performance of Selected Currencies against the US Dollar (January 2022 to January 2023).



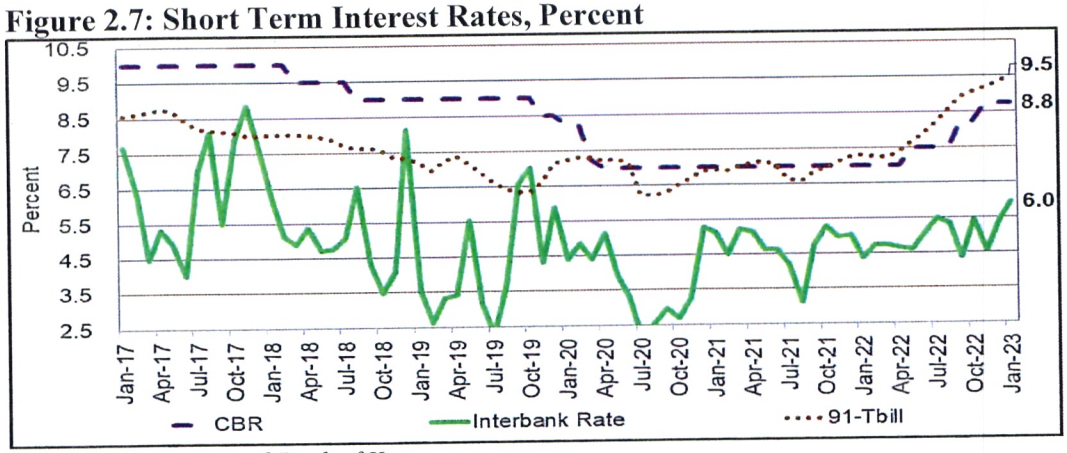
Source of Data: National Central Banks

Interest Rates

123. Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022 and retained at the same rate on 30th January 2023. **(Figure 2.7).**

124. The interbank rate increased to 6.0 percent in January 2023 compared to 4.4 percent in January 2022 while the 91-day Treasury Bills rate also increased to 9.5 percent compared to 7.3 percent over the same period due to tight liquidity conditions.

Figure 2.7: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

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125. Commercial banks' lending rates remained relatively stable in November 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.6 percent in November 2022 from 12.2 percent in November 2021 while the average deposit rate increased to 7.1 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in November 2022 from 5.7 percent in November 2021.

Money and Credit

126. Broad money supply, M3, grew by 7.2 percent in the year to December 2022 compared to a growth of 6.1 percent in the year to December 2021 **(Table 2.2)**. The growth in December 2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA).

Table 2.2: Money and Credit Developments (12 Months to December 2022 Ksh billion)

				Change		Percent Change	
	2020 December	2021 December	2022 December	2020-2021 December	2021-2022 December	2020-2021 December	2021-2022 December
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,720.1	1,848.1	1,971.1	128.0	123.0	7.4	6.7
1.1 currency outside banks (M0)	233.7	253.5	260.8	19.8	7.3	8.5	2.9
1.2 Demand deposits	1,385.8	1,498.3	1,605.0	112.5	106.8	8.1	7.1
1.3 Other deposits at CBK	100.7	96.3	105.3	(4.3)	9.0	(4.3)	9.3
2. Money supply, M2 (1+2.1)	3,250.2	3,431.6	3,617.5	181.3	185.9	5.6	5.4
2.1 Time and savings deposits	1,530.1	1,583.5	1,646.4	53.4	62.9	3.5	4.0
Money supply, M3 (2+3.1)	**3,990.9**	**4,235.2**	**4,538.5**	**244.3**	**303.3**	**6.1**	**7.2**
3.1 Foreign currency deposits	740.7	803.7	921.1	63.0	117.4	8.5	14.6
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**746.9**	**590.1**	**283.9**	**(156.9)**	**(306.1)**	**(21.0)**	**(51.9)**
1.1 Central Bank	738.5	700.6	537.8	(37.9)	(162.7)	(5.1)	(23.2)
1.2 Banking Institutions	8.5	(110.5)	(253.9)	(118.9)	(143.4)	(1,406.7)	(129.8)
2. Net domestic assets (2.1+2.2)	**3,244.0**	**3,645.1**	**4,254.6**	**401.2**	**609.4**	**12.4**	**16.7**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	4,245.8	4,876.9	5,439.7	631.1	562.8	14.9	11.5
2.1.1 Government (net)	1,343.3	1,723.6	1,924.3	380.3	200.7	28.3	11.6
2.1.2 Other public sector	91.2	100.1	81.9	8.9	(18.2)	9.8	(18.2)
2.1.3 Private sector	**2,811.3**	**3,053.2**	**3,433.5**	**241.9**	**380.4**	**8.6**	**12.5**
2.2 Other assets net	(1,001.8)	(1,231.8)	(1,185.2)	(229.9)	46.6	(23.0)	3.8

Source of Data: Central Bank of Kenya

127. Net Foreign Assets (NFA) of the banking system in the year to December 2022 contracted by 51.9 percent, compared to a contraction of 21.0 percent in the year to December 2021. The decline in NFA partly reflected a reduction in reserves at the Central Bank due to scheduled debt service, and the increase in commercial bank's borrowing from foreign sources.

128. Net Domestic Assets (NDA) registered a growth of 16.7 percent in the year to December 2022, an improvement compared to a growth of 12.4 percent over a similar period in 2021. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Growth of domestic credit extended by the banking system to the Government moderated to 11.6 percent in the year to December 2022 compared to a growth of 28.3 percent

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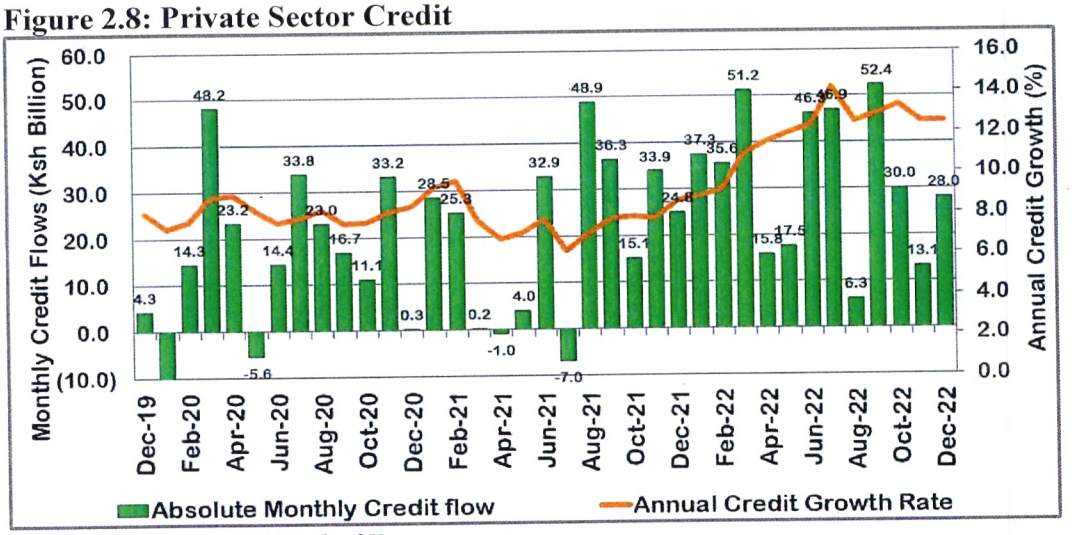
in the year to December 2021. Lending to other public sector also declined during the period, mainly due to repayments by County Governments and parastatals.

Private Sector Credit

129. Private sector credit improved to a growth of 12.5 percent in the 12 months to December 2022 compared to a growth of 8.6 percent in the year to December 2021 **(Figure 2.8)**. All economic sectors registered positive growth rates reflecting increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors; mining, transport and communication, agriculture, manufacturing, business services, trade, and consumer durables. Monthly credit flows (month on month) have also improved from Ksh 24.8 billion in December 2021 peaking at Ksh 28.0 billion in December 2022.

130. The Government has launched the Hustlers Fund, as an intervention to correct market failure problems that led to predatory lending. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment.

Figure 2.8: Private Sector Credit



Source of Data: Central Bank of Kenya

External Sector Developments

131. The overall balance of payments position improved to a surplus of USD 2,245.4 million (2.0 percent of GDP) in November 2022 from a deficit of USD 976.8 million (0.9 percent of GDP) in November 2021 **(Figure 2.9)**. This was mainly due to an improvement in the capital account despite a decline in the merchandise account reflecting increased imports of petroleum products owing to high international crude oil prices.

132. The current account deficit was generally stable at USD 5,771.0 million (5.2 percent of GDP) in November 2022 compared to USD 5,811.6 million (5.4 percent of GDP) in November 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account.

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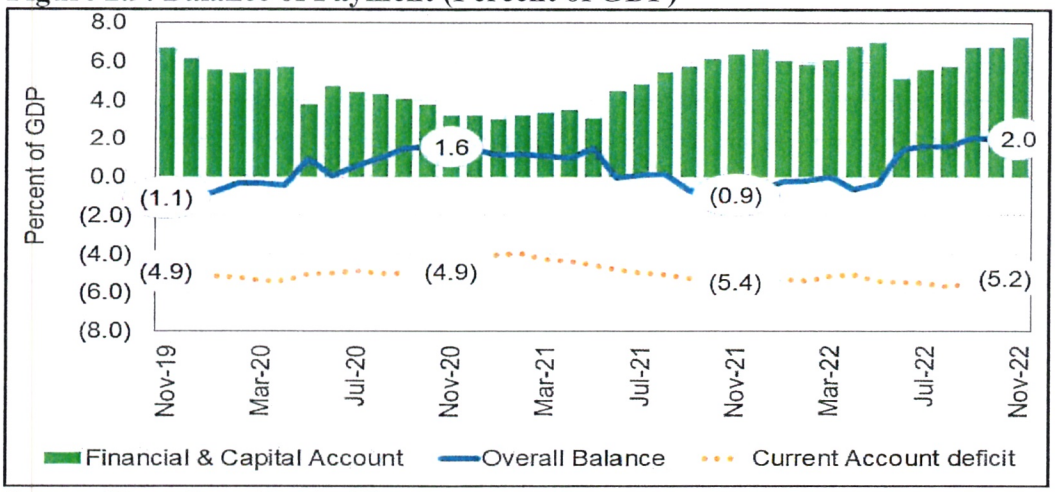
Figure 2.9: Balance of Payment (Percent of GDP)



Source of Data: Central Bank of Kenya

133. The balance in the merchandise account declined by USD 1,238.0 million to a deficit of USD 12,186.7 million in November 2022 mainly due to increased payments on imports in spite of an improvement in the export earnings **(Table 2.3)**. In the year to November 2022, exports grew by 12.4 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. The increase in receipts from tea exports reflects improved prices attributed to demand from traditional markets. On the other hand, imports of goods increased by 11.7 percent in the year to November 2022 mainly due to increases in imports of oil and other intermediate goods.

Table 2.3: Balance of Payments (USD Million)

				Year to November 2022		Percent of GDP	
	Nov-20	Nov-21	Nov-22	Change	Percent Change	Nov-21	Nov-22
Overall Balance	**1,565.4**	**(976.8)**	**2,245.4**	**3,222.2**	**329.9**	**(0.9)**	**2.0**
A) Current Account	**(4,780.7)**	**(5,811.6)**	**(5,771.0)**	**40.6**	**0.7**	**(5.4)**	**(5.2)**
Merchandise Account (a-b)	(8,597.5)	(10,948.8)	(12,186.7)	(1,238.0)	(11.3)	(10.2)	(11.0)
a) Goods: exports	5,961.7	6,661.9	7,490.9	829.0	12.4	6.2	6.8
b) Goods: imports	14,559.2	17,610.7	19,677.6	2,066.9	11.7	16.4	17.8
Net Services (c-d)	364.1	574.4	1,678.7	1,104.3	192.3	0.5	1.5
c) Services: credit	3,784.0	4,594.7	6,776.7	2,182.0	47.5	4.3	6.1
d) Services: debit	3,419.9	4,020.3	5,098.0	1,077.7	26.8	3.7	4.6
Net Primary Income (e-f)	(1,508.0)	(1,449.8)	(1,692.8)	(243.0)	(16.8)	(1.3)	(1.5)
e) Primary income: credit	151.4	130.8	95.3	(35.5)	(27.1)	0.1	0.1
f) Primary income: debit	1,659.4	1,580.6	1,788.1	207.5	13.1	1.5	1.6
Net Secondary Income	4,960.7	6,012.6	6,429.8	417.3	6.9	5.6	5.8
g) Secondary income: credit	5,028.2	6,129.9	6,504.9	374.9	6.1	5.7	5.9
h) Secondary income: debit	67.5	117.4	75.1	(42.3)	(36.1)	0.1	0.1
B) Capital Account	**123.3**	**196.1**	**1,386.3**	**1,190.2**	**607.0**	**0.2**	**1.3**
C) Financial Account	**(3,012.2)**	**(6,696.3)**	**(6,635.1)**	**61.2**	**0.9**	**(6.2)**	**(6.0)**

Source of Data: Central Bank of Kenya

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134. Net receipts on the services account improved by USD 1,104.3 million to USD 1,678.7 million in November 2022 compared to a similar period in 2021. This was mainly on account of an increase in receipts from transportation and tourism as international travel continues to improve. Net Secondary income remained resilient and increased by USD 417.3 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 243.0 million to a deficit of USD 1,692.8 million in November 2022, from a deficit of USD 1,449.8 million in the same period last year, reflecting higher interest related payments on other investments.

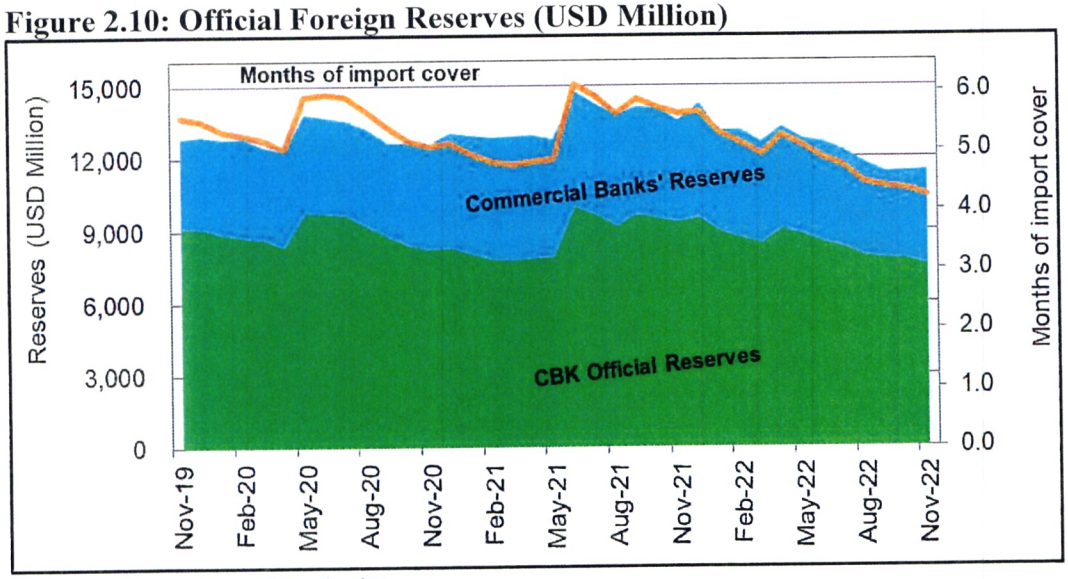
135. The capital account balance improved by USD 1,190.2 million to register a surplus of USD 1,386.3 million in November 2022 compared to a surplus of USD 196.1 million in the same period in 2021. Net financial inflows remained vibrant at USD 6,635.1 million in November 2022 compared to USD 6,696.3 million in November 2021. The net financial inflows were mainly in the form of other investments, financial derivatives and direct investments. Portfolio investments registered a net outflow during the period.

Foreign Exchange Reserves

136. The banking system's foreign exchange holdings remained strong at USD 11,407.7 million in November 2022 from USD 13,503.0 million in November 2021. The official foreign exchange reserves held by the Central Bank stood at USD 7,548.8 million compared to USD 9,306.3 million over the same period **(Figure 2.10)**. Commercial banks holdings decreased to USD 3,859.2 million in November 2022 from USD 4,196.8 million in November 2021.

137. The official reserves held by the Central Bank in November 2022 represented 4.2 months of import cover as compared to the 5.6 months of import cover in November 2021. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

Figure 2.10: Official Foreign Reserves (USD Million)



Source of Data: Central Bank of Kenya

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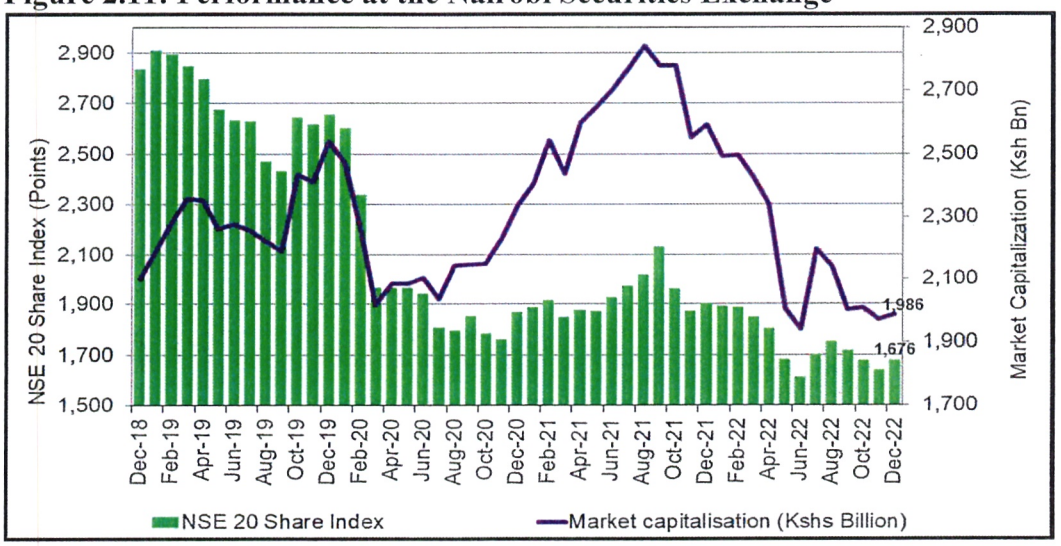
Banking Sector

138. The Banking Sector remained stable and resilient in 2022. The sector was well capitalized with core and total capital adequacy ratios of 16.2 percent and 19.0 percent, respectively, as at end December 2022. These were above the statutory limit of 10.5 percent and 14.5 percent, respectively. To build resilience, several banks have consolidated and combined with notable expansion in the region to exploit emerging opportunities. To stop predatory lending by the Digital Credit Providers (DCPs), the Central Bank of Kenya (Digital Credit Providers) Regulators 2022 were approved on May 18, 2022. The regulations provided for the CBK to license and oversight previously unregulated Digital Credit Providers by September 17, 2022 or cease operation. As at end December 22, 10 applicants had been granted licenses. CBK will continue with the focus of building a resilient banking sector with strong business models and governance frameworks.

Capital Markets Development

139. Activity in the capital markets slowed down in December 2022 compared to December 2021 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,676 points in December 2022 compared to 1,903 points in December 2021 while Market capitalization also declined to Ksh 1,986 billion from Ksh 2,593 billion over the same period **(Figure 2.11)**.

Figure 2.11: Performance at the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

2.3 Fiscal Performance

140. Budget execution in the first half of FY 2022/23 progressed well. Revenues continued to record positive growth albeit below target performance. Revenue performance is expected to pick up in the second half of FY 2022/23 to reflect improvement in business environment, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority.

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141. Overall expenditures were above programme target underpinned by increased expenditure commitments on account of shortfalls recorded in revenue performance and inadequate liquidity in the Government securities market. However, ministerial development expenditure targets were not fully met partly due to low absorption of foreign and domestic financed projects. Disbursement to the counties was also short of the target for the period to December 2022 **(Table 2.4a).**

Table 2.4a: Fiscal Performance as at 31st December 2022(Ksh billion)

	Dec-21	Dec-22				
	Ksh. Billion				% of GDP	
	Prel. Actual	Printed Target	Prel. Actual	Deviation	Printed Target	Prel. Actual
A. TOTAL REVENUE AND EXTERNAL GRANTS	**1,044.1**	**1,163.9**	**1,151.3**	**(12.5)**	**8.3%**	**8.2%**
TOTAL REVENUE (1+2)	**1,032.2**	**1,158.2**	**1,147.0**	**(11.2)**	**8.3%**	**8.2%**
1. Ordinary revenue	902.5	1,028.1	985.0	(43.2)	7.3%	7.0%
Import Duty	56.8	68.6	67.1	(1.5)	0.5%	0.5%
Excise Duty	123.7	139.0	130.3	(8.7)	1.0%	0.9%
Income Tax	406.3	481.7	451.8	(29.9)	3.4%	3.2%
VAT	249.4	277.0	264.2	(12.8)	2.0%	1.9%
Other Revenue	66.3	61.8	71.6	9.8	0.4%	0.5%
2. Ministerial Appropriation in Aid	129.7	130.1	162.1	32.0	0.9%	1.2%
RDL	16.9	16.6	20.1	3.5	0.1%	0.1%
External Grants	12.0	5.6	4.3	**(1.3)**	**0.0%**	**0.0%**
B. TOTAL EXPENDITURE AND NET LENDING	**1,364.9**	**1,448.9**	**1,468.8**	**19.9**	**10.3%**	**10.5%**
1. Recurrent Expenditure	985.2	1,014.6	1,121.4	106.8	7.2%	8.0%
2. Development	234.7	234.7	206.3	(28.4)	1.7%	1.5%
3. County Allocation	145.0	197.7	141.1	(56.6)	1.4%	1.0%
4. CF	-	2.0	-	(2.0)	0.0%	0.0%
C. BALANCE EXCLUSIVE OF GRANTS	**-332.7**	**-290.7**	**-321.8**	**(31.1)**	**-2.1%**	**-2.3%**
D. BALANCE INCLUSIVE OF GRANTS (Commitment Basis)	-320.7	-285.1	-317.5	(32.4)	-2.0%	-2.3%
Adjustments to cash basis	27.1	0.0	84.5	84.5	0.0%	0.6%
D. BALANCE INCLUSIVE OF GRANTS (Cash Basis)	**-293.6**	**-285.1**	**-233.0**	**52.1**	**-2.0%**	**-1.7%**
Discrepancy	18.5	0.0	(13.7)	(13.7)	0.0%	-0.1%
E. TOTAL FINANCING	**312.2**	**285.1**	**219.3**	**(65.8)**	**2.0%**	**1.6%**
1. Net Foreign Financing	12.9	52.1	95.2	43.1	0.4%	0.7%
2. Net Domestic Financing	299.3	233.0	124.1	(108.8)	1.7%	0.9%
Nominal GDP (Fiscal Year)	**12,736.1**	**14,002.5**	**14,002.5**	**0.0**	**100.0%**	**100.0%**

Source of Data: National Treasury

Revenue Performance

142. Revenue collection to December 2022 grew by 11.1 percent compared to a growth of 27.3 percent in December 2021. This decline in rate of growth is attributed to the fact that the previous FY's growth was anchored on a lower base – a contraction recorded in the FY 2019/20 reflecting the effects of COVID-19 pandemic. As at end December 2022, the cumulative total revenue inclusive of Ministerial Appropriation in Aid (A-i-A) was Ksh 1,147.0 billion against a target of Ksh 1,158.2 billion. This performance was Ksh 11.2 billion below the set target.

143. As at December 2022, ordinary revenue recorded a growth of 9.1 percent compared to a growth of 24.2 percent in December 2021. This growth was also recorded in all broad categories of ordinary revenue. Specifically, Income tax grew

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by 11.2 percent, Value Added Tax (VAT) by 5.9 percent, Excise taxes by 5.4 percent, and Import duty by 18.2 percent. In nominal terms, ordinary revenue collection to December 2022 was Ksh 985.0 billion against a target of Ksh 1,028.1 billion. This performance was Ksh 43.2 billion below the target.

144. Ministerial A-i-A inclusive of the Railway Development Levy was Ksh 162.1 billion against a target of Ksh 130.1 billion recording a surplus of Ksh 32.0 billion and recorded a growth of 25.0 percent growth for the period ending December 2022.

Expenditure Performance

145. Total expenditure and net lending for the period ending December 2022 was Ksh 1,468.8 billion, which was above the projected amount of Ksh 1,448.9 billion by Ksh 19.9 billion. Recurrent spending amounted to Ksh 1,121.4 billion; development expenditure was Ksh 206.3 billion while transfer to County Governments was Ksh 141.1 billion.

146. Recurrent spending was above the projected target by Ksh 106.8 billion mainly on account of above target expenditure on operations and maintenance and contribution to civil servants' superannuation scheme. Development expenditure was below target by Ksh 28.4 billion on account of below target disbursements to both domestic and foreign financed programmes by Ksh 11.4 billion and Ksh 15.2 billion respectively.

147. Fiscal operations of the Government by end of December 2022 resulted in an overall deficit including grants of Ksh 219.3 billion against a projected deficit of Ksh 285.1 billion. This deficit was financed through net domestic borrowing of Ksh 124.1 billion and net foreign financing of Ksh 95.2 billion.

2.4 Fiscal Policy

148. The fiscal policy stance over the medium term aims at supporting the Bottom - Up Economic Transformation Agenda of the Government through a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that Kenya's development agenda honours the principle of inter-generational equity.

149. The fiscal policy also indicates a deliberate convergence path towards the fiscal targets under the East African Community Monetary Union Protocol that sets a ceiling of fiscal deficit including grants of 3.0 percent of GDP and deficit excluding grants of 6.0 percent of GDP.

150. The fiscal policy will target to grow tax revenues above 17.8 percent of GDP in the FY 2023/24 and above 18.0 percent of GDP over the medium term **(Table 2.4b)**. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. In order to achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms.

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151. On the tax administration side, KRA will implement among others, the following measures:

i. Reduction of Value Added Tax (VAT) gap from 38.9 percent to 19.8 percent of the potential by fully rolling out electronic Tax Invoice Management System (eTIMS);
ii. Reduction of Corporate Income Tax (CIT) gap from 32.2 percent to 30.0 percent of the potential as envisaged in the KRA Corporate Plan;
iii. Integration of KRA tax system with the Telecommunication companies (Telcos);
iv. Tax base expansion in the informal sector. The potential taxable base of the informal sector is Ksh 2,800 billion as per the MSME survey;
v. Implementation of Rental Income Tax Measures by mapping rental properties; This will be achieved through enhanced field data analysis mopping up, integration of itax with National Lands Information Management System and use of a mobile App;
vi. Roll out of measures at the Customs and Border Control leveraging on technology and enhanced data analytics to enhance revenue per unit, and
vii. Upscaling the technical capacity of KRA through skills, technology and additional staffing.

152. Going forward, KRA will address some of the challenges hampering enhanced tax compliance as follows:

i. Missing trader phenomenon/non/under declaration of sales and use of fictitious input claims through: the full roll out of eTIMS; restriction to eTIMS compliant invoices for income tax deductions and deployment of big data analytics to drive compliance interventions;
ii. Unavailability of critical 3rd Party Data: Lack of information from other Government Entities to support mobilization of tax revenues through: leveraging on Automation of systems for all key Government entities; integration of KRA tax systems with critical Government systems to allow seamless exchange of information for a 360-degree view of the taxpayers' economic transactions and enhancement of KRA capacity on big data analytics to drive compliance interventions;
iii. Monitoring of Excisable goods factories to ensure proper monitoring of production; under-declaration of excisable goods to evade taxes through: placement of resident officers to monitor production; providing strict time lines for factories to meet requirements; establishment of a Production Monitoring Command Centre to monitor production in real time; enforce all factories to meet all factory requirements by use of metering and monitoring tools;
iv. Close monitoring of payments from Government to ensure correct taxes are declared and paid;
v. The prevalence of counterfeit excisable products and stamps in the market will be addressed through: formation of a multi-Agency Team to

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investigate source of counterfeits and take necessary action; Data and intelligence driven field operations to take down counterfeiters; robust and effective market surveillance; regular reviews and upgrades of the security features of stamps and rolling out new excise stamps should it be deemed necessary; and

vi. Concealment and declaration of imports and smuggling of excisable goods within the EAC region caused by the differential excise rates in the EAC region will be addressed through: increase synergy with the Customs Department on utilisation of scanners to identify excisable goods and ensure accurate declarations and harmonization of excise rates across the EAC region.

153. On the tax policy, the Government will implement various tax policy measures to further boost revenue collection. In addition, to further strengthen revenue mobilization efforts, the Government will finalise the development of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) for the period FY 2023/24 - 2026/27.

154. The National Tax Policy Framework will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislations and management of tax expenditure. On the other side, the Medium-Term Revenue Strategy will provide a comprehensive approach of undertaking effective tax system reforms for boosting tax revenues and improving the tax system over the medium term. The specific objectives for the MTRS are to:

i. raise ordinary revenue to GDP from 15.1 percent in the FY 2021/22 to 25 percent by FY 2030/31;

ii. increase tax compliance rate from 70 percent in the FY 2021/22 to 90 percent by FY 2030/31;

iii. align the tax policy objectives with other Government objectives such as ease of doing business, trade policies among others; and

iv. enhance collaboration between the Ministries, Departments and Agencies (MDAs), County Governments, private sector, civil society and the general public for enhancement of the domestic revenue mobilization.

155. On the spending side, total expenditures are projected to decline from 23.7 percent as a share of GDP in the FY 2021/22 to 22.3 percent as a share of GDP in the FY 2026/27. The Government will sustain efforts to improve efficiency in public spending and ensure value for money by: eliminating non priority expenditures; retiring expensive and unsustainable consumption subsidies; reducing tax exemptions; scaling up the use of Public Private Partnerships financing for commercially viable projects; and rolling out an end-to-end e-procurement system. In order to ease the burden of pension payments in future, the Government will continue with implementation of the Super Annuation Scheme for all civil servants below the age of 45 years that was rolled out in January 2021.

156. The Government will also strengthen public investment management by implementing the Public Investment Management (PIM) Regulations, 2022. This will enhance efficiency in identification and implementation of priority social and

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economic investment projects. This will further curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects. To realize these benefits, the Government will roll-out and sensitize both the National Government and County Governments on the Regulations; develop and roll-out the Public Investment Management Information System (PIMIS) which automates the PIM process as outlined in the Regulations; and institutionalize a joint PIM-PPP planning framework to ensure that only projects with the highest social - economic returns are undertaken.

157. The above reforms on the revenue and expenditure side, will result in reduction in the fiscal deficit including grants from Ksh 833.9 billion (5.7 percent of GDP) in the FY 2022/23 to Ksh 720.1 billion (4.4 percent of GDP) in the FY 2023/24 **(Table 2.4 b).** This reduction will result in reduction in the growth of public debt thereby boosting the country's debt sustainability position.

Table 2.4b: Fiscal Framework (Ksh billion)

	FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
	Prel. Actual	*d Revised II*	*Prel. Actual*	*Budget*	*Supp I Budget*	*Projections*			
	Ksh billions								
TOTAL REVENUE	**1,803.5**	**2,192.0**	**2,199.8**	**2,462.4**	**2,528.8**	**2,894.9**	**3,231.1**	**3,670.0**	**4,195.2**
Ordinary revenue	1,562.0	1,851.5	1,917.9	2,141.6	2,192.0	2,571.2	2,878.6	3,294.2	3,775.7
Ministerial Appropriation in Aid	241.5	340.4	281.9	320.8	336.8	323.8	352.5	375.8	419.5
TOTAL EXPENDITURE AND NET LENDING	**2,769.3**	**3,286.1**	**3,027.8**	**3,358.6**	**3,394.1**	**3,663.1**	**3,991.9**	**4,457.9**	**5,089.9**
Recurrent	1,813.3	2,227.3	2,135.3	2,271.0	2,349.9	2,459.3	2,667.5	2,917.9	3,385.2
Development	557.0	657.5	540.1	676.6	605.8	769.3	901.5	1,092.1	1,147.7
County Transfer	399.0	401.2	352.4	407.0	436.3	429.6	417.9	442.9	552.0
Contigency Fund	-	-	-	4.0	2.0	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	**(965.7)**	**(1,094.1)**	**(828.0)**	**(896.2)**	**(865.3)**	**(768.2)**	**(760.8)**	**(787.9)**	**(894.7)**
Grants	31.3	62.9	31.0	33.3	31.4	48.1	49.3	53.2	68.6
BALANCE INCLUSIVE OF GRANTS	**(934.4)**	**(1,031.2)**	**(797.0)**	**(862.9)**	**(833.9)**	**(720.1)**	**(711.5)**	**(734.6)**	**(826.1)**
Adjustment to cash basis	5.1	-	11.9	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis	**(929.3)**	**(1,031.2)**	**(785.1)**	**(862.9)**	**(833.9)**	**(720.1)**	**(711.5)**	**(734.6)**	**(826.1)**
Discrepancy	*20.9*	-	*(37.3)*	-	-	-	-	*(0.0)*	*(0.0)*
TOTAL FINANCING	**950.2**	**1,031.2**	**747.8**	**862.9**	**833.9**	**720.1**	**711.5**	**734.6**	**826.1**
Net Foreign Financing	323.3	343.1	142.5	280.7	395.8	198.6	99.7	125.9	169.7
Net Domestic Financing	626.9	688.1	605.3	582.2	438.1	521.5	611.8	608.7	656.4
Nominal GDP (Fiscal year)	11,370.3	12,646.2	12,736.1	14,002.5	14,521.6	16,290.3	18,180.2	20,436.9	22,872.3
	As a share of GDP								
TOTAL REVENUE	**15.9**	**17.3**	**17.3**	**17.6**	**17.4**	**17.8**	**17.8**	**18.0**	**18.3**
Ordinary revenue	13.7	14.6	15.1	15.3	15.1	15.8	15.8	16.1	16.5
Ministerial Appropriation in Aid	2.1	2.7	2.2	2.3	2.3	2.0	1.9	1.8	1.8
							-	-	-
TOTAL EXPENDITURE AND NET LENDING	**24.4**	**26.0**	**23.8**	**24.0**	**23.4**	**22.5**	**22.0**	**21.8**	**22.3**
Recurrent	15.9	17.6	16.8	16.2	16.2	15.1	14.7	14.3	14.8
Development	4.9	5.2	4.2	4.8	4.2	4.7	5.0	5.3	5.0
County Transfer	3.5	3.2	2.8	2.9	3.0	2.6	2.3	2.2	2.4
Contigency Fund	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE EXCLUDING GRANTS	**(8.5)**	**(8.7)**	**(6.5)**	**(6.4)**	**(6.0)**	**(4.7)**	**(4.2)**	**(3.9)**	**(3.9)**
Grants	0.3	0.5	0.2	0.2	0.2	0.3	0.3	0.3	0.3
BALANCE INCLUSIVE OF GRANTS	**(8.2)**	**(8.2)**	**(6.3)**	**(6.2)**	**(5.7)**	**(4.4)**	**(3.9)**	**(3.6)**	**(3.6)**
Adjustment to cash basis	0.0	-	0.1	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis	**(8.2)**	**(8.2)**	**(6.2)**	**(6.2)**	**(5.7)**	**(4.4)**	**(3.9)**	**(3.6)**	**(3.6)**
Discrepancy	*0.2*	-	*(0.3)*	-	-	-	-	*(0.0)*	*(0.0)*
TOTAL FINANCING	**8.4**	**8.2**	**5.9**	**6.2**	**5.7**	**4.4**	**3.9**	**3.6**	**3.6**
Net Foreign Financing	2.8	2.7	1.1	2.0	2.7	1.2	0.5	0.6	0.7
Net Domestic Financing	5.5	5.4	4.8	4.2	3.0	3.2	3.4	3.0	2.9
Nominal GDP (Fiscal year)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of Data: National Treasury

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2.5 Economic Outlook

158. The economy is expected to grow by 5.5 percent in 2022 and recover in 2023 to 6.1 percent and maintain that momentum over the medium-term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24). This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labour market recovery, improved consumer confidence, and resilient remittances **(Table 2.5 and Annex Table 1)**.

159. The growth outlook will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on; increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include: Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

160. In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment. To address the adverse impact of the ongoing drought, the Government in partnership with the Development Partners and the private sector under the auspices of the National Steering Committee on Drought Response has provided response to affected persons, regions and communities. The Committee will work with both the National and County Governments in strengthening the national capacity for resilient recovery to protect development gains from recurrent drought.

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Table 2.5: Macroeconomic Framework

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
	Prel. Act	Approved Revised II	Prel. Act	Budget	Supp I Budget	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23
	annual percentage change, unless otherwise indicated												
National Account and Prices													
Real GDP	3.6	6.8	6.5	5.8	5.8	6.1	6.1	6.2	6.2	6.1	6.1	6.2	6.2
GDP deflator	5.0	4.8	6.2	6.1	6.9	5.8	5.8	4.8	4.8	5.9	5.9	6.0	6.0
CPI Index (eop)	6.3	5.2	6.9	5.5	6.4	5.4	5.4	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.7	5.4	6.8	6.0	7.0	5.8	5.8	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-3.6	1.1	1.1	-0.4	1.1	-0.6	-0.6	-1.8	-1.8	-0.7	-0.7	0.6	0.6
	in percentage of GDP, unless otherwise indicated												
Investment and Saving													
Investment	20.1	23.9	18.8	19.3	17.9	18.9	18.9	18.9	18.9	18.6	18.6	18.6	18.6
Central Government	4.9	4.7	4.2	4.7	3.9	4.7	4.5	4.8	4.8	5.2	5.3	4.9	4.9
Other	15.2	19.1	14.6	14.6	14.1	14.2	14.3	14.1	14.1	13.4	13.3	13.6	13.6
Gross National Saving	14.1	19.1	12.9	14.2	13.1	13.6	13.6	13.5	13.5	13.3	13.3	13.2	13.2
Central Government	-2.2	-5.3	-1.5	-0.7	-0.9	1.1	0.8	1.6	1.4	2.1	2.1	1.7	1.7
Other	16.3	24.4	14.5	14.9	14.0	12.5	12.8	11.9	12.0	11.2	11.2	11.5	11.5
Central Government Budget													
Total revenue	15.9	17.1	17.3	17.6	17.4	17.8	17.8	17.8	17.8	18.0	18.0	18.3	18.3
Total expenditure and net lending	24.4	25.6	23.8	24.0	23.4	22.4	22.5	21.8	22.0	21.7	21.8	22.3	22.3
Overall Fiscal balance excl. grants	-8.5	-8.5	-6.5	-6.4	-6.0	-4.6	-4.7	-4.1	-4.2	-3.7	-3.9	-3.9	-3.9
Overall Fiscal balance, incl. grants, cash basis	-8.2	-8.0	-6.2	-6.2	-5.7	-4.3	-4.4	-3.8	-3.9	-3.5	-3.6	-3.6	-3.6
Primary budget balance	-3.8	-3.3	-1.6	-1.2	-1.1	0.3	0.3	0.7	0.7	0.8	0.7	0.7	0.7
External Sector													
Current external balance, including official transfers	-6.0	-4.8	-5.9	-5.0	-4.8	-5.2	-5.2	-5.4	-5.4	-5.3	-5.3	-5.4	-5.4
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0	6.0
Memorandum Items:													
Nominal GDP (in Ksh Billion)	11,370	12,646	12,736	14,002	14,522	16,290	16,290	18,180	18,180	20,437	20,437	22,872	22,872

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

Source of Data: The National Treasury

2.6 Risks to the Economic Outlook

161. There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks emanate from climate change resulting in unfavourable weather conditions. This could affect agricultural production and result to domestic inflationary pressures.

