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REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

MEDIUM TERM

2022 BUDGET POLICY STATEMENT

ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

NOVEMBER, 2021

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To obtain copies of the BPS, please contact:

The National Treasury and Planning
Treasury Building
P. O. Box 30007-00100
NAIROBI, KENYA

Tel: +254-20-2252-299
Fax: +254-20-341-082

The document is also available on the website at: www.treasury.go.ke

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Foreword

The 2022 Budget Policy Statement (BPS) is prepared against a background of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID-19 pandemic. The global economy is projected to grow by 5.9 percent in 2021, from a contraction of 3.1 percent in 2020. However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies reflects the anticipated additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

On the domestic scene, Kenya's economy rebounded strongly in the second quarter of 2021, with real GDP growing 10.1 percent supported by easing of COVID-19 containment measures. Economic growth is projected at 6.0 percent in 2021 from the contraction of 0.3 percent in 2020. This translates to a growth of 5.9 percent in FY 2021/22 from 2.9 percent in FY 2020/21. The economic recovery reflects improved business environment after easing of COVID-19 restrictions and is supported by the prevailing stable macroeconomic environment, ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the implementation of the third Economic Stimulus Programme.

To further reinforce this growth outlook, this 2022 Budget Policy Statement outlines policy measures that will continue to stimulate resilient and sustainable economic recovery. The policies are anchored on the Medium-Term Plan III of the Vision 2030 and focuses on creating an enabling environment for businesses and industrial recovery, job creation, and safeguarding livelihoods. In this respect, the Government will strengthen implementation of programmes and strategies that ensure a more inclusive growth, foster macroeconomic stability and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).

Revenue performance in the FY 2020/21 was satisfactory. Initially in the year, revenues declined reflecting in part COVID-19 containment measures adopted in March 2020 and the tax reliefs offered in April of the same year following the outbreak of COVID-19 pandemic. Revenues have since rebounded registering a strong growth in the first quarter of FY 2021/22, where cumulative ordinary revenues outpacing the target by Ksh 16.7 billion. The strong performance is expected to continue in the FY 2021/22 buoyed by the easing of COVID-19 restrictions and will form the basis for achieving revenue targets for the FY 2022/23 and medium-term budget.

The National Treasury and Planning is developing the National Tax Policy and has initiated the preparation of the Medium-Term Revenue Strategy (MTRS) both of which will strengthen revenue mobilization and reinforce the fiscal consolidation plan. This coupled with expenditure prioritization will ensure the fiscal deficit remains at debt stabilizing levels going forward. The Government will continue implementation of cost–cutting measures including parastatals reforms and alignment of resources to programmes in the MTP III with particular focus on the "Big Four" Agenda and Economic Recovery Strategy to accelerate growth, employment creation and poverty reduction. In this regard, detailed budgets of all MDAs have been scrutinized to curtail growth of recurrent budgets, and ensure completion of ongoing projects with particular emphasis placed on projects nearing completion to ensure that citizens benefit from such public investments. Further, the fiscal policy is aimed at ensuring successful conduct of the 2022 General Elections.

The FY 2022/23 budget is being prepared under a revised budget calendar that takes into account the preparations for the 2022 General Elections. Therefore, Ministries, Departments and Agencies (MDAs) are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization of the FY 2022/23 Budget by March 2022.

The policy measures outlined in the 2022 BPS have benefited from wide consultations. I would like to thank H.E. The President and H.E. The Deputy President for their guidance while developing this document. Much appreciation also to my colleagues in the Cabinet, staff of the National Treasury and Planning, Stakeholders and the general public for their valuable contributions.

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

Acknowledgement

The 2022 BPS is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans as a basis for the FY 2022/23 budget. The publication of the 2022 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 2022/23 and the medium term, I wish to emphasize that we are operating under tight resource constraints with the economy yet to recover from the adverse effects of the COVID-19 Pandemic and with a cloud of uncertainty of other potent variants of the COVID-19 virus appearing. On the other hand, the Government is confronted with significant expenditure demands including financing the Economic Recovery Strategy and the "Big Four" Agenda, protecting livelihoods and election related spending. Proper prioritization to ensure focus is on critical expenditures with the highest positive impact on the well-being of Kenyans is therefore imperative. In this regard, the Government will continue to prudently manage the use of public resources over the 2022/23-2024/25 Medium Term Expenditure Framework (MTEF).

Towards this end, while developing the budget proposals for the medium-term, the Sector Working Groups (SWGs) undertook a critical scrutiny of individual MDAs' budgets execution reports to curtail growth of recurrent budgets and ensured that funding priority is accorded to completion of ongoing projects, which are supportive to accelerate inclusive growth and development.

The preparation of the 2022 BPS was a collaborative effort among various Government MDAs and we are grateful for their timely inputs. We are also grateful to participants of the Public Sector Hearings that was held in October 2021 and the general public who provided invaluable inputs to this 2022 BPS. Special gratitude also goes to the officers from Macro Working Group who met in Naivasha from 11th to 19th November, 2021 to review and finalize the 2022 Budget Policy Statement. Finally, we are grateful to the core team from the Macro and Fiscal Affairs Department and Budget Department who worked tirelessly to put together inputs from different MDAs, stakeholders and the public and ensured the document was produced in time while maintaining high quality standards.

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

Table of Contents

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. In view of the revised budget calendar to accommodate the General Elections scheduled for August 2022, the 2022 BPS will be submitted to Parliament by 30th November, 2021. The Cabinet Secretary, the National Treasury and Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2022/23 and the medium term.

The Budget Policy Statement contains:

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

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

I. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

1.1 Overview

1. The Kenyan economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. This performance reflects the adverse effects of the COVID-19 pandemic, which disrupted activities in Wholesale and Retail Trade, Education, Accommodation and Restaurant and, Transport and Storage sectors. The economy is expected to rebound to 6.0 percent in 2021, due to a stronger global demand and recovery in Service and Manufacturing sectors.

2. The economy continues to register macroeconomic stability with low and stable inflation and interest rates, and a competitive exchange rate that support exports. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by increased food and fuel prices.

3. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to uncertainty due to the COVID-19 pandemic. The Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020. The current account deficit is estimated at 5.5 percent of GDP in the 12 months to September 2021. The deficit reflected higher imports of goods and services relative to 2020. The current account deficit is projected to average 5.2 percent of GDP in 2021.

1.2 Recent Economic Developments and Outlook

Global and Regional Economic Developments

4. Global economic growth in 2021 is projected at 5.9 percent from a contraction of 3.1 percent in 2020 **(Table 1.1).** However, most of the emerging markets and developing economies are projected to experience a more uneven recovery from the COVID-19 pandemic compared to their counterparts. This is largely on account of uneven access to COVID-19 vaccine, which is therefore likely to impact negatively on the full resumption of economic activities in these economies.

5. The advanced economies are projected to recover and grow by 5.2 percent in 2021 from a contraction of 4.5 percent in 2020. This projected recovery, particularly in the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

6. Economic growth in the Sub-Saharan Africa region is projected at 3.7 percent in 2021 from a contraction of 1.7 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as economies re-open **(Table 1.1).**

Table 1.1: Global Economic Growth, Percent

Economy	2019	2020*	2021**	2022**
World	2.8	(3.1)	5.9	4.9
Advanced Economies	1.6	(4.5)	5.2	4.5
Of which: USA	2.2	(3.4)	6.0	5.2
Emerging and Developing Economies	3.7	(2.1)	6.4	5.1
Of which: China	6.0	2.3	8.0	5.6
India	4.0	(7.3)	9.5	8.5
Sub-Saharan Africa	3.2	(1.7)	3.7	3.8
Of which: South Africa	0.2	(6.4)	5.0	2.2
Nigeria	2.2	(1.8)	2.6	2.7
EAC-5	6.5	(0.2)	5.7	5.3
Of which: Kenya***	5.0	(0.3)	6.0	5.8

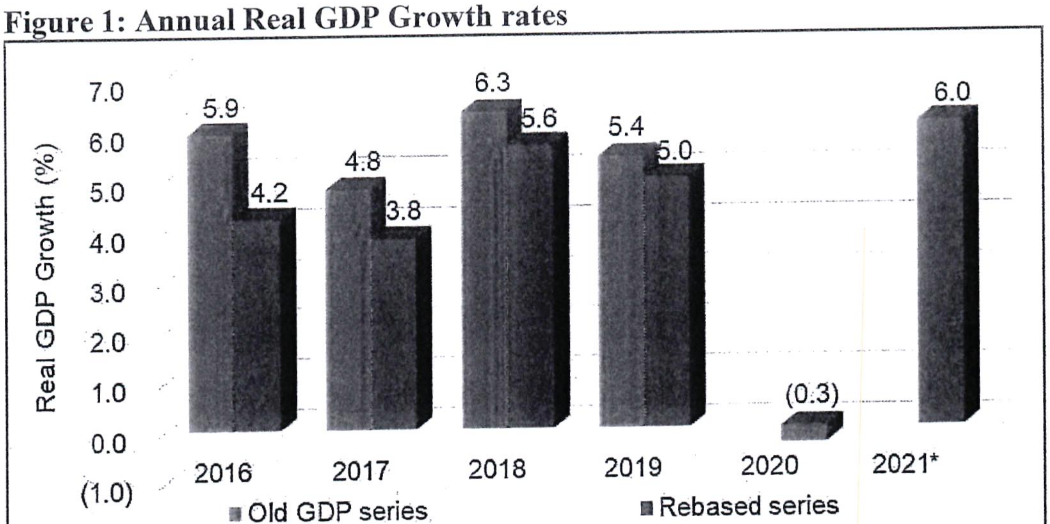
** Estimate ** Projected *** National Treasury Projection*
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

Source of Data: October 2021 WEO

Domestic Economic Developments

7. The National Accounts were revised and rebased in 2020 where the base year was changed from 2009 to 2016. The revised growth rates were relatively lower than in the previous estimates, largely on account of an expanded base, change of benchmark data, data sources as well as revision of time series indicators **(Figure 1)**.

Figure 1: Annual Real GDP Growth rates



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

8. The economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant containment measures. The government's priority was premised on the need to safeguard the lives of Kenyans while at the same time cushioning the economy from the effects of COVID-19 pandemic. The health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted to negative impacts on some key sectors of the economy. Many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020.

9. The contraction was spread across all sectors of the economy but was more dismal in Accommodation and Restaurant Services activities, Education, and Transport sectors. The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in Construction activities (11.8 percent), Health services (6.7 percent), Mining and Quarrying (6.7 percent) and Agricultural production (4.8 percent). Pick up of economic activities resumed in the third quarter of 2020 with further improvements in subsequent quarters.

10. Kenya's economy is projected to rebound to 6.0 percent in 2021. The recovery in 2021 is on account of the reopening of the economy which is expected to increase economic activities and also partly reflects lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths.

11. In the first and second quarters of 2021, activities in Agriculture, Forestry and Fishing sector recorded a slowdown. The sector is estimated to have contracted by 0.9 percent in the second quarter of 2021 compared to a growth of 4.9 percent in the corresponding quarter of 2020 **(Table 1.2).** This was mainly on account of less than expected rainfall during the period with a significant decline in tea production in the second quarter of 2021. The sector's performance was cushioned from a steeper slump by a notable improvement in the production of milk, horticultural products and sugarcane. The volume of vegetables, cut flowers and fruit exports increased by 58.1 percent, 55.2 percent and 23.5 percent, respectively over the same period.

12. The performance of the Industry sector improved to a growth of 7.9 percent in the second quarter of 2021 compared to a contraction of 0.5 percent in the second quarter of 2020. This was mainly on account of improved performance of the Manufacturing and, Electricity and Water supply sectors.

Table 1.2: Sectoral GDP Performance

Sectors	2019					2020					2021		
	Q1	Q2	Q3	Q4	**Q1-Q4**	Q1	Q2	Q3	Q4	**Q1-Q4**	Q1	Q2	**Avg Q1&Q2**
Primary Sector	4.5	3.4	0.9	1.6	2.7	4.4	4.9	4.3	6.0	4.9	0.7	(0.1)	0.3
Agriculture, Forestry and Fishing	4.8	3.2	0.7	1.3	**2.6**	4.3	4.9	4.2	5.8	**4.8**	(0.1)	(0.9)	**(0.5)**
Mining and Quarrying	(1.2)	7.0	5.5	6.4	**4.3**	6.4	4.4	7.0	9.2	**6.7**	16.4	17.7	**17.1**
Secondary Sector (Industry)	3.2	4.2	3.5	2.6	3.4	4.7	(0.5)	3.3	7.7	3.8	3.7	7.9	5.8
Manufacturing	2.5	4.1	2.6	0.9	**2.5**	2.2	(4.7)	(1.7)	3.8	**(0.1)**	1.5	9.6	**5.5**
Electricity and Water supply	3.0	1.5	1.5	0.9	**1.7**	1.5	(4.7)	0.2	3.5	**0.1**	2.0	5.2	**3.6**
Construction	4.6	5.5	6.1	6.2	**5.6**	10.4	8.2	12.5	16.2	**11.8**	7.8	6.5	**7.2**
Tertiary Sector (Services)	6.7	7.6	6.6	5.9	6.7	3.8	(6.7)	(4.6)	(1.0)	(2.2)	2.1	15.7	8.9
Wholesale and Retail trade	4.6	6.4	5.3	4.8	**5.3**	4.9	(4.2)	(5.0)	2.6	**(0.4)**	7.4	9.5	**8.4**
Accomodation and Restaurant	15.6	11.7	11.9	17.6	**14.3**	(8.1)	(56.8)	(63.4)	(62.2)	**(47.7)**	(48.8)	9.1	**(19.8)**
Transport and Storage	6.8	8.8	4.6	5.2	**6.3**	2.2	(16.8)	(10.1)	(6.1)	**(7.8)**	(8.7)	16.9	**4.1**
Information and Communication	9.5	7.5	7.1	6.1	**7.5**	5.6	2.6	3.2	7.6	**4.8**	16.1	25.2	**20.7**
Financial and Insurance	6.1	8.0	9.3	4.4	**6.9**	7.5	4.4	3.0	7.4	**5.6**	9.4	9.9	**9.7**
Public Administration	9.0	10.8	10.2	9.7	**9.9**	4.0	2.7	6.3	8.4	**5.3**	9.1	13.0	**11.0**
Others	6.1	6.3	6.0	5.6	**6.2**	3.4	(7.9)	(5.6)	(3.2)	**(3.5)**	1.5	19.4	**10.4**
of which Real Estate	7.0	7.0	6.7	6.2	**6.7**	5.4	4.6	3.7	2.7	**4.1**	4.5	4.9	**4.7**
Education	3.8	3.4	5.6	6.2	**4.7**	1.8	(22.4)	(17.4)	(5.3)	**(10.8)**	10.0	67.6	**38.8**
Health	5.7	6.1	6.8	6.4	**6.2**	7.4	9.8	5.2	4.7	**6.7**	9.1	10.0	**9.6**
Taxes less subsidies	(1.5)	5.3	4.3	6.7	**3.7**	5.1	(20.8)	(8.5)	(6.4)	**(7.9)**	(14.5)	0.5	**(7.0)**
Real GDP	4.8	5.9	4.8	4.4	5.0	4.4	(4.7)	(2.1)	1.2	(0.3)	0.7	10.1	5.4
of which Non-Agriculture	5.6	6.8	5.9	4.8	**5.8**	4.3	(5.5)	(2.8)	1.2	**(0.7)**	2.8	14.7	**8.7**

Source of Data: Kenya National Bureau of Statistics

13. Electricity and Water supply sector grew by 5.2 percent in the second quarter of 2021 compared to a 4.7 percent contraction in the second quarter of 2020. The increase in electricity generation was notable from all sources except geothermal. Electricity generated from both thermal and wind expanded by about 69.0 percent in the second quarter of 2021 compared to a contraction of 64.9 percent and 29.3 percent, respectively, in the same quarter of 2020. Electricity generated from hydro increased by 4.6 percent in the second quarter of 2021.

14. The Manufacturing sector grew by 9.6 percent in the second quarter of 2021 compared to a contraction of 4.7 percent in the same period of 2020. This was supported by an improvement in the manufacture of food (6.7 percent) and non-food products (12.2 percent). The improved production of non-food products was evident in the assembly of motor vehicle (10.0 percent) and manufacture of galvanized iron sheets (34.5 percent) and, paper and paper products (13.5 percent).

15. The Construction sector relatively declined to a growth of 6.5 percent in the second quarter of 2021 compared to 8.2 percent in the second quarter of 2020. However, cement consumption increased by 29.3 percent in the second quarter of 2021, pointing to sustenance of performance in economic activities in the sector.

16. The activities in the Services sector improved significantly in 2021 due to the easing of the containment measures and the 2020 base effect. The sector grew by 15.7 percent in the second quarter of 2021, compared to a contraction of 6.7 percent in the second quarter of 2020. The contraction in 2020 was due to government measures put in place to combat the spread of the COVID-19 pandemic.

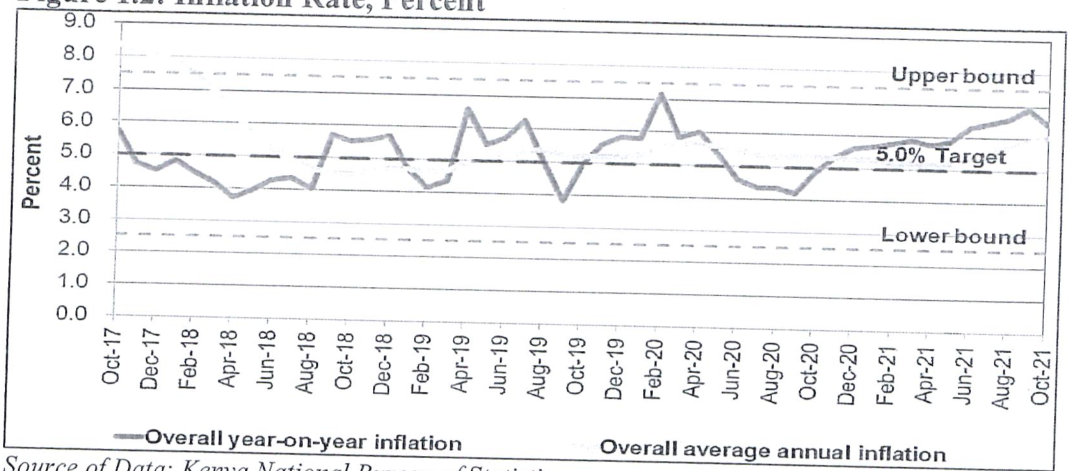
17. Accommodation and Restaurant sector grew by 9.1 percent in the second quarter of 2021 compared to a contraction of 56.8 percent in the second quarter of 2020. This was evident in the improvement of the number of visitor arrivals and hotel operations in the review period following relaxation of most of the restrictions related to the COVID-19 pandemic.

18. Transportation and Storage sector grew by 16.9 percent in the second quarter of 2021 compared to a contraction of 16.8 percent in the second quarter of 2020. The accelerated growth was as a result of lifting of restrictions on domestic and international movement which were in place in the second quarter of 2020. Freight movement, passenger transport and the number of visitors arrival through Standard Gauge Railway (SGR) increased in the second quarter of 2021 compared to the second quarter of 2020.

Inflation Rate

19. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 mainly driven by food and fuel prices. However, the inflation rate remained within the target range moderated by muted demand pressures **(Figure 1.2).**

Figure 1.2: Inflation Rate, Percent

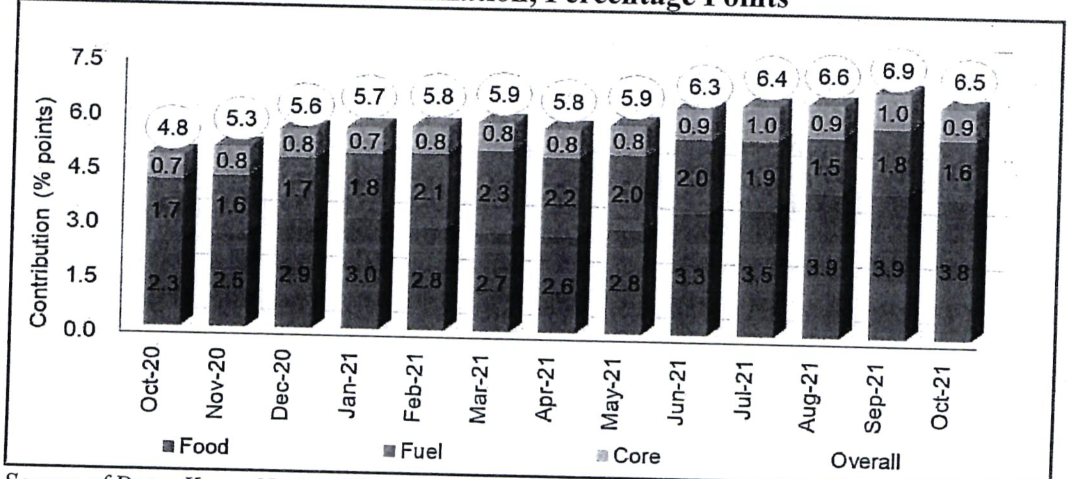


Source of Data: Kenya National Bureau of Statistics

20. Food inflation remained the main driver of overall inflation in October 2021, contributing 3.8 percentage points, an increase, compared to a contribution of 2.3 percentage points in October 2020. The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly traditional vegetables, tomatoes, butternut/pumpkins, peas, cooking oil and fat, beef with bones and frozen fish fillet. Fuel inflation contributed 1.6 percentage points to overall inflation in October 2021 compared to 1.7 percentage points in October 2020, following a decline of international oil prices on account of build-up of oil inventories amid concerns on supply growth.

21. The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policy. The contribution of core inflation to overall inflation increased to 0.9 percentage points in October 2021 from 0.7 percentage points in October 2020, reflecting a pick-up in economic activity and the effects of the implemented tax measures (**Figure 1.3**).

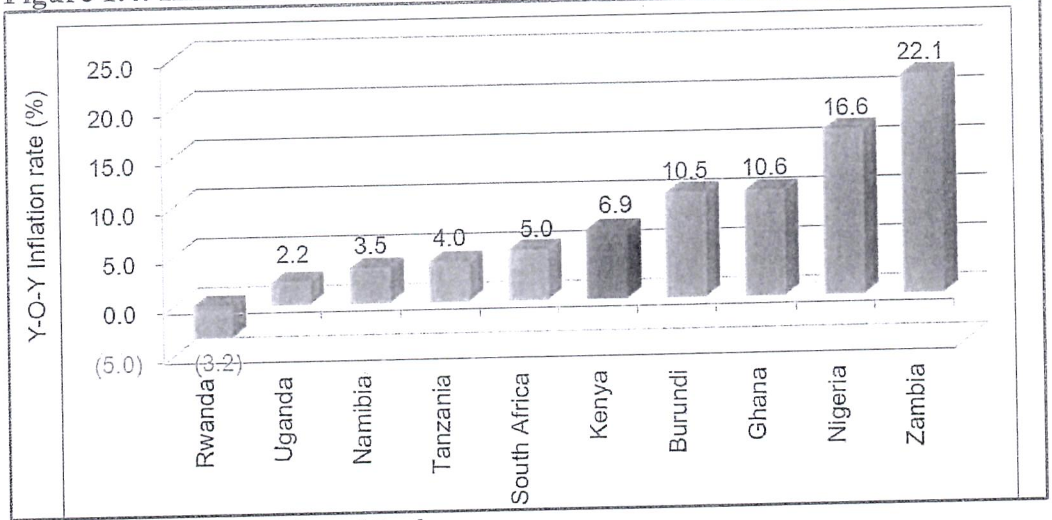
Figure 1.3: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

22. Kenya's year-on year inflation rate compares favorably with the rest of Sub-Saharan Africa countries. In September 2021, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria and Zambia **(Figure 1.4).**

Figure 1.4: Inflation Rates in selected African Countries (September 2021)

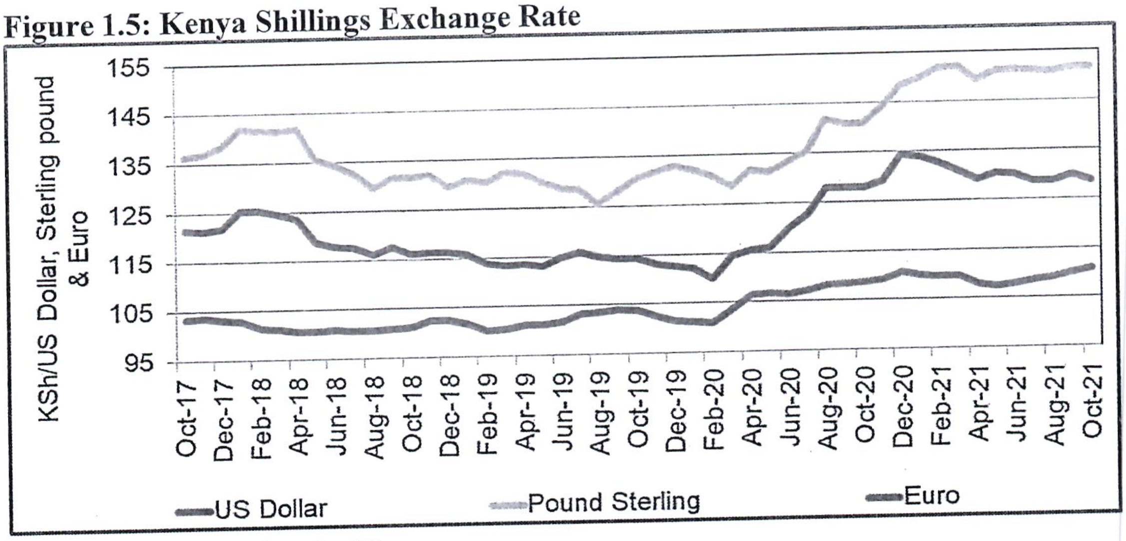


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

23. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. The Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020 **(Figure 1.5).**

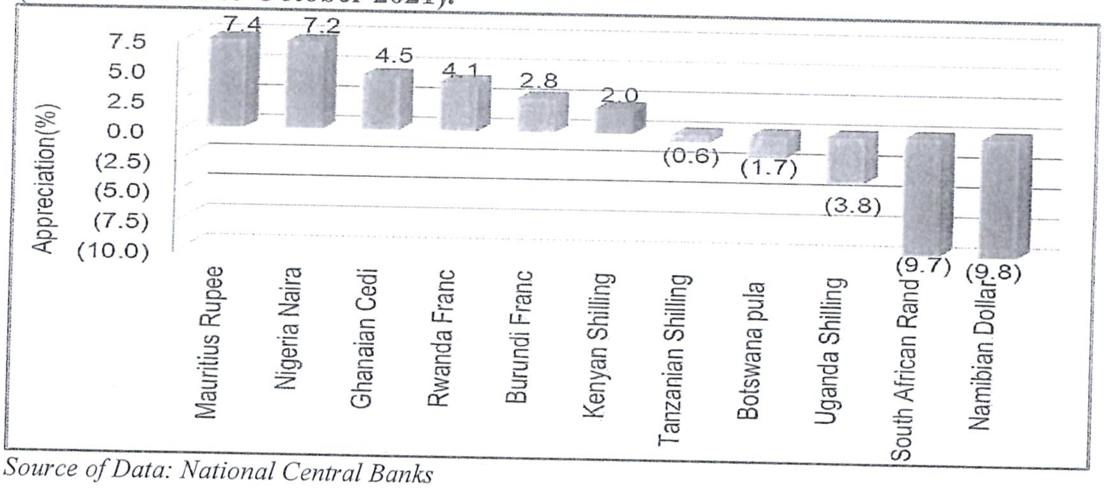
Figure 1.5: Kenya Shillings Exchange Rate



Source of Data: Central Bank of Kenya

24. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable, weakening by 2.0 percent against the US Dollar in the year to October 2021 **(Figure 1.6).** This depreciation of the Kenya Shilling was lower than that of Rwanda Franc, Nigeria Naira, Mauritius Rupee, Burundi Franc and Ghana Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favourable horticultural exports.

Figure 1.6: Performance of Selected Currencies against the US Dollar (October 2020 to October 2021).



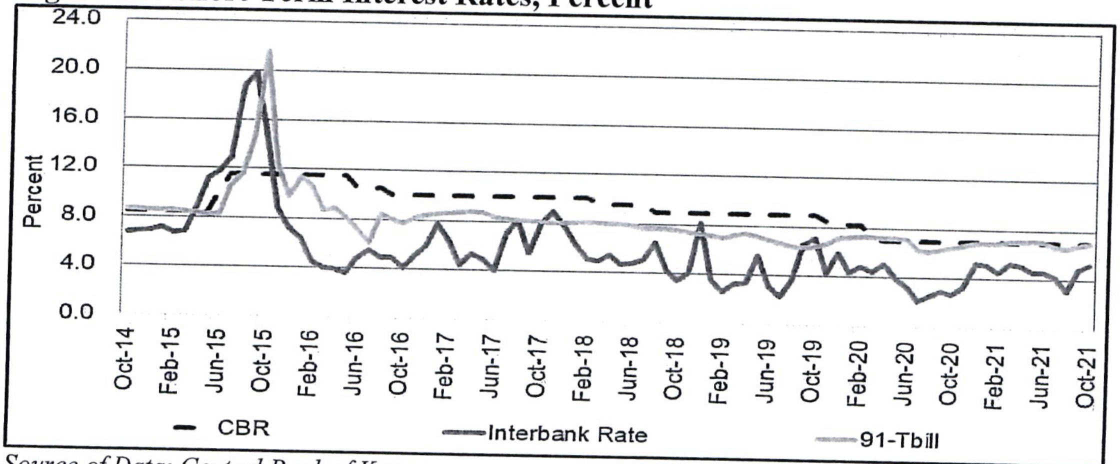
Source of Data: National Central Banks

Interest Rates

25. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent in the September 2021 by the Monetary Policy Committee to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in October 2021 supported by Government payments. The interbank rate remained low but increased slightly to 5.3 percent in October 2021 from 2.7 percent in October 2020 **(Figure 1.7).**

26. Interest rates on the Treasury bills remained relatively stable in October 2021. The 91-day Treasury Bills rate was at 7.0 percent in October 2021 compared to 6.5 percent in October 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.4 percent from 6.9 percent while the 364-day Treasury Bills rate also increased to 8.1 percent from 7.8 percent.

Figure 1.7: Short Term Interest Rates, Percent

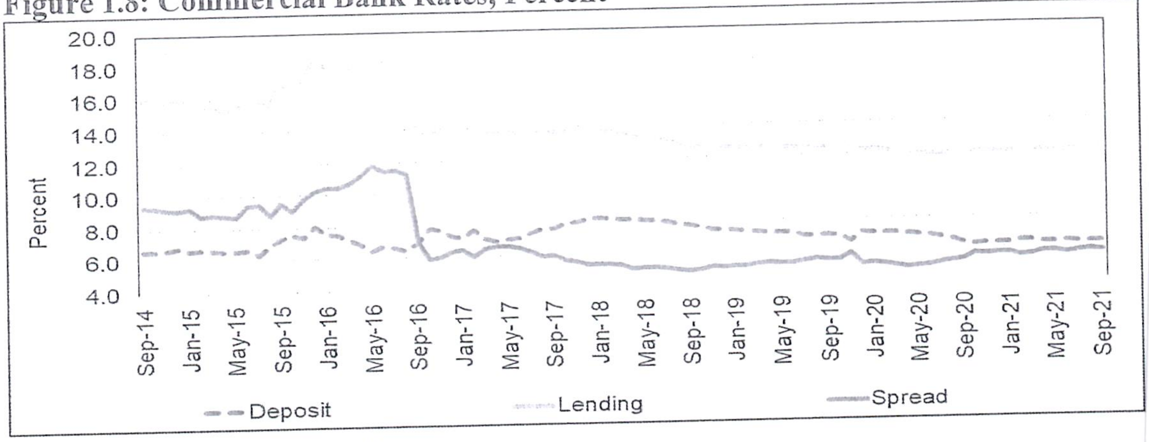


Source of Data: Central Bank of Kenya

27. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.1 percent in September 2021 compared to 11.8 percent in September 2020 while the average deposit rate declined from 6.4 percent to 6.3 percent over the same period. This led to an

increase in the average interest rate spread by 0.5 percentage points over the review period **(Figure 1.8).**

Figure 1.8: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Money and Credit

28. Broad money supply (M3) moderated to a growth of 8.7 percent in the year to September 2021 compared to a growth of 10.7 percent in the year to September 2020 **(Table 1.4).** This reflected a relatively lower Net Foreign Assets (NFA) and reduced growth in the net lending to Government component of the Net Domestic Assets (NDA).

29. Net Foreign Assets (NFA) of the banking system in the year to September 2021 contracted by 11.7 percent, compared to a contraction of 10.3 percent in the year to September 2020. The decline in NFA of the Central Bank was largely due to scheduled debt service and other central bank operations. The NFA of commercial banks also declined during the review period as a result of a decrease in deposits abroad.

Table 1.4: Money and Credit Developments (12 Months to September 2021 Ksh billion)

				Change		Percent Change	
	2019 September	2020 September	2021 September	2019-2020 September	2020-2021 September	2019-2020 September	2020-2021 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,459.7	1,665.8	1,770.8	206.0	105.0	14.1	6.3
1.1 currency outside banks (M0)	157.7	217.6	234.4	59.9	16.8	38.0	7.7
1.2 Demand deposits	1,190.6	1,371.0	1,421.3	180.4	50.3	15.2	3.7
1.3 Other deposits at CBK	111.4	77.2	115.1	(34.3)	38.0	(30.8)	49.2
2. Money supply, M2 (1+2.1)	2,866.0	3,180.5	3,408.1	314.5	227.6	11.0	7.2
2.1 Time and savings deposits	1,406.3	1,514.7	1,637.3	108.5	122.6	7.7	8.1
Money supply, M3 (2+3.1)	**3,473.4**	**3,843.5**	**4,177.7**	**370.1**	**334.2**	**10.7**	**8.7**
3.1 Foreign currency deposits	607.4	663.0	769.5	55.6	106.5	9.1	16.1
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**835.4**	**749.7**	**661.9**	**(85.8)**	**(87.8)**	**(10.3)**	**(11.7)**
1.1 Central Bank	871.5	804.9	760.8	(66.6)	(44.1)	(7.6)	(5.5)
1.2 Banking Institutions	(36.1)	(55.2)	(98.9)	(19.2)	(43.7)	(53.2)	(79.1)
2. Net domestic assets (2.1+2.2)	**2,637.9**	**3,093.8**	**3,515.8**	**455.9**	**422.0**	**17.3**	**13.6**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,566.6	4,051.4	4,588.0	484.9	536.6	13.6	13.2
2.1.1 Government (net)	**894.3**	**1,196.0**	**1,527.9**	**301.7**	**331.9**	**33.7**	**27.7**
2.1.2 Other public sector	99.8	88.7	80.8	(11.2)	(7.8)	(11.2)	(8.8)
2.1.3 Private sector	**2,572.4**	**2,766.7**	**2,979.3**	**194.3**	**212.5**	**7.6**	**7.7**
2.2 Other assets net	(928.6)	(957.6)	(1,072.2)	(29.0)	(114.6)	(3.1)	(12.0)

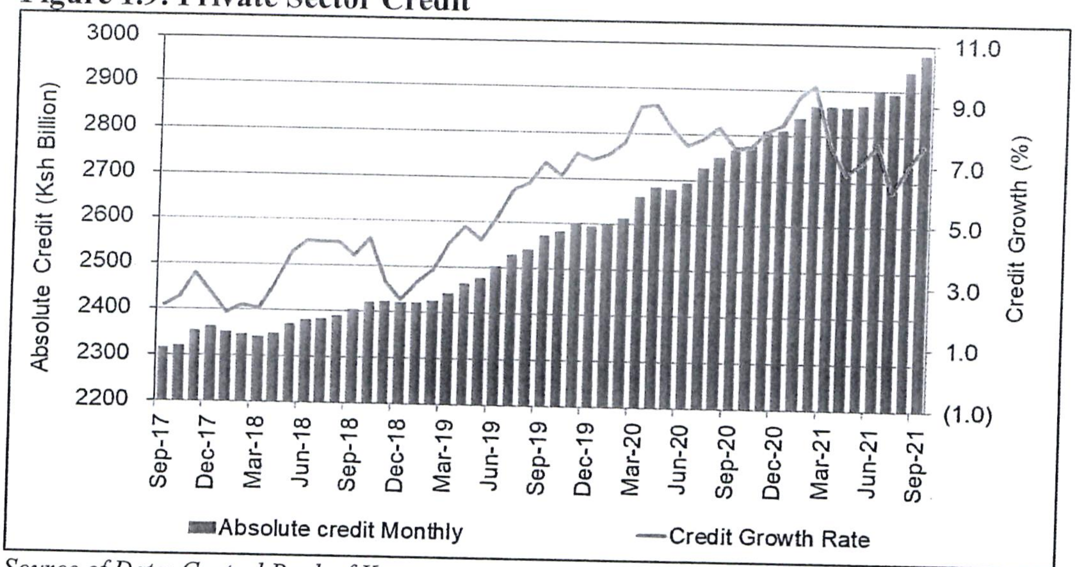
Source of Data: Central Bank of Kenya

30. The Net Domestic Assets (NDA) registered a growth of 13.6 percent in the year to September 2021, a decline compared to a growth of 17.3 percent over a similar period in 2020. This moderation mainly reflected a slowdown in net lending to government resulting from a reduced utilization of Government deposits at the Central Bank of Kenya. Net credit flows to the private sector and other public sectors improved during the review period.

Private Sector Credit

31. Private sector credit improved to a growth of 7.7 percent in the 12 months to September 2021 compared to a growth of 7.6 percent in the year to September 2020 **(Figure 1.9).** All economic sectors, except Mining and Quarrying, registered positive credit growth rates reflecting improved demand as economic activities picked up in the first three quarters of 2021. Strong credit growth was mainly observed in Consumer durables (17.6 percent); Finance and Insurance (11.7 percent); Transport and Communication (10.9 percent); Manufacturing (9.8 percent) and Business services (7.6 percent).

Figure 1.9: Private Sector Credit



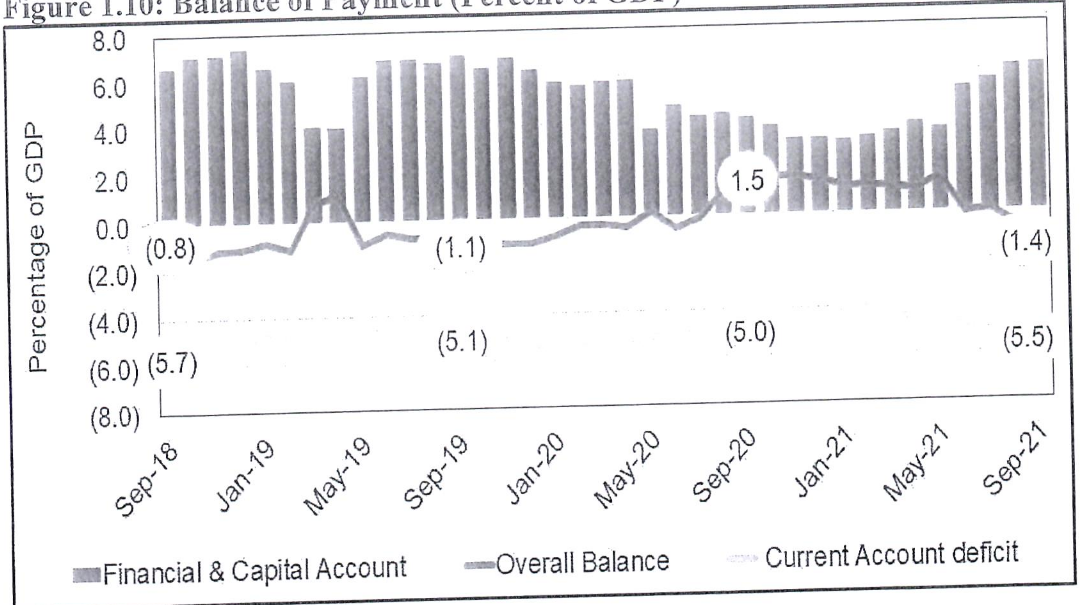
Source of Data: Central Bank of Kenya

32. Additionally, the Credit Guarantee Scheme for the Micro, Small and Medium Enterprises (MSMEs) that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the sector.

External Sector Developments

33. The overall balance of payment position declined to a deficit of USD 1,499.8 million (1.4 percent of GDP) in September 2021 from a surplus of USD 1,457.5 million (1.5 percent of GDP) in September 2020 **(Figure 1.10).** This was mainly due to a decline in receipts from services despite an improvement in the capital and financial accounts.

Figure 1.10: Balance of Payment (Percent of GDP)



Source of Data: Central Bank of Kenya

34. The current account remained fairly stable in the year to September 2021. The current account deficit was at USD 5,989.3 million (5.5 percent of GDP) in September 2021 compared to USD 4,938.2 million (5.0 percent of GDP) in September 2020. The current account balance was supported by an improvement in the net primary income and net secondary income balance.

35. The balance in the merchandise account reduced by USD 1,449.0 million to a deficit of USD 10,459.5 million in September 2021 mainly due to increased payments on imports despite an improvement in the export earnings **(Table 1.5).** In September 2021, exports grew by 8.2 percent primarily driven by increased receipts from export of horticulture and manufactured goods. On the other hand, imports of goods increased by 12.9 percent in September 2021 mainly reflecting increases in imports of oil and other intermediate goods.

36. Net receipts on the services account declined by USD 538.9 million to USD 87.3 million in September 2021 compared to USD 626.3 million in a similar period in 2020. This was mainly on account of lower receipts from transport and travel services. The balance on the primary account improved by USD 130.7 million to a deficit of USD 1,411.6 million in September 2021, due to lower reinvestment related outflows. Net Secondary income remained resilient and increased by USD 806.0 million during the review period supported by remittances.

37. The capital account balance improved by USD 283.1 million registering a surplus of USD 438.2 million in September 2021 **(Table 1.5).** The net financial inflows also increased to USD 6,359.4 million in September 2021 compared to USD 3,907.7 million in September 2020. This was on account of external debt in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.