162. On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia - Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; lingering effects of COVID-19 (coronavirus) pandemics; and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

163. The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize

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III. BUDGET FOR FY 2023/24 AND THE MEDIUM TERM

3.1 Fiscal Policy

164. The fiscal framework for the FY2023/24 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. To support the Bottom - Up Economic Transformation Agenda, the Government will continue with the fiscal consolidation plan by containing expenditures and enhancing mobilization of revenues in order to slow down growth in public debt without compromising service delivery. This is expected to boost the country's debt sustainability position and ensure that Kenya's development agenda honours the principle of inter-generation equity.

Revenue Projections

165. In the FY 2023/24, revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 2,894.9 billion (17.8 percent of GDP) up from the projected Ksh 2,528.8 billion (17.4 percent of GDP) in the FY 2022/23. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration measures geared towards expanding the tax base. Ordinary revenues will amount to Ksh 2,571.2 billion (15.8 percent of GDP) in FY 2023/24 from the estimated Ksh 2,192.0 billion (15.1 percent of GDP) in FY 2022/23.

Expenditure Projections

166. Government expenditure as a share of GDP for FY 2023/24 is projected to decline to 22.5 percent, the overall nominal expenditure and net lending is projected at Ksh 3,663.1 billion from the projected Ksh 3,394.1 billion (23.4 percent of GDP) in the FY 2022/23 budget. The expenditures comprise of recurrent of Ksh 2,459.3 billion (15.1 percent of GDP) and development of Ksh 769.3 billion (4.7 percent of GDP).

Deficit Financing

167. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 720.1 billion (4.4 percent of GDP) in FY 2023/24 against the estimated overall fiscal balance of Ksh 833.9 billion (5.7 percent of GDP) in FY 2022/23.

168. The fiscal deficit in FY 2023/24, will be financed by net external financing of Ksh 198.6 billion (1.2 percent of GDP), and net domestic borrowing of Ksh 521.5 billion (3.2 percent of GDP).

3.2 FY 2023/24 and Medium-Term Budget Priorities

169. The FY 2023/24 and the Medium Term Budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the

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economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of a set of programmes under the Bottom – Up Economic Transformation Agenda to support economic recovery. The Government through the Financial Inclusion Fund will inspire growth and innovation in the Micro, Small and Medium Enterprises (MSME) sector and boost economic growth and entrance the saving culture among Kenyans. These priority programmes aim at bringing down the cost of living; eradicating hunger; creating jobs; and provide the greater majority of our citizens with much needed social security while expanding the tax revenue base and improving foreign exchange balance.

170. Additionally, public spending will be directed towards the most critical needs of the country with the aim of achieving quality outputs and outcomes with optimum utilization of resources. Further, the MDAs will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reviewing the portfolio of externally funded projects to restructure and re-align with the Government priority programmes and reduce non-priority spending.

3.3 Budgetary Allocations for the FY 2023/24 and the Medium-Term

171. The total budget for FY 2023/24 is projected at Ksh 3,628.8 billion. The allocations to the three arms of Government including sharable revenues to the County Governments is summarized in **Table 3.1**.

Table 3.1: Summary Budget Allocations for the FY 2023/24 – 2025/26 (Ksh Million)

S/NO.	Details	Financial Years			
		Approved Original Budget	BPS Projection		
		2022/23	2023/24	2024/25	2025/26
1.0	National Government	2,119,258.8	2,252,077.2	2,433,399.8	2,611,442.5
	Executive	2,050,154.4	2,189,681.4	2,365,634.3	2,538,201.5
	Parliament	50,220.0	40,401.8	41,911.0	43,483.7
	Judiciary	18,884.4	21,994.0	25,854.5	29,757.4
2.0	Consolidated Fund Services	869,342.7	991,340.5	1,079,992.6	1,156,863.6
3.0	County Government	370,000.0	385,425.0	380,645.1	405,646.1
	Total.....Kshs.	**3,358,601.5**	**3,628,842.8**	**3,894,037.5**	**4,173,952.2**
	% Share in the Total Allocation				
1.0	National Government	63.1	62.1	62.5	62.6
	Executive	61.0	60.3	60.8	60.8
	Parliament	1.5	1.1	1.1	1.0
	Judiciary	0.6	0.6	0.7	0.7
		-	-	-	-
2.0	Consolidated Fund Services	25.9	27.3	27.7	27.7
3.0	County Government	11.0	10.6	9.8	9.7

Notes**

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

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

Source of Data: National Treasury

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Criteria for Resource Allocation

172. The budgeting process for the priority programmes will be done through a value chain approach under five clusters: i) Finance and Production Economy; ii) Infrastructure; iii) Land and Natural Resource; iv) Social Sectors; and v) Governance and Public Administration. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process also ensures adequate resources are allocated to any entity along the value chain and helps to eliminate duplication of roles and budgeting of resources.

173. Additionally, the following criteria guided the allocation of resources within the three arms of Government and among MDAs for FY 2023/24 and over the medium term:

i. Linkage of Programmes with the priorities that address Bottom-Up Economic Transformation Agenda;
ii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
iii. Degree to which a programme addresses job creation and poverty reduction;
iv. Degree to which a programme addresses the core mandate of the MDAs,
v. Cost effectiveness and sustainability of the programme;
vi. Extent to which the Programme seeks to address viable stalled projects and verified pending bills; and
vii. Requirements for furtherance and implementation of the Constitution.

174. 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.

175. Development expenditures have been allocated on the basis of the flagship projects in Vision 2030, the Bottom - Up Economic Transformation Agenda and the MTP IV 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.

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3.4 Details of Sector Priorities

176. **Table 3.2** provides the projected baseline ceilings for the FY2023/24 and the medium-term, classified by sector. The BPS Sector ceilings were enhanced on account of additional programmes, completion of ongoing projects and additional expenditures tied to A-i-A revenue collection.

Table 3.2: Summary of Budget Allocations for the FY2023/24 – 2025/26 (Ksh Million)

Sector		Approved Budget	BPS Ceilings			%Share In Total Ministerial Expenditure			
		2022/23	2023/24	2024/25	2025/26	2022/23	2023/24	2024/25	2025/26
AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Sub_Total	68,959.5	75,603.3	85,639.2	91,575.2	3.3	3.4	3.5	3.5
	Rec_Gross	27,059.7	32,188.1	34,481.9	36,509.4	1.9	2.2	2.2	2.1
	Dev_Gross	41,899.8	43,415.2	51,157.3	55,065.8	5.9	5.7	6.1	6.4
ENERGY, INFRASTRUCTURE AND ICT	Sub_Total	407,760.1	422,004.0	422,014.0	434,934.0	19.2	18.7	17.3	16.7
	Rec_Gross	131,010.0	113,039.0	118,840.0	124,119.0	9.3	7.6	7.5	7.1
	Dev_Gross	276,750.1	308,965.0	303,174.0	310,815.0	38.7	40.3	35.9	36.2
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Sub_Total	26,032.0	51,725.3	57,696.0	63,062.2	1.2	2.3	2.4	2.4
	Rec_Gross	19,076.8	22,655.8	23,227.2	23,903.7	1.4	1.5	1.5	1.4
	Dev_Gross	6,955.2	29,069.5	34,468.8	39,158.5	1.0	3.8	4.1	4.6
HEALTH	Sub_Total	122,519.3	154,012.0	164,086.0	173,767.0	5.8	6.8	6.7	6.7
	Rec_Gross	68,503.0	80,374.0	83,512.0	87,719.0	4.9	5.0	4.9	4.6
	Dev_Gross	54,016.3	73,638.0	80,574.0	86,048.0	7.6	9.5	9.0	9.3
EDUCATION	Sub_Total	544,519.5	597,187.0	617,588.0	639,362.0	21.7	26.5	25.4	24.5
	Rec_Gross	515,600.7	562,874.0	591,209.0	617,153.0	38.3	37.9	37.2	35.2
	Dev_Gross	28,918.8	34,313.0	26,379.0	22,209.0	1.4	4.5	3.1	2.6
GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Sub_Total	234,408.1	229,812.5	242,632.0	253,021.3	11.1	10.2	10.0	9.7
	Rec_Gross	224,127.2	219,590.9	229,506.3	238,865.6	16.0	14.8	14.4	13.6
	Dev_Gross	10,280.9	10,221.6	13,125.8	14,155.6	1.4	1.3	1.6	1.6
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Sub_Total	356,857.6	308,829.1	391,235.2	510,809.5	16.8	13.7	16.1	19.6
	Rec_Gross	177,982.1	195,061.7	238,437.4	347,542.5	12.7	13.1	15.0	19.8
	Dev_Gross	178,875.5	113,767.4	152,797.8	163,267.0	25.0	14.8	18.1	19.0
NATIONAL SECURITY	Sub_Total	177,811.0	219,244.0	242,632.0	228,400.0	8.4	9.7	10.0	8.7
	Rec_Gross	174,343.0	186,638.0	193,557.0	198,595.0	12.4	12.6	12.2	11.3
	Dev_Gross	3,468.0	32,606.0	49,075.0	29,805.0	0.5	4.3	5.8	3.5
SOCIAL PROTECTION, CULTURE AND RECREATION	Sub_Total	73,213.5	69,092.1	70,297.7	68,845.7	3.5	3.1	2.9	2.6
	Rec_Gross	41,674.0	44,749.9	45,668.4	45,909.1	3.0	3.0	2.9	2.6
	Dev_Gross	31,539.5	24,342.3	24,629.4	22,936.5	4.4	3.2	2.9	2.7
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Sub_Total	107,178.2	124,568.0	139,580.0	147,666.0	5.1	5.5	5.7	5.7
	Rec_Gross	24,527.5	27,933.0	31,207.0	31,479.0	1.7	1.9	2.0	1.8
	Dev_Gross	82,650.7	96,635.0	108,373.0	116,187.0	11.6	12.6	12.8	13.5
GRAND TOTAL	Sub_Total	2,119,258.8	2,252,077.3	2,433,400.1	2,611,442.8	100.0	100.0	100.0	100.0
	Rec_Gross	1,403,904.0	1,485,104.3	1,589,646.1	1,751,795.4	66.2	65.4	63.6	65.1
	Dev_Gross	715,354.8	766,972.9	843,754.0	859,647.4	33.8	34.6	36.4	34.9

Source of Data: National Treasury

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Agriculture Rural and Urban Development (ARUD)

177. The Agriculture, Rural and Urban Development (ARUD) Sector comprises five sub-sectors namely: State Department for Lands and Physical Planning (SDLPP); State Department for Livestock Development (SDLD); State Department for Blue Economy and Fisheries (SDBEF); State Department for Crop Development (SDCD); and National Land Commission (NLC). The Sector is a significant player in the delivery of various national development agenda namely; the Kenya Vision 2030, The Kenya Kwanza Plan - Bottom-Up Economic Transformation Agenda (2022-2027), the Sustainable Development Goals (SDGs) and Agricultural Sector Transformation and Growth Strategy (ASTGS) among other national and international policies and obligations. The Sector also plays a major role in socio-economic development of the country with agriculture contributing 19.4 percent to the GDP in 2019, 21.0 percent in 2020 and 22.4 percent in 2021.

178. During MTEF period under review 2019/20-2021/22, the Sector implemented ten (10) programmes and made significant achievement which some are: registration and issuance of 1.3 million title deeds; development of National Land Value Index in 22 counties; digitization of land records in 2 land offices; settlement of 24,089 landless households; insured 90,060 Tropical Livestock Units annually and Ksh. 1.2 billion paid out as compensation to 18,012 pastoralists; provided crop insurance for 1,299,363 farmers in 38 counties; distributed 175,545 MT of agricultural inputs to 843,820 beneficiaries; trained 2,118 youth in agribusiness skills; incubated 226 SMEs on 28 technologies to increase the level of agricultural mechanization and agro-processing along the value chains; constructed Sori and Lwanda K'Otieno fishing landing sites to reduce post-harvest losses, restocked water bodies with 2,720,000 fingerlings to increase fish production established 36 Aquaponics Systems to entrench fish farming and technology transfer among the youth in learning institutions; established 252 smallholder aquaculture groups and supported 4,734 select smallholder farmers with materials for pond construction.

179. During the MTEF period 2023/24-2025/26, the Sector has planned to implement ten (10) programmes in order to facilitate attainment of food and nutrition security, agro processing, employment creation and utilization of the blue economy.

180. The Sector has a total allocation of Ksh. 75.6 billion, Ksh. 85.6 billion and Ksh. 91.6 billion for FY 2023/24, FY 2024/25 and FY 2025/26 respectively. This comprises of Ksh. 32.2 billion, Ksh. 34.5 billion and Ksh. 36.5 billion for recurrent expenditure and Ksh. 43.4 billion, Ksh. 51.1 billion and Ksh.55.0 billion for development expenditure for the same period.

Energy, Infrastructure & ICT Sector

181. The Energy, Infrastructure and ICT sector is comprised of nine sub-sectors namely: Road; Transport; Shipping and Maritime; Housing and Urban Development; Public Works; Information Communication Technology and Digital Economy; Broadcasting and Telecommunications; Energy and Petroleum. The Sector plays an important role as an enabler of socio- economic development of the country. The sector is also instrumental in the realization of international

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obligations such as Sustainable Development Goals (SDGs) and Africa Agenda 2063.

182. During the MTEF period 2019/20-2021/22 the sector implemented programmes aimed at: developing and modernizing infrastructure; developing and reviewing of policies, legal and institutional frameworks to increase productivity and growth; facilitating trade and connectivity; and promoting economic inclusion in the country. Some of the key achievements realized by the Sector include; 5,324 Km of roads were added to the existing road network; 59 new bridges were constructed; 333 Km of existing roads were rehabilitated; and 120,144 Km of roads were maintained; Construction of Phase 2A of the Standard Gauge Railway (SGR) line from Nairobi to Naivasha (120km); Naivasha Inland Container Depot (ICD) and enabling infrastructure; Memorandum of Understanding (MoU) with the Mediterranean Shipping Line was signed resulted in employment of 934 Seafarers; 4,289 Seafarers trained; and signed eight (8) MOUs; The National Housing Development Fund (NHDF) and Kenya Mortgage Refinance Company (KMRC) were established and operationalized; Kericho Ardhi House and Mathare Nyayo Hospital were completed; designed, documented and supervised to completion 276 new Government building projects; 660 Government buildings were connected under the Last Mile County Connectivity Project (LMCCP); Office of the Data Protection Commissioner was established; 8,900 KM fiber network was laid; Increased digital terrestrial television coverage from 86 percent in 2019/20 FY to 96 percent in 2021/22FY through the Digital Terrestrial Television Broadcast Infrastructure; 365MW power generation capacity was installed; fourteen (14) geothermal wells and two (2) coal exploration wells were drilled; 415,032 barrels of crude oil was produced and trucked to Kenya Petroleum Refineries Limited (KPRL) for storage and 240,000 barrels of crude oil were exported under Early Oil Pilot Scheme (EOPS); Geoscientific (geological and geophysical) data acquisition in Blocks L19A and L16 was undertaken; Environmental and Social Impact Assessment (ESIA) and Front-End Engineering and Design (FEED) for Lokichar Lamu Crude Oil Pipeline were undertaken;

183. In the medium term period 2023/24-2025/26, the Sector will implement 26 programmes that are able to stimulate inclusive growth in line with the Government development agenda of the Kenya's Vision 2030, Fourth Medium Term Plan and bottom up Agenda.

184. To achieve the implementation of these programmes over the MTEF period 2023/24 - 2025/26, the Sector has been allocated a total of KSh.422.0 billion, KSh.422.0 billion and KSh.434.9 billion for FY 2023/24, FY 2023/25 and FY 2025/26 respectively. This comprises of Ksh. 113.0 billion, Ksh. 118.8 billion and Ksh. 124.1 billion for recurrent expenditure and Ksh. 308.9 billion, Ksh. 303.2 billion and Ksh.310.8 billion for development expenditure for the same period.

General Economics and Commercial Affairs Sector

185. The General Economic and Commercial Affairs (GECA) sector comprises eight sub-sectors namely; Cooperatives; Trade; Micro, Small and Medium Enterprises (MSMEs) Development; Industry; Investment Promotion; Tourism; East African Community and The ASALs & Regional Development. The Sector is a significant player in the delivery of the Government's Development Agenda in

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terms of Micro Small and Medium Enterprises, manufacturing, and Agriculture. The sector also contributes to: employment and wealth creation; promotion of industrial investments, trade and tourism; cooperative development and savings mobilization, unlocking the potential of ASALs for accelerated national development, basin-based development and regional integration.

186. During the period under review, the following key sectoral outcomes were achieved: Value of whole sale and retail trade increased by 7.8 percent from Ksh.727.6 billion in 2020 to Ksh.784.7 billion in 2021 contributing to 7.9 percent of GDP; the value of Kenya's exports increased by 42.9 percent from Kshs.517 billion in 2019 to Kshs.738.6 billion in 2021; the value of exports to EAC increased by 38.4% from Kshs.139 billion in 2019 to Kshs.194.4Billion in 2021; the number of jobs created in the sector rose by 6 percent from 620,000 in 2019 to 658, 700 in 2022; and the number of international tourists rose by 50.3 percent from 580,000 in 2020 to 871,000 in 2021 recording revenue of Kshs.146.5 billion which was 59.8 percent growth from 2020

187. Specifically, the sector achieved the following outputs; calibrated 441 legal metrology standards and verified 34 instruments at strategic national installations; 58 Constituency Industrial Developments Centres (CIDCs) were refurbished and 70,368 jobs were created through various initiatives implemented by the Kenya Youth Employment and Opportunities Programme (KYEOP).

188. Additionally, 5,055 Micro Small and Medium Enterprises (MSMEs) were trained on entrepreneurship and business management; the level of operationalization of Kenya Commodities Exchange (KOMEX) reached 92%; resolved 50 NTBs between Kenya and trading partners; resolved 853 counterfeit cases, value of Exports from the EPZs reached Ksh.253 billion, the amount of investments both local and foreign attracted reached a level of Ksh.270 billion. Amount of industrial credit advanced to SMEs through KIE stood at Ksh. 3,233.7 Million.

189. On Cotton revitalization programme, 134,000 acreage of land was put under cotton production; 2,415 standards were developed and 56,013 products were certified under SMEs/large firms; 2,332 patents, utility models and industrial designs and 14,358 trademarks were registered; KITI trained 9,704 students were trained on industrial and entrepreneurial skills; 84 Conformity Assessment Bodies (CABs) Accredited; Equipped three (3) industrial research laboratories at KIRDI Kisumu;

190. Under Tourism, the number of International Conferences and delegates grew by 40 percent from 218 in 2019 to 292 in 2021 respectively; conducted 17,712 routine Quality assurance audits in Enterprises; Ksh.2,508.5 million granted to Tourism programmes and projects.

191. Under East African Union, 23 NTBS resolved bilaterally between Kenya and Tanzania: resolved; 1 Monetary union institution established; 4,870 standards were harmonized; Namanga and Busia Regional Integration centres were operationalized; 3 public hearings conducted on EAC Bills; A total of 9 bilateral frameworks for co-operation with EAC partner states were negotiated and adopted;

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operationalized the EAC Single Tourist Visa to promote EAC as a single tourist destination.

192. In Trade, 45 business reforms were done to ensure on ease of doing business in Kenya has improved; various Technical assistance and Capacity building to Civil Servants of Government of South Sudan were done.

193. The Sector also coordinated the completion and operationalization of the 3 Berths of the Port of Lamu; constructed Nyakoe Market to promote trade; constructed 7 value addition factories which are at various levels of completion; processed 14,420 liters of mango pulp and 40,000 liters of mango juice and 339,933 square feet of finished leather respectively. In addition, 15 irrigation Projects were implemented through which 1,177 hectares were put under irrigation producing; 10 boreholes were drilled and equipped with solar-powered systems and 8 water harvesting and storage structures with an approximate capacity of 356,0000 cubic meters of water were completed.

194. The Sector's Key objectives for the MTEF Period 2023/24 – 2025/26 include: Deployment of a credible macroeconomic framework and growth strategy to strengthen external creditworthiness, enabling Government to borrow cheaply externally and end crowding out of private sector from the domestic credit market; boosting agricultural productivity, enhance market access and value addition; improve the business environment, access to affordable finance and markets for MSMEs; aggregate farmers and MSMEs, through cooperatives and SACCOS to enhance local and international markets access and affordable finance; increase contribution of manufacturing sector to GDP; to attract, facilitate and enable private investment capital formation as part of off-balance Government financing

195. Under Cooperatives, the specific interventions for implementing the above objectives will involve modernize New Kenya Co-operatives Creameries (NKCC); participation of Co-operatives and SACCOs in Financial Inclusion Fund as Intermediaries; implement the coffee farm input subsidy-NKPCU; enhance production capacity of powder milk-NKCC, disburse affordable and accessible credit to farmers through Coffee Cherry advance revolving fund (CCARF)-NKPCU and Operationalize the Co-operative management information system (CMIS).

196. The Sector will also operationalize Warehouse Receipt System Council-WRSC; upgrade and modernize warehouse-KNTC; operationalize Kenya Trade Remedies Agency; operationalization of KOMEX; promote Financial Inclusion by easing access to the Financial Inclusion Fund (Hustler's Fund).

197. For Medium, Small and Micro Enterprises (MSMEs) the sector has prioritized value addition, Innovation & Incubation for MSME; create employment opportunities through construction and equipping of CIDCs and KYEOP-MSEA; enhance market access for MSMEs through exposure to local and EAC markets; advance Industrial credit and provide business advisory services to SMEs-KIE; provide Credit facilities to Women, Youth and PWDs-UWEZO Fund; capacity building for MSMES including access to modern management practices.

198. To spur industrial growth and increase the share of manufacturing to GDP, the Sector will modernize RIVATEX machinery and factory; enhance production

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of cotton for textile and apparel processing-RIVATEX; construction and equipping of Apparel Value Addition Units (AVAUs)-RIVATEX; modernization of NMC Foundry plant & CNC & Fabrication workshops; implement Integrated Agro-Industrial Parks as a Component of PCP; development of Dongo Kundu and Naivasha SEZs; development of Athi River Textile Hub, Railway siding and Industrial Sheds-EPZA and Improvement of business climate and ease of doing business.

199. The Sector will accelerate EAC cross Border Trade through the development of Jumuiya Cross Border Markets; enhance Free Movement of Persons, goods, services, labour and capital within EAC; Completion of Mama Ngina Waterfront Phase 2- KTB; Execute Digital Marketing partnerships in 5 High value Source Markets; conduct reassurance campaign in the traditional and emerging markets-Tourism Development and Promotion Directorate; cushion drought-prone vulnerable households through cash transfers and Build resilience of ASAL communities and enhance climate adaptation and resilience.

200. To implement these programmes, the Sector has been allocated Ksh. 51.7 billion, Ksh. 57.7 billion, and Ksh. 63.1 billion in FY 2023/24, FY 2024/25 and FY 2025/26 respectively. This comprises of Ksh. 22.7 billion, Ksh. 23.2 billion, and Ksh. 23.9 billion for recurrent expenditure and Ksh. 29.1 billion, Ksh. 34.5 billion, and Ksh. 39.2 billion for development expenditures for the same period.

Health Sector

201. The Constitution of Kenya guarantees all citizens the right to quality and affordable healthcare. To ensure that we have a healthy and productive citizenry, the Government will continue to prioritize Projects for the Health Sector as outlined in MTP IV and delivering Universal Health Coverage in collaboration with County Governments and key stakeholders in order to reduce catastrophic spending on health. This will be built on a fully publicly financed primary healthcare, and a universal seamless health insurance system that focuses on the triple burden of diseases, namely; communicable diseases, non-communicable diseases and injuries.

202. In the FY 2019/20 to FY 2021/22 significant achievements were realized on the health sector. Some of the achievement realized over the period are: Human Immunodeficiency Virus (HIV) prevalence reduced from 4.5 in 2020 to 4.3 in 2022 with a viral suppression of 95.5 percent among those on Antiretroviral Treatment (ART). Kenya is estimated to have over 1.4 million (1,435,271) people living with HIV out of which 1.2 million (1,291,110) have been identified and initiated on lifelong antiretroviral treatment (ART) representing 89.9 percent ART coverage; the national immunization coverage improved from 84 percent in FY 2020/2021 to 88% in 2021/2022. The Ministry instituted several interventions in response to COVID-19 pandemic including vaccination, enhanced testing, acquisition of more critical care facilities and oxygen supply. As at the end of review period 2.7 percent of the adult population had been fully vaccinated against COVID-19.

203. KNH established Centres of excellence for heart surgery, cancer treatment, diagnostics and imaging, laboratory medicine, tissue and organ transplantation, gastroenterology, diabetes and endocrinology centres. On the patient care front,

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KNH has established a diagnostic and reporting centre which incorporates a medical teleconferencing facility and artificial intelligence tele-radiology centre which enables relay of radiological images from referring hospitals. In turn, the images are read, interpreted and reported back timely for clinical decision making. The KNH completed an Immunogenic Laboratory (HLA Lab) which is a state-of-the-art laboratory for histocompatibility and genetic testing for solid organ and bone marrow transplantation. The lab is the first of its kind in East Africa and will greatly support organ and tissue transplants by testing donor and recipient matching locally.

204. MTRH invested in a Pressure Swing Adsorption Plant (PSA)/Oxygen generating Plant (OGP). It also operationalized the provision of radiotherapy services after the successful installation of Linear Accelerator (LINAC) and Brachytherapy machines which have seen over 15,000 External Beam Radiotherapy Sessions and over 170 Brachytherapy Sessions done. To support telemedicine telepathology and operational efficiencies in the provision of healthcare, MTRH established and equipped a state-of-the-art Data Centre with an advanced firewall for Big Data security, intelligent switches, high-capacity backup infrastructure as well as a high availability setup of servers. It also carried out 30 Kidney transplants, done 43,122 Dialysis Sessions and 22 Corneal transplants.

205. KUTRRH launched the Integrated Molecular Imaging Centre (IMIC) and IMIC Hospitality Centre in 2021, since its operationalization in January 2022 it has performed 1,169 successful scans as at 30th June 2022, done 24,181 Sessions of Radiotherapy and Chemotherapy and conducted 13 open heart surgeries. It also installed a brachytherapy machine for treatment of cancer patients and installed a 20,000-liter liquid oxygen tank. The hospital installed a state-of-the-art cardiovascular diagnosis and treatment facility.

206. KEMRI developed 9 policy briefs on SARS-COV-2 genome variants and on prevalence of COVID-19. It also developed first locally manufactured Malaria rapid diagnostic tests (RDT) & COVID 19 PCR test kits. Single-dose HPV vaccine research findings were presented in Toronto, Canada and the same was adopted for roll out by WHO. A total of 3 million Kenyans benefited with a 20% increase in outpatient attendance and access to health products on average increased from 43% to 70%. A total of 1,022,078 households are currently on social health insurance nested in NHIF paid by the Government to a tune of six billion Kenyan shillings.

207. Further the has established a cancer center at Kisii level 5 hospital and the establishment of regional cancer centers in Nakuru, Mombasa and Garissa. The Managed Equipment System project has been under implementation for the last 7 years, it has seen selected hospitals offer a fully integrated and sustainable access to, Theater Services, Central sterile services, Dialysis, ICU and Radiology services.

208. In line with the changing health care innovation the Ministry has continued to invest in HPTs. In the FY 2021-2022 KEMSA managed to procure health products and technologies (HPTs) worth KSh.29.097 Billion out of which KSh.7.946 Billion being Sales items and KSh.21.151 Billion being program items.

209. In the medium-term period, the Sector will prioritize investments towards achieving Universal Health Coverage by ensuring National Health Insurance fund

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coverage for all Kenyans; investment in primary healthcare system through establishment of stakeholder managed primary health care funds as strategic purchasers at each level 4 facility; Build up supply management system; to manage healthcare workforce and harmonize working conditions and terms. In addition, the sector will invest in health products and technologies, integrated information communication and technology systems to enhance telemedicine and health management information systems; establishment and operationalization of emergency medical fund and establish a fund to bridge the financial gaps in the wake of diminishing donor funding in support of key programmes including HIV/AIDS, TB, Malaria, RH/FP, Vaccines and Nutrition.

210. The key Sector programme priorities for the FY 2023/2024 – FY 2025/26 include: Preventive, Promotive and Reproductive, Maternal, Newborn, Child and Adolescent Health (RMNCAH) Services; National Referral and Specialized Services; Health Research and Development; General Administration and Support Services; and Health Policy, Standards and Regulations. The prioritized programmes and projects aim at achieving improved accessibility, affordability of health services, reduction of health inequalities and optimal utilization of health services across the sector. Additionally, the programmes aim to revitalize and sustain the aspirations of UHC.

211. To implement these programmes, the Sector has been allocated Ksh. 154.0 billion, Ksh. 164.1 billion, and Ksh. 173.8 billion in FY 2023/24, FY 2024/25 and FY 2025/26 respectively. This comprises of Ksh. 80.4 billion, Ksh. 83.5 billion, and Ksh. 87.7 billion for recurrent expenditures and Ksh. 73.6 billion, Ksh. 80.6 billion, and Ksh. 86.0 billion for development expenditure for the same period.

Education Sector

212. Education Sector is comprised of four sub-sectors namely; Basic Education, Technical Vocational Education and Training, Higher Education and Research, and Teachers Service Commission. The Sector is a critical player in promoting political, social, and economic development through education and training to create a well-equipped citizenry.

213. During the period under review, the Sector realized key milestones towards improvement of education outcomes. In the Basic Education sub-sector, 9,922,193 students benefited from Free Day Secondary Education; 2,257,963 learners benefited from the School Feeding Programme and all Students in public secondary schools provided with medical insurance.

214. In the TVET sub-Sector, 1,023 TVET institutions accredited and 6,505 trainers registered in FY 2021/2022 and an additional 2,757 trainers recruited; 183 Curricula developed, 28 curriculum support material digitized, 102 trainers trained 133 learning guides developed for TVET; 129 technical and Vocational colleges completed, 101 equipped with training equipment, 60 equipped with basic ICT equipment, 123 equipped with basic furniture and fittings; 4,541 assessors and verifiers were capacity built leading to 6,515 candidates from 88 institutions to be assessed under CBET.

215. Under Universities, 374,597 undergraduates and 347,705 TVET students were placed over the period; 1,114,650 universities and TVET students were

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awarded loans, bursaries, and scholarships, constructed the Wangari Maathai Institute. In addition, sixteen (16) high impact research projects were identified, evaluated and processed for national up scaling.

216. The Teachers Service Commission recruited 15,000 additional teachers at Secondary level and 22,300 intern teachers. Teachers of Grade 1 to 5 were trained on competency based curriculum (CBC), 269,489 teacher's files Digitized and TSC operations automated; 136,703 new teachers were Registered; 47,942 teachers trained on school based teacher support system (SBTSS) under the SEQIP Project; and Implemented CBA for teacher 2017 to 2021.

217. The sector has developed key outputs and performance indicators to guide delivery of its mandate as well as the realization of its vision in the 2023/24-2025/26 MTEF period.

218. Under Basic Education, the Sector targets to enroll 22,018,508 students in public primary school and 10,515,171 in Junior Secondary Schools; enrolment of 345,500 SNE learners in Primary Schools; Construction of 2,809 classrooms and 1,237 laboratories in Junior Secondary; 9,890,880 students to benefit from the School Feeding Programe; 9,530,000 learners to benefit from sanitary towels; 11,435,589 students enrolled in Public Secondary Schools; Construction of 2,835 classrooms and 474 laboratories in Secondary Schools; Enrolment of 345,500 SNE learners in Secondary Schools; 50 curriculum designs developed for Grade 10 to 12 and 91,500 institutions assessed for quality and standards.

219. Under TVET, the sector intends to enroll 345,706 trainees in National Polytechnics; 620,628 trainees to be enrolled in TVCs; 11,535 students to be enrolled in Special Needs TVCs; 7,500 TVET trainers accredited; 50 CBET curriculum developed; 7,000 TVET trainers recruited and 87 workshops equipped in the existing TVCs.

220. Under Universities, the sector targets to enroll 1,936,895 students in universities; award loans to 1,329,311 students in Universities and TVET through HELB and support 431 Research projects. The Teachers Service Commission plans to recruit 30,000 teachers for Primary and Secondary Schools and recruit 60,000 intern teachers.

221. To implement these programmes, the Sector has been allocated Ksh. 597.2 billion, Ksh. 617.6 billion, and Ksh. 639.4 billion in FY 2023/24, FY 2024/25 and FY 2025/26 respectively. This comprises of Ksh. 562.9 billion, Ksh. 591.2 billion, and Ksh617.2 billion for recurrent expenditure and Ksh. 34.3 billion, Ksh. 26.4 billion, and Ksh. 22.2 billion for development expenditures for the same period.

Governance, Justice, Law and Order Sector

222. Governance, Justice, Law and Order Sector (GJLOS) consists of fifteen (15) sub-sectors, nineteen (19) Semi-Autonomous Government Agencies (SAGAs) and several tribunals, each with specific functions and mandates. The Sector is principally engaged in maintenance of law and order, expansion and accountability programmes, security coordination, provision of secure Government documents provision of correctional services to offenders, enhancing the integrity and access to population registration , immigration services and refugee management,

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installation of surveillance cameras in major cities, expansion of police training colleges, representing and advising the Government on legal matters, and the roll out of national legal aid services to indigent persons, registration and regulation of political parties, provision of prosecution services, protection of witnesses, fighting corruption and economic crimes, promotion and protection of human rights and fundamental freedoms, conduct of elections and delimitation of electoral boundaries, delivery of justice, promote and facilitate the independence and accountability of the Judiciary and transparent administration of justice, promotion of gender equality and freedom from discrimination, monitor and investigate policing operations affecting members of the public among others.

223. During the MTEF review period, 2019/20 -2021/22, the Sector recorded achievements in various programmes and activities notably: acquisition and modernization of assorted security equipment, improved police and prison officers' welfare through provision of additional housing units, enhanced surveillance system and enhanced corruption prevention measures, police accountability and establishment of the Judiciary Fund. The Sector also enhanced recovery of proceeds of crime and the fight against money laundering where Ksh 1.1 billion worth of assets and cash were forfeited to the state. Contained 53,249 offenders in humane and safe custody, provided 66,086 social reports to courts, traced and recovered public funds worth Ksh 20.74 billion, averted loss of public funds Ksh 20.23 billion. Besides, cascading e-passport system to 4 local and 6 foreign mission stations, registration of 37 million Kenyans into NIMES, 405,868 business entities registered whilst 3,253 cases filed against the Government were concluded, prosecuted 1,122,721 cases with an average conviction rate of 92.4%, investigated and finalized 2366 cases on police misconduct, upgraded integrated political parties' management system to enable the public check, register and resign as members of a political party, and spearheaded enactment of amended Political Parties Act, 2011.The sector also appointed the chief justice and 42 judges and additional 823 judicial staff, processed and resolved 4,941 human rights violations lodged by 5,142 complainants.

224. The Sector priorities during the MTEF period 2023/24 – 2025/26 will be aligned to programmes and projects as outlined in the fourth draft Medium Term Plan (2022-2027) of the Kenya Vision 2030. In order to implement the prioritized programmes, the Sector has a total allocation of Ksh. 229.8 billion, Ksh. 242.6 billion and Ksh. 253.0 billion for FY 2023/24, FY 2024/25 and FY 2025/26 respectively. This comprises of Ksh. 219.9 billion, Ksh. 229.3 billion and Ksh. 238.6 billion for recurrent expenditure and Ksh. 9.9 billion, Ksh. 13.1 billion and Ksh.14.2 billion for development expenditure for the same period.

Public Administration and International Relations Sector Report

225. Public Administration and International Relations sector is comprised of twenty Sub- Sectors. They include: the Executive Office of the President; Office of the Deputy President; State Department for Cabinet Affairs; State Department for Devolution; State Department for Performance and Delivery Management; State Department for Parliamentary Affairs; State Department for Foreign Affairs; State Department for Diaspora Affairs; The National Treasury; State Department for Economic Planning; State Department for Public Service; Parliamentary

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Service Commission; National Assembly; Parliamentary Joint Services; Commission on Revenue Allocation; Public Service Commission; Salaries and Remuneration Commission; Office of the Auditor General; Office of the Controller of Budget; and Commission on Administrative Justice.

226. During the Medium-Term period 2019/20 - 2021/22, a total of 32 programmes were implemented within the Sector. Key achievements included: local economic development in 15 counties; implementation of investment Projects on Health, Trade, Agriculture, Roads and Water sectors in 39 Counties; hosting of the 9th Edition of Pan-African conference for local authorities and sub-regional Governments (Africities Summit); enhanced access to public services to over 30 million Kenyans through the Huduma Kenya Service Delivery Platforms; First digital Kenya Population and Housing Census ; Construction and renovation of 28,712 institutional facilities, awarding of bursary to 2,154,783 beneficiaries; and enhanced public service performance through implementation of performance management system.

227. In the 2023/24-2025/26 MTEF period, the Sector will implement 41 Programmes and with corresponding 107 sub-programmes. These programmes are aligned to the Post COVID 19 Economic Recovery Stimulus programme (PC-ERS); Bottom Up Economic Transformation Agenda; and Fourth Medium Term Plan of Kenya Vision 2030. The identified programmes and projects are expected to facilitate job creation and poverty reduction during the 2023/24 -2025/26 MTEF Period.

228. To effectively implement the identified priorities, the sector has a total allocation of Ksh. 308.8 billion, Ksh. 391.2 billion and Ksh. 510.8 billion for FY 2023/24, FY 2024/25 and FY 2025/26 respectively.

National Security Sector

229. 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.

230. 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. The Sector will also work on modalities to strengthen security and safety of public schools, tertiary training institutions and universities. Further, digitization of services within the sector especially expansion of the National Integrated Command and Control Centre (IC3) will enhance security in the Country.

231. In order to implement the prioritized programmes and minimize the above mentioned threats, the Sector has been allocated Ksh 219.2 billion, Ksh 242.6 billion and Ksh 228.4 billion in FY 2022/23, FY 2023/24 and FY 2024/25, respectively. This comprises of Ksh. 186.6 billion, Ksh. 193.6 billion, and Ksh. 198.6 billion for recurrent expenditures and Ksh. 32.6 billion, Ksh. 49.1 billion, and Ksh. 29.8 billion for development expenditure for the same period.

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Social Protection Culture and Recreation Sector Report

232. The Sector comprises of six Sub-Sectors namely: Youth Affairs, Sports and the Arts; Culture and Heritage; Labour and Skills Development; Social Security and Protection; and Gender and Affirmative Action. The Sector plays a critical role towards the achievement of the Fourth Medium Term Plan (2023-2027) of the Kenya Vision 2030 and the Government priorities programmes and projects. The Sector also contributes to the fulfilment of various regional and international obligations including the Sustainable Development Goals (SDGs) and Africa Union Agenda 2063.

233. The Sector made significant achievements during the MTEF period 2019/20 - 2021/22 which include: regimented and trained 86,715 youth in paramilitary and vocational skills; facilitated 126,643 youth to access loans and grants amounting to Ksh 2.658 billion for business start-ups, expansion and establishment of cottage industries; developed policy framework to enhance promotion of safe, orderly and productive Labour migration; developed standards and guidelines for implementation of the Policy on Recognition of Prior Learning (RPL) both in the formal and informal sectors of the economy; provision of cash transfers to 278,945 Orphans and Vulnerable Children (OVCs), 37,023 Persons With Severe Disabilities and 766,935 Older Persons; supported 22,300 OVCs with education scholarships through the Presidential Secondary School Bursary Fund; registered 93,080 PWDs in order to access services

234. In the medium term period 2023/24-2025/26, the Sector will prioritize implementation of the following key strategic interventions; engagement of youth in leadership and governance initiatives; youth empowerment and employment promotion; protection of the rights and welfare of Kenyan migrant workers; Establishment of the Kenya Migrant Workers Welfare Fund and the National Skills and Funding Council to promote skills development; promotion of youth Access to Government Procurement Opportunities (AGPO); youth innovation and talent development; paramilitary training; National Service and Vocational Training; entrepreneurship skills, operationalization of community youth SACCOs; cash transfers to Vulnerable Persons; participation in a number of international sports competitions such as the World Rally Championship among others; decentralize Sports and Arts Services II and Constituency Sports Academies; upgrade the Institute of Primate research; install mobile shelves at National Archives and establishing an integrated heroes database.

235. To implement these programmes, the Sector has a total allocation of Ksh 69.1 billion, Ksh 70.3 billion and Ksh 68.8 billion for FY 2023/24, FY 2024/25 and FY 2025/26 respectively.

Environment Protection, Water and Natural Resources Sector

236. Environment Protection, Water and Natural Resources (EPWNR) Sector consists of six (6) sub-sectors namely: Environment; Forestry; Water Sanitation; Irrigation; Wildlife and Mining. The Sector has twenty-seven (27) Autonomous Agencies and Semi-Autonomous Government Agencies (SAGAs). In addition, the sector has the following entities: National Environmental Complaint Committee (NECC); National Environment Tribunal; Hydrologist Registration Board, and

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Wildlife Clubs of Kenya (WCK). The Sector plays a critical role in Kenya's economy in securing, stewarding and sustaining the environment and natural capital of the country.

237. In the MTEF period under review, 2019/20 to 2021/22, the sector made significant achievements some of which are; finalization of policies and legal frameworks, installation of automated weather equipment, increased forest and tree cover, improved access to water services and national sanitation coverage, increased areas under irrigation and reclamation, improved wildlife management and security, and improved mineral revenue collection. These achievements were attributed to the Government prioritization of the sector and partnerships with different stakeholders.

238. In the MTEF period 2023/24 - 2025/26 the Sector has prioritized programs and sub programs intended to promote sustainable utilization and management of natural resources for socio-economic development.

239. The total Allocation for the Sector is Ksh. 124.6 billion, Ksh. 139.6 billion and Ksh. 147.7 billion comprising of Ksh. 27.9 billion, Ksh. 31.2 billion and Ksh. 31.48 billion for recurrent expenditure and Ksh. 96.6 billion, Ksh. 108.4 billion and Ksh. 116.2 billion represent development expenditure allocation for the same period respectively.

Programme Performance Information for FY 2023/24 - FY 2026/27 MTEF Period

240. **Annex Table 4a** provides a summary of expenditures by programmes for the FY 2023/24– 2026/27 period. **Annex Table 4b** provides a detailed report with information on programmes outputs, key performance indicators, and the set targets for the FY 2023/24 – 2026/27 period.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

241. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this requirement, while preparing the 2023 Budget Policy Statement (BPS), the resolutions adopted by Parliament on the previous Budget Policy Statements were taken into account. **Annex 3** explains how the resolutions by Parliament on the 2021 BPS and 2022 BPS have been taken into account in the 2023 BPS and the reasons thereof. Additionally, Sector Working Groups (SWGs) were convened to develop the sector reports, which were subjected to public hearings for the FY 2023/24 and medium-term budget were held between 11th and 13th January, 2023. **Annex Table 5** provides a summary of policy issues raised during the Public Hearings and the responses.

242. Further, the draft 2023 BPS was uploaded onto the National Treasury website on 18th January, 2023 inviting the public and stakeholders to share comments. As required by the Public Finance Management Act (PFM) Act, 2012, the document was further shared with the various stakeholders including:

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i. Institutions listed in the PFM Act, 2012 which include: the Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission and the Judicial Service Commission;
ii. Institutions that constitute the Macro Working Group which include: the National Treasury, State Department of Planning, Central Bank of Kenya, Kenya Revenue Authority, Kenya National Bureau of Statistics, Kenya Institute of Public Policy Research and Analysis and Commission on Revenue Allocation;
iii. Cabinet Secretaries and Principal Secretaries of all Government Ministries and the Office of the Attorney General; and
iv. Office of the Council of Economic Advisors and Office of Fiscal Affairs and Budget Policy at the Executive office of the President.

243. The comments were considered in finalizing this document. A summary of the comments received from the various stakeholders and the public and the actions taken are summarized in **Annex Table 6.**

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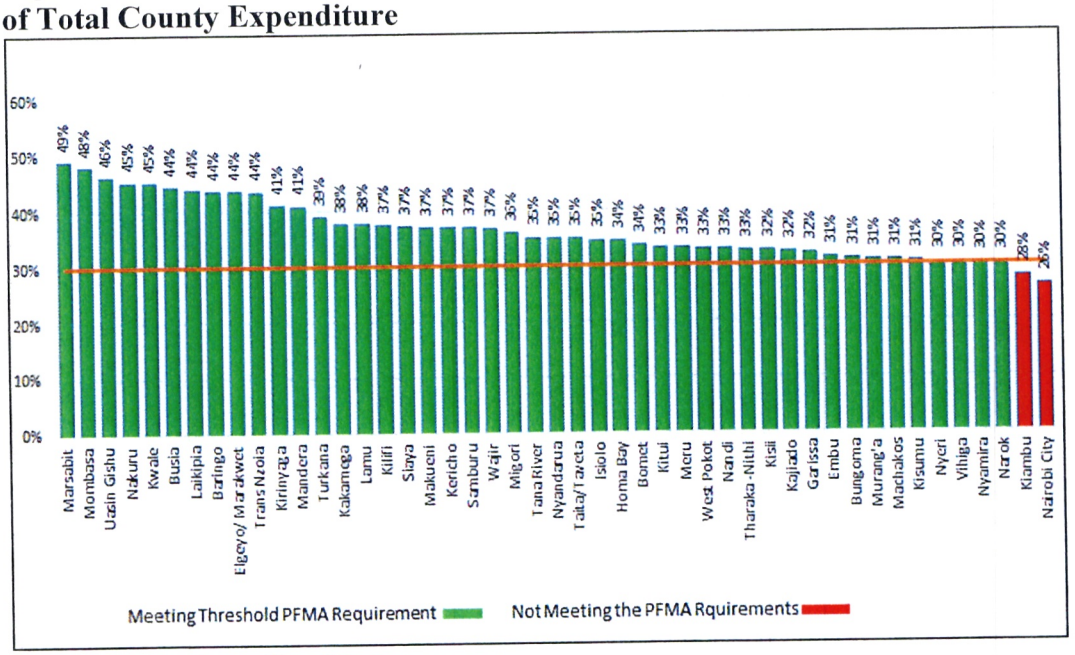
IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principles

4.1.1 Compliance with the Requirement on Development Spending Allocations

244. County Governments are required to allocate a minimum of 30 percent of their budget over medium-term to development expenditure as provided for under Section 107 (2) (b) of the PFMA, 2012. All the County Governments except Nairobi City County and Kiambu complied with this legal requirement and allocated at least 30 percent of their approved budget to development in FY 2021/22 **(Figure 4.1)**.

Figure 4.1: FY 2021/22 Budgeted Development Expenditure as a Percentage of Total County Expenditure



Source of Data: Controller of Budget

245. Even though most County Governments allocate a minimum of 30 percent to development expenditure, a majority of them do not meet this requirement in terms of actual expenditure on development. During the FY 2021/22, only 12 County Governments were able to utilize at least 30 percent of their total expenditure on development. The County Government of Marsabit spent 41.8 percent, Uasin Gishu 37.1 percent and Nakuru 35.3 percent. On the other hand, a total of 35 County Governments spent less than 30 percent on development in FY 2021/22. Nairobi City County Government had the lowest expenditure at 10.7 percent while Narok and Garissa Counties spent 12.6 percent and 12.5 percent respectively **(Figure 4.2)**.

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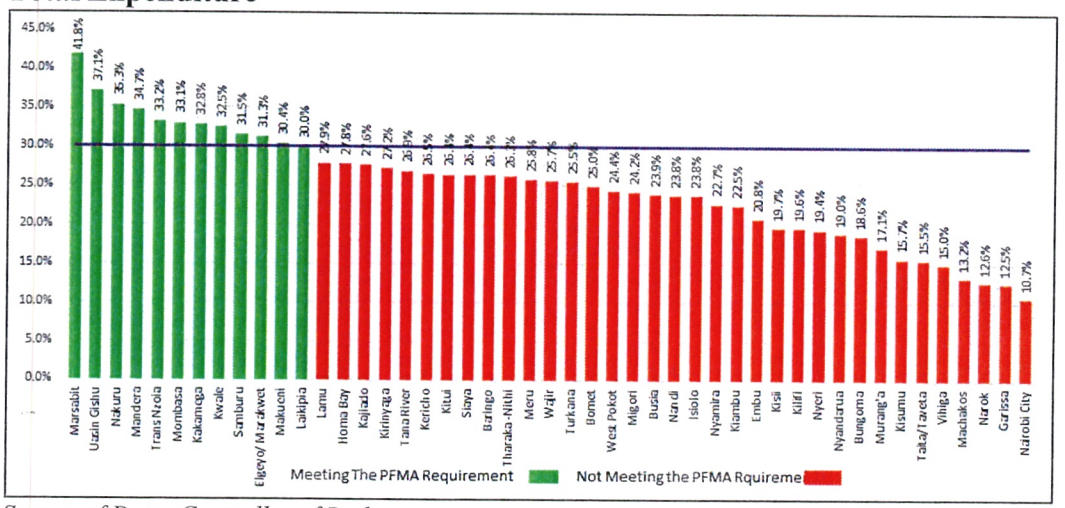
Figure 4.2: FY 2021/22 Actual Development Expenditures as a Percentage of Total Expenditure

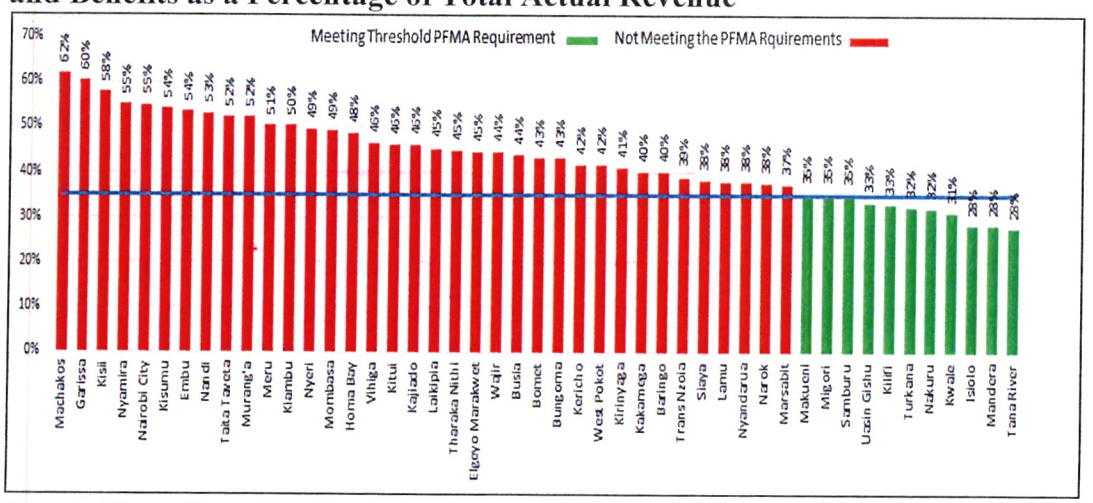


Source of Data: Controller of Budget

4.1.2 Compliance with the Requirement on Expenditure on Wages and Benefits

246. County Governments are required under Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 to ensure that expenditure on wages and benefits does not exceed 35 percent of their total revenue. A report by the Controller of Budget on review of County Government's budget implementation for FY 2021/22 shows that only 11 County Government's expenditure on wages and benefits were within the legal threshold. The County Governments of Tana River, Mandera and Isiolo had the lowest expenditure on wages and benefits at 28% percent. The report further revealed that 36 County Governments spent beyond the legal threshold. Machakos spent 62 percent followed by Garissa at 60 percent and Kisii at 58 percent **(Figure 4.3)**. County Governments are called upon to put in place measures that can move them towards meeting the legal threshold as provided by law.

Figure 4.3: FY 2021/22 County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue



Source of Data: Controller of Budget

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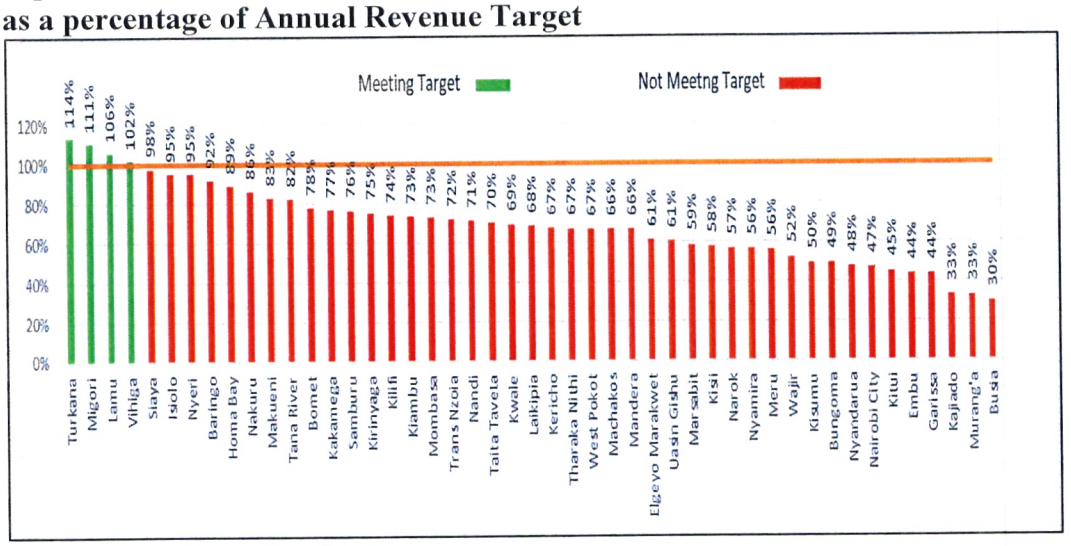
4.2 Enhancement of County Governments' Own-Source-Revenue

247. During the FY 2021/22 County Governments were able to raise a total of Ksh 35.9 billion in Own Source Revenue (OSR) against an annual target of Ksh 60.4 billion **(Figure 4.4)**. This represents 59 percent of the annual OSR target in FY 2021/22. Only four County Governments were able to collect more than one hundred percent of their annual OSR target in FY. These County Governments are Turkana, Migori, Lamu and Vihiga Counties.

Figure 4.4: FY 2020/21 Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target



Source of Data: Controller of Budget

248. A report of the County Governments by the Commission on Revenue Allocation on Comprehensive Own Source Revenue Potential and Tax Gap published in June 2022, estimates the revenue potential of all the 47 County Governments at Ksh. 215.6 billion against the current OSR collections of Ksh 35.9 billion in FY 2021/22. In order to improve on their OSR collections, the report recommends the adoption of automatic and cashless payments systems as well as streamlining of taxation and fees structure by the County Governments. In addition, the report recommends the need to strengthen collaboration and data sharing between different organizations and departments within and outside the County Governments in order to enable the Counties to monitor their revenue base, evaluate their revenue raising activities and adopt an evidence-based approach to OSR policy decision making.

249. In order to support the County Governments to enhance their Own Source Revenue, the National Treasury in consultation with the County Governments and other stakeholders developed the National Rating Bill and the County Governments (Revenue Raising Process), Bill. The objective of the National Rating Bill is to unlock more revenues for the County Governments from property taxes. On the other hand, the County Governments (Revenue Raising Process), Bill outlines the process to be followed by counties in exercising their power under Articles 209 and 210 of the Constitution to impose, vary or waiver taxes, fees, levies and other charges.

250. Since the two bills lapsed in the 12th Parliament, the National Rating Bill has been republished by Parliament while the County Governments (Revenue Raising Process), Bill has been resubmitted to Cabinet to consider and approve its re-submission to the 13th Parliament for enactment into law.

251. Contribution in Lieu of Rates (CILOR) are rates payable to the County Governments in respect of public land as provided for under the Valuation for Rating Act (Cap 266); Rating Act (Cap 267) and the Valuation for Rating (Public Land) Rules. Prior to devolution, the defunct local authorities received CILOR from the Central Government for public land within their jurisdiction. However, since devolution, only Laikipia County Government received CILOR from the National Government through a supplementary budget. This is mainly due to inadequate legal framework for claiming CILOR, widespread lack of up-to-date valuation rolls to support imposition of property rates and counties being unfamiliar with payment of CILOR procedures. The National Treasury together with the other stakeholders are working on the modalities of how the outstanding CILOR will be paid to the respective counties.

252. As part of the implementation of the National Policy to Support County Governments enhance their Own Source Revenue, the Commission on Revenue Allocation (CRA) in collaboration with the National Treasury and other stakeholders is in the process of developing a model tariffs and pricing policy. The County Governments are expected to customize this model policy to develop their respective tariffs and pricing policy in line with Section 120 of the County Government Act, 2012. The tariffs and pricing policy will form the basis for levying fees and charges by the County Governments.

4.3 Prudent Management of Fiscal Risks

4.3.1 Pending Bills

253. 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 48.1 billion as at 30th June, 2020. In addition, Ksh 108.1 billion worth of pending bills was found to be ineligible for payment due to lack of documentation to support services rendered or work done.

254. A report by the Controller of Budget (CoB) indicates that by 21st December 2022, Counties had settled Ksh. 22.9 billion (47.6% of the eligible pending bills) leaving an outstanding balance of Kshs. 25.1 billion.

255. In relation to the ineligible pending bills, the Intergovernmental Budget and Economic Council (IBEC) through a resolution of 18th June 2019 instructed all 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 21st December, 2022, a total of Ksh. 1.8 billion of the ineligible pending

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bills had been paid by the County Governments, leaving a balance of Ksh. 106.2 billion.

256. In order to control accumulation of pending bills, a number of mechanisms have been put in place. In a Circular No.2/2022 dated 24th March 2022, the National Treasury required all Governors and County Executive Committee Members (CECMs) for Finance to urgently ensure outstanding pending bills are paid as soon as possible so as to comply with the PFM act and most importantly avoid disrupting the operations and other financial obligations of the county Government due to stoppage of monthly disbursements. Other measures geared at ensuring that there is no further accumulation of pending bills include:

a) All Counties are to regularly report on pending bills in accordance with the financial reporting template by the Public Sector Accounting Standards Board (PSASB). Further to this, the National Treasury issued a Circular Ref: AG.3/83/1/Vol.VII (22) dated 11th May 2022 to all CECMs for Finance on Year End Closing Procedures for Financial Year 2021/2022. 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.

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Table 4.1: Payment of 30th June 2020 Audited Pending Bills by County Governments as at 21st December 2022

County Name	Eligible Pending Bills	Amount Paid so far	Balance	Ineligible Pending Bills	Amount Paid so far	Balance	Total Outstanding
Baringo	404,682,061	171,302,755	233,379,306	57,709,448	-	57,709,448	291,088,754
Bomet	575,277,293	540,142,991	35,134,302	177,803,997	-	177,803,997	212,938,299
Bungoma	280,568,664	247,016,877	33,551,787	102,669,258	-	102,669,258	136,221,045
Busia	735,462,434	497,454,553	238,007,881	160,041,266	-	160,041,266	398,049,147
Elgeyo/Marakwet	97,250,631	62,848,774	34,401,857	11,657,517	-	11,657,517	46,059,374
Embu	376,985,675	289,645,685	87,339,990	260,720,598	119,943,842	140,776,756	228,116,746
Garissa	1,173,876,512	622,602,867	551,273,645	4,428,629,228	-	4,428,629,228	4,979,902,873
Homa Bay	525,179,984	286,039,857	239,140,127	400,219,060	-	400,219,060	639,359,187
Isiolo	963,669,236	562,336,466	401,332,770	208,912,399	-	208,912,399	610,245,169
Kajiado	1,389,961,092	420,893,832	969,067,260	1,627,807,464	-	1,627,807,464	2,596,874,724
Kakamega	1,198,949,826	1,015,355,470	183,594,356	251,246,426	9,807,390	241,439,036	425,033,392
Kericho	1,259,577,667	544,182,280	715,395,387	268,911,420	-	268,911,420	984,306,807
Kiambu	3,365,130,484	53,055,801	3,312,074,683	881,170,421	56,081,899	825,088,522	4,137,163,205
Kilifi	610,835,144	464,842,712	145,992,432	581,780,751	-	581,780,751	727,773,183
Kirinyaga	983,032,372	493,656,554	489,375,818	494,719,011	-	494,719,011	984,094,829
Kisii	758,725,977	466,730,539	291,995,438	516,389,488	-	516,389,488	808,384,926
Kisumu	1,064,082,741	558,541,319	505,541,422	817,392,020	-	817,392,020	1,322,933,442
Kitui	1,068,323,966	625,807,850	442,516,116	1,652,024,506	27,769,948	1,624,254,558	2,066,770,674
Kwale	30,395,083	-	30,395,083	2,929,346,292	-	2,929,346,292	2,959,741,375
Laikipia	857,616,477	387,029,211	470,587,266	1,187,938,976	137,228,268	1,050,710,708	1,521,297,974
Lamu	166,052,981	163,862,932	2,190,049	126,554,441	99,256,365	27,298,076	29,488,125
Machakos	1,829,505,555	1,104,322,827	725,182,728	519,755,508	-	519,755,508	1,244,938,236
Makueni	300,407,810	280,416,891	19,990,919	11,921,955	258,823,577	- 246,901,622	- 226,910,703
Mandera	195,606,061	195,606,061	-	211,731,110	-	211,731,110	211,731,110
Marsabit	427,725,791	219,826,370	207,899,421	561,882,902	-	561,882,902	769,782,323
Meru	1,645,514,751	1,489,716,055	155,798,696	252,142,550	-	252,142,550	407,941,246
Migori	606,362,615	582,590,982	23,771,633	791,428,051	490,545,104	300,882,947	324,654,580
Mombasa	3,629,365,578	2,228,797,144	1,400,568,434	273,639,725	-	273,639,725	1,674,208,159
Murang'a	591,589,896	488,702,066	102,887,830	1,683,941,778	8,291,985	1,675,649,793	1,778,537,623
Nairobi City	10,609,369,860	975,251,721	9,634,118,139	75,142,481,171	-	75,142,481,171	84,776,599,310
Nakuru	504,225,508	422,996,705	81,228,803	309,435,561	-	309,435,561	390,664,364
Nandi	999,961,375	738,865,952	261,095,423	424,863,941	-	424,863,941	685,959,364
Narok	911,820,629	237,684,009	674,136,620	983,780,638	-	983,780,638	1,657,917,258
Nyamira	278,105,607	275,698,124	2,407,483	67,438,141	-	67,438,141	69,845,624
Nyandarua	1,104,557,249	434,777,239	669,780,010	849,222,218	-	849,222,218	1,519,002,228
Nyeri	477,332,318	455,817,752	21,514,566	20,507,256	-	20,507,256	42,021,822
Samburu	100,097,274	95,476,412	4,620,862	638,141,800	485,194,368	152,947,432	157,568,294
Siaya	239,440,577	211,564,138	27,876,439	69,732,235	-	69,732,235	97,608,674
Taita/Taveta	713,199,641	649,923,111	63,276,530	192,854,197	-	192,854,197	256,130,727
Tana River	594,862,915	139,064,907	455,798,008	1,663,178,525	-	1,663,178,525	2,118,976,533
Tharaka -Nithi	619,348,506	396,653,397	222,695,109	244,289,602	-	244,289,602	466,984,711
Trans Nzoia	619,607,056	549,360,530	70,246,526	372,066,151	-	372,066,151	442,312,677
Turkana	472,120,183	316,914,391	155,205,793	585,037,816	-	585,037,816	740,243,609
Uasin Gishu	494,815,241	453,581,511	41,233,730	140,056,169	125,575,115	14,481,054	55,714,784
Vihiga	1,278,738,001	844,279,732	308,458,269	410,172,194	-	410,172,194	718,630,463
Wajir	329,022,136	-	329,022,136	4,335,524,264	-	4,335,524,264	4,664,546,400
West Pokot	673,361,710	607,434,712	65,926,998	153,836,525	16,516,318	137,320,207	203,247,205
Total	**48,131,700,143**	**22,868,672,065**	**25,137,028,078**	**108,052,705,970**	**1,835,034,179**	**106,217,671,791**	**131,354,699,869**

Source of Data: Office of the Auditor General and Controller of Budget

4.3.2 Statutory Remittances

257. 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. There is need for the County Governments to take stock of all the pension liabilities and ensure proper recording in the stock of

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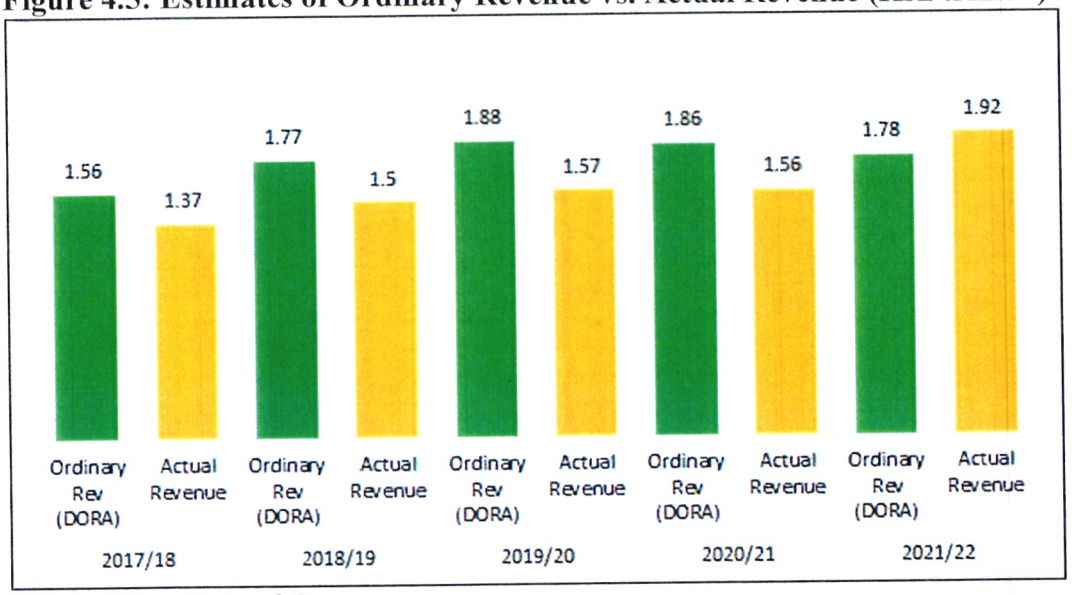
County pending bills. In addition, Counties should prioritize the settling of these liabilities to ensure County staff do not retire without a pension.

4.4 Division of Revenue between the National and County Governments

4.4.1 Performance of Shareable Revenue

258. Ordinary revenue collected over the years has been below target except for FY 2021/22 when the target was surpassed as indicated in **Figure 4.5**.

Figure 4.5: Estimates of Ordinary Revenue vs. Actual Revenue (Ksh trillion)



Source of Data: National Treasury

4.4.2 Division of Revenue for FY 2023/24

259. Based on ordinary revenue projection of Ksh 2,571.2 billion in FY 2023/24, Ksh 2,177.9 billion has been allocated to National Government, Ksh 385.4 billion to County Governments as equitable revenue share to the two levels of Government and Ksh 7.9 billion to the Equalization Fund. The allocation to County Governments' equitable revenue share of Ksh 385.4 billion in FY 2023/24 is informed by the following prevailing circumstances:

a) The proposal to increase the equitable share to Ksh 385.4 billion in the FY 2023/24 is equivalent to 24.5 percent of the last audited accounts (Ksh. 1,573.42 billion for FY 2019/20) and as approved by Parliament. The proposed allocation therefore meets the requirement of Article 203(2) of the Constitution. This allocation of Ksh 385.4 billion represents 15.0 percent of the projected revenue in the FY 2023/24 and is higher than the initial proposal of Ksh 380.4 billion or 14.8 percent of projected revenue in the FY 2023/24 and complies with the minimum allocation as per the requirements of Article 203(2) of the Constitution. This therefore implies there could be a resource gap of Ksh 5.0 billion during the disbursement process.

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b) High level of debt financing, requirement in the contest of limited avenue to financing from domestic and international financial markets.

c) Increased Government expenditure need relating to drought intervention, fertilizer subsidy and the Hustlers Fund;

d) In the medium term, sharing of resources will be pegged on the financing constraints and not on the budget. Availability of resources is key and it should be remembered that National Treasury did not disburse Kshs 29.6 billion to County Governments in the FY 2021/22 due to financial constraints. This amount was however disbursed to the County Governments in FY 2022/23; and

e) The fact that the National Government continues to solely bear shortfalls in revenue in any given financial year while County Governments continue to receive their full allocation despite the budget cuts affecting the National Government entities.

17. Based on the proposal on the division of revenue, County Governments will therefore receive a total of Ksh 385.4 billion in FY 2023/24 as equitable share of revenue raised nationally **(Table 4.2)**.

Table 4.2: County Governments' Equitable Revenue Share (Ksh Million)

Budget Item	2019/20	2020/21	2021/22	2022/23	2023/24
Baseline *(i.e. allocation in the previous FY)*	**314,000**	**316,500**	**316,500**	**370,000**	**370,000**
1. Adjustments for revenue growth	2,500	-	36100	-	15,000
2. Revenue Share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics	-	-	17,400	-	-
Transfer of Library Services					425
Computed Equitable Revenue Share Allocation	**316,500**	**316,500**	**370,000**	**370,000**	**385,425**

Source of Data: National Treasury

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

- From the National Governments' equitable revenue share, conditional allocations amounting to Ksh 454 million for construction of county headquarters and Ksh. 5.9 billion for leasing of medical equipment and Ksh 4.7 billion for the aggregated Industrial Parks programme **(Table 4.3);**
- Equalization Fund to the marginalized areas amounting to Ksh 7.9 billion; and
- Ksh 33.2 billion from proceeds of external loans and grants.

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Table 4.3: Division of Revenue Raised Nationally for FYs 2020/21 – 2023/24 (Ksh Million)

Type/Level of allocation	2020/21	2021/22	2022/23	2023/24
National Government	1,533,700	1,398,799	1,764,516	2,177,867
Of Which				
Leasing of Medical Equipment	6,205	7,205	5,200	5,862
Supplement for construction of County Headquarters	300	332	163	454
Aggregated Industrial Parks Programme				4,700
Equalization Fund	6,500	6,825	7,068	7,867
County Equitable share	316,500	370,000	370,000	385,425
Total Shareable revenue	**1,856,700**	**1,775,587**	**2,141,585**	**2,571,159**

261. **Table 4.4** shows the disaggregation of total proposed transfers to the Counties.

Table 4.4: Disaggregation of County Governments' Allocation (Ksh Million)

Type/Level of Allocation	2019/20	2020/21	2021/22	2022/23	2023/24
County Equitable Share	316,500	316,500	370,000	370,000	385,425
Additional conditional allocations, of which					
Leasing of medical equipment	6,205	6,205	7,205	5,200	5,862
Supplement of construction of county headquaters	300	300	332	454	454
Aggregated Industrial Parks Programme					4,700
Allocations from loans and grants	39,090	30,204	32,334	31,382	33,192
Total County Allocations	**362,095**	**353,209**	**409,871**	**407,036**	**429,633**

4.5 Horizontal Allocation of Revenue among the County Governments FY 2023/24

262. Horizontal allocation of revenue among the County Governments for FY 2023/24 is based on the Third Basis, which was considered and approved by Parliament in September, 2020. The third basis takes into account the following parameters: Population (18 percent); Health Index (17 percent); Agriculture Index (10 percent); Urban Index (5 percent); Poverty Index (14 percent); Land Area Index (8 percent); Roads Index (8 percent); and Basic Share Index (20 percent). The County Governments equitable shares for FY 2023/24 are as shown in **Table 4.5**.

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Table 4.5: Revenue Allocation for Each County Government

S/No.	County	2022/2023					2023/2024						
		0.5 (Allocation Ratio)		(Equitable Share*0.5 Allocation Ratio)		Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio) *(Formula***	Total Equitable Share****		Transfers for Library Services	GRAND TOTAL
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share			
		column A	column B	column C	column D	column E = B+D	column F	column G	column H	column I	column J = G+I	column K	column K = J+K
1	Baringo	1.61	2,547,825,000	1.8	3,821,569,592	6,369,394,592	1.61	2,547,825,000.00	1.80	4,092,281,963	6,640,106,963	24,613,310	6,664,720,273
2	Bomet	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118	1.74	2,753,550,000.00	1.86	4,216,477,473	6,970,027,473	8,846,856	6,978,874,329
3	Bungoma	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192	2.81	4,446,825,000.00	2.93	6,652,699,880	11,099,524,880	6,865,428	11,106,390,308
4	Busia	1.9	3,006,750,000	1.97	4,165,412,009	7,172,162,009	1.9	3,006,750,000.00	1.97	4,460,483,148	7,467,233,148	-	7,467,233,148
5	Elgeyo Marakwet	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480	1.22	1,930,650,000.00	1.26	2,865,437,483	4,796,087,483	5,795,078	4,801,882,561
6	Embu	1.36	2,152,200,000	1.4	2,973,043,762	5,125,243,762	1.36	2,152,200,000.00	1.40	3,183,649,363	5,335,849,363	8,163,074	5,344,012,437
7	Garissa	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254	2.22	3,513,150,000.00	2.08	4,726,746,603	8,239,896,603	19,694,322	8,259,590,924
8	Homa bay	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300	2.13	3,370,725,000.00	2.09	4,748,768,563	8,119,493,563		8,119,493,563
9	Isiolo	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265	1.34	2,120,550,000.00	1.22	2,773,297,620	4,893,847,620	7,025,011	4,900,872,631
10	Kajiado	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229	2.03	3,212,475,000.00	2.24	5,078,229,510	8,290,704,510		8,290,704,510
11	Kakamega	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168	3.29	5,206,425,000.00	3.39	7,691,818,035	12,898,243,035	19,061,018	12,917,304,053
12	Kericho	1.7	2,690,250,000	1.77	3,740,414,924	6,430,664,924	1.7	2,690,250,000.00	1.77	4,005,380,025	6,695,630,025	16,797,733	6,712,427,758
13	Kiambu	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720	2.98	4,715,850,000.00	3.31	7,497,661,080	12,213,511,080	13,607,579	12,227,118,659
14	Kilifi	3.3	5,222,250,000	3.03	6,419,342,941	11,641,592,941	3.3	5,222,250,000.00	3.03	6,874,078,173	12,096,328,173	17,405,946	12,113,734,119
15	Kirinyaga	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952	1.34	2,120,550,000.00	1.45	3,293,500,668	5,414,050,668	-	5,414,050,668
16	Kisii	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509	2.46	3,892,950,000.00	2.36	5,355,610,518	9,248,560,518	8,557,807	9,257,118,325
17	Kisumu	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240	2.16	3,418,200,000.00	2.18	4,934,356,635	8,352,556,635	19,735,914	8,372,292,549
18	Kitui	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413	2.79	4,415,175,000.00	2.82	6,402,322,530	10,817,497,530	4,701,081	10,822,198,611
19	Kwale	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516	2.46	3,892,950,000.00	2.06	4,682,385,233	8,575,335,233	4,903,510	8,580,238,742
20	Laikipia	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679	1.32	2,088,900,000.00	1.44	3,263,236,345	5,352,136,345	15,758,878	5,367,895,223
21	Lamu	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643	0.82	1,297,650,000.00	0.85	1,936,075,398	3,233,725,398	20,155,949	3,253,881,346
22	Machakos	2.45	3,877,125,000	2.5	5,285,179,232	9,162,304,232	2.45	3,877,125,000.00	2.50	5,659,571,160	9,536,696,160	-	9,536,696,160
23	Makueni	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562	2.34	3,703,050,000.00	2.09	4,743,528,370	8,446,578,370	-	8,446,578,370
24	Mandera	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598	3.23	5,111,475,000.00	2.87	6,509,527,663	11,621,002,663	2,737,805	11,623,740,467
25	Marsabit	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032	2.14	3,386,550,000.00	1.84	4,166,046,005	7,552,596,005	5,373,662	7,557,969,667
26	Meru	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338	2.54	4,019,550,000.00	2.59	5,862,097,458	9,881,647,458	23,880,620	9,905,528,078
27	Migori	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448	2.14	3,386,550,000.00	2.18	4,945,635,180	8,332,185,180	3,624,996	8,335,810,176
28	Mombasa	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061	2.23	3,528,975,000.00	1.91	4,324,451,288	7,853,426,288	13,732,919	7,867,159,207
29	Murang'a	1.99	3,149,175,000	1.9	4,030,980,855	7,180,155,855	1.99	3,149,175,000.00	1.90	4,316,528,643	7,465,703,643	13,019,070	7,478,722,713
30	Nairobi	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414	5.03	7,959,975,000.00	5.33	12,089,446,083	20,049,421,083	8,859,455	20,058,280,538
31	Nakuru	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323	3.31	5,238,075,000.00	3.68	8,339,733,485	13,577,808,485	14,033,063	13,591,841,548
32	Nandi	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041	1.69	2,674,425,000.00	2.04	4,622,212,585	7,296,637,585	5,047,663	7,301,685,248
33	Narok	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456	2.54	4,019,550,000.00	2.28	5,167,052,020	9,186,602,020	13,956,754	9,200,558,774
34	Nyamira	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036	1.52	2,405,400,000.00	1.29	2,923,324,490	5,328,724,490	-	5,328,724,490
35	Nyandarua	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228	1.54	2,437,050,000.00	1.53	3,462,443,023	5,899,493,023	5,730,418	5,905,223,440
36	Nyeri	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555	1.71	2,706,075,000.00	1.66	3,772,192,593	6,478,267,593	24,582,673	6,502,850,265
37	Samburu	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037	1.46	2,310,450,000.00	1.45	3,277,725,670	5,588,175,670	-	5,588,175,670
38	Siaya	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531	1.83	2,895,975,000.00	1.92	4,358,881,008	7,254,856,008	15,637,939	7,270,493,947
39	Taita taveta	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698	1.34	2,120,550,000.00	1.29	2,914,420,018	5,034,970,018	12,335,620	5,047,305,638
40	Tana River	1.85	2,927,625,000	1.7	3,600,783,765	6,528,408,765	1.85	2,927,625,000.00	1.70	3,855,856,540	6,783,481,540	-	6,783,481,540
41	Tharaka Nithi	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593	1.24	1,962,300,000.00	1.06	2,411,418,225	4,373,718,225	-	4,373,718,225
42	Trans Nzoia	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670	1.82	2,880,150,000.00	2.03	4,611,038,345	7,491,188,345	-	7,491,188,345
43	Turkana	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994	3.33	5,269,725,000.00	3.47	7,859,504,195	13,129,229,195	-	13,129,229,195
44	Uasin Gishu	2	3,165,000,000	2.32	4,903,858,318	8,068,858,318	2	3,165,000,000.00	2.32	5,251,239,760	8,416,239,760	20,521,280	8,436,761,040
45	Vihiga	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827	1.47	2,326,275,000.00	1.29	2,935,256,075	5,261,531,075	-	5,261,531,075
46	Wajir	2.7	4,272,750,000	2.46	5,201,976,151	9,474,726,151	2.7	4,272,750,000.00	2.46	5,570,474,283	9,843,224,283	19,853,614	9,863,077,897
47	West Pokot	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329	1.58	2,500,350,000.00	1.79	4,065,901,868	6,566,251,868	-	6,566,251,868
	Total	**100**	**158,250,000,000**	**100**	**211,750,000,000**	**370,000,000,000**	**100**	**158,250,000,000**	**100.00**	**226,750,000,000.00**	**385,000,000,000.00**	**424,616,047**	**385,424,616,047**

Source of Data: National Treasury

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4.6 Intergovernmental Fiscal Transfers

263. 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 on "Guidelines for the Management of Intergovernmental Fiscal Transfers in Kenya". National Government ministries are responsible for development of grant frameworks and conditions to be met by counties. The Accounting Officers in the respective ministries are responsible for the review and approval of financial and non-financial reports prior to submission to the National Treasury.