Table 1.5: Balance of Payments (USD Million)

								Year to September 2021		Percent of GDP	
	Sep-19	Dec-19	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Change	Percent Change	Sep-20	Sep-21
Overall Balance	(1,250.9)	(1.105.6)	1,457.5	1,426.8	1,188.1	(66.4)	(1,499.8)	(2.957.3)	(202.9)	1.5	(1.4)
A) Current Account	**(4,823.1)**	**(5,280.1)**	**(4,938.2)**	**(4.618.8)**	**(4.912.7)**	**(5.503.1)**	**(5,989.3)**	**(1,051.2)**	**(21.3)**	**(5.0)**	**(5.5)**
Merchandise Account (a-b)	(10.287.6)	(10.679.5)	(9.010.5)	(8.430.2)	(8.797.0)	(9.597.5)	(10.459.5)	(1.449.0)	(16.1)	(9.1)	(9.6)
a) Goods: exports	5.849.6	5.871.9	6.010.6	6.062.0	6.038.2	6.402.5	6.503.0	492.4	8.2	6.1	6.0
b) Goods: imports	16.137.2	16.551.4	15.021.1	14.492.2	14.835.2	15.999.9	16.962.4	1.941.4	12.9	15.2	15.5
Net Services (c-d)	1.855.0	1.748.0	626.3	355.1	180.6	161.1	87.3	(538.9)	(86.1)	0.6	0.1
c) Services: credit	5.660.3	5.602.0	4.114.7	3.731.8	3.567.9	3.844.1	4.154.2	39.5	1.0	4.2	3.8
d) Services: debit	3.805.3	3.854.1	3.488.4	3.376.7	3.387.3	3.683.1	4.066.8	578.4	16.6	3.5	3.7
Net Primary Income (e-f)	(1.637.3)	(1.633.7)	(1.542.4)	(1.494.0)	(1.397.3)	(1.502.3)	(1.411.6)	130.7	8.5	(1.6)	(1.3)
e) Primary income: credit	216.6	218.3	170.9	143.7	128.3	150.7	174.7	3.8	2.2	0.2	0.2
f) Primary income: debit	1.854.0	1.852.0	1.713.3	1.637.7	1.525.7	1.653.0	1.586.3	(126.9)	(7.4)	1.7	1.5
Net Secondary Income	5.246.8	5.285.0	4.988.4	4.950.3	5.101.1	5.435.7	5.794.4	806.0	16.2	5.0	5.3
g) Secondary income: credit	5.299.4	5.339.7	5.039.2	5.026.0	5.193.9	5.534.0	5.892.6	853.4	16.9	5.1	5.4
h) Secondary income: debit	52.6	54.7	50.8	75.7	92.7	98.3	98.2	47.3	93.1	0.1	0.1
B) Capital Account	**206.8**	**207.7**	**155.1**	**131.2**	**191.1**	**422.3**	**438.2**	**283.1**	**182.5**	**0.2**	**0.4**
C) Financial Account	**(6,836.7)**	**(6.001.4)**	**(3,907.7)**	**(3,022.6)**	**(3,611.2)**	**(5,488.0)**	**(6,359.4)**	**(2,451.7)**	**(62.7)**	**(3.9)**	**(5.8)**

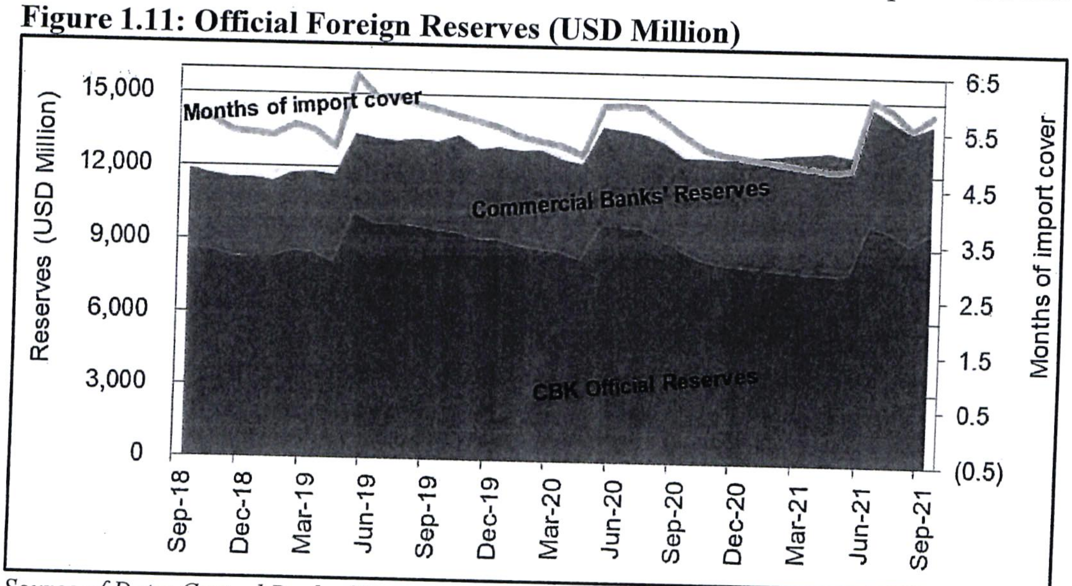
Source of Data: Central Bank of Kenya

Foreign Exchange Reserves

38. The banking system's foreign exchange holdings remained strong at USD 14,089.1 million in September 2021 from USD 12,585.0 million in September 2020. The official foreign exchange reserves held by the Central Bank increased to USD 9,632.2 million (5.8 months of import cover) in September 2021 compared to USD 8,765.1 million (5.4 months of import cover) in September 2020 **(Figure 1.11).**

39. The official reserves met the requirement to maintain reserves at minimum of 4.0 months of import cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,457.0 million in September 2021 from USD 3,819.9 million in September 2020.

Figure 1.11: Official Foreign Reserves (USD Million)

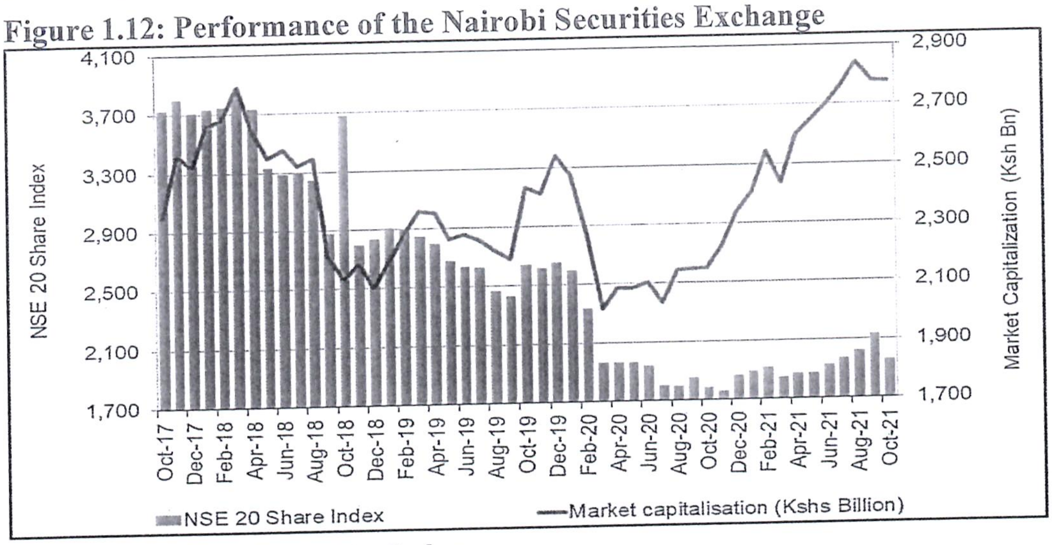


Source of Data: Central Bank of Kenya

Capital Markets Development

40. Activity in the capital markets improved in October 2021 compared to October 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,961 points by end of October 2021, an increase compared to 1,784 points by end of October 2020. Market capitalization also increased to Ksh 2,777 billion from Ksh 2,150 billion over the same period, indicating increased trading activities **(Figure 1.12).**

Figure 1.12: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

1.3 Fiscal Performance

41. Budget execution in the first four months of FY 2021/22 progressed well. Revenues recorded positive growth rates reflecting improvement in business environment, impact of reversal of some tax relief measures effected in January 2021, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority. Revenues are expected to improve in the rest of the fiscal year following the reopening of the economy and the increased demand for imports as well as improved domestic sales. Revenue targets for the FY 2021/22 are also expected to be achieved considering the performance in the first four months.

42. Overall expenditures were within programme target underpinned by good revenue performance and adequate liquidity in the government securities market. However, ministerial expenditure targets were not fully met partly due to low absorption of foreign financed projects and lower than projected disbursement to Counties.

Revenue Performance

43. Revenue collection to October 2021 grew by 29.3 percent compared to a contraction of 9.6 percent in October 2020. This growth is attributed to the improved business environment following the reopening of the economy and ease on measures put in place to contain the spread of the COVID-19 pandemic. As at end October 2021, the cumulative total revenue inclusive of Ministerial

Appropriation in Aid (A-i-A) was Ksh 653.6 billion against a target of Ksh 635.0 billion. This performance was Ksh 18.6 billion above the set target.

44. Ordinary revenue to October 2021 recorded a growth of 25.8 percent compared to a contraction of 10.8 percent in October 2020. This growth was recorded in all broad categories of ordinary revenue. Specifically, Income tax grew by 27.8 percent, Value Added Tax (VAT) by 39.9 percent, Excise taxes by 22.2 percent, and Import duty by 11.9 percent. In nominal terms, ordinary revenue collection to October 2021 was Ksh 576.6 billion against a target of Ksh 560.0 billion. This performance was Ksh 16.6 billion above the target.

45. Ministerial A-i-A inclusive of the Railway Development Levy was Ksh 77.0 billion against a target of Ksh 75.0 billion reflecting timely reporting of Semi-Autonomous Government Agencies (SAGAs) A-i-A. Ministerial A-i-A revenue, recorded 63.6 percent growth for the period ending October 2021 compared to a growth of 4.0 percent over a similar period in 2020.

Expenditure Performance

46. Total expenditure and net lending for the period ending October 2021 was Ksh 854.2 billion which was below the projected amount of Ksh 904.2 billion. Recurrent spending amounted to Ksh 612.8 billion while development expenditure amounted to Ksh 148.9 billion. Transfer to County Governments amounted to Ksh 92.5 billion.

47. Recurrent spending was below the projected target by Ksh 7.6 billion mainly on account of lower than targeted expenditure on operation and maintenance as well as pensions.

48. Development expenditure was below target by Ksh 17.3 billion on account of below target disbursements to foreign financed programmes by Ksh 30.2 billion signaling continued challenges with absorption of externally financed projects as well as the effects of the COVID-19 pandemic. Disbursements to domestically financed programmes, on the other hand, was above target by Ksh 13.7 billion reflecting accelerated absorption in the first four months of the financial year.

49. Fiscal operations of the Government by end of October 2021 resulted in an overall deficit including grants of Ksh 193.7 billion against a projected deficit of Ksh 253.7 billion. This deficit was financed through net domestic borrowing of Ksh 214.9 billion and net foreign repayment of Ksh 33.5 billion.

1.4 Fiscal Policy

50. Going forward into the medium term, the Government will continue with its revenue mobilization and expenditure prioritization policy geared towards economic recovery. This will support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme, thus creating a fiscal space for the implementation of the "Big Four" Agenda and other priority programmes in the medium term. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and strengthen management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development

projects. The fiscal deficit is projected to decline from 8.2 percent of GDP in FY 2021/22 to 6.0 percent of GDP in FY 2022/23 and further to 3.9 percent of GDP by FY 2024/25.

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

52. Further, Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and economic investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency and accountability of public spending. In particular, the implementation of PIM regulations under the PFM Act, 2012 will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

53. 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 rolled out in January 2021. In addition, to support devolution and to ensure quality services are offered by devolved units, the equitable share has been retained at Ksh 370.0 billion in the FY 2022/23 in line with the fiscal consolidation plan.

54. In this regard, expenditures as a share of GDP are projected to decline from 25.0 percent in the FY 2021/22 to 23.7 percent in the FY 2022/23 and further to 22.2 percent in the FY 2024/25. On the other hand, revenues as a share of GDP are projected to increase from 16.3 percent in the FY 2021/22 to 17.4 percent in the FY 2022/23 and further to 18.1 percent in the FY 2024/25.

55. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration. In addition, the economic recovery occasioned by implementation of priority programmes under the Economic Recovery Strategy, the "Big Four" Agenda and other priority programmes outlined in MTP III are expected to boost revenue. The Government continues to minimize tax expenditures and increase predictability in the tax system that will boost revenue performance.

56. The Government is in the process of developing a National Tax Policy Framework that will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislation and management of tax expenditure. The administrative reforms will be geared towards tax base expansion, strengthening compliance and enforcement functions, smart intelligence and investigation, and integrated border management.

57. The tax base expansion programmes will be implemented through enhancing compliance from the informal sector, simplifying tax processes, enhancing tax payer education, use of Geographic Information System (GIS) for Block Management System, increase compliance by High-Net-Worth Individuals

(HNWI), taxation of the digital economy, and strategic collaboration and partnerships for revenue mobilization. The compliance and enforcement function aims to ensure a holistic approach through centralized command and timely utilization of smart intelligence, which will be paramount in enhancing tax compliance and curbing corruption, fraud and tax evasion.

58. In order to adopt a comprehensive approach for undertaking effective tax system reforms for boosting tax revenues and improving the tax system over the medium term, the Government intends to develop a Medium-Term Revenue Strategy (MTRS)[1] with a four-year time horizon to undertake comprehensive reforms of tax policy and revenue administration for eliminating tax gap by FY 2029/30 to mobilize adequate resources for financing development needs. The MTRS, together with public expenditures rationalization will support fiscal consolidation. It will also outline among others the tax reforms priorities aimed at increasing revenue to a level that will facilitate financing of the expenditure needs outlined in MTPs of the Vision 2030. The MTRS is also expected to galvanize across board support of the government and government agencies, the private sector including the civil society and the general public towards domestic resource mobilization in order to sustainably fund the growing government needs and the achievements of development goals.

59. Given the commitment to contain expenditures and revenue recovery measures put in place, fiscal deficit inclusive of grants is projected to decline from Ksh 1,029.3 billion (8.2 percent of GDP) in the FY 2021/22 to Ksh 846.1 billion (6.0 percent of GDP) in the FY 2022/23 and further to Ksh 670.0 billion (3.9 percent of GDP) in the FY 2024/25 (**Table 1.6**). In the medium term, debt is projected to remain sustainable.

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[1] A medium-term revenue strategy (MTRS) is a high-level multi-year road map of tax system reform in a country—typically, extending over 4 to 6 years. The organizing principle is a vision for the future tax system with a clarity of purpose which helps to overcome well-known problems in the political economy of tax system reform. Experience points to the fact that erratic, inconsistent efforts at change frequently result in no change at all—or in quick reversal. Building a country-specific vision requires a government-led effort and whole-of-government buy-in and support, and a broad social and political commitment to tax system reform. Thus, an MTRS process is a country endeavor leading to a broadly supported, public, and transparent tax system reform.

SECRET

Table 1.6: Fiscal Framework (Ksh million)

	FY 2019/20	FY 2020/21		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
		Revised Estimates II	*Prel.*	*PROJECTIONS*				
TOTAL REVENUE	1,796.0	1,837.8	1,783.7	2,063.1	2,431.4	2,818.2	3,146.0	3,533.8
Ordinary revenue	1,573.7	1,578.8	1,562.0	1,800.0	2,141.6	2,516.3	2,822.6	3,189.2
Ministerial Appropriation in Aid	222.2	259.0	221.7	263.0	289.8	302.0	323.3	344.6
TOTAL EXPENDITURE AND NET LENDING	2,627.5	2,886.9	2,749.5	3,154.3	3,324.4	3,548.4	3,865.3	4,214.6
Recurrent	1,694.1	1,819.0	1,796.6	2,071.8	2,201.0	2,357.3	2,569.3	2,804.9
Development	608.1	668.2	553.9	667.7	711.8	773.8	873.5	962.3
County Transfer	325.3	399.6	399.0	409.9	406.5	412.3	417.5	442.5
Contigency Fund	-	-	-	5.0	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	(831.5)	(1,049.0)	(965.7)	(1,091.3)	(893.0)	(730.1)	(719.4)	(680.8)
Grants	19.8	72.8	31.3	62.0	46.9	48.1	49.3	53.2
BALANCE INCLUSIVE OF GRANTS	(811.7)	(976.2)	(934.4)	(1,029.3)	(846.1)	(682.0)	(670.0)	(627.5)
Adjustment to cash basis	11.8	-	5.1	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	(799.9)	(976.2)	(929.3)	(1,029.3)	(846.1)	(682.0)	(670.0)	(627.5)
Discrepancy	*(9.1)*	-	*20.9*	-	-	-	-	-
TOTAL FINANCING	790.8	976.2	950.2	1,029.3	846.1	682.0	670.0	627.5
Net Foreign Financing	340.4	417.6	323.3	412.5	275.9	192.3	95.4	125.5
Net Domestic Financing	450.4	558.7	626.9	616.8	570.2	489.8	574.7	502.1
Nominal GDP (Fiscal year)	**10,620.8**	**11,168.5**	**11,304.1**	**12,628.1**	**14,002.1**	**15,604.6**	**17,401.9**	**19,577.0**

Source of Data: National Treasury

1.5 Economic Outlook

Global Growth Outlook

60. The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, relaxation of COVID-19 restrictions particularly in the major economies, ongoing rollout of vaccines, and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, global growth is projected to grow at 5.9 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.1 percent in 2020. Global growth is expected to moderate to 3.3 percent over the medium term reflecting further policy support. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant losses in the medium-term losses.

61. The Sub-Saharan African region has not been spared the negative effects of the pandemic with the growth estimated to have contracted by 1.7 percent in 2020. Consistent with forecast in other regions, economic growth in the region is expected to recover to 3.7 percent in 2021 and 3.8 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

Domestic Growth Outlook

62. Like the rest of the world, the domestic economy was not spared from the adverse impact of the pandemic and estimated to have contracted to 0.3 percent in 2020. The economy is expected to rebound to 6.0 percent in 2021, attributed a pick-up of activities after the reopening of the economy. This also in part reflects the lower base in 2020 when most service sectors especially accommodation and restaurant, education as well transport and storage services contracted in second and third quarters of 2020 with huge margins.

63. In terms of fiscal years, the economy is projected to expand by 2.9 percent in the FY 2020/21, 5.9 percent in FY 2021/22 and 6.1 percent in FY 2025/26. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030 (**Table 1.7 and Annex Table 1**).

64. The Government is currently focusing on the implementation of the Economic Recovery Strategies that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the "Big Four" Agenda will promote inclusive growth and transform the lives of Kenyans.

Table 1.7: Macroeconomic Framework

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
	annual percentage change, unless otherwise indicated														
National Account and Prices															
Real GDP	2.9	6.3	5.9	5.9	5.7	4.5	5.8	6.0	4.7	5.9	6.1	5.0	6.0	5.3	6.1
GDP deflator	5.9	5.2	5.5	5.5	5.0	4.9	4.8	5.4	5.4	5.3	5.3	5.3	5.2	6.0	6.0
CPI Index (eop)	5.7	5.0	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.8	5.0	5.6	5.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.6	1.1	0.2	1.1	-0.3	0.2	0.2	0.5	0.2	0.2	0.6	0.3	0.3	0.4	0.4
	in percentage of GDP, unless otherwise indicated														
Investment and Saving															
Investment	20.6	19.8	19.7	20.8	18.3	16.1	20.5	19.0	16.7	20.7	19.4	17.6	21.1	18.4	21.2
Central Government	5.3	4.9	4.9	5.2	4.8	4.9	5.0	4.9	5.0	4.9	4.8	5.1	5.0	3.0	5.0
Other	15.3	14.9	14.8	15.7	13.4	11.3	15.5	14.1	11.6	15.7	14.6	12.6	16.1	15.4	16.2
Gross National Saving	16.2	13.8	13.7	16.3	12.2	11.4	15.6	12.8	11.9	15.4	13.1	12.7	15.4	13.6	15.4
Central Government	-4.7	-2.6	-4.4	-4.7	-1.4	-3.0	-3.4	-0.4	-2.3	-2.2	-0.1	-2.0	-1.6	-0.1	-1.1
Other	20.9	16.4	18.1	21.0	13.6	14.4	19.0	13.2	14.1	17.6	13.2	14.7	17.0	13.7	16.5
Central Government Budget															
Total revenue	15.8	16.4	16.1	16.3	17.3	17.5	17.4	18.2	18.6	18.1	18.1	18.7	18.1	18.6	18.1
Total expenditure and net lending	24.3	24.3	24.0	25.0	23.3	23.5	23.7	22.7	23.5	22.8	22.0	23.1	22.2	22.8	21.5
Overall Fiscal balance excl. grants	-8.5	-7.9	-7.9	-8.6	-6.0	-6.0	-6.4	-4.6	-4.8	-4.7	-3.9	-4.4	-4.1	-4.2	-3.5
Overall Fiscal balance, incl. grants, cash basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.1	-3.9	-3.9	-3.2
Primary budget balance	-3.8	-3.0	-2.9	-3.4	-1.0	-0.8	-1.1	0.3	0.2	0.2	0.6	0.5	0.5	0.7	0.9
External Sector															
Current external balance, including official transfers	-4.4	-6.0	-4.5	-4.5	-6.1	-4.7	-4.9	-6.2	-4.8	-5.3	-6.3	-4.9	-5.7	-4.8	-5.9
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	5.9
Memorandum Items:															
Nominal GDP (in Ksh Billion)	11,304	12,393	12,628	12,628	13,760	13,721	14,002	15,373	15,140	15,605	17,128	16,735	17,402	18,682	19,577

Source of Data: The National Treasury

1.6 Risks to the Economic Outlook

65. There are risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, the emergence of new COVID-19 variants that may require broader reinstatement of containment measures, in the country and its trading partners, could lead to renewed disruptions to trade and tourism. Other risks relate to lower agricultural output due to potential adverse weather conditions and continued desert locust infestation in the northern region of the country, which could potentially reduce production of food crops and animal feeds. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures, would put a strain to the fiscal space.

66. 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 faster reduction in fiscal deficit and debt accumulation. Additionally, potential lower oil prices in the international market would result in improved terms of trade.

67. On the external side, risks will depend on how the world responds to the health crisis, including whether the new COVID-19 strains are responsive to vaccines. Additionally, growth would be weaker than projected if logistical hurdles in procuring and distributing vaccines especially in emerging market and

developing economies will be slow. The delays would allow the new variants to spread, with possibly higher risks of infections among the unvaccinated populations. World economies will be shaped by policies taken to limit persistent economic disruptions, the evolution of financial conditions and commodity prices especially oil in the international market and the adjustment capacity of the economies.

68. On the upside, better global cooperation on vaccines could help prevent renewed waves of infection and the emergence of new variants, end the health crisis sooner than assumed, and allow for faster normalization of activity, particularly among emerging market and developing economies. 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.

II. ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

2.1 Overview

69. The COVID-19 pandemic has magnified the importance and the urgency to institute policy measures to strengthen economic resilience and cushion Kenyans and businesses from the adverse effects that result from economic shocks. From the outset of the pandemic, the Government took decisive actions to respond to the adverse effects of the pandemic by implementing the Economic Stimulus Programme (ESP). The objective of the ESP was to cushion businesses and vulnerable Kenyans, increase demand for local goods and services, and create employment and increase incomes. The ESP created over 200,000 jobs for the youth, enhanced liquidity by supporting credit access to businesses and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the pandemic.

70. Building on the gains made, the 2022 BPS articulates priority economic policies and structural reforms as well as sectoral expenditure programs to be implemented under the MTEF for FY 2022/23 - 2024/25. This will create an enabling environment critical to accelerate economic recovery and return the economy back to long term growth for improved livelihoods. Towards this end, the Government will undertake the following strategic interventions anchored in MTP III:

i. Roll out the third Economic Stimulus Programme for sustainable growth;
ii. Accelerate implementation of the "Big Four" Agenda;
iii. Maintain macroeconomic stability and enhance security of Kenyans and their properties to foster a secure and conducive business environment;
iv. Scale up development of critical infrastructure in the country such as roads, rail, energy and water to reduce the cost of doing business and ease movement of people and goods as well as promote competitiveness;
v. Enhance investment in key sectors of MTP III for broad based sustainable recovery by promoting agricultural transformation, growth in manufacturing, environmental conservation and water supply, stimulating tourism recovery, and sustainable land use and management;
vi. Expand access to quality social services in health, education and appropriate social safety nets for the vulnerable population;
vii. Support the youth, women and persons living with disability through Government funded empowerment programmes;
viii. Support County Governments through transfer of sharable revenues to strengthen their systems and capacity in service delivery;
ix. Implement various policy, legal and institutional reforms to enhance efficiency of public service delivery; and
x. Continue implementing the Economic Recovery Strategy.

2.2 Economic Stimulus Programme

71. The first and the second ESP were designed to ensure that the Kenyan economy endures the shocks occasioned by the lockdown measures implemented in the early stages of the COVID-19 pandemic.

72. With significant progress registered in the containment of COVID-19, the Government has shifted focus from survival to co-existing with the disease. In this regard, the Government will roll out the third phase of ESP to accelerate the pace of economic growth and sustain the gains already made. The third phase of the ESP targets key productive and service sectors in thirteen strategic interventions that cover: agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. The interventions include supporting:

i. Small scale tea farmers with fertilizer subsidy of Ksh 1.0 billion;
ii. Livelihoods of farmers within the nation's sugar belt by allocating an additional Ksh 1.5 billion towards factory maintenance and payment of farmers' arrears;
iii. Completion of ongoing targeted interventions in the Coffee Sub-Sector by allocating Ksh 1.0 billion;
iv. Communities affected by the ongoing drought especially in ASAL counties as part of National Livestock Off-take Programme by allocating Ksh 1.5 billion;
v. Reduction of prices of animal feeds by issuing a framework that will facilitate the reduction of cost of animal and chicken feeds;
vi. Adequately prepare the education sector the next phase of the curriculum reforms where approximately one million students are to transition to junior secondary school in January 2023 by allocating Ksh 8.0 billion for the CBC infrastructure expansion programme for the construction of over 10,000 classrooms;
vii. Construction of additional 50 New Level 3 Hospitals in non-covered areas and densely populated areas across the nation to enhance access to medical coverage through allocation of Ksh 3.2 billion;
viii. Roll out of the third phase of the "Kazi Mtaani" Programme to create employment for over 200,000 youths across the country through an allocation of Ksh 10.0 billion;
ix. Development of a framework for stabilization of petroleum prices by December 2021 and full implementation of the Report of the Presidential Taskforce on Review of Power Purchase Agreements that establishes a pathway for the reduction of electricity prices by 30 percent. This will cushion Kenyans against the turbulence caused by the volatility in fuel prices;
x. Implementation of the Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) frameworks stipulated by the Proceeds of

Crime and Anti-Money Laundering Act (POCAMLA) to better track and trace illicit flows of money. To boost growth of MSMEs, the Government will revise upwards the cash transactions reporting threshold from the current mark of Ksh 1 million applicable to both withdrawals and deposits by customers;

xi. MSMEs and borrowers with loans less than Ksh 5 million by effecting a moratorium of listing in CRBs for a period of 12 months to end September 2022.

xii. Small scale traders and households at large to access financial services by engaging all digital payment providers with an aim of deepening and expanding the use of digital payment channels; and

xiii. Operationalization of the Kenya Biovax Limited to 'form and fill' and eventual manufacture of COVID-19 vaccine by Easter of 2022.

2.3 Accelerating Implementation of the "Big Four" Agenda

73. The "Big Four" Agenda was initiated four years ago by the Government to foster socio-economic development and provide solutions to the various problems facing Kenyans. Since initiation, the Government has continued to implement programmes under each pillar of the "Big Four" Agenda, by formulating enabling policies and enhancing resource allocation. These efforts have borne fruits in improving livelihoods through creation of jobs and poverty reduction.

2.3.1 Supporting Growth of Manufacturing for Job Creation

74. Implementation of appropriate policies coupled with enhanced investments in the manufacturing sector has led to creation of a conducive business environment for industrial growth, creation of jobs and improved livelihoods.

75. In the textile sector, the Government has made great strides in developing a textile Hub at Athi River Export Processing Zone (EPZ). This has been achieved through provision of industrial warehouses, sheds and basic infrastructure facilities that are key in attracting and retaining investors in textile value addition and creating more employment opportunities at the EPZ. Consequently, the level of exports from the EPZ firms has increased. Plans to provide a railway siding from the SGR to Athi River will be fast-track to improve logistics for raw materials and finished goods to and from Athi River, respectively.

76. The Government also modernized RIVATEX East Africa Limited leading to increased textile and apparel production, and creation of job opportunities through linkages with cotton farmers. Further, through the cotton value addition and extension subsidy, the Government expanded cotton production through provision of farm inputs (seeds and fertilizers), capacity building to farmers and revival of the ginneries for processing of cotton that feed into the modernized RIVATEX factory. In addition, other integrated textile mills such as Thika Clothing Mills (Thika) and Sunflag (Nairobi) have expanded and modernized their plant and machinery to off-take the locally grown cotton.

77. In the leather industry, the Government has improved infrastructure at Kinanie Leather Industrial Park, developed the Kenya National Leather Development Policy and provided tax incentives in order to spur growth in the sector to meet the growing domestic and external demand. The Government has also operationalized a leather laboratory at the Kisumu Kenya Industrial Research Development Institute (KIRDI).

78. On local assembly of motor vehicle and motorcycles, the Government has provided various tax incentives including removal of excise duty on locally assembled motor vehicles, duty-free importation of completely knocked down kits and reduction of corporate tax from 30 to 15 percent for the first five years of operation. This attracted thirteen motor vehicle and seventeen motor cycle assemblers by the end of FY 2020/21 leading to employment creation. Building on these gains, the Government is developing a framework to support the assembly of affordable passenger vehicles and instituting comprehensive policy and administrative reforms to fully entrench local assembly of motor vehicles and motor cycles.

79. In order to increase productivity and boost value addition, the Government will continue to enhance agro-processing of major cash crops, meat, dairy, fruits, nuts and oils. This will be achieved through operationalizing of various factories such as the mango value chain factory located in Eldoret, integrated fruit and honey processing plant in Mombasa, gums arabic and raisins factory in Wajir, and construction of a tomato processing factory in Kajiado. In addition, feasibility study is on-going for the establishment of an integrated agro-processing industrial park in Nyamira.

80. The Government will continue to develop industrial parks across the country and Special Economic Zones in Naivasha, Dongo Kundu in Mombasa and Miwani in Kisumu. This will promote local industrial activities and unlock additional employment opportunities. Towards this end, the Special Economic Zones Authority will be fully operationalized to provide one-stop-shop facility to investors. In addition, the Government will upgrade and modernize the Foundry Plant at the Numerical Machining Complex to increase production of steel products and machinery.

81. In order to enhance skills development, the Government will continue to transform the Kenya Industrial Training Institute (KITI) to a centre of excellence that provides quality programmes that resonate well with the evolving industries' skills. This will create a pool of necessary skills and expertise required to boost manufacturing activities in the country. Teaching, learning, accommodation and recreation facilities at the institute are being expanded in order to provide a conducive environment for skills development. Further, the Government will continue to equip laboratories at the Nairobi KIRDI in order to promote industrial research and product development.

82. To support implementation of these initiatives in the manufacturing sector, the Government will continue to institute policy, legal and institutional reforms to provide an enabling environment for industrial development. In this regard, the Government will enhance protection of industrial development, innovations and intellectual property rights. The Government will also sustain the fight against

illicit trade and contrabands, which pose a detrimental impact on the substantial growth of legitimate business in the country.

2.3.2 Food and Nutrition Security to all Kenyans

83. The aim of the Government in this pillar is to achieve food and nutrition security for all Kenyans. In order to achieve this, the Government targeted to support large scale production of staple food, expand irrigation schemes, increase access to agricultural inputs and implement programmes to support smallholder farmers to sustainably produce and market various commodities.

84. Since the onset of "Big Four" Agenda, the Government has implemented deliberate efforts including Agricultural Sector Transformation and Growth Strategy, and Agricultural Inputs Subsidy Programme for farm inputs such as fertilizer and seeds. This has improved production of main crops such as maize, rice, coffee, tea, wheat among others through the provision of the subsidized fertilizer and seeds. This has enabled farmers to earn more incomes and make Kenya more food secure.

85. In order to support rice production and value addition in rice and rice by-products, the Government has promoted use of improved production technologies, introduced high yielding rice varieties, and improved knowledge and skills on harvest and postharvest handling. Rice production was boosted following the expansion of Mwea Irrigation Scheme, Lower Nzoia Irrigation Project and the Lower Kuja Irrigation Development Project.

86. The Government has undertaken various reforms to stimulate recovery in the tea and coffee sector. In the tea sector, the restructure of Kenya Tea Development Agency (KTDA) has streamlined and improved operations in the sector. This has set the price of tea on an upward trajectory. In the coffee sector, the Government has revitalized the Kenya Planters Cooperative Union (KPCU) bringing healthy competition into coffee milling activities. This, among other reforms, has resulted to an increase in farmers' earnings.

87. The Government has supported local value addition for beef by reviving the Kenya Meat Commission (KMC). This has provided a ready market for livestock with farmers delivering livestock to the KMC paid within 72 hours at the rate of Ksh 185 per kilo.

88. In order to promote smallholder farming to produce affordable and nutritious food, the Government has implemented the Small-Scale Irrigation and Value Addition Project (SIVAP) and supported establishment of the Kitchen Gardens Initiative. Further, the Government has supported implementation of the Kenya Climate Smart Agriculture Project (KCSAP) and the National Agricultural and Rural Inclusive Growth Project (NARIGP) to increase agricultural productivity and enhance resilience to climate change risks in the targeted smallholder farming and pastoral communities.

89. Moreover, the Government through the National Expanded Irrigation Programme has increased food production through construction and rehabilitation of irrigation schemes across counties, and construction of water pans in arid areas for domestic and animal consumption, and irrigation in greenhouses. Other specific

projects that have increased land under irrigation are expansion of Galana Kulalu farm acreage from 52,000 to 100,000; Lower Nzoia Irrigation Project; and the rehabilitation of Bura Irrigation Scheme.

2.3.3 Universal Health Coverage to all Kenyans

90. The Government has made strategic investments that have propelled the country towards attainment of Universal Health Coverage (UHC) and strengthened the health care system to respond to pandemics and other global health security challenges. Following the successful rollout of the UHC programme pilot phase, utilization of health services across the country increased, with over 1.6 million additional hospital visits made during the 12-month period of the pilot phase. Further, the pilot phase provided the Government with critical learning points that have enhanced health policy priorities ahead of the full roll out of the programme.

91. The Government has also provided health insurance cover for the elderly and severely disabled in society under the Health Insurance Subsidy Programme and launched the biometric registration for the UHC scheme to capture the biometric data. Further, the Government instituted reforms at NHIF to create a national social health insurer to meet the needs of Kenyans. Moreover, to improve health outcomes, the Government has operationalized the Kenyatta University Teaching, Research, and Referral Hospital and Othaya National Teaching and Referral Hospital, which have enhanced health service delivery.

92. In order to address the challenges caused by mental health, the Government established an Office in the Ministry of Health, with the full responsibility of spearheading the national response to the disruption caused by mental illness. The Government also elevated Mathari National Teaching and Referral Hospital to a semi-autonomous specialized hospital to offer training and research in psychiatry, specialized and forensic psychiatric services, child and adolescent mental services and substance abuse related and addictive disorders treatment and rehabilitation services.

93. To address the challenges caused by COVID-19 pandemic, the Government increased ICU bed capacity from 108 to 651 and improved oxygen generation capacity in public health facilities from three million litres per day in March 2020 to 32 million litres per day in October 2021. Further, the Government increased the number of testing laboratories for COVID-19 from one in March 2020 to 95 in October 2021.

94. In order to bridge the gap in human resources for health, the Government has progressively recruited additional healthcare workers, which has seen the total public workforce increase to stand at 75,000 in October 2021. The Government has also expanded the capacity of Kenya Medical Training Colleges (KMTC) to train mid-level healthcare workers who play a critical role in health service delivery throughout all the levels of healthcare. This has seen the number of KMTC institutions increase from 28 campuses in 2013 to 71 campuses spread across 44 counties.

95. The Government will continue to improve health outcomes and the reach of healthcare services in the country by fighting HIV/AIDS, malaria and tuberculosis. The Government will also continue to improve maternal, new-born and child health

services, enhance early diagnosis and management of cancer through acquiring Cyber Knife Radiotherapy Equipment for Kenyatta University Teaching, Referral and Research Hospital. The Government will facilitate establishment of a cancer centre in Meru and Kakamega to reduce the burden of cancer treatment among Kenyans.

2.3.4 Affordable and Decent Housing

96. The Government embarked on a plan to provide affordable and decent houses to Kenyans. This was envisaged to create additional jobs, provide market for manufacturers as well as suppliers and raise the contribution of real estate and construction sectors to GDP. To achieve this, the Government has been implementing policy and administrative reforms targeted at lowering the cost of construction and improving access to affordable housing finance.

97. To facilitate provision of affordable houses, the Government has focused on raising low-cost funds from public and private sectors for investment in large-scale housing under the Affordable Housing Scheme through the National Housing Development Fund and the various public-private partnerships. The incorporation and capitalization of the Kenya Mortgage Refinance Company (KMRC) has provided long term funds to primary house mortgage providers. This has reduced the cost of mortgages, increased the number of borrowers, and expanded the primary mortgage market in Kenya.

98. Resources mobilized by the Government have supported construction of 1,370 affordable housing units; 462 social housing units; 540 National Police and Prisons Services housing units; and 670 civil servants' houses while a total of 846 civil servants benefited from mortgage. A total of 20 Appropriate Building Materials and Technologies (ABMT) Centres were constructed and equipped with the aim of promoting sustainable low-cost housing building materials and technologies. Going forward, construction of 25,965 affordable housing units in Starehe (3,360), Shauri Moyo (4,470), Kibera Zone B (4,435) and Mukuru, Meteorological site (13,700) is set for commencement.

99. In order to improve access to land for housing, the Government has issued over 4.5 million titles under the National Land Titling Programme. Some County Governments have provided free land for construction of affordable housing units while others like Nakuru and Kisumu having started construction. Further, the Government has digitized land records, improved land titling, enhanced security of land records and reduced the cost of land transactions. In particular, the 'Ardhi Sasa' digital system rolled out in Nairobi Land Registry reduced time taken in land transactions.

2.4 Conducive Business Environment for Employment Creation

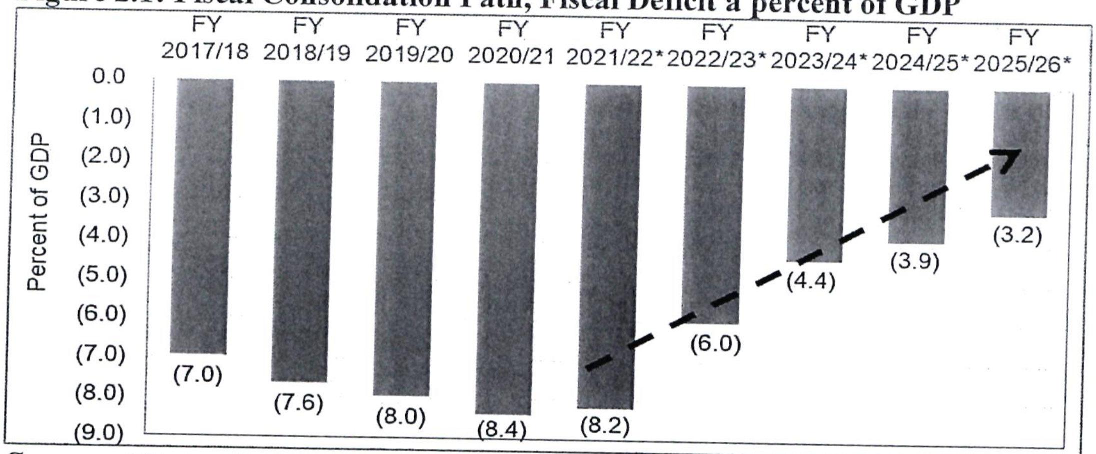
100. The Government has continued to implement various initiatives aimed at fostering a stable macroeconomic environment; supporting business recovery and reducing the cost of doing business in the country which is critical for economic growth. The Government is also enhancing security to attract both domestic and international investors, and promoting trade that is geared towards job creation. Despite the adverse effects of the COVID-19 pandemic, the business environment has remained resilient and business recovery has been on a positive trajectory.

2.4.1 Stable Macroeconomic Environment

101. The Government continues to maintain macroeconomic stability by pursing prudent fiscal and monetary policies that support strong economic growth, business and industrial recovery and job creation. In particular, inflation rate remains within the policy target range of 5±2.5 percent while interest rates remain fairly low and stable to support credit access. The Government has also strived to promote a stable and competitive exchange rate and to ensure sufficient exchange reserves as a cushion from external shocks. The Government will sustain this commitment over the medium term.

102. To complement the monetary policy, the Government continues to sustain fiscal consolidation efforts through revenue mobilization, expenditure rationalization and management of public debt. The fiscal deficit is projected to decline from 8.2 percent of GDP in FY 2021/22 to 6.0 percent of GDP in FY2022/23 and further to 3.9 percent of GDP in FY 2024/25. This will reduce growth in public debt and create fiscal space for implementation of the "Big Four" Agenda, ERS and other priority programmes as outlined in the MTP III (**Figure 2.1**).

Figure 2.1: Fiscal Consolidation Path, Fiscal Deficit a percent of GDP



Source of Data: National Treasury

2.4.2 Deficit Financing Policy

103. Government borrowing needs will be met through external and domestic funding sources. On external financing, the Government will continue to maximize contracting loans on concessional terms while non-concessional and commercial external borrowing will be limited to development projects with high financial and economic returns. The Government will also continue to diversify its funding sources and maintain presence in the international and domestic capital markets including exploring green and climate change financing options. In addition, the Government will implement reforms in the domestic debt market aimed at deepening and improving efficiency to reduce costs and yields on domestic debt and make credit affordable to all sectors.

104. Despite the impact of COVID-19 pandemic on the economy, the Government remains committed to fiscal discipline and consolidation to reduce fiscal deficits and tame debt accumulation. This will progressively reduce the debt service over

the medium term. In addition, the Government is working on debt portfolio re-profiling with an aim to retaining debt on a sustainable path.

2.4.3 Business Regulatory Reforms

105. The Government's business regulatory reforms and infrastructure investments over the years have improved Kenya's competitiveness and ease of doing business. The Government has accelerated infrastructure investment, reduced regulatory burdens and the number of trade facilitation agencies involved in the clearance of goods at the port, enhanced customer relations and provision of credit to MSMEs. Notably, the Government commissioned a Transit Shed at the Kenya Railways, Nairobi, in 2020 to serve as a clearing point for cargo imported into the country. This Transit Shed will contribute to lower financial cost among small traders due to considerable reduction in time taken to clear trade wares.