4.6.1 Additional Allocations

264. In FY 2023/24, the National Treasury proposes to allocate Ksh 11.1 billion as additional allocations (Conditional and Unconditional) from the National Government share of revenue and Ksh 33.2 billion as additional allocations from proceeds of loans and grants to County Governments. In order to operationalize the national government's programme on aggregated industrial parks, each county government has been allocated Ksh 100 million as a conditional grant in FY 2023/24. This new conditional grant from the National Government's share of revenue translates to Ksh. 4.7 billion to all the 47 County Governments. The additional conditional allocations are meant to support specific national policy objectives to be implemented by County Governments. **(Table 4.6).**

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Table 4.6: Additional Allocations to County Governments for FY 2023/24

Additional Unconditional Allocations from the National Government Share of revenue	
Additional Allocation	**Amount in Ksh**
Court Fines from County Legislations	108,660,979
Total	**108,660,979**
Additional Conditional Allocations from the National Government Share of revenue	
Construction of County Headquarters	454,000,000
Leasing of Medical Equipment	5,862.000,000
Aggregated Industrial Parks Programme	4,700,000,000
Total	**11,016,000,000**
Additional Conditional Allocations Financed from proceeds of loans and grants from Development Partners for Financial Year 2023/24	
Additional Allocation	**Amount in Ksh**
IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	3,150,000,000
IDA (World Bank) credit National Agricultural Value Chain Development Project (NAVCDP)	8,250,000,000
IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)	2,160,000,000
IDA (World Bank) credit: Water & Sanitation Development Project	5,350,000,000
DANIDA Grant - Primary Health Care in Devolved Context	577,500,000
IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program -County Climate Institutional Support (CCIS) Grants	517,000,000
IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant	6,187,500,000
Sweden- Agricultural Sector Development Support Programme (ASDSP) II	72,797,253
German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (DRPNK)	765,000,000
World Bank - Emergency Locust Response Project (ELRP)	2,302,630,288
World bank - Kenya Informal Settlement Improvement Project (KISIP II)	3,269,530,746
Kenya Livestock Commercialization Project (KELCLOP)	344,300,000
Aquaculture Business Development Project (ABDP)	245,879,120
TOTAL	**33,192,137,407**

Source: The National Treasury

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4.6.2 Equalisation Fund

265. The Equalisation Fund is established under Article 204 of the Constitution with an allocation of one-half percent of all revenue collected by the National Government each year on the basis of most recently audited accounts of revenue received as approved by the National Assembly. The Fund was initially operationalized using guidelines on administration of Equalisation Fund published in gazette notice No. 1711 of 13th March 2015. However, the High Court ruling on petition No. 272/2016 on 5th November, 2019 quashed the guidelines. This in effect disbanded the Equalisation Fund Advisory Board (EFAB) and stopped any further expenditures from the Equalisation Fund.

266. In line with the High Court ruling, the National Treasury through a multi-agency committee developed the PFM (Equalisation Fund Administration) Regulations 2021 which were approved by Parliament in October 2021. The Regulations provide for: (i) guidance on the administration and management of the Equalisation Fund; (ii) the completion of ongoing projects under the first policy; and (iii) implementation of new projects under the second policy and subsequent policies.

267. The Equalisation Fund Advisory Board has now been fully constituted in accordance with Regulations 4 and 5 of the PFM (Equalisation Fund Administration) Regulations 2021. The Board is currently working to implement the Regulations and ensure completion of projects as identified by the first policy and the implementation of programmes in the second and subsequent policies.

4.7 Emerging Issues and Policy Interventions

4.7.1 Transfer of Functions and Cooperation between National and County Governments

268. Articles 187 and 189 of the Constitution provides for the transfer of functions and powers between levels of Government as well as cooperation between the National and County Governments. To operationalize these provisions, Parliament enacted the Intergovernmental Relations Act (IGRA), 2012 to establish a framework for consultation and cooperation between the National and County Governments and amongst County Governments. The IGRA also provides for the mechanisms for the resolution of intergovernmental disputes pursuant to Articles 6 and 189 of the Constitution, and for connected purposes.

269. In order to bring clarity on transfer of functions and cooperation between and amongst either level of Government, the National Treasury in collaboration with other stakeholders is in the process of developing a legislation for operationalization of Articles 187 and 189. The draft amendment bill to the PFM Act, 2012 is currently being processed for submission to the public for comments.

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In addition to the amendment bill, the National Treasury in collaboration with other stakeholders will develop the relevant policy to anchor the legislation.

270. The enactment of this law by Parliament will facilitate the financing of transferred functions and cooperation between the two levels of Governments. It will also provide for cooperation among counties that intend to implement inter-county projects.

4.7.2 Integrated County Governments Revenue Management System

271. The County Governments continue to use unintegrated revenue management systems with high administrative costs and revenue leakages. There is need therefore to fast track the development and implementation of the integrated County Governments revenue management system to ensure that the County Governments use a uniform system that seals revenue leakages and provides value for money invested in it.

4.7.3 Sharing of Mineral Royalty Revenue with County Governments and Communities

272. The Mining Act 2016 provides for the sharing of revenues arising from mineral royalties amongst the National Government, beneficiary counties and communities. Whereas a framework for sharing of the mineral royalty revenue among the National Government, County Governments and communities was developed, the Attorney General's office advised that there was need to develop the regulations to the Act to provide the mechanism for the transfer of these mineral royalties to the communities.

273. In this regard, the Cabinet Secretary, Ministry of Mining, Blue Economy and Maritime Affairs has already constituted a taskforce to develop the regulations that will unlock the disbursement of revenue from mineral royalties to the communities as envisaged by the Mining Act 2016. In addition, the National Treasury is proposing for the allocation and disbursement of mineral royalties due to the County Governments to be provided through the County Governments Additional Allocations Act as an unconditional grant.

4.7.4 Transfer of the Library Services Function

274. Even though library is a devolved function, the attendant pay roll of approximately Ksh. 425 million has not yet been transferred to the County Governments. Library Services being a devolved function under the Fourth Schedule of the Constitution, the attendant resources should be disbursed to County Governments as equitable share. For the first three FYs, this amount will be included in the equitable share allocation for the 33 County Governments starting from FY 2023/24 in a phased approach: - 100% for FY 2023/24, 75% for FY 2024/25 (balance of 25% to be shared as equitable share) and 25% for FY 2025/26 (balance of 75% to be shared as equitable share). However, after the three FYs, the 33 County Governments will be required to integrate the salaries of these staff into their pay roll, after which the entire Ksh 425 million will be available for

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sharing as equitable share among the 47 County Governments. This is in line with the constitutional principle of transferring resources to devolved functions.

4.7.5 Revenue from Court Fines emanating from County Legislation

275. During its 17th Ordinary Session held on 31st May, 2022, Intergovernmental Budget and Economic Council (IBEC) considered and adopted a report and a framework for sharing the funds arising from the contravention of county Government legislation. The report showed that funds raised from contravention of County Legislation are retained by the Judiciary and transferred to the National Treasury. The County Governments had proposed the sharing of fines and penalties collected by the courts as Own Source Revenue (OSR) for the County Governments. It was noted however, that the current legal regime requires that all revenue collected by the Judiciary be sent to the Consolidated Fund. The Council had therefore proposed that such monies arising from County legislation be transferred back to counties.

276. It is against this backdrop that the IBEC Legal Committee was tasked with the responsibility of developing a framework to enable transfer of funds emanating from court fines relating to county legislation from the exchequer to the County Revenue Funds. Following the adoption of the framework, the National Treasury wrote to the Attorney General requesting for gazettement of the approved framework for collection and transfer of court fines imposed under county legislation from the National Government to the County Governments.

277. The Attorney General on his part advised that what the framework envisages to be achieved can only be done by way of appropriation or by enactment of an Act of Parliament specifically excluding the fines and penalties raised from contravention of county legislation from Consolidated Fund and Payable to the County Revenue Fund. In this regard, the National Treasury is proposing to exclude the court fines emanating from contravention of County Government legislation from the Consolidated Fund using the County Governments Additional Allocations Act. If this proposal is adopted by Parliament, Ksh. 108.7 million emanating from contravention of County Government legislation will be transferred to the ten County Governments whose laws were contravened in the FY 2023/24. This amount consists of court fines raised in the FY 2019/20, 2020/21 and 2021/22.

4.7.6 County Governments Public Finance Management

278. The National Treasury in the financial year 2022/2023 through a Multi-Agency Taskforce identified challenges faced by County Governments in the management of public finance. These challenges include weak linkage between planning and budget formulation, high outstanding pending bills, low development budget absorption, under-performance in own-source revenue, failure to use the prescribed financial systems (such as IFMIS, IPPD among others), non-adherence to fiscal responsibility principles, pilferage of public resources, inadequate understanding of the Office of the Controller of Budget's role in approval of county requisitions, high wage bill, weaknesses in human resource management, weak oversight by County Assembly and a weakened internal audit function among others.

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279. The Task Force proposed measures to address these challenges including: development of a national legislation on planning to guide planning at both levels of Governments; integration of national and county planning; development of a national resource mobilization strategy; operationalization of all IFMIS modules including pending bills, accounts receivables; monitoring and evaluation; development of a standardized framework for assets valuation in counties; fast-tracking the processing of Auditor General's reports in the County Assemblies and the Senate to strengthen oversight in the management of public finance functions in counties; customization of human resource policies by the Ministry of Public Service in consultation with the Public Service Commission , IGRTC and County Governments; amendment of various Sections of PFMA, 2012 and continuous capacity building of County Governments officials on all PFM related areas.

280. Going forward, the National Treasury together with the relevant institutions will implement the Taskforce's recommendations on County Governments public finance management with a view to resolving some of these challenges in order to improve public finance management in County Governments to foster and promote success in the devolved system of governance in the country.

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ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM (National Government) Regulations, 2015 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 **(Table 1):**

Table 1: Performance of Fiscal Responsibility Indicators

	FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26		FY 2026/27	
	Prel. Actual	Revised Budget	Prel. Actual	Budget	Supp I Budget	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23
	Ksh. Billions												
1.0 Total Expenditure & Net Lending	2,769	3,286	3,028	3,359	3,394	3,641	3,663	3,970	3,992	4,434	4,458	5,096	5,090
1.1 Total Ministerial National Govt Expenses	1,812	2,153	1,961	2,156	2,163	2,294	2,309	2,532	2,551	2,874	2,895	3,301	3,299
Total Recurrent	1,828	2,227	2,135	2,273	2,365	2,440	2,476	2,668	2,690	2,936	2,937	3,390	3,385
CFS (Interest & Pensions)	611	763	727	869	868	967	991	1,058	1,080	1,155	1,157	1,281	1,276
Ministerial Recurrent	1,217	1,464	1,409	1,404	1,497	1,473	1,485	1,610	1,610	1,781	1,781	2,110	2,109
o/w Wages & Salaries	493	525	520	537	540	600	600	645	645	703	703	915	915
Wages as % National Government Revenues/1	***33.8%***	***28.8%***	***28.0%***	***25.7%***	***25.3%***	***23.8%***	***23.9%***	***22.6%***	***22.6%***	***21.5%***	***21.5%***	***24.9%***	***24.9%***
Development	595	689	552	752	667	821	824	922	942	1,093	1,115	1,192	1,190
Development as % Ministerial NG expenditures	***32.8%***	***32.0%***	***28.2%***	***34.9%***	***30.8%***	***35.8%***	***35.7%***	***36.4%***	***36.9%***	***38.0%***	***38.5%***	***36.1%***	***36.1%***
1.2 County Allocation	399	401	352	407	436	417	430	417	418	442	443	552	552
Equitable share	346	370	340	370	400	380	385	380	381	405	406	515	515
Conditional Grants	53	31	12	37	37	37	44	37	37	37	37	37	37
2.0 Total Revenues	1,804	2,192	2,200	2,462	2,529	2,898	2,895	3,231	3,231	3,670	3,670	4,195	4,195
3.0 Total National Government Revenues (Incl. A-I-A)	1,457	1,822	1,859	2,092	2,129	2,518	2,509	2,851	2,850	3,265	3,264	3,681	3,680
4.0 National Government Domestic Borrowing (net)	627	688	605	582	438	497	522	590	612	585	609	663	656

Source: The National Treasury

a) A minimum of 30 percent of the national Government's budget allocated to the development expenditure over the medium term.

Consistent with the requirements of the law, the National Government's allocation to development expenditures has been above the 30 percent of its Ministerial expenditures. In the FY 2021/22, development expenditures as a total expenditure was 32.0 percent meeting the set threshold. In the fiscal outlays presented in this BPS, the National Government continues to observe this requirement. The allocation to development expenditures is projected to increase to 35.7 percent in the FY 2023/24 and remain above the recommended threshold over the medium term as shown in **Figure 1** and **Table 1**.

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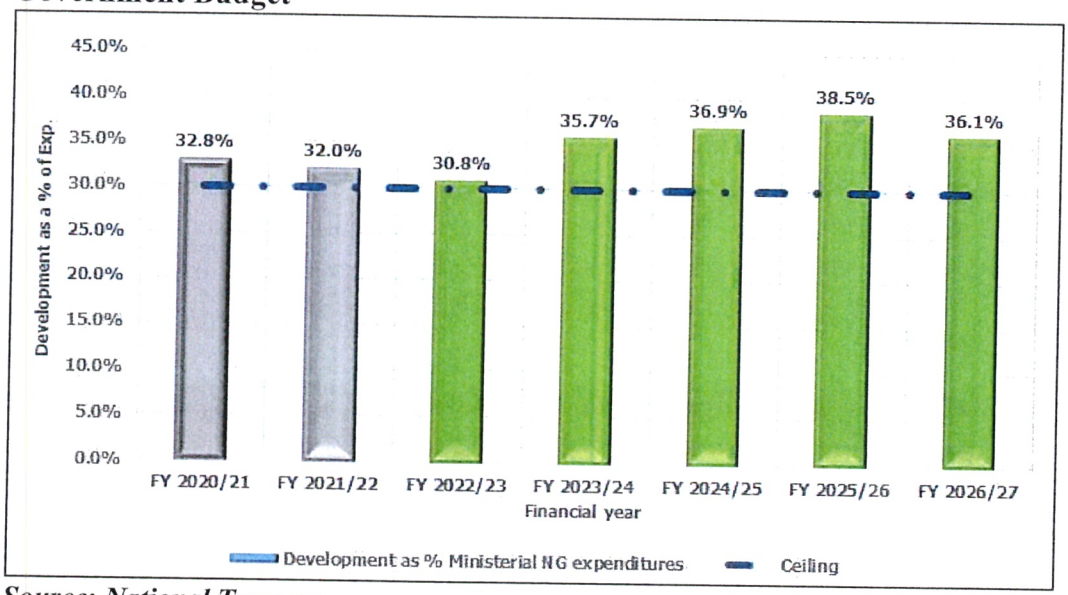
Figure 1: Development Expenditures as a Percent of Total National Government Budget

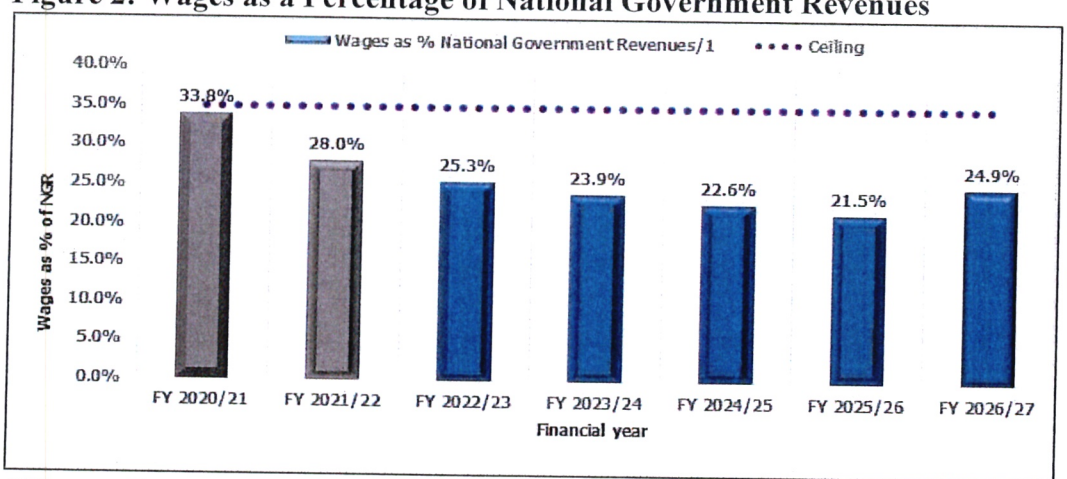


Source: National Treasury

b) The National Government's expenditure on wages and benefits for its employees not to exceed 35 percent of the national Government equitable share of the revenue.

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 28.0 percent in the FY 2021/22, and is projected at 25.3 percent in the FY 2022/23, and to further decline to 24.9 percent by FY 2026/27 **(Figure 2)**.

Figure 2: Wages as a Percentage of National Government Revenues



1Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme

Source: National Treasury

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c) Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

The Government is committed and continues to adhere to the principle as per the PFM Act section 15(2) (c) which requires that national Government`s borrowed resources be used only for purposes of financing development and not for recurrent expenditure. In the FY 2021/22, a total of Ksh 540.1 billion was spent on development expenditure. This amount is projected to increase to Ksh 605.1 billion in FY 2022/23, Ksh 769.3 billion in FY 2023/24 and Ksh 1,147.7 billion over the medium term.

d) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for National Government

The National Treasury raises resources through borrowing to finance development projects as approved by parliament in the National budget as per the PFM Act Section 15(2) (c) principle of ensuring that the national Government`s borrowings is used only for purposes of financing development expenditure and not for recurrent expenditure.

The PFM Act requires that the National Treasury maintains public debt and obligations at sustainable levels at all times. Kenya's debt remains sustainable but categorized as facing high risk of debt distress (IMF Country Report No. 22/383). As shown in **Table 2**, the Present Value (PV) of external debt-to-export and Public and Publicly Guaranteed (PPG) of debt-service-to-exports indicators remain above the thresholds over the medium-term projection period. However, compared to the last DSA assessment, the PV of external debt to exports has improved due to faster recovery of the tourism sector and the boost to exports as a result of higher export prices in 2022.

Table 2: External Debt Sustainability Analysis

Indicators	Thresholds	2021	2022	2023*	2024*	2025*	2026*
PV of debt–to-GDP ratio	40	27.4	26.6	26.8	26.1	25.6	25.1
PV of debt-to-exports ratio	180	256.1	221.5	208.6	195.9	186.5	179.8
PPG Debt service-to-exports ratio	15	23.5	22.6	20.5	29.6	21.2	19.2
PPG Debt service-to-revenue ratio	18	15.3	15.7	15.2	22.3	16.5	15.2

** Projection*
Source: IMF Country Report No. 22/383, December 2022

The PV of total public debt to GDP ratio remains above the 55 percent benchmark until 2025 as shown in **Table 3**.

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Table 3: Kenya's Public Debt Sustainability

Indicators	Benchmark	2021	2022	2023	2024	2025	2026
PV of debt–to-GDP ratio	55	61.6	61.7	60.0	57.8	55.9	54.0

Source: IMF Country Report No. 22/383, December 2022

As the economy recover from global shocks and fiscal consolidation continues, Kenya's debt indicators are expected to improve. However, Kenya debt sustainability is vulnerable to exogenous shocks e.g., export and exchange rate.

e) Fiscal risks shall be managed prudently

Kenya's risk remains high due to volatile international commodity prices, tighter external financing conditions, elevated inflation and continued drought. The Government continues to respond to these adverse impacts through fiscal measures such as fertilizer subsidy and provision of certified seeds to farmers to enhance agricultural productivity. In addition, the Government will continue with the fiscal consolidation programme which is expected to reduce debt vulnerabilities and ensure a stronger debt sustainability position going forward. 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. Further, the recently established Fiscal Risk Committee will play a key role in identification, quantification and management of fiscal risks going forward.

f) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the National Tax Policy that is being finalised will guide tax reforms and ensure certainty in taxation. Further, the Government continues to carry out tax reforms through modernizing and simplifying tax laws in order to lock in predictability and enhance compliance within the tax system. Further, the Government is in the process of developing a Medium-Term Revenue Strategy (MTRS) that will outline revenue-raising tax policy and administrative reforms to be undertaken over the medium-term.

The Government will continue to maintain stable tax rates and build confidence in the Kenyan tax system, enhance compliance and improve predictability while improving tax administration. The Government will also use tax policy initiatives to address areas where the tax base has been eroded, to strengthen revenue mobilization.

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ANNEX 2: STATEMENT OF SPECIFIC FISCAL RISKS

Introduction

1. The Kenyan economic growth recovered from the effects of COVID-19 pandemic to record a growth of 7.5 percent in 2021 from a contraction of 0.3 percent in 2020. Growth momentum was disrupted in 2022 by multiple shocks including a severe drought that affected most parts of the Country and the Russia-Ukraine conflict that has seen disruption in global trade with increased fuel, fertiliser, and food prices. The economy is projected to rebound and grow by 6.1 percent in 2023 from the estimated growth of 5.5 percent in 2022. There are however, downside risks to the macroeconomic outlook envisaged in this 2023 BPS emanating from domestic as well as external shocks.

2. For prudent management of risks, the PFM Act, 2012 requires the preparation of a "Statement of Fiscal Risks. Thus, 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 BPS. 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 actualize 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. The Kenyan economy is estimated to have grown by 5.5 percent in 2022 and is projected to grow by 6.1 percent in 2023 and maintain that momentum over the medium-term. Inflation rate is expected to gradually ease towards the Government target range while the external sector is expected to remain stable despite the tight global financial conditions. The macroeconomic projections in this BPS may be altered by the uncertainties in the economy as a result of the projected global economic slowdown and volatile financial markets. The unexpected changes in these outcomes may pose risks to both revenue and expenditure as projected. **Table 1** summarizes the likely impact of changes in the 2023 BPS outcomes on the fiscal projections.

Table 1: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2023/24 – 2026/27 (Ksh billion)

	Revenue				Expenditures				Budget Balance			
	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27
Reduction in real GDP (%) by 1.0 % point	-11.2	-12.5	-13.8	-15.4	-6.1	-6.8	-7.6	-7.6	-5.1	-5.7	-6.2	-6.9
Increase in inflation rate (%) by 1.0 % Point	11.2	12.5	13.8	15.4	6.4	7.1	8.0	8.0	4.8	5.4	5.9	6.6
Depreciation in exchange rate (Ksh/US$) by 10%	20.3	22.6	24.3	27.2	2.8	3.0	3.3	3.3	17.5	19.6	20.9	23.5
Increase in value of imported goods (US$) by 10%	12.1	-1.3	-1.4	-1.6	0.0	0.0	0.0	0.0	12.1	-1.3	-1.4	-1.6
All shocks Combined	33.6	21.1	22.7	25.4	3.1	3.4	3.7	3.7	30.5	17.7	19.0	21.4

Source of Data: National Treasury

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4. Stress test **(Table 1)** shows that if the projected real GDP growth in 2023 was to reduce by one percent (from 6.1 percent to 5.1 percent), revenues would decline by 11.2 billion more than the decline in expenditure by Ksh 6.1 billion resulting to an increase in fiscal deficit of 5.1 billion in FY 2023/24. Going forward, this shock would result to a decline in revenues and expenditures of Ksh 12.5 billion and Ksh 6.8 billion in FY 2024/25, Ksh 13.8 billion and Ksh 7.6 billion in FY 2025/26 and Ksh 15.4 billion and Ksh 7.6 billion in FY 2026/27, respectively. The fiscal deficit would worsen as we move from FY 2023/24 towards FY 2026/27.

5. A shock of a one percent increase in the projected inflation rate for 2023, from 6.5 percent to 7.5 percent, would result in an increase in revenues and expenditures by Ksh 11.2 billion and Ksh 6.4 billion respectively in FY 2023/24, reducing the projected fiscal deficit by Ksh 4.8 billion. Revenues and expenditures would also increase by Ksh 12.5 billion and Ksh 7.1 billion in FY 2024/25, Ksh 13.8 billion and Ksh 8.0 billion in FY 2025/26 and Ksh 15.4 billion and Ksh 8.0 billion in FY 2026/27, respectively. This would further decline the fiscal deficit by Ksh 6.6 billion in FY 2026/27.

6. A 10 percent depreciation of the Kenya shilling to the dollar would increase revenues and expenditures by Ksh 20.3 billion and Ksh 2.8 billion respectively in FY 2023/24 thereby reducing the projected fiscal deficit by Ksh 17.5 billion. Subsequently in FY 2024/25, FY 2025/26 and FY 2026/27 revenues would increase by Ksh 22.6 billion, Ksh 24.3 billion and Ksh 27.2 billion respectively while expenditures would increase by Ksh 3.0 billion, Ksh 3.3 billion and Ksh 3.3 billion respectively. Fiscal deficit would reduce by Ksh 19.6 billion, Ksh 20.9 billion and Ksh 23.5 billion over the same period.

7. A shock of 10 percent increase in the value of imported goods would increase revenues by Ksh 12.1 billion in FY 2023/24, and then decline by Ksh 1.3 billion, Ksh 1.4 billion and Ksh 1.6 billion in FY 2024/25, FY 2025/26, and FY 2026/27 respectively. The shock would not significantly affect expenditures in the outer years.

8. Overall, if all the four shocks were to hit the economy concurrently, revenues would increase by Ksh 33.6 billion, Ksh 21.1 billion, Ksh 22.7 billion and Ksh 25.4 billion in FY 2023/24, FY 2024/25, FY 2025/26, and FY 2026/27 respectively. On the other hand, expenditure would increase by Ksh 3.1 billion, Ksh 3.4 billion, Ksh 3.7 billion and Ksh 3.7 billion over the same period. The combined shocks reduce the fiscal deficit more in the FY 2023/24. On net basis, the fiscal deficit would decline by Ksh 30.5 billion in FY 2023/24 and Ksh 21.4 billion by FY 2026/27.

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 below target with minimal deviations as shown in **Figure 1**.

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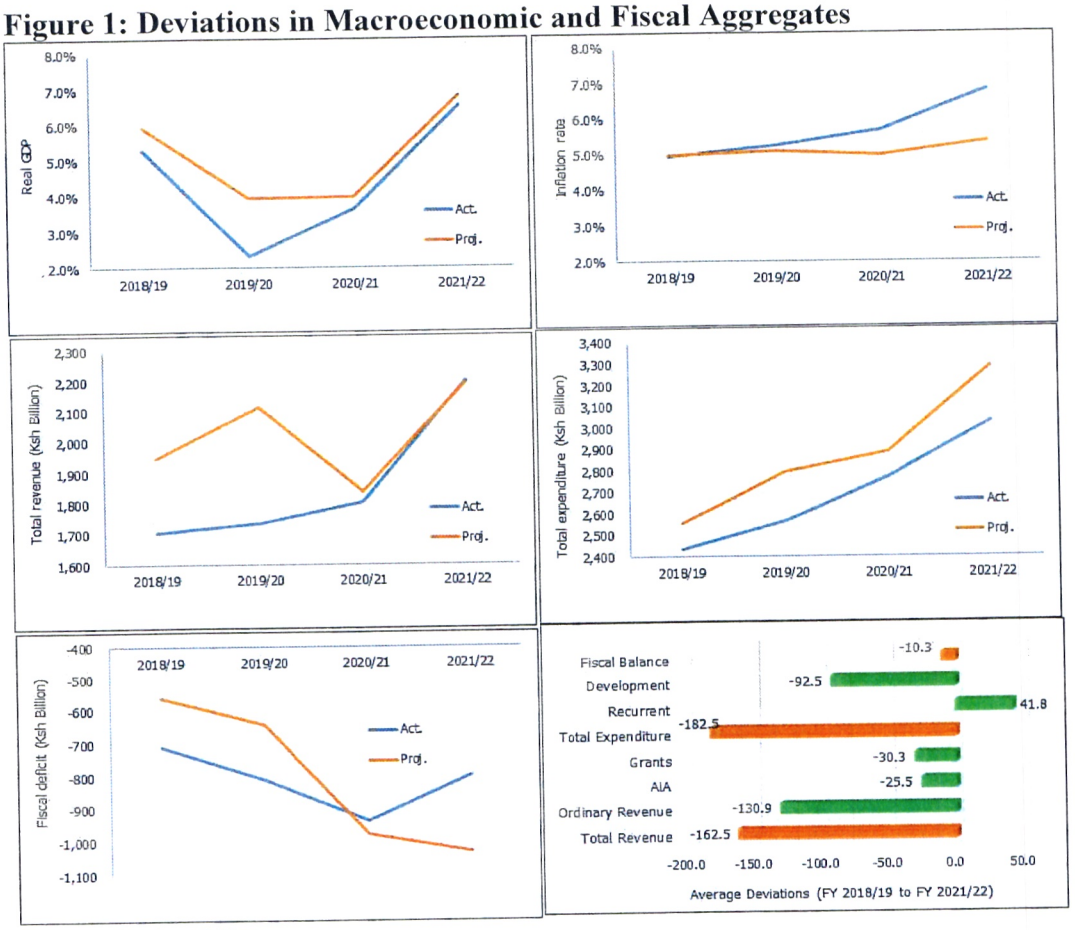
Figure 1: Deviations in Macroeconomic and Fiscal Aggregates



Source: National Treasury

10. Over the period 2018/19-2021/22, the average deviation between the assumed and provisional actual real GDP growth rates was -0.7 percentage point with a standard deviation of 0.9 percentage point. With respect to inflation assumptions, the standard deviation was at 0.8 percentage point over the four years, with the largest deviation being recorded in FY 2021/22 at 1.4 percent mainly due to the unanticipated inflationary pressures resulting from the adverse effects of the Russia-Ukraine conflict **(Table 2)**. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies weakened to Ksh 114.1 in FY 2021/22 compared to Ksh 107.6 in FY 2020/21.

11. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2018/19 and FY 2020/21 fell short of its target mainly on account of underperformance in ordinary revenue. However, revenues were above target by Ksh 7.9 billion in FY 2021/22 with the ordinary revenues recording an over performance of Ksh 66.4 billion. The average deviation of total expenditure and net lending between FY 2018/19 and FY 2021/22 was an underspending of Ksh 182.5 billion. This shortfall was mainly due to lower absorption in development expenditures by Ksh 92.5 billion.

12. 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

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froze initiation of new capital projects until the completion of the ongoing ones. The Public Investment Management Unit will ensure that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget.

Table 2: Deviations in Macroeconomic and Fiscal Aggregates

	2018/19			2019/20			2020/21			2021/22*			2022/2023	Average	Standard
	Proj.	Act.	Dev.	Proj.	Act	Dev.	Proj.	Act	Dev.	Proj.	Prel Actual	Dev.	Proj	Deviations	Deviations
I. Key Macroeconomic Assumptions															
Real GDP	5.9%	5.3%	-0.6%	4.0%	2.3%	-1.6%	4.0%	3.6%	-0.4%	6.8%	6.5%	-0.3%	5.8%	-0.7%	0.9%
Inflation Rate (avg)	5.0%	4.9%	-0.1%	5.1%	5.2%	0.1%	5.0%	5.7%	0.7%	5.4%	6.8%	1.4%	7.0%	0.6%	0.8%
Exchange rate (Ksh/US$), avg		102.4			104.2			107.6			114.1				
Export growth		0.6%			-0.3%			8.5%			13.3%				
Import growth		2.7%			-5.6%			6.3%			4.6%				
II. Fiscal Aggregates (in Ksh billion)															
Total Revenue	1,949	1,704	- 245	2,116	1,737	- 379	1,838	1,804	- 34	2,192	2,200	8	2,529	- 163	226
Ordinary Revenue	1,769	1,500	- 269	1,877	1,573	- 304	1,579	1,562	- 17	1,852	1,918	66	2,192	- 131	206
AiA	155	205	49	239	164	- 75	259	242	- 18	340	282	- 59	337	- 25	54
Grants	48	20	- 29	39	20	- 19	73	31	- 41	63	31	- 32	28	- 30	31
Total Expenditure	2,557	2,434	- 124	2,796	2,565	- 231	2,887	2,769	- 118	3,286	3,028	- 258	3,394	- 182	193
Recurrent	1,550	1,759	209	1,760	1,762	2	1,765	1,813	48	2,227	2,135	- 92	2,350	42	117
Development	626	542	- 84	652	595	- 57	668	557	- 111	658	540	- 117	605	- 92	96
Domestic	365	307	- 58	390	397	6	418	390	- 28	411	378	- 33	384	- 28	36
External	250	225	- 24	256	198	- 58	250	167	- 83	239	162	- 78	192	- 61	65
Net Lending	2	2	0	1	1	0	-	-	-	-	-	-	15	0	0
Equalization Fund	9	7	- 2	6	-	- 6	-	-	-	7	-	- 7	14	- 4	5
County Allocation	376	361	- 16	378	325	- 53	400	399	- 1	401	352	- 49	437	- 30	37
Balance	- 560	- 710	- 150	- 641	- 809	- 167	- 976	- 934	42	- 1,031	- 797	234	- 834	- 10	164
Financing	560	721	161	641	791	149	976	950	- 26	1,031	748	- 283	834	0	180
Net Foreign Financing	287	415	128	331	340	9	418	323	- 94	343	143	- 201	395	- 40	128
Net Domestic Financing	269	307	38	310	450	140	559	627	68	688	605	- 83	439	41	90
Memo Items:															
Nominal GDP (Ksh billion)	9,727	9,746	19	10,766	10,621	- 145	11,276	11,370	95	12,844	12,736	- 108	14,522	- 35	102

Source: National Treasury

13. The Kenyan economy recovered from the effects of COVID-19 Pandemic to register a growth of 6.5 percent in the FY 2021/22 from a growth of 3.6 percent in FY 2020/21. The economy is projected to slow down to 5.8 percent in FY 2022/23 with a 95 percent confidence level ranging between 8.1 percent and 3.6 percent at 0.9 percent standard deviation. The slowdown in growth is due to the multiple shocks that affected the economy in the second half of 2022. The economy is projected to improve and grow by 6.1 percent in FY 2023/24 and at a growth range of around 8.4 percent and 3.9 percent using the same standard deviation at 95 percent confidence interval **(Figure 2).**

14. There is a 95 percent chance that the forecasted total revenue of Ksh 2,512.7 billion in FY 2022/23 will be within the actual revenue range of Ksh 2,990.6 billion and Ksh 2,034.7 billion and a 50 percent possibility between Ksh 2,678.5 billion and Ksh 2,346.9 billion with a standard deviation of Ksh 226.3 billion. The Projected revenue of 2,897.7 billion for FY 2023/24 will fall at an actual range of Ksh 3,375.6 billion and Ksh 2,419.8 billion at 95 percent confidence interval.

15. The forecasted expenditure of Ksh 3,390.0 billion in FY 2022/23 has a 95 percent chance to range between Ksh 3,708.1 billion and Ksh 3,071.8 billion with a 193.0 billion standard deviations. The expenditure is projected to increase further in FY 2023/24 to Ksh 3,641.0 billion and to range between Ksh 3,959.2 and Ksh 3,322.8 billion at 95 percent confidence interval. The fiscal deficit at a standard deviation of 163.6 billion, will therefore fall between Ksh 931.8 billion and Ksh 458.6 billion in FY 2023/24 at a 95 percent confidence interval.

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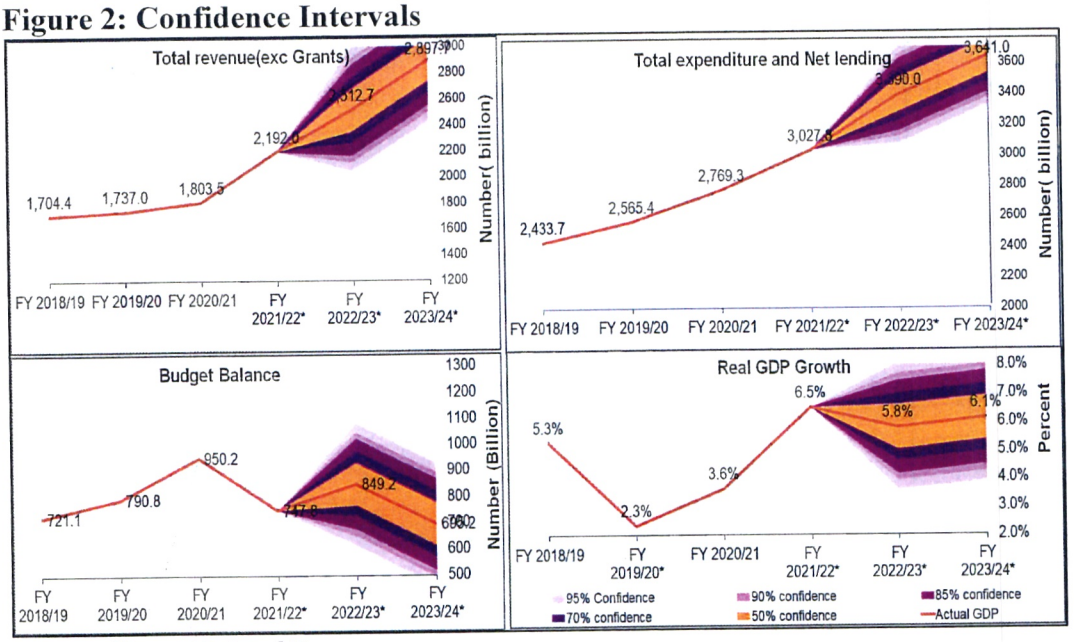
Figure 2: Confidence Intervals



Source of Data: National Treasury

SPECIFIC FISCAL RISKS

16. This section covers specific fiscal risk that Kenya faces and elevates the importance of effective risk management. The specific fiscal risks include:

a) Fiscal Risks Associated with Public Debt;
b) Crystallization of Contingent Liabilities;
c) Fiscal Risks Related to Devolution; and
d) Other fiscal risks.

a) Fiscal Risk Associated with Public Debt

17. Performance of the economy has a direct correlation with the debt sustainability. Poor performance of the economy deteriorates the debt indicators thus unsustainability while the reverse is true. However, the Government strategy to revive the economy and its commitment to fiscal consolidation will lead to improvement of the debt ratios.

18. Market pressures due to war in Ukraine and the monetary tightening in the USA and Europe have limited access to international market. The inflation rates have led to high interest rates and this has hindered the Government in performing liability management operation on its debt portfolio. However, the Government will continue to monitor the financial conditions before performing any liability management operations whose aim is to lengthen the maturity structure and reduce the refinancing risks in the debt portfolio. Limited access coupled with illiquid international market may hinder the Government's plan to refinance the 2024 sovereign bond maturities. Governments to strategize for alternatives to avoid defaults. The on-going implementation of reforms in the domestic debt market are aimed at improving efficiency and deepen the market to cushion the Government against the downsides of the risks stemming from external factors.

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19. The risk of continuous increase in the cost of debt service as a result of Kenya Shilling depreciating against major currencies as 50 percent of the debt portfolio is from external sources. The rising interest rates both in the domestic and external market has an implication on the Governments` overall debt service. A large proportion of revenue will be used to service debt while denying Kenyans other priority expenditures. Uncertainty in the movement of interest rates have led to contraction of new debt on short term maturities thus increasing the refinancing risk.

20. Government's exposure to fiscal risks and contingent liabilities arising from State Owned Enterprises are recorded off balance sheet. Materialization of these liabilities may pose severe fiscal difficulties in the budget year. The Government will continue monitoring the liabilities and will be able to mitigate the risk before they materialize.

b) Crystallization of Contingent Liabilities

21. Contingent liabilities are potential liabilities that may occur depending on the outcome of uncertain future events. They are not reflected in the BPS financial position but are adequately disclosed. However, a contingent liability is only recorded in the financial statements if the contingency is probable and the amount of the liability can reasonably be estimated. Contingent liability can be explicit or implicit. Explicit contingent liabilities are specific Government obligations established by law or a contract authorized by law. The Government is legally mandated to settle such an obligation when it becomes due. On the other hand, implicit contingent liabilities represent a moral obligation or expected burden for the Government not in the legal sense but based on public expectations and political intervention.

22. Contingent liabilities are frequently not recorded directly in the budget and thus are not subjected to budgetary oversight. These could lead to poor quantification of Contingent Liabilities and the possibility of large unplanned expenditures if the guarantee crystallizes. The Government will monitor these contingent liabilities to avoid fiscal difficulties in the budget year in the event they materialize in State Corporations/State Owned Enterprises (SOEs)

i. State Corporations/State Owned Enterprises (SOEs)

23. State Corporations can be a major source of fiscal risk to public finances if they underperform financially. While Government has a stake in state-owned enterprises and other Government investments in public companies, its contractual obligations may be limited. However, due to the strategic nature of those state-owned enterprises and public companies given the national interest and the overall impact of their failure on the economy, the Government may be morally obligated to bail out those state-owned enterprises and public companies in financial distress. This may pose serious fiscal risk and challenge to budget implementation.

24. Further, Government may be required from time to time to provide budgetary allocations for Government of Kenya strategic investments, subscriptions, equity participation and other financial support. The Government has already received

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requests from Regional, International Bodies and other Government Linked Corporations for financial support for GOK strategic investments, subscriptions, equity participation and other financial support.

25. The total outstanding Government guaranteed debt to SOEs and Government linked entities amounted to Ksh 1,081.8 billion as of 30th June, 2022. This includes: Direct GoK loans of Ksh 120.8 billion, on-lent foreign loans of Ksh 796.0 billion and Direct commercial domestic loans of Kshs. 165.1 billion, SOEs also had a contingent liability of Ksh 135.6 billion.

26. Debt stricken state corporations constitute a potential source of fiscal risk. However, the Government is cautious in issuance of guarantees and other support measures to state corporations upon such requests. However, as the principal owner of all State Corporations the Government is the natural underwriter of the risks they face. During the review period FY 2022/23 the stock of risk exposure is estimated to be Ksh 2,751.8 billion, where Ksh 2,661.1 billion is from SOEs, and 90.6 billion is from Government linked Corporations (GLCs).

27. In order to mitigate the fiscal risks among the State Corporations or State-Owned Enterprises, the Government:

i. Has established a High-Level Fiscal Risk Committee (FRC) at the National Treasury with a view of identifying, evaluating, and reporting and to a deeper extent proposing strategies for mitigating and tackling the same.

ii. Will strengthen corporate governance of State Corporations through the Mwongozo guidelines and subsequent training in the area of governance. This will involve establishment and operationalization of audit committees and risk management frameworks for Government entities including State Corporations;

iii. Will utilize the Government Information Management Information System (GIMIS) to oversight SOEs by ensuring the Government has comprehensive and consolidated data on SOEs to ensure timely identification, monitoring, mitigation, and reporting of fiscal risks from SOEs. More modules are being inbuilt to have a better chance of arresting fiscal risks in SOEs before they materialize; and

iv. Will restructure State Corporations/State Owned Enterprises (SOEs) through amendment to State owned Enterprises (SOE) privatization Act 2005 aimed at reducing demand for Government resources and facilitate privatization of SOEs.

ii. Public Private Partnerships (PPP) Projects

28. The Government has identified a number of key sectors including water, housing, roads, trade and industry in which it wishes to work with the private sector through the Public Private Partnerships framework. The PPP Directorate envisages mobilizing Ksh 50 billion within the FY 2023/24, based on the current projects in the PPP pipeline. To achieve this, all projects will be screened for commercial viability as PPPs, before being considered for implementation within the National

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Budget. Accordingly, the sectors of focus that the PPP Directorate will be looking for private capital, are in:

a. The Water sector - The Government intends to roll out water and irrigation projects in the next five years working together with the private sector. The National Treasury in collaboration with the Ministry of Water, has already identified major dams which will be launched for procurement through the PPP Model.

b. The Housing sector - There exists a deficit of approximately 2 million units of housing stock. The Government plans to work the private sector to raise production from the current rate of 50,000 to 200,000 units a year in order to reduce the deficit. In the PPP arrangement, the Government will provide land and bulk infrastructure such as water, sewer and power to reduce the cost of housing production and to ensure affordability of houses to the bottom of the pyramid.

c. Roads sector - The Government plans mobilize private sector resources to develop and expand key trunk networks in the country, in particular, the Mombasa - Nairobi – Malaba road corridor. This is intended to alleviate congestion, improve safety and enhance connectivity to boost trade and investment.

d. Trade and Industry sector - The Government plans to use the PPP model to deliver industrial parks and Special Economic zones across the country. In this arrangement, the Government will provide the private sector with appropriate land and create necessary incentives, through fiscal tax measures and special power tariffs, to stimulate private sector investment into SEZs.

e. Energy Sector – Transmission Lines: The Government of Kenya in partnership with Africa50 through a PPP framework intends to pilot transmission line PPPs by way of the financing, design, construction, operation and maintenance of the 400KV, 165km - Loosuk – Lessos Transmission Line and the 220KV, 72km – Kisumu-Musaga Transmission Line. The Project will also incorporate associated infrastructure such as electricity substations.

There are potential fiscal risks stemming from the Public Private Partnership (PPP) Projects including possible breaching of contract obligations, unfunded additional obligations and those stemming from movements in inflation and exchange rate. To mitigate these risks, the Government will reduce implementation bureaucracy, strengthens PPP institutions, improve governance, promote the framework for balancing risk with affordability and value for money, while guaranteeing rapid service delivery through cutting down execution timelines, and promoting local content for greater national value capture in PPPs. The PPP Directorate will be at the centre of PPP programme design and implementation going forward, and will play a central role in public investment programming and design, alongside the Public Investment Management function at the National Treasury.

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iii. Pension Liabilities

29. The Government has made a strong commitment to social protection across the population. Included in the plan is a pension arrangement that covers the workforce in both formal and informal payrolls. Of those in formal employment, a majority of them serve in the public service and their pension is administered under the broad framework of the Public Service Pension Scheme (PSPS) in the Pensions Department of the National Treasury. The benefits accrued under the Scheme are therefore budgeted for and drawn directly from the Consolidated Funds Services (CFS). With the increasing number of retired officers, dependants, and the increased life expectancy rate, the pension wage bill has been rising exponentially posing a fiscal risk.

30. In the FY 2021/22, the Government allocated Ksh 120 billion to the Defined Benefit Pension Scheme. The Government increased the budget allocation to the scheme from Ksh 120 billion to Ksh 146 billion in the FY 2022/23 to reduce the fiscal risk associated with the unexpected increase in pension payment. The Government plans to further increase allocation to the scheme in the FY 2023/24 and over the medium term as shown in **Table 3.** To further mitigate the fiscal risk, the Government will ensure timely remittance of the required contribution to defined contribution schemes to reduce possible litigation costs and encourage appropriate investment choices.

Table 3: GoK Contribution to PSSS FY 2023/24 to FY 2027/28

Financial Year	PSPS Projected Payments (Ksh million)	PSSS Projected GOK contributions (Ksh million)	Total (Ksh Millions)
2023/2024	163,529,546,177	28,464,677,993	191,994,224,170
2024/2025	179,858,290,795	31,311,145,793	211,169,436,588
2025/2026	183,819,909,875	34,442,260,372	218,262,170,247
2026/2027	188,413,369,604	37,886,486,409	226,299,856,013
2027/2028	191,008,609,713	41,675,135,050	232,683,744,763

31. In line with the Government policy to avail services online and through mobile platforms, the Government will scale up the modernization of pension services by amongst others re-engineering the Pension Management Information System (PMIS) to make it a modern ERP system with an end-to-end integration with all actors in the public pension ecosystem including the pensioners themselves. This will enable pensioners to interact with the Pensions Department through mobile and computer APPS for ease of administration.

c) Fiscal Risks Related to Devolution

32. County Treasuries are required under Section 107 of the PFM, Act 2012 to manage their 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;

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i. High expenditure on personnel emoluments contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 that sets the limit of the County Government's expenditure on wages and benefits at 35 percent of the County's total revenue.
ii. Below target Own Source Revenue Collections that results to unfunded budget deficits and accumulation of pending bills negatively affecting service delivery to the citizens
iii. County Governments continue to report high levels of pending bills that remain unpaid and have a negative impact on the business community as well as the economy in general.
iv. Low actual development expenditure which is not in line with the County Governments approved budgets and contrary to Section 107(2) (b) of the Public Finance Management (PFM) Act, 2012, that provides that over the medium term, a minimum of thirty percent of the County Government budget shall be spent on the development expenditure.

d) Other Fiscal Risks

i. Natural Disasters and Man-made Hazards

33. In the recent past, Kenya has been exposed to multiple disasters ranging from floods, desert locust invasion, COVID-19 and drought. The compounding effects of these disasters have had severe impact on lives, livelihoods and the economy. To strengthen the country's disaster risk management frameworks, the Government will fast track development and implementation of Disaster Risk Financing Management Framework in line with the PFM Act, 2012, and establishment of a Disaster Expenditure, Monitoring and Reporting Framework to strengthen data collection and reporting on disaster expenditures as well as enhancing fiscal transparency and efficiency in the budgetary process. The Government will also enhance coordination of disaster risk management and system, and early warnings, information and knowledge management.

ii. Climate Change Related Fiscal Risks to the Economy

34. Climate change has become a pressing issue globally, and like other economies, the Kenyan economy is vulnerable to its ravaging impacts. To minimize the economic and fiscal risks of climate change phenomenon, the Government will continue to pursue a low carbon- climate resilient development path. Climate financing has emerged as an important means of implementation for climate change and for promoting sustainable development and financial sector development.

35. To enhance financial flows from the Green Climate Fund (GCF), the Government will continue to implement the National Green Climate Fund Strategy, which provides an elaborate framework of coordinating and attracting resources from the GCF. The Government will also implement the Financing Locally-led climate Action (FLLoCA) Program in collaboration with County Government and development partners to manage climate risks. To further deepen

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green financing, the Government will implement the Green Finance Programme geared towards transitioning to a low-carbon, climate resilient and green economy.

iii. Money Laundering

36. In order to fight money laundering, the Government will continue to promote financial integrity and cyber security surveillance in the financial services sector through improved capabilities to detect, mitigate, report and respond to cyber threats and Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) surveillance. This initiative will be achieved through: implementation of the AML/CTF National Risk Assessment Report 2021; the National AML/CFT Strategy and the Mutual Evaluation report 2022; development of sub-sector specific cyber security frameworks in line with National Cyber Security Framework.

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ANNEX 3: MEMORANDUM ON HOW RESOLUTIONS BY PARLIAMENT ON PREVIOUS BUDGET POLICY STATEMENTS HAVE BEEN INCORPORATED

Introduction

1. **Section 25(8)** of the **Public Finance Management (PFM) Act, 2012** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2021 Budget Policy Statement (BPS), and the 2022 Budget Policy Statement on 4th March, 2021 and 24th February, 2022, respectively.

2. **Section 38(1) (iii)** of the **PFM Act, 2012** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2021 BPS and 2022 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
A. Policy Resolutions on the 2021 BPS		
No.	**Resolution**	**Action taken**
1.	The National Treasury to develop a policy to enable the reduction of unproductive and non-targeted tax waivers and tax breaks in order to protect revenue.	To address the issue of non-targeted waivers, the National Treasury has developed a draft National Tax Policy that will be finalized by June 2023. The National Tax Policy Framework will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislations and management of tax expenditure. The National Treasury is also in the process of developing a draft Medium Term Revenue Strategy (MTRS) that will be finalized by end February

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No.	Resolution	Action taken
		2023. The MTRS will provide a comprehensive approach of undertaking effective tax system reforms for boosting tax revenues and improving the tax system over the medium term
2.	The National Treasury to review the compendium of Government projects and considers deferment of new projects by one financial year while ensuring adequate counterpart funding and provision of funds for stalled projects before finalization of the budget estimates.	The expenditure ceilings in the 2023 BPS have been revised to reflect emerging realities and ensure quality and alignment to the Government Bottom - Up Economic Transformation Agenda. One of the criteria that guided the allocation of resources within the three arms of Government and among MDAs was the extent to which the Programme seeks to address viable stalled projects and verified pending bills. Additionally, the National Treasury will strengthen public investment management by implementing the Public Investment Management (PIM) Regulations, 2022. This will enhance efficiency in identification and implementation of priority social and economic investment projects. This will further curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects. To realize these benefits, the Government will roll-out and sensitize both the National Government and County Governments on the Regulations; develop and roll-out the Public Investment Management Information System (PIMIS) which automates the PIM process as outlined in the Regulations; and institutionalize a joint PIM-PPP planning framework to ensure that only projects with the highest social - economic returns are undertaken.

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No.	Resolution	Action taken
3.	The National Treasury should restructure State Owned Enterprises (SOEs) especially the highly indebted ones who are unable to meet their operational costs with a view to privatizing some of them in order to put them on a sound economic footing.	In order to mitigate the fiscal risks among the State Corporations or State-Owned Enterprises, the National Treasury will expedite restructuring of State Corporations/State Owned Enterprises (SOEs) through amendment to State owned Enterprises (SOE) privatization Act 2005 aimed at reducing demand for Government resources and facilitate privatization of SOEs. Additionally, the National Treasury: i. Has established a High-Level Fiscal Risk Committee (FRC) at the National Treasury with a view of identifying, evaluating, and reporting and to a deeper extent proposing strategies for mitigating and tackling the same. ii. Will strengthen corporate governance of State Corporations through the Mwongozo guidelines and subsequent training in the area of governance. This will involve establishment and operationalization of audit committees and risk management frameworks for Government entities including State Corporations; and iii. Will utilize the Government Information Management Information System (GIMIS) to oversight SOEs by ensuring the Government has comprehensive and consolidated data on SOEs to ensure timely identification, monitoring, mitigation, and reporting of fiscal risks from SOEs. More modules are being inbuilt to have a better chance of arresting fiscal risks in SOEs before they materialize.
4.	The National Treasury to ensure that the borrowing strategies contained in the BPS and the MTDS are aligned in accordance with the provisions of Section 33 of the PFM Act, 2012.	The National Treasury has ensured consistency between the 2023 Medium Term Debt Strategy and the 2023 Budget Policy Statement.

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No.	Resolution	Action taken
5.	During finalization of the budget estimates, the National Treasury should take into account the pending bills and ensure that these are adequately provided for within the approved expenditure ceilings.	The National Government together with the County Governments will continue to prioritize payment of all pending bills as a first charge on the FY 2023/24 Budget. One of the criteria that guided the allocation of resources within the three arms of Government and among MDAs was the extent to which the programme seeks to address verified pending bills.
B. Policy Resolutions on the 2022 BPS		
6.	• The National Treasury ought to prepare the Budget Policy Statement in line with the debt ceiling. • The National Treasury ought to amend the debt ceiling to enable them implement the budget as proposed, rationalize expenditure or implement revenue enhancing measures.	The 2023 Budget Policy Statements has been prepared in line with the debt ceiling of Ksh 10.0 trillion. Public and publicly guaranteed debt in nominal terms as at end December, 2022 was Ksh 9,145.6 billion compared to the statutory public debt limit of Ksh 10,000 billion as per the PFM (National Government) (Amended 2022) Regulations, 2015. The reforms on the revenue and expenditure side outlined in the 2023 BPS, are expected to result in the reduction of the fiscal deficit including grants from Ksh 833.9 billion (5.7 percent of GDP) in the FY 2022/23 to Ksh 720.1 billion (4.4 percent of GDP) in the FY 2023/24 and further to Ksh 826.1 billion (3.6 percent of GDP) in the FY 2026/27. This reduction will result in reduction in the growth of public debt thereby boosting the country's debt sustainability position.
7.	The National Treasury expedites the finalization of the proposed Medium Term Revenue Strategy (MTRS) and submits it to the National Assembly by 30th April, 2022.	The National Treasury has already developed an action plan to guide the development of the MTRS and issued a Circular on 30th August, 2022 inviting proposals from Government MDAs and the County Governments for the development of the MTRS. The draft MTRS will be developed by end February 2023 and will be circulated to MDAs for their inputs, as part of public participation, before the Strategy is finalized.

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No.	Resolution	Action taken
8.	The National Treasury should prepare and submit a status report of the Credit Guarantee Scheme to the National Assembly. This report should contain details on the amount released and the number of beneficiaries.	The National Treasury prepared and submitted to Parliament an annual performance report on the performance of the Credit Guarantee Scheme on 30th September, 2022. In summary, from December 2020 to 30th June 2022, CGS disbursed a cumulative value of approximately Ksh 3.9 billion to 2,490 MSMEs, across 46 Counties and 11 sectors of economy as reported by the banks through the Central Bank of Kenya. All the three sizes of enterprises (micro, small, and medium) have benefitted from CGS facilities issued where small enterprises received 1,501, medium enterprises received 381 while micro enterprises received 608. The enterprises owned by women, youth and persons with disabilities (PwDs) received 20% of the total number of guaranteed facilities that had been disbursed. Women beneficiaries were 327, youth beneficiaries were 164, while PwDs were 9. The beneficiaries of the CGS so far support a minimum of 13,901 jobs.
9.	The National Treasury, Kenya Revenue Authority (KRA), Commission on Revenue Allocation (CRA) and the Council of Governors should fast-track the development of an integrated County Revenue Management system for a unified revenue collection system for all counties. The CRA should fast track the development of model tariffs and pricing policy to guide counties to develop their own.	The National Treasury, KRA, CRA and the Council of Governors will fast track the development and implementation of the integrated County Governments revenue management system to ensure that the County Governments use a uniform system that seals revenue leakages and provides value for money invested in it.
10.	For effective and smooth implementation and management of this school feeding programme, it should be fully transferred and domiciled in the National Council for Nomadic Education in Kenya (NACONEK).	The National Treasury has transferred allocation for School Feeding Programme to the National Council for Nomadic Education in Kenya (NACONEK) as resolved by the National Assembly.

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Annex Table 1: Macroeconomic Indicators

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
	Prel. Act	Approved Revised II	Prel. Act	Budget	Supp I Budget	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23
	annual percentage change, unless otherwise indicated												
National Account and Prices													
Real GDP	3.6	6.8	6.5	5.8	5.8	6.1	6.1	6.2	6.2	6.1	6.1	6.2	6.2
GDP deflator	5.0	4.8	6.2	6.1	6.9	5.8	5.8	4.8	4.8	5.9	5.9	6.0	6.0
CPI Index (eop)	6.3	5.2	6.9	5.5	6.4	5.4	5.4	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.7	5.4	6.8	6.0	7.0	5.8	5.8	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-3.6	1.1	1.1	-0.4	1.1	-0.6	-0.6	-1.8	-1.8	-0.7	-0.7	0.6	0.6
Money and Credit (end of period)													
Net domestic assets	11.7	11.1	18.8	9.4	13.9	10.0	10.0	10.6	10.6	11.9	11.9	10.6	10.6
Net domestic credit to the Government	27.1	19.6	26.3	13.1	9.9	10.0	10.7	10.8	11.3	9.6	10.1	10.9	9.9
Credit to the rest of the economy	7.7	10.8	12.3	12.8	20.3	11.6	11.2	15.1	14.8	17.6	17.3	12.4	12.8
Broad Money, M3 (percent change)	6.4	11.4	7.4	10.1	14.0	12.2	12.2	11.6	11.6	12.4	12.4	11.9	11.9
Reserve money (percent change)	5.4	11.4	15.4	4.7	8.4	12.1	12.1	11.5	11.5	12.3	12.3	11.8	11.8
	in percentage of GDP, unless otherwise indicated												
Investment and Saving													
Investment	20.1	23.9	18.8	19.3	17.9	18.9	18.9	18.9	18.9	18.6	18.6	18.6	18.6
Central Government	4.9	4.7	4.2	4.7	3.9	4.7	4.5	4.8	4.8	5.2	5.3	4.9	4.9
Other	15.2	19.1	14.6	14.6	14.1	14.2	14.3	14.1	14.1	13.4	13.3	13.6	13.6
Gross National Saving	14.1	19.1	12.9	14.2	13.1	13.6	13.6	13.5	13.5	13.3	13.3	13.2	13.2
Central Government	-2.2	-5.3	-1.5	-0.7	-0.9	1.1	0.8	1.6	1.4	2.1	2.1	1.7	1.7
Other	16.3	24.4	14.5	14.9	14.0	12.5	12.8	11.9	12.0	11.2	11.2	11.5	11.5
Central Government Budget													
Total revenue	15.9	17.1	17.3	17.6	17.4	17.8	17.8	17.8	17.8	18.0	18.0	18.3	18.3
Total expenditure and net lending	24.4	25.6	23.8	24.0	23.4	22.4	22.5	21.8	22.0	21.7	21.8	22.3	22.3
Overall Fiscal balance excl. grants	-8.5	-8.5	-6.5	-6.4	-6.0	-4.6	-4.7	-4.1	-4.2	-3.7	-3.9	-3.9	-3.9
Overall Fiscal balance, incl. grants, cash basis	-8.2	-8.0	-6.2	-6.2	-5.7	-4.3	-4.4	-3.8	-3.9	-3.5	-3.6	-3.6	-3.6
Statistical discrepancy	0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	-8.2	-8.0	-6.2	-6.2	-5.7	-4.3	-4.4	-3.8	-3.9	-3.5	-3.6	-3.6	-3.6
Primary budget balance	-3.8	-3.3	-1.6	-1.2	-1.1	0.3	0.3	0.7	0.7	0.8	0.7	0.7	0.7
Net domestic borrowing	5.5	5.4	4.8	4.2	3.0	3.0	3.2	3.2	3.4	2.9	3.0	2.9	2.9
External Sector													
Exports value, goods and services	10.2	11.0	11.4	12.6	12.4	13.0	13.0	12.9	12.9	12.4	12.4	12.1	12.1
Imports value, goods and services	19.0	17.6	19.3	19.7	18.6	19.1	19.1	18.6	18.6	17.7	17.7	17.2	17.2
Current external balance, including official transfers	-6.0	-4.8	-5.9	-5.0	-4.8	-5.2	-5.2	-5.4	-5.4	-5.3	-5.3	-5.4	-5.4
Gross reserves in months of next yr's imports	5.2	5.5	5.7	5.7	5.3	5.5	5.5	5.7	5.7	5.6	5.6	5.5	5.5
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0	6.0
Public debt													
Nominal central government debt (eop), gross	67.7	68.4	67.4	67.3	64.8	62.1	62.2	59.5	59.7	56.3	56.7	54.0	54.2
Nominal debt (eop), net of deposits	62.8	63.9	63.1	63.4	61.1	58.8	58.9	56.5	56.7	53.7	54.0	51.7	51.9
Domestic (gross)	32.5	34.5	33.7	34.7	32.5	32.8	32.2	32.6	32.2	31.9	31.7	31.6	31.2
Domestic (net)	27.6	30.0	29.4	30.8	28.8	29.4	28.9	29.6	29.2	29.2	29.0	29.3	28.8
External	35.2	33.9	33.7	32.6	32.3	29.4	30.0	26.9	27.4	24.5	25.0	22.4	23.1
Memorandum Items:													
Nominal GDP (in Ksh Billion)	11,370	12,646	12,736	14,002	14,522	16,290	16,290	18,180	18,180	20,437	20,437	22,872	22,8
Nominal GDP (in US$ Million)	105,677	114,595	111,617	114,898	117,984	126,508	126,508	136,689	136,689	148,463	148,463	159,922	159,9

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

Source: National Treasury

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Annex Table 2: Government Fiscal Operations, Ksh Billion

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
	Prel. Act	Approved Revised II	Prel. Act	Budget	Supp I Budget	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23
TOTAL REVENUE	**1803.5**	**2,192.0**	**2,199.8**	**2,462.4**	**2,528.8**	**2,897.7**	**2,894.9**	**3,231.1**	**3,231.1**	**3,670.0**	**3,670.0**	**4,195.2**	**4,195.2**
Ordinary Revenue	1562.0	1,851.5	1,917.9	2,141.6	2,192.0	2,566.0	2,571.2	2,878.6	2,878.6	3,294.2	3,294.2	3,775.7	3,775.7
Income Tax	694.1	836.7	876.7	997.3	1,004.3	1,198.5	1,198.5	1,305.7	1,305.7	1,500.1	1,500.1	1,734.5	1,734.5
Import duty (net)	108.4	115.9	118.3	144.9	145.9	173.3	173.3	199.4	199.4	229.0	229.0	258.1	258.1
Excise duty	216.3	255.9	252.1	297.2	297.2	352.7	352.7	401.1	401.1	460.0	460.0	521.5	521.5
Value Added Tax	410.8	514.1	523.1	584.7	587.7	703.3	703.3	804.7	804.7	926.2	926.2	1,061.3	1,061.3
Investment income	45.1	37.7	43.7	31.5	35.5	33.1	33.1	34.7	34.7	38.1	38.1	42.3	42.3
Other	87.4	91.2	104.1	86.0	121.4	105.1	110.3	133.1	133.1	140.8	140.8	158.1	158.1
Ministerial Appropriation in Aid	**241.5**	**340.4**	**281.9**	**320.8**	**336.8**	**331.7**	**323.8**	**352.5**	**352.5**	**375.8**	**375.8**	**419.5**	**419.5**
EXPENDITURE AND NET LENDING	**2,769.3**	**3,286.1**	**3,027.8**	**3,358.6**	**3,394.1**	**3,641.0**	**3,663.1**	**3,970.2**	**3,991.9**	**4,434.2**	**4,457.9**	**5,096.4**	**5,089.9**
Recurrent expenditure	1,813.3	2,227.3	2,135.3	2,271.0	2,349.9	2,422.3	2,459.3	2,646.3	2,667.5	2,916.4	2,917.9	3,390.3	3,385.2
Interest payments	495.1	605.3	578.0	690.6	675.8	750.5	775.1	811.9	833.6	883.4	885.2	984.7	980.0
Domestic interest	388.8	479.2	456.8	553.4	537.4	604.8	628.3	660.4	680.9	723.8	730.8	792.5	787.9
Foreign Interest	106.3	126.1	121.1	137.2	138.4	145.7	146.9	151.5	152.7	159.6	154.4	192.1	192.1
Pensions & Other CFS	112.9	137.3	122.4	150.6	145.3	170.6	170.6	192.9	192.9	217.6	217.6	250.3	250.3
Pensions	110.3	132.8	119.3	146.0	140.7	165.9	165.9	188.1	188.1	212.5	212.5	244.4	244.4
Other CFS	2.6	4.5	3.2	4.6	4.6	4.6	4.6	4.9	4.9	5.1	5.1	5.9	5.9
Contribution to Civil Service Pension Fund	3.3	20.8	26.4	25.9	31.9	28.5	28.5	31.3	31.3	34.4	34.4	45.7	45.7
Net Issues/Net Expenditure	1,051.7	1,231.2	1,211.0	1,178.4	1,264.1	1,250.3	1,270.6	1,382.8	1,382.3	1,541.4	1,541.0	1,842.8	1,842.4
O/W: Wages & Salaries	493.0	525.1	525.1	537.2	539.6	600.0	600.0	645.3	645.3	703.4	703.4	914.9	914.9
Free Secondary education	59.4	62.4	62.4	102.8	67.6	105.9	105.9	110.1	110.1	110.1	110.1	116.7	116.7
Free Primary Education	12.0	12.0	12.0	21.6	14.5	22.3	22.3	23.4	23.4	23.4	23.4	24.8	24.8
IEBC	4.9	14.2	14.2	16.5	19.9	6.5	6.5	6.9	6.9	6.9	6.9	7.3	7.3
Defense and NIS	157.7	157.1	175.8	174.3	170.9	170.0	170.0	170.0	170.0	170.0	170.0	176.8	176.8
Others	301.2	438.1	399.2	294.7	420.0	312.2	332.4	388.8	390.5	483.8	491.1	555.8	555.4
Ministerial Recurrent AIA	144.5	229.5	197.5	225.5	232.7	222.5	214.5	227.3	227.3	239.6	239.6	266.8	266.8
Ministerial Recurrent AIA - NMS	5.8	3.2	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	**557.0**	**657.5**	**540.1**	**676.6**	**605.8**	**796.4**	**769.3**	**901.5**	**901.5**	**1,070.3**	**1,092.1**	**1,149.6**	**1,147.7**
Domestically financed (Gross)	390.0	411.3	378.2	372.6	384.1	421.8	390.5	481.5	481.5	611.2	631.2	624.1	624.1
O/W Domestically Financed (Net)/NMS	308.2	281.5	290.4	287.4	290.1	323.1	291.8	367.3	367.3	486.4	506.4	484.2	484.2
Ministerial Development AIA	82.7	79.4	79.6	71.9	80.7	93.3	93.3	110.6	110.6	141.9	141.9	133.3	133.3
Foreign financed	167.0	239.4	161.9	294.7	193.2	349.9	353.7	390.0	390.0	431.7	431.7	512.7	512.7
Net lending	0.0	0.0	0.0	2.3	14.7	17.2	17.2	22.2	22.2	19.6	19.6	0.0	0.0
Equalization Fund	0.0	6.8	0.0	7.1	13.9	7.5	7.9	7.9	7.9	7.8	9.6	12.8	11.0
County Tranfers	**399.0**	**401.2**	**352.4**	**407.0**	**436.3**	**417.3**	**429.6**	**417.5**	**417.9**	**442.5**	**442.9**	**551.6**	**552.0**
Equitable Share	346.2	370.0	340.4	370.0	399.6	380.0	385.4	380.2	380.6	405.2	405.6	514.6	515.1
Conditional Allocation	52.8	31.2	12.0	37.0	36.7	37.3	44.2	37.3	37.3	37.3	37.3	37.0	37.0
Contingency Fund	**0.0**	**0.0**	**0.0**	**4.0**	**2.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance ***(commitment basis excl. grants)***	-965.7	-1,094.1	-828.0	-896.2	-865.3	-743.3	-768.2	-739.2	-760.8	-764.2	-787.9	-901.2	-894.7
Grants	**31.3**	**62.9**	**31.0**	**33.3**	**31.4**	**48.1**	**48.1**	**49.3**	**49.3**	**53.2**	**53.2**	**68.6**	**68.6**
Fiscal Balance ***(incl. grants)***	-934.4	-1,031.2	-797.0	-862.9	-833.9	-695.2	-720.1	-689.8	-711.5	-711.0	-734.6	-832.6	-826.1
Adjustment to Cash Basis	5.1	0.0	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance ***(incl. grants) Cash Basis***	-929.3	-1,031.2	-785.1	-862.9	-833.9	-695.2	-720.1	-689.8	-711.5	-711.0	-734.6	-832.6	-826.1
Statistical discrepancy	20.9	0.0	-37.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**950.2**	**1,031.2**	**747.8**	**862.9**	**833.9**	**695.2**	**720.1**	**689.8**	**711.5**	**711.0**	**734.6**	**832.6**	**826.1**
Net Foreign Financing	**323.3**	**343.1**	**142.5**	**280.7**	**395.8**	**198.6**	**198.6**	**99.7**	**99.7**	**125.9**	**125.9**	**169.7**	**169.7**
Disbuserments	**451.6**	**545.2**	**327.1**	**521.8**	**619.5**	**674.2**	**674.2**	**381.1**	**381.1**	**415.4**	**415.4**	**481.0**	**481.0**
Commercial Financing	114.3	124.3	0.0	105.6	110.0	270.0	270.0	0.0	0.0	0.0	0.0	0.0	0.0
O/W Export Credit	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond & Other Commercial Financing	107.6	124.3	0.0	105.6	110.0	270	270.0	0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	168.7	257.6	192.0	286.5	186.9	338.8	338.8	377.6	377.6	415.4	415.4	481.0	481.0
o/w: Project loans (AIA)	104.8	134.4	92.6	184.9	112.4	239.1	239.1	263.0	263.0	289.3	289.3	307.6	307.6
Project Loans Revenue	52.4	81.1	58.6	101.6	74.5	99.7	99.7	114.6	114.6	126.1	126.1	173.4	173.4
Project Loans SGR_Phase 1_AIA	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR_Phase 2A_AIA	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation		42.2	40.8		47.3								
Programme Loans	168.6	163.2	135.0	129.7	275.3	65.4	65.4	3.5	3.5	0.0	0.0	0.0	0.0
Debt repayment - Principal	-128.3	-202.1	-184.5	-241.1	-223.8	-475.6	-475.6	-281.5	-281.5	-289.5	-289.5	-311.3	-311.3
Net Domestic Financing	**626.9**	**688.1**	**605.3**	**582.2**	**438.1**	**496.6**	**521.5**	**590.2**	**611.8**	**585.0**	**608.7**	**662.9**	**656.4**
Memo items													
Gross Debt (Stock)	7,696.6	8,579.1	8,579.1	9,442.0	9,412.9	10,123.5	10,133.1	10,813.4	10,844.6	11,514.0	11,579.2	12,358.4	12,405.3
External Debt	3,999.5	4,290.7	4,290.7	4,571.5	4,686.5	4,787.7	4,885.1	4,887.4	4,984.8	5,003.0	5,110.7	5,120.9	5,280.4
Domestic Debt (gross)	3,697.1	4,288.3	4,288.3	4,870.5	4,726.4	5,335.8	5,248.0	5,926.0	5,859.8	6,511.0	6,468.5	7,237.4	7,124.9
Domestic Debt (net)	3,140.7	3,828.8	3,746.0	4,328.2	4,184.1	4,793.4	4,705.6	5,383.6	5,317.4	5,968.6	5,926.1	6,695.1	6,582.5
Financing gap	15.8	0.0	-49.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**11,370.3**	**12,844.3**	**12,736.1**	**14,002.5**	**14,521.6**	**16,290.3**	**16,290.3**	**18,180.2**	**18,180.2**	**20,436.9**	**20,436.9**	**22,872.3**	**22,872.3**

Source: The National Treasury

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

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Annex Table 3: Government Fiscal Operations, Percent of GDP