106. The Government will continue making Kenya an attractive destination for investments that are critical for accelerating economic recovery, creating jobs and the attainment of the "Big Four" Agenda. Towards this end, the Government will develop and implement various business regulatory reforms aimed at reducing the cost of doing business and encouraging private sector innovation and entrepreneurship. Particular focus will include cutting down the number of licenses at both national and county levels as well as the processing times of licenses and permits and automating business registration processes.

2.4.4 Enhancing National Security

107. A safe and secure society provides an enabling environment for sustaining economic recovery, attaining the "Big Four" Agenda and other priority programmes as outlined in the MTP III. For this reason, the Government has continued to invest significant resources and implement a wide range of reforms to improve the capacity of the security forces to protect Kenyans and their property against internal and external aggressions.

108. The reforms that the Government is implementing include: police modernization programme; construction and equipping of national forensic lab; training for the national forensic lab, training of security officers, and construction and upgrading of police stations. In particular, the Government upgraded the Manda Bay Station in Lamu into a full military base to provide security to counter-terrorism and provide maritime security. The Government has also invested in the welfare of those charged with security personnel, by reviewing their remuneration benefits, and other allowances, upgrading of housing, provision of insurance and increasing the capacity of the health facilities by building four additional hospitals.

109. Over the medium term, the Government will heighten investment in the security agencies and strengthen implementation of reforms. These will include: enhancing of crime surveillance at both the national and county level, acquisition of modern security equipment, enhancing criminal investigation, enhancing forensic crimes' analysis and equipping of forensic laboratory, and enhancing human capacity in the police service. Further, the Government will expand and modernize police infrastructure to ensure that police officers have adequate access to advanced facilities and offices for efficient rendering of services to the people.

2.5 Infrastructure Development for Inclusive Growth

110. The infrastructure development is critical in facilitating and accelerating socio-economic development for job creation and the achievement of the "Big Four" Agenda and other Government priorities as detailed in the ERS and the MTP III. Therefore, the Government has invested in roads, rails, marine, air and seaports, energy and ICT to enable Kenyans benefit from expanded infrastructure assets.

2.5.1 Expansion of the Road Network

111. Great strides have been made in construction of new roads, rehabilitation and maintenance of existing roads. Notably, from the FY 2018/19 to FY 2020/21, the Government has constructed 4,795 km of new roads, rehabilitated over 346 km and maintained 108,343 km of roads across the country. Over the medium term, the strategy is to expand, modernize and maintain the road transport in order to have an effective, efficient and secure road network. In this regard, the Government targets to construct 6,107 km of new roads, rehabilitate 385 km and maintain 150,788 km of roads over the medium term.

112. The Government will also focus on developing urban roads to decongest cities and major towns key among them the Nairobi Expressway. The Government will fast-track completion of the Nairobi Expressway Project to decongest Nairobi city, reduce the cost of doing business and promote competitiveness. In order to boost regional trade, the Government will fast-track implementation of LAPSSET road project, as well as the construction of major roads under the East African and Transport Facilitation Programs and the South Sudan – East African Regional Transport, Trade and Development Facilitation Program.

2.5.2 Rail, Marine and Air Transport

Railway

113. The Government remains committed to developing and managing an efficient and safe railway transport. Notably, the construction of 120 km Standard Gauge Railway (SGR) phase 2A from Nairobi to Naivasha together with an Inland Container Depot (ICD) in Naivasha was completed. The SGR has presented a modern and efficient transport system that is safe, comfortable, and affordable for passengers and freight. The Nairobi Commuter Rail Services was revitalized through refurbishment of Nairobi Central Station, acquisition of 11 Diesel Multiple Engines, (DMUS) and rehabilitation of 168.6 km of track. The rehabilitation of Meter Gauge Rail (MGR) corridors which include Thika-Nanyuki (180 km), Nakuru-Kisumu (217 km), Kisumu-Butere (69 km) and Gilgil-Nyahururu (78 km) lines were completed.

Airports

114. Air transport is one of the sectors that was adversely affected by COVID-19 pandemic due to the travel restriction put in place to curb its spread. To cushion the sector and boost air transport, the Government implemented a number of measures including waiving landing and parking fees. Over the medium term, the Government will continue to repair, expand and modernize aviation facilities to

maintain their competitive edge in the region. The Government will also fast track rehabilitation of airstrips across the country, rehabilitation of the runway at the Moi International Airport and the construction of the Cargo Shed at Isiolo Airport.

Seaports

115. The Government has made good progress on reforms and modernization of key seaports, especially in expansion of the container terminals and cargo handling and storage, which has significantly reduced the time taken to clear cargo. Notably, the Government completed installing the Likoni Automated Floating Bridge which has decongested ferry transport at the Likoni Channel. The Government has also made tremendous strides in the construction of the Second Container Terminal Phase II at the Mombasa Port and has completed and operationalized the first berth at the Lamu Port.

116. Building on the progress made, the Government will fast track the development of Kisumu Port Phase II, which will enhance inter-county transport and trade among East African Countries (EAC) around Lake Victoria. The Government will also hasten the completion of the two remaining berths at Lamu Port, relocation of Kipevu Oil Terminal and various ports and harbours across the country including construction of the first berth of Dongo Kundu Special Economic Zone. Further, the Government will construct permanent landing ramps on island and mainland sides, and rehabilitate ferries to ensure safety of passengers.

2.5.3 Adequate, Affordable and Reliable Energy Supply

117. The realization of the country's development agenda will be feasible if quality energy services are availed in a sustainable, competitive, cost effective and affordable manner. Significant progress has been attained in this endeavour with 525 MW electricity added to the National grid in the last three fiscal years, significantly increasing power connectivity. Currently, more than 8.3 million households have been connected to power.

118. Over the medium term, the Government has programmed to boost power generation from 3,024 MW to over 6,700 MW by end of FY 2024/25 with major sources being renewable geothermal, wind and solar. This will expand access to reliable and clean energy to all households in line with Government's target of attaining full transition to renewable energy by 2030.

119. To improve system reliability and stability and reduce electricity losses, the Government will construct an additional 524.5 km of transmission lines, six transmission substations, 520 km of distribution lines and 11 distribution substations in the FY 2022/23. The Government will also install street lighting points in designated areas and provide electricity connectivity to public facilities, including schools, trading centres, health centres, water points and administrative offices. The Government will further install and maintain solar photovoltaic systems in public institutions; support construction of domestic household biogas digesters; and disseminate clean cooking units.

120. To improve access to competitive, reliable and secure supply of petroleum products, the Government will enhance commercialization of discoveries, develop the requisite skills and infrastructure for production of oil, gas and other minerals.

In this regard, over the next three fiscal years, the Government will strengthen implementation of extractive policies for oil, gas and mining sub-sectors; marketing of petroleum blocks and gazettement of a new Block Map; finalize the Field Development Plan for the South Lokichar Oil Field development to inform Final Investment Decision (FID); drilling of one exploratory and 200 development wells; and distribution of 300,000 - six kg liquefied petroleum gas cylinders to low-income households.

2.5.4 Promoting the Use of Information, Communication and Technology

121. Information, Communication and Technology (ICT) is an integral component of today's digital economy and has a strong potential to accelerate economic recovery and improve livelihoods. The Government has continued to invest in critical infrastructure including the National Optic Fibre Backbone Infrastructure across the counties; Constituency Innovation Hubs; Internet Based 4000 Network; the Basic Voice Infrastructure in 67 sub-locations in unserved areas in order to facilitate internet connectivity and access to information. Additionally, the Government has invested in Konza Technopolis Special Economic Zone in order to promote investment and growth in the ICT sector.

122. Over the medium term, the Government will improve ICT infrastructure by expanding the National Optic Fibre Backbone (NOFBI) Broadband to underserved and unserved areas, and connect all State Departments to a Unified Government Communications System. The Government will also enhance ICT skills and innovation through scaling up of the Digital Literacy Programme, Ajira Programme and the Presidential Digital Talent Programme. Further, the Government will put appropriate measures to curb cybercrime as well as finalize the development of National Spectrum Policy and the National Film Policy to improve regulatory and business environment in the sector.

2.6 Sectoral Transformation for Broad Based Sustainable Economic Growth

2.6.1 Environmental Conservation and Water Supply

123. Environmental conservation and access to adequate supply of clean water is fundamental for the achievement of the socio-economic development as envisioned by the Kenya Vision 2030. Towards this end, the Government prioritized implementation of environmental conservation programs including conservation of water catchment areas and completion of 21 water supply projects. This has seen an additional 1.5 million people having access to clean, secure and adequate water.

124. The Government also completed the construction of the Northern connector tunnel while associated works are at 90 percent complete. This will inject additional 140,000 cubic meters of water per day into Nairobi city. In order to increase sanitation infrastructure coverage, the Government has constructed 56 sanitation projects in informal settlements and rural marginalized areas enabling over 200,000 people to access basic sanitation.

125. Over the medium term, the Government will prioritize sustainable exploitation, utilization, management and conservation of the environment as well as protection of water catchment areas. In this regard, the Government will continue to sensitize the public on environmental justice awareness, increase ground security patrols in parks, award best practices on green innovations and install Airport Weather Observing Systems (AWOS) with intelligent sensors in Kisumu, Eldoret, and Nairobi. To address water shortage and floods, the Government will fast-track completion of 57 large dams and 500 small dams.

2.6.2 Stimulating Tourism Recovery, Sports, Culture, and Arts

126. The Government continues to implement initiatives to support sports development, promote Kenya as the preferred tourism destination through Magical Kenya, support growth in the film industry, preserve Kenya's natural heritage and cultural identity, and nurture talents and arts.

127. The tourism was one of the worst hit sector in Kenya following the outbreak of COVID-19 pandemic and the resultant containment measures including travel restrictions. Nevertheless, the sector is expected to recover gradually following the ease of travel restrictions, implementation of protocols for management of restaurants and eateries, execution of Magical Kenya Tourism and Travel health and safety protocols and subsequent 'Safe Travels' Stamp endorsements and Safer Tourism Seal. The Government has enhanced vaccination against COVID-19 which is expected to boost recovery in the sector.

128. To support sports development in the country, the Government is embracing sports tourism as a way of marketing magical Kenya as preferred travelling destination. Hosting international sports events such as the World Under-20 IAAF and Fédération Internationale de l'Automobile (FIA) World Safari Rally Championship in Kenya supported sports development and boosted tourism. Additionally, the Government is upgrading various sports stadia for events and tournaments in a bid position Kenya as a sporting destination and a tourism hub.

129. Over the medium term, the Government working in partnership with key stakeholders, will, among other measures: continue supporting the development and performance of music, drama, and dance; exhibition of works of art and crafts; and fostered discussions of matters of literacy, historical, scientific, and education importance.

2.6.3 Sustainable Management of Land for Socio-Economic Development

130. Sustainable management of land is vital for the attainment of national development goals as espoused in the MTP III. The Government has continued to scale-up investment towards policies and programmes covering land use, security of tenure, access to land titles, transparent and secure land registration system.

131. Tremendous progress has been realized in the lands sector including: development of the National Land Value Index; development of the National Land Use Policy; processing and registration of title deeds; review of the Sectional Properties Regulations 2020 and Physical Planning Regulations; and development of Natural Resources Inventory. As part of land reforms, the Government launched

the National Land Information Management System 'Ardhi Sasa' which has digitized land records in Nairobi Land Registry which has streamlined land transactions and ownership to eliminate fraud, corruption and manipulation of critical land records.

132. Building on the progress made, the Government will roll out 'Ardhi Sasa' to the rest of the country by end of 2022 and fast-track processing and registration of title deeds. The Government will also continue to strengthen implementation of National Spatial Plan (NSP) and National Land Use Policy (NLUP); construction and renovation of land offices; enhancement of land survey by developing topographical and thematic maps and geo-referencing land parcels; and fast-tracking implementation of the Public Land Information Management System (PLIM).

2.7 Expand Access to Quality Social Services

133. In order to foster sustainable economic recovery, reduce the burden of economic shocks on households and enhance access to services by all Kenyans, the Government will continue to invest in quality and relevant education, scale up social safety net programmes as well as strengthen implementation of initiatives to empower the vulnerable groups of the society including women and youth.

2.7.1 Quality and Relevant Education for all Kenyans

134. The Government has continued to allocate significant resources to the education sector and implement key reforms to improve quality of education as well as spur recovery of the sector from the adverse effects of the COVID-19 pandemic. As a result, access to education at all levels has improved substantially as evidenced by increased enrolment in the basic and tertiary institutions. The Government has improved infrastructure including ICT infrastructure in learning institutions thereby enhancing ICT integration in teaching and learning experiences. Further, the Government enhanced book student ratio of 1:1 in targeted primary and secondary subjects; increased candidature in both KCPE and KCSE examination; and enhanced capacity including increasing number of Special Needs Education (SNE) teachers.

135. On curriculum development, the Competence Based Curriculum (CBC) launched in 2019 has significantly brought more gains by instilling creativity and innovativeness amongst learners which are necessary for emerging industrial needs. CBC has been rolled out up to Grade 5; curriculum designs for Grade 1-9 developed; curriculum support materials developed and disseminated; built capacity of teachers on CBC; developed curriculum support materials for SNE learners; and developed Competence Based Education and Training (CBET) for Technical, Vocation and Education Training (TVET) institutions.

136. To improve education outcomes, the Government will strengthen implementation of various reforms in the sector including: construction, rehabilitation and equipping of classrooms and laboratories for primary and secondary schools; provision of desks to primary and secondary schools; recruitment of additional teachers and interns to address the 100 percent transition; and expansion, rehabilitation and equipping of TVET institutions. Further, the

Government will enhance training of teachers on CBC; scale-up development of curriculum designs for Grade 10-12; scale up the development of learning guides; progressive roll out of CBC reforms; procure and distribute text books in all learning areas aligned to CBC for Grade 1-5; and provide ICT equipment in schools to enable them accommodate the shift to CBC.

137. To improve skills development and competencies of learners to match the fast-growing global job market, the Government will finalize development of the National Skills Development Policy; National Career Guidance and Counselling Policy and the National Skills Development Bill.

2.7.2 Strengthening the Social Safety Nets

138. Social Safety Nets provided by the Government to cushion vulnerable members of the society remain vital. In view of this, the Government continues to support vulnerable members through the Social Safety Nets Programmes (Inua Jamii), the Hunger Safety Net Programme and the National Council for Persons Living with Disabilities Fund. Since the onset of the COVID-19 pandemic in 2020, the Government has provided significant resources to cushion the vulnerable members of the society through cash transfers and tax reliefs. To mitigate impact of the current drought and famine in the northern part of the country, the Government has provided Ksh 500 million to contain effects of drought in Turkana, Marsabit, Wajir and Mandera counties.

139. Over the medium term, the Government will continue to extend cash transfers to the vulnerable groups and develop a financing plan for the Hunger Safety Net Programme. Further, the Government will establish an institutional framework to coordinate social protection in the country.

2.7.3 Empowering Youth and Women for Employment Creation

140. Youth unemployment remains to be a great challenge to the country. To mitigate the challenge of youth unemployment, the Government has consistently allocated resources for empowerment of the youth, women and vulnerable groups such as: Kenya Youth Empowerment and Opportunities Project, National Youth Service, Youth Enterprise Development Fund (YEDF), the Women Enterprise Fund (WEF), Uwezo Fund and establishment of Youth Empowerment Centers (YECs) across the country.

141. To cushion and support the youths during the COVID-19 pandemic period, the Government is implementing initiatives including "Kazi Mtaani" Programme to provide youth with income generating opportunities as well as equip them with life and entrepreneurship skills. So far, the Government has disbursed over Ksh 16.0 billion under the "Kazi Mtaani" Programme which has seen over 200,000 youths provided with short term employment opportunities and trained on entrepreneurship, financing for business, financial savings skills, life skills, citizenship and national values. The Government has also implemented the Ajira Digital Programme where about 1.2 million young people are working online and earning a living.

142. Over the medium term, the Government will leverage on the partnership with stakeholders in the private sector and business owners to create job opportunities

for the youths through offering internships, mentorship and apprenticeship programmes as well as prioritizing the youth in offering them job opportunities and tenders. The Government will commit additional resources to different youth empowerment programmes including scaling up the "Kazi Mtaani" Programme to Ksh 10 billion to benefit 200,000 additional youth. Further, the Government will provide supportive ICT infrastructure to the Ajira Programme through the installation of free Wi-Fi in the empowerment centres.

2.8 Enhancing Service Delivery through Devolution

143. In line with Article 203 (2) of the Constitution, the National Government has since the advent of devolution disbursed a total of Ksh 2.2 trillion as equitable share to the 47 County Governments which is often more than 15 percent of all annual revenue raised nationally. The National Government has also disbursed Ksh 86.6 billion as conditional grants to County Governments. Further, County Governments have received a total of Ksh 131.7 billion from proceeds of loans and grants from development partners between 2013/14 and 2020/21.

144. Optimum collection of Own Source Revenue (OSR) by the County Governments will play a critical role in providing additional financial resources to fund the budget and improve service delivery to the citizens. In this regard, the Government will fast-track implementation of the National Policy to Support Enhancement of County Governments' OSR to address challenges of revenue collection and administration. The National Government will continue to build the capacity of the County Governments on public financial management and finalize development of the National Rating Bill 2021 on Property Rates to guide valuation of rateable property in the counties and enable County Governments to maximize property related revenues.

2.9 Entrenching Structural Reforms to Facilitate Business and Employment Growth

2.9.1 Strengthening Governance and the Fight against Corruption

145. The Government has scaled up the fight against corruption through strengthening accountability at all stages of public finance management and providing resources to various Government Agencies involved in the fight against corruption. As a result, progress has been realized over the last three fiscal years including: investigation of 170 corruption and economic crime cases and 83 ethical breaches; aversion of Ksh 6.2 billion of loss to corruption; and recovery of Ksh 8.0 billion of corruptly acquired assets.

146. To strengthen administration of justice, the Government has enhanced capacity of the Judiciary through recruitment and training of judges, judicial officers and judicial staff; and operationalization of the Judicial Fund and its Regulations. To expedite justice, the Government has expanded infrastructure by establishing new courts, automation of court registries and digitization of judicial process by embracing technology.

147. To expand access to justice, the Government operationalized Small Claims Courts (SCC); entrenched ADR initiatives; decentralized tribunal services; and

SECRET

promoted use of mobile courts to serve far flung and underserved regions. The Government has also adopted virtual hearing of proceedings which have proved beneficial and effective in ensuring that justice continues to be delivered regardless of prevailing challenges like the COVID-19 pandemic.

148. To further improve governance, the Government will continue to strengthen institutions mandated to fight against corruption and promote prudent use of resources in all public institutions. The Government will continue expanding courts infrastructure and automation of court registries and enhance human resource to improve access and administration of justice. The Government will also avail resources to the Independent Electoral and Boundaries Commission (IEBC) and other institutions to be able to manage the 2022 general elections in a free and fair manner.

2.9.2 Deepening Public Financial Management Reforms

149. Prudent public financial management is critical for the achievement of the country's development aspiration as detailed in the MTP III and prioritized in the "Big Four" Agenda. Progress has been made in improving the efficiency of institutions and resource management including rolling out of additional IFMIS Modules to all counties; building capacity of institutions implementing public financial management reforms; and in implementation of e-Procurement platform.

150. Building on the progress made, the Government will strengthen the institutional capacity of the PFM oversight agencies; tighten implementation of frameworks governing public procurement; expand the use of e-Procurement platform to all Government operations; and promote timely audit of use of public resources at both levels of Government. Government will also strengthen expenditure control and improve the efficiency of public spending through expenditure prioritization, implementation of cost-cutting measures and prioritize completion of ongoing projects. Portfolio of externally funded projects will be restructured and re-aligned with the Government priority programmes; and State Corporations will be restructured to promote efficiency in service delivery.

151. Further, the Government will implement Public Finance Management (Public Investment Management) Regulations 2021 aimed at streamlining initiation, execution and delivery of public investment projects. The Public Investment Management (PIM) Unit will be strengthened to review the existing portfolio of projects and determine relevance and viability of new public investment projects.

2.9.3 Fostering Financial Sector Developments and Reform

152. The Government continues to implement measures and reforms aimed at further deepening financial markets, enhancing access to financial services and improving efficiency while maintaining financial stability. Kenya's banking sector remains stable and resilient despite the adverse effects of the COVID-19 pandemic. To foster financial stability, the Government will continue to monitor and regulate commercial banks and other financial institutions to ensure that unethical practices are eradicated. This will enhance economic stability that will attract both foreign and local investors to invest in various sectors of the economy.

153. To catalyse the growth in digital finance, the Government implemented measures to reduce the cost of mobile transactions and internet banking and enhance cashless payments. To further exploit Kenya's established lead in digital finance, the Government will fast-track development of a policy on digital finance, and amendment of Central Bank of Kenya Act (Cap. 491) to regulate the business of digital lenders and safeguard the interests of consumers of digital lending products.

154. The domestic capital markets remained resilient amid the COVID-19 Pandemic, supported by the positive investor sentiments and measures implemented by the Government to improve business environment and stimulate sustainable economic recovery. Over the medium term, the Government will install a new Central Securities Depository System to support reforms in secondary trading on government bonds and issuance of retail bonds. To deepen capital markets, the Government will review legal and regulatory framework to address aspects on collective investment schemes and investment-based crowd funding.

155. To enhance access to credit, the Government established the MSMEs Credit Guarantee Scheme (CGS) to promote enterprise development through access to quality and affordable credit to MSMEs. As at 30th June, 2021, the Scheme had guaranteed 334 credit facilities amounting to Ksh 634.5 million. The Scheme has seven Participating Financial Intermediaries (PFIs) who issued the credit facilities to enterprises in 36 different counties representing 77 percent county coverage. Over the medium term, the Government intends to adopt a sustainable model for the Scheme, bring on-board additional PFIs and engage development partners to increase the capital from Ksh 4 billion to Ksh 10 billion in order to enhance the coverage of the Scheme.

III. BUDGET FOR FY 2022/23 AND THE MEDIUM TERM

3.1 Fiscal Framework Summary

156. The FY2022/23 budget and the Medium-Term Budget Framework builds on the Governments effort to support economic recovery and mitigate against the adverse effects of the COVID-19 pandemic. This will be done by prioritizing implementation of programs outlined in the Third Medium Term Plan (MTP III) of the Vision 2030, Economic Recovery Strategy and the "Big Four" Agenda. The Government will also continue with the fiscal consolidation plan by rationalizing expenditures and enhancing revenue mobilization. In this regard, MDAs will be encouraged to adopt efficiency in allocation of resources to reduce non-priority spending. This will be achieved through budget costing, and reviewing the portfolio of externally funded projects to re-align with the Government policy priorities and macroeconomic policy framework.

Revenue Projections

157. In the FY 2022/23 revenue collection including Appropriation-in-Aid (A.i.A) is projected to increase to Ksh 2,431.4 billion (17.4 percent of GDP) up from the projected Ksh 2,063.1 billion (16.3 percent of GDP) in the FY 2021/22. Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration. Ordinary revenues will amount to Ksh 2,141.6 billion (15.3 percent of GDP) in FY 2022/23 from the estimated Ksh 1,800.0 billion (14.3 percent of GDP) in FY 2021/22.

Expenditure Projections

158. The Government expenditure as a share of GDP for FY 2022/23 is projected to decline to 23.7 percent, the overall nominal expenditure and net lending is projected at Ksh 3,324.4 billion from the projected Ksh 3,154.3 billion (25.0 percent of GDP) in the FY 2021/22 budget. The expenditures comprise of recurrent of Ksh 2,201.0 billion (15.7 percent of GDP) and development of Ksh 711.8 billion (5.1 percent of GDP).

Deficit Financing

159. Reflecting the projected expenditures and revenues, the fiscal deficit (including grants), is projected at Ksh 846.1 billion (6.0 percent of GDP) in FY 2022/23 against the estimated overall fiscal balance of Ksh 1,029.3 billion (8.2 percent of GDP) in FY 2021/22. This fiscal deficit will be financed by net external borrowing of Ksh 275.9 billion (2.0 percent of GDP) and net domestic borrowing of Ksh 570.2 billion (4.0 percent of GDP).

3.2 FY 2022/23 and Medium-Term Budget Priorities

160. The FY 2022/23 is the final year of MTP III of the Vision 2030. The achievements of MTP III will be used as building blocks as the Government transits to MTP IV over the medium term. The Government through the Medium-Term Expenditure Framework (MTEF) will implement priority programmes under the

Vision 2030 to accelerate economic recovery and enhance service delivery. This will be achieved through strong linkages between policy, budgeting, implementation and monitoring of planned outcomes. The Government will strive to ensure that public spending remains affordable within a sustainable framework.

161. In this regard, 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 Government will ensure MDAs' requests for resources take into account the resource constraints in light of the fiscal consolidation policy.

3.3 Budgetary Allocations for the FY2022/23 and the Medium-Term

162. The total budget for FY 2022/23 is projected at Ksh 3,309.1 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 FY2022/23 – 2024/25 (Ksh Million)

S/NO.	Details	Financial Years			
		Approved Original Budget	BPS Projection		
		2021/22	2022/23	2023/24	2024/25
1.0	National Government	1,942,008.8	2,075,014.6	2,192,370.0	2,306,421.9
	Executive	1,886,207.9	2,017,653.3	2,132,412.3	2,242,698.8
	Parliament	37,882.8	38,476.6	39,883.9	41,349.4
	Judiciary	17,918.2	18,884.7	20,073.8	22,373.7
2.0	Consolidated Fund Services	718,316.8	864,125.0	908,804.0	982,520.0
3.0	County Government	370,000.0	370,000.0	375,000.0	380,220.0
	Total………………Kshs.	**3,030,325.6**	**3,309,139.6**	**3,476,174.0**	**3,669,161.9**
	% Share in the Total Allocation				
1.0	National Government	64.1	62.7	63.1	62.9
	Executive	62.2	61.0	61.3	61.1
	Parliament	1.3	1.2	1.1	1.1
	Judiciary	0.6	0.6	0.6	0.6
		-	-	-	-
2.0	Consolidated Fund Services	23.7	26.1	26.1	26.8
3.0	County Government	12.2	11.2	10.8	10.4

*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

Criteria for Resource Allocation

163. The following criteria guided the allocation of resources within the three arms of government and among MDAs for FY 2022/23 and over the medium term:

i. Linkage of Programmes to Post-COVID-19 Economic Stimulus Programme (PC-ESP);
ii. Linkage of Programmes to the 'Big Four' Plan either as drivers or enablers;

SECRET

iii. Linkage of the programme with the objectives of Third Medium-Term Plan of Vision 2030;
iv. Degree to which the programme is addressing the core mandate of the MDAs;
v. Cost effectiveness and sustainability of the programme; and
vi. Requirements for furtherance and implementation of the Constitution.

164. 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.

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

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

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

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

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

3.4 Details of Sector Priorities

166. **Table 3.2** provides the projected baseline ceilings for the FY2022/23 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 FY2022/23 – 2024/25 (Ksh Million)

Code	Sector		Approved Budget Estimates	BPS Ceiling	Projection		%Share In Total Ministerial Expenditure			
			2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Sub_Total	75,725.9	63,897.9	56,665.5	66,261.6	3.9	3.1	2.6	2.9
		Rec_Gross	24,847.2	26,352.9	28,713.5	31,341.7	2.0	2.0	2.0	2.0
		Dev_Gross	50,878.6	37,545.0	27,952.0	34,919.9	7.6	5.1	3.7	4.6
020	ENERGY, INFRASTRUCTURE AND ICT	Sub_Total	335,812.3	368,300.0	364,289.0	370,539.0	17.3	17.7	16.6	16.1
		Rec_Gross	88,624.6	107,807.0	114,630.0	130,435.0	7.0	8.0	7.9	8.5
		Dev_Gross	247,187.6	260,493.0	249,659.0	240,104.0	37.0	35.7	33.4	31.4
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Sub_Total	20,583.1	24,870.0	24,967.9	28,380.7	1.1	1.2	1.1	1.2
		Rec_Gross	14,000.7	18,396.8	18,593.9	20,104.2	1.1	1.4	1.3	1.3
		Dev_Gross	6,582.4	6,473.2	6,374.0	8,276.5	1.0	0.9	0.9	1.1
040	HEALTH	Sub_Total	121,090.3	126,352.0	140,606.0	155,040.0	6.2	6.1	6.4	6.7
		Rec_Gross	64,870.7	70,373.0	76,727.0	83,068.0	5.1	5.2	5.3	5.4
		Dev_Gross	56,219.5	55,979.0	63,879.0	71,972.0	8.4	7.7	8.5	9.4
050	EDUCATION	Sub_Total	503,971.1	525,949.5	539,906.5	558,423.5	26.0	25.3	24.1	23.6
		Rec_Gross	482,595.4	501,449.5	512,834.5	538,528.5	37.9	36.9	35.4	35.0
		Dev_Gross	21,375.7	24,500.0	27,072.0	19,895.0	3.2	1.2	1.2	0.9
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Sub_Total	217,318.9	231,930.4	220,275.5	231,896.7	11.2	11.2	10.0	10.1
		Rec_Gross	206,319.4	221,351.1	207,392.3	215,732.3	16.2	16.5	14.4	14.0
		Dev_Gross	10,999.5	10,579.3	12,883.2	16,164.4	1.6	1.4	1.7	2.1
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Sub_Total	332,524.1	346,998.1	413,589.2	448,215.4	17.1	16.7	18.9	19.4
		Rec_Gross	171,124.7	162,158.1	228,176.8	254,558.2	13.4	12.1	15.8	16.5
		Dev_Gross	161,399.4	184,840.0	185,412.4	193,657.2	24.1	25.3	24.8	25.3
080	NATIONAL SECURITY	Sub_Total	162,202.7	203,097.0	230,601.5	218,423.8	8.4	9.8	10.5	9.5
		Rec_Gross	157,122.7	170,743.0	182,716.5	188,208.8	12.3	12.7	12.6	12.2
		Dev_Gross	5,080.0	32,354.0	47,885.0	30,215.0	0.8	4.4	6.4	3.9
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Sub_Total	72,194.3	72,891.5	74,785.9	79,027.5	3.7	3.5	3.4	3.4
		Rec_Gross	39,635.2	41,293.1	46,003.9	47,549.1	3.1	3.1	3.2	3.1
		Dev_Gross	32,559.1	31,598.5	28,782.0	31,478.4	4.9	4.3	3.9	4.1
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Sub_Total	100,585.9	110,728.0	126,683.0	150,214.0	5.2	5.3	5.8	6.5
		Rec_Gross	24,489.2	24,500.0	29,394.0	31,523.0	1.9	1.8	2.0	2.0
		Dev_Gross	76,096.7	86,228.0	97,289.0	118,691.0	11.4	11.8	13.0	15.5
	GRAND TOTAL	Sub_Total	1,942,008.5	2,075,014.4	2,192,370.0	2,306,422.2	100.0	100.0	100.0	100.0
		Rec_Gross	1,273,629.9	1,344,424.4	1,445,182.4	1,541,048.9	65.6	64.8	65.9	66.8
		Dev_Gross	668,378.6	730,590.0	747,187.6	765,373.4	34.4	35.2	34.1	33.2

Source of Data: National Treasury

Agriculture Rural and Urban Development Sector

167. The Agriculture, Rural and Urban Development (ARUD) Sector plays a major role in socio-economic development of the country contributing 18.9 percent to the GDP in 2018, 19.4 percent in 2019 and 21 percent in 2020. Real GDP in absolute terms for the Sector amounted to Ksh 1,491 billion in 2018, Ksh 1,535 billion in 2019 and Ksh 1,616 billion in 2020, representing growth rate of 5.4 percent in 2020 compared to the growth rate of 3.0 percent in 2019.

168. During the 2018/19-2020/21 Medium-Term period, the Sector implemented 10 programmes and achieved the following: processed 1.24 million title deeds; fully digitized land records in Nairobi registry; developed 14 maritime maps to support the blue economy; settled 22,777 households (squatters and landless); resolved 500 long outstanding land disputes through Alternative Dispute Resolution and Traditional Dispute Resolution mechanisms; processed 16 compulsory land acquisitions for government flagship projects; installed 210 bulk milk coolers; produced and distributed 133.38 million doses of assorted animal vaccines; insured 90,060 Tropical Livestock Units; provided crop insurance for 1.32 million farmers in 37 counties; distributed 32,239 MT of subsidized fertilizer to 60,000 farmers; supported 74,046 farmers with assorted inputs worth Ksh 912 million through the e-voucher; and distributed 427,950 litres of pesticides for control of pests (Desert Locusts, Fall Army Worm, Quelea quelea). The Sector also supported 2,290 farmers with fish farming inputs; established Liwatoni Fishing Industries Corporation and operationalized Liwatoni Fish Port; established fish quality control laboratories in Nairobi, Mombasa and Kisumu; restocked water bodies with 25,000 fish brooders and two million fingerlings; established a monitoring, control and surveillance center for marine resources; established a Ksh 3 billion Coffee Cherry Advance Revolving Fund; facilitated recovery of outstanding SACCOs remittances amounting to Ksh 3.1 billion; automated 225 co-operative coffee factories; and modernized New KCC factories at Kiganjo, Eldoret, Sotik, Kitale, Nyahururu, Kericho, Nakuru and set up a new plant in Nyambene.

169. In the MTEF period 2022/23-2024/25, the Sector will implement 11 programmes intended to facilitate attainment of food nutrition and security through its six sub-sectors. Key interventions during this period include: registration and issuance of 1.15 million title deeds; settlement of 30,000 landless households; digitization of land records in 54 land offices; development of National Land Value Index in 14 counties; geo-referencing of 240,000 land parcels; acquisition of land for government flagship projects; vesting of compulsorily acquired public land; resolution of historical land injustice claims; production of 149 million doses of assorted animal vaccines; establishment of Livestock Export Zone in Lamu; completion of infrastructure works at Kenya Leather Park in Kenanie and Kenya Dairy Laboratory Complex; equipping of Bio-Safety Level III laboratory; insurance of at least 50,000 Tropical Livestock Units annually in 8 counties; and provision of a 50% subsidy crop insurance cover to 1.45 million farmers. The Sector will also support 688,808 registered farmers in 40 counties to access assorted agricultural inputs through e-voucher system; distribute 120,000 litres of pesticides for the management of pests (Fall Army Worm and Quelea quelea); production of 3.65 million doses of bull semen and establishment of goat semen production facility; development of 11 modern fish landing sites in the Lake Victoria and coastal region; development of National Mariculture Resource Center at Shimoni, Kwale County; establishment of Liwatoni Ultra-modern Fish Hub and Lamu fish processing plant; development of marine spatial plan; modernization and expansion of New KCC plants; and modernization of coffee co-operative factories and cotton co-operative ginneries.

170. The Sector has budgetary allocations of Ksh 63.9 billion in FY 2022/23, Ksh 56.7 billion in FY 2023/24 and Ksh 66.3 billion in FY 2024/25, for implementation of the programmes.

Energy, Infrastructure and ICT Sector

171. The Energy, Infrastructure and ICT (EII) Sector plays a significant role as a driver and an enabler in the implementation of the "Big Four" Agenda. The Sector aims at providing efficient, affordable and reliable infrastructure. This is critical for socio-economic transformation underscored in the MTP III.

172. During FY 2018/19-2020/21, the Sector made major achievements which include: completion of Nairobi to Naivasha Standard Gauge Railway (SGR) line; construction of 4,795 km of new roads; maintenance of 110,625 km of roads; completion of second Container Terminal at the Port of Mombasa; completion of Berth one of Lamu Port and completed rehabilitation of Kisumu port. A new ferry - MV Safari - was acquired and rehabilitation of Moi and Isiolo airports was completed. In addition, a total of 1,370 affordable housing units, 540 National Police and Kenya Prison Services housing units and 670 Civil Servants housing units were constructed. A total of 2,500 Km of fibre optic cable was laid connecting sub-counties, hospitals and police stations across various parts of the country and the Konza National Data Centre was equipped under ICT infrastructural investments. The country's electricity generation capacity increased by 525MW and an additional 1,655,729 customers were connected to the national grid during the same period. Regarding exploitation of the oil, gas and mineral resources, 63 petroleum blocks were reviewed, and 415,032 barrels of crude oil were delivered to Kenya Petroleum Refineries Limited (KPRL) storage terminal.

173. With the resources available for the FY 2022/23-2024/25 MTEF Period, the Sector intends to: construct 4,540 Km of roads; generate an additional 85.7MW from geothermal; construct 524.5 Km and 520 Km of transmission and distribution lines respectively; connect 750,000 new customers to electricity; modernize the Jomo Kenyatta International Airport (JKIA) and Moi International airport as well as expand the Malindi and Isiolo airports. The Sector will develop a ship construction and repair yard at Kisumu and equip Bandari Maritime Academy to effectively train seafarers. To increase internet speed and coverage, the Sector will upgrade terrestrial cable from 10 Giga Bytes Per Second (GBPS) to 100 GBPS as well as roll out Kenya Digital Economic Acceleration Programme. With regards to Konza Smart City, the sector will complete the horizontal infrastructure and operationalize the Konza Data Centre. The Sector will also construct 38,489 social and affordable houses, 1,550 police and prison houses and 3,150 Civil Servants housing units in order to provide citizens with decent housing. To decongest Nairobi City, the Sector will construct 45 Km of Bus Rapid Transport (BRT) line, 60 BRT stations and acquire eight new BRT buses. Relating to sustainable exploitation of oil, gas and mineral resources, the Sector will finalize the Field Development Plan for the South Lokichar oil filed to inform Final Investment Decision (FID), drill exploratory wells, market petroleum blocks, and undertake geological assessments of rare earth minerals occurrences, iron ore deposits, coltan and copper to promote investments.

174. To achieve the above, the Sector has been allocated a total budget of Ksh 368.3 billion, Ksh 364.3 billion and Ksh 370.5 billion in FY 2022/23, FY 2023/24 and FY2024/25, respectively.

General Economic and Commercial Affairs Sector

175. The General Economic and Commercial Affairs (GECA) Sector is a significant player in the delivery of the "Big Four" Agenda in terms of manufacturing, value addition and food and nutrition security. The Sector also contributes to: employment and wealth creation; promotion of industrial investments, trade and tourism; basin-based development; and regional integration.

176. During FY 2018/19 - 2020/21 MTEF period, the Sector made remarkable achievements, which include: creation of 154,075 job opportunities; increase in total export earnings from Ksh 517 billion to Ksh 642 billion; refurbishment of 38 Constituency Industrial Development Centres (CIDCs); improvement in Kenya's global ease of doing business ranking to Position 56 in 2019 from 61 in 2018 out of 190 countries globally; attainment of 93 percent level of completion of modernization of the Rivatex Factory. Further, the value of exports from the EPZs firms amounted to Ksh 229,545 million and additional investments worth Ksh 117,509 million were realized. Tourist arrivals grew from 2.03 million in 2018 to 2.04 million in 2019 while earnings increased from Ksh 157.4 billion in 2018 to Ksh 163.6 billion in 2019. During the period under review, one million bamboo seedlings were propagated; 2,000 households supplied with clean safe drinking water; 2,000 tonnes of maize seeds were harvested; 78,000 mango seedlings were raised; 2,500 ha of catchment conserved; 1,500 ha of land was placed under irrigation; Kenya's value of exports to the EAC increased from Ksh 130 billion in 2019 to Ksh 158.3 billion in 2020.

177. During the FY 2022/23 - 2024/25 MTEF period, the Sector will continue to play a key role in delivery of the "Big Four" Agenda and implement the 2020-2022 Economic Recovery Strategy (ERS). The ERS is designed to mitigate the adverse socio-economic effects of the COVID-19 pandemic, facilitate opening up of the economy, accelerate economic recovery and attainment of higher and sustained economic growth. This will include increasing manufacturing contribution to GDP from 8.4 percent in 2018 to 15 percent by 2025, undertake targeted investments in manufacturing and agro-processing industry, create a conducive environment for business, mobilize resources for investments and industrial development, promote exports, promote sustainable tourism, deepen EAC integration, and promote equitable regional socio-economic and basin-based development.

178. In the FY 2022/23 and the Medium-Term, the Sector has been allocated Ksh 24.9 billion, Ksh 25.0 billion and Ksh 28.4 billion for FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Health Sector

179. The Health Sector is an important contributor to the national economic growth through ensuring that all Kenyans are productive and live a healthy life. The Constitution underscores the "right to health" while the Vision 2030, the MTP III

as well as the "Big Four" Agenda recognize provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans. The National and County Governments have their specific functions that are complementary towards achievement of the Universal Health Coverage (UHC) as one of the pillars of the "Big Four" Agenda.

180. Significant achievements were realized during the FY 2018/19 to FY2020/21 period: HIV and AIDS prevalence reduced from 4.8 percent in FY 2019/20 to 4.5 percent in FY 2020/21, with the number of people on Anti-Retroviral Therapy (ART) increasing from 1,116,260 in FY 2018/19 to 1,253,423 in FY 2020/21 and a reduced number of new HIV infections from 77,648 to 52,767 in 2018 and 2020 respectively. There was a marked increase in the proportion of successfully treated drug resistant Tuberculosis (TB) cases from 68 percent in FY 2018/19 to 79 percent in FY 2020/21, while the incidence of Malaria per thousand population dropped from 86.2 in FY 2018/19 to 78.8 in FY 2020/21 whereas Malaria prevalence stood at 5.6 percent in 2020.

181. The Sector through 'Linda Mama' programme and other health interventions relating to reproductive health, resulted in improved skilled birth attendance from 67 percent in FY 2018/19 to 78.3 percent in FY 2020/21. Access to modern methods of family planning stood at 43 percent in FY 2020/21. Immunization coverage increased from 81 percent in FY 2018/19 to 84 percent in FY 2020/21. Regarding COVID-19 prevention and management, vaccination against COVID-19 began in March 2021 achieving a coverage of fully vaccinated adults of 2.7 percent by the end of the financial year and conducted three rapid health facility COVID-19 assessments that informed the status of infrastructure for COVID-19 management. The diagnostic capacity for COVID-19 was established and maintained at 38 public and private laboratories in 12 counties with 523,998 samples tested in the FY 2020/21. A total of 7,411 isolation beds and 319 ICU beds were installed across the 47 counties in FY 2020/21.

182. Kenyatta National Hospital (KNH) conducted several specialized surgeries including reattachment of a severely chaffed hand and specialized minimally invasive surgeries including heart surgeries, expanded the critical care unit from 79 beds to 82 beds that saw in-patient admissions increase from 4,139 in FY 2018/19 to 5,278 in FY 2020/21 and established a tissue typing laboratory. KNH-Othaya installed a bulk oxygen plant with a capacity of 3,000 litres per minute, which offered oxygen to an average of 35 patients per day. Moi Teaching and Referral Hospital (MTRH) continued to provide specialized and excellent quality health care in the region through installation and operationalization of Linear Accelerator and Brachytherapy Equipment, Pressure Swing Adsorption Plant (PSA)/Oxygen generating Plant (OGP) producing 2,000 litres per minute. In addition, 31 bed capacity COVID-19 isolation facilities and 32 intensive care units were commissioned. Kenyatta University Teaching Referral and Research Hospital (KUTRRH) procured highly specialized surgical equipment that ensured faster recovery of patients with minimal scarring, established a comprehensive cancer care center with 180 patients seen daily in the outpatient unit, 70 patients received radiotherapy and 30 received chemotherapy.

183. Towards achievement of UHC, Kenya Medical Supplies Authority (KEMSA) procured Health Products and Technologies (HPTs) worth Ksh 35.84 billion, and health facilities managed to draw down 97 percent of these commodities. Additionally, Kenya Medical Research Institute (KEMRI) is at an advanced stage of establishing a Center of Excellence for Stem Cell Research. This is aimed at developing technologies for tissue regeneration, skin replacement and formulations of indigenous technologies for manufacture of niche herbal remedies. KEMRI also spearheaded clinical trials and development of innovative locally produced rapid test kits, notably malaria [in support of Africa Leaders Malaria Alliance (ALMA)], HIV and COVID-19 PCR kit.

184. The key Sector programme priorities for the FY 2022/2023 – FY 2024/25 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.

185. During the MTEF period FY 2022/23- FY 2024/25, the Sector has been allocated Ksh 126.4 billion, Ksh 140.6 billion and Ksh 155.0 billion for the FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Education Sector

186. The Sector envisions attaining quality and inclusive education, training and research for sustainable development. The Sector is committed to the provision of quality education, training, science, technology, research and skills development to all Kenyans, in an effort to contribute to the building of a just and cohesive society that enjoys inclusive and equitable social-economic development. In this regard, the Sector focused on achieving the objects of the Kenya Constitution, with regard to Education and Training and national priorities as envisaged in the Kenya Vision 2030, the "Big Four" Agenda, Post COVID-19 Economic Recovery Strategy (ERS), and other international commitments.

187. The gross enrolment rate (GER) in primary schools improved from 104.4 percent in 2018 to 100.2 percent in 2019 and then reduced to 99.6 percent in 2020. Enrolment of special needs pupils increased from 121,392 in FY 2018/19 to 136,081 in FY 2019/20 but dropped to 132,466 in FY 2020/21. A total of 8,592,810 pupils received capitation under the free primary education programme in FY 2020/21. The number of students enrolled in public secondary schools increased from 2,954,330 in FY 2018/19 to 3,289,885 in FY 2020/21. The GER for secondary education increased from 70.3 percent in 2018 to 71.2 percent in 2019.

188. Enrolment in public Technical and Vocational Education and Training (TVET) institutions increased from 162,071 in FY 2018/19 to 235,607 in FY 2020/21. In addition, enrolment in special needs TVET institutions increased from 1,757 in FY 2018/19 to 3,301 in FY 2020/21. The number of public and private

TVET institutions rose from 2,028 in 2018 to 2,191 in 2019 and further to 2,379 in 2020. Enrolment of students pursuing university education rose by one percent from 542,005 in FY 2018/19 to 547,133 in FY 2019/20 and further by three percent to 566,042 in FY 2020/21. The Sector provided 297,703 university students and 65,813 trainees in TVET institutions with loans while 104 students were awarded postgraduate scholarships. The Sector developed the education, training and research framework, which was adopted by Parliament (Sessional Paper No. 01 of 2019). A number of policy documents were developed including the National Curriculum Policy, National Education Sector Strategic Plan 2018-2022 and ECDE Policy and Service Standards Guidelines.

189. The pupil teacher ratio was maintained at 40:1 through recruitment of 15,000 additional teachers on permanent and pensionable terms and engagement of 10,300 and 12,000 interns in FY 2019/20 and FY 2020/21 on a one-year contract period, respectively. In addition, the Sector trained all primary school teachers for the implementation of Competence Based Curriculum for Grade 1 to Grade 5.

190. In order to promote innovativeness and popularize research, technology and innovation in industry and learning institutions, the Sector funded 384 research projects, registered six research institutions and issued 5,843 research permits of which 5,585 were issued to Kenyans/East Africans and 258 to non-Kenyans.

191. The Sector is undergoing reforms in order to enhance access and inclusivity as well as improve quality and relevance. This will ensure that the education system promotes innovativeness and lifelong learning. These reforms require additional investments in order to meet the expectations of the citizens through improvement of education outcomes.

192. To implement the programmes in the MTEF period, the Sector has been allocated Ksh 525.9 billion, Ksh 539.9 billion and Ksh 558.4 billion in the FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Governance, Justice, Law and Order Sector

193. The Sector is anchored on the political pillar of the Vision 2030 and plays a pivotal role in the maintenance of law, order and social cohesion thereby creating an enabling environment for economic, social and political prosperity of the country.

194. During the MTEF review period, 2018/19-2020/21, the sector recorded achievements in various programmes and activities notably: acquisition of modern assorted security equipment; establishment and operationalization of the Integrated Command and Control Centre (IC3) in Nairobi and Mombasa; and trained 5,132 police recruits. The Sector also completed the construction of the forensic laboratory and equipping is 35% complete; issued 5,321,808 ID's, 7,402,543 Birth Certificates, 926,570 passports, 872,800 Visas, 56,781 work permits, 2,523,840 Police Clearance Certificates, 506,165 Smart Driving Licenses, and 508,125 Death Certificates; and registered over 37 million Kenyans in the National Integrated Information Management System (NIIMS). The Sector also produced and issued 7.5 Million Huduma Cards; registered and issued citizenship to 1,626 stateless persons and connected of 64 agencies to Integrated Population Registration System

SECRET

(IPRS) and enhanced corruption prevention measures. Further, the Sector: concluded 3,575 cases dismissing liability worth Ksh 131.7 billion; provided 2,908 legal advisories and opinions; vetted 208 procurement contracts for MDAs; successfully identified, traced and seized assets worth Ksh 5.7 billion; preserved assets worth Ksh 685 billion; forfeited Ksh 267 million to the State from proceeds of crime; subjected 595 disputes to ADR mechanism; and amicably settled 308 disputes. In addition, 13,109 estates and trust files were finalized and 12,216 complaint files were digitized. Other notable achievements include provision of online Governance, Law and Order public services, conducted 34 by-elections, reviewed and developed various sectoral policies, provided protection to witnesses and promotion of human rights.

195. The Sector intends to continue implementation of projects in the following broad areas: police modernization programme with an aim to reduce Crime Index per population of 100,000 from 180 to 120; equipping the National Forensic laboratory and train forensic experts; secure Key/vital Installations & boundaries; train 16,891 Law/Security Enforcement Agents; Issue 1.5 Million smart driving licences; Inspect 1.5 motor vehicles; Produce and issue 6 million Identity cards; 4 million Birth Certificates; 20 million Huduma e-cards; Connecting agencies to the Integrated Population Registration System (IPRS); undertake the 2022 general election; decentralization of the functions of the Attorney General to Counties; and the roll out of national legal aid services to indigent persons, among others.

196. To implement the programmes in the MTEF period, the Sector has been allocated Ksh 231.9 billion, Ksh 220.3 billion and Ksh 231.9 billion in FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Public Administration and International Relations

197. The Public Administration and International Relations (PAIR) Sector plays a pivotal role in the economy by: providing leadership for national prosperity; ensuring effective and efficient public finance management and accountability; promoting devolution; ensuring an effective and efficient public service; promoting foreign relations and youth empowerment and their mainstreaming in all aspects of national development.

198. During the MTEF period FY 2018/19 - 2020/21, the Sector: successfully conducted the 2019 Kenya Population and Housing Census (KPHC); strengthened the national planning function through operationalization of 17 national planning offices in the Counties; tracked implementation of the Kenya Vision 2030 flagship projects, MTP III, SDGs and "Big Four" Agenda; supported, through NG-CDF, infrastructural development for education and security sectors through construction of 27,446 and 2,859 facilities respectively, and awarded bursaries to 1,385,988 beneficiaries. The Sector also developed ADR Regulations and resolved 14 intergovernmental disputes using ADR mechanism; supported all County Governments to respond to COVID-19 pandemic to the tune of Ksh 1.4 billion; and completed 82 investment projects under the Kenya Devolution Support Programme (KDSP).

199. The Sector enhanced foreign relations and diplomacy through: operationalizing four new missions in Accra-Ghana, Dakar-Senegal, Djibouti and Bern-Switzerland; conducted 27 Joint Commissions for Cooperation sessions, signed 94 agreements/MoUs and hosted Country Agreements covering various sectors of the economy; successfully lobbied for 25 individual and country candidatures including the UN Security Council; hosted 13 international conferences; and co-hosted the 9th Summit of the Africa Caribbean and Pacific (ACP) Heads of State and Government, and the International Conference on Population and Development (ICPD25) Nairobi Summit. The Sector also: reviewed and developed 16 human resource management policies, guidelines and frameworks to guide the public service; developed a master plan for scarce and high priority skills under the "Big Four" Agenda; undertook guidance and counselling to 14,274 officers; recruited 27,740 people for paramilitary training and trained 10,048 youth in specialized skills.

200. To promote youth empowerment, the Sector disbursed Ksh 1.4 billion to youth enterprises for business startups and expansion creating employment opportunities for 106,156 youth; operationalized 109 Youth Empowerment Centres (YEC) in various constituencies; trained 55,253 youth in life and core business skills; engaged 49,350 youth in leadership and governance; and 135,531 youth enrolled and participated in character building development programme; engaged 9,760 young university graduates as interns under the Public Service Internship Programme and deployed them to MDAs. For efficient public finance management and oversight, the Sector: injected Ksh 3 billion towards operationalization of the Credit Guarantee Scheme; public service delivery was improved where the Sector served over 26 million people and addressed over 11 million service requests through Huduma Centres, Huduma Mashinani and Huduma Contact Centre, respectively; resolved 93 percent of public complaints on maladministration and enhanced transparency and accountability through issuance of 6 policy guidelines on implementation of Access to Information Act, 2016. The Sector provided food and non-food assistance to 3.5 million food insecure and disaster stricken persons and facilitated 526,174 clients with agriculture loans under the microfinance sector support and development; and ensured smooth implementation of Nairobi County Government functions through the Nairobi Metropolitan Services.

201. In the MTEF period, FY 2022/23 - 2024/25, the Sector will continue to strengthen administration of public services at all levels of Government to enhance effective and efficient implementation of programmes under the MTP III and the "Big Four" Agenda to promote dynamic, inclusive and sustainable development.

202. In the MTEF period FY2022/23 to FY 2024/25, the Sector has been allocated Ksh 347.0 billion, Ksh 413.6 billion and Ksh 448.2 billion for the FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

National Security

203. 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.

204. 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.

205. In order to implement the prioritized programmes and minimize the above mentioned threats, the Sector has been allocated Ksh 203.1 billion, Ksh 230.6 billion and Ksh 218.4 billion in FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Social Protection, Culture and Recreation Sector

206. The Sector plays a critical role towards the achievement of MTP III and the "Big Four" Agenda programmes and projects. Major achievements during the MTEF period FY 2018/19 - 2020/21 include: establishment of alternative livelihood enterprises; development and solarization of boreholes on selected strategic sites; production and dissemination of drought early warning information; supporting the vulnerable and drought affected households through cash transfers and food for assets; capacity building of stakeholders on gender and leadership skills; supporting groups through grants for socio-economic development; provision of sanitary towels to school girls, supporting women, youth and People Living With Disabilities (PWD) through the affirmative action funds; accelerated the fight on eradication of Female Genital Mutilation (FGM) and campaign against Gender Based Violence (GBV); facilitated placement of job seekers in employment through the public employment services; enhanced labour migration and protection of Kenyan migrant workers; and developed the National Policy on Labour Migration.

207. Further, the Sector provided cash transfers to Orphan and Vulnerable Children (OVCs), persons with severe disability and the elderly; supported OVCs with education scholarship through the Presidential Secondary School Bursary Fund; provided PWDs with assistive and supportive devices and services; completed the construction of the ultra-modern national library; established COVID-19 testing and research centre at the Institute of Primate Research (IPR); established the National Heroes Council; presented teams in regional and international sports competitions; constructed the Kenya Academy of Sports; and developed sporting infrastructure to international standards.

208. In the FY 2022/23 to FY2024/25, the Sector will prioritize the following key strategic interventions: cash transfers to vulnerable persons; continue the fight towards eradication of FGM and GBV; skin care for persons with albinism; Presidential Bursary for OVCs; implement Kenya Social Economic Inclusion Project (KSEIP); implement Government Affirmative Programmes (National Government Affirmative-Action Fund (NGAAF), Women Enterprise Fund (WEF) and UWEZO Fund); and Sports, Arts and Social Development Fund (SASDF) to

promote and develop sports, arts and social development including UHC. The Sector will also prioritise: promotion of harmonious industrial relations; provision of skilled manpower for the industry; improvement of youth employability; conservation of heritage and facilities; generation of natural products-based and new biomedical knowledge for priority diseases including COVID-19; build resilience of ASAL communities and cushion drought-prone vulnerable households; improve social and economic amenities for refugee host communities; implementation of inter-county and cross border peace dividend projects; talent development in the areas of sports, music and arts; development of sports infrastructure to international standards; and establishment and operationalization of Government-run shelters for victims of human trafficking.

209. To implement the programmes in the MTEF for the FY 2022/23 - 2024/25, the Sector has been allocated Ksh 72.9 billion, Ksh 74.8 billion and Ksh 79.0 billion in the FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Environment Protection, Water and Natural Resources Sector

210. The Sector plays a critical role in Kenya's economy by securing, stewarding and sustaining the environment and natural capital of the country. During the MTEF period FY 2018/19 to FY 2020/21, the Sector achieved the following: implemented the National Climate Change Action Plan, the Green Economy Strategy and Implementation Plan and the National Adaptation Plan; initiated review of three legal documents in the FY 2020/21 (Environmental Management and Coordination Act (EMCA), 2015; the Forest Conservation and Management Act, 2016; finalized the Extended Producer Responsibility (EPR) Regulations); reviewed the National Forestry Policy; and developed the code of conduct for doing business for the Climate Change Council.

211. There was 85 percent reduction in use of carrier plastics in the environment was realized through enforcement of plastic ban, a total of 8,100 environmental audit reports were reviewed and all environmental cases presented were prosecuted during the period under review. Similarly, 14,500 participants were sensitized on environmental justice while 82 best practices on green innovation were recognized and awarded. The Sector implemented pollution control strategy for the Nairobi River Basin from Ondiri Swamp to Athi River and identified 23-point sources of pollution; carried out quarterly air quality monitoring in Nairobi and Mombasa; updated the map for pollution sources in Nairobi River Basin, Eldoret and Kisumu; assessed water quality in Athi and Tana River basins; sensitized all sectors under schedule one of the EPR Regulations; implemented E-waste management strategy; and undertook mapping of dumpsites in Nairobi, Mombasa, Kisumu and Eldoret urban areas.

212. The Meteorological Department services were modernized by installing three Airport Weather Observing System (AWOS) with intelligent sensors in Kisumu, Eldoret and Nairobi. In the Sector, a total of 6,573 Ha, 12,474 Ha and 70 Ha of forest, farm forest and woodlots, respectively were established while 58,581.4 Ha were gazzetted. Additionally, 196.8 million tree seedlings were produced; protected 588,393 Ha of degraded critical indigenous forest, restored 7,000 Ha of degraded mangrove ecosystems, and established 1,100 Ha of bamboo forest.

During the review period, the Sector developed 66 forest research technologies and produced 117,920 Kg of high-quality tree seeds; rehabilitated 1,216 Ha; and protected 17,101 Ha of the water towers.

213. The Sector developed the National Water and National Irrigation Policies and four sets of regulations namely; Water Resources, Water Harvesting and Storage and, Water Services and Irrigation. These Regulations are meant to operationalize the implementation of the Water Act, 2016 and the Irrigation Act, 2019.

214. Access to water services increased from 62.9 percent in FY 2018/19 to 65.5 percent in FY 2020/21. Urban sewerage services increased from 26 percent to 27.7 percent while the national sanitation coverage increased from 68 percent to 78 percent during the period under review. Further, 187 schools were connected to clean water. The total area under irrigation grew from 504,800 acres in FY 2018/19 to 599,860 acres in FY 2020/21. In addition, the Sector in collaboration with other sectors put in place measures to contain the spread of COVID-19 which included drilling of 193 boreholes and installation of water service infrastructure within Nairobi Metropolitan Area that benefitted 620,000 people living in the informal settlements.

215. Under wildlife conservation; there was a reduction in elephant poaching, increased response rate to Human Wildlife Conflicts cases, construction of 136.5 km and maintenance of 2,011 km of fences, rehabilitation of 115.8 km and maintenance of 7,000 km of access park roads. Under Economic Stimulus Program (ESP); 5,500 community scouts were recruited and engaged to support KWS operations, and 2,020 Wildlife and Environment conservation awareness programmes were conducted. The Wildlife Conservation Trust Fund Regulations were formulated towards the establishment of the Fund.

216. The Sector intends to achieve the following in the MTEF period FY 2022/23- to FY2024/25: develop and implement six environmental policies; enhance waste management in 47 Counties; support 30 green innovations; install 300 Automatic Weather Stations (AWS); construct two Airport Observatories systems; produce 351 million tree seedlings; protect 142,000 Ha of forest plantations against poaching, diseases and fires; establish 27,000 Ha of forest plantations; rehabilitate 24,400 Ha of degraded natural forest, gazette 30,000 Ha of forest; rehabilitate 400 Ha of degraded areas in the ASAL and 8,000 Ha of degraded mangrove forest; produce 189,400 Kg of quality tree seeds; develop 105 forest research technologies; protect 350,000 Ha of water towers; fence 160 km of Maasai Mau water tower; rehabilitate 3,000 Ha of degraded landscapes, establish 11 bamboo demo-sites, and produce 1,150,000 bamboo seedlings for stock enhancement in water towers ecosystems.

217. The Sector anticipates that by the end of FY 2024/25, 85 percent of the population will have access to safe drinking water, access to improved sanitation will increase from 72 percent to 90 percent, sewerage coverage in urban areas will increase from 27.7 percent to 40 percent while acreage under irrigation will expand by 80,000 acres through completion of dams and construction of various sewerage and sanitation infrastructure. The Sector aims to reduce poaching to zero; fully respond to human wildlife cases; develop 30 wildlife research innovations; settle all pending human wildlife conflict compensation claims; and construct,

rehabilitate and maintain 362 Km, 494 Km and 5,105 Km of fences, respectively; establish three sanctuaries; construct and rehabilitate 472 and 200 ranger houses respectively; undertake wildlife census; conduct 16 disease surveillance and outbreaks; and develop six wildlife technologies. Further, the Sector will: map six wildlife corridors and dispersal areas; construct four research and training centers; renovate research training facility in Naivasha; construct research and training conferencing facility in Naivasha; establish /renovate six wildlife resource centers; and review the Wildlife Conservation and Management Act.

218. To successfully implement programmes, projects and activities in the MTEF period FY 2022/23 - 2024/25, the Sector has been allocated Ksh 110.7 billion, Ksh 126.7 billion and Ksh 150.2 billion for the FY 2022/23, FY 2023/24 and FY 2024/25, respectively.

Programme Performance Information for FY 2022/23 - FY 2024/25 MTEF Period

219. **Annex Table 4a** provides a summary of expenditures by programmes for the FY 2022/23– 2024/25 period. **Annex Table 4b** provides a detailed report with information on programmes outputs, key performance indicators, and the set targets for the FY 2022/23 – 2024/25 period.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

220. Public participation and involvement of stakeholders in the medium-term budget process is a constitutional requirement. In fulfilment of this requirement, Sector Working Groups (SWGs) were convened to develop the sector reports, which were subjected to public hearings for the FY 2022/23 and medium-term budget were held between 13th and 15th October, 2021. **Annex Table 5** provides a summary of policy issues raised during the Public Hearings and the responses. In addition, the draft 2022 BPS was uploaded onto the National Treasury website on 11th November, 2021 inviting the public and stakeholders to share comments. The comments were considered in finalizing this document.

221. The document was further reviewed and finalized during a retreat of the Macro Working Group held in Naivasha from 11th to 19th November, 2021. The retreat brought together thirty two officers of the Macro Working Group from the following institutions: various Departments of the National Treasury, the State Department of Planning, Central Bank of Kenya, Kenya Revenue Authority, Kenya National Bureau of Statistics; e Kenya Institute of Public Policy Research Analysis and Commission on Revenue Allocation. **Annex Table 6** provides a list of officers from the Macro Working who attended the retreat. A summary of the comments received from the Macro Working Group, various stakeholders and the public and the actions taken are summarized in **Annex Table 7.**

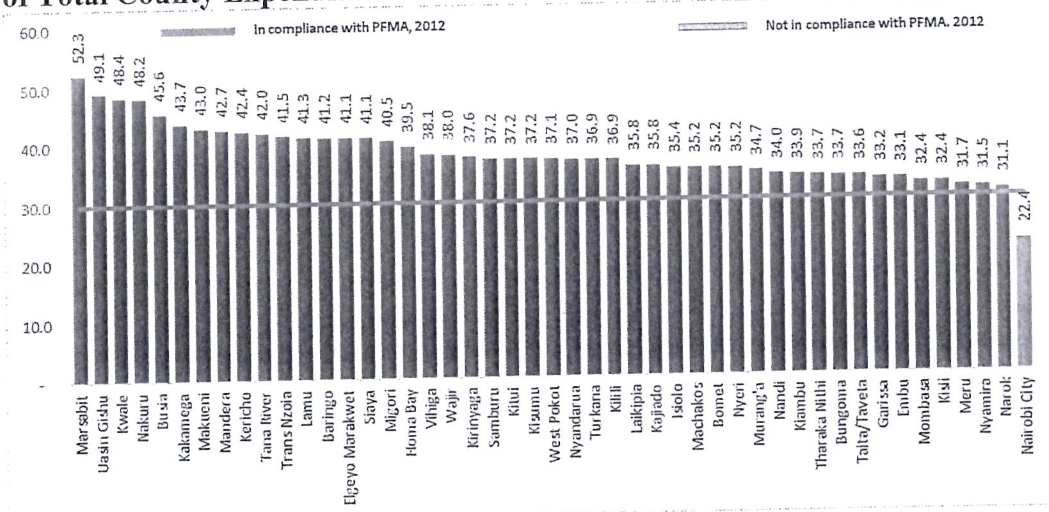
IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principles

4.1.1 Compliance with the Requirement on Development Spending Allocations

222. Section 107 (2) (b) of the PFMA, 2012 provides that County Governments should allocate a minimum of 30 percent of their budget over the medium-term to development expenditure. All the County Governments except Nairobi City County complied with this legal requirement and allocated at least 30 percent of their approved budget to development in FY 2020/21 (**Figure 4.1**).

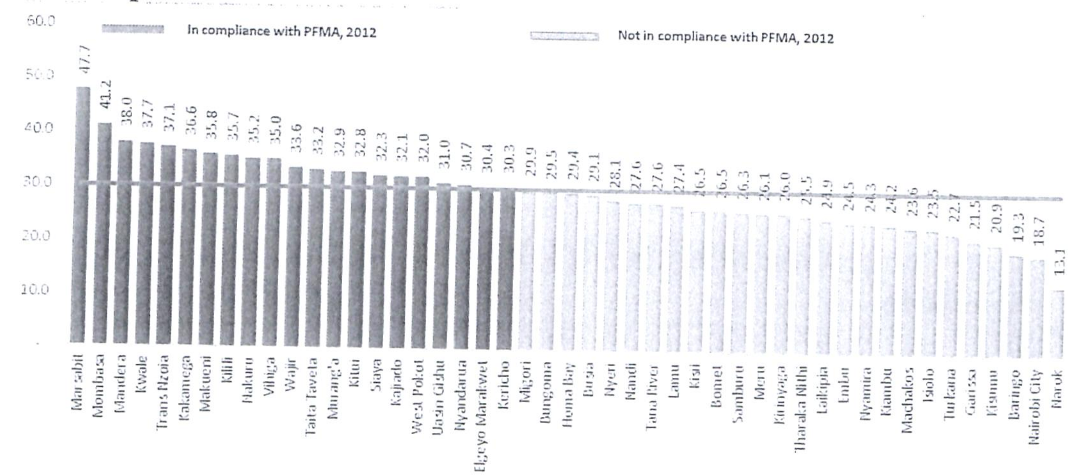
Figure 4.1: FY 2020/21 Budgeted Development Expenditure as a Percentage of Total County Expenditure



Source of Data: Controller of Budget

223. In terms of actual development expenditure for the FY 2020/21, only 21 County Governments were able to utilize at least 30 percent of their total expenditure on development. The County Government of Marsabit spent 47.7 percent, Mombasa 41.2 percent and Mandera 38.0 percent. On the other hand, a total of 26 County Governments spent less than 30 percent on development in FY 2020/21. Narok County Government had the lowest expenditure at 13.1 percent while Nairobi City and Baringo Counties spent 18.7 percent and 19.3 percent respectively (**Figure 4.2**).

Figure 4.2: FY 2020/21 Actual Development Expenditures as a Percentage of Total Expenditure

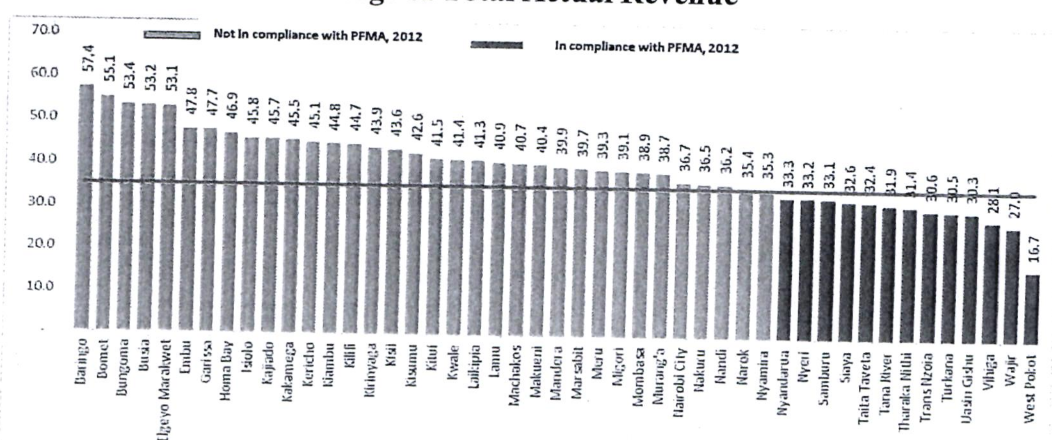


Source of Data: Controller of Budget

4.1.2 Compliance with the Requirement on Expenditure on Wages and Benefits

224. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' expenditure on wages and benefits shall not exceed 35 percent of their total revenue. The County Government's Budget Implementation Review Report (CBIRR) for FY 2020/21 shows that only 13 County Government's expenditure on wages and benefits were within the legal threshold. The County Government of West Pokot had the lowest expenditure on wages and benefits at 16.7 percent followed by Wajir and Vihiga Counties at 27.0 and 28.1 percent respectively. The report further revealed that 34 County Governments spent beyond the legal threshold. Baringo County Government spent 57.4 percent followed by Bomet at 55.1 percent and Bungoma at 53.4 percent (**Figure 4.3**). In this regard, all the County Governments should put in place measures to contain the wage bill in compliance with the law and to free up resources for development and improve service delivery.

Figure 4.3: FY 2020/21 County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue



Source of Data: Controller of Budget

4.2 Enhancement of County Governments' Own-Source-Revenue

225. County Governments collected a total of Ksh 34.4 billion in Own Source Revenue (OSR) against an annual target of Ksh 53.7 billion in the FY 2020/21 (**Figure 4.4**). This represents 64.1 percent of the annual OSR target in FY 2020/21. Only five County Governments were able to collect more than one hundred percent of their annual OSR target in FY 2020/21. These County Governments are Turkana, Tana River, Uasin Gishu, Lamu and Migori.

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

226. Despite the COVID-19 pandemic, OSR collections of Ksh 34.4 billion for FY 2020/21 did not deviate much from the collections in FY 2019/20 which was Ksh 35.8 billion. Available data from the Controller of Budget (CoB) over the years, reveals that a number of County Governments have continued to miss their revenue targets which may be an indication of unrealistic OSR projections or failure to put efficient fiscal effort in revenue collection. This is indicative of the need for more capacity building on areas of tax analysis and revenue forecasting as well as address governance issues that negatively affect OSR collections.

227. In this regard, the National Treasury through a Multi-Agency Team developed the National Policy to Support Enhancement of County Governments' OSR and the County Governments (Revenue Raising Process) Bill 2018. The Policy proposes strategies to address challenges in collection and administration of decentralized taxes, fees and charges. The Bill, which is currently before Parliament for legislation, will regulate the manner in which Counties introduce/vary fees and charges. The legislation once passed will address the problem of multiplicity of fees and charges within and across counties in line with Article 209(5) of the Constitution. The Constitution provides that the County Governments revenue raising powers should not prejudice national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labor.

228. In order to support implementation of the Policy, a range of national level legislative reforms have been proposed. To this end, the National Treasury in

collaboration with the Ministry of Lands and Physical Planning is in the process of developing the National Rating Bill 2021 to replace the outdated Valuation for Rating Act (Cap. 266) and Rating Act (Cap. 267). The proposed Bill is expected to guide valuation for rating and imposition of rates on rateable property in the County Governments.

229. In addition, 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

230. The PFMA, 2012, provides for mechanisms to assess and determine financial problems encountered by National Government entities and County Governments. Section 94 (1) (a) of the PFMA, 2012, identifies as a material breach failure to make any payments as and when due by a State organ or a public entity. Article 225 of the Constitution read together with Section 96 of the PFMA, 2012 gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to the concerned State organ found to be in material breach. County Governments have accumulated pending bills over the last seven years of devolution.

231. The Office of the Auditor General (OAG) conducted a special audit to verify the stock of pending bills by County Governments as at 30th June 2018. The special audit indicated that out of a total of Ksh 88.9 billion pending bills presented for audit, bills amounting to Ksh 51.2 billion were reported as payable while Ksh 37.7 billion lacked sufficient documentations to support services rendered or work done and therefore were not recommended for payment.

232. A report by the CoB indicates that by 30th June 2021, counties had paid Ksh 40.5 billion (79.1 percent of the eligible pending bills) leaving an outstanding balance of Ksh 10.8 billion (**Table 4.1**).

233. 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 the bills that lacked sufficient documentations. As at 30th June 2021, County Governments had verified and paid Ksh 6.9 billion of the ineligible pending bills. Additionally, the National Treasury is awaiting the OAG special audit of the County Governments' pending bills for the FYs 2018/19 and 2019/20 which was conducted in May 2021 at the request of the National Treasury.

234. In order to ensure that pending bills are paid on time, the following mechanisms have been put in place:

a) All counties are to regularly report on pending bills in accordance with the financial reporting template by the Public Service Accounting Standards Board (PSASB). Counties are required to disclose in their 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 to provide regular updates on the progress made on settlement of eligible pending bills to the National Treasury and Parliament;
c) County Governments to budget for the outstanding pending bills and submit payment plans and status reports to the CoB, with a copy to the Cabinet Secretary, the National Treasury and Planning; and
d) County Governments to settle pending bills on a First-In First-Out basis.

Table 4.1: Payment of 2018 Pending Bills by County Governments as at 30th June 2021

A SUMMARY OF PENDING BILLS AFTER THE AUDIT BY THE OAG AND STATUS ON PAYMENTS BY COUNTY GOVERNMENTS AS OF 30TH JUNE, 2021

County	Bills Presented to CoB By Counties as of 30th June, 2018 (Ksh)	Bills Presented to OAG By Counties for Special Audit (Ksh)	Eligible Pending Bills as per the OAG Special Audit (Ksh)	Ineligible Pending Bills as per the OAG Special Report (Ksh)	Eligible Pending Bills Paid (Ksh)	Ineligible Pending Bills Paid (Ksh)	Total Pending Bills Paid (Ksh)	Outstanding Eligible Pending Bills (Ksh)	Overall Outstanding Pending Bills (Ksh)
	A	B	C	D	E	F	G=E+F	H=C-E	I=B-G
Baringo	63,600,000	45,765,998	24,046,826	21,719,172	24,046,826	0	24,046,826	0	21,719,172
Bomet	1,155,473,480	1,253,551,181	1,190,167,877	63,383,304	999,878,620	12,154,239	1,012,032,859	190,289,257	241,518,322
Bungoma	326,391,974	601,481,507	376,038,793	225,442,714	362,774,197	128,225,677	490,999,874	13,264,596	110,481,633
Busia	993,600,000	1,013,493,163	972,895,883	40,597,280	971,644,606	0	971,644,606	1,251,277	41,848,557
Elgeyo Marakwet	136,750,039	908,679,275	225,216,395	683,462,880	225,216,395	428,978,838	654,195,233	0	254,484,042
Embu	1,278,735,548	1,362,958,792	435,114,432	927,844,360	435,114,432	50,250,949	485,365,381	0	877,593,411
Garissa	980,059,238	2,553,348,202	2,307,530,407	245,817,795	2,285,141,562	0	2,285,141,562	22,388,845	268,206,640
Homa Bay	1,332,417,888	1,663,245,610	40,447,020	1,622,798,590	40,447,020	241,871,783	282,318,803	0	1,380,926,807
Isiolo	101,330,098	1,334,674,795	1,258,372,703	76,302,092	691,253,320	0	691,253,320	567,119,383	643,421,475
Kajiado	769,805,900	366,353,650	88,191,609	278,162,041	88,191,609	0	88,191,609	0	278,162,041
Kakamega	634,742,603	593,950,376	583,093,452	10,856,924	583,093,452	8,082,840	591,176,292	0	2,774,084
Kericho	1,255,284,413	1,094,470,975	490,184,743	604,286,232	490,184,743	141,827,944	632,012,687	0	462,458,288
Kiambu	785,758,702	2,312,759,531	1,831,618,030	481,141,501	1,593,032,095	93,819,557	1,686,851,652	238,585,935	625,907,879
Kilifi	1,224,706,197	1,377,012,031	1,116,043,558	260,968,473	1,116,043,558	16,360,234	1,132,403,792	0	244,608,239
Kirinyaga	250,092,562	1,328,459,563	741,080,963	587,378,600	319,440,751	42,359,883	361,800,634	421,640,212	966,658,929
Kisii	865,075,580	1,414,104,629	1,200,573,919	213,530,710	1,184,810,134	121,245,444	1,306,055,578	15,763,785	108,049,051
Kisumu	2,047,603,022	2,475,722,125	1,792,200,077	683,522,048	1,788,450,077	79,999,527	1,868,449,604	3,750,000	607,272,521
Kitui	1,167,092,734	1,443,011,641	572,033,419	870,978,222	572,033,419	304,308,790	876,342,209	0	566,669,432
Kwale	1,830,121,075	2,501,631,906	809,734,393	1,691,897,513	809,734,393		809,734,393	0	1,691,897,513
Laikipia	760,611,928	989,444,917	77,539,708	911,905,209	77,539,708	0	77,539,708	0	911,905,209
Lamu	179,490,878	143,663,524	85,050,899	58,612,625	85,050,899	31,528,323	116,579,222	0	27,084,302
Machakos	975,461,203	1,286,526,181	942,363,607	344,162,574	752,932,691	0	752,932,691	189,430,916	533,593,490
Makueni	33,571,164	34,902,732	33,018,202	1,884,530	33,018,202	0	33,018,202	0	1,884,530

A SUMMARY OF PENDING BILLS AFTER THE AUDIT BY THE OAG AND STATUS ON PAYMENTS BY COUNTY GOVERNMENTS AS OF 30TH JUNE, 202

County	Bills Presented to CoB By Counties as of 30th June, 2018 (Ksh)	Bills Presented to OAG By Counties for Special Audit (Ksh)	Eligible Pending Bills as per the OAG Special Audit (Ksh)	Ineligible Pending Bills as per the OAG Special Report (Ksh)	Eligible Pending Bills Paid (Ksh)	Ineligible Pending Bills Paid (Ksh)	Total Pending Bills Paid (Ksh)	Outstanding Eligible Pending Bills (Ksh)	Overall Outstandin Pending Bills (Ksh
	A	B	C	D	E	F	G=E+F	H=C-E	I=B-G
Mandera	107,580,050	552,137,062	349,433,313	202,703,749	349,433,313	0	349,433,313	0	202,703,74
Marsabit	799,153,814	776,411,111	728,259,831	48,151,280	728,259,831	0	728,259,831	0	48,151,28
Meru	2,000,925,093	2,265,112,691	1,845,545,178	419,567,513	1,793,635,716	148,518,534	1,942,154,250	51,909,462	322,958,44
Migori	290,942,340	1,275,250,208	1,007,373,410	267,876,798	750,178,806	202,231,030	952,409,836	257,194,604	322,840,37
Mombasa	3,705,503,765	5,347,786,393	3,545,800,427	1,801,985,966	1,962,722,116	0	1,962,722,116	1,583,078,311	3,385,064,27
Murang'a	469,485,623	2,038,047,918	1,531,778,008	506,269,910	1,531,778,008	388,780,019	1,920,558,027	0	117,489,89
Nairobi City	64,802,987,771	23,139,794,063	11,783,829,072	11,355,964,991	5,766,868,720	146,440,676	5,913,309,396	6,016,960,352	17,226,484,66
Nakuru	2,379,815,709	2,504,561,905	420,164,604	2,084,397,301	393,978,523	0	393,978,523	26,186,081	2,110,583,38
Nandi	1,394,228,985	1,447,847,605	942,307,841	505,539,764	942,307,841	0	942,307,841	0	505,539,76
Narok	1,725,444,405	2,056,439,795	1,980,736,070	75,703,725	1,754,791,016	27,609,076	1,782,400,092	225,945,054	274,039,70
Nyamira	1,349,587,238	435,328,993	275,698,127	159,630,866	275,698,127	36,301,873	312,000,000	0	123,328,99
Nyandarua	906,921,152	1,138,159,128	297,078,779	841,080,349	297,078,779	317,016,227	614,095,006	0	524,064,12
Nyeri	1,411,372,489	360,535,590	152,196,769	208,338,821	152,196,769	146,652,290	298,849,059	0	61,686,531
Samburu	792,663,564	846,492,795	762,579,174	83,913,621	714,377,693	0	714,377,693	48,201,481	132,115,10
Siaya	614,507,285	709,770,238	637,310,697	72,459,541	527,943,130	0	527,943,130	109,367,567	181,827,10
Taita/Taveta	239,653,602	451,282,264	390,269,112	61,013,152	390,269,112	0	390,269,112	0	61,013,15
Tana River	946,029,550	1,202,679,386	507,082,631	695,596,755	507,082,631	0	507,082,631	0	695,596,75
Tharaka -Nithi	260,776,492	1,112,652,892	701,871,919	410,780,973	682,223,937	0	682,223,937	19,647,982	430,428,95
Trans Nzoia	781,572,410	1,079,983,912	666,047,614	413,936,298	659,157,124	0	659,157,124	6,890,490	420,826,78
Turkana	633,660,494	5,660,295,757	1,816,400,453	3,843,895,304	1,570,376,862	2,699,226,332	4,269,603,194	246,023,591	1,390,692,56
Uasin Gishu	319,347,197	366,384,594	76,566,231	289,818,363	60,435,232	207,973,124	268,408,356	16,130,999	97,976,238
Vihiga	1,184,810,000	2,037,052,291	1,151,148,522	885,903,769	729,179,706	156,175,561	885,355,267	421,968,816	1,151,697,024
Wajir	2,619,575,061	2,357,171,365	2,039,742,167	317,429,198	2,039,742,167	65,740,429	2,105,482,596	0	251,688,76
West Pokot	113,054,409	1,725,540,240	483,053,261	1,242,486,979	384,982,834	637,341,945	1,022,324,779	98,070,427	703,215,461
Total	**108,997,374,724**	**88,985,930,500**	**51,284,830,125**	**37,701,100,375**	**40,493,770,701**	**6,881,021,143**	**47,374,791,844**	**10,791,059,424**	**41,611,138,656**

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

4.3.2 Statutory Remittances

235. Review of the CBIRR for the half-year period which ended 31st December, 2020 by the CoB, indicates that County Governments have not been remitting retirement contributions to the various Retirement Benefits Schemes (the Local Authorities Provident Fund (LAPFUND), the Local Authorities Pension Trust (LAPTRUST), and the County Pension Fund (CFP)) that serve employees of County Governments and affiliated entities. As at 31st December, 2020, the unremitted contributions stood at Ksh 52.5 billion. In this regard, County Governments should provide for outstanding retirement contributions in

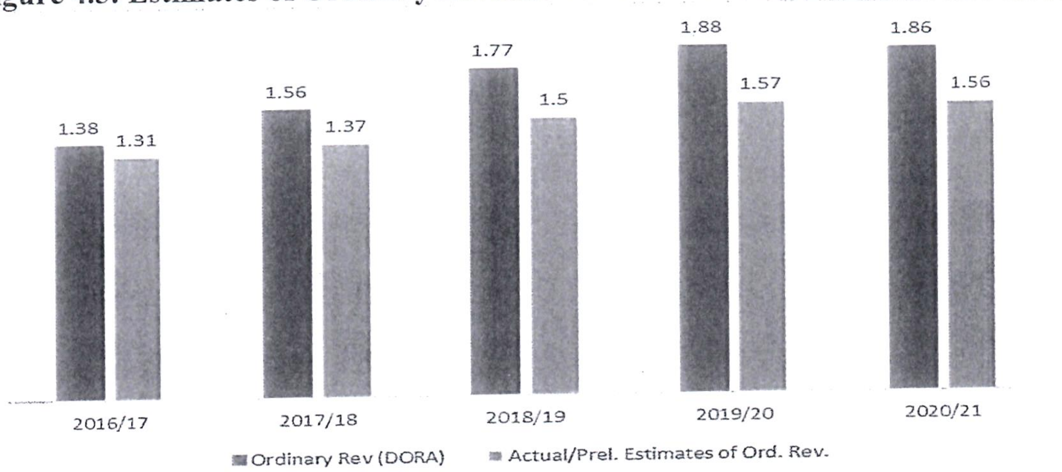
compliance with the PFMA 2012 to avoid inconveniencing exiting employees of County Governments and the connected entities when accessing their benefits.

4.4 Division of Revenue between the National and County Governments

4.4.1 Performance of Shareable Revenue

236. Ordinary revenue collected in FY 2020/21 was Ksh 1,562 billion against a target of Ksh 1,856 billion. This represents a shortfall of Ksh 294 billion as shown in (**Figure 4.5**). It is evident that over the years, the ordinary revenue has been underperforming resulting in revenue shortfalls that calls for fiscal consolidation by both levels of government. For FY 2021/22 and FY 2022/23, ordinary revenues are projected at Ksh 1,775.6 billion and Ksh 2,141.6 billion respectively.