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
	Prel. Act	Approved Revised II	Prel. Act	Budget	Supp I Budge	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23	BROP'22	BPS'23
TOTAL REVENUE	**15.9**	**17.1**	**17.3**	**17.6**	**17.4**	**17.8**	**17.8**	**17.8**	**17.8**	**18.0**	**18.0**	**18.3**	**18.3**
Ordinary Revenue	**13.7**	**14.4**	**15.1**	**15.3**	**15.1**	**15.8**	**15.8**	**15.8**	**15.8**	**16.1**	**16.1**	**16.5**	**16.5**
Income Tax	6.1	6.5	6.9	7.1	6.9	7.4	7.4	7.2	7.2	7.3	7.3	7.6	7.6
Import duty (net)	1.0	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Excise duty	1.9	2.0	2.0	2.1	2.0	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3
Value Added Tax	3.6	4.0	4.1	4.2	4.0	4.3	4.3	4.4	4.4	4.5	4.5	4.6	4.6
Investment income	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.8	0.7	0.8	0.6	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Ministerial Appropriation in Aid	**2.1**	**2.7**	**2.2**	**2.3**	**2.3**	**2.0**	**2.0**	**1.9**	**1.9**	**1.8**	**1.8**	**1.8**	**1.8**
EXPENDITURE AND NET LENDING	**24.4**	**25.6**	**23.8**	**24.0**	**23.4**	**22.4**	**22.5**	**21.8**	**22.0**	**21.7**	**21.8**	**22.3**	**22.3**
Recurrent expenditure	**15.9**	**17.3**	**16.8**	**16.2**	**16.2**	**14.9**	**15.1**	**14.6**	**14.7**	**14.3**	**14.3**	**14.8**	**14.8**
Interest payments	4.4	4.7	4.5	4.9	4.7	4.6	4.8	4.5	4.6	4.3	4.3	4.3	4.3
Domestic interest	3.4	3.7	3.6	4.0	3.7	3.7	3.9	3.6	3.7	3.5	3.6	3.5	3.4
Foreign Interest	0.9	1.0	1.0	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Pensions & Other CFS	1.0	1.1	1.0	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1
Pensions	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	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	0.0
Contribution to Civil Service Pension Fund	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	9.2	9.6	9.5	8.4	8.7	7.7	7.8	7.6	7.6	7.5	7.5	8.1	8.1
O/W: Wages & Salaries	4.3	4.1	4.1	3.8	3.7	3.7	3.7	3.5	3.5	3.4	3.4	4.0	4.0
Free Secondary education	0.5	0.5	0.5	0.7	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Free Primary Education	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Defense and NIS	1.4	1.2	1.4	1.2	1.2	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.8
Others	2.6	3.4	3.1	2.1	2.9	1.9	2.0	2.1	2.1	2.4	2.4	2.4	2.4
Ministerial Recurrent AIA	1.3	1.8	1.6	1.6	1.6	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2
Ministerial Recurrent AIA - NMS	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**4.9**	**5.1**	**4.2**	**4.8**	**4.2**	**4.9**	**4.7**	**5.0**	**5.0**	**5.2**	**5.3**	**5.0**	**5.0**
Domestically financed (Gross)	3.4	3.2	3.0	2.7	2.6	2.6	2.4	2.6	2.6	3.0	3.1	2.7	2.7
O/W Domestically Financed (Net)/NMS	2.7	2.2	2.3	2.1	2.0	2.0	1.8	2.0	2.0	2.4	2.5	2.1	2.1
Ministerial Development AIA	0.7	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6
Foreign financed	1.5	1.9	1.3	2.1	1.3	2.1	2.2	2.1	2.1	2.1	2.1	2.2	2.2
Net lending	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Equalization Fund	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
County Tranfers	**3.5**	**3.1**	**2.8**	**2.9**	**3.0**	**2.6**	**2.6**	**2.3**	**2.3**	**2.2**	**2.2**	**2.4**	**2.4**
Equitable Share	**3.0**	**2.9**	**2.7**	**2.6**	**2.8**	**2.3**	**2.4**	**2.1**	**2.1**	**2.0**	**2.0**	**2.3**	**2.3**
Conditional Allocation	0.5	0.2	0.1	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-8.5**	**-8.5**	**-6.5**	**-6.4**	**-6.0**	**-4.6**	**-4.7**	**-4.1**	**-4.2**	**-3.7**	**-3.9**	**-3.9**	**-3.9**
Grants	**0.3**	**0.5**	**0.2**	**0.2**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-8.2**	**-8.0**	**-6.3**	**-6.2**	**-5.7**	**-4.3**	**-4.4**	**-3.8**	**-3.9**	**-3.5**	**-3.6**	**-3.6**	**-3.6**
Adjustment to Cash Basis	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.2	-8.0	-6.2	-6.2	-5.7	-4.3	-4.4	-3.8	-3.9	-3.5	-3.6	-3.6	-3.6
Statistical discrepancy	0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**8.4**	**8.0**	**5.9**	**6.2**	**5.7**	**4.3**	**4.4**	**3.8**	**3.9**	**3.5**	**3.6**	**3.6**	**3.6**
Net Foreign Financing	**2.8**	**2.7**	**1.1**	**2.0**	**2.7**	**1.2**	**1.2**	**0.5**	**0.5**	**0.6**	**0.6**	**0.7**	**0.7**
Disbuserments	**4.0**	**4.2**	**2.6**	**3.7**	**4.3**	**4.1**	**4.1**	**2.1**	**2.1**	**2.0**	**2.0**	**2.1**	**2.1**
Commercial Financing	**1.0**	**1.0**	**0.0**	**0.8**	**0.8**	**1.7**	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
O/W Export Credit	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond & Other Commercial Financing	0.9	1.0	0.0	0.8	0.8	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.5	2.0	1.5	2.0	1.3	2.1	2.1	2.1	2.1	2.0	2.0	2.1	2.1
o/w: Project loans (AIA)	0.9	1.0	0.7	1.3	0.8	1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.3
Project Loans Revenue	0.5	0.6	0.5	0.7	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.8
Project Loans SGR _Phase I_ AIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation	0.0	0.3	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	1.5	1.3	1.1	0.9	1.9	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Debt repayment - Principal	**-1.1**	**-1.6**	**-1.4**	**-1.7**	**-1.5**	**-2.9**	**-2.9**	**-1.5**	**-1.5**	**-1.4**	**-1.4**	**-1.4**	**-1.4**
Net Domestic Financing	**5.5**	**5.4**	**4.8**	**4.2**	**3.0**	**3.0**	**3.2**	**3.2**	**3.4**	**2.9**	**3.0**	**2.9**	**2.9**
Memo items													
Gross Debt (Stock)	67.7	69.8	67.4	67.4	64.8	62.1	62.2	59.5	59.7	56.3	56.7	54.0	54.2
External Debt	35.2	34.7	33.7	32.6	32.3	29.4	30.0	26.9	27.4	24.5	25.0	22.4	23.1
Domestic Debt (gross)	32.5	35.1	33.7	34.8	32.5	32.8	32.2	32.6	32.2	31.9	31.7	31.6	31.2
Domestic Debt (net)	27.6	30.5	29.4	30.9	28.8	29.4	28.9	29.6	29.2	29.2	29.0	29.3	28.8
Financing gap	0.1	0.0	-0.4	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	100.0

Source: The National Treasury

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

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Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	**AGRICULTURE, RURAL & URBAN DEVELOPMENT**	**25,220.0**	**41,477.3**	**66,697.3**	**32,188.0**	**43,415.0**	**75,603.0**	**34,482.0**	**51,157.0**	**85,639.0**	**36,509.0**	**55,064.0**	**91,573.0**
	1112 State Department for Lands and Physical Plann	**3,306.5**	**2,621.8**	**5,928.3**	**3,447.0**	**2,675.0**	**6,122.0**	**3,504.0**	**3,787.0**	**7,291.0**	**3,639.0**	**5,531.0**	**9,170.0**
	0101000 Land Policy and Planning	3,306.5	2,621.8	5,928.3	3,447.0	2,675.0	6,122.0	3,504.0	3,787.0	7,291.0	3,639.0	5,531.0	9,170.0
	1162 State Department for Livestock Development	**3,590.2**	**3,617.1**	**7,207.3**	**9,306.0**	**9,981.0**	**19,287.0**	**10,045.0**	**13,222.0**	**23,267.0**	**10,587.0**	**14,241.0**	**24,828.0**
	0112000 Livestock Resources Management and Development	3,590.2	3,617.1	7,207.3	9,306.0	9,981.0	19,287.0	10,045.0	13,222.0	23,267.0	10,587.0	14,241.0	24,828.0
	1166 State Department for Blue Economy and Fisheries	**2,391.6**	**8,105.8**	**10,497.4**	**2,730.0**	**6,629.0**	**9,359.0**	**3,057.0**	**10,245.0**	**13,302.0**	**3,315.0**	**10,634.0**	**13,949.0**
	0111000 Fisheries Development and Management	2,099.6	5,917.2	8,016.9	2,375.0	5,590.0	7,965.0	2,627.0	6,565.0	9,192.0	2,864.0	6,976.0	9,840.0
	0117000 General Administration, Planning and Support Services	269.3	-	269.3	332.0	-	332.0	363.0	-	363.0	379.0	-	379.0
	0118000 Development and Coordination of the Blue Economy	22.7	2,188.6	2,211.3	23.0	1,039.0	1,062.0	67.0	3,680.0	3,747.0	72.0	3,658.0	3,730.0
	1169 State Department for Crop Development	**14,463.7**	**27,042.3**	**41,506.0**	**15,120.0**	**24,024.0**	**39,144.0**	**16,137.0**	**23,718.0**	**39,855.0**	**17,165.0**	**24,289.0**	**41,454.0**
	0107000 General Administration Planning and Support Services	5,227.4	3,609.4	8,836.9	5,785.0	1,220.0	7,005.0	6,416.0	1,250.0	7,666.0	7,031.0	1,812.0	8,843.0
	0108000 Crop Development and Management	3,483.8	21,241.2	24,725.0	3,764.0	20,783.0	24,547.0	3,937.0	20,068.0	24,005.0	4,123.0	19,993.0	24,116.0
	0109000 Agribusiness and Information Management	138.9	1,470.7	1,609.7	139.0	1,458.0	1,597.0	144.0	1,475.0	1,619.0	149.0	1,475.0	1,624.0
	0120000 Agricultural Research & Development	5,613.5	721.0	6,334.5	5,432.0	563.0	5,995.0	5,640.0	925.0	6,565.0	5,862.0	1,009.0	6,871.0
	2021 National Land Commission	**1,468.0**	**90.3**	**1,558.3**	**1,585.0**	**106.0**	**1,691.0**	**1,739.0**	**185.0**	**1,924.0**	**1,803.0**	**369.0**	**2,172.0**
	0116000 Land Administration and Management	1,468.0	90.3	1,558.3	1,585.0	106.0	1,691.0	1,739.0	185.0	1,924.0	1,803.0	369.0	2,172.0
020	**ENERGY, INFRASTRUCTURE AND ICT**	**131,010.0**	**276,750.1**	**407,760.1**	**113,039.0**	**308,966.0**	**422,004.0**	**118,839.0**	**303,174.0**	**422,013.0**	**124,119.0**	**310,815.0**	**434,934.0**
	1091 State Department for Roads	**69,478.0**	**151,815.6**	**221,293.6**	**74,556.0**	**146,319.0**	**220,875.0**	**77,990.0**	**165,078.0**	**243,068.0**	**81,540.0**	**173,292.0**	**254,832.0**
	0202000 Road Transport	69,478.0	151,815.6	221,293.6	74,556.0	146,319.0	220,875.0	77,990.0	165,078.0	243,068.0	81,540.0	173,292.0	254,832.0
	1092 State Department for Transport	**9,622.0**	**1,350.0**	**10,972.0**	**13,843.0**	**48,733.0**	**62,576.0**	**14,854.0**	**42,713.0**	**57,567.0**	**15,767.0**	**43,354.0**	**59,121.0**
	0201000 General Administration, Planning and Support Services	278.0	430.0	708.0	810.0	121.0	931.0	876.0	135.0	1,011.0	750.0	140.0	890.0
	0203000 Rail Transport				-	42,180.0	42,180.0	-	35,899.0	35,899.0	-	36,607.0	36,607.0
	0204000 Marine Transport	798.9	247.0	1,045.9	771.0	2,885.0	3,656.0	831.0	2,975.0	3,806.0	868.0	3,022.0	3,890.0
	0205000 Air Transport	8,533.1	673.0	9,206.1	9,249.0	841.0	10,090.0	10,066.0	927.0	10,993.0	10,941.0	972.0	11,913.0
	Programme 5: Road Transport Safety and Regulation	12.0	-	12.0	2,386.0	1,567.0	3,953.0	2,457.0	1,569.0	4,026.0	2,557.0	1,366.0	3,923.0
	Programme 6:Transport Master planning and Coordination				627.0	1,139.0	1,766.0	624.0	1,208.0	1,832.0	651.0	1,247.0	1,898.0

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**ENERGY, INFRASTRUCTURE AND ICT**	**131,010.0**	**276,750.1**	**407,760.1**	**113,039.0**	**308,966.0**	**422,004.0**	**118,839.0**	**303,174.0**	**422,013.0**	**124,119.0**	**310,815.0**	**434,934.0**
	1093 State Department for Shipping and Maritime Affairs	**2,182.0**	**1,178.0**	**3,360.0**	**2,338.0**	**1,050.0**	**3,388.0**	**2,373.0**	**1,139.0**	**3,512.0**	**2,598.0**	**1,198.0**	**3,796.0**
	0220000 Shipping and Maritime Affairs	2,182.0	1,178.0	3,360.0	2,338.0	1,050.0	3,388.0	2,373.0	1,139.0	3,512.0	2,598.0	1,198.0	3,796.0
	1094 State Department for Housing & Urban Development	**1,341.0**	**19,020.0**	**20,361.0**	**1,315.0**	**24,288.0**	**25,603.0**	**1,371.0**	**29,527.0**	**30,898.0**	**1,415.0**	**30,227.0**	**31,642.0**
	0102000 Housing Development and Human Settlement	793.0	13,585.0	14,378.0	829.0	13,289.0	14,118.0	867.0	15,427.0	16,294.0	895.0	13,158.0	14,053.0
	0105000 Urban and Metropolitan Development	285.0	5,435.0	5,720.0	206.0	10,999.0	11,205.0	213.0	14,100.0	14,313.0	220.0	17,069.0	17,289.0
	0106000 General Administration Planning and Support Services	263.0	-	263.0	280.0	-	280.0	291.0	-	291.0	300.0	-	300.0
	1095 State Department for Public Works	**3,383.0**	**1,310.0**	**4,693.0**	**3,557.0**	**1,144.0**	**4,701.0**	**3,728.0**	**1,215.0**	**4,943.0**	**3,857.0**	**1,264.0**	**5,121.0**
	0103000 Government Buildings	551.0	630.0	1,181.0	590.0	639.0	1,229.0	615.0	703.0	1,318.0	631.0	710.0	1,341.0
	0104000 Coastline Infrastructure and Pedestrian Access	173.0	321.0	494.0	115.0	316.0	431.0	121.0	298.0	419.0	122.0	300.0	422.0
	0106000 General Administration Planning and Support Services	380.0	14.0	394.0	393.0	14.0	407.0	410.0	15.0	425.0	434.0	18.0	452.0
	0218000 Regulation and Development of the Construction Industry	2,279.0	345.0	2,624.0	2,459.0	175.0	2,634.0	2,582.0	199.0	2,781.0	2,670.0	236.0	2,906.0
	1122 State Department for Information Communication Technology & Digital Economy	**2,268.4**	**16,985.7**	**19,254.1**	**3,023.0**	**12,775.0**	**15,797.0**	**3,144.0**	**5,807.0**	**8,951.0**	**3,113.0**	**5,830.0**	**8,943.0**
	0207000 General Administration Planning and Support Services	356.4	-	356.4	383.0	-	383.0	436.0	-	436.0	462.0	-	462.0
	0210000 ICT Infrastructure Development	574.0	15,758.7	16,332.7	927.0	11,562.0	12,488.0	940.0	4,390.0	5,330.0	942.0	4,413.0	5,355.0
	0217000 E-Government Services	1,338.0	1,227.0	2,565.0	1,713.0	1,213.0	2,926.0	1,768.0	1,417.0	3,185.0	1,709.0	1,417.0	3,126.0
	1123 State Department for Broadcasting & Telecommunications	**6,690.6**	**817.0**	**7,507.6**	**6,202.0**	**791.0**	**6,993.0**	**6,499.0**	**903.0**	**7,402.0**	**6,728.0**	**983.0**	**7,711.0**
	0207000 General Administration Planning and Support Services	228.4	-	228.4	237.0	-	237.0	252.0	-	252.0	270.0	-	270.0
	0208000 Information And Communication Services	5,267.3	398.0	5,665.3	5,550.0	511.0	6,061.0	5,699.0	538.0	6,237.0	5,535.0	583.0	6,118.0
	0209000 Mass Media Skills Development	228.0	110.0	338.0	248.0	180.0	428.0	337.0	200.0	537.0	666.0	400.0	1,066.0
	0221000 Film Development Services Programme	966.9	309.0	1,275.9	167.0	100.0	267.0	211.0	165.0	376.0	257.0	-	257.0

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**ENERGY, INFRASTRUCTURE AND ICT**	**131,010.0**	**276,750.1**	**407,760.1**	**113,039.0**	**308,966.0**	**422,004.0**	**118,839.0**	**303,174.0**	**422,013.0**	**124,119.0**	**310,815.0**	**434,934.0**
	1152 State Department for Energy	14,696.0	80,971.9	95,667.9	7,822.0	70,563.0	78,385.0	8,422.0	53,407.0	61,829.0	8,670.0	51,259.0	59,929.0
	0211000 General Administration Planning and Support Services	411.0	208.0	619.0	422.0	335.0	757.0	484.0	400.0	884.0	372.0	470.0	842.0
	0212000 Power Generation	2,914.0	17,584.0	20,498.0	2,706.0	12,529.0	15,235.0	2,868.0	8,264.0	11,132.0	2,802.0	5,523.0	8,325.0
	0213000 Power Transmission and Distribution	11,238.4	60,984.9	72,223.2	4,592.0	54,771.0	59,363.0	4,965.0	43,087.0	48,052.0	5,388.0	44,647.0	50,035.0
	0214000 Alternative Energy Technologies	132.6	2,195.0	2,327.6	102.0	2,928.0	3,030.0	105.0	1,656.0	1,761.0	108.0	619.0	727.0
	State Department for Petroleum	-	-	-	**383.0**	**3,303.0**	**3,686.0**	**458.0**	**3,385.0**	**3,843.0**	**431.0**	**3,408.0**	**3,839.0**
	0215000 Exploration and Distribution of Oil and Gas				383.0	3,303.0	3,686.0	458.0	3,385.0	3,843.0	431.0	3,408.0	3,839.0
	1194 Ministry of Petroleum and Mining	**21,349.0**	**3,302.0**	**24,651.0**	-	-	-	-	-	-	-	-	-
	0215000 Exploration and Distribution of Oil and Gas	87.0	2,910.0	2,997.0									
	1007000 General Administration Planning and Support Services	20,933.4	-	20,933.4									
	1009000 Mineral Resources Management	266.6	162.3	428.9									
	1021000 Geological Survey and Geoformation Management	62.0	229.7	291.7									
030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	**20,916.5**	**7,377.7**	**28,294.2**	**22,655.7**	**29,069.5**	**51,725.2**	**23,226.5**	**34,468.8**	**57,695.3**	**23,902.9**	**39,158.5**	**63,061.4**
	1173 State Department for Cooperatives	**1,839.7**	**422.5**	**2,262.2**	**1,517.4**	**309.0**	**1,826.4**	**1,541.0**	**436.0**	**1,977.0**	**1,576.8**	**472.0**	**2,048.8**
	0304000 Cooperative Development and Management	1,839.7	422.5	2,262.2	1,517.4	309.0	1,826.4	1,541.0	436.0	1,977.0	1,576.8	472.0	2,048.8
	1174 State Department for Trade	**2,514.6**	**1,486.6**	**4,001.2**	**2,210.9**	**180.1**	**2,391.0**	**2,331.0**	**254.0**	**2,585.0**	**2,436.1**	**275.0**	**2,711.1**
	Programme 2: Regional Economic Integration Initiatives				143.8	40.1	183.9	155.6	70.0	225.6	173.8	71.0	244.8
	0309000 Domestic Trade and Enterprise Development	562.4	1,436.6	1,999.0	553.5	140.0	693.5	567.1	184.0	751.1	577.1	204.0	781.1
	0310000 Fair Trade Practices And Compliance of Standards	548.5	50.0	598.5									
	0311000 International Trade Development and Promotion	1,029.6	-	1,029.6	1,030.3	-	1,030.3	1,056.3	-	1,056.3	1,100.2	-	1,100.2
	0312000 General Administration, Planning and Support Services	374.1	-	374.1	483.3	-	483.3	552.0	-	552.0	585.1	-	585.1
	1176 State Department for Micro Small and Medium Enterprises Development				**1,813.0**	**11,079.2**	**12,892.2**	**1,864.8**	**16,639.4**	**18,504.2**	**1,963.1**	**21,691.0**	**23,654.1**
	Programme 1: Promotion and Development of MSMEs				460.3	178.2	638.5	477.2	252.7	729.9	508.2	273.7	781.9
	Programme2: Product and Market Development for MSMEs				481.1	634.0	1,115.1	494.4	1,008.0	1,502.4	520.5	1,007.2	1,527.7
	Programme 3: Digitization and Financial Inclusion For MSMEs				478.8	10,267.0	10,745.8	500.1	15,378.7	15,878.8	536.1	20,410.1	20,946.2
	Programme 4: General Administration, Support Services and Planning				392.8	-	392.8	393.1	-	393.1	398.3	-	398.3

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	**20,916.5**	**7,377.7**	**28,294.2**	**22,655.7**	**29,069.5**	**51,725.2**	**23,226.5**	**34,468.8**	**57,695.3**	**23,902.9**	**39,158.5**	**63,061.4**
	1175 State Department for Industry	3,625.0	3,501.6	7,126.5	2,747.6	2,785.4	5,533.1	2,917.3	2,954.9	5,872.2	3,044.4	2,716.1	5,760.5
	0301000 General Administration Planning and Support Services	462.1	-	462.1	428.6	-	428.6	477.4	-	477.4	512.6	-	512.6
	0302000 Industrial Training & Industrial Development	1,640.3	995.2	2,635.5	896.4	575.9	1,472.3	968.5	891.4	1,859.9	999.1	800.0	1,799.1
	0303000 Standards and Business Incubation	1,522.5	2,506.4	4,028.9									
	Programme 3: Standards and Quality Infrastructure and Research				1,422.7	2,209.5	3,632.2	1,471.4	2,063.5	3,534.9	1,532.8	1,916.1	3,448.9
	1177 State Department for Investments Promotion				1,280.7	5,682.0	6,962.7	1,300.0	5,027.4	6,327.4	1,336.5	5,054.3	6,390.8
	Programme 1: General Administration, Planning and Support Services				181.9	-	181.9	182.6	-	182.6	188.3	-	188.3
	Programme 2: Promotion of Industrial Development and Investment				1,058.7	5,652.0	6,710.7	1,077.4	4,997.4	6,074.8	1,108.3	4,983.9	6,092.2
	Programme 3: Branding and Export Development				40.0	30.0	70.0	40.0	30.0	70.0	40.0	70.3	110.3
	1202 : State Department for Tourism	**8,676.5**	**352.2**	**9,028.7**	**8,167.1**	**264.0**	**8,431.1**	**8,246.9**	**373.0**	**8,619.9**	**8,325.9**	**403.0**	**8,728.9**
	0306000 Tourism Development and Promotion												
	Programme: Tourism Promotion and Marketing	962.4	50.2	1,012.6	1,035.9	130.0	1,165.9	1,062.8	156.0	1,218.8	1,104.3	225.7	1,330.0
	Programme : Tourism Product Development and Diversification	7,328.6	268.0	7,596.6	6,745.3	116.8	6,862.1	6,774.1	217.0	6,991.1	6,797.5	177.3	6,974.8
	Programme: General Administration Planning and Support services	385.4	34.0	419.4	385.9	17.3	403.2	410.0	-	410.0	424.0	-	424.0
	1221 State Department for East African Community	**767.1**	**-**	**767.1**	**807.7**	**51.0**	**858.7**	**794.9**	**318.0**	**1,112.9**	**823.0**	**227.0**	**1,050.0**
	0305000 East African Affairs and Regional Integration	767.1	-	767.1	807.7	51.0	858.7	794.9	318.0	1,112.9	823.0	227.0	1,050.0
	1222 State Department for ASALS & Regional and Northern Corridor Development	**3,493.7**	**1,614.8**	**5,108.5**	**4,111.4**	**8,718.8**	**12,830.2**	**4,230.7**	**8,466.1**	**12,696.8**	**4,397.2**	**8,320.1**	**12,717.3**
	1013000 Integrated Regional Development	3,493.7	1,614.8	5,108.5	2,671.5	1,347.3	4,018.8	2,767.3	1,266.0	4,033.3	2,880.4	1,370.0	4,250.4
	Programme 1: Accelerated ASALs Development				959.9	7,371.5	8,331.3	978.9	7,200.1	8,179.0	1,013.5	6,950.1	7,963.6
	Programme 2: General Administration and Support Services				480.0	-	480.0	484.4	-	484.4	503.4	-	503.4

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)...Contd

	Sector/Vote/Programme Details	Printed Budget Estimates 2022/23			BPS Ceiling 2023/24			2024/25			2025/26		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
040	**HEALTH**	**68,503.0**	**54,016.3**	**122,519.3**	**80,374.0**	**73,638.0**	**154,013.0**	**83,512.0**	**80,574.0**	**164,086.0**	**87,719.0**	**86,048.0**	**173,768.0**
	0401000 Preventive, Promotive & RMNCAH	2,184.8	24,370.8	26,555.6									
	0402000 National Referral & Specialized Services	40,000.1	11,851.5	51,851.6									
	0403000 Health Research and Development	10,850.0	1,549.0	12,399.0									
	0404000 General Administration, Planning & Support Services	7,747.6	1,082.0	8,829.6									
	0405000 Health Policy, Standards and Regulations	7,720.6	15,162.9	22,883.5									
	State Department for Medical Services				61,704.0	33,648.0	95,352.0	63,599.0	35,210.0	98,809.0	66,740.0	35,200.0	101,940.0
	0401000 Preventive, Promotive & RMNCAH				360.0	3,115.0	3,475.0	362.0	2,150.0	2,512.0	390.0	800.0	1,190.0
	0402000 National Referral & Specialized Services				54,375.0	29,933.0	84,308.0	56,323.0	32,370.0	88,693.0	58,774.0	33,422.0	92,196.0
	0403000 Health Research and Development				3,307.0	600.0	3,907.0	3,271.0	690.0	3,961.0	3,421.0	978.0	4,399.0
	0404000 General Administration, Planning & Support Services				3,662.0	-	3,662.0	3,643.0	-	3,643.0	4,155.0	-	4,155.0
	1083 State Department for Public Health and Professional Standard				18,670.0	39,990.0	58,661.0	19,913.0	45,364.0	65,277.0	20,979.0	50,848.0	71,828.0
	Preventive, Promotive & RMNCAH				3,133.0	38,552.0	41,686.0	3,580.0	43,992.0	47,572.0	3,733.0	48,884.0	52,618.0
	Programme 1- Health Policy, Standards and Regulations				6,424.0	352.0	6,776.0	6,596.0	500.0	7,096.0	6,879.0	800.0	7,679.0
	Programme 3 - Health Research and Development				8,913.0	1,086.0	9,999.0	9,437.0	872.0	10,309.0	10,067.0	1,164.0	11,231.0
	Programme 4 - Administrative & Support Services				200.0	-	200.0	300.0	-	300.0	300.0	-	300.0
050	**EDUCATION**	**515,600.7**	**28,918.8**	**544,519.5**	**562,874.0**	**34,312.0**	**597,186.0**	**591,210.0**	**26,378.0**	**617,588.0**	**617,154.0**	**22,209.0**	**639,363.0**
	1064 State Department for Technical, Vocational Education and Training	19,100.5	5,829.8	24,930.3	20,344.0	7,081.0	27,425.0	20,504.0	3,887.0	24,391.0	20,740.0	2,801.0	23,541.0
	0505000 Technical Vocational Education and Training	18,860.1	5,829.8	24,690.0	20,039.0	7,081.0	27,120.0	20,223.0	3,887.0	24,110.0	20,455.0	2,801.0	23,256.0
	0507000 Youth Training and Development	44.9	-	44.9	47.0		47.0	49.0		49.0	50.0		50.0
	0508000 General Administration, Planning and Support Services	195.5	-	195.5	258.0		258.0	232.0		232.0	235.0		235.0

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
050	**EDUCATION**	**515,600.7**	**28,918.8**	**544,519.5**	**562,874.0**	**34,312.0**	**597,186.0**	**591,210.0**	**26,378.0**	**617,588.0**	**617,154.0**	**22,209.0**	**639,363.0**
	1065 State Department for Higher Education & Research	**102,857.3**	**6,980.7**	**109,838.0**	**111,604.0**	**5,388.0**	**116,992.0**	**111,564.0**	**4,253.0**	**115,817.0**	**111,570.0**	**3,969.0**	**115,539.0**
	0504000 University Education	101,521.0	6,925.7	108,446.8	110,527.0	5,284.0	115,811.0	110,502.0	4,193.0	114,695.0	110,489.0	3,869.0	114,358.0
	0506000 Research, Science, Technology and Innovation	991.1	55.0	1,046.1	743.0	104.0	847.0	730.0	60.0	790.0	735.0	100.0	835.0
	0508000 General Administration, Planning and Support Services	345.1	-	345.1	334.0	-	334.0	332.0	-	332.0	346.0	-	346.0
	1066 State Department for Basic Education	**95,302.0**	**15,379.2**	**110,681.2**	**109,332.0**	**20,704.0**	**130,036.0**	**112,204.0**	**17,602.0**	**129,806.0**	**114,383.0**	**15,198.0**	**129,581.0**
	0501000 Primary Education	17,992.7	1,884.7	19,877.4	19,979.0	12,596.0	32,575.0	19,976.0	10,714.0	30,690.0	19,995.0	9,690.0	29,685.0
	0502000 Secondary Education	68,516.2	12,898.5	81,414.8	79,106.0	7,275.0	86,381.0	81,873.0	6,055.0	87,928.0	83,874.0	4,675.0	88,549.0
	0503000 Quality Assurance and Standards	3,638.8	446.0	4,084.8	4,196.0	633.0	4,829.0	4,223.0	633.0	4,856.0	4,252.0	633.0	4,885.0
	0508000 General Administration, Planning and Support Services	5,154.3	150.0	5,304.3	6,051.0	200.0	6,251.0	6,132.0	200.0	6,332.0	6,262.0	200.0	6,462.0
	1068 State Department for Post Training and Skills Development	**283.6**	**73.0**	**356.6**	-	-	-	-	-	-	-	-	-
	0508000 General Administration, Planning and Support Services	134.3	-	134.3									
	0512000 Work Place Readiness Services	100.8	73.0	173.8									
	0513000 Post Training Information Management	48.5	-	48.5									
	1069 State Department for Implementation of Curriculum Reforms	**339.3**	-	**339.3**	-	-	-	-	-	-	-	-	-
	0514000 Coordination of the Curriculum reforms Implementation	339.3	-	339.3									
	2091 Teachers Service Commission	**297,718.0**	**656.0**	**298,374.0**	**321,594.0**	**1,139.0**	**322,733.0**	**346,938.0**	**636.0**	**347,574.0**	**370,461.0**	**241.0**	**370,702.0**
	0509000 Teacher Resource Management	289,373.3	600.0	289,973.3	312,996.0	1,095.0	314,091.0	337,827.0	595.0	338,422.0	361,111.0	195.0	361,306.0
	0510000 Governance and Standards	1,161.0	-	1,161.0	1,310.0	-	1,310.0	1,488.0	-	1,488.0	1,488.0	-	1,488.0
	0511000 General Administration, Planning and Support Services	7,183.7	56.0	7,239.7	7,288.0	44.0	7,332.0	7,623.0	41.0	7,664.0	7,862.0	46.0	7,908.0
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**224,127.2**	**10,280.9**	**234,408.1**	**219,591.3**	**10,221.6**	**229,812.9**	**229,506.5**	**13,125.8**	**242,632.2**	**238,865.4**	**14,155.6**	**253,021.0**
	1021 State Department for Interior and Citizen Services	**136,753.6**	**6,778.9**	**143,532.5**	-	-	-	-	-	-	-	-	-
	0601000 Policing Services	101,321.4	1,795.0	103,116.4									
	0603000 Government Printing Services	735.3	300.0	1,035.3									
	0605000 Migration & Citizen Services Management	2,779.5	950.0	3,729.5									
	0625000 Road Safety	2,304.4	520.9	2,825.3									
	0626000 Population Management Services	4,003.4	1,232.0	5,235.4									
	0629000 General Administration and Support Services	24,551.2	1,881.0	26,432.2									
	0630000 Policy Coordination Services	1,058.4	100.0	1,158.4									

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

	Sector/Vote/Programme Details	Printed Budget Estimates 2022/23			BPS Ceiling 2023/24			2024/25			2025/26		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**224,127.2**	**10,280.9**	**234,408.1**	**219,591.3**	**10,221.6**	**229,812.9**	**229,506.5**	**13,125.8**	**242,632.2**	**238,865.4**	**14,155.6**	**253,021.0**
	1023 State Department for Correctional Services	**31,053.3**	**1,165.4**	**32,218.7**	**34,746.9**	**1,430.0**	**36,176.9**	**34,759.5**	**1,676.4**	**36,435.9**	**35,802.9**	**1,966.7**	**37,769.6**
	0623000 General Administration, Planning and Support Services	358.0	15.0	373.0	458.0	15.0	473.0	587.4	30.0	617.4	592.0	40.0	632.0
	0627000 Prison Services	28,850.6	880.4	29,731.0	32,118.6	1,075.0	33,193.6	31,734.7	1,224.7	32,959.4	32,717.3	1,673.5	34,390.8
	0628000 Probation & After Care Services	1,844.7	270.0	2,114.7	2,170.3	340.0	2,510.3	2,437.4	421.7	2,859.1	2,493.6	253.3	2,746.9
	1024 State Department for Immigration and Citizen Services				**7,481.0**	**2,710.1**	**10,191.1**	**7,822.0**	**2,753.9**	**10,575.9**	**8,075.3**	**3,163.5**	**11,238.8**
	Programme 1: General Administration and Support Services				823.8	5.0	828.8	1,022.4	60.0	1,082.4	1,129.6	90.0	1,219.6
	Programme 2: Population Management Services				4,181.6	1,730.1	5,911.7	4,272.0	1,832.0	6,104.1	4,365.2	1,926.5	6,291.6
	Programme 3: Migration & Citizen Services Management				2,475.6	975.0	3,450.6	2,527.6	861.9	3,389.5	2,580.6	1,147.0	3,727.6
	1025 National Police Service				**106,186.0**	**1,747.9**	**107,933.9**	**109,436.3**	**4,182.7**	**113,618.9**	**112,500.5**	**4,013.2**	**116,513.7**
	Programme 1: Policing Services				106,186.0	1,747.9	107,933.9	109,436.3	4,182.7	113,618.9	112,500.5	4,013.2	116,513.7
	1026 State Department for Internal Security and National Administration				**27,301.2**	**1,562.9**	**28,864.1**	**28,483.0**	**1,490.9**	**29,973.9**	**29,251.8**	**1,542.8**	**30,794.6**
	Programme 1: General Administration and Support Services				25,419.8	1,129.2	26,549.0	26,490.3	1,240.9	27,731.2	27,213.5	1,250.6	28,464.1
	Programme 2: Government Printing Services				748.7	383.7	1,132.4	774.1	150.0	924.1	778.1	150.0	928.1
	Programme 3: Policy Coordination Services				1,132.7	50.0	1,182.7	1,218.5	100.0	1,318.5	1,260.2	142.2	1,402.4
	1252 State Law Office	**5,179.4**	**223.5**	**5,402.9**	**6,017.0**	**210.5**	**6,227.5**	**6,368.8**	**218.6**	**6,587.4**	**6,568.9**	**166.6**	**6,735.5**
	0606000 Legal Services	2,479.3	-	2,479.3	2,755.3	-	2,755.3	2,998.8	-	2,998.8	3,084.3	-	3,084.3
	0607000 Governance, Legal Training and Constitutional Affairs	1,897.5	133.5	2,031.0	2,131.0	80.5	2,211.5	2,206.9	67.0	2,273.9	2,286.7	67.0	2,353.7
	0609000 General Administration, Planning and Support Services	802.6	90.0	892.6	1,130.8	130.0	1,260.8	1,163.0	151.6	1,314.6	1,197.8	99.6	1,297.5
	1261 The Judiciary	**16,397.4**	**1,900.0**	**18,297.4**	**18,897.4**	**2,200.0**	**21,097.4**	**22,717.3**	**2,200.0**	**24,917.3**	**26,078.1**	**2,700.0**	**28,778.1**
	0610000 Dispensation of Justice	16,397.4	1,900.0	18,297.4	18,897.4	2,200.0	21,097.4	22,717.3	2,200.0	24,917.3	26,078.1	2,700.0	28,778.1
	1271 Ethics and Anti-Corruption Commission	**3,420.5**	**158.0**	**3,578.5**	**3,723.6**	**128.1**	**3,851.8**	**3,853.1**	**215.9**	**4,068.9**	**3,988.7**	**174.4**	**4,163.1**
	0611000 Ethics and Anti-Corruption	3,420.5	158.0	3,578.5	3,723.6	128.1	3,851.8	3,853.1	215.9	4,068.9	3,988.7	174.4	4,163.1

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**224,127.2**	**10,280.9**	**234,408.1**	**219,591.3**	**10,221.6**	**229,812.9**	**229,506.5**	**13,125.8**	**242,632.2**	**238,865.4**	**14,155.6**	**253,021.0**
	1291 Office of the Director of Public Prosecutions	**3,282.0**	**45.0**	**3,327.0**	**3,585.0**	**155.0**	**3,740.0**	**3,709.3**	**257.7**	**3,966.9**	**3,839.4**	**378.6**	**4,218.0**
	0612000 Public Prosecution Services	3,282.0	45.0	3,327.0	3,585.0	155.0	3,740.0	3,709.3	257.7	3,966.9	3,839.4	378.6	4,218.0
	1311 Office of the Registrar of Political Parties	**2,126.9**	**-**	**2,126.9**	**2,100.8**	**-**	**2,100.8**	**2,158.0**	**-**	**2,158.0**	**2,184.5**	**-**	**2,184.5**
	0614000 Registration, Regulation and Funding of Political Parties	2,126.9	-	2,126.9	2,100.8	-	2,100.8	2,158.0	-	2,158.0	2,184.5	-	2,184.5
	1321 Witness Protection Agency	**649.1**	**-**	**649.1**	**725.9**	**-**	**725.9**	**784.2**	**-**	**784.2**	**812.0**	**-**	**812.0**
	0615000 Witness Protection	649.1	-	649.1	725.9	-	725.9	784.2	-	784.2	812.0	-	812.0
	2011 Kenya National Commission on Human Rights	**464.4**	**-**	**464.4**	**572.9**	**-**	**572.9**	**663.5**	**-**	**663.5**	**684.0**	**-**	**684.0**
	0616000 Protection and Promotion of Human Rights	464.4	-	464.4	572.9	-	572.9	663.5	-	663.5	684.0	-	684.0
	2031 Independent Electoral and Boundaries Commission	**21,686.8**	**-**	**21,686.8**	**4,448.2**	**77.0**	**4,525.2**	**4,624.8**	**129.7**	**4,754.5**	**4,800.2**	**49.8**	**4,850.0**
	0617000 Management of Electoral Processes	21,365.3	-	21,365.3	4,172.6	77.0	4,249.6	4,568.5	129.7	4,698.2	4,741.2	49.8	4,791.0
	0618000 Delimitation of Electoral Boundaries	321.5	-	321.5	275.7	-	275.7	56.3	-	56.3	59.0	-	59.0
	2051 Judicial Service Commission	**587.0**	**-**	**587.0**	**896.6**	**-**	**896.6**	**937.2**	**-**	**937.2**	**979.2**	**-**	**979.2**
	0619000 General Administration, Planning and Support Services	587.0	-	587.0	896.6		896.6	937.2		937.2	979.2		979.2
	2101 National Police Service Commission	**1,029.3**	**-**	**1,029.3**	**1,245.5**	**-**	**1,245.5**	**1,343.1**	**-**	**1,343.1**	**1,390.1**	**-**	**1,390.1**
	0620000 National Police Service Human Resource Management	1,029.3	-	1,029.3	1,245.5	-	1,245.5	1,343.1	-	1,343.1	1,390.1	-	1,390.1
	2141 National Gender and Equality Commission	**473.2**	**10.1**	**483.3**	**531.2**	**-**	**531.2**	**621.7**	**-**	**621.7**	**641.9**	**-**	**641.9**
	0621000 Promotion of Gender Equality and Freedom from Discrimination	473.2	10.1	483.3	531.2	-	531.2	621.7	-	621.7	641.9	-	641.9
	2151 Independent Policing Oversight Authority	**1,024.6**	**-**	**1,024.6**	**1,132.0**	**-**	**1,132.0**	**1,225.1**	**-**	**1,225.1**	**1,267.9**	**-**	**1,267.9**
	0622000 Policing Oversight Services	1,024.6	-	1,024.6	1,132.0	-	1,132.0	1,225.1	-	1,225.1	1,267.9	-	1,267.9
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**177,982.1**	**178,875.5**	**356,857.6**	**195,061.7**	**113,852.3**	**308,914.0**	**238,498.4**	**153,026.0**	**391,524.4**	**347,542.6**	**163,484.6**	**511,027.1**
	1011 Executive Office of the President	**17,083.9**	**5,983.1**	**23,067.0**	**6,967.3**	**1,281.0**	**8,248.3**	**7,069.4**	**1,452.5**	**8,521.9**	**7,352.7**	**1,426.9**	**8,779.5**
	0702000 Cabinet Affairs	1,594.6	252.3	1,846.9	1,549.9	352.3	1,902.1	1,567.5	352.3	1,919.8	1,665.5	352.3	2,017.8
	0703000 Government Advisory Services	649.3	75.0	724.3	491.2	-	491.2	615.0	-	615.0	619.5	-	619.5
	0704000 State House Affairs	4,080.8	286.9	4,367.7	4,926.3	928.8	5,855.0	4,886.9	1,100.2	5,987.1	5,067.6	1,074.6	6,142.3
	0734000 Deputy President Services	1,690.5	20.4	1,710.9									
	0745000 Nairobi Metropolitan Services	9,068.7	5,348.6	14,417.3									