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 2022/23

237. Based on a revenue projection of Ksh 2,141.6 billion in FY 2022/23, Ksh 1,764.5 billion has been allocated to National Government, Ksh 370.0 billion to County Governments as equitable revenue shares and Ksh 7.1 billion to the Equalization Fund. The retention in County Governments' equitable revenue share at Ksh 370.0 billion as in FY 2021/22 is informed by the following prevailing circumstances:

a) the budget for FY 2022/23 is formulated at a time of COVID-19 which has affected revenue mobilization and brought with it significant uncertainty in revenue performance. With this environment, it would be unrealistic to raise county equitable share taking into account the fact that unlike the National Government's allocations that are reviewed downwards when projected revenues are not realized, allocations and transfers to County Governments as equitable share are guaranteed under Article 219 of the Constitution;

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b) the Government is implementing a fiscal consolidation plan, which is expected to be shared by the two levels of government, so as to lower the fiscal deficit and slow down debt accumulation. To reflect this fiscal tightening, the National Government recurrent ceiling growth has been restricted, declining from a growth of 10.3 percent in FY 2017/18 to 1.2 percent in FY 2022/23. The fact that the growth in recurrent ceiling is below growth in wages, implies that the National Government is reducing its operation budget significantly; and

c) the Consolidated Fund Services (CFS) budget for FY 2022/23 has been revised upwards by Ksh 46.9 billion and therefore in order to retain the deficit at the 2021 BPS level, the National Government ceiling has already been revised downwards by Ksh 15.0 billion while maintaining the county equitable share at the same level. However, to accommodate higher interest payments and allow for additional support to some state-owned enterprises facing financial difficulties, the deficit has been eased slightly from 5.7 percent of GDP in 2021 BPS to 6.0 percent of GDP in 2022 BPS.

238. Based on the proposal on the division of revenue, County Governments will therefore receive a total of Ksh 370.0 billion in FY 2022/23 as equitable share of revenue raised nationally (**Table 4.2**).

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

Budget item	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Baseline *(i.e. allocation in the previous FY)*	**302,000**	**314,000**	**316,500**	**316,500**	**370,000**
1. Adjustment for revenue growth	12,000	2,500	-	36,100	-
2. Revenue share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics				**17,400**	-
Computed equitable revenue share allocation	**314,000**	**316,500**	**316,500**	**370,000**	**370,000**

Source of Data: National Treasury

239. 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 5.7 billion for leasing of medical equipment and construction of County headquarters (**Table 4.3**);
- Equalization Fund to the marginalized areas amounting to Ksh 7.1 billion; and
- Ksh 31.4 billion from proceeds of external loans and grants.

Table 4.3: Division of Revenue Raised Nationally for FYs 2019/20 – 2022/23 (Ksh Million)

Type/Level of allocation	2019/20	2020/21	2021/22	2022/23
National Government	1,554,916	1,533,700	1,398,799	1,764,516
of which				
Leasing of Medical Equipment	6,205	6,205	7,205	5,200
Supplement for construction of County Headquarters	300	300	332	454
Equalization Fund	5,760	6,500	6,825	7,068
County Equitable share	316,500	316,500	370,000	370,000
Total Shareable revenue	**1,877,176**	**1,856,700**	**1,775,587**	**2,141,585**

240. **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	2018/19	2019/20	2020/21	2021/22	2022/23
County equitable share	314,000	316,500	316,500	370,000	370,000
Additional conditional allocations, of which:					
Leasing of medical equipment	9,400	6,205	6,205	7,205	5,200
Supplement for construction of county headquarters	605	300	300	332	454
Allocations from loans and grants	33,242	39,090	30,204	32,334	31,382
Total County Allocations	**372,741.9**	**378,305**	**369,868**	**409,871**	**407,036**

4.5 Horizontal Allocation of Revenue among the County Governments FY 2022/23

241. Horizontal allocation of revenue among the County Governments for FY 2022/23 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).

242. The Third Basis for revenue sharing has a baseline allocation to each county equivalent to 50 percent of a county's actual allocation for FY 2019/20. Based on an allocation of Ksh 370.0 billion for FY 2022/23, Ksh 158.3 billion is therefore shared based on the FY 2019/20 county allocation index and the balance of Ksh 211.8 billion shared using the approved Third Basis. The County Governments equitable shares for FY 2022/23 are as shown in **Table 4.5.**

Table 4.5: Revenue Allocation for Each County Government

County	FY 2021/2022					FY 2022/2023				
	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****
	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
Baringo	1.61	2,547,825,000	1.80	3,821,569,592	6,369,394,592	1.61	2,547,825,000	1.80	3,821,569,592	6,369,394,592
Bomet	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118	1.74	2,753,550,000	1.86	3,937,549,118	6,691,099,118
Bungoma	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192	2.81	4,446,825,000	2.93	6,212,610,192	10,659,435,192
Busia	1.90	3,006,750,000	1.97	4,165,412,009	7,172,162,009	1.90	3,006,750,000	1.97	4,165,412,009	7,172,162,009
Elgeyo/Marakwet	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480	1.22	1,930,650,000	1.26	2,675,882,480	4,606,532,480
Embu	1.36	2,152,200,000	1.40	2,973,043,762	5,125,243,762	1.36	2,152,200,000	1.40	2,973,043,762	5,125,243,762
Garissa	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254	2.22	3,513,150,000	2.08	4,414,062,254	7,927,212,254
Homa Bay	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300	2.13	3,370,725,000	2.09	4,434,628,300	7,805,353,300
Isiolo	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265	1.34	2,120,550,000	1.22	2,589,838,265	4,710,388,265
Kajiado	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229	2.03	3,212,475,000	2.24	4,742,293,229	7,954,768,229
Kakamega	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168	3.29	5,206,425,000	3.39	7,182,987,168	12,389,412,168
Kericho	1.70	2,690,250,000	1.77	3,740,414,924	6,430,664,924	1.70	2,690,250,000	1.77	3,740,414,924	6,430,664,924
Kiambu	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720	2.98	4,715,850,000	3.31	7,001,675,720	11,717,525,720
Kilifi	3.30	5,222,250,000	3.03	6,419,342,941	11,641,592,941	3.30	5,222,250,000	3.03	6,419,342,941	11,641,592,941
Kirinyanga	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952	1.34	2,120,550,000	1.45	3,075,627,952	5,196,177,952
Kisii	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509	2.46	3,892,950,000	2.36	5,001,324,509	8,894,274,509
Kisumu	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240	2.16	3,418,200,000	2.18	4,607,939,240	8,026,139,240
Kitui	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413	2.79	4,415,175,000	2.82	5,978,795,413	10,393,970,413
Kwale	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516	2.46	3,892,950,000	2.06	4,372,635,516	8,265,585,516
Laikipia	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679	1.32	2,088,900,000	1.44	3,047,365,679	5,136,265,679
Lamu	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643	0.82	1,297,650,000	0.85	1,807,999,643	3,105,649,643
Machakos	2.45	3,877,125,000	2.50	5,285,179,232	9,162,304,232	2.45	3,877,125,000	2.50	5,285,179,232	9,162,304,232
Makueni	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562	2.34	3,703,050,000	2.09	4,429,733,562	8,132,783,562
Mandera	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598	3.23	5,111,475,000	2.87	6,078,907,598	11,190,382,598
Marsabit	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032	2.14	3,386,550,000	1.84	3,890,454,032	7,277,004,032
Meru	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338	2.54	4,019,550,000	2.59	5,474,307,338	9,493,857,338
Migori	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448	2.14	3,386,550,000	2.18	4,618,470,448	8,005,020,448
Mombasa	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061	2.23	3,528,975,000	1.91	4,038,379,061	7,567,354,061
Muranga	1.99	3,149,175,000	1.90	4,030,980,855	7,180,155,855	1.99	3,149,175,000	1.90	4,030,980,855	7,180,155,855
Nairobi	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414	5.03	7,959,975,000	5.33	11,289,702,414	19,249,677,414
Nakuru	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323	3.31	5,238,075,000	3.68	7,788,041,323	13,026,116,323
Nandi	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041	1.69	2,674,425,000	2.04	4,316,444,041	6,990,869,041
Narok	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456	2.54	4,019,550,000	2.28	4,825,239,456	8,844,789,456
Nyamira	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036	1.52	2,405,400,000	1.29	2,729,940,036	5,135,340,036
Nyandarua	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228	1.54	2,437,050,000	1.53	3,233,394,228	5,670,444,228
Nyeri	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555	1.71	2,706,075,000	1.66	3,522,653,555	6,228,728,555
Samburu	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037	1.46	2,310,450,000	1.45	3,060,896,037	5,371,346,037
Siaya	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531	1.83	2,895,975,000	1.92	4,070,532,531	6,966,507,531
Taita Taveta	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698	1.34	2,120,550,000	1.29	2,721,624,698	4,842,174,698
Tana River	1.85	2,927,625,000	1.70	3,600,783,765	6,528,408,765	1.85	2,927,625,000	1.70	3,600,783,765	6,528,408,765
Tharaka Nithi	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593	1.24	1,962,300,000	1.06	2,251,898,593	4,214,198,593
Trans Nzoia	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670	1.82	2,880,150,000	2.03	4,306,007,670	7,186,157,670
Turkana	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994	3.33	5,269,725,000	3.47	7,339,580,994	12,609,305,994
Uasin Gishu	2.00	3,165,000,000	2.32	4,903,858,318	8,068,858,318	2.00	3,165,000,000	2.32	4,903,858,318	8,068,858,318
Vihiga	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827	1.47	2,326,275,000	1.29	2,741,081,827	5,067,356,827
Wajir	2.70	4,272,750,000	2.46	5,201,976,151	9,474,726,151	2.70	4,272,750,000	2.46	5,201,976,151	9,474,726,151
West Pokot	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329	1.58	2,500,350,000	1.79	3,796,934,329	6,297,284,329
GRAND TOTAL	100	158,250,000,000	100	211,750,000,000	370,000,000,000	100	158,250,000,000	100	211,750,000,000	370,000,000,000

4.6 Intergovernmental Fiscal Transfers

243. 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 PFMA 2012, its Regulations and National Treasury Circular No. 8 of 2017 on "Guidelines for the Management of Intergovernmental Fiscal Transfers in Kenya". To ensure efficiency, accountability and impact of programs and services funded through grants, all grants to counties shall be coordinated by the line ministries. The ministries are responsible for development of grant frameworks and conditions to be met by counties. The Accounting Officers in the respective ministries have the sole authority for the approval of funds, review and approval of financial and non-financial reports prior to submission to the National Treasury.

4.6.1 Conditional Grants

244. In FY 2022/23, the National Treasury proposes to allocate Ksh 37.0 billion as additional allocations to County Governments. This comprises additional conditional allocations from the National Government share of revenue in line with Article 202 (2) and conditional allocation from proceeds of external loans and grants. The additional conditional allocations are meant to support specific national policy objectives to be implemented by County Governments.

245. The conditional grants were previously allocated through Division of Revenue Act and administered pursuant to provisions of Regulation 129-135 of the Public Finance Management (National Government) Regulations, 2015 and the Treasury Circular No. 8 of 2017.

246. However, the High Court Ruling on Petition No. 252 of 2016 in December, 2020 directed that the conditional or non-conditional allocations are not items to be provided for in the DoRA and consequently the Senate approved the Division of Revenue Bill (DoRB), 2021 without the conditional grants for FY 2021/22. Subsequently, the DoRB, 2022 shall not contain the proposed additional conditional allocations to counties.

247. The Court also directed the development of an alternative mechanism for disbursement of conditional grants to counties. In this regard, the Senate developed the County Governments Grants Bill, 2021 which has been passed by the Senate and is currently before the National Assembly for their consideration. The Bill is expected to provide mechanisms for disbursing, accounting and oversight for the additional conditional allocations to counties going forward.

248. The proposed additional conditional allocations shall be disbursed to counties based on the objectives, criteria for selecting beneficiary counties and distribution mechanisms determined in the Project Appraisal Documents and

respective financing agreements between the National Treasury and development partners.

4.6.2 Equalisation Fund

249. 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 operationalised 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.

250. The National Treasury was directed to develop a statutory instrument on the administration of the Equalisation Fund and it is on this basis that a multi-agency committee comprising of representatives from National Treasury, National Assembly, Senate, Council of Governors (CoG), CRA and CoB was put in place to develop a new Equalisation Fund statutory instrument. This team developed the PFM (Equalisation Fund Administration) Regulations 2021 which were approved by Parliament in October 2021.

251. 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.

252. The National Treasury is in the process of constituting the Equalisation Fund Advisory Board. Accordingly, the National Treasury has requested for nominations for appointment to the Board from the CoG, the Senate and the National Assembly, in accordance with Regulations 4 and 5 of the PFM (Equalisation Fund Administration) Regulations 2021. Further, the National Treasury is in consultation with the State Department for Public Service on development of a Human Resource Instrument that will form the basis for terms of service for the Board and the Secretariat of the Fund.

253. The appointment of the Board and establishment of a Secretariat will operationalize the Fund and ensure completion of projects as identified by the first policy and the implementation of programmes in the second and subsequent policies. The Board will also oversee the preparation of operational guidelines, strengthening of public participation, deliberately targeting minorities within marginalized areas and efficient utilization of funds.

4.7 Emerging Issues and Policy Interventions

4.7.1 Transfer of Functions and Cooperation between National and County Governments

254. 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 the mechanisms for the resolution of intergovernmental disputes pursuant to Articles 6 and 189 of the Constitution, and for connected purposes.

255. Pursuant to Article 187 of the Constitution as read together with Section 26 of the IGRA, 2012, the Nairobi City County Government (NCCG) on 25th February, 2020, transferred four of its functions to the National Government. The transfer was legally effected through a mutual Deed Agreement vide Gazette Notice No. 1609. The National Treasury was mandated in the Deed of Transfer as well as in the Addendum to the Deed of Transfer to develop an appropriate framework to ensure that the resources necessary for the performance of the transferred functions are transferred from NCCG to the National Government.

256. However, during implementation of the Deed of Transfer of functions from the NCCG to the National Government, it emerged that PFMA 2012 and IGRA 2012 do not provide for a financing framework for transferred functions. In view of the identified gaps, the National Treasury has constituted an Inter-Agency Taskforce to develop a legislation for operationalization of Articles 187 and 189. In addition, the National Treasury in collaboration with other stakeholders will develop the relevant policy to anchor the legislation.

257. Once the new legislation is in place, it 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 Analysis of County Governments Fiscal Documents

258. The National Government has the responsibility to enhance county capacities. In this regard, the National Treasury is analyzing fiscal documents from the County Governments to identify their training needs. This analysis entails assessing the quality of the fiscal documents, their compliance with the requirements in the PFMA 2012, their correctness, relevance and alignment to the national and county policies. The training needs analysis will inform capacity building programmes for the counties.

4.7.3 County Governments Own Source Revenue Potential

259. CRA in collaboration with the National Treasury and Planning, County Governments, and other stakeholders are currently undertaking a comprehensive County OSR Potential and Tax Gap Study. The main objective of the study is to produce robust and reliable estimates on County Governments revenue potentials. The revenue potential will guide future decision making by the County Governments on where to put more effort in a bid to enhance their OSR.

4.7.4 Integrated County Governments Revenue Management System

260. County Governments continue to use unintegrated revenue management systems with high administrative costs and revenue leakages. The National Treasury and Planning constituted a Multi-Agency taskforce to evaluate and recommend a single integrated revenue management system for County

Governments in line with the Presidential directive of February 2019. The Taskforce has identified and prepared a report on viable integrated revenue management systems for consideration by the Steering Committee.

4.7.5 Sharing of Mineral Royalty Revenue with County Governments and Communities

261. Following the Presidential directive on sharing of mineral royalty revenues amongst the National Government, beneficiary counties and communities, the National Treasury put in place a taskforce constituting representatives from: the National Treasury; Ministry of Petroleum and Mining; Ministry of Industrialization, Trade and Enterprise Development; CRA; State Law Office; and CoG. The Taskforce prepared a report which has been submitted to the Steering Committee for consideration.

4.7.6 Capacity Building of Boards and Secretariat of the Urban Areas and Cities

262. Section 12 of the Urban Areas and Cities Act, 2011 provides that the management of a city and municipality shall be vested in the County Government and administered on its behalf by a board. A number of County Governments have constituted the Boards and established Secretariats. In a bid to ensure that these boards and secretariats are managed in accordance with the law, the National Government endeavors to develop their capacity on prudent financial management.

4.7.7 Delineation of Disaster Management Function

263. The Inter-Governmental Relations Technical Committee (IGRTC) through a Legal Notice No. 86 of 2nd March 2021, delineated the disaster management function between the National Government and County Government. The delineation was guided by the National Disaster Risk Management Policy. The Legal Notice provides that disaster occurrence and effects are sector specific and that the responsibility for managing sector related disaster is guided by the functional assignment of both levels of government as specified in the Fourth Schedule to the Constitution.

4.7.8 Implementation of the Transfer of the Library Function

264. IGRTC in consultation with sector stakeholders finalized the modalities to transfer the library function to the County Governments. The Legal Notice No. 142 of August 2019 delineated the functions and distribution of 59 libraries across 33 counties with effect from 1st July 2020. This has not materialized since the attendant resources were not provided for in the financial year 2020/21. In this regard, the Ministry of Culture and Heritage should prioritize resources for the transferred function to be channeled to the respective County Governments as a conditional grant for the management of the devolved library function in FY 2022/23.

4.7.9 Hosting of the 9th Edition of Africities Conference in 2022

265. The 9th Edition of the Africities Conference will be held in May 2022 in Kisumu City. This is a Pan-African event that is held every three years in one of

the five regions of Africa. As per the rotational calendar, it is the opportunity for East Africa to host the 9th Edition of Africities.

ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

1. 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:

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

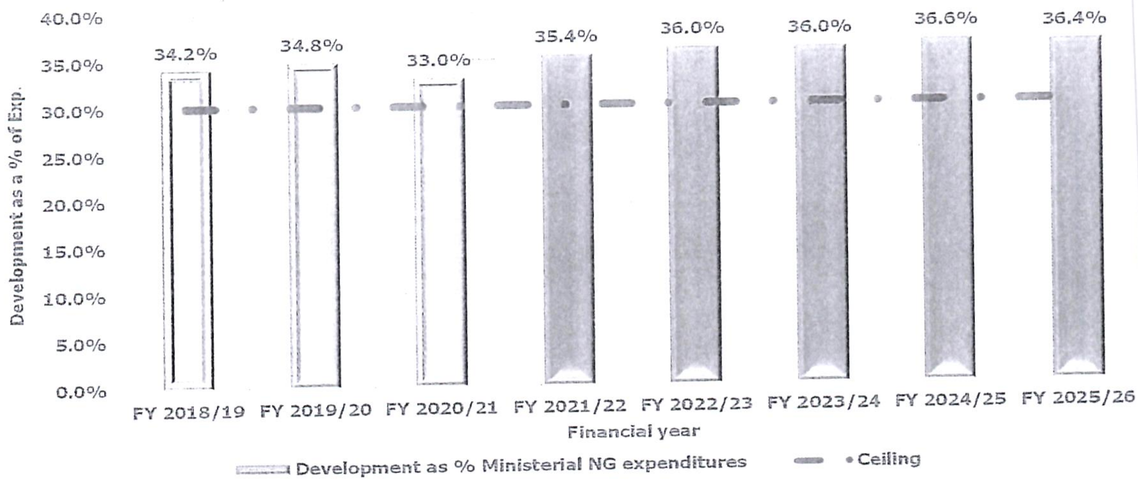
Consistent with the requirements of the law, the National Government's allocation to development expenditures has been above the 30 percent of its Ministerial expenditures. In the FY 2020/21, development expenditures as a total expenditure was 33.0 percent meeting the set threshold. In the fiscal outlays presented in this BPS, the National Government continues to observe this requirement. The allocation to development expenditures is projected to increase to 36.0 percent in the FY 2022/23 and remain above the recommended threshold over the medium term as shown in **Table 1 and Figure 1**.

Table 1: Performance of Fiscal Responsibility indicators

	FY 2018/19	FY 2019/20	FY 2020/21		FY 2021/22			FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26	
	Actual	Prel. Actual	Budget	Prel. Actual	BUDGET	BROP'21	Proj.	BROP'21	BPS'22	BROP'21	BPS'22	BROP'21	BPS'22	BROP'22	BPS'22
	Ksh. Billion														
1. Total Expenditure & Net Lending	2,434	2,627	2,887	2,749	3,030	3,030	3,154	3,228	3,324	3,551	3,551	3,869	3,865	4,259	4,215
o/wTotal Ministerial National Govt Expenses	1,673	1,813	1,961	1,792	1,942	1,942	2,014	2,023	2,090	2,260	2,267	2,488	2,503	2,752	2,761
Wages & Salaries	418	450	494	493	526	526	526	551	561	603	600	645	645	703	703
Development	572	631	707	592	668	668	713	717	753	812	816	896	916	1,005	1,005
2.Total Revenues	1,705	1,796	1,838	1,784	2,039	2,039	2,063	2,405	2,431	2,818	2,821	3,131	3,146	3,480	3,534
o/wTotal National Government Revenues (Incl. A-I-A)	1,391	1,509	1,492	1,438	1,669	1,669	1,693	2,035	2,061	2,443	2,446	2,750	2,766	3,074	3,129
Wages as % National Government Revenues/1	**30.0%**	**29.8%**	**33.1%**	**34.3%**	**31.5%**	**31.5%**	**31.1%**	**27.1%**	**27.2%**	**24.7%**	**24.5%**	**23.5%**	**23.3%**	**22.9%**	**22.5%**
Development as % Ministerial NG expenditures	**34.2%**	**34.8%**	**36.0%**	**33.0%**	**34.4%**	**34.4%**	**35.4%**	**35.4%**	**36.0%**	**35.9%**	**36.0%**	**36.0%**	**36.6%**	**36.5%**	**36.4%**

Source: The National Treasury

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

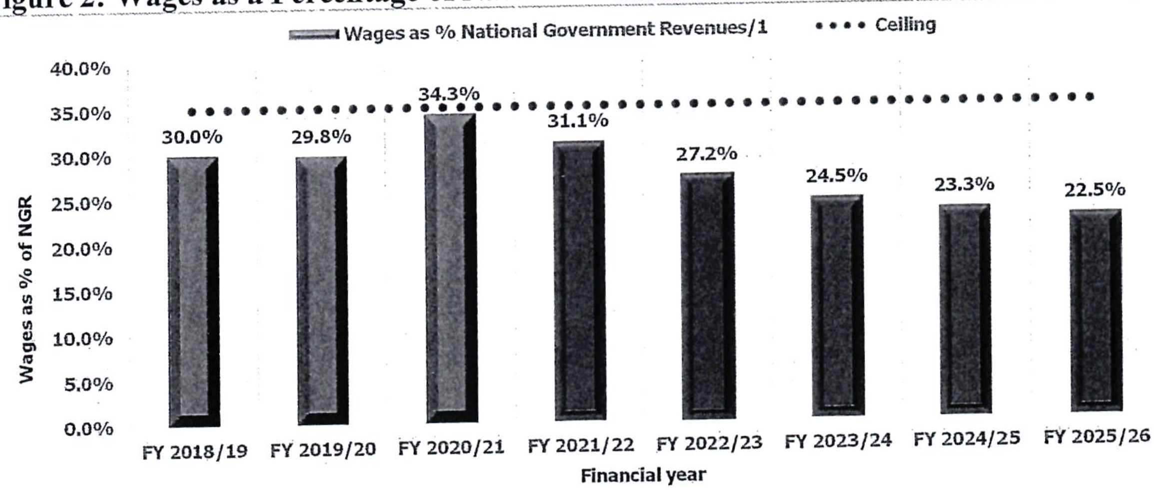


Source: National Treasury

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 34.3 percent in the FY 2020/21, and is projected to decline to 31.1 percent in the FY 2021/22, and further to 23.3 percent by FY 2024/25 (**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

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 2020/21, a total of Ksh 553.9 billion was spent on development expenditure. In the FY 2021/22, this amount is projected to increase to Ksh 667.7 billion and further increase to Ksh 962.8 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 PFM Act also requires that public debt and obligations remain at sustainable levels. The Government is committed to adhering to this at all times by complying with the set debt ceiling of Ksh 9.0 trillion as set by Parliament Further borrowing is carried out within the context of the Medium-Term Debt Strategy (MTDs) approved by Parliament.

e) **Fiscal risks shall be managed prudently**

Kenya's risk remains high in the context of the ongoing global COVID-19 shock. However, the impact of the pandemic on the economy is expected to ease with the global and domestic vaccinations efforts. 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.

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 Government is in the process of developing National Tax Policy to 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.

The Government is in the process of developing a Medium-Term Revenue Strategy (MTRS) that outlines the tax policy measures and strategies for sustainably raising revenues over the medium term that will ensure certainty continues to maintain tax rates at stable levels through various policy documents.

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.

ANNEX 2: STATEMENT OF SPECIFIC FISCAL RISKS

Introduction

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

2. This section provides an assessment of fiscal risks that the Kenyan economy is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this 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. Kenya's economy contracted by 0.3 percent in 2020 on account of COVID-19 pandemic and is expected to rebound to 6.0 percent in 2021. In terms of fiscal years, economic growth slowed to 2.9 percent in the FY 2020/21. The economy is expected to pick up to a growth of 5.9 percent in FY 2021/22, 5.8 percent in FY 2022/23 and 6.1 percent in FY 2025/26. Inflation rate is expected to remain within the Government target range. The Kenyan economy is expected to remain competitive in the external market with the exchange rate against major currencies remaining stable even amid COVID-19 pandemic. Due to the uncertainties in the economy since the onset of the pandemic, and having the year 2022 an election year, the unexpected changes in these outcomes may pose risks to both revenue and expenditure projected as projected. **Table 1** summarizes the likely impact of changes in the 2022 outcomes on the fiscal projections

Table 1: Fiscal Sensitivity to Key Macroeconomic Variables, FY 2022/23 – 2025/26 (Ksh billion)

	Revenue				Expenditures				Budget Balance			
	2022/23	2023/24	2024/25	2025/26	2022/23	2023/24	2024/25	2025/26	2022/23	2023/24	2024/25	2025/26
Reduction in real GDP (%) by 1.0 % point	-9.2	-10.2	-11.3	-12.5	-5.6	-6.3	-7.0	-7.0	-3.5	-3.9	-4.3	-4.8
Increase in inflation rate (%) by 1.0 % Point	9.2	10.3	11.4	12.7	6.1	6.8	7.5	7.5	3.2	3.5	3.9	4.0
Depreciation in exchange rate (Ksh/US$) by 10%	16.4	18.2	20.1	22.3	3.8	4.3	4.9	4.9	12.7	13.9	15.2	14.1
Increase in value of imported goods (US$) by 10%	9.4	-0.7	-0.8	-0.9	0.0	0.0	0.0	0.0	9.4	-0.7	-0.8	-0.9
All shocks Combined	26.8	17.5	19.3	21.4	4.2	4.8	5.4	5.4	22.7	12.7	13.9	12.3

Source of Data: National Treasury

4. Stress test **(Table 1)** shows that if the projected real GDP growth in 2022 was to reduce by one percent (from 5.8 percent to 4.8 percent), revenues would decline by 9.2 billion more than the decline in expenditure by Ksh 5.6 billion resulting to an increase in fiscal deficit of 3.5 billion in FY 2022/23. Going forward, this shock would result to a decline in revenues and expenditures of Ksh 10.2 billion and Ksh 6.3 billion in FY 2023/24, Ksh 11.3 billion and Ksh 7.0 billion in FY 2024/25 and Ksh 12.5 billion and Ksh 7.0 billion in FY 2025/26, respectively. The fiscal deficit would worsen as we move from FY 2022/23 towards FY 2025/26

5. A shock of a one percent increase in the projected inflation rate for 2022, from 5 percent to 6 percent, would result in an increase in revenues and expenditures by Ksh 9.2 billion and Ksh 6.1 billion respectively in FY 2022/23, reducing the projected fiscal deficit by 3.2 percent. Revenues and expenditures would aso increase by Ksh 10.3 billion and Ksh 6.8 billion in FY 2023/24, Ksh 11.4 billion and Ksh 7.5 billion in FY 2024/25 and Ksh 12.7 billion and Ksh 7.5 billion in FY 2025/26, respectively. This would further decline the fiscal deficit by 4.0 percent in FY 2025/26

6. A 10 percent depreciation of the Kenya shilling to the dollar would increase revenues and expenditures by Ksh 16.4 billion and Ksh 3.8 billion respectively in FY 2022/23 thereby reducing the projected fiscal deficit by 12.7 billion. Subsequently in FY 2023/24, FY 2024/25 and FY 2025/26 revenues would increase by Ksh 18.2 billion, Ksh 20.1 billion and Ksh 22.3 billion respectively while expenditures would increase by Ksh 4.3 billion, Ksh 4.9 billion and Ksh 4.9 billion respectively. Fiscal deficit would reduce by Ksh 13.9 billion, Ksh 15.2 billion and Ksh 14.1 billion over the same period.

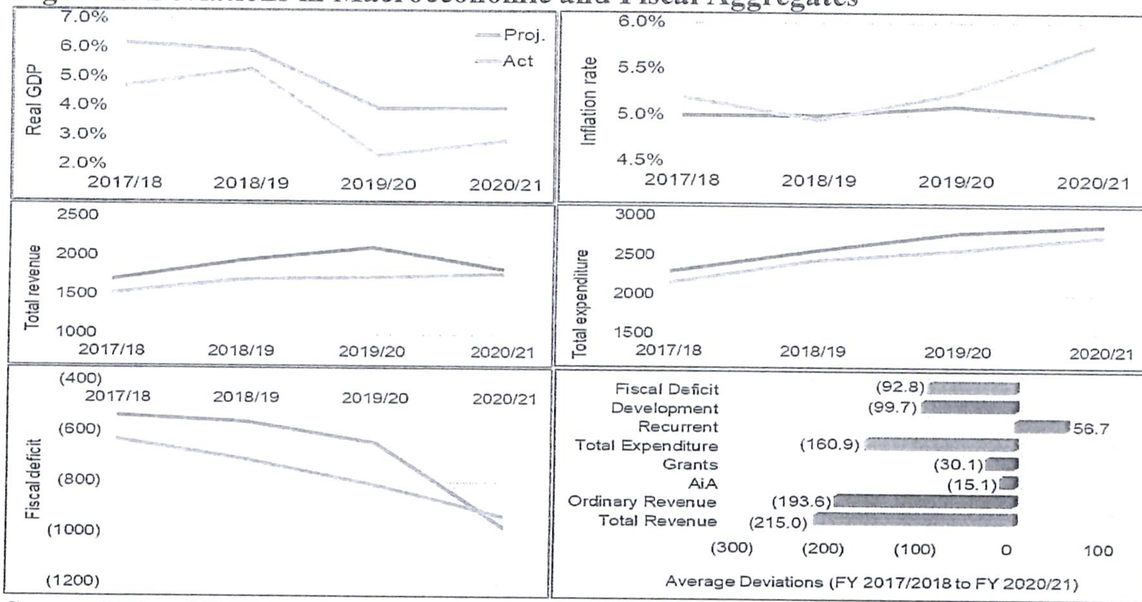
7. A shock of 10 percent increase in the value of imported goods would increase revenues by Ksh 9.4 billion in FY 2022/23, and a decline of Ksh 0.7 billion, Ksh 0.8 billion and Ksh 0.9 billion in FY 2023/24, FY 2024/25 and FY 2025/26 respectively. The shock would not significantly affect expenditures in the outer years.

8. Overall, if all the four shocks were to hit the economy concurrently, revenues would increase by Ksh 26.8 billion, Ksh 17.5 billion, Ksh 19.3 billion and Ksh 21.4 billion in FY 2022/23, FY 2023/24, FY 2024/25 and FY 2025/26 respectively. On the other hand, expenditure would increase by Ksh 4.2 billion, Ksh 4.8 billion, Ksh 5.4 billion and Ksh 5.4 billion over the same period. The combined shocks reduces the fiscal deficit more in the FY 2022/23 and dissipates progressively over the medium term. In this respect, on net basis, the fiscal deficit would decline of Ksh 12.3 billion cumulatively over the medium term.

Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

9. Overall, the macroeconomic assumptions underlying the recent budgets and actual budget outturn have generally been below target with minimal deviations as shown in **Figure 1**.

Figure 1: Deviations in Macroeconomic and Fiscal Aggregates



Source: National Treasury

10. Over the period 2017/18-2020/21, the average deviation between the assumed and provisional actual real GDP growth rates was -1.2 percentage point with a standard deviation of 1.3 percentage point. With respect to inflation assumptions, the standard deviation was at 0.4 percentage point over the four years, with the largest deviation being recorded in FY 2020/21 at 0.8 percent. Despite the advent of COVID-19 pandemic that has threatened the stability of the domestic currency, the Government has strived to promote a stable and competitive exchange rate to support external trade. The Kenya Shilling to USD exchange rate was 107.6 in FY 2020/21 compared to 104.2 in FY 2019/20.

11. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2017/18 and FY 2020/21 fell short of its target by an average of Ksh 215.0 billion mainly on account of underperformance in ordinary revenue which was below target by an average of Ksh 193.6 billion. The average deviation of total expenditure and net lending between FY 2017/18 and FY 2020/21 was an underspending of Ksh 160.9 billion. This shortfall was mainly due to lower absorption in development expenditures by Ksh 99.7 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 froze initiation of new capital projects until the completion of the ongoing ones. The National Treasury has also established the Public Investment Management Unit which is responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget.

Table 2: Deviations in Macroeconomic and Fiscal Aggregates

	2017/18			2018/19			2019/20			2020/21*			2021/2022	Average	Standard
	Proj.	Act.	Dev.	Proj.	Act.	Dev.	Proj.	Act	Dev.	Proj.	Prel Actual	Dev.	Proj	Deviations	Deviations
I. Key Macroeconomic Assumptions															
Real GDP	6.2%	4.7%	-1.5%	5.9%	5.3%	-0.6%	4.0%	2.3%	-1.6%	4.0%	2.9%	-1.1%	5.9%	-1.2%	1.3%
Inflation Rate (avg)	5.0%	5.2%	0.2%	5.0%	4.9%	-0.1%	5.1%	5.2%	0.1%	5.0%	5.8%	0.8%	5.6%	0.3%	0.4%
Exchange rate (Ksh US$), avg		102.4			102.4			104.2			107.6				
Export growth		2.9%			0.6%			-0.3%			6.6%				
Import growth		10.5%			2.7%			-5.6%			-4.0%				
II. Fiscal Aggregates (in Ksh billion)															
Total Revenue	1704.5	1522.5	-182.0	1949.2	1704.4	-244.8	2115.9	1737.0	-378.9	1837.8	1783.7	-54.1	2063.08	-215.0	244.74
Ordinary Revenue	1549.4	1365.1	-184.3	1769.2	1499.8	-269.5	1877.2	1573.4	-303.8	1578.8	1562.0	-16.8	1800.04	-193.6	223.12
AiA	134.0	136.6	2.7	155.2	204.6	49.4	238.7	163.6	-75.2	259.0	221.7	-37.3	263.04	-15.1	48.70
Grants	58.8	27.6	-31.2	48.5	19.7	-28.8	38.8	19.8	-19.0	72.8	31.3	-41.5	62.00	-30.1	31.16
Total Expenditure	2298.8	2146.7	-152.1	2557.2	2433.7	-123.5	2796.0	2565.4	-230.6	2886.9	2749.5	-137.4	3154.35	-160.9	166.16
Recurrent	1335.3	1349.9	14.6	1550.0	1759.3	209.3	1760.3	1762.3	2.0	1765.3	1766.3	1.0	1766.33	56.7	104.90
Development	612.8	469.5	-143.3	625.7	541.9	-83.8	652.3	594.9	-57.4	668.2	553.9	-114.4	667.72	-99.7	104.80
Domestic	366.3	266.0	-100.2	364.9	307.0	-57.9	390.2	396.6	6.5	417.8	386.9	-30.9	359.28	-45.6	60.00
External	236.4	201.0	-35.5	249.8	225.4	-24.4	255.8	197.6	-58.1	250.4	167.0	-83.4	301.61	-50.4	55.20
Net Lending	2.4	2.5	0.1	2.5	2.5	0.0	0.6	0.7	0.0	0.0	0.0	0.0	0.00	0.0	0.07
Equalization Fund	7.7	0.0	-7.7	8.5	7.0	-1.5	5.8	0.0	-5.8	0.0	0.0	0.0	6.83	-3.8	4.88
County Allocation	345.7	327.3	-18.4	376.5	360.7	-15.7	378.3	325.3	-53.1	399.6	399.0	-0.6	409.88	-22.0	29.17
Balance	-535.5	-631.3	-95.9	-559.6	-709.6	-150.1	-641.3	-808.6	-167.3	-976.2	-934.4	41.8	-1029.26	-92.8	123.94
Financing	535.5	631.3	95.9	559.6	721.1	161.5	641.3	790.8	149.5	976.2	950.2	-26.0	1029.26	95.2	120.71
Net Foreign Financing	256.0	355.0	99.0	287.0	414.5	127.5	331.3	340.4	9.1	417.6	323.3	-94.2	412.50	35.4	93.59
Net Domestic Financing	275.7	273.7	-2.0	268.7	306.5	37.9	310.0	450.4	140.3	558.7	626.9	68.3	616.76	61.1	80.30
Memo Items:															
Nominal GDP (Ksh billion)	8689.9	8922.3	232.5	9726.6	9745.6	19.0	10765.7	10620.8	-144.8	11275.8	11304.1	28.3	12514.51	33.7	138.00

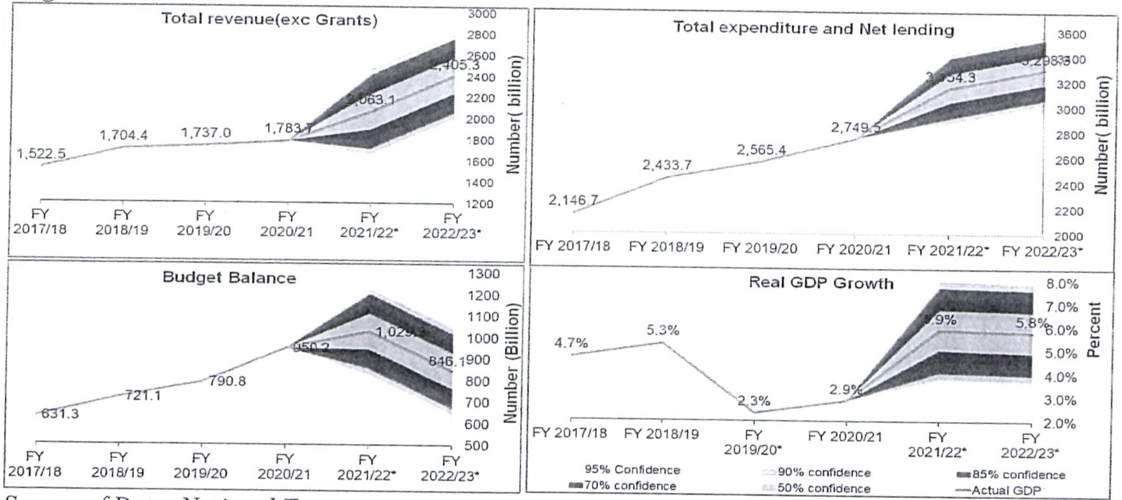
Source: National Treasury

13. The outbreak and spread of the COVID-19 Pandemic and the ensuing containment measures slowed the economic activities. As a result, real GDP was at 2.9 percent in FY 2020/21. The economy is projected to rebound to a growth of 5.9 percent in FY2021/22 with a 95 percent confidence level ranging between 8.4 percent and 3.4 percent at 1.3 percent standard deviation. This will decline marginally to a growth of 5.8 percent FY 2022/23 and at a growth range of around 8.3 percent and 3.3 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 2,063.1 billion in FY 2021/22 will be within the actual revenue range of Ksh 2,542.8 billion and Ksh 1,583.4 billion and a 50 percent possibility between Ksh 2,229.5 billion and Ksh 1,896.7 billion with a standard deviation of Ksh 244.7 billion. The Projected revenue of 2,405.3 billion for FY 2022/23 will fall at an actual range of Ksh 2885.0 billion and Ksh 1925.6 billion at 95 percent confidence interval.

15. The forecasted expenditure of Ksh 3,154.3 billion in FY 2021/2022 has a 90 percent chance to range between Ksh 3,427.7 billion and Ksh 2,881.0 billion with a 166.2 billion standard deviation. The expenditure is projected to increase further in FY 2022/23 at Ksh 3298.3 billion and to range between Ksh 3623.9 and Ksh 2,972.6 billion at 95 percent confidence interval. The fiscal deficit at a standard deviation of 120.7 billion, will therefore fall between Ksh 1,082.7 billion and Ksh 609.5 billion in FY 2022/23 at a 95 percent confidence interval.

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. High debt service levels associated with past high fiscal deficits expose the fiscal plan to risks arising from market shocks. Debt markets instability both domestic and international may lead to increased cost of debt through elevated interest rates. To cushion the country against the downside risks emanating from the global sphere, the Government is deepening reforms in the domestic debt market to ensure a stable and strong financial system in Kenya capable of funding a significant share of the fiscal deficit.

18. About 52 percent of Kenya's debt is held in foreign currencies and this poses a fiscal risk in the event of depreciation of the Kenya shilling. Exchange rate depreciation could lead to increase in debt service beyond what is budgeted for in the Consolidated Fund Services (CFS). To ensure the stability of the exchange rate, prudent macroeconomic management will be maintained.

19. To ensure Kenya's debt sustainability there is need for prudent macroeconomic management including reduced fiscal deficits and enhanced growth in export through product and process innovation. The ongoing fiscal consolidation commitment by the Government will reduce fiscal deficit thereby improving debt sustainability.

b) Crystallization of Contingent Liabilities

20. 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.

21. 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.

i. State Corporations/State Owned Enterprises (SOEs)

22. Under the State Corporations Act, State Corporations have legal capacity to contract debts and other liabilities to finance their requirements. Approval to procure such loans however, must be obtained from the Parent Ministry with the concurrence of the National Treasury. Government Loans to State Corporations are either direct or on-lent. Direct loans refer to loans that the Government lends to State Corporations from exchequer resources while on-lent refer to those loans that the government borrows on behalf of the SOEs.

23. 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 in view of the national interest and the overall impact of their failure to the economy, the Government may be morally obligated to bail out those state-owned enterprises and public companies in financial distress. This may pose serious fiscal risk and challenge to budget implementation as The National Treasury has to provide budgetary resources to bail out these state-owned enterprises and public companies in the course of the budget year. In FY 2021/22 the Government is in the process of establishing a High-Level Fiscal Risk Committee (FRC) with a view of identifying, evaluating, and reporting and to a deeper extent propose strategies of mitigating and tackling the same.

Governance

24. The Government has continued to strengthen corporate governance of State Corporations through the Mwongozo guidelines and subsequent trainings in the area of governance. Further, the Government recommended establishment and

operationalization of audit committees and risk management frameworks for Government entities including State Corporations. The Public Finance Management Act and the Public Audit Act were geared towards enhancing effective financial management and oversight for efficient delivery of strategic objectives by State Corporations. In addition, the Capital Market Authority issued Regulations under the Capital Market Act (Cap 485) on code of governance requirements to be observed by companies listed at the NSE. This will enhance accountability, transparency and full disclosure by Companies listed in NSE which include Government-linked entities.

Restructuring of State Corporations/State Owned Enterprises (SOEs)

24. The presidential taskforce constituted in 2014 had restructuring and reforms of State Corporations as one of its key recommendations. In line with these recommendations the process for merging of Industrial and Commercial Development Corporation (ICDC), Industrial Development Bank (IDB) Capital, and Tourism Finance Corporation (TFC) is at an advanced stage. The merging of ICDC, IDB and the TFC to create the Kenya Development Corporation will enhance capacity to meet the financing requirements of key sectors of the economy at below commercial rates and long tenure debt financing.

25. The merging of Export Promotion Council and Brand Kenya was completed in 2018 to form the Kenya Export Promotion and Branding Agency (KEPROBA). Further, merging of KEPROBA on one hand with Kenya Investment Authority, Kenya Tourism Board (KTB) and Kenya Year Book on the other hand to form Promotion Kenya Agency is at an advanced stage.

26. On privatization, the Government Privatization Programme remains on course. The Privatization objective aims at unlocking the potential of the identified institutions to capacity expansion, modernization, performance and efficiency improvement, mobilization of private capital, improved competitiveness and reduced reliance on public financing. Due to the challenges the privatization of sugar companies has faced over the years, a decision has been reached to proceed with privatization of these companies by way of long-term lease model which will transfer the Rights of Use (ROU) of each factory to the lessor for development and operation.

National Government Loans and Guarantees to State Corporations

27. The National Treasury has guaranteed a number of loans to State Corporations and Government linked Corporations mainly to undertake strategic projects and investments. The total outstanding Government guaranteed debt was Ksh 157.2 billion in June, 2021 from Ksh 165.2 billion in June 2020. The decrease was mainly due to repayment of the guaranteed loans by the SOEs.

Fiscal risk analysis of State Corporations

28. State Corporations can be a major source of fiscal risk to public finances if they underperform financially. In FY 2021/22 fiscal risk analysis was performed

on a sample of eighteen State Corporations. The report identified and disclosed the fiscal risk exposure to Government arising from these State Corporations.

29. In the eighteen major state corporations, detailed financial evaluations and the assessment highlighted a number of fiscal risks that could materialize. These stem primarily from liquidity challenges resulting from unfavorable revenue and economic performance. They also reflected a high liquidity risk demonstrated by their quick ratios being less than one implying their inability to service short term obligations when they fall due. Subsequently, 14 SCs were found to have accumulated sizable arrears. These SCs were chosen, given their size and strategic importance to the economy and society, thus holding a high implicit risk to government in that many of them are too strategic to fail.

30. A summary of their financial statistics in **Table 3** below estimates a maximum fiscal exposure of Ksh 1.3 trillion, which equates to 13.6 percent of GDP. This creates a high degree of fiscal risk for Government through potentially stepping in for the repayment of on lent loans (Ksh 664 billion.), potential bailouts for guaranteed and non-guaranteed commercial loans (Ksh 343 billion.), other contingent liabilities such as pending court cases (Ksh 109 billion) and potential liquidity injections for the clearance of arrears (Ksh 211 billion).

Table 3: Summary of Fiscal Risks Associated to State Corporations

	Ksh millions						
Group	Operating profit/loss	On lent loans	Guaranteed Debt	Commercial debt (non-guaranteed)	Contingent liabilities	Arrears	Quick ratio
Profitable Strategic	30,683	95,809	96,343	42,703	55,340	3,200	1.54
Unprofitable Strategic	-12,356	543,000	51,900	53,800	7,100	132,500	0.56
Marginal Strategic Role	-5,250	0	91,500	1,720	42,694	33,800	0.32
Service Provider	-5,276	25,231	0	4,847	3,418	41,523	0.77
Total	**7,801**	**664,040**	**239,743**	**103,070**	**108,552**	**211,023**	
Percent of GDP	**0.1**	**6.8**	**2.5**	**1.1**	**1.1**	**2.2**	**0.8**

Source: The National Treasury

31. The evaluation further assessed agencies projected cash flows for the period FY 2021/2022 – 2024/2025 and contingent liabilities which may crystalize to the National Budget. It was deduced that the estimated liquidity gap over the next five year period is Ksh 382 billion taking cognizant of the effects of COVID -19 pandemic and that no further budgetary support nor borrowing will be availed.

32. 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 that the risks they face.

ii. Public Private Partnerships (PPP) Projects

33. The Government enacted the Public Private Partnerships (PPPs) Act in 2013 to prioritize PPPs as a mechanism to address major infrastructure funding gap in a time of constrained fiscal space, competing development pressures, particularly in the social sectors, and rising public expenditure demands from the national and devolved structure. Kenya has now gained traction with its PPP Programme, with a total of 45 projects under implementation or in active operation (6 being roads projects, totaling 639 km under the Roads Annuity and Tolling Programmes, and 39 electricity generation projects both renewable and thermal energy projects, totaling 3,034 MW of installed capacity). To accelerate and sustain the pace of implementation of PPPs, Government has in 2021 completely reviewed the legal and institutional framework supporting PPPs through enacting a new comprehensive and highly efficient PPP law, that strengthens PPP institutions and reduces implementation bureaucracy, improves governance, focuses execution strategies, and promotes 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.

34. The new 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. This centralized coordination of all public investment programmes will directly contribute to budget efficiency while promoting private sector participation in public service delivery.

Priority Sectors for PPP Projects in Kenya

35. As part of driving the economic recovery of the country and enhance sustainable development, the Government has re-prioritized the PPP project pipeline. The key priority sectors now include Ports, Roads, Power Transmission, Urban Development Resilience and Mobility, Health, Housing, Affordable Real Estate, Water and Sanitation and the Blue Economy. The PPP targets to unlock at least Ksh 350 billion in the next 12 months in new development capital for priority projects in these sectors. Climate proofing of the PPP projects portfolio is additionally at the centre of PPP project design, with the view to promoting government's commitment to environmental and social sustainability.

Government Support Measures and Termination Terms for PPP Projects

36. The Government has issued Government Support Measures (GSMs) to various PPP projects, details of which GSMs are listed in the **Table 4** below:

SECRET

Table 4: Public Private Partnership (PPP) Projects with effective Project Agreements or Power Purchase Agreements (PPAs) – Kenya, Government's Support Measures and Termination Terms

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

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		standard under a Design, Construct, Finance, Operate, Maintain and Transfer PPP arrangement.			Status: Early works are ongoing			
3	LOT 15 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards identified roads in Nyeri, Kirinyaga, Murang'a, Tharaka Nithi, Embu and Laikipia (45 km) under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	73.065	Date of contract execution: 23rd April, 2021 Financial Close: Pending Status: Fulfilling Conditions Precedent to Financial Close	Letter of Support covering political risks issued on 23rd April, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments	N
4	LOT 18 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards identified roads in Busia, Kakamega, Vihiga & Bungoma (35km) under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	59.176	Date of contract execution: 23rd April, 2021 Financial Close: Pending Status: Fulfilling Conditions Precedent to Financial Close	Letter of Support covering political risks issued on 23rd April, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments of the Project Company	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
5	LOT 3 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards Wajir–Samatar (68Kms) and Rhamu-Mandera (75Kms) roads under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	188.88	Date of contract execution: 9th July, 2021 Financial Close: Pending Status: Fulfilling Conditions Precedent to Financial Close	Letter of Support covering political risks issued on 12th July, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments for employees of the Project Company	N
6	LOT 32 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards the Illasit – Njukini – Taveta road (66.5km) under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	79.03	Date of contract execution: 22nd May 2019 and amended on 9th July, 2021 Financial Close: Pending Status: Fulfilling Conditions Precedent to Financial Close	Letter of Support covering political risks issued on 12th July, 2021	- Debt Due - Equity - The NPV and - Sub-Contractor Costs - Statutory redundancy payments for employees of the Project Company	N
INDEPENDENT POWER PRODUCERS (IPPs)								
7	Africa Geothermal	25year Power Purchase Agreement on a Build, Own, Operate (BOO)	25	760	Date of contract execution: 3rd April 2013	Letter of support covering political	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
	International 140 MW	basis at Longonot geothermal power project adjacent to Olkaria, Kenya			Date of PPA Effectiveness: 2nd October 2015. Financial Close: Pending	risks issued on 29th January 2015.	3. Net Present Value of 5 Years profits at 10%	
8	Lake Turkana Wind Power – 300 MW	The wind turbine farm is being developed on BOO basis in Loyangalani, Marsabit West, on a 20 Year PPA with Kenya Power	20	847	Date of contract execution: 13th May 2013 Financial Close: 24th March, 2014 Status: Operational	Letter of support covering political risks issued on 28th February, 2013 Indemnity Agreement LC to be replaced with Escrow Account	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
9	Gulf Power – 80.32 MW	The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, in the Athi River region, on a 20-year PPA with KPLC.	20	108	Date of contract execution: 17th December 2012 Financial Close: 18th November, 2013 Status: Operational	Letter of support covering political risks issued on 2nd July 2012 Indemnity Agreement covering PRG payments was signed on 14th March 2013. PRG amount US$ 35 Mn and Euros 7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
10	Triumph Power – 83 MW	The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20- year PPA with KPLC.	20	156.5	Date of contract execution: 14th June 2012 Financial Close: 7th August 2013 Status: Operational	Letter of support covering political risks issued on 2nd July 2012 Indemnity Agreement covering PRG payments was signed on 5th December 2012. PRG Amount US$ 45 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
11	Thika Power - 87MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at located near Thika town in Kiambu County, on a 20-year PPA with KPLC.	20	146	Date of contract execution: 2nd July 2012 Financial Close: 11th October 2012 Status: Operational from August 2013	Letter of support covering political risks issued on 2nd July 2012 Indemnity Agreement covering PRG payments was signed on 28th August 2014. PRG Amount US$ 35 Mn and Euros 7.7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
12	Orpower 150MW Olkaria III Geothermal power plant** (Expanded 1st plant 63.8MW,2nd	Description: 20 year – BOO, Geothermal. Location – Naivasha in Nakuru County		***558	Date of contract execution: 26th November 2014 Financial Close: January 1999	Letter of support covering political risks issued on 16th April, 2015 Indemnity Agreement LC covering PRG	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Losses incurred by the Seller	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
	Plant 39.6MW,3rd plant 17.6 MW and 4th Plant 29MW)				Status: Operational	payments of Amount US$ 31Mn		
12	Rabai Power Plant – 90 MW	20 year – BOOT, Thermal Power (Diesel) Plant. Located at Rabai in Kilifi County	20	155	Date of contract execution: 4th September 2008 Financial Close: October, 2008 Status: Operational	Indemnity Agreement LC Account	Net Present Value of Non- Escalabe Capacity Charges for the remaining period to the expiry of the term discounted at 12% per annum	N
13	Mumias Power Plant – 35MW	10 Years-BOO, Biomass power Plant (Bagasse) Located at Mumias Sugar Factory, Kakamega County	10	50	Date of contract execution: 15th May 2008 Financial Close: July, 2008 Status: PPA Expired	None	None	N
14	KenGen Kipevu III, 120MW	Located at Kipevu in Mombasa, Diesel power plant, on a BOO basis for a 20-year period	20	134	Date of contract execution: 20th August 2014 Status: Operational	None	None	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
15	Kipevu II 74MW	Located in Mombasa next to Kilindini seaport, the Heavy Fuel Oil (HFO) power plant is on BOO basis over a 20-year period	20	85	Date of contract execution: 28th January 2000 Financial Close: Sept, 1999 Status: Operational	Indemnity Agreement	1. Net Present Value of Non- escalabe Capacity Charges for the remaining period to the expiry of the term discounted at 10% per annum. 2. Expenses incurred by the Seller as a result of termination. 3. The value of the stock of fuel and other consumables and spare parts at the Plant	N
16	Imenti tea Factory Limited 0.28MW	Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Meru County	20	1.11	Date of contract execution: 1st September 2009 Status: Operational	None	None	N
17	Power Technology Solutions Ltd. Gikira Kianjora Small Hydro Power Stations 0.514MW	Feed in Tariff, Hydro Power Plant on a BOO basis PPA period -20 years Location – Nyeri County	20	2.01	Date of contract execution: 12th June 2013 Status: Operational	None	None	N
18	1050 MW Lamu Power Project	Located in Manda Bay, the Lamu Coal Power Plant is on a BOO basis over a 20- year period	25	2,000	Date of contract execution: 4th August 2017 Status: PPA not yet effective	Letter of support covering political risks issued on 4th August, 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
							4. Value of unpaid construction works as at termination	
19	100 MW Kipeto Wind Power	Feed in Tariff, Wind Power Plant on a BOO basis PPA period – 20 years Location - Kajiado County	20	323	Date of contract execution: 17th June 2016 Status: Plant commissioning underway	Letter of support covering political risks issued on 4th August 2017.	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years' profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
20	35MW Geothermal Quantum Power Project	25-year Power Purchase Agreement to finance, design, construct, install, operate and operate a 35MW geothermal power plant on a Build, Own, Operate (BOO) basis at Menengai.	25	90	Date of contract execution: 30th October 2014 Status: Financial Close pending	Letter of support covering political risks issued on 4th August 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 4. Redundancy payments/ Termination & Breakage costs 3. Value of unpaid construction works as at termination	N
21	35MW Sosian Menengai Geothermal Power Project	25-year Power Purchase Agreement to finance, design, construct, install, operate and operate a 35MW geothermal power plant on a Build, Own, Operate (BOO) basis at Menengai.	25	79	Date of contract execution: 30th October 2014 Status: Financial Close pending	Letter of support covering political risks issued on 4th August 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
22	40 MW Cedate Solar Power	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years	20	77	Date of contract execution: 5th June 2017	Letter of support covering political	1 The total project costs as derived from the audited Selenkei/Cedate Financial Model depreciated at 5% per annum.	N

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
		Location – Uasin Gishu County			Status: Commissioning underway	risks issued on 4th August 2017.	2. The compensation amount to Cedate/ Selenkei shall be limited in aggregate to an amount equal to net present value calculated at 10% discount rate of the audited profit of Selenkei for the last 5 years for the loss of return on equity.	
23a	40 MW Selenkei Solar Power	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Uasin Gishu County	20	84	Date of contract execution: 5th June 2017 Status: Commissioning underway	Letter of support covering political risks issued on 4th August 2017.		N
24	40 MW Malindi Solar Power Project	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Kilifi County	20	82	Date of contract execution: 5th June 2017 Status: Under construction	Letter of support covering political risks issued.	1. Total amount total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
25	40 MW Alten Solar Power Project	Feed in Tariff Power Plant on BOO basis PPA period – 20 years Location – Uasin Gishu County	20	105	Date of contract execution: 5th June 2017 Status: Review of Interconnection Facility designs underway.	Letter of support covering political risks issued on 14th December 2017.	1. The total project costs as derived from the audited Financial Model depreciated at 5% per annum. The compensation amount to Alten shall be limited in aggregate to amount equal to net present value calculated at 10% discount rate of the audited profit of Alten for the last complete five (5) Contract Years prior to the date of termination of the PPA	N

SECRET

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
26	Chania Green 50MW Wind Power Plant	Feed in Tariff Wind Power Plant on a BOO basis PPA period – 20 years Location – Kajiado County	20	102	Date of contract execution: 24th August 2017 Status: Construction ongoing	Letter of support covering political risks issued on 26th January 2018.	1.Total amount Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. All amounts paid to Seller by way of subscription in Seller capital, less dividends and other distribution made to shareholders of Seller 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
27	Iberafrica 52.5MW	Thermal power Diesel Power Plant on a BOO basis PPA period – 25 years Location – Nairobi County	25	65	Date of contract execution: 10th November 2010 Status: Operational			N
28	Biojoule 2MW	Feed in Tariff, Biogas, 2MW Power Plant on a BOO basis PPA period – 20 years Location – Nakuru County	20	6	Date of contract execution: 25th January 2016 Status: Operational		Monthly Liquidated Damages, until the operating year when the agreement would have terminated by effluxion of time, an amount equivalent to the average monthly revenue which the seller would have earned.	N
29	Regen Terem	Feed in Tariff Power Plant 5.0MW on a BOO basis PPA period – 20 years Location – Bungoma County	20	20	Date of contract execution: 28th January 2014 Status: Operational	-	Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date.	N

SECRET

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
30	Chania Power 0.5MW	Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Murang'a County	20	1.4	Date of contract execution: 25th May 2017 Status: under Commissioning	-	Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date. However, Seller and Buyer may agree on alternative arrangements.	N
31	Gura (KTDA), 2.8MW	Feed in Tariff, Hydro Power Plant on a BOO basis PPA period – 20 years Location – Nyeri County	20	12	Date of contract execution: 25th May 2017 Status: Operational	-	All amounts owed between the parties shall be paid upon termination	N
32	KTDA Ltd, North Mathioya-Metumi	3.60MW small hydro in Meru County	20	7	Date of contract execution: 25th May 2017 Status: Under commissioning Expected Commercial Operation Date-30th June 2021	-		N
33	Kirinyaga Power Company Ltd & KTDA Power Company Ltd (Lower Nyamindi)	0.80MW in Kirinyaga County	20	5.3	Date of contract execution: 25th May 2017 Status: Under construction			N

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

SECRET

No.	Project Name	Project Description	Term (Years)	Project Value ($ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
36	KTDA Ltd, Nyambunde	0.50MW, Hydro, Kisii County	20	6.1	Status: Date of contract execution: 23rd June 2016 Status: Under construction Expected Commercial Operation Date 30th June 2021			N
37	Kleen Energy Limited.	6MW Hydro, Embu County	20	18	Date of contract execution: 12th August 2015 Status: Under construction Expected Commercial Operation Date – 31st December 2021			N
38	Kwale International Sugar Limited (KISCOL)	10MW, Biomass co-generation, Kwale County	20		Date of contract execution: 15th October 2015 Status:			N

SECRET

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

SECRET

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

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c) Fiscal Risks Related to Devolution

37. 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;

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

38. 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. While there exist several interventions to address these disasters, more needs to be done to further strengthen the country's disaster risk management frameworks. The Government will fast track the enactment of the Disaster Risk Management Policy and Bill, and finalize the Disaster Risk Management Strategy, as critical tools for disaster risk management in the country.

39. To increase the financial capacity for disaster preparedness, mitigation, response and recovery, the Government will capitalize and operationalize the

National Drought Emergency Fund (NDEF), and fast track the finalization of the Public Finance Management (Disaster Management Fund 2021) Regulations. The Government will also review and update the Disaster Risk Financing Strategy in order to further increase the ability of the National and County Governments to respond effectively to disasters, thereby protecting the development goals, fiscal stability and wellbeing of its citizens.

40. To enhance sectoral resilience, the Government will fast track the finalization of the National Building Code that will incorporate Multi Hazard Resilient Design Standards in order to secure the country's-built environment. In addition, the Government will fast track the updating of the National Physical and Land Use Planning Handbook to incorporate climate change adaptation, mitigation and disaster risk management. The Government will also fast track the development of Urban Resilience Strategies to enhance city management. In addition, the Government will continue to support crop and livestock Insurance Programs, and cash transfer Programs in order to protect crop and livestock farmers, and the vulnerable communities against climate and disaster shocks.

41. To further strength Disaster Risk Management capacity at the County Level, the Government will upscale the development of County Emergency Operations Plans and County Multi Hazard Risk Profiles in a phased manner to cover all the 47 Counties.

ii. Climate Change Related Fiscal Risks to the Economy

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

43. The twin global challenges of COVID-19 and climate change has increased the debt burden and directly affected the fiscal capacities through their impact on tax bases and spending programs and use of fiscal instruments to respond to climate change related effects so as to limit the damage.

44. In recognition of the serious threats posed by climate change, the Government will deliver on the climate agenda through a focus on interventions in the FY 2022/23:

i. Implement the Kenya Financing Locally Led Climate Action Program which aims to strengthen local communities' resilience to the impact of climate change, natural hazards and other shocks;
ii. Development of a National Policy Framework on Green Fiscal Incentives to guide and provide modalities for promoting private sector investment in green projects and programmes;
iii. Tapping into green financing by issuing the first Sovereign Green Bond to finance green and climate related projects and programmes;

iv. Development of a Long Term Strategy for climate change;
v. Development of the 3rd National Climate Change Action Plan (2022-27); and
vi. Review the National Policy on Climate Finance and develop the Climate Finance Strategy.

45. To enhance environmental sustainability, the Government will continue to implement the Green Economy Strategy. Notably, over the last three years, the Government in collaboration with key stakeholders locally and internationally has been developing the green bonds market with a view to mobilize adequate resources to support the implementation of climate and environmental actions in the country. The Green Bonds Regulatory Framework, which includes Capital Markets Authority's Policy Guidance Note for Issuance of Green Bonds, sets the foundation for the development of a Green Bond Market for financing green projects and programmes in Kenya. In addition, the National Treasury has developed a Kenya Sovereign Green Bond Framework.

46. Further, in order to increase mobilization to finance climate from the Green Climate Fund (GCF), the National Treasury in its role as the National Designated Authority will spearhead an accelerated development of bankable funding proposals and accreditation of entities.

iii. Evolving Acts of Terrorism (Violent Extremism)

47. Terrorism remains one of the biggest threats to our security and economic growth and development not just in Kenya, but around the World. Terrorists' attacks lead to the destruction of property, closure of businesses, loss of lives, reduced foreign and domestic investment and increased government expenditure to counter the same. Al-Shabaab terror group has been one of the main groups that have consistently been a threat to our national security especially in areas such as Mandera, Garissa, Wajir and Lamu counties. Fire outbreaks that have constantly evolved in the Gikomba market of Nairobi County have posed a threat to the economic well-being of thousands of self-employed traders. In the past decade, the Gikomba market has reported cases of fire outbreaks that have constantly been linked to arson attacks as opposed to natural occurrences. In 2021, the market reported an incidence of the fire outbreak that saw the Government take initiatives to prevent such occurrences. Some of the measures the Government is undertaking to curb these incidences include the establishment of a call centre to collect sufficient intelligence that will assist in apprehending the perpetrators of the act; installation of high mast CCTV cameras for real-time surveillance in the market; drilling of a borehole and provide a 100, 000-litre steel tank to provide running water in case of fire emergencies.

48. Going forward, the Government will continue to immensely invest in the progressive upgrading of security infrastructure, deployment of personnel, and improvement of intelligence-gathering mechanisms in areas prone to terror attacks. The Government will also pursue reforms that will enhance security and sustain a conducive environment that will attract investors. These reforms include counter-terrorism strategies that involve partnership between the public and the security agencies, enhance training in gathering

and use of intelligence information, acquisition of modern security equipment and raising awareness on terrorism.

iv. Technological Risk

49. Information, Communication and Technology play a revolutionary role in improving ways of doing business, expanding access to financial services as well as playing a critical role in achieving "the Big Four" Agenda and other priority programmes as outlined in the Third Medium Term of the Vision 2030. Technological advancement continues to evolve in the country especially in the provision of essential services and financial sector where most of the transactions are carried out on a digital platform.

50. The emergence of the COVID-19 in 2020 and the resultant containment measures have accelerated the use of technology in the country in the provision of essential services. The drive towards digitization continues to thrive and the Government has continued to put more focus on digitizing records and transactions to enhance transparency in public service delivery. The rollout of the e-citizen platform has improved and made it easier to access Government services. Since its launch, in August of 2014, 350 government services have been migrated to the e-Citizen platform. Consequently, the platform has in 7 years since its inception, served 27.2 million unique customers and has collected over Ksh 87.1 billion in revenues for the government. Other digital platforms created by the government include IFMIS, GHRIS, IPPD, i-Tax and e-procurement portal.

51. However, with every technological and digital advancement, there is potential security risk. Cybercriminals continue to take advantage of the high uptake and usage of internet to lodge cyber-attacks. In the quarter ending June 2021, cybercrime rose by 37.8 percent to 38.7 million. Majority of these threats were malware attacks which recorded the highest jump of 6.9 percent to stand at 23 million. Given the importance of the ICT and the extensive application in service delivery and business transactions, challenges such as cybercrime, fraud and system breakdown continue to pose risks that deter the smooth operation of the digital platforms and leads to loss in government revenue, data corruption and loss, reduced customer deposits in the financial sector and loss of confidence in digital processes by the public.

52. In order to mitigate against these threats, the Government through the Kenya Computer Incidence Response Team together with other stakeholders is sensitizing all users of digital platforms on the importance of enhancing cyber security. To promote data security in the digital platforms, the Government developed a Data Protection Act in 2019 and subsequently established the Office of the Data Protection Commissioner. The commissioner is mandated to to establish the legal and institutional mechanism to protect personal data and provide data subjects with rights and remedies to protect illegal usage of their data.

53. The Government has also developed policies and regulatory framework to ensure that data protection is enhanced through the Central Bank of Kenya amendment Act, 2021, that gives CBK the power to suspend or revoke the licenses of digital lenders that breach the conditions of the Data Protection Act or the

Consumer Protection Act. Further, the Government has enhanced Government Common Core Network (GCCN) security, deployed firewall at all the gateways, and has implemented cyber security policies to secure the use of ICT in government.

54. The use of technology in learning institutions has exposed children to a wealth of benefits and opportunities, but also a host of risks including access to harmful content, sexual exploitation, abuse and cyber bullying. To mitigate these risks, the Government has launched the Child Online Protection (COP) Phase II awareness campaign to protect children and their digital footprint, and promote social awareness on benefits and vulnerabilities in the cyber space.

v. Money Laundering

55. In compliance with the international standards on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Kenya is currently undergoing the second mutual evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) from September 2021 to January 2022. This evaluation will amongst others focus on; the effectiveness of the country's AML/CFT framework, country's status on applying a risk-based approach in addressing money laundering and terrorism financing (ML/TF), the risks posed by financial inclusion products like M-Pesa and status on on-boarding the AML/CFT responsibility on legal professionals.

56. Kenya was first evaluated on its AML/CFT regime in 2010, and the report revealed significant deficiencies, including non-designation of advocates, notaries and other legal professionals as reporting entities under the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA). The Government is therefore in the process of enacting the Proceeds of Crime and Anti-Money Laundering (Amendment) Bill, 2021 among others, to provide a legal basis for designating lawyers as reporting entities under POCAMLA.

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 2020 Budget Policy Statement (BPS), and the 2021 Budget Policy Statement on 5th March, 2020 and 4th March, 2021, 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 2020 BPS and 2021 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
A. Resolutions by the National Assembly on the 2020 BPS		
	Before the Budget Estimates are submitted to the House, the National Treasury should submit the macroeconomic and fiscal framework with adequate information on debt, clearly indicating the amount of concessional, semi-concessional and commercial loans, as well as clearly outlining the country's borrowing strategy. This information should be accompanied	The Macro and Fiscal Framework underpinning the Budget for FY 2022/23 – FY 2024/25 is attached here as Annexes Table 1 and Table 3. The 2022 Budget Policy Statement provides adequate information on debt. It provides the borrowing strategy to finance the fiscal deficit through 68 percent net domestic borrowing and 32 percent net external borrowing over the same period. It also provides guidance on how to

SECRET

No.	Resolution	Action taken
	by a list of specific projects that will benefit from these funds and realign what they submit to the medium-term debt strategy	refinance maturing public debt and funding of the annual fiscal deficits during the period 2022/21-2024/25while at the same time minimizing costs and risks of overall public debt
2.	By the time the estimates he budget estimates are submitted to the House, the National Treasury develops a criteria for identifying and isolating core priority programmes (Big Four) in the budget in order to shield them from expenditure cuts. In addition, a monitoring and evaluation framework and accountability matrix shall be provided clearly identifying the total resource requirements	Expenditures related to the 'Big Four' Agenda have been clearly identified and isolated in the FY 2022/23 Budget under specific Heads. The Government has developed a comprehensive Monitoring and Evaluation framework for 'Big Four' Agenda through the Presidential Delivery Unit (PDU) which monitors and evaluates the implementation of 'Big Four' projects. This is coordinated by the National Development Implementation Technical Committee (NDITC)
3.	User Fees (fines and forfeitures) collected by the Judiciary for services rendered shall be retained and applied by the institution in order to enable operationalization of the Judiciary Fund in line with Article 173 of the Constitution, similar to other government institutions that generate and retain AIA revenues	The National Treasury, wishes to clarify that this resolution is contrary to Government Policy which seeks to convert user fees retained by MDAs (Appropriation In Aid) to revenue due to the exchequer. This policy has been implemented before in the State Department of Immigration and lately in the Ministry of Foreign Affairs. The importance of this policy is to ensure visibility of all national resources, eliminate conflict of interest and to let the Exchequer cushion the relevant MDAs whenever shortfalls arise in the collection of these fees. In addition, the bulk of the fees collected by the Judiciary are fines and forfeitures, which are fees not intended to defray any court or administration expenses but are legal impositions and penalties required and demanded by law. It is important to remit these fines and forfeitures to the exchequer to avoid any conflict of interest. The Judiciary should

SECRET

No.	Resolution	Action taken
		retain only fees charged on services they offer in order to defray administration expenses. Further, the resources proposed for retention is part of the national resource that have already been shared by the National Government (Executive, Parliament, Judiciary and the County Governments). The proposal will introduce a financing gap. The National Treasury is however committed to operationalizing the Judiciary Fund and is currently jointly with the Judiciary finalizing the draft regulations to operationalize the Fund
4.	Pending Bills that have been determined as legally payable and above Ksh 500 million, shall be settled through a long-term instrument including and where necessary, use of debt swaps for intergovernmental bills	The National Treasury continues to settle of all verified and payable pending bills. All MDAs are required to prioritize payment of pending bills as a first charge on the FY 2022/23 Budget.
5.	In order to enhance transparency and accountability, as from 1st July 2020, the net exchequer issues shall be published on the website of the National Treasury by vote, programme and project at the end of each month.	The National Treasury has critically assessed this requirement and will work in conjunction with the Controller of Budget to expedite publication of this information.
6.	Adequate funds be provided for full operationalization of institutions of public finance, in particular, recent institutions created through various pieces of legislation.	In the FY 2022/23 Budget and over the Medium-Term the funding for new institutions has been prioritized and allocated resources by the respective Ministries, Departments and Agencies. .

No.	Resolution	Action taken
7.	On the expenditure reduction efforts, the policy of cutting the budget by a certain percentage across the board has been determined as being an ineffective way of expenditure control. Rather, there ought to be critical reforms in expenditure that will isolate wasteful expenditure and ensure only key expenditure needs are funded.	The medium-term budget framework for 2022/23 – 2024/25 has taken into account the need to ensure that resource allocation is aligned to prioritized programmes in the MTP III. In particular, the budget framework has focused on the "Big Four" Agenda, Post COVID-19 Economic Recovery Strategy and the strategic policy initiatives of the Government to accelerate growth, employment creation and poverty reduction.
8.	To support the ongoing reduction in the fiscal deficit, the borrowing strategy shall entail a reliable net domestic borrowing target for FY 2020/21 and the medium term. The commercial debt borrowing target shall be consistent with debt ceiling and the National Treasury shall ensure that external debt service costs do not breach internationally accepted debt service to exports ration threshold in the medium term.	The National Treasury continues to pursue fiscal consolidation and maintain macroeconomic stability so as to reduce the overall cost of debt on the economy and safeguard debt sustainability. The 2022 Medium-Term Debt Management Strategy provides guidance on how to refinance maturing public debt and funding of the annual fiscal deficits during the period 2022/23-2024/25 while at the same time minimizing costs and risks of overall public debt. The strategy is to finance fiscal deficits through 68 percent net domestic borrowing and 32 percent net external borrowing over the same period.

B. Policy Resolutions on the 2021 BPS

No.	Resolution	Action taken
9.	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.	The Government is in the process of developing a National Tax Policy Framework that will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislation and management of tax expenditure.

SECRET

No.	Resolution	Action taken
10.	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 Government continues to implement the ongoing development projects in the Big 4 Agenda, Economic Recovery Strategy and the MTP III priorities. In the FY 2022/23 budget, 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.
11.	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 2022/23 Budget. A report by the Controller of Budget indicates that by 30th June 2021, the Counties had paid Ksh 40.49 billion (79.1% of eligible pending bills).

No.	Resolution	Action taken
12.	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.	The National Treasury is developing a strategy to address governance of SOEs as well as the financial pressures in the SOE sector. An in-depth and forward-looking financial evaluation of the top SOEs representing the largest financial and fiscal risks and a framework for deciding on interventions, and reforms to rationalize the SOE sector is ongoing. The National Treasury is confident that the strategy together with the other ongoing reforms will address the current challenges of the SOE sector and their implementation will bear good fruits of development.
13.	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 2022 Medium Term Debt Strategy and the 2022 Budget Policy Statement.

SECRET

Annex Table 1: Macroeconomic Indicators

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
	annual percentage change, unless otherwise indicated														
National Account and Prices															
Real GDP	2.9	6.3	5.9	5.9	5.7	4.5	5.8	6.0	4.7	5.9	6.1	5.0	6.0	5.3	6.1
GDP deflator	5.9	5.2	5.5	5.5	5.0	4.9	4.8	5.4	5.4	5.3	5.3	5.3	5.2	6.0	6.0
CPI Index (eop)	5.7	5.0	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.8	5.0	5.6	5.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.6	1.1	0.2	1.1	-0.3	0.2	0.2	0.5	0.2	0.2	0.6	0.3	0.3	0.4	0.4
Money and Credit (end of period)															
Net domestic assets	12.6	10.2	11.9	11.9	12.0	10.0	10.5	13.0	11.1	11.4	12.6	11.2	11.4	11.9	12.0
Net domestic credit to the Government	22.4	21.1	18.2	18.2	13.5	10.1	14.3	11.1	11.3	10.7	9.6	12.2	11.4	11.0	8.9
Credit to the rest of the economy	7.7	7.7	12.5	12.5	13.8	12.1	10.3	13.7	12.1	12.7	13.2	12.3	12.9	14.9	16.0
Broad Money, M3 (percent change)	6.3	11.0	11.7	11.7	11.0	9.6	10.9	11.7	10.3	11.4	11.4	10.5	11.5	11.6	12.5
Reserve money (percent change)	5.4	6.5	-10.9	-10.9	6.6	-2.5	-1.4	7.2	-1.9	-0.9	6.9	-1.7	-0.8	-0.7	0.1
	in percentage of GDP, unless otherwise indicated														
Investment and Saving															
Investment	20.6	19.8	20.8	20.8	18.3	16.1	20.5	19.0	16.7	20.7	19.4	17.6	21.1	18.4	21.2
Central Government	5.3	4.9	5.2	5.2	4.8	4.9	5.0	4.9	5.0	4.9	4.8	5.1	5.0	3.0	5.0
Other	15.3	14.9	15.7	15.7	13.4	11.3	15.5	14.1	11.6	15.7	14.6	12.6	16.1	15.4	16.2
Gross National Saving	16.2	13.8	16.3	16.3	12.2	11.4	15.6	12.8	11.9	15.4	13.1	12.7	15.4	13.6	15.4
Central Government	-4.7	-2.6	-4.7	-4.7	-1.4	-3.0	-3.4	-0.4	-2.3	-2.2	-0.1	-2.0	-1.6	-0.1	-1.1
Other	20.9	16.4	21.0	21.0	13.6	14.4	19.0	13.2	14.1	17.6	13.2	14.7	17.0	13.7	16.5
Central Government Budget															
Total revenue	15.8	16.4	16.1	16.3	17.3	17.5	17.4	18.2	18.6	18.1	18.1	18.1	18.1	18.6	18.1
Total expenditure and net lending	24.3	24.3	24.0	25.0	23.3	23.5	23.7	22.7	23.5	22.8	22.0	22.8	22.2	22.8	21.5
Overall Fiscal balance excl. grants	-8.5	-7.9	-7.9	-8.6	-6.0	-6.0	-6.4	-4.6	-4.8	-4.7	-3.9	-4.7	-4.1	-4.2	-3.5
Overall Fiscal balance, incl. grants, cash basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.9	-3.9	-3.2
Statistical discrepancy	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	8.4	7.4	8.2	0.0	5.6	5.7	6.0	4.2	4.5	4.4	3.6	4.4	3.9	3.9	3.2
Primary budget balance	-3.8	-3.0	-2.9	-3.4	-0.9	-0.8	-1.1	0.3	0.2	0.2	0.6	0.2	0.5	0.7	0.9
Net domestic borrowing	5.5	5.4	5.2	4.9	3.2	3.0	4.1	2.7	3.3	3.1	2.7	3.1	3.3	3.3	2.6
External Sector															
Exports value, goods and services	10.8	11.0	11.0	11.0	10.5	10.7	10.9	10.0	10.3	10.7	9.5	9.8	10.4	9.4	10.1
Imports value, goods and services	17.9	18.6	17.4	17.4	17.8	16.6	17.3	17.0	15.9	17.1	16.2	15.1	16.7	14.3	16.4
Current external balance, including official transfers	-4.4	-6.0	-4.5	-4.5	-6.1	-4.7	-4.9	-6.2	-4.8	-5.3	-6.3	-4.9	-5.7	-4.8	-5.9
Gross reserves in months of next yr's imports	5.6	5.5	5.5	5.5	5.5	5.6	5.5	5.5	5.6	5.5	5.5	5.6	5.5	5.7	5.6
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	5.9
Public debt															
Nominal central government debt (eop), gross	68.2	69.3	68.1	68.1	68.1	68.6	67.5	65.2	66.7	64.9	62.1	64.5	62.1	58.8	58.3
Nominal debt (eop), net of deposits	63.2	65.3	63.6	63.6	64.4	64.5	63.4	61.9	63.0	61.3	59.1	61.1	58.8	55.7	55.4
Domestic (gross)	32.7	35.4	34.2	34.2	35.6	34.7	34.9	35.0	34.8	34.4	34.1	35.1	34.2	34.7	33.0
Domestic (net)	27.7	31.3	29.7	29.7	31.9	30.6	30.9	31.7	31.1	30.8	31.1	31.7	30.9	31.7	30.1
External	35.5	34.0	33.9	33.9	32.5	33.9	32.6	30.2	31.9	30.5	28.0	29.4	27.9	24.1	25.4
Memorandum Items:															
Nominal GDP (in Ksh Billion)	11,304	12,393	12,628	12,628	13,760	13,721	14,002	15,373	15,140	15,605	17,128	16,735	17,402	18,682	19,577
Nominal GDP (in US$ Million)	105,062	114,334	114,431	114,431	126,082	125,357	122,311	139,749	137,220	131,276	155,429	151,402	141,823	168,416	154,252