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

	Sector/Vote/Programme Details	Printed Budget Estimates 2022/23			BPS Ceiling 2023/24			2024/25			2025/26		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**177,982.1**	**178,875.5**	**356,857.6**	**195,061.7**	**113,852.3**	**308,914.0**	**238,498.4**	**153,026.0**	**391,524.4**	**347,542.6**	**163,484.6**	**511,027.1**
	1012 Office of the Deputy President	-	-	-	**4,283.9**	**250.4**	**4,534.3**	**4,544.1**	**373.4**	**4,917.4**	**4,621.3**	**389.1**	**5,010.4**
	0734000 Deputy President Services				4,283.9	250.4	4,534.3	4,544.1	373.4	4,917.4	4,621.3	389.1	5,010.4
	1032 State Department for Devolution	**1,444.9**	**297.0**	**1,741.9**	**1,594.9**	**293.0**	**1,887.9**	**1,658.7**	**319.7**	**1,978.4**	**1,729.7**	**338.0**	**2,067.8**
	0712000 Devolution Services	1,444.9	297.0	1,741.9	379.8	293.0	672.8	379.8	319.7	699.5	379.8	338.0	717.8
	0732000 General Administration, Planning and Support Services				482.5	-	482.5	516.7	-	516.7	549.4	-	549.4
	Management of Intergovernmental Relations				732.6	-	732.6	762.2	-	762.2	800.5	-	800.5
	1013 Office of the Prime Cabinet Secretary	-	-	-	**2,048.7**	-	**2,048.7**	**2,058.0**	-	**2,058.0**	**2,068.6**	-	**2,068.6**
	Public Service Performance Management and Delivery Services				374.9	-	374.9	378.8	-	378.8	383.2	-	383.2
	Government Coordination and Supervision Services				272.0	-	272.0	275.8	-	275.8	280.0	-	280.0
	General Administration, Planning and Support Services				1,144.5	-	1,144.5	1,144.5	-	1,144.5	1,144.5	-	1,144.5
	Parliamentary Liaison & Legislative Affairs				257.3	-	257.3	259.0	-	259.0	261.0	-	261.0
	1053 State Department for Foreign Affairs	**17,236.2**	**1,796.1**	**19,032.3**	**18,046.2**	**2,371.0**	**20,417.2**	**18,984.6**	**2,084.8**	**21,069.4**	**19,726.4**	**2,183.3**	**21,909.8**
	0714000 General Administration Planning and Support Services	2,413.9	252.1	2,666.0	2,851.5	500.0	3,351.5	2,994.1	400.0	3,394.1	3,114.5	429.3	3,543.8
	0715000 Foreign Relation and Diplomacy	14,630.7	1,394.0	16,024.7	15,003.1	1,671.0	16,674.1	15,792.6	1,484.8	17,277.4	16,412.0	1,554.0	17,966.0
	0741000 Economic and Commercial Diplomacy	51.8	-	51.8	51.8	-	51.8	55.5	-	55.5	58.2	-	58.2
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	139.8	150.0	289.8	139.8	200.0	339.8	142.5	200.0	342.5	141.7	200.0	341.7
	1054 State Department for Diaspora Affairs				**814.0**	-	**814.0**	**814.6**	-	**814.6**	**815.3**	-	**815.3**
	General Administration, Planning and Support Services				104.7	-	104.7	104.9	-	104.9	105.1	-	105.1
	Management of Diaspora and Consular Affairs				709.3	-	709.3	709.7	-	709.7	710.2	-	710.2
	1071 The National Treasury	**53,845.1**	**120,551.8**	**174,396.9**	**82,994.4**	**47,905.9**	**130,900.3**	**124,156.3**	**77,746.2**	**201,902.5**	**229,345.6**	**77,613.8**	**306,959.4**
	0717000 General Administration Planning and Support Services	44,707.9	14,515.8	59,223.7	65,535.0	13,452.7	78,987.7	94,968.8	22,050.3	117,019.1	165,342.5	22,215.4	187,557.9
	0718000 Public Financial Management	7,561.8	61,394.6	68,956.4	16,400.5	24,690.4	41,090.8	24,729.1	49,563.6	74,292.7	54,338.7	49,266.1	103,604.8
	0719000 Economic and Financial Policy Formulation and Management	1,198.4	9,562.8	10,761.2	628.8	9,705.8	10,334.6	3,949.1	6,044.0	9,993.1	9,129.3	6,044.0	15,173.3
	0720000 Market Competition	302.1	30.0	332.1	352.1	57.0	409.1	389.7	88.4	478.1	407.3	88.4	495.7
	0740000 Government Clearing Services	74.8	-	74.8	78.1	-	78.1	119.6	-	119.6	127.8	-	127.8
	0203000 Rail Transport	-	31,928.0	31,928.0									
	0204000 Marine Transport	-	3,120.6	3,120.6									

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

	Sector/Vote/Programme Details	Printed Budget Estimates 2022/23			BPS Ceiling 2023/24			2024/25			2025/26		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**177,982.1**	**178,875.5**	**356,857.6**	**195,061.7**	**113,852.3**	**308,914.0**	**238,498.4**	**153,026.0**	**391,524.4**	**347,542.6**	**163,484.6**	**511,027.1**
	1072 State Department for Economic Planning	**3,955.5**	**45,130.6**	**49,086.1**	**4,146.0**	**58,072.9**	**62,218.9**	**4,431.3**	**66,956.7**	**71,388.0**	**4,630.5**	**77,293.0**	**81,923.5**
	0706000 Economic Policy and National Planning	2,107.0	44,806.4	46,913.4	2,257.8	54,414.5	56,672.3	2,419.2	63,278.8	65,698.0	2,536.6	73,599.4	76,135.9
	0707000 National Statistical Information Services	1,317.6	228.8	1,546.4	1,317.6	3,532.9	4,850.6	1,383.5	3,536.3	4,919.8	1,442.9	3,537.3	4,980.2
	0708000 Monitoring and Evaluation Services	180.3	95.5	275.8	114.4	125.5	239.9	124.1	141.6	265.7	128.2	156.4	284.6
	0709000 General Administration Planning and Support Services	350.6	-	350.6	456.2	-	456.2	504.5	-	504.5	522.8	-	522.8
	1213 State Department for Public Service	**23,141.8**	**703.0**	**23,844.8**	**23,181.7**	**1,078.1**	**24,259.8**	**21,756.1**	**1,414.1**	**23,170.3**	**22,186.2**	**1,507.8**	**23,693.9**
	0710000 Public Service Transformation	9,659.7	602.2	10,261.9	1,287.4	383.0	1,670.4	1,393.2	423.0	1,816.2	1,453.9	463.0	1,916.9
	0709000 General Administration Planning and Support Services	569.0	30.8	599.8	599.9	30.0	629.9	644.2	34.5	678.7	667.9	40.1	708.0
	Public Service Human Resource Management and Development				8,380.9	581.1	8,962.0	8,428.8	673.1	9,101.9	8,457.6	721.1	9,178.7
	0747000 National Youth Service	12,913.2	70.0	12,983.2	12,913.5	84.0	12,997.5	11,290.0	283.6	11,573.5	11,606.7	283.6	11,890.3
	1214 State Department for Youth Affairs	**1,524.3**	**1,932.8**	**3,457.1**	-	-	-	-	-	-	-	-	-
	0711000 Youth Empowerment	498.9	476.7	975.6									
	Youth Development Services	638.6	1,456.1	2,094.7									
	General Administration, Planning and Support Services	386.8	-	386.8									
	Parliament	**48,155.0**	**2,065.0**	**50,220.0**	**38,336.8**	**2,065.0**	**40,401.8**	**39,846.0**	**2,065.0**	**41,911.0**	**41,418.7**	**2,065.0**	**43,483.7**
	2061 The Commission on Revenue Allocation	**492.0**	-	**492.0**	**501.3**	-	**501.3**	**551.4**	-	**551.4**	**574.0**	-	**574.0**
	0737000 Inter-Governmental Transfers and Financial Matters	492.0	-	492.0	501.3	-	501.3	551.4	-	551.4	574.0	-	574.0
	2071 Public Service Commission	**2,555.8**	**26.3**	**2,582.1**	**2,721.9**	**45.3**	**2,767.2**	**2,787.9**	**52.2**	**2,840.1**	**2,860.8**	**57.0**	**2,917.7**
	0725000 General Administration, Planning and Support Services	916.8	26.3	943.1	932.5	45.3	977.8	962.7	52.2	1,014.9	999.0	57.0	1,055.9
	0726000 Human Resource management and Development	1,445.7	-	1,445.7	1,521.7	-	1,521.7	1,538.8	-	1,538.8	1,557.0	-	1,557.0
	0727000 Governance and National Values	147.7	-	147.7	151.0	-	151.0	155.5	-	155.5	159.2	-	159.2
	0744000 Performance and Productivity Management	45.6	-	45.6	61.8	-	61.8	64.2	-	64.2	65.7	-	65.7
	Administration of Quasi-Judicial Functions				55.0	-	55.0	66.7	-	66.7	79.9	-	79.9
	2081 Salaries and Remuneration Commission	**612.5**	-	**612.5**	**612.5**	-	**612.5**	**637.0**	-	**637.0**	**664.5**	-	**664.5**
	0728000 Salaries and Remuneration Management	612.5	-	612.5	612.5	-	612.5	637.0	-	637.0	664.5	-	664.5
	2111 Auditor General	**6,508.5**	**389.7**	**6,898.2**	**7,283.1**	**489.7**	**7,772.8**	**7,544.6**	**561.4**	**8,106.0**	**7,826.3**	**610.6**	**8,437.0**
	0729000 Audit Services	6,508.5	389.7	6,898.2	7,283.1	489.7	7,772.8	7,544.6	561.4	8,106.0	7,826.3	610.6	8,437.0
	2121 Office of the Controller of Budget	**702.4**	-	**702.4**	**749.0**	-	**749.0**	**847.5**	-	**847.5**	**879.0**	-	**879.0**
	0730000 Control and Management of Public finances	702.4	-	702.4	749.0	-	749.0	847.5	-	847.5	879.0	-	879.0
	2131 The Commission on Administrative Justice	**724.3**	-	**724.3**	**779.8**	-	**779.8**	**810.8**	-	**810.8**	**843.0**	-	**843.0**
	0731000 Promotion of Administrative Justice	724.3	-	724.3	779.8	-	779.8	810.8	-	810.8	843.0	-	843.0

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
080	**NATIONAL SECURITY**	**174,343.0**	**3,468.0**	**177,811.0**	**186,638.0**	**32,606.0**	**219,244.0**	**193,557.0**	**49,075.0**	**242,632.0**	**198,595.0**	**29,805.0**	**228,400.0**
	1041 Ministry of Defence	**128,215.3**	3,468.0	131,683.3	**139,837.0**	32,606.0	172,443.0	**146,123.2**	49,075.0	195,198.2	**150,814.0**	29,805.0	180,619.0
	0801000 Defence	124,969.6	3,468.0	128,437.6	136,193.0	32,606.0	168,799.0	142,466.2	49,075.0	191,541.2	147,062.0	29,805.0	176,867.0
	0802000 Civil Aid	400.0	-	400.0	500.0	-	500.0	500.0	-	500.0	500.0	-	500.0
	0803000 General Administration, Planning and Support Services	2,625.7	-	2,625.7	2,794.0	-	2,794.0	2,807.0	-	2,807.0	2,902.0	-	2,902.0
	0805000 National Space Management	220.0	-	220.0	350.0	-	350.0	350.0	-	350.0	350.0	-	350.0
	1281 National Intelligence Service	**46,127.7**	-	**46,127.7**	**46,801.0**	-	**46,801.0**	**47,433.8**	-	**47,433.8**	**47,781.0**	-	**47,781.0**
	0804000 National Security Intelligence	46,127.7	-	46,127.7	46,801.0	-	46,801.0	47,433.8	-	47,433.8	47,781.0	-	47,781.0
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	**41,674.0**	**31,539.5**	**73,213.5**	**44,749.9**	**24,257.3**	**69,007.2**	**45,608.0**	**24,401.8**	**70,009.8**	**45,909.1**	**22,720.0**	**68,629.1**
	1035 State Department for Development of the ASAL	**1,059.2**	**9,360.2**	**10,419.4**	-	-	-	-	-	-	-	-	-
	0733000 Accelerated ASAL Development	1,059.2	9,360.2	10,419.4									
	1132 State Department for Sports & Arts	**1,543.0**	**15,883.0**	**17,426.0**	**3,184.0**	**16,417.1**	**19,601.1**	**3,206.8**	**17,261.0**	**20,467.8**	**3,230.4**	**17,661.0**	**20,891.4**
	0901000 Sports	1,543.0	15,883.0	17,426.0	1,370.8	16,129.2	17,500.0	1,376.2	16,850.0	18,226.2	1,381.9	17,050.0	18,431.9
	Programme2: The Arts				1,142.8	216.6	1,359.4	1,135.7	311.0	1,446.7	1,138.7	511.0	1,649.7
	Programme 3: Library Services				395.7	71.3	467.0	396.9	100.0	496.9	398.2	100.0	498.2
	Programme 4: General Administration, Planning and Support Services				274.7	-	274.7	298.0	-	298.0	311.6	-	311.6
	1134 State Department for Culture and Heritage	**3,154.4**	**77.5**	**3,231.9**	**2,841.2**	**127.2**	**2,968.4**	**2,827.6**	**700.0**	**3,527.6**	**2,850.8**	**617.0**	**3,467.8**
	Programme 1: Culture Development	2,013.0	47.5	2,060.5	2,586.6	127.2	2,713.8	2,608.4	643.0	3,251.4	2,620.3	561.0	3,181.3
	0903000 The Arts	157.1	-	157.1									
	0904000 Library Services	793.7	30.0	823.7									
	0905000 General Administration, Planning and Support Services	190.6	-	190.6	254.7	-	254.7	219.2	57.0	276.2	230.5	56.0	286.5
	1184 State Department for Labour	**2,911.1**	**572.5**	**3,483.6**	**3,382.3**	**689.0**	**4,071.3**	**3,484.7**	**436.6**	**3,921.3**	**3,539.0**	**286.5**	**3,825.5**
	0910000 General Administration Planning and Support Services	504.0	-	504.0	817.3	-	817.3	822.5	-	822.5	848.8	-	848.8
	0906000 Promotion of the Best Labour Practice	730.6	111.8	842.3	787.1	166.4	953.5	825.9	120.0	945.9	848.1	130.0	978.1
	0907000 Manpower Development, Employment and Productivity Management	1,676.5	460.7	2,137.3	1,716.2	479.6	2,195.7	1,774.6	275.6	2,050.1	1,780.3	60.5	1,840.8
	Workplace Readiness Services				36.8	43.0	79.8	36.8	41.0	77.8	36.8	46.0	82.8
	Post Training Information Services				25.0	-	25.0	25.0	-	25.0	25.0	50.0	75.0

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	**41,674.0**	**31,539.5**	**73,213.5**	**44,749.9**	**24,257.3**	**69,007.2**	**45,608.0**	**24,401.8**	**70,009.8**	**45,909.1**	**22,720.0**	**68,629.1**
	1185 State Department for Social Protection, Pensions & Senior Citizens Affairs	31,805.9	2,870.3	34,676.2	32,545.2	3,567.4	36,112.6	33,165.6	2,065.0	35,230.6	33,289.0	438.0	33,727.0
	0908000 Social Development and Children Services	4,252.5	318.8	4,571.3	4,444.5	325.3	4,769.8	4,567.1	379.0	4,946.1	4,684.5	438.0	5,122.5
	0909000 National Social Safety Net	27,309.6	2,551.5	29,861.1	27,831.9	3,242.1	31,073.9	28,325.0	1,686.0	30,011.0	28,326.3	-	28,326.3
	0914000 General Administration, Planning and Support Services	243.9	-	243.9	268.9	-	268.9	273.5	-	273.5	278.2	-	278.2
	1212 State Department for Gender	1,200.4	2,776.0	3,976.4	1,403.8	2,557.8	3,961.7	1,436.9	2,691.0	4,127.9	1,469.0	2,741.0	4,210.0
	0911000 Community Development	-	2,130.0	2,130.0	36.0	2,130.0	2,166.0	36.0	2,130.0	2,166.0	36.0	2,130.0	2,166.0
	0912000 Gender Empowerment	874.3	646.0	1,520.3	1,002.6	427.8	1,430.5	1,023.7	561.0	1,584.7	1,040.1	611.0	1,651.1
	0913000 General Administration, Planning and Support Services	326.1	-	326.1	365.2	-	365.2	377.2	-	377.2	392.9	-	392.9
	1214. State Department for Youth Affairs				1,393.3	898.8	2,292.1	1,486.4	1,248.3	2,734.7	1,530.9	976.5	2,507.4
	Youth Empowerment Services				231.7	248.7	480.4	239.7	425.1	664.8	242.5	80.0	322.5
	Youth Development Services				806.2	650.2	1,456.4	853.4	823.2	1,676.6	869.2	896.5	1,765.7
	General Administration, Planning and Support Services				355.4	-	355.4	393.2	-	393.2	419.2	-	419.2
0100	**ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES**	**24,527.5**	**82,650.7**	**107,178.2**	**27,933.0**	**96,635.0**	**124,568.0**	**31,208.0**	**108,373.0**	**139,580.0**	**31,479.0**	**116,187.0**	**147,666.0**
	1108 Ministry of Environment and Forestry	10,616.0	4,639.8	15,255.8	-	-	-	-	-	-	-	-	-
	1002000 Environment Management and Protection	1,958.0	1,153.8	3,111.8									
	1010000 General Administration, Planning and Support Services	475.2	-	475.2									
	1012000 Meteorological Services	1,103.8	413.0	1,516.8									
	1018000 Forests and Water Towers Conservation	7,079.0	3,073.0	10,152.0									

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

	Sector/Vote/Programme Details	Printed Budget Estimates 2022/23			BPS Ceiling 2023/24			2024/25			2025/26		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0100	**ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES**	**24,527.5**	**82,650.7**	**107,178.2**	**27,933.0**	**96,635.0**	**124,568.0**	**31,208.0**	**108,373.0**	**139,580.0**	**31,479.0**	**116,187.0**	**147,666.0**
	State Department for Environment and Climate Change				4,231.0	1,923.0	6,154.0	4,321.0	2,046.0	6,367.0	4,362.0	2,265.0	6,627.0
	Programme 1:General Administration, Planning and Support Services				337.0	-	337.0	389.0	-	389.0	395.0	-	395.0
	Programme 2: Environment Management and Protection				2,258.0	1,278.0	3,536.0	2,271.0	1,433.0	3,704.0	2,279.0	1,586.0	3,865.0
	Programme 3: Meteorological Services				1,142.0	495.0	1,637.0	1,167.0	463.0	1,630.0	1,194.0	529.0	1,723.0
	Programme 4: Water Towers Rehabilitation and Conervation				494.0	150.0	644.0	494.0	150.0	644.0	494.0	150.0	644.0
	1332 State Department for Forestry				**7,274.0**	**4,049.0**	**11,323.0**	**7,784.0**	**3,310.0**	**11,094.0**	**7,794.0**	**3,019.0**	10,813.0
	Programme 1: Forests and Water Towers Conservation				7,274.0	4,049.0	11,323.0	7,784.0	3,310.0	11,094.0	7,794.0	3,019.0	10,813.0
	State Department for Water & Sanitation				**5,581.0**	**65,528.0**	**71,109.0**	**5,813.0**	**71,278.0**	**77,091.0**	**5,836.0**	**71,227.0**	**77,063.0**
	P 1. General Administration, Planning and Support Services				726.0	420.0	1,146.0	796.0	50.0	846.0	807.0	50.0	857.0
	P2. Water Resources Management				1,367.0	19,938.0	21,305.0	1,373.0	3,820.0	5,193.0	1,377.0	6,288.0	7,665.0
	P3. Water and Sewerage Infrastructure Development				3,488.0	45,170.0	48,658.0	3,644.0	67,408.0	71,052.0	3,652.0	64,889.0	68,541.0
	P4. Water Storage and Flood Control												
	1104 State Department for Irrigation				**1,351.0**	**23,001.0**	**24,352.0**	**1,441.0**	**29,415.0**	**30,856.0**	**1,451.0**	**37,144.0**	**38,595.0**
	Programme 1:General Administration, Planning and Support Services				83.0	-	83.0	83.0	-	83.0	84.0	-	84.0
	P2. Irrigation and Land Reclamation				744.0	16,481.0	17,225.0	777.0	12,603.0	13,380.0	781.0	15,152.0	15,933.0
	P3. Water Harvesting Storage for Irrigation				31.0	1,970.0	2,001.0	33.0	9,352.0	9,385.0	38.0	12,601.0	12,639.0
	P4. Water Storage and Flood Control				493.0	4,550.0	5,043.0	548.0	7,460.0	8,008.0	548.0	9,391.0	9,939.0

Annex Table 4a: Summary of Expenditure by Programmes (Ksh Million)…Contd

		Printed Budget Estimates			BPS Ceiling								
		2022/23			2023/24			2024/25			2025/26		
	Sector/Vote/Programme Details	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0100	**ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES**	**24,527.5**	**82,650.7**	**107,178.2**	**27,933.0**	**96,635.0**	**124,568.0**	**31,208.0**	**108,373.0**	**139,580.0**	**31,479.0**	**116,187.0**	**147,666.0**
	1109 Ministry of Water & Sanitation and Irrigation	6,747.5	77,189.1	83,936.6									
	1001000 General Administration, Planning and Support Services	813.6	866.0	1,679.6									
	1004000 Water Resources Management	1,779.6	13,530.0	15,309.6									
	1017000 Water and Sewerage Infrastructure Development	3,395.8	42,324.1	45,719.9									
	1014000 Irrigation and Land Reclamation	726.5	8,399.0	9,125.5									
	1015000 Water Storage and Flood Control	-	10,012.0	10,012.0									
	1022000 Water Harvesting and Storage for Irrigation	32.0	2,058.0	2,090.0									
	State Department for Mining				648.0	542.0	1,190.0	672.0	626.0	1,297.0	693.0	724.0	1,417.0
	1007000 General Administration Planning and Support Services				281.0	-	281.0	290.0	-	290.0	297.0	-	297.0
	1009000 Mineral Resources Management				301.0	190.0	491.0	313.0	208.0	520.0	324.0	241.0	565.0
	1021000 Geological Survey and Geoformation Management				66.0	352.0	418.0	69.0	418.0	487.0	72.0	483.0	555.0
	1203 State Department for Wildlife	**7,164.0**	**821.8**	**7,985.8**	**8,848.0**	**1,592.0**	**10,440.0**	**11,177.0**	**1,698.0**	**12,875.0**	**11,343.0**	**1,808.0**	**13,151.0**
	1019000 Wildlife Conservation and Management	7,164.0	821.8	7,985.8	8,848.0	1,592.0	10,440.0	11,177.0	1,698.0	12,875.0	11,343.0	1,808.0	13,151.0
	TOTAL	**1,403,904.0**	**715,354.8**	**2,119,258.8**	**1,485,104.6**	**766,972.6**	**2,252,077.2**	**1,589,647.4**	**843,753.4**	**2,433,399.8**	**1,751,794.9**	**859,646.6**	**2,611,442.5**

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Annex Table 5: Highlights of the Issues Raised During Public Participation

Sector	Issues	Proposed Way Forward/Action Taken/Response
Agriculture Rural and Urban Development Sector	**Additional Funding Requirement**	
	10 percent of the Budget need to be allocated in the agriculture sector to address the resource gap. Part of these allocation should be channelled to reviving the pyrethrum processing company of Kenya.	3 percent of the Budget is channelled to Agriculture. Farming contribute 25 percent of the agriculture value chain. Agriculture is also shared between National Government and County Governments.
	Involvement of the private sector in sector planning as a way of tapping financing for Agriculture sector.	• The Government policies and bills have addressed how the Government will bring on board the private sector and it is up to the private sector players to identify the existing gaps. • Private Sector as stakeholders in the sector are also invited to interrogate some of the Government programmes during the design level.
	• Need to allocate a portion of resources that goes to fertilizer subsidy to organic fertilizer. • What is the sector doing to address the issue of Climate change?	• Subsidies will also be channelled to organic fertilizer and it will be a choice of the farmer with E-voucher to either use organic fertilizer or not. • Most of Government programmes are designed to address climate change. One the programmes is the Kenya Climate Smart Agriculture Programme.
	There is no much budgetary allocation in coffee sector. The Coffee Research Institute not funded properly	• In the Executive Order No. 1, the issue of coffee revitalization has been given high level attention that will be steered from the office of the Deputy President. These include issues to deal with the cherry fund and coffee reforms. • Coffee research Institute is an autonomous research institution and will receive funding directly from the Ministry.
	Proposed Interventions	
	Privatization of the pyrethrum growing in Kenya. The Sector should have a mechanism on disaster preparedness.	• The Ministry has a programme towards privatization of the pyrethrum industry. The private sector is also welcomed to fill in the available gaps in the pyrethrum industry.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Legal instruments need to be aligned to the Kenya Kwanza Manifesto since the Medium Term Plan IV will be anchored on the Kenya Kwanza manifesto.	The legislative arm of the Government is working to fast track the alignment of the legal instruments.
	Other General Issues	
	• The security of land tenure is an issue in Kenya leading to exclusion from planning process and recognition by the Government. • The Government need to enhance ICT integration and digitalization of titling in the Ministry of lands. This will help curb corruption.	Digitization of Government services has been given attention and is being funded to move them to digital platform.
Energy Infrastructure and ICT Sector	**Additional Funding Requirement**	
	Adequate budget should be allocated to the renewable energy.	92 percent of Kenyan energy is green power generated energy making the country one of the top in the world in clean power generation. The Government will continue to invest in the green energy power generation since there is a potential to generate up to 10,000 Mw.
	Additional funding should be geared towards the youth during the transition to the new Government.	The Youth have continued to benefit through Access to Government Procurement Opportunities (AGPO) and the programme is still ongoing.
	Proposed Interventions	
	Insecurity in informal settlements due to power shortages should be addressed.	• There is a persistent issue of commercial power losses of up to 24 percent in informal settlements. • However, bulk power selling to these informal settlements through Kenya Power is an intervention that will be implemented to mitigate commercial power losses and ensure reliable power connectivity in these areas.
	The Youth should be involved and provided with opportunities to invest in proposed Government	• The Hustler Fund Programme, phase I has already been a huge success. Going forward, the Government will invest in sensitization of the youth

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	projects/programmes since they generate a lot of income to the ICT Sector and contribute to the GDP in the long run.	in personal finance in the next phase to increase the impact it has had in society. • The Government through an initiative of the ICT Ministry has embarked on creation of online opportunities through provision of 20,000 computers to be utilized by the youth while doing their online jobs. • Over 40,000 youth have benefitted through the Government`s free digital skills learning programme and registration is still ongoing. • The Youth Fund programme continues to be a huge success directly impacting on the lives of the Youth.
	Mathare Slum which is an informal settlement area has not been selected to benefit in Phase II of the KISIP Programme and should be considered to access Government services	The programme is funded by World Bank funds which has conditions that must be met in order to be considered under the programme. However, majority of this informal settlement is under private land yet only those under public land qualify. Going forward, a solution will be sought in collaboration with Nairobi City County.
	Emerging Priorities	
	Increased Internet Connectivity	The Government has rolled out a programme setting up 25,000 free Wi-Fi Hotspots in Markets and centres of learning to support the Youth.
	Uncertainty on whether the Old council Houses Project in Eastlands is included in the Housing programme going forward.	The Eastlands Regeneration project has already started. The Government has emphasized on public participation in these social Housing projects and communities must be part of this agenda as a priority in order to build trust between the Government and members of the public.
	Other General Issues	
	Low absorption levels in some areas in the period under review	Absorption levels were affected by the Covid 19 Pandemic
	Pending Bills	The sector is committed to settlement of pending bills in line with the existing Government policy.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
General Economics and Commercial Affairs Sector	**Proposed Interventions**	
	Inclusion of Maralal in Samburu as part of the Tourism region and why Narok is not considered an ASAL area.	• Samburu is within the official tourism circuits • The Sector will find out why Narok is not amongst the ASAL areas.
	Concern about the limit of credit issued by the Hustler Fund - too little.	The credit limit is structured to grow as one borrows and repays from the Fund over time.
	Difficulty in accessing credit for the young people due to the requirement of having guarantors and collateral (the upcoming entrepreneurs). Difficulty in getting guarantors. Since most young entrepreneurs do not have adequate funds and they are jobless.	A second line of credit will be launched in February 2023 under the Hustler Fund that is expected to sort out this problem.
	Emerging Priorities and Challenges	
	Karachuonyo - cotton farmers: revival of the cotton farming and processing factories.	State Department for Cooperatives in partnership with other stakeholders has a programme of reviving all the cotton ginneries from the traditional cotton growing areas.
	Government policy on Mitumba business vis-a-vis buy Kenya build Kenya initiative.	Yes, the Government is on a mission of popularizing the consumption of local products but not intended to destabilize those in the mitumba business. Instead, incentives will be created around the local apparel products for voluntary switch off from mitumba by the traders.
	Other General Issues	
	DRC and Somalia joining the EAC - Kenyan Security concern.	Kenya has not entered the DRC on its own but as part of EAC under the decision of EAC summit where DRC is a member State.
Health Sector	**Additional Funding Requirement**	
	Inadequate resources for mental health.	The Counties Governments have been requested to prioritize on mental health programmes.
	Proposed Interventions	

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Ensure equity and equality in the allocation of health resources to the Counties.	• The Ministry of Health is committed to ensuring equity and equality on access, financing, infrastructure and Human Resource for Health to all the 47 Counties. • The Ministry of Health will ensure allocation of resources is done in line with the existing legal frameworks.
	Create awareness on UHC to indigents and poor households.	The Ministry of Health will continue to create awareness on the roll out of UHC.
	Allocate more resources for Research under KEMRI and Vaccine Production.	• The Government has ring fenced and up scaled research funding for KEMRI in the FY 2023/24 and the Medium-Term. • The Government is supporting the Kenya Bio Vax Limited to locally produce Vaccines and other Health Products and Technologies.
	Emerging Priorities and Challenges	
	Increase in Mental Health cases.	• The County Governments have set up Rehabilitation Centers to deal with mental issues. • The Ministry of Health is posting Clinical officers and psychologists to the Counties to support and help address mental health issues. • The Ministry of Health is mainstreaming Mental Health into the Primary Health Care.
	Mitigation to Challenges brought about by Climate Change.	The Ministry will continually monitor the challenges and put in place necessary measures to address the same.
	Reducing support from the development partners.	The Government is up scaling allocation to critical programmes being supported by the development partners.
	Other General Issues	
	Low level of absorption of funds in the period under review.	The level of absorption was affected by COVID - 19 pandemic.
	High quantum of pending bills including court awards.	The Ministry is committed to settlement of pending bills in line with the existing Government policy.
	Operationalization of Facility Improvement Fund (FIF).	Guidelines on FIF have been developed.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Engagement of Community Health Workers.	• The County Government will be advised to prioritize engagement of Community Health Workers and Community Health Volunteers to support preventive and promotive Health Care services • The National Government has committed to match stipends paid to Community Health Workers and Community Health Volunteers recruited by County Governments
Education Sector	**Proposed Interventions**	
	The nature of support the Government can provide to private schools.	• The Government pays examination fees for all students including those in private schools. • Private Schools also acquire books at the same price as public schools.
	The Government to establish a revolving fund at concessional rates to support infrastructure development for private schools.	The Government will follow up with Development Partners and the Private Sector on the establishment of a revolving fund to support Private schools infrastructure development.
	Lack of public primary schools and only four (4) Secondary Schools in two wards in Mathare.	The Government will assess the capacity gaps in informal settlements and implement measures to address any gaps identified through development of comprehensive schools.
	• Investment in Junior Secondary should be isolated as a Sub-Programme. • Measures being taken to address high cost of CBC for learners in informal settlements.	The Presidential Working party on Education is reviewing the cost of implementing CBC and stakeholders requested to await the final report on the way forward.
	Why funding to schools is not based on per unit cost and how to determine the cost.	A consultant was engaged to work on the unit cost of education. The report of the consultancy is ready and will be considered for implementation.
	Increase Research allocation by at least 2 percent.	The Research Fund is implementing measures to increase its internally generated resources to support research activities.
	Consider implementation of open learning to attract more students.	The Government is implementing open learning initiatives to improve access to quality education through technology

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Other General Issues	
	The Report did not indicate the number of students enrolled in Pre-Schools and mechanisms for accounting for those not transitioning.	Early Childhood Education (ECD) is a devolved function however the data on enrolment will be provided.
	The number of basic education institutions in the Country.	There are a total of 35,000 Primary Schools of which 23,000 are public primary schools and 12,000 primary private schools.
	The Sector to indicate number of students targeted for provision of dignity kits.	The Government will provide sanitary towels to all girls in schools to improve on their retention and performance.
	The role of Civil Society Organizations in the Education Sector.	Civil Society Organizations were encouraged to engage with the Government on measures to improve quality of education through advocacy.
	Capitation to schools does not factor inflation.	A consultant was engaged to work on the unit cost of education. The report of the consultancy is ready and will be considered for implementation.
	Does a policy on nomadic education exist and the allocation to it.	The Government has established low-cost boarding schools and is implementing the school feeding programme to support education for nomadic communities.
	Funding for Special Needs Education.	The Government is implementing a top-up policy for Special Needs learners which is above the normal capitation.
	Measures the Government is taking to address early pregnancy in girls including establishment of childcare facilities near schools to take care of early pregnancies.	The Government will consider establishing childcare facilities for young mothers should the resources be available.
	Government to consider measures to ensure children with mental challenges that cannot transition develop their potential and establishment of production centers to tap into their talent and for sustainability.	Government to establish incubation centers in TVET institutions to produce and market products and explore partnership with financial institutions to provide start-up kits.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	The data provided in the Sector Report are not gender disaggregated including on Free Day Secondary Education.	The Sector will consider providing disaggregated data where such is available.
	The implementation of Junior Secondary school is not clear including infrastructure needs such as labs.	The Government has allocated resources for infrastructure development for schools. In addition, the Ministry will be engaging NG-CDF to support some of the infrastructure needs.
	Funding to school feeding programme is not continuous thus increasing dropout rates. What is the strategy to bridge the funding gap.	The Government has doubled allocation to school feeding programme to address these challenges.
	How to implement PPP arrangement in the Education Sector.	The Government is implementing PPP arrangements especially in higher education through construction of hostels for students.
	What happens to children who don't transition from Primary to Secondary schools?	The Government has established Vocational Training Centers to facilitate acquisition of life skills to address this challenge.
	School feeding programme does not consider private schools.	The school feeding programme is currently being implemented for public schools only.
	How has the Ministry considered funding for ABET (Schools in informal settlements) schools?	The law only recognizes private and public schools. The Government will however assess the need and establish public schools in informal settlements to address the challenges identified.
Governance Justice Law and Order	**Additional Funding requirement**	
	• Operationalization of the new Sub-Counties which have been Gazzetted. • Improving the welfare of the National Government Administration Officers to address issues such as dilapidated offices, mobility of the officers etc, to enhance services to the public.	The Sector to assess the extent to which these will be addressed by the allocated resources and liaise with the National Treasury to cater for the deficits