Source: National Treasury

Annex Table 2: Government Fiscal Operations, Ksh Billion

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
TOTAL REVENUE	1783.7	2,033.6	2,038.7	2,063.1	2,379.3	2,405.3	2,431.4	2,795.9	2,817.6	2,820.8	3,099.3	2,820.8	3,146.0	3,479.6	3,533.8
Ordinary Revenue	1562.0	1,775.6	1,775.6	1,800.0	2,141.6	2,141.6	2,141.6	2,516.3	2,516.3	2,516.3	2,807.4	2,516.3	2,822.6	3,144.3	3,189.2
Income Tax	694.1	834.5	834.5	817.9	997.3	981.5	997.3	1,178.6	1,153.7	1,178.6	1,316.2	1,178.6	1,285.7	1,451.1	1,460.1
Import duty (net)	108.4	119.0	119.0	118.8	144.9	144.9	144.9	170.4	170.4	170.4	187.5	170.4	181.4	209.3	204.0
Excise duty	216.3	241.0	241.0	259.6	297.2	298.0	297.2	346.9	346.9	346.9	389.7	346.9	395.1	432.3	453.0
Value Added Tax	410.8	472.9	472.9	477.1	584.7	583.2	584.7	691.6	691.6	691.6	774.3	691.6	792.7	875.8	896.2
Investment income	45.1	30.0	30.0	35.5	31.5	31.5	31.5	33.1	33.1	33.1	34.7	33.1	34.7	35.1	35.1
Other	87.4	78.2	78.2	91.2	86.0	102.5	86.0	95.7	120.6	95.7	105.0	95.7	133.1	140.8	140.8
Ministerial Appropriation in Aid	221.7	257.9	263.0	263.0	237.7	263.7	289.8	279.6	301.3	304.5	291.9	304.5	323.3	335.2	344.6
EXPENDITURE AND NET LENDING	2,749.5	3,010.0	3,030.3	3,154.3	3,199.4	3,228.0	3,324.4	3,495.6	3,551.1	3,550.9	3,762.9	3,550.9	3,865.3	4,258.6	4,214.6
Recurrent expenditure	1,796.6	1,986.0	1,991.9	2,071.8	2,117.4	2,141.2	2,201.0	2,318.6	2,364.2	2,359.9	2,506.0	2,359.9	2,569.3	2,848.4	2,804.9
Interest payments	495.1	560.6	560.3	605.3	644.0	659.2	687.9	695.6	719.8	712.2	713.8	712.2	758.3	849.7	796.8
Domestic interest	388.8	421.7	421.9	479.2	482.4	515.2	553.4	508.0	563.3	572.3	518.7	572.3	615.0	671.3	637.2
Foreign Interest	106.3	138.9	138.4	126.0	161.5	144.1	134.5	187.6	156.4	139.9	195.1	139.9	143.3	178.4	159.6
Pensions & Other CFS	112.9	137.0	137.2	137.2	150.4	150.4	150.4	167.9	168.1	168.2	192.6	168.2	192.9	217.6	217.6
Pensions	110.3	132.8	132.8	132.8	146.0	146.0	146.0	163.5	163.5	163.5	188.1	163.5	188.1	212.5	212.5
Other CFS	2.6	4.2	4.4	4.4	4.4	4.4	4.4	4.4	4.6	4.6	4.6	4.6	4.9	5.1	5.1
Contribution to Civil ServicePension Fund	3.3	21.6	20.8	27.8	22.9	25.9	25.9	23.8	28.5	28.5	24.8	28.5	31.3	34.4	34.4
Net Issues/Net Expenditure	1,051.7	1,093.6	1,106.6	1,134.4	1,152.9	1,142.9	1,147.9	1,250.3	1,250.3	1,250.3	1,388.3	1,250.3	1,382.8	1,541.4	1,541.4
O/W: Wages & Salaries	493.0	524.5	526.1	526.1	550.7	550.7	560.7	588.3	602.8	600.0	635.3	600.0	645.3	703.4	703.4
IEBC	4.9	14.4	14.2	14.2	16.5	16.5	16.5	6.5	6.5	6.5	6.9	6.5	6.9	6.9	6.9
Defense and NIS	157.7	156.9	157.1	157.1	161.9	161.9	161.9	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0
Nairobi Metropolitan Service (NMS)	16.3	14.8	14.8	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	301.2	256.2	297.7	340.3	268.1	258.0	253.0	327.0	312.4	315.2	411.0	315.2	395.5	496.0	496.0
Ministerial Recurrent AIA	133.6	170.0	163.8	163.8	147.2	162.9	189.0	180.8	197.5	200.7	186.6	200.7	204.0	205.3	214.7
Ministerial Recurrent AIA - NMS	0.0	3.2	3.2	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	553.9	609.1	623.5	667.7	670.5	675.2	712	760	770	773.8	834.4	773.8	873.5	962.8	962.3
Domestically financed (Gross)	386.9	317.6	335.2	359.3	350.3	355.0	392.0	401.8	411.7	416.4	436.8	416.4	475.7	522.8	522.8
O/W Domestically Financed (Net)/NMS	308.2	243.6	249.7	270.3	274.2	264.2	301.3	318.4	318.4	323.1	347.3	323.1	367.3	404.1	404.1
Ministerial Development AIA	128.9	64.8	79.8	79.8	76.0	90.7	90.7	83.4	93.3	93.3	90.7	93.3	110.6	141.9	141.9
Foreign financed	167.0	284.7	281.4	301.6	312.7	312.7	312.7	349.9	349.9	349.9	390.0	349.9	390.0	431.7	431.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	6.8	6.8	6.8	7.5	7.5	7.1	8.0	8.0	7.5	7.6	7.5	7.9	8.3	7.8
County Tranfers	399.0	409.8	409.9	409.9	406.5	406.5	406.5	412.3	412.3	412.3	417.5	412.3	417.5	442.5	442.5
Equitable Share	346.2	370.0	370.0	370.0	370.0	370.0	370.0	375.0	375.0	375.0	380.2	375.0	380.2	405.2	405.2
Conditional Allocation	52.8	39.8	39.9	39.9	36.5	36.5	36.5	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3
Contingency Fund	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fiscal Balance *(commitment basis excl. grants)*	-965.7	-976.5	-991.7	-1,091.3	-820.1	-822.7	-893.0	-699.7	-733.6	-730.2	-663.6	-730.2	-719.4	-779.1	-680.8
Grants	31.3	46.1	62.0	62.0	46.9	46.9	46.9	48.1	48.1	48.1	49.3	48.1	49.3	53.2	53.2
Fiscal Balance *(incl. grants)*	-934.4	-930.4	-929.7	-1,029.3	-773.2	-775.8	-846.1	-651.6	-685.5	-682.0	-614.3	-682.0	-670.0	-725.8	-627.5
Adjustment to Cash Basis	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance *(incl. grants) Cash Basis*	-929.3	-930.4	-929.7	-1,029.3	-773.2	-775.8	-846.1	-651.6	-685.5	-682.0	-614.3	-682.0	-670.0	-725.8	-627.5
Statistical discrepancy	20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	950.2	930.4	929.7	1,029.3	773.2	775.8	846.1	651.6	685.5	682.0	614.3	682.0	670.0	725.8	627.5
Net Foreign Financing	323.3	267.3	271.2	412.5	326.4	367.8	275.9	235.7	181.2	192.3	154.3	192.3	95.4	115.6	125.5
Disbursements	451.6	880.6	884.3	965.1	605.5	617.8	518.4	517.8	674.2	674.2	381.1	674.2	381.1	415.4	415.4
Commercial Financing	114.3	475.3	475.3	475.3	0.0	105.6	105.6	0.0	270.0	270.0	0.0	270.0	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	0.0	0.0
Sovereign Bond	107.6	124.3	124.3	124.3	0	105.6	105.6	0	270	270.0	0	0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	351.0	351.0	351.0	0.0	0.0	0.0				0.0	270.0	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	105.6	0.0	0.0	113.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	168.7	273.5	273.5	319.9	302.0	302.0	302.0	338.8	338.8	338.8	377.6	338.8	377.6	415.4	415.4
O/W Project Loans AIA	104.8	181.6	170.3	176.3	204.3	204.3	204.3	239.1	239.1	239.1	263.0	239.1	263.0	289.3	289.3
Project Loans Revenue	52.4	91.9	103.2	103.2	97.7	97.7	97.7	99.7	99.7	99.7	114.6	99.7	114.6	126.1	126.1
Project Loans SGR Phase I AIA	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0
Use of IMF SDR Allocation				40.3											
Programme Loans	168.6	131.8	135.4	169.9	197.8	210.1	110.7	65.4	65.4	65.4	3.5	65.4	3.5	0.0	0.0
Debt repayment - Principal	-128.3	-613.4	-613.1	-552.6	-279.1	-250.0	-242.5	-282.1	-493.0	-482.0	-226.9	-482.0	-285.7	-299.8	-289.9
of which: External Debt Operations - Refinancing	0.0	-351.0	-351.0	-351.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1420.7
Net Domestic Financing	626.9	663.1	658.5	616.8	446.8	408.0	570.2	415.9	504.3	489.8	460.0	489.8	574.7	610.2	502.1
Memo items															
Gross Debt (Stock)	7,713.3	8,593.8	8,601.2	8,601.2	9,369.1	9,418.7	9,447.3	10,020.3	10,104.1	10,129.3	10,634.1	10,129.3	10,799.4	10,977.9	11,417.1
External Debt	4,015.2	4,209.0	4,286.4	4,286.4	4,472.2	4,654.2	4,562.3	4,646.0	4,835.4	4,754.6	4,800.2	4,754.6	4,849.9	4,496.0	4,965.6
Domestic Debt (gross)	3,698.0	4,384.8	4,314.8	4,314.8	4,897.0	4,764.5	4,885.0	5,374.3	5,268.8	5,374.8	5,833.9	5,374.8	5,949.4	6,481.9	6,451.5
Domestic Debt (net)	3,134.5	3,881.5	3,751.2	3,751.2	4,393.6	4,200.9	4,321.4	4,871.0	4,705.2	4,811.2	5,330.6	4,811.2	5,385.8	5,918.3	5,887.9
Financing gap	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	11,304.1	12,393.1	12,628.1	12,628.1	13,759.9	13,721.3	14,002.1	15,373.1	15,140.0	15,604.6	17,128.4	15,604.6	17,401.9	18,682.1	19,577.0

Source: National Treasury

Annex Table 3: Government Fiscal Operations, Percent of GDP

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	PROJ.	BROP'21	BPS'22	BROP'21	BPS'22
TOTAL REVENUE	15.8	16.4	16.1	16.3	17.3	17.5	17.4	18.2	18.6	18.1	18.1	18.1	18.1	18.6	18.1
Ordinary Revenue	13.8	14.3	14.1	14.3	15.6	15.6	15.3	16.4	16.6	16.1	16.4	16.1	16.2	16.8	16.3
Income Tax	6.1	6.7	6.6	6.5	7.2	7.2	7.1	7.7	7.6	7.6	7.7	7.6	7.4	7.8	7.5
Import duty (net)	1.0	1.0	0.9	0.9	1.1	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.0
Excise duty	1.9	1.9	1.9	2.1	2.2	2.2	2.1	2.3	2.3	2.2	2.3	2.2	2.3	2.3	2.3
Value Added Tax	3.6	3.8	3.7	3.8	4.2	4.3	4.2	4.5	4.6	4.4	4.5	4.4	4.6	4.7	4.6
Investment income	0.4	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.8	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.8	0.6	0.6	0.6	0.8	0.8	0.7
Ministerial Appropriation in Aid	2.0	2.1	2.1	2.1	1.7	1.9	2.1	1.8	2.0	2.0	1.7	2.0	1.9	1.8	1.8
EXPENDITURE AND NET LENDING	24.3	24.3	24.0	25.0	23.3	23.5	23.7	22.7	23.5	22.8	22.0	22.8	22.2	22.8	21.5
Recurrent expenditure	15.9	16.0	15.8	16.4	15.4	15.6	15.7	15.1	15.6	15.1	14.6	15.1	14.8	15.2	14.3
Interest payments	4.4	4.5	4.4	4.8	4.7	4.8	4.9	4.5	4.8	4.6	4.2	4.6	4.4	4.5	4.1
Domestic interest	3.4	3.4	3.3	3.8	3.5	3.8	4.0	3.3	3.7	3.7	3.0	3.7	3.5	3.6	3.3
Foreign Interest	0.9	1.1	1.1	1.0	1.2	1.0	1.0	1.2	1.0	0.9	1.1	0.9	0.8	1.0	0.8
Civil service Reform	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pensions & Other CFS	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1
Pensions	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.1	1.1
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil ServicePension Fund	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	9.3	8.8	8.8	9.0	8.4	8.3	8.2	8.1	8.3	8.0	8.1	8.0	7.9	8.3	7.9
O/W: Wages & Salaries	4.4	4.2	4.2	4.2	4.0	4.0	4.0	3.8	4.0	3.8	3.7	3.8	3.7	3.8	3.6
IEBC	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defense and NIS	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.1	1.0	0.9	0.9
Nairobi Metropolitan Service (NMS)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.7	2.1	2.4	2.7	1.9	1.9	1.8	2.1	2.1	2.0	2.4	2.0	2.3	2.7	2.5
Ministerial Recurrent AIA	1.2	1.4	1.3	1.3	1.1	1.2	1.3	1.2	1.3	1.3	1.1	1.3	1.2	1.1	1.1
Ministerial Recurrent AIA - NMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	4.9	4.9	4.9	5.3	4.9	4.9	5.1	4.9	5.1	5.0	4.9	5.0	5.0	5.2	4.9
Domestically financed (Gross)	3.4	2.6	2.7	2.8	2.5	2.6	2.8	2.6	2.7	2.7	2.5	2.7	2.7	2.8	2.7
O/W Domestically Financed (Net)/NMS	2.7	2.0	2.0	2.1	2.0	1.9	2.2	2.1	2.1	2.1	2.0	2.1	2.1	2.2	2.1
Ministerial Development AIA	1.1	0.5	0.6	0.6	0.6	0.7	0.6	0.5	0.6	0.6	0.5	0.6	0.6	0.8	0.7
Foreign financed	1.5	2.3	2.2	2.4	2.3	2.3	2.2	2.3	2.3	2.2	2.3	2.2	2.2	2.3	2.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
County Tranfers	3.5	3.3	3.2	3.2	3.0	3.0	2.9	2.7	2.7	2.6	2.4	2.6	2.4	2.4	2.3
Equitable Share	3.1	3.0	2.9	2.9	2.7	2.7	2.6	2.4	2.5	2.4	2.2	2.4	2.2	2.2	2.1
Conditional Allocation	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contingency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (commitment basis excl. grants)	-8.5	-7.9	-7.9	-8.6	-6.0	-6.0	-6.4	-4.6	-4.8	-4.7	-3.9	-4.7	-4.1	-4.2	-3.5
Grants	0.3	0.4	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fiscal Balance (incl. grants)	-8.3	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.9	-3.9	-3.2
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.9	-3.9	-3.2
Statistical discrepancy	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	8.4	7.5	7.4	8.2	5.6	5.7	6.0	4.2	4.5	4.4	3.6	4.4	3.9	3.9	3.2
Net Foreign Financing	2.9	2.2	2.1	3.3	2.4	2.7	2.0	1.5	1.2	1.2	0.9	1.2	0.5	0.6	0.6
Disbursements	4.0	7.1	7.0	7.6	4.4	4.5	3.7	3.4	4.5	4.3	2.2	4.3	2.2	2.2	2.1
Commercial Financing	1.0	3.8	3.8	3.8	0.0	0.8	0.8	0.0	1.8	1.7	0.0	1.7	0.0	0.0	0.0
O/W Export Credt	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	1.0	1.0	1.0	1.0	0.0	0.8	0.8	0.0	1.8	1.7	0.0	0.0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	2.8	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.5	2.2	2.2	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1
O/W Project Loans AIA	0.9	1.5	1.3	1.4	1.5	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Project Loans Revenue	0.5	0.7	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.6
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	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	0.0	0.0
Use of IMF SDR Allocation	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Programme Loans	1.5	1.1	1.1	1.3	1.4	1.5	0.8	0.4	0.4	0.4	0.0	0.4	0.0	0.0	0.0
Debt repayment - Principal	-1.1	-4.9	-4.9	-4.4	-2.0	-1.8	-1.7	-1.8	-3.3	-3.1	-1.3	-3.1	-1.6	-1.6	-1.5
of which: External Debt Operations - Refinancing	0.0	-2.8	-2.8	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-7.3
Net Domestic Financing	5.5	5.4	5.2	4.9	3.2	3.0	4.1	2.7	3.3	3.1	2.7	3.1	3.3	3.3	2.6
Memo items															
Gross Debt (Stock)	68.2	69.3	69.8	68.1	68.1	68.6	67.5	65.2	66.7	64.9	62.1	64.9	62.1	58.8	58.3
External Debt	35.5	34.0	34.7	33.9	32.5	33.9	32.6	30.2	31.9	30.5	28.0	30.5	27.9	24.1	25.4
Domestic Debt (gross)	32.7	35.4	35.1	34.2	35.6	34.7	34.9	35.0	34.8	34.4	34.1	34.4	34.2	34.7	33.0
Domestic Debt (net)	27.7	31.3	30.5	29.7	31.9	30.6	30.9	31.7	31.1	30.8	31.1	30.8	30.9	31.7	30.1
Financing gap	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Treasury

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh M)

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	**AGRICULTURE, RURAL & URBAN DEVELOPMENT**	**24,847.2**	**50,878.6**	**75,725.9**	**26,353.0**	**37,545.0**	**63,898.0**	**28,713.8**	**27,951.2**	**56,665.0**	**31,341.3**	**34,919.4**	**66,260.7**
	1112 Ministry of Lands and Physical Planning	**3,045.0**	**2,431.1**	**5,476.1**	**3,160.4**	**2,731.8**	**5,892.2**	**3,312.4**	**3,908.6**	**7,221.0**	**3,464.6**	**4,718.6**	**8,183.2**
	0101000 Land Policy and Planning	3,045.0	2,431.1	5,476.1	3,160.4	2,731.8	5,892.2	3,312	3,909	7,221	3,465	4,719	8,183
	1162 State Department for Livestock.	**3,428.2**	**5,651.1**	**9,079.3**	**3,458.7**	**3,779.4**	**7,238.1**	**3,724.3**	**3,647.6**	**7,371.9**	**4,029.2**	**4,779.9**	**8,809.1**
	0112000 Livestock Resources Management and Development	3,428.2	5,651.1	9,079.3	3,458.7	3,779.4	7,238.1	3,724	3,648	7,372	4,029	4,780	8,809
	1166 State Department for Fisheries, Aquaculture & the Blue Economy	**2,267.4**	**10,736.2**	**13,003.6**	**2,192.6**	**8,967.0**	**11,159.6**	**2,408.1**	**9,138.5**	**11,546.6**	**2,653.7**	**13,420.7**	**16,074.4**
	0111000 Fisheries Development and Management	1,963.3	7,352.6	9,315.8	1,870.0	6,268.0	8,138.0	2,072	5,340	7,412	2,285	4,018	6,303
	0117000 General Administration, Planning and Support Services	187.9	50.0	237.9	217.6	50.0	267.6	209	92	301	211	106	317
	0118000 Development and Coordination of the Blue Economy	116.2	3,333.6	3,449.8	105.0	2,649.0	2,754.0	127	3,707	3,834	158	9,297	9,455
	1169 State Department for Crop Development & Agricultural Research	**13,436.4**	**31,496.7**	**44,933.1**	**14,331.6**	**21,376.0**	**35,707.6**	**15,802.0**	**10,328.0**	**26,130.0**	**17,446.3**	**10,493.0**	**27,939.3**
	0107000 General Administration Planning and Support Services	4,803.8	1,840.4	6,644.2	5,074.6	3,158.0	8,232.6	5,606	944	6,550	6,171	918	7,089
	0108000 Crop Development and Management	2,911.7	27,248.3	30,160.0	3,518.0	15,685.0	19,203.0	3,682	7,065	10,747	3,912	6,904	10,816
	0109000 Agribusiness and Information Management	118.9	1,485.0	1,603.9	140.0	1,459.0	1,599.0	122	1,483	1,605	122	1,465	1,587
	0120000 Agricultural Research & Development	5,602.1	923.0	6,525.1	5,599.0	1,074.0	6,673.0	6,392	836	7,228	7,241	1,206	8,447
	1173 State Department for Cooperatives	**1,226.3**	**524.6**	**1,750.9**	**1,741.7**	**600.5**	**2,342.2**	**1,935.4**	**823.5**	**2,758.9**	**2,160.7**	**1,336.0**	**3,496.7**
	0304000 Cooperative Development and Management	1,226.3	524.6	1,750.9	1,741.7	600.5	2,342.2	1,935	824	2,759	2,161	1,336	3,497
	2021 National Land Commission	**1,444.0**	**38.9**	**1,482.9**	**1,468.0**	**90.3**	**1,558.3**	**1,531.6**	**105.0**	**1,636.6**	**1,586.8**	**171.2**	**1,758.0**
	0116000 Land Administration and Management	1,444.0	38.9	1,482.9	1,468.0	90.3	1,558.3	1,531.6	105.0	1,637	1,586.8	171.2	1,758
020	**ENERGY, INFRASTRUCTURE AND ICT**	**88,624.6**	**247,187.6**	**335,812.3**	**107,807.0**	**260,493.0**	**368,300.0**	**114,630.0**	**249,659.0**	**364,290.0**	**130,435.0**	**240,104.0**	**370,539.0**
	1091 State Department for Infrastructure	**57,169.9**	**138,033.7**	**195,203.6**	**69,478.0**	**141,927.0**	**211,405.0**	**73,045.0**	**151,016.0**	**224,061.0**	**77,232.0**	**154,436.0**	**231,668.0**
	0202000 Road Transport	57,169.9	138,033.7	195,203.6	69,478.0	141,927.0	211,405.0	73,045	151,016	224,061	77,232	154,436	231,668
	1092 State Department for Transport	**9,428.2**	**1,346.3**	**10,774.5**	**9,442.0**	**1,350.0**	**10,792.0**	**9,459.0**	**1,610.0**	**11,069.0**	**9,486.0**	**1,737.0**	**11,223.0**
	0201000 General Administration, Planning and Support Services	271.8	70.0	341.8	276.0	431.0	707.0	287	450	737	304	309	613
	0204000 Marine Transport	801.7	327.0	1,128.7	802.0	258.0	1,060.0	803	-	803	803	-	803
	0205000 Air Transport	8,342.3	603.0	8,945.3	8,352.0	661.0	9,013.0	8,356	1,160	9,516	8,365	1,428	9,793
	0216000 Road Safety	12.4	346.3	358.7	12.0	-	12.0	13	-	13	14	-	14

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**ENERGY, INFRASTRUCTURE AND ICT**	88,624.6	247,187.6	335,812.3	107,807.0	260,493.0	368,300.0	114,630.0	249,659.0	364,290.0	130,435.0	240,104.0	370,539.0
	1093 State Department for Shipping and Maritime	2,037.3	750.2	2,787.5	2,167.0	1,219.0	3,386.0	2,260.0	1,240.0	3,500.0	2,372.0	1,139.0	3,511.0
	0220000 Shipping and Maritime Affairs	2,037.3	750.2	2,787.5	2,167.0	1,219.0	3,386.0	2,260	1,240	3,500	2,372	1,139	3,511
	1094 State Department for Housing & Urban Development	1,233.6	14,054.6	15,288.2	1,263.0	18,782.0	20,045.0	1,465.0	15,475.0	16,941.0	2,403.0	15,413.0	17,816.0
	0102000 Housing Development and Human Settlement	632.6	8,178.0	8,810.6	715.0	13,663.0	14,378.0	732	11,921	12,654	756	11,031	11,787
	0105000 Urban and Metropolitan Development	223.9	5,876.6	6,100.5	285.0	5,119.0	5,404.0	443	3,554	3,997	1,335	4,382	5,717
	0106000 General Administration Planning and Support Services	377.1	-	377.1	263.0	-	263.0	290	-	290	312	-	312
	1095 State Department for Public Works	3,111.7	1,127.8	4,239.5	3,363.0	1,310.0	4,673.0	4,145.0	1,460.0	5,605.0	7,979.0	1,692.0	9,671.0
	0103000 Government Buildings	516.0	598.3	1,114.3	551.0	630.0	1,181.0	567	634	1,201	598	408	1,006
	0104000 Coastline Infrastructure and Pedestrian Access	159.5	158.5	318.0	173.0	321.0	494.0	178	326	504	187	579	766
	0106000 General Administration Planning and Support Services	309.0	14.0	323.0	360.0	14.0	374.0	427	15	442	550	30	580
	0218000 Regulation and Development of the Construction Industry	2,127.3	357.0	2,484.3	2,279.0	345.0	2,624.0	2,973	485	3,458	6,644	675	7,319
	1122 State Department for Information Communication Technology & Innovation	1,585.4	21,204.0	22,789.4	2,028.0	14,206.0	16,234.0	2,009.0	4,992.0	7,001.0	3,803.0	5,685.0	9,488.0
	0207000 General Administration Planning and Support Services	259.8	-	259.8	323.0	-	323.0	304	-	304	340	-	340
	0210000 ICT Infrastructure Development	535.5	19,947.5	20,483.0	574.0	12,904.0	13,478.0	679	3,736	4,415	946	4,307	5,253
	0217000 E-Government Services	790.1	1,256.5	2,046.6	1,131.0	1,302.0	2,433.0	1,026	1,256	2,282	2,517	1,378	3,895
	1123 State Department for Broadcasting & Telecommunications	6,456.9	496.9	6,953.8	6,601.0	697.0	7,298.0	6,550.0	835.0	7,385.0	6,630.0	1,019.0	7,649.0
	0207000 General Administration Planning and Support Services	197.8	-	197.8	213.0	-	213.0	249	-	249	309	-	309
	0208000 Information And Communication Services	5,143.9	271.4	5,415.3	5,213.0	398.0	5,611.0	5,142	405	5,547	5,156	439	5,595
	0209000 Mass Media Skills Development	224.5	120.5	345.0	228.0	110.0	338.0	231	200	431	234	200	434
	0221000 Film Development Services Programme	890.8	105.0	995.8	947.0	189.0	1,136.0	928	230	1,158	931	380	1,311
	1152 Ministry of Energy	6,636.0	67,248.0	73,884.0	7,446.0	77,700.0	85,146.0	8,535.0	69,259.0	77,794.0	10,461.0	54,571.0	65,032.0
	0211000 General Administration Planning and Support Services	413.0	130.0	543.0	411.0	208.0	619.0	429	360	789	455	449	904
	0212000 Power Generation	2,267.0	9,888.0	12,155.0	2,714.0	15,291.0	18,005.0	2,748	14,760	17,508	3,174	13,701	16,875
	0213000 Power Transmission and Distribution	3,744.0	54,693.0	58,437.0	4,109.0	59,824.0	63,933.0	5,132	52,420	57,552	6,599	38,193	44,792
	0214000 Alternative Energy Technologies	212.0	2,537.0	2,749.0	212.0	2,377.0	2,589.0	226	1,719	1,945	233	2,228	2,461
	1193 State Department for Petroleum												
	0215000 Exploration and Distribution of Oil and Gas												
	1194 Ministry of Petroleum and Mining	965.6	2,926.1	3,891.7	6,019.0	3,302.0	9,321.0	7,162.0	3,772.0	10,934.0	10,069.0	4,412.0	14,481.0
	0215000 Exploration and Distribution of Oil and Gas	336.0	2,649.4	2,985.4	87.0	2,925.0	3,012.0	102	3,265	3,367	90	3,660	3,750
	1007000 General Administration Planning and Support Services	275.6	23.3	298.9	5,583.0	-	5,583.0	6,666	-	6,666	9,617	-	9,617
	1009000 Mineral Resources Management	292.8	126.2	419.0	287.0	162.0	449.0	321	195	516	298	230	528
	1021000 Geological Survey and Geoinformation Management	61.2	127.2	188.4	62.0	215.0	277.0	73	312	385	64	522	586

SECRET

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)...Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	14,000.7	6,582.4	20,583.1	18,396.7	6,473.3	24,870.0	18,593.9	6,374.0	24,967.9	20,104.2	8,276.5	28,380.7
	1174 State Department for Trade and Enterprise Development	2,286.1	1,739.0	4,025.1	2,465.1	1,536.7	4,001.8	2,576.6	450.6	3,027.1	2,938.6	652.9	3,591.6
	0307000 Trade Development and Promotion	2,286.1	1,739.0	4,025.1									
	P 1: Domestic Trade and Enterprise Development				570.2	1,436.7	2,006.9	632	351	983	742	653	1,395
	P 2: Fair Trade practices and compliance of Standards				496.6	100.0	596.6	547	100	647	646	-	646
	P 3: International Trade Development and Promotion				1,060.1	-	1,060.1	1,053	-	1,053	1,195	-	1,195
	P 4: General Administration, Support Services and Planning				338.3	-	338.3	345	-	345	356	-	356
	1175 State Department for Industrialization	3,112.4	3,272.9	6,385.3	3,267.9	3,668.5	6,936.4	3,399.4	4,364.5	7,763.9	3,782.9	5,364.5	9,147.4
	0301000 General Administration Planning and Support Services	426.5	-	426.5	514.3	-	514.3	471	-	471	498	-	498
	0302000 Industrial Development and Investments	1,439.2	840.3	2,279.4	1,468.6	1,182.3	2,650.9	1,548	1,358	2,906	1,684	3,502	5,187
	0303000 Standards and Business Incubation	1,246.8	2,432.6	3,679.4	1,285.0	2,486.2	3,771.2	1,381	3,006	4,387	1,601	1,862	3,463
	1202 State Department for Tourism	5,207.3	475.0	5,682.3	8,755.6	302.2	9,057.8	8,875.3	371.5	9,246.8	9,121.3	538.4	9,659.7
	0306000 Tourism Development and Promotion	5,207.3	475.0	5,682.3									
	Total P. 1: Tourism Promotion and Marketing				1,032.3	50.2	1,082.5	1,096	150	1,246	1,239	150	1,389
	Total P.2: Tourism Product Development and Diversification				7,324.1	200.0	7,524.1	7,349	100	7,449	7,431	300	7,731
	Total P.3: General Administration Planning and Support services				399.2	52.0	451.2	431	122	552	452	88	540
	1221 State Department for East African Community	609.8	-	609.8	650.9	-	650.9	691.4	-	691.4	739.8	-	739.8
	0305000 East African Affairs and Regional Integration	609.8	-	609.8	650.9	-	650.9	691	-	691	740	-	740
	1222 State Department for Regional and Northern Corridor Development	2,785.0	1,095.5	3,880.5	3,257.3	965.9	4,223.1	3,051.3	1,187.4	4,238.7	3,521.7	1,720.7	5,242.3
	1013000 Integrated Regional Development	2,785.0	1,095.5	3,880.5	3,257.3	965.9	4,223.1	3,051	1,187	4,239	3,522	1,721	5,242
040	**HEALTH**	64,870.7	56,219.5	121,090.3	70,373.0	55,979.0	126,352.0	76,727.0	63,879.0	140,605.0	83,068.0	71,972.0	155,041.0
	0401000 Preventive, Promotive & RMNCAH	3,020.7	22,498.3	25,519.0	3,322.0	28,657.0	31,979.0	3,929	39,383	43,312	4,280	44,188	48,468
	0402000 National Referral & Specialized Services	36,103.6	11,595.2	47,698.8	39,453.0	10,195.0	49,648.0	43,933	2,501	46,433	48,387	3,302	51,689
	0403000 Health Research and Development	9,665.5	787.5	10,453.0	10,470.0	899.0	11,369.0	11,028	1,078	12,106	11,988	1,082	13,070
	0404000 General Administration, Planning & Support Services	5,938.2	1,060.0	6,998.2	5,349.0	1,200.0	6,549.0	5,666	900	6,566	5,891	600	6,491
	0405000 Health Policy, Standards and Regulations	10,142.7	20,278.5	30,421.2	11,779.0	15,028.0	26,807.0	12,171	20,017	32,188	12,522	22,800	35,323

SECRET

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)...Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
050	**EDUCATION**	**482,595.4**	**21,375.7**	**503,971.1**	**501,449.5**	**24,500.0**	**525,949.5**	**512,834.5**	**27,072.0**	**539,907.1**	**538,528.5**	**19,895.0**	**558,424.0**
	1064 State Department for Vocational and Technical Training	18,647.5	4,648.4	23,295.9	18,912.2	6,495.0	25,407.2	19,842.4	3,975.0	23,818.0	21,471.0	2,932.0	24,403.0
	0505000 Technical Vocational Education and Training	18,466.2	4,638.4	23,104.7	18,711.2	6,495.0	25,206.2	19,615	3,975	23,591	21,220	2,932	24,152
	0507000 Youth Training and Development	38.7	10.0	48.7	39.0		39.0	40		40	41		41
	0508000 General Administration, Planning and Support Services	142.6	-	142.6	162.0		162.0	187		187	210		210
	1065 State Department for University Education	91,057.2	4,355.6	95,412.8	91,135.0	5,713.0	96,848.0	96,147.0	6,131.0	102,278.0	105,573.0	7,850.0	113,423.0
	0504000 University Education	89,913.2	4,315.6	94,228.8	89,785.0	5,683.0	95,468.0	94,708	6,012	100,720	103,987	7,700	111,687
	0506000 Research, Science, Technology and Innovation	901.0	40.0	941.0	890.0	30.0	920.0	962	119	1,081	1,095	150	1,245
	0508000 General Administration, Planning and Support Services	243.0	-	243.0	460.0	-	460.0	477	-	477	491	-	491
	1066 State Department for Early Learning & Basic Education	91,563.7	11,726.6	103,290.3	94,842.0	11,502.0	106,344.0	96,337.0	15,903.0	112,240.0	102,909.5	8,754.0	111,664.0
	0501000 Primary Education	16,871.2	2,171.2	19,042.4	18,025.0	1,935.0	19,960.0	18,110	2,609	20,719	20,642	2,770	23,412
	0502000 Secondary Education	66,389.4	8,830.4	75,219.8	68,392.0	8,771.0	77,163.0	69,452	12,494	81,946	72,860	4,804	77,664
	0503000 Quality Assurance and Standards	3,701.0	650.0	4,351.0	3,701.0	646.0	4,347.0	3,895	650	4,545	4,271	950	5,221
	0508000 General Administration, Planning and Support Services	4,602.1	75.0	4,677.1	4,724.0	150.0	4,874.0	4,880	150	5,030	5,137	230	5,367
	1068 State Department for Post Training and Skills Development	268.0	-	268.0	268.0	134.0	402.0	277.0	264.0	541.0	286.0	264.0	550.0
	0508000 General Administration, Planning and Support Services	136.0	-	136.0	168.0	-	168.0	177	-	177	186	-	186
	0512000 Work Place Readiness Services	85.0	-	85.0	86.0	134.0	220.0	70	264	334	52	264	316
	0513000 Post Training Information Management	47.0	-	47.0	14.0	-	14.0	30	-	30	48	-	48
	Implementation of Curriculum Reforms				339.3	-	339.3	142.1	-	142.1	145.0	-	145.0
	P1: Coordination of the Curriculum reforms Implementation				339.3	-	339.3	142.1	-	142.1	145	-	145
	2091 Teachers Service Commission	281,059.0	645.1	281,704.1	295,953.0	656.0	296,609.0	300,089.0	799.0	300,888.0	308,144.0	95.0	308,239.0
	0509000 Teacher Resource Management	272,634.3	600.0	273,234.3	287,858.0	600.0	288,458.0	291,289	718	292,007	299,151	-	299,151
	0510000 Governance and Standards	1,012.5	-	1,012.5	1,161.0	-	1,161.0	1,178	-	1,178	1,196	-	1,196
	0511000 General Administration, Planning and Support Services	7,412.2	45.1	7,457.3	6,934.0	56.0	6,990.0	7,622	81	7,703	7,797	95	7,892

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)...Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**206,319.4**	**10,999.6**	**217,319.0**	**221,351.1**	**10,579.3**	**231,930.4**	**207,392.4**	**12,883.2**	**220,275.6**	**215,732.3**	**16,164.4**	**231,896.7**
	1021 State Department for Interior and Citizen Services	**131,356.0**	**7,233.1**	**138,589.1**	**136,376.3**	**6,823.9**	**143,200.2**	**139,238.5**	**7,572.6**	**146,811.1**	**143,566.8**	**8,833.8**	**152,400.5**
	0601000 Policing Services	98,902.9	1,669.0	100,571.9	102,128.3	1,655.0	103,783.3	104,221	1,729	105,950	107,088	2,133	109,221
	0603000 Government Printing Services	694.3	50.0	744.3	708.1	300.0	1,008.1	730	500	1,230	768	500	1,268
	0605000 Migration & Citizen Services Management	2,037.1	852.2	2,889.2	2,492.5	750.0	3,242.5	2,565	775	3,341	2,684	914	3,598
	0625000 Road Safety	2,204.4	520.9	2,725.3	2,204.4	520.9	2,725.3	2,337	544	2,881	2,570	671	3,241
	0626000 Population Management Services	3,817.7	1,025.5	4,843.2	3,928.0	1,536.5	5,464.5	4,052	1,566	5,618	4,273	1,730	6,003
	0629000 General Administration and Support Services	22,737.0	3,015.5	25,752.6	23,952.4	2,011.5	25,964.0	24,313	2,397	26,710	25,061	2,761	27,822
	0630000 Policy Coordination Services	962.6	100.0	1,062.6	962.6	50.0	1,012.6	1,020	61	1,082	1,122	125	1,247
	1023 State Department for Correctional Services	**28,749.2**	**909.1**	**29,658.2**	**29,009.2**	**1,265.4**	**30,274.6**	**29,113.1**	**1,365.1**	**30,478.3**	**30,226.3**	**1,667.8**	**31,894.1**
	0623000 General Administration, Planning and Support Services	354.5	8.9	363.4	339.7	15.0	354.7	348	40	388	377	49	426
	0627000 Prison Services	26,529.1	693.2	27,222.3	26,970.2	980.4	27,950.6	27,046	975	28,021	28,063	1,368	29,430
	0628000 Probation & After Care Services	1,865.6	207.0	2,072.6	1,699.3	270.0	1,969.3	1,719	350	2,069	1,787	251	2,038
	1252 State Law Office and Department of Justice	**4,978.3**	**181.3**	**5,159.7**	**5,099.3**	**188.5**	**5,287.8**	**5,288.0**	**152.9**	**5,440.8**	**5,673.7**	**266.2**	**5,939.9**
	0606000 Legal Services	2,395.2	-	2,395.2	2,444.3	-	2,444.3	2,505	-	2,505	2,639	-	2,639
	0607000 Governance, Legal Training and Constitutional Affairs	1,876.2	90.5	1,966.7	1,879.5	98.5	1,978.0	1,987	42	2,029	2,182	42	2,224
	0609000 General Administration, Planning and Support Services	707.0	90.8	797.8	775.5	90.0	865.5	796	111	907	853	224	1,077
	1261 The Judiciary	**15,003.0**	**2,333.4**	**17,336.4**	**16,297.4**	**2,000.0**	**18,297.4**	**16,260.9**	**3,200.0**	**19,460.9**	**17,513.1**	**4,200.0**	**21,713.1**
	0610000 Dispensation of Justice	15,003.0	2,333.4	17,336.4	16,297.4	2,000.0	18,297.4	16,261	3,200	19,461	17,513	4,200	21,713
	1271 Ethics and Anti-Corruption Commission	**3,258.5**	**67.5**	**3,326.0**	**3,420.5**	**158.0**	**3,578.5**	**3,625.8**	**144.0**	**3,769.8**	**3,988.1**	**291.7**	**4,279.8**
	0611000 Ethics and Anti-Corruption	3,258.5	67.5	3,326.0	3,420.5	158.0	3,578.5	3,626	144	3,770	3,988	292	4,280
	1291 Office of the Director of Public Prosecutions	**3,126.0**	**150.3**	**3,276.2**	**3,282.0**	**143.5**	**3,425.5**	**3,478.9**	**226.0**	**3,704.8**	**3,826.6**	**454.1**	**4,280.7**
	0612000 Public Prosecution Services	3,126.0	150.3	3,276.2	3,282.0	143.5	3,425.5	3,479	226	3,705	3,827	454	4,281
	1311 Office of the Registrar of Political Parties	**1,961.7**	**-**	**1,961.7**	**2,076.9**	**-**	**2,076.9**	**2,042.6**	**-**	**2,042.6**	**2,081.3**	**-**	**2,081.3**
	0614000 Registration, Regulation and Funding of Political Parties	1,961.7	-	1,961.7	2,076.9	-	2,076.9	2,043	-	2,043	2,081	-	2,081
	1321 Witness Protection Agency	**489.0**	**-**	**489.0**	**614.1**	**-**	**614.1**	**521.7**	**-**	**521.7**	**548.4**	**-**	**548.4**
	0615000 Witness Protection	489.0	-	489.0	614.1	-	614.1	522	-	522	548	-	548

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	GOVERNANCE, JUSTICE, LAW AND ORDER	206,319.4	10,999.6	217,319.0	221,351.1	10,579.3	231,930.4	207,392.4	12,883.2	220,275.6	215,732.3	16,164.4	231,896.7
	2011 Kenya National Commission on Human Rights	408.7	-	408.7	424.4	-	424.4	420.5	-	420.5	441.8	-	441.8
	0616000 Protection and Promotion of Human Rights	408.7	-	408.7	424.4	-	424.4	420	-	420	442	-	442
	2031 Independent Electoral and Boundaries Commission	14,226.7	125.0	14,351.7	21,686.8	-	21,686.8	4,465.9	222.6	4,688.5	4,738.4	450.9	5,189.2
	0617000 Management of Electoral Processes	14,124.7	125.0	14,249.7	21,365.4	-	21,365.4	3,967	223	4,189	4,656	451	5,107
	0618000 Delimitation of Electoral Boundaries	102.0	-	102.0	321.5	-	321.5	499	-	499	82	-	82
	2051 Judicial Service Commission	581.8	-	581.8	587.3	-	587.3	612.9	-	612.9	660.6	-	660.6
	0619000 General Administration, Planning and Support Services	581.8	-	581.8	587.3		587.3	612.9		612.9	660.6		660.6
	2101 National Police Service Commission	794.1	-	794.1	1,009.3	-	1,009.3	875.4	-	875.4	930.8	-	930.8
	0620000 National Police Service Human Resource Management	794.1	-	794.1	1,009.3	-	1,009.3	875	-	875	931	-	931
	2141 National Gender and Equality Commission	436.6	-	436.6	463.2	-	463.2	446.2	-	446.2	474.0	-	474.0
	0621000 Promotion of Gender Equality and Freedom from Discrimination	436.6	-	436.6	463.2	-	463.2	446	-	446	474	-	474
	2151 Independent Policing Oversight Authority	949.8	-	949.8	1,004.6	-	1,004.6	1,002.1	-	1,002.1	1,062.5	-	1,062.5
	0622000 Policing Oversight Services	949.8	-	949.8	1,004.6	-	1,004.6	1,002	-	1,002	1,063	-	1,063
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	171,124.6	161,399.6	332,524.2	162,158.0	184,840.2	346,998.2	228,176.5	185,412.5	413,589.0	254,558.3	193,657.2	448,215.5
	1011 Executive Office of the President	25,267.7	9,327.2	34,595.0	7,580.6	556.0	8,136.6	8,304.0	853.8	9,157.8	9,321.1	689.4	10,010.5
	0702000 Cabinet Affairs	1,301.7	245.1	1,546.8	1,538.8	452.3	1,991.0	1,882	465	2,347	2,050.1	465.0	2,515.1
	0703000 Government Advisory Services	617.6	71.1	688.7	649.3	-	649.3	676		676	755.1		755.1
	0704000 State House Affairs	3,908.4	73.4	3,981.8	3,945.1	83.3	4,028.4	4,235	339	4,574	4,859.2	174.4	5,033.6
	0734000 Deputy President Services	1,400.6	17.6	1,418.2	1,447.4	20.4	1,467.9	1,511	50	1,561	1,656.7	50.0	1,706.7
	0745000 Nairobi Metropolitan Services	18,039.4	8,920.0	26,959.4	-	-	-	-		-	-		-
	1032 State Department for Devolution	1,753.9	1,489.7	3,243.6	1,479.3	420.4	1,899.7	1,243.5	312.1	1,555.6	1,326.5	236.5	1,563.0
	0712000 Devolution Services	1,303.2	1,384.7	2,687.9	285.2	420.4	705.7	188	312	500	195	237	432
	0732000 General Administration, Planning and Support Services	417.4	-	417.4	437.7	-	437.7	452	-	452	469	-	469
	0713000 Special Initiatives	33.2	105.0	138.2	44.4	-	44.4	45	-	45	46	-	46
	Management of Intergovernmental Relations				712.0	-	712.0	559	-	559	615	-	615

SECRET

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)...Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**171,124.6**	**161,399.6**	**332,524.2**	**162,158.0**	**184,840.2**	**346,998.2**	**228,176.5**	**185,412.5**	**413,589.0**	**254,558.3**	**193,657.2**	**448,215.5**
	1052 Ministry of Foreign Affairs	**17,023.9**	**1,796.1**	**18,820.0**	**17,754.1**	**1,796.1**	**19,550.2**	**17,971**	**1,957**	**19,928**	**18,677**	**3,018**	**21,695**
	0714000 General Administration Planning and Support Services	2,056.3	176.5	2,232.8	2,436.9	116.1	2,553.0	2,486	187	2,673	2,627	481	3,109
	0715000 Foreign Relation and Diplomacy	14,775.3	1,499.6	16,274.9	15,132.0	1,480.0	16,612.0	15,258	1,570	16,828	15,816	2,237	18,053
	0741000 Economic and Commercial Diplomacy	51.8	-	51.8	46.0	-	46.0	50	-	50	50	-	50
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	140.4	120.0	260.4	139.2	200.0	339.2	176	200	376	183	300	483
	1071 The National Treasury	**57,409.5**	**100,335.9**	**157,745.4**	**57,834.1**	**132,126.5**	**189,960.6**	**124,403.6**	**122,602.5**	**247,006.1**	**146,254.6**	**122,710.9**	**268,965.6**
	0717000 General Administration Planning and Support Services	49,135.7	13,524.5	62,660.2	47,010.6	8,824.5	55,835.1	98,701.7	13,524.5	112,226.2	110,881	13,525	124,405
	0718000 Public Financial Management	6,737.1	28,644.6	35,381.7	9,286.8	82,390.2	91,677.0	24,157.2	67,823.2	91,980.3	33,821	67,782	101,602
	0719000 Economic and Financial Policy Formulation and Management	1,159.9	428.8	1,588.7	1,159.9	428.8	1,588.7	1,166.8	428.8	1,595.6	1,174	429	1,603
	0720000 Market Competition	302.1	30.0	332.1	302.0	30.0	332.0	302.0	30.0	332.0	302	30	332
	0740000 Government Clearing Services	74.8	-	74.8	74.8	-	74.8	75.9	-	75.9	77	-	77
	0203000 Rail Transport	-	34,494.0	34,494.0	-	35,122.0	35,122.0	-	37,696.0	37,696.0	-	37,696	37,696
	0204000 Marine Transport	-	23,214.0	23,214.0	-	5,331.0	5,331.0	-	3,100.0	3,100.0	-	3,250	3,250
	1072 State Department for Planning	**3,598.0**	**42,387.2**	**45,985.2**	**3,811.0**	**45,088.6**	**48,899.6**	**4,201.9**	**54,427.5**	**58,629.3**	**4,539**	**61,966**	**66,506**
	0706000 Economic Policy and National Planning	1,804.1	42,095.5	43,899.6	1,991.6	44,781.1	46,772.7	2,297.6	54,102.4	56,400.0	2,555	61,634	64,190
	0707000 National Statistical Information Services	1,317.6	209.4	1,527.0	1,317.6	223.3	1,540.9	1,369.5	225.2	1,594.7	1,427	228	1,654
	0708000 Monitoring and Evaluation Services	172.0	82.3	254.2	169.3	84.3	253.5	180.0	99.4	279.4	188	105	293
	0709000 General Administration Planning and Support Services	304.4	-	304.4	332.5	-	332.5	354.7	-	354.7	369	-	369
	1213 State Department for Public Service	**18,325.0**	**568.0**	**18,893.0**	**24,578.1**	**602.9**	**25,181.1**	**21,383.3**	**724.8**	**22,108.1**	**21,874**	**771**	**22,646**
	0710000 Public Service Transformation	7,859.0	410.2	8,269.2	9,555.1	532.9	10,088.1	9,825.9	724.8	10,550.8	9,966	771	10,737
	0709000 General Administration Planning and Support Services	492.2	107.8	600.1	599.8	-	599.8	586.4	-	586.4	608	-	608
	0747000 National Youth Service	9,973.8	50.0	10,023.8	14,423.2	70.0	14,493.2	10,971.2	-	10,971.2	11,300	-	11,300
	1214 State Department for Youth Affairs	**1,439.9**	**3,210.5**	**4,650.4**	**1,504.3**	**1,937.8**	**3,442.1**	**1,497**	**1,388**	**2,884**	**1,549**	**1,115**	**2,663**
	0711000 Youth Empowerment	452.4	468.7	921.1	469.3	481.7	950.9	483	601	1,084	498	292	790
	Youth Development Services	740.7	2,741.8	3,482.6	749.9	1,456.1	2,206.0	764	787	1,550	796	823	1,619
	General Administration, Planning and Support Services	246.8	-	246.8	285.2	-	285.2	250	-	250	255	-	255
	Parliament	**35,817.2**	**2,065.6**	**37,882.8**	**36,411.0**	**2,065.6**	**38,476.6**	**37,818**	**2,066**	**39,884**	**39,284**	**2,066**	**41,349**
	2061 The Commission on Revenue Allocation	**485.6**	**-**	**485.6**	**492.0**	**-**	**492.0**	**509**	**-**	**509**	**529**	**-**	**529**
	0737000 Inter-Governmental Transfers and Financial Matters	485.6	-	485.6	492.0	-	492.0	509	-	509	529	-	529

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23– 2024/25 (Ksh Million)…Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	171,124.6	161,399.6	332,524.2	162,158.0	184,840.2	346,998.2	228,176.5	185,412.5	413,589.0	254,558.3	193,657.2	448,215.5
	2071 Public Service Commission	2,372.2	19.3	2,391.5	2,515.8	26.3	2,542.1	2,536.7	31.6	2,568.3	2,595.4	33.7	2,629.1
	0725000 General Administration, Planning and Support Services	772.8	19.3	792.1	876.8	26.3	903.1	878	32	910	922	34	955
	0726000 Human Resource management and Development	1,419.3	-	1,419.3	1,445.7	-	1,445.7	1,458	-	1,458	1,468	-	1,468
	0727000 Governance and National Values	145.7	-	145.7	147.7	-	147.7	152	-	152	156	-	156
	0744000 Performance and Productivity Management	34.4	-	34.4	45.6	-	45.6	48	-	48	49	-	49
	2081 Salaries and Remuneration Commission	621.4	-	621.4	612.5	-	612.5	633	-	633	658	-	658
	0728000 Salaries and Remuneration Management	621.4	-	621.4	612.5	-	612.5	633	-	633	658	-	658
	2111 Auditor General	5,706.5	200.0	5,906.5	6,158.5	219.9	6,378.3	6,283.6	1,050.0	7,333.6	6,505.7	1,050.0	7,555.7
	0729000 Audit Services	5,706.5	200.0	5,906.5	6,158.5	219.9	6,378.3	6,284	1,050	7,334	6,506	1,050	7,556
	2121 Office of the Controller of Budget	689.1	-	689.1	702.4	-	702.4	713	-	713	740	-	740
	0730000 Control and Management of Public finances	689.1	-	689.1	702.4	-	702.4	713	-	713	740	-	740
	2131 The Commission on Administrative Justice	614.8	-	614.8	724.3	-	724.3	679.3	-	679.3	704.7	-	704.7
	0731000 Promotion of Administrative Justice	614.8	-	614.8	724.3	-	724.3	679	-	679	705	-	705
080	**NATIONAL SECURITY**	157,122.7	5,080.0	162,202.7	170,743.0	32,354.0	203,097.0	182,716.5	47,885.0	230,601.5	188,208.8	30,215.0	218,423.8
	1041 Ministry of Defence	114,671.7	5,080.0	119,751.7	125,215.3	32,354.0	157,569.3	133,582	47,885	181,467	137,422	30,215	167,637
	0801000 Defence	111,786.5	5,080.0	116,866.5	121,969.4	32,354.0	154,323.4	130,731	47,835	178,566	134,499	30,115	164,614
	0802000 Civil Aid	700.0	-	700.0	400.0		400.0	400		400	400		400
	0803000 General Administration, Planning and Support Services	1,985.2	-	1,985.2	2,625.9		2,625.9	2,101		2,101	2,174		2,174
	0805000 National Space Management	200.0	-	200.0	220.0		220.0	350	50	400	350	100	450
	1281 National Intelligence Service	42,451.0	-	42,451.0	45,527.7	-	45,527.7	49,135	-	49,135	50,787	-	50,787
	0804000 National Security Intelligence	42,451.0	-	42,451.0	45,527.7		45,527.7	49,135		49,135	50,787		50,787
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	39,635.2	32,559.1	72,194.3	41,293.1	31,598.5	72,891.5	46,003.9	28,782.0	74,785.9	47,549.1	31,478.4	79,027.5
	1035 State Department for Development of the ASAl	1,061.2	9,080.1	10,141.2	1,092.5	9,294.2	10,386.7	1,092.5	6,531.8	7,624.3	1,124.6	7,111.0	8,235.6
	0733000 Accelerated ASAL Development	1,061.2	9,080.1	10,141.2	1,092.5	9,294.2	10,386.7	1,092	6,532	7,624	1,125	7,111	8,236
	1132 State Department for Sports Development	1,338.9	15,147.8	16,486.6	1,380.5	16,008.0	17,388.5	1,407.3	16,269.0	17,676.3	1,443.0	17,207.0	18,650.0
	0901000 Sports	1,338.9	15,147.8	16,486.6	1,380.5	16,008.0	17,388.5	1,407	16,269	17,676	1,443	17,207	18,650
	1134 State Department for Culture and Heritage	2,931.2	55.9	2,987.1	3,057.4	77.5	3,134.9	2,995.8	171.0	3,166.8	3,067.1	170.0	3,237.1
	0902000 Culture/ Heritage	1,880.2	43.6	1,923.8	1,920.0	47.5	1,967.5	1,879	106	1,985	1,922	10	1,932
	0903000 The Arts	142.3	-	142.3	159.4	-	159.4	153	35	188	158	100	258
	0904000 Library Services	791.5	11.0	802.5	792.9	30.0	822.9	800	30	830	815	60	875
	0905000 General Administration, Planning and Support Services	117.2	1.3	118.5	185.2	-	185.2	164	-	164	171	-	171

Annex Table 4a: Summary of Expenditure by Programmes, 2022/23 – 2024/25 (Ksh Million)...Contd

Sector Code	Sector/Vote/Programme Details	Printed Estimates 2021/2022			2022/2023			2023/2024			2024/2025		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	SOCIAL PROTECTION, CULTURE AND RECREATION	39,635.2	32,559.1	72,194.3	41,293.1	31,598.5	72,891.5	46,003.9	28,782.0	74,785.9	47,549.1	31,478.4	79,027.5
	1184 State Department for Labour	2,782.8	2,560.7	5,343.5	2,830.7	572.5	3,403.2	2,852.9	308.9	3,161.8	2,938.0	376.8	3,314.8
	0910000 General Administration Planning and Support Services	442.9	0.3	443.2	488.6	-	488.6	482	-	482	512	-	512
	0906000 Promotion of the Best Labour Practice	669.1	63.8	732.9	661.7	111.8	773.4	670	163	834	687	227	914
	0907000 Manpower Development, Employment and Productivity Management	1,670.8	2,496.6	4,167.4	1,680.4	460.7	2,141.1	1,700	146	1,846	1,738	150	1,888
	1185 State Department for Social Protection, Pensions & Senior Citizens Affairs	30,485.4	3,082.6	33,568.1	31,731.6	2,870.3	34,601.9	36,084.5	2,921.3	39,005.8	37,716.2	3,533.6	41,249.8
	0908000 Social Development and Children Services	3,870.9	263.3	4,134.3	4,240.3	318.8	4,559.1	4,241	379	4,620	4,517	530	5,047
	0909000 National Social Safety Net	26,394.3	2,819.3	29,213.6	27,265.5	2,551.5	29,817.0	31,610	2,542	34,152	32,955	3,004	35,958
	0914000 General Administration, Planning and Support Services	220.2	-	220.2	225.8	-	225.8	234	-	234	245	-	245
	1212 State Department for Gender	1,035.8	2,632.0	3,667.8	1,200.4	2,776.0	3,976.4	1,570.9	2,580.0	4,150.9	1,260.3	3,080.0	4,340.3
	0911000 Community Development	-	2,130.0	2,130.0	-	2,130.0	2,130.0	-	2,130	2,130	-	2,130	2,130
	0912000 Gender Empowerment	729.9	502.0	1,231.9	874.2	646.0	1,520.2	1,234	450	1,684	906	950	1,856
	0913000 General Administration, Planning and Support Services	305.9	-	305.9	326.1	-	326.1	337	-	337	355	-	355
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	24,489.2	76,096.7	100,585.9	24,500.0	86,228.0	110,728.0	29,394.0	97,289.0	126,683.0	31,522.0	118,691.0	150,213.0
	1108 Ministry of Environment and Forestry	10,481.6	4,245.4	14,727.0	10,636.0	4,290.0	14,926.0	12,675.0	5,130.0	17,805.0	13,646.0	7,658.0	21,304.0
	1002000 Environment Management and Protection	1,949.9	1,368.1	3,318.0	1,958.0	1,384.0	3,342.0	2,319	1,578	3,897	2,505	2,291	4,796
	1010000 General Administration, Planning and Support Services	421.7	-	421.7	460.0	-	460.0	861	-	861	962	-	962
	1012000 Meteorological Services	1,032.0	403.0	1,435.0	1,139.0	413.0	1,552.0	1,676	412	2,088	1,734	562	2,296
	1018000 Forests and Water Towers Conservation	7,078.0	2,474.3	9,552.3	7,079.0	2,493.0	9,572.0	7,819	3,140	10,959	8,445	4,805	13,250
	1008000 Resources Surveys and Remote Sensing												
	1109 Ministry of Water & Sanitation and Irrigation	6,395.7	71,218.5	77,614.2	6,700.0	81,015.0	87,715.0	7,529.0	91,090.0	98,619.0	8,105.0	109,406.0	117,511.0
	1001000 General Administration, Planning and Support Services	761.8	150.0	911.8	788.0	366.0	1,154.0	1,052	200	1,252	1,130	800	1,930
	1004000 Water Resources Management	1,663.9	14,667.0	16,330.9	1,777.0	14,478.0	16,255.0	1,870	24,494	26,364	2,015	32,545	34,560
	1017000 Water and Sewerage Infrastructure Development	3,227.3	33,539.5	36,766.8	3,375.0	45,132.0	48,507.0	3,585	54,832	58,417	3,859	54,907	58,766
	1014000 Irrigation and Land Reclamation	712.5	9,649.0	10,361.5	729.0	8,737.0	9,466.0	982	9,095	10,077	1,060	17,614	18,674
	1015000 Water Storage and Flood Control	-	10,783.0	10,783.0	-	9,872.0	9,872.0	-	1,270	1,270	-	1,890	1,890
	1022000 Water Harvesting and Storage for Irrigation	30.3	2,430.0	2,460.3	31.0	2,430.0	2,461.0	40	1,199	1,239	41	1,650	1,691
	1203 State Department for Wildlife	7,611.8	632.8	8,244.6	7,164.0	923.0	8,087.0	9,190.0	1,069.0	10,259.0	9,771.0	1,627.0	11,398.0
	1019000 Wildlife Conservation and Management	7,611.8	632.8	8,244.6	7,164.0	923.0	8,087.0	9,190	1,069	10,259	9,771	1,627	11,398
	TOTAL	1,273,629.9	668,378.9	1,942,008.8	1,344,424.4	730,590.2	2,075,014.6	1,445,182.5	747,186.9	2,192,370.0	1,541,047.5	765,372.9	2,306,421.9

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Annex Table 5: Highlights of issues raised during Public Participation

Sector	Issues	Proposed way forward/Action taken/Response
Agriculture, Rural and Urban Development Sector	**Policy Issues** • Sale and consumption of Genetically Modified Organisms (GMOs) • Rising Lake levels • Uncontrolled land subdivision • Spatial Planning • Food importation from neighboring Countries	• The GMOs that are available for sale and consumption have been analyzed and found to be fit for consumption. There is no evidence that they have caused any harm to consumers hence allowed for use in Kenya. • The Government set up a taskforce under the leadership of the Ministry of Environment and Forestry which has developed a report with actionable recommendations on mitigating the effects of rising water in the lakes. • The Ministry of Lands and Physical Planning has developed a draft Bill on maximum and minimum land ownership that is meant to regulate land subdivision. In addition, each County should have a land use plan that controls subdivision based on the proposed land use in the County. • Most of the spatial planning is devolved to Counties in line of Schedule 4 of the Constitution. The Ministry of Lands and Physical Planning deals with strategic planning partnering with Counties through the KISIP project. • Kenya is a member of the EAC and COMESA which allows member states to access food markets within these free trade areas. In view of the above, Kenya has an obligation to allow the neighboring Countries to access its market. The role of the Sector is to ensure that food products produced locally compete favorably with imported food products through reduction of cost of production through interventions like fertilizer subsidies, crop and Livestock insurance among other interventions.
	Governance Issues • Public participation during development of potatoes regulations	• The potatoes regulations were subjected to stakeholder participation to ensure that potatoes are sold in 50KG bags. The objective was to protect exploitation of farmers by middlemen

Sector	Issues	Proposed way forward/Action taken/Response
	• Capture of fishermen in Lake Victoria • Integrity of title deeds	• The Government has set up a multi-agency team lead by the Regional Commissioner for Nyanza to work with our counterparts in Tanzania and Uganda to ensure that our fishermen are not harassed while fishing within Kenyan waters • Title deeds integrity is being secured through digitization through the Ardhi Sasa System. This ensures that no one can transact with your land without your knowledge since any activity will be reported to your respective phone numbers
	<u>Resource Allocation issues</u> • Implementation of Malabo Declaration • Increase in resource allocation to the ARUD Sector	• Kenya has committed to implement the Malabo Declaration that is aimed at increasing the Budget allocation to Agriculture to 10%. This is aimed at increasing contribution of Agriculture to GDP. Given that Agriculture is devolved there are also County Budgets towards Agriculture that also help in achievement of the Malabo Declaration. In addition, allocations through the Big 4 plan focusing on Food and Nutrition Security is also part of the Malabo Declaration to reduce stunted growth. • Resource Allocation towards the ARUD sector has been increasing gradually overtime. In addition, the Sector has actively been seeking other sources of funding other that from exchequer.
	<u>Project Implementation Issues</u> • Status of Galana Kulalu project • Climate change and climate smart agriculture	• The model farm has been developed and viable crops have been tested. The next step is to have private stakeholders to come in and invest in commercial production • The Sector has been implementing two projects with financing from the World Bank addressing issues on climate change and climate smart Agriculture. These programmes will be funded in the coming medium

SECRET

Sector	Issues	Proposed way forward/Action taken/Response
		term to ensure that farmers are supported to ensure the adopt climate smart agriculture hence mitigating the negative effects of climate change.
Health Sector	**Policy Issues** • Affordability of COVID-19 treatment by Kenyans • Extent to which research by KEMRI translating to better medicines and health outcomes • Cost benefit analysis of telemedicine	• Government through the Ministry of Health covers the costs associated with the COVID-19 treatment at any public health facility. • The Government through KEMRI remains committed to quality medical research so as to produce tangible outcomes. KEMRI has made progress in terms of innovations and new products such as locally produced sanitizers. KEMRI is also working to come up with vaccines for COVID-19 and other illnesses. • Ministry of Health is in the process of reviewing the curriculum for telemedicine in conjunction with the Ministry of Education.
	Governance Issues • Use of Gender disaggregated targets in the programmes and challenges	• The Ministry of Health developed a robust health information system where data on gender as well as targets is sourced from the system
	Resource Allocation Issues • Department of NCDs & Tobacco Control have small budgetary allocations • There is a reduction in Health Products and Technologies (HPT) budget requirements in the next FY 2022/23 as compared to the current FY 2021/22	• Government will endeavour to enhance budgetary allocations for MDAs • Budget for HPT was not sustainable. Ministry of Health's focus is on Health Insurance under Universal Health Coverage (UHC). As a result, the budgetary resources have been channelled away from HPT towards Health Insurance under UHC
	Project Implementation Issues • Malaria intervention in informal settlement to reduce maternal mortality rates	• Government through Ministry of Health and National Health Insurance Fund is currently implementing Free Maternity Programme dubbed "Linda Mama" specifically offering free maternity services to mothers and this has greatly reduced the mortality rates even in the informal

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Sector	Issues	Proposed way forward/Action taken/Response
		settlements even as alluded by the member of public raising the issue. With regards to malaria more emphasis has of course been in the malaria prevalent regions in western and coastal Kenya. However, the ministry is committed to also looking into the issue of malaria in the informal settlements within Nairobi city
Energy, Infrastructure and ICT Sector	**Project Implementation Issues** • Key issues and lessons learnt from M&E to inform future planning and budgeting • Affordable housing project does not cater for the low-income earners in informal settlements	• Monitoring and Evaluation (M& E) for projects within the sector is key as it helps in unlocking projects that have implementation challenges as well as ensuring the projects are completed as scheduled and within budget. • The affordable housing project is all inclusive and caters for different categories of income earners where it is envisaged that people should not spend more than 30% of their incomes to own or rent a house. For people in the informal settlements, the project has social housing which designed for income earners of Ksh s. 20,000 and below per month. More information on the affordable housing project can be accessed on the website: www.bomayangu.go.ke
	Policy issues • Inclusion of Coal in sector plans yet it is not a clean source of energy	• The sector is aware that the international practices are moving away from coal usage to the greener energy sources that are environmentally friendly. What the sector is undertaking and intends to carry out in the medium term is coal exploration which entails mapping of the resources to know what is available in the country and not really the usage of coal.
	Governance issues • Rampant cases of collapse of buildings	• There are efforts to ensure that there is registration and accreditation of the required professionals in the construction space. This is in addition to having the National Construction Authority inspect buildings. The few rogue

Sector	Issues	Proposed way forward/Action taken/Response
Public Administration and International Relations (PAIR)	**Policy Issues** • There is an increase in the number of leased/hired motor vehicles by MDAs • Recruitment of youths into the National Youth Service (NYS) should be done at every Sub-County • Equipping youths with Skills	• Leasing of motor vehicles is mainly to substitute the current policy of purchasing of motor vehicles. • Recruitments by NYS are now decentralized and are conducted from Sub-County • The Government is training youths on entrepreneurial skills through various initiatives such as KYEOP
	Governance Issues • To avoid accumulation of pending bills, Law or Legal reforms should be in place to compel Accounting Officers to pay suppliers/contractors • Collaboration of Civil Society with the Government Ministries, Departments and Agencies (MDAs) to oversee implementation of projects	• Government is exploring legal mechanisms to resolve the issue of pending bills. The Accounting Officers will be compelled to clear pending bills and failure do so, penalties will be charged against the Accounting Officers. • One of the requirements for Civil Society to engage with MDAs is that they should registered. The Registered Civil Society should therefore sign Memorandum of Understanding with relevant MDAs
	Resource Allocation Issues • Other than emphasizing on expenditures, how is Government going to raise funds? In other words, how is income/revenue generated?	• The National Treasury through Kenya Revenue Authority (KRA) raises ordinary revenue through taxes as outlined in the Finance Act. There is a comprehensive plan by KRA to raise more revenues through broadening of the tax base
	Project Implementation Issues • Are there any plans to have a follow on expanded intervention after the end of the	• Government is implementing "Kazi Mtaani" mainly targeting the youths to cushion them from the negative effects of COVID-19 pandemic such as unemployment/joblessness.

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Sector	Issues	Proposed way forward/Action taken/Response
	Kenya youth Employment and Opportunities project	
General Economic and Commercial Affairs (GECA) Sector	**<u>Policy Issues</u>** • The contribution of the GECA sector to employment in terms of the GDP. • Performance of AGPO in the sector, allocation and projection. • How government collaborate with civil societies in providing oversight on the activities of the sector. • Weak linkage between MSMEs and large enterprises and how it is affecting the sector. • The collapsing sugar industry and the plan for the sector in reviving the Industries.	• The sector accounts up to 21% of the GDP and is one of the largest employing sectors. • It's a legal requirement for women, youth and people living with disabilities to access 30% of government procurement opportunities. Women, youth and PWDs are encouraged to register their business enterprises and apply for Government tenders • Civil societies are encouraged to register with the registrar of societies to offer their contribution to policy formulation and play an oversight role in the implementation process. • There are various Government entities including MSEA, KIRDI and KIE that supports the sector. The sector is working to operationalize the MSE development fund which is in the Micro and Small Enterprise Act 2012 that is yet to be gazetted. The sector is also working to fast tract the implementation of the session paper no 5 of 2020 on the Kenya Micro and Small Enterprises Policy that will help to mainstream inclusive development of the MSMEs. • The government is in the process of reviving the Mumias Sugar Company by privatization.

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Sector	Issues	Proposed way forward/Action taken/Response
	<u>Governance Issues</u> • Strategies on how treasury and the GECA sector collaborate on licensing of business. • The sector recorded growth in retail and wholesale stores in Kenya yet some are struggling to an extent of closing down. Case of Nakumatt and Turskys Supermarkets. What the sector is doing to address the challenges faced by the retail operators. • Low technology adoption among the MSMEs.	• SAGA called Micro and Small Enterprise Authority (MSEA) that deals with the licensing of business. The SAGA has recently recruited a registrar who will facilitate ease registration and licensing of SME. • Most of the challenges facing retail outlets are expansion programmes beyond their ability, poor management and nonpayment of their suppliers. The state department for trade is coming up with guidelines and regulation on the payment of suppliers. Also, KIBT plans to hold capacity building to the managers of the retail stores to address the issues faced. • There is need for diversification into the medium and high technology. This will require proper investment in appropriate skills set (STEM). The government to also provide conducive business environment and incentives for research and development investment within the sector.
Education Sector	**<u>Policy Issues</u>** • Teacher to Pupil Ratio • CBC Implementation particularly on issue of resource overburden on parents and acceptance. • Pending bills for Universities • Insurance of students in primary	• TSC is determined to see teachers are properly staffed. TSC is working with ministry of Education to ensure enough teachers are provided by recruiting 5000 teachers every year and also by engaging intern teachers. • To reduce misunderstanding correct information is key and the state department is addressing complains through public education and awareness. In addition, the state department has formed a Multi-agency communication committee including stakeholders to reach out to the public. • There are clear policies on the distribution of learning materials and the government gives normal capitation to buy materials overburdening of parents with resources belongs to private sector. • Universities have Pending bills and are challenges that are currently being handled together with National Treasury.

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Sector	Issues	Proposed way forward/Action taken/Response
		• Assumption is that at primary school the pupils are with parents and for secondary it is intended because they are away from home
	Governance Issues • Schools underperformance as a result of underperforming head teacher and teachers. • Entry grades for TSC • Sustainability of HELD given high rate of unemployment • Loans to Universities from commercial Banks • Gains in relation to Learners and trainers of Persons with Disabilities • Disaggregation public primary enrolment by sex in order to track progress made in tackling gender parity or disparity in education • Ownership and Management of Undugu and Mathare VTCs Society • Ministry of education degree programmes that are not marketable • 100 percent transition and underperformance	• TSC has Teachers Performance Appraisal development requires every teacher signs and their performances are reviewed. In addition, every head teacher signs performance contract evaluated every year and measure are taken against underperformance based on code of regulation of TSC. • TSC ensures that every teacher joining Teachers Training College has qualifications, requirements and entry grades that are needed. • Government has put effort and requirement to ensure every HELB beneficiary repays back. In addition the government prioritizes higher education and hence allocates funds every year on grants and loans to needy students • Loans to universities from commercial Banks can only be authorized by the National Treasury since the government is the guarantor of loans. Only partnership with other entities with willingness to support funding to particular projects are authorized. • The Ministry of Education has enhanced learning materials to special needs learners and has provided Ksh s. 655million extra funding to them and Ksh s 35000 extra to every in secondary school and extra 2300 on top of normal capitation for those in primary. • Recommendation noted. • VTCs management is under the Counties and the state department only assists in terms of policies. However, government allocated Ksh s. 2 Billion conditional grant to County government to assist in Management of VTCs

Sector	Issues	Proposed way forward/Action taken/Response
		• The ministry has come up with University industry collaboration policy where the universities align there courses to the needs in the market. TSC also guides universities on subject combination requirement for teaches so as they get employed as the complete. • Basic education is compulsory and 100 percent transition also includes those going to secondary and vocational
Environment Protection, Water and Natural Resources Sector	**<u>Policy Issues</u>** • Equity of water access in counties of Baringo, Nakuru and Bomet, Elgeyo Marakwet • Modernization of water payments • Conflict between wildlife and human	• Disparity in terms of coverage is due to not fully operationalized water act 2016 since the basis of future budget will be an integrated county water and sanitation investment into one named national water sector investment programme which is an aggregate of all the county investment plans. • In addition, addressing in equally in counties is due to little information on County Integrated Development Plans. • Installation of water ATMs/dispensers is a good recommendation. However, is needs resource mobilization in terms of costs. • In the Economic Stimulus Programme the government recruited scouts to assist KWS in terms of managing the situation.
	<u>Project Implementation Issues</u> • Forest coverage assessment in the country • Monitoring of water quality • Mercury free mining and purification • Plastic bags usage and ban in the country • Nairobi River pollution • Delay in the implementation of projects	• Forest is affected by various dynamics and currently at 7.2 percent and the achievement in terms of forest cover will be able with the latest technology in place. • The Ministry of Water and Sanitation is working with the department of public health within Nairobi Metropolitan and water purification units have been installed to ensure the water is of quality. • The effect of mercury is not instant and the ministry is implementing a project across the value chain to come up with environment friendly and

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Sector	Issues	Proposed way forward/Action taken/Response
	• None operational boreholes in the informal settlement.	affordable technologies that are not using mercury. Also, the ministry is doing capacity building to miners on sustainable and safe mining. • The Ministry has come up with necessary regulations and effective implementation of the policy on the ban of plastic bags and its success is a collective responsibility. • Currently the Ministry through a Cabinet memorandum and inter - ministerial technical committee has been formed to look into Nairobi river. • There is gaps arising from land compensation and particularly the during COVID-19 pandemic. Further, court cases arising due to land acquisition that delay projects. • The Ministry had 29 boreholes that were not working as a result of being disconnected from power due to lack of payment of power bills. The sub-Sector has already cleared the power bills.
	<u>Resource Allocation Issues</u> • Low budgetary provision on sustainable waste management and slow results • Budget for the Sector has been increasing but access to water has only been 3 percent • Budget allocation on mitigating rising Lakes.	• The government has already come with sustainable solid waste management policy and also through robust waste management awareness creation programme through socio media and partnering with stakeholders. • The Budget is not adequate due to population increase. However, the sector is developing National Water Sector Investment and Financing plan where coverage scenario has been mapped with the financing scenario that will enable resources required mapped to meet universal coverage. • In addition, most of the projects are multi-year and the outcome of provision of water can only be seen after completion of projects.

Sector	Issues	Proposed way forward/Action taken/Response
		• The government has organized Inter-ministerial team and developed report on the same awaiting cabinet decision. Upon completion the amount of funds required in handling the rising Lakes.
Social Protection, Culture and Recreation Sector	**Policy Issues** • Targeting of cash transfer beneficiaries • Commitment on generation equality forum	• The state department for social protection currently implements 3 cash transfer programme including older persons, orphans and vulnerable and persons with severe disability cash transfer programmes. All the 3 programmes have a total of 1,200 million households enrolled. The orphans and vulnerable cash transfer program targeting was done in 2015 using proximate test. Older person cash transfer is universal programme that targets senior citizens of 70 years and above. • The Generation Equality Fund (GEF) is a global initiative and Kenya co-chairs one of the action coalition on GBV. The president presented Kenya's 12 commitments to deliver on elimination GBV during generation equality forum meeting in Paris. The Ministry of Gender and Public Service has incorporated the commitments in terms of priorities for implementation in current financial year and the subsequent financial years.
	Project Implementation Issues • Setting up of sports entrepreneurship centre	• The ministry of sports has come up with stadiums to engage the young generation in sports activities. The ministry recognizes need to come up with entrepreneurship centres by engaging the federation and the association.
Governance Justice Law and Order Sector	**Policy Issues** • Community Policing	• Community policing is done at the police station level. Different communities have different needs. Currently there are specific budgets for the Ward Commanders and the State Department for Interior and Citizen Services is trying to harmonize community policing with Nyumba Kumi and Peace Committees so as to optimize use of resources.

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Sector	Issues	Proposed way forward/Action taken/Response
	• Registration on business/companies	• The process for the registration for businesses has been digitized hence the increase in numbers
	<u>Governance Issues</u> • Mental health for the police • Security in higher learning education • Value for money from the taxes in terms of assets	• Government is creating awareness and has established Directorate for counselling to provide psychosocial support 5to the police and avert mental health problems. • The government provides security officers to all higher learning institutions. In addition, the government has also partnered with various stakeholders to enhance security in higher learning institutions • Tracing of assets by EACC is a continuous process. In addition, EACC has partnered with police and ODPP in tracing of assets. Valuation of assets is based on projections and past trends.
	<u>Project Implementation Issues</u> • Suitability of voting materials suited for PWDs and visual impairment	• The IEBC is adopting in their programmes to suit PWDs and has materials that have been developed for use for that purpose. The IEBC is also doing voter education to create awareness on the use of such materials.
	<u>Resource Allocation Issues</u> • Allocation and operationalization for legal aid fund and judiciary fund • Development budget less than recommended percentage • Allocation for ICT support • Full disbursement of allocations	• The judiciary fund will be operationalized in the next financial year and the implementation will be rolled out thereafter. • Allocations is guided by available resources • Allocations are in the individual sector reports. • National treasury has done well in terms of disbursement as indicated in the absorption rates of the sub sectors which has been reported to be up to an average of 94 percent

Annex Table 6: Members of the Macro Working Group who attended the Retreat in Naivasha from November 11-19, 2021 to finalize this 2022 Budget Policy Statement

S/No.	Institution/ Department		Name	Designation
1	The National Treasury	Macro & Fiscal Affairs	1. Mr. Musa Kathanje	Director/ Macro & Fiscal Affairs
			2. Mr. Samuel Gitau	Senior Deputy Director
			3. Mr. John Njera	Director Planning
			4. Mr. Maurice Omete	Senior Economist
			5. Ms. Irene Muatha	Senior Economist
			6. Ms. Geraldine Kyalo	Senior Economist
			7. Ms. Mary Maina	Senior Economist
			8. Ms. Beatrice Mwangi	Economist II
			9. Mr. Lucas Sagire	Economist II
			10. Ms. Phyllis Muthoni	Economist II
			11. Mr. Charles Maina	Economist II
			12. Ms. Ruth Njoroge	Senior Assistant Office Adminstrator
			13. Ms. Milly Kikwai	Office Assistant
		Budget	14. Mr. William Musili	Economist II
		Intergovernmental Fiscal Relations	15. Mr. Brian K. Cheruiyot	Principal Economist
			16. Mr. John Macharia	Economist II
		Financial and Sectoral Affairs	17. Mr. Joseph Mwanzia	Senior Economist
		Government Investment and Public Enterprises	18. Mr. Paul Kiagu	Chief Economist
		Public Private Partnership	19. Mr. James Kimani	Senior Economist
		Debt Policy, Strategy and Risk Management	20. Ms. Lottan Mwangi	Economist II
		Resource Mobilization	21. Mr. Michael Kahiti	Director Planning
			22. Ms. Pinky Zala	Senior Economist
2	State Department of Planning		23. Mr. Zachary Mwangi	Deputy Director
			24. Mr. Jackson Kiprono	Chief Economist
			25. Ms. Peninah Kawira	Principal Economist
3	Central Bank of Kenya		26. Ms. Anne Kamau	Manager
			27. Ms. Caroline Wanjiru	Economist
4	Kenya Revenue Authority		28. Ms. Gayline Vuluku	Assistant Manager
			29. Mr. Walter Omwenga	Officer
5	Kenya National Bureau of Statistics		30. Mr. Benjamin Muchiri	Senior Manager
6	Commission on Revenue Allocation		31. Ms. Lineth Oyugi	Director/Economic Affairs
7	Kenya Institute of Public Policy and Research Analysis		32. Mr. Benson Kiriga	Senior Policy Analyst

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Annex Table 7: Public Proposals and Comments on the 2022 Budget Policy Statement

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Recent Economic Developments and Outlook	Update table 1.1 with the recent IMF WEO October 2021 updates	The table has been updated with the latest update of the WEO October 2021 numbers.
	Figure 1.1 could also show what other institution e.g., CBK, WB, IMF, AFDB, OECD are forecasting for Kenya.	This has been noted and will be considered for future Budget documents.
	How did Covid 19 affect the tourism sector? What was its impact on the GDP?	The tourism was one of the worst hit sectors in Kenya following the outbreak of COVID-19 pandemic and the resultant containment measures including travel restrictions. Nevertheless, the sector is expected to recover gradually following the ease of travel restrictions, implementation of protocols for management of restaurants and eateries, execution of Magical Kenya Tourism and Travel health and safety protocols and subsequent 'Safe Travels' Stamp endorsements and Safer Tourism Seal.
	Update figure 1.2 the inflation chart to October 2021.	The table is up to date with the current numbers.
	Figure 1.4 to be updated or introduce another figure on inflation for Kenya's key external and trading partners outside the EAC e.g., China, India, UK, USA, and countries in the EU etc.	This has been noted and will be considered for future Budget documents.
	The economy never closed, there was disruptions caused by the COVID-19 pandemic i.e., supply disruptions, restriction of movement, closure of some businesses, slowdown of some businesses etc.	Paragraph amended accordingly

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	In the domestic outlook, so far, the weather has not been favorable to most major crops grown in Kenya. Why address the expectation of the weather to be favorable. Paragraphs 17 and 20 are contradicting. While paragraph 17 indicates that favorable weather conditions is expected in 2021, paragraph 20 already indicates that the weather condition is already dry and already having negative impacts on inflation due to reduced food supply. Paragraph 17 therefore requires to be re-casted.	Food production has been affected by the adverse weather condition in some part of the country. However, weather in the food basket regions has remained favorable in the year and are projected to remain favorable in the remaining two of FY 2021/22.
	The increase in uptake of digital services was a result of measures taken by the CBK to support the sector as well as ensure use of cashless transfer of money instead of cash to reduce the risks of contracting COVID. These measures included scrapping of transactions costs for transfers between mobile money wallets and bank accounts, removal of mobile money transfer costs for amount below Ksh 1000, increased daily limit for mobile money to Ksh 150,000.	Indeed, the measures undertaken by the Government including the removal of mobile money transfer costs for amount below Ksh 1000 encouraged the uptake of digital services.
	Data for most macroeconomic variables are outdated. Particularly, data on private sector credit, BOP, current account and reserves are up to May 2021. This requires to be update to the latest data especially September or October.	These sections have been updated accordingly.
	Revise monetary policy. The government needs to move Kenya's exchange rate closer to its equilibrium. With this, the country can reduce taxes on imported inputs and upgrade its productive capacity. With this, the country can reduce taxes on imported inputs and an upgrading of its productive capacity, to match domestic and foreign demand.	The Government continues to implement prudent fiscal and monetary policies that have fostered macroeconomic stability. Kenya's exchange rate remains largely stable supporting increased remittances, adequate foreign exchange reserves and boosting horticultural exports.
	It is important to highlight that the underperformance in revenues was also as a result of the tax measures taken by the government to cushion the citizens from	The revenue performance for FY 2020/21 was affected by tax measure undertaken by government to cushion Kenyans from

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
Fiscal Policy, Framework and Performance	the impact of the pandemic. These included reduction in income tax and corporate tax rates from 30 percent to 25 percent, 100 percent tax relief for those earning Ksh 24000 and below, and reduction in VAT rates from 16 to 14 percent.	the adverse effect of the COVID-19 pandemic. This is one of many containments measures the government undertook to cushion Kenyans and had a ripple effect to other economic activities thereby affecting overall revenue collection in the economy.
	The report does not highlight the legal suits on tax issues that the government has lost that have implications for the 2021/22 budget. Particularly, the High Court declared that the government's plan to impose a minimum tax on corporate sales, even when a company reports losses, is unconstitutional. In addition, the court suspended the planned increase of excise duty on petroleum products effective October 1. These decisions are expected to have implications on the revenues.	On 20th September 2021, the High Court declared that minimum tax is unconstitutional. The National Treasury 23rd September, 2021 requested the Attorney General to appeal the decision of the High Court. The Government estimated to collect an additional revenue amounting to Ksh. 21 billion from minimum tax. The suspension of the tax, therefore, implies that the Government will lose an estimate of Ksh 21 billion, which is already factored in the budget for the FY2021/22.
	In revenue projections, revenue collection including A.i.A is projected to increase to Ksh 2,405.3 billion, whether this is attainable based on on-going reforms in tax policy and revenue administration or are there additional reforms to be undertaken to attain the target revenue.	Going with the recent performance in revenue collection, expenditure rationalization and revenue recovery measures put in place, the revenue targets are realistic and attainable. In the FY 2021/22, The Government is implementing tax policy measures through the Finance Act, 2021, development of National Tax Policy, minimizing tax expenditures and increase predictability in the tax system that will boost revenue performance.

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Borrowing should be used only for the purpose of financing development expenditure and not for recurrent expenditure, in accordance with section 15(2)(c) of the PFMA.	In line with the fiscal responsibility principles of the PFM Act, borrowed resources in the FY 2020/21 were used only for purposes of financing development and not for recurrent expenditure.
	Contingency Fund should be adjusted upwards because of the reduced buying power arising from inflation is equivalent to underfunding.	This comment has been noted and should additional resources become available, the Government will redirect them to inadequately funded strategic priorities including scaling up the Contingency Fund.
	The National Treasury should review the domestic-foreign debt mix policy such that more public debt is denominated in domestic currency that promotes domestic productivity. Borrowing needs to be more in domestic denominated market.	The Government endeavors to maintain an optimal domestic-foreign debt mix to ensure that public debt remains sustainable. In the FY 2022/23, the Government targets a net financing mix of 32 percent from external sources and 68 percent from domestic market as to fund the 2022/23 fiscal deficits as the optimal debt strategy that aims at minimizing costs and risks of public debt.
	National Treasury should reduce the number of supplementary budgets to a maximum of one, to occur at the mid or end of financial year. This will reverse the regular overshooting of actual expenditure above the budgeted.	This recommended is duly noted and the Government will continue with its commitment of to reduce the number of in-year supplementary budgets
	Public debt limit should be pegged to real economic performance. A resolution duly be moved and passed by Parliament as provided for in Section 15(2)(d) of PFMA sets the national indebtedness limits and be pegged to real economic performance. This is to ensure that the public debt limits are maintained at sustainable levels which means that the set margins should not be exceeded at any given time.	The PFM Act requires that public debt and obligations remain at sustainable levels. The Government is committed to adhering to this at all times by complying with the set debt ceiling of Ksh 9.0 trillion as set by Parliament Further borrowing is carried out within the macroeconomic context

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	The government should adhere to the Public Finance Management Act 2012 which stipulates that over the medium term a minimum of thirty percent of the national and county government's budget shall be allocated to the development expenditure.	Consistent with the requirements of the PFM Act, the National Government's allocation to development expenditures has been above the 30 percent of its Ministerial expenditures. 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 36.0 percent in the FY 2022/23 and remain above the recommended threshold over the medium term
	The government should stop using taxation merely to fund public spending whereas, in principle, can be realized through prudent fiscal management. The purpose and principles of good taxation need to be reassessed in Kenya to address their productivity. The IMF supported fiscal consolidation program tax measures are basically focused on revenue enhancement rather than responding to canon of good taxation system.	The commented in duly noted. It is for this reason that the Government is finalizing the National Tax Policy to ensure guide taxation in the country. The Government is in the process of developing a Medium-Term Revenue Strategy (MTRS) that outlines the tax policy measures and strategies for sustainably raising revenues over the medium term that will ensure certainty continues to maintain tax rates at stable levels