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Allocation of adequate resources for Alternative Dispute Resolution, including mediation to ensure reduction in case backlog.	
	Proposed Interventions	
	Development Projects negotiated by the World Bank to be incorporated in Sector Budget proposals.	The detailed Sector Budget Proposal contains all projects approved for funding, including the ones funded by Development Partners.
	Grant prosecutorial powers to other Independent Commissions to allow them adequately implement their mandate.	The Prosecutorial powers are a preserve of the Office of the Director of Public Prosecution as stipulated in Article 157 of the Constitution.
	In view of the increased abuse of drugs and other illicit brews among the youth, licensing fees to channeled towards increasing/maintaining the Rehabilitation Centers	The Ministry of Interior and National Administration has formed a taskforce to review the current state of affair and propose reforms which are expected to also address matters raised.
	Improve public services at the National Registration Bureau and Civil Registration Bureau and address the issues of bribery.	The State Department for Citizen Services is in the process of implementing a new system which will ensure that every individual gets a unique identifier at birth to reduce the number of documents issued by the respective departments to improve services and reduce human intervention which results to cases of bribery. All applications are to be done online
	• Reformed ex-remandees to be properly reintegrated in the community by offering them employment opportunities in Government Institutions or collaborate with the Private Sector to provide the same. • Increased number of refugees in the Country to be addressed.	The Ministry of Interior and National Administration has formed a taskforce to review the current state of affairs and propose reforms which are expected to also address matters raised in the Public Hearing Forum.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	• Operationalization of the Public Benefits Organization Act, 2013 which repealed the current NGO Board	
	Address the rising insecurity in Mathare that is exacerbated by lack of electricity, through liaising with the Ministry of Energy to ensure most houses are connected to power.	The State Department for Internal Security and National Administration will beef up security in the area and liaise with the Ministry of Energy to address the connectivity challenges.
Public Administration and International Relations	**Proposed Interventions**	
	Not enough Huduma Centers in comparison to the number of users who need the services. What is the plan to build more centers in informal settlement	The Government is expanding Huduma centers in all sub-counties in collaboration with Constituency Development Fund. The Government is working towards expanding them to all the sub Counties. Target is 22 by June 2024. They will also be considerate of the population in those areas.
	Emerging Priorities and Challenges	
	Government needs to have a clear structure where after youths are done with the public service internship, they can get absorbed in the Government agencies	Internship and Volunteerism Policy is being worked on by the State Department for Public Service with a target for having it by June, 2023. Then later be submitted to the public for public participation. The State Department cannot guarantee all the youths' employment due to the opportunities available. The purpose of this internship program is to give the youths the practical work experience to help them get jobs in the public and private sectors after the internship.
	The office of the Controller of Budget has been accused in engaging in corruption by authorizing transfers fund to the Counties for non-existing projects.	The office of the controller of Budget takes the issue of ethics very strictly. Budgets are prepared and requisitions are made based on those projects. At the point of requisitions, budgets are used and cannot be denied if it was on the work plan after which M & E is done to follow up on the projects from the ground. The office of the controller of Budget did conduct a review and made the reports to the County and are waiting for a proper response from them.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Reducing or merging foreign missions to reduce the expenditure.	Kenya has a thin footprint when it comes to foreign missions. The missions are established based on a clear criterion that is strategic to the economy of Kenya. There is need to expand the missions.
	Other General Issues	
	What is the use of the budgeting and setting aside funds for public participation if the Government cannot even provide tea for the public participants?	Austerity measures has hindered the serving of tea as has been in the past.
Social Protection Culture and Recreation	**Additional Funding Requirement**	
	Ensure equity and equality of Cash transfers to the Elderly and Persons with Severe Disability.	The State Department of Social Protection ensures equity and equitable distribution of cash transfers to the Elderly and Persons with Severe Disability.
	Cater for Mental Health issues for persons with Disability.	The State Department of Social Protection is collaborating with Ministry of Health and UNICEF to address Mental Health issues for PwDs.
	Resource Gaps	The resource gaps are as a result of the tight fiscal framework as a result of tough economic times following the Post-COVID-19 shocks and the Russia-Ukraine War that necessitate the limited to resources to be redirected to essential activities and programs. Nonetheless, the Sector will explore other measures to bridge the resource gaps and fulfill its mandate.
	Whether there is a fund to facilitate youth organizations dealing with youth programmes.	The Government works with youth organizations within the normal budgeting and programming for synergy of efforts, however, Department is working on the Youth development index to inform investment in youth matters. The Department will explore alternative funding channels.
	Concerns were raised on the minimal funding for youth programmes and impact.	Department has embraced collaborations with donors and will seek to explore Public – Private Partnership to enhance youth program investments and outcomes.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Low investment in crime preventive measures than in mitigation, that is more in educating youth not to engage in crime than in the expansion of prisons (that is to enhance youth social protection).	State department has a fully pledged directorate to address youth social development, targeting drug and substance abuse, crimes among others in collaboration with other Government agencies such as NACADA. However, increase role of private public partnerships (PPP) and donors in delivery of programmes is encouraged
	Proposed Interventions	
	Protection of data for the poor and vulnerable members of society.	Under the National Social Protection Secretariat there is MIS that has data for the poor and vulnerable households. Anyone requiring the same data has to sign the Data sharing protocols that are enshrined in the Data Protection Act, 2019, for them to be able to access the same.
	Internal Audit and streamline of office units	This is taken positively and necessary action will be taken to ensure that the limited resources are best utilized.
	Empowerment of PwDs	The state department of Youth Affairs is collaborating and working closely with National Council of Persons with Disability. Members of the public are encouraged to ensure that the 30 percent procurement opportunities i.e. AGPO that is mainstreamed across all Government is absorbed by Persons living with disabilities.
	What the Department is doing to address youth employment	Department is implementing the Kenya Youth Employment Opportunities Project, Vijana Vuka na Afya to enable youth access jobs. Youth are also encouraged to create jobs by accessing funds for business startup and growth from the Hustler Fund, YEDF and other affirmative action funds
	Whether there is a youth talent identification and nurturing policy	Implementation of Kenya Youth Development Policy, 2019 is ongoing, however, consideration to formulate the talent identification and nurturing policy will be made.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Whether there is a documented criteria for identifying youth talents	The state department for youth affairs has formulated talent and innovation tools for identification and nurturing. The Government is in the process of establishing National youth innovation and talent awards scheme
	There is need to diversify talent search to include other fields besides sports.	This is being implemented through implementation of Talanta Hela which will target diverse talents.
	Emerging Priorities and Challenges	
	Is the Sports Talent Research to be conducted in the Medium Term and what are the linkages between the Sector and the training and research institution such as Universities?	The Kenya Academy of Sports' mandate is talent development and capacity building of sports technical personnel. They also promote research and talent research in sports. This is done during the medium term plan. Kenya Academy of Sports works with sports federations both local and international; development partners; Universities and research institutions to carry out the necessary research programs.
	Gainful Youth engagement in climate change mitigation and adaptation.	Ministry to work closely with the Ministry of environment to ensure youth gainfully engage in climate change mitigation and adaption efforts
	Establishment of a fund to facilitate Community Based Organizations engaged in youth programmes such as mentorship and coaching e.g. to resist drug and substance abuse; gambling	To ensure that there is provision of same in future as well as to link the CBOs to the SAGAs mandated to deal with the issues.
	Gambling and Betting as an emerging issues facing the youth	• The Betting industry just like alcohol and cigarette industries have a negative impact on health or society and are also revenue generation activities. However, the responsibility to instill disciple and give guidelines on the betting companies is domiciled in the State Department for Interior under the Betting Licensing Board and the sector through the State Departments for Youth Affairs and Sports and the Art will collaborate with the State Department of Interior to make sure the effects

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Sector	Issues	Proposed Way Forward/Action Taken/Response
		of these activities on youth is captured in their regulations and addressed accordingly.
	Investment in talents search, which is to be diversified to include other talents such as filming among others.	• State department in collaboration with other state actors and development partners has developed an elaborate scheme/programme that is all inclusive.
	Development of electronic games/sports	• This will be part of the innovation and talent development and nurturing that encompass all.
	Youth involvement in climate change mitigation and adaption actions for job creation	There are programmes in place. The Department will work closely with the Ministry of environment to enhance delivery of the programmes. Climate change unit has been established to deal with these issues.
	What the Ministry is doing with regard to e-sports development to ensure youth gainfully engage in it.	The areas is covered within the innovation and talent identification and nurturing programmes.
	Whether there are programmes on video- gaming.	The areas is covered within the innovation and talent identification and nurturing programmes.
	To enhance agriculture value addition programming.	The directorate of entrepreneurship has programme to identify and link youth in the agribusiness and value chain, specifically to identify their need and grouping them into Sacco for benefit from incubation, aggregation, economies of scale
	Other General Issues	
	What the Department is doing to protect youth against Female Genital Mutilation, gambling among other contemporary issues affecting youth.	• State department has full pledged directorate to address youth social development, targeting awareness creation on effects of FGM, drug and substance abuse, crimes among others.
	To organize youth leaders retreat to help them bond and complement each other instead of competing.	• To organize one in the near future under the leadership of National Youth Council (NYC).
	What the Department is doing to address youth skills mis-match and link to market oriented skills.	• Kenya Youth Employment Opportunities Project, vijana vuka na Afya offering market specific skills training to bridge the gap thus increasing youth employability.

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Whether there are scholarships offered to the vulnerable youth to assist them access training.	• Under KYEOP and VIVA programme the state department provide subsidized trainings.
	Children involvement in Government activities	Kenya Children Assembly (KCA) is a forum for children that bring children together and have them involved in the budget process and respective programmes. Children are continuously engaged through their representatives from the respective county KCA members.
	MND framework.	The Children Act came into force in 2022, we are still in the process of developing the necessary processes and framework which include MND Framework.
	Violence against children and the boy child concern.	A National parenting manual is under development by Directorate of Social Development which shall be shared within the implementation timeframe of the Medium term for inputs.
Environment Protection, Water and Natural Resources Sector	**Additional funding requirement**	
	Increase allocation for water supply in the North Rift Counties of Baringo, Samburu, West Pokot, Elgeyo Maraket and Turkana.	The Government has invested in construction of various dams in the North Rift so as to supply water for both domestic use and production. The projects include Sioi Muruny, Chemususu and Yamo dams among other water projects.
	Enhance allocation to water harvesting by providing tanks to rural households.	Roles are shared between the National and County Government and the suggested intervention is taken by County Government while the National Government invests in water harvesting through construction of dams.
	Enhance allocation towards human wildlife conflict compensation and increase the number of animals covered.	Allocation towards human wildlife conflict compensation has been a strategic intervention but Government is exploring use of Insurance. Further, the is a lot of investment in mitigation measures including construction of fences and hiring rangers for patrol
	Proposed Interventions	

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Sector	Issues	Proposed Way Forward/Action Taken/Response
	Zero-rating of recycling machinery to encourage growth of recycling facilities which will assist in cleaning the environment.	The Sector note of the comment and the recycling companies can further write a memorandum to the National Treasury for consideration during the drafting of the Finance Bill.
	Nairobi River cleaning should be prioritized through protection of the riparian land and working with local communities.	The National Government has formed the Nairobi River Commission to clean the river under the Nairobi Regeneration programme in conjunction with the Nairobi City County Government
	Completion of sewer lines and provision of water in informal settlements of Mathare.	The Government will prioritize completion of all ongoing projects to ensure that citizens start utilizing them hence achieving value for money objective.
	Emerging priorities and challenges	
	Lack of coordination between the National Government and County Governments in distribution of projects. Case in point are two boreholes in Mogotio next to each other one funded by National Government and the other by County Government.	The office of the Deputy President has been mandated to coordinate working between the two levels of Government to ensure equitable and efficient delivery of services.
	Other General Issues	
	Opaque budget lines in the SAGAs that do not clearly indicate the project being implemented and the region.	The National Government Development Budget is disaggregated by specific project and the SAGAs are advised to do likewise in their budgets.
	Role of accounting officers	The Constitution of Kenya, PFM, Act, 2012 and other financial management laws adequately provide for the roles of the accounting officers and all accounting officers are familiar with their roles.

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Annex Table 6: Public Proposals and Comments on the 2023 Budget Policy Statement

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Bottom - Up Economic Transformation Agenda to Promote Inclusive Growth	M-pesa users, landlords and consumers are among the biggest losers in President William Ruto's KSh 3.641 trillion budget that seeks to introduce new tax measures and end state-funded subsidies. The Government will integrate the Kenya Revenue Authority (KRA) information technology systems with those of telecommunication companies such as Safaricom and Airtel to monitor customers' mobile money transactions and nab tax cheats. This will offer the authority unrestricted access to taxpayers' bank and mobile money accounts as part of the efforts to catch tax cheats and improve revenue collection as its targets continue to rise. In addition, among the winners are jobless teachers who are expected to fill 30,000 vacancies in an anticipated recruitment drive, farmers who will benefit from an extended fertilizer subsidy, security officers who will see their perks improved and traders as the Government steps up disbursement of the Hustler Fund.	The Government expenditure budget is projected at Ksh 3.663 trillion. The Government plans to undertake a Bottom - Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. As part of its economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. In order to achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms. **Section 2.4** provides details of the reforms that the Government will implement.
	Government will strip Kenya Power of the role of implementing big ticket projects aimed at expanding electricity reach to let the firm only carry out its primary role of buying and selling electricity. The Government will take the drastic step amid inefficiencies and role duplication in Kenya's energy procurement, generation, transmission and distribution, which has led to high power costs. The move is the latest among many reforms that have	To improve reliability and bring down the cost of power, the Government will delink development initiatives from the Kenya Power and let the company to operate on commercial principle. A policy, regulatory and financing framework for off-grid community-owned development projects (mini and micro-grids) will be instituted.

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	been proposed in recent years to improve the financial health of the company that is mired in debt.	
	The Government is pledging to develop a financing plan that will see it stop using taxpayers' money to support the operations of the loss-making Kenya Airways (KQ) by the end of December 2023. The cash-strapped national carrier has been relying on state bailouts to repay debts including to aircraft lessors.	To support the aviation industry, the Government will develop a turnaround strategy for Kenya Airways. A critical plank of this strategy will be a financing plan that does not depend on operational support from the exchequer beyond December 2023.
	The Government has set its sights on an ambitious overhaul of the housing and mortgage market with a plan to bring down the cost of mortgage instalments to just KSh 10,000 a month. The move is centred on guaranteeing buyers for developers of homes constructed under the affordable housing scheme. By assuring takers of affordable homes, the Government is betting on the intervention to grow the number of mortgage accounts in the country from 30,000 to one million by trimming financing costs.	The cost of housing is a heavy burden to majority of Kenyans and is the major factor driving the proliferation of slums. The Government plans to close the housing gap by facilitating delivery of 250,000 houses per year. To realize this, the Government will implement policies and administrative reforms to lower the cost of construction and improve access to affordable housing finance while creating jobs and entrepreneurial opportunities to all Kenyans. As part of the process, the Government will restructure affordable long-term housing finance scheme, including a National Housing Fund and Cooperative Social Housing Schemes that will guarantee off take of houses from developers.
	State to build highway car charging hubs. The Government will build electric vehicle charging infrastructure in all urban areas and along the highways from the next financial year as it hopes to supplement the private sector's bid to accelerate e-mobility. The Government will intensify national connectivity through road, rail, port, energy and fibre-optic	Accelerating transition to electric vehicles is a win-win proposition in terms of contributing to Kenya's emission reduction commitment, cheaper transport, and leveraging on the large local and regional motorcycle market to build an electric vehicle industry. This will reinforce Government's efforts to achieve green

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	infrastructure to foster an enabling environment for economic recovery and inclusive growth.	transportation aimed at addressing the effects of greenhouse gas emissions.
	Amend paragraph 7. The direct contribution of the agriculture sector to the GDP averages 21.4 percent (20.9% in 2017, 20.3% in 2018, 20.9% in 2019, 22.6% in 2020, and 22.4% in 2021). This has been the case since KNBS revised and rebased the National accounts in 2021.	Paragraph amended accordingly
	Paragraph 61. Going forward, the Government will commission a review on the remuneration and terms of all officers in the Security Sector to be commensurate with the cost of living. A task force on Police reforms was commissioned in December 2022. Rewrite the paragraph in view of this.	Paragraph amended accordingly
	The draft 2023 BPS identifies five priority sectors (namely Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; Digital Superhighway and Creative Industry) to drive economic turnaround an inclusive growth. While the Fourth Medium-Term Plan (MTP) is still under development, the draft BPS is silent on how these priority sectors are linked to MTP IV.	The Fourth Medium-Term Plan (2023-2027) of the Kenya Vision 2030 will prioritize implementation of Bottom - Up Economic Transformation Agenda of the new Administration highlighted in the 2023 BPS to re-position the economy on a steady, inclusive and sustainable growth trajectory. As such, the MTP will provide details on the implementation of the "Five Sectors that form the core pillars of the Government development agenda.
	One of key interventions under the agriculture sector is provision of subsidized inputs including seeds and fertilizer. The Government has ran the subsidized fertilizer program for a long time, yet Kenya remains a food deficient country. As such, it would be important to have an impact evaluation of these programme to ensure that there is value for money. Other proposed interventions such as increasing the land under irrigation, milk coolers programme, and building agriculture research capacity are not	Agricultural productivity in the country has been largely affected by the unfavourably weather conditions and the high cost of inputs. To improve productivity, the Government has made fertilizer available at a lower cost of Ksh 3,500. The Government working with the private sector has also made arrangements to make another 6 million bags of various types of fertilisers available for the long rains season. Over the medium term, the Government will develop

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	new programmes; therefore the need to assess their impact to guide their design going forward.	policy, legal and institutional reforms to provide an enabling environment for agricultural productivity. In particular, the Government will: provide affordable working capital to farmers through well-managed farmer organisations; deploy modern agricultural risk management instruments like crop and livestock insurance schemes, commodity market instruments and price stabilisation schemes that ensure farming is profitable and income is predictable; transform two million poor farmers from food deficit to surplus producers through input finance and intensive agricultural extension support; reduce dependence on basic food imports by 30 percent (domestic oil crops production from 5 percent to 25 percent, rice from 18 percent to 40 percent); revamp underperforming and collapsed export crops while expanding emerging ones (coffee, cashew nuts, pyrethrum, avocado, macadamia nuts); and boost tea value chain (blending & branding).
	On increasing access to credit by Micro, Small and Medium Enterprises, there already various interventions including Uwezo Fund, Youth Fund, and Women Enterprise Fund, and more recently the Credit Guarantee Scheme. The new Government has introduced the Hustler Fund whose objective is to correct market failures. The Budget Policy Statement should be clearer on how these separate funds will work together and fit into the broader objective availing credit to MSME. Moreover, having the Government targeting to borrow more from the domestic market will increase competition as financial institutions prefer lending to the	Over the years, fragmented efforts to address these challenges facing the youth and the MSMEs have yielded minimal impact. To empower the youths and support the MSMEs, the Government will undertake deliberate efforts to leveraging on the existing broader youth empowerment and development infrastructure that support various facets of youth agenda in Kenya.

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Government thus exacerbate the already tight financial conditions to the MSMEs.	Special focus will be placed on the implementation of the Hustlers Fund to correct market failures problems at the bottom of the pyramid and to cushion the MSMEs against high cost of credit. The Government will also foster an enabling environment for thriving of MSMEs by reducing bureaucracy and regulatory costs, ending regressive taxation; enacting right to work law, among other interventions. In this regard, the Government will deploy a credible macroeconomic framework and growth strategy to strengthen external creditworthiness, enabling Government to borrow cheaply externally and end crowding out of private sector from the domestic credit market; leverage on Kenya's well advanced SACCO system to develop a tier three financial system that will facilitate disbursement of affordable credit through the Hustlers Fund to cushion those affected by the current predatory lending interest rates e.g. market traders, boda boda.
	On housing, the previous administration introduced the Kenya Mortgage Refinancing Company (KMRC) but still failed to achieve the target of 500, 000 housing units over a five-year period. Therefore, a target of 250,000 houses per year maybe too ambitious especially because the proposed policy interventions are not new. Also, the 2023 draft BPS is not explicit on unique approach and strategy to adopt for the targeted housing units to be achieved.	To realize the target of 250,000 houses, the Government will implement policies and administrative reforms to lower the cost of construction and improve access to affordable housing finance while creating jobs and entrepreneurial opportunities to all Kenyans. As part of the process, the Government will restructure affordable long-term housing finance scheme, including a National Housing Fund and Cooperative Social Housing Schemes that will guarantee off take of houses from developers.

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	The draft 2023 BPS also identifies NHIF as a vehicle for policy reforms in the health sector towards achievement of Universal Health Coverage (UHC). However, without exchequer funding, NHIF may not have adequate funding to anchor UHC. This then calls for reforms on the structure of NHIF because many Kenyans are not able to consistently contribute into NHIF.	To support attainment of universal health coverage, the Government has increased allocation to the health sector by Ksh 31.5 billion in the FY 2023/24. Allocations to the sector will be increased over the medium term to Ksh 173.1 billion in FY 2025/26 from the estimated Ksh 122.5 billion in FY 2022/23. In addition, the Government will invest in primary healthcare system through establishment of stakeholder managed primary health care funds as strategic purchasers at each level 4 facility; and establish and operationalize emergency medical fund and establish a fund to bridge the financial gaps in the wake of diminishing donor funding in support of key programmes including HIV/AIDS, TB, Malaria, RH/FP, Vaccines and Nutrition.
	It's a constitutional obligation for the Government to deliver a clean and safer environment to its citizens. The planting of trees spearheaded by the Ministry of Environment, should collaborate with women groups, civil societies and religious organizations and political parties.	The reforestation programme by Government through the Ministry of Environment, Climate Change and Forestry is collaborating with the County Government and other stakeholders both local and foreign, which includes the youth, women groups, civil societies and religious organization.
	Kenya has improved so much on women involvement/participation in national debate and governance and its becoming better as we go along. But we are still far from it. Women are still by far excluded from governance and political institutions engagements and decision makings. The Government should provide financial and capacity building support for women through different platforms in different groups such as Maendeleo ya wanawake, women league in parliament, county assemblies	As part of its inclusive strategy, the Government will: i. Provide financial and capacity building support for women through the Hustlers Fund for women-led co-operative societies, chamas, merry-go-rounds and table banking initiatives and protect them from predatory interest rates charged by unscrupulous money lenders;

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	and women caucus in the Political Parties Political Parties. Well as the Government endeavors to empower women economically, the women platforms will complement in the most needed civic education part which is a prerequisite for the effectiveness of the economic boost to women.	ii. Implement the two-thirds gender rule in elective and appointive positions in the public sector within 12 months after the elections including 50 percent cabinet positions for women and increase the number of, and personnel at, gender desks at police stations; iii. Increase funding for the Anti-Female Genital Mutilation (FGM) Board and fully implement the anti-FGM law; iv. Establish a social welfare fund for Kenyan women working abroad to provide a safety net for distressed diaspora citizens; and v. Take administrative measures to ensure 100 percent enforcement of the spousal consent legal provisions in land transactions to cushion women and children from dispossession of family land.
	Under the broad provision of the first chapter on economic recovery and inclusive growth, governance is underscored as one of the areas of priority areas. This is very encouraging; however, the BPS should include all governance, justice and law organisations. We note that article 59 commissions that seek to support oversight for the respect, protection and fulfilment of human rights, namely the Kenya national commission on human rights (KNCHR), the national gender and equality commission (NGEC), the Commission on Administrative Justice (CAJ) have remained underfunded. Their budget allocation has been declining over the years, leaving them with resources for salaries without money to monitor and	The GJLOS sector is principally engaged in maintenance of law and order, expansion and accountability programmes, security coordination, provision of secure Government documents provision of correctional services to offenders, enhancing the integrity and access to population registration , immigration services and refugee management, installation of surveillance cameras in major cities, expansion of police training colleges, representing and advising the Government on legal matters, and the roll out of national legal aid services to indigent persons, registration and regulation of political parties, provision of prosecution services, protection of witnesses,

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	respond accordingly. Other institutions with limited funding include the witness protection agency, which is helpful in protecting people testifying on various criminal activities, including economic crimes and acts of corruption that continue to affect our growth. GJLOs should be accorded with increased resources allocation to enhance governance in Kenya and support inclusive growth politically, socially, and economically.	fighting corruption and economic crimes, promotion and protection of human rights and fundamental freedoms, conduct of elections and delimitation of electoral boundaries, delivery of justice, promote and facilitate the independence and accountability of the Judiciary and transparent administration of justice, promotion of gender equality and freedom from discrimination, monitor and investigate policing operations affecting members of the public among others. In order to implement the prioritized programmes under the MTEF period, the Sector has a total allocation of Ksh. 229.8 billion, Ksh. 242.4 billion and Ksh. 252.8 billion for FY 2023/24, FY 2024/25 and FY 2025/26 respectively.
	On electricity, by end of 2021, the Government had embarked on a pathway for reduction of the cost of electricity by 30%. Therefore, specific policy measures by the Government should be considered to reduce the cost of electricity to spur the manufacturing sector and other important sectors of the economy. This will catalyse the attainment of the economic recovery objective.	Generation capacity and total electricity connections have increased considerably in the recent years, electricity in the country remains expensive and unreliable. One of the key contributors to both the cost and quality of power is the aging transmission and distribution network. The investment required to upgrade the network is considerable, more so in the difficult financial situation that the country is in. To improve reliability and bring down the cost of power, the Government will: i. Mobilise the resources needed to revamp the transmission and distribution network and accelerate geothermal resources development;

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		ii. Develop Liquified Natural Gas (LNG) storage facility in Mombasa, with a view to phasing out heavy fuel oil (HFO) from the power generation portfolio. This will also contribute to meeting Kenya's emission reduction commitments; and iii. Enforce transparency and public accountability of the electricity sector requiring the Energy & Petroleum Regulatory Authority (EPRA) to publish quarterly system, financial and operational performance reports.
	Hustler Fund is a good intervention but needs training and coaching of entrepreneurs as well as conscious Government effort to address emerging regulatory/policy bottlenecks. The Government should also ensure that the regulations governing the Fund are strictly adhered to in tandem with the requirements of the Public Finance Management Act to serve the intended purpose. There is also the need to ensure that the Hustler Fund does not join the long list of financial digital platforms that instead of pulling people out of poverty, disenfranchises and mortgages their future into more debt thereby worsening their lives.	The Government developed Public Finance Management (Financial Inclusion Fund) Regulations, 2022 which provided guidelines on how to administer the Fund prudently.
	The Government should consider the option of Public-Private-Partnership (PPP) in financing future development projects to reduce over-reliance on loans.	The Government will scale up the use of Public Private Partnerships financing for commercially viable projects. Already, the Government has identified a number of key sectors including water, housing, roads, trade and industry in which it wishes to work with the private sector through the Public Private Partnerships framework. The PPP Directorate envisages mobilizing Ksh 50 billion within the FY 2023/24, based on the current projects in the

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		PPP pipeline. To achieve this, all projects will be screened for commercial viability as PPPs, before being considered for implementation within the National Budget.
Recent Economic Developments and Medium-Term Outlook	The BPS 2023 draft on page 22-23 provides economic assumptions underpinning the macro-economic outlook. The Kenyan economy is expected to grow to 6.1% in 2023 from the projected 5.5% in 2022. Globally, the economy is expected to slow down to 2.6% in 2023 from 3.2% in 2022. This slow growth is attributed to the Russia-Ukraine conflict, elevated global inflation, effects of COVID 19 pandemic and persistent supply chain interruptions. Weighing the Kenya's economic growth projection against the global and regional economy, which is projected to slow down, seems ambitious, also considering the prevailing economic developments including the high inflation rate	The policy thrust of the 2023 BPS anchored on The Bottom - Up Economic Transformation Agenda seeks to address the constraints and challenges facing the economy, bolster resilience and foster economic turnaround and inclusive growth. Implementation of these interventions detailed in Chapter 1 of the document is expected to stimulate economic recovery to 6.1 percent growth in 2023 from the estimated 5.5 percent in 2022. But more importantly improve the quality of growth from public sector investment led growth to a dynamic private sector led growth.
	The sub-headings under this chapter are repetitive for instance sub-heading 2.2 is the same as the chapter heading and then sub-heading 2.5 is also on economic outlook.	The sub-headings have been amended accordingly
	Amend Paragraph 80, the text and the data in figure 2.6 do not talk to each other. For instance, the depreciation rate of Kenya shilling at 8.9 percent is not lower than the Namibian Dollar at 8.7 percent or South African Rand at 8.8 percent. There is also need to update the text to reflect December, 2022 figures as used in Figure 2.6.	The paragraph has been amended to reflect the correct position on the depreciation of the currencies.
Fiscal Policy, Framework and Performance	Whereas the BPS provides some of the tax administration and policy reforms to attain revenue growth, the projected amount remains over-ambitious. These risks increase budget deficit in the event the projected	It should be remembered that implementation of tax policy and administration measures has seen KRA exceeded revenue targets for the two fiscal years. Budget execution in the first five months

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	revenue is not realized, leading to borrowing, which in turn increases the debt levels, which has been categorized as considerable risk for debt distress. There is a need for the Government to operate and spend within means. Further, while the Governments undertake reforms in tax policy and revenue administration, there is a need for revenue measures to take into consideration principles of equity. The measures should be distributed equitably, and the burden should not unfairly affect some section of the population compared to others.	of FY 2022/23 progressed well with revenues recording positive growths reflecting improvement in business environment, tax policy measures and enhanced revenue administration by KRA. Revenue performance over the medium term will be underpinned by the tax policy and administrative measures outlined in Section 2.4. The reforms on the revenue and expenditure side, will result in reduction in the fiscal deficit including grants thereby boosting the country's debt sustainability position.
	Whereas the Government plans to contain expenditure as part of fiscal consolidation plan, the expenditure is set to increase in FY 2022/23, this contradicts the Government's effort to cut spending.	The expenditures as a percentage of GDP are projected to decline from 23.8% in FY 2021/22 to 22.3% in FY 2026/27 despite the projected increase in nominal values. To realize this, the Government will continue to improve efficiency in public spending to ensure value for money by eliminating non priority expenditures; retiring expensive and unsustainable consumption subsidies; reducing tax exemptions; scaling up the use of Public Private Partnerships financing for commercially viable projects; rolling out an end-to-end e-procurement system; and streamlining the initiation, execution, delivery and sustainability of public investment projects.
	The Government plans to slow down on borrowing with a KSh 154 billion reduction on the amount expected to be borrowed during his first budget in office. The Government proposes to borrow KSh 695 billion in the first financial year 2023/24, down from the Sh849 billion the Government is	The fiscal policy stance over the medium term aims at supporting the Bottom - Up Economic Transformation Agenda of the Government through a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and

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	expected to borrow in the financial year ending June. This could reduce the pace of accumulation of Kenya's public debt which has risen by an average Sh1 trillion over the past three years, raising from KSh 6.9 trillion in June 2020, KSh 7.69 trillion in June 2021 and KSh 8.59 trillion by June last year.	implement an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that Kenya's development agenda honours the principle of inter-generational equity.
	The Kenya Revenue Authority (KRA) will conduct a census of landlords' properties and seek direct access to M-Pesa transactions in efforts to catch tax cheats and raise an additional KSh 375 billion for the year starting July. The KRA will conduct a census of rental properties and link its tax system with the digital land registry to smoke out landlords not paying their full share of taxes.	In order to boost revenue collection, the Government will implement rental income tax measures by mapping rental properties. This will be achieved through enhanced field data analysis mopping up, integration of itax with National Lands Information Management System and use of a mobile App.
	Amend paragraph 108 to read, On the tax administrative side, KRA will implement among others, the following measures… Amend paragraph 111, by realigning the target year from calendar year to fiscal year.	Paragraphs amended accordingly
	KRA shall fully roll out the eTIMS system to address issues of missing trader. Prior to the roll out, the difference between TIMS and eTIMS must be clearly explained, and a proper justification must be given for the introduction of eTIMS. The change from the old VAT registers to TIMS was a very recent change (not even a full year). By requiring companies to now change to eTIMS is an unfair measure, given that companies have just transitioned and are getting accustomed to the new system. Furthermore, requiring companies to now purchase a new system, after having recently	The Government targets to reduce reduce Value Added Tax (VAT) gap from 38.9 percent to 19.8 percent of the potential by fully rolling out electronic Tax Invoice Management System (eTIMS). This has been informed by the need to address the challenges hampering enhanced tax compliance including missing trader phenomenon/non/under declaration of sales and use of fictitious input claims.

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	been forced to purchase a new system places an unfair burden on companies, and unnecessarily increases the cost of doing business.	
	The Government plans to reduce the tax exemptions available. The First Schedule of the Income Tax Act and the First Schedule to the VAT Act (which deal with tax exemptions) have already been severely diminished by reducing the exempt items and transactions. The Government has a social responsibility to ensure activities or items that are meant to benefit Kenyans have a tax shield (in the form of exemptions). Furthermore, reducing the available exemptions even further would discourage investment in Kenya (as it stands the, Investment Deductions have already been greatly reduced).	Elimination of tax exemptions are meant to protect our revenues and improve the fiscal space. The tax exemptions that are being removed are those that have not delivered their expected impact or the intended purpose has been achieved.
	In the FY 2023/24, the Government projects that the total Government expenditure will amount to about Ksh. 3.64 trillion while total revenue will be approximately Ksh. 2.89 trillion leaving a fiscal gap of about Ksh. 695 billion. The Institute is concerned that: This fiscal gap is likely to increase the current public debt because it would require debt financing to actualize the budget. The Government has in the past prepared supplementary budgets which have increased expenditures and reduced revenues. The implication is compromised services being delivered or increased borrowing, or both.	The Government will implement a fiscal consolidation plan that will reduce the fiscal deficit including grants from Ksh 833.8 billion (5.7 percent of GDP) in the FY 2022/23 to Ksh 720.1 billion (4.4 percent of GDP) in the FY 2023/24. This reduction will result in reduction in the growth of public debt thereby boosting the country's debt sustainability position. To achieve this the Government will undertake tax policy and administration reforms and expenditure rationalization measures outlined in Section 2.4 of this BPS.
	The Government should seek new ways of increasing revenue, predictability in tax system, tax base expansion, simplification of the tax process among others	In order to adopt a comprehensive approach for undertaking effective tax system reforms for boosting tax revenue and improving tax system, the Government will finalize the development of the National Tax Policy and the Medium-Term

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		Revenue Strategy (MTRS) for the period FY 2023/24 to FY 2026/27. The National Tax Policy Framework will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislations and management of tax expenditure. On the other side, the Medium-Term Revenue Strategy will provide a comprehensive approach of undertaking effective tax system reforms for boosting tax revenues and improving the tax system over the medium term.
	The ordinary revenue has been growing, the projection of Ksh. 2,566 Billion in the FY 2023/24 may be too ambitious in relation to the actual revenue of Ksh. Ksh. 1,487 and 1,839 Billion received as tax revenue in the FYs 2020/21 and 2021/22 respectively. Unless justified, a 40 percent increase is likely not to be achieved resulting in more budget deficits.	The Government targets to grow tax revenues by 17.8 percent of GDP in the FY 2023/24 and 18.3 percent of GDP over the medium term. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. In order to achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms. **Section 2.4** of this BPS gives the details on the various measures the Government will implement to increase tax revenue.
Budget for FY 2023/24 and the Medium Term	The Government plans to cut borrowing and raid taxpayers for more money to fund KSh 3.64 trillion budget that promises to increase development spending by a third. The Government expenditure to increase by KSh 251 billion from the current KSh 3.39 trillion. The proposed seven percent growth will mark the slowest rise in Government spending in four years since FY 2019/2020 when the budget rose by five percent to KSh 2.57 trillion. The Government projects that total revenue will hit KSh 2.897	To support the Bottom - Up Economic Transformation Agenda, the Government will implement a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective liability management strategy without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that Kenya's

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	trillion in the FY 2023/2024 from the current financial year's KSh 2.51 trillion, with Kenya Revenue Authority (KRA) expected to raise KSh 2.66 trillion.	development agenda honours the principle of inter-generational equity. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. In order to achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms. On the spending side, total expenditures are projected to decline from 23.8 percent as a share of GDP in the FY 2021/22 to 22.3 percent as a share of GDP in the FY 2026/27. To realize this, the Government will sustain efforts to improve efficiency in public spending and ensure value for money by eliminating non priority expenditures; retiring expensive and unsustainable consumption subsidies; reducing tax exemptions; scaling up the use of Public Private Partnerships financing for commercially viable projects; and rolling out an end-to-end e-procurement system.
	Agriculture is one of the sectors the Draft BPS lists as high impactful in achieving the Kenya Kwanza Agenda. However, there is a notable decrease in the sector's budget allocation from what was allocated in the Approved Budget 2022/2023 to the projection for FY2023/2024. If the economy is highly dependent on the core pillar and enablers shouldn't allocation and percentage share of the sectors be increased to provide for enabling environment for economic recovery and transformation. The Government	Agriculture is a core pillar in the Governments Bottom - Up Economic Transformation Agenda. Allocation to the sector has been increased to KSh 75.0 billion in FY 2023/24, KSh 85.0 billion in FY 2024/25 and KSh 90.9 billion in FY 2025/26 from Ksh 68.9 billion in FY 2021/22 to implement programmes in the MTEF period. This is an increase from 3.3 percent in total ministerial

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	should ensure enough allocation is given for both the recurrent and development expenditure to priority sectors.	expenditure in FY 2023/24 to 3.5 percent in FY 2025/26. The total budget for FY 2023/24 is projected at Ksh 3,671.0 billion.
	There is a notable change in the allocation of funds to sectors highlighted as the core sectors. Importantly, Page 40 indicates the criteria for resource allocation but there are no clear narratives and justification for the changes and how the changes affect the priority sectors.	In **Section 3.4** in the 2023 BPS details budgetary allocations to the MTEF sector including the priority sectors for the FY 2023/24 and medium term budget and the criteria of allocation. Sector ceilings were enhanced on account of additional programmes, completion of ongoing projects and additional expenditures tied to A-i-A revenue collection
	Paragraph 152 refers of allocation to County Governments for FY 2023/24 being Ksh.380.0 billion, however paragraph 130 table 3.1 shows allocation to County Governments for FY 2023/24 as KSh 375.0 billion. Amend the section to consistent in the document.	Table 3.1 has been amended showing allocation to County Governments for FY 2023/24 at Ksh 385.4 billion.
	Amend 3.3 title to read, Budgetary allocations for the FY 2023/24 and the medium-term budget	The title or sub-heading has been updated accordingly
	Total budget for FY 2023/24 is given as KSh 3,641 billion. However, table 3.1 gives the total as KSh 3,476.2 billion. Harmonise the two figures	Table 3.1 has been amended showing total projected budget for FY 2023/24 at Ksh 3,628. 8 billion.
	The proposed allocation to the Parliamentary Service Commission of Ksh 39.88 billion is not in tandem with the MTEF allocation as recently approved as well as the indicative fiscal plan for the three votes of Parliament in the medium term.	The allocation to Parliament is **Ksh 40.4 billion** for the FY 2023/24
County Financial Management and Division of Revenue	The Government is on the spot over its failure to disburse KSh 42 billion Equalisation Fund money to marginalised areas over the past six years. The funds are expected to assist 5.6 million people in 1,400 sub-locations.	The National Treasury through a multi-agency committee developed the PFM (Equalisation Fund Administration) Regulations 2021 which were approved by Parliament in October 2021. The Regulations provide for: (i) guidance on the

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	Counties have also been faulted for low own-source revenue collection of KSh 35 billion against a capacity to generate in excess of KSh 200 billion.	administration and management of the Equalisation Fund; (ii) the completion of ongoing projects under the first policy; and (iii) implementation of new projects under the second policy and subsequent policies.
	According to BPS draft 2023, the proposal to increase the equitable share to Kshs.380 billion in the FY 2023/24 is equivalent to 26.8 percent of the last audited accounts (KSh 1,414 billion for FY 2017/18) and as approved by Parliament. Although, the BPS holds that the allocation is line with Article 203 (2) of Constitution of Kenya, 2010, using the approved 2017/18 audited accounts is unfair to County Governments. There is need by the parliament to speed up the approval of audited accounts to enable counties get their fair share of sharable revenue- equitable share	The equitable share has been updated to indicate the last audited accounts (Ksh 1,730.99 billion for FY 2019/20) as approved by parliament. As such the equitable share has increased to Ksh 385.4 billion in the FY 2023/24.
	Draft BPS has indicated that the Government is committed to enhance devolution by ensuring transfer of function earmarked for counties in six months, there should be notable change in decrease of allocation by the National Government to functions that are fully devolved.	In this BPS, we have transferred some functions and attendant resources to counties e.g. Library services which is a devolved function.
	In the medium term, sharing of resources will be pegged on the financing constraints and not on the budget. Availability of resources is key and it should be remembered that National Treasury did not disburse KES 29.6 billion to County Governments in the FY2021/22 due to financial constraints	The Ksh 29.6 billion was disbursed in FY 2022/23. Going forward, the National Treasury targets to disburse the equitable share within the financial year.
Statement of Specific Risks	Amend paragraph 30, to delete the words marriage gratuity appearing on the last sentence.	Paragraph amended accordingly

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General Comments	The Draft BPS mentions on Page 5 that on January 2023 there were Public Sector Hearings and the public provided invaluable inputs to the 2023 BPS. Page 44 indicates the summary of policy issues raised and responses by the public during the public hearings are annexed to Table 5. The Draft BPS does not provide the said information. Despite the Government holding public hearings why was the input from the public not annexed in this document? The Draft BPS should indicate the final statement on how public input was taken into consideration or how it influenced the BPS.	Annex Table 5 & 6 provide a summary of the comments received from stakeholders and the general public. The comments provided valuable inputs to this document.

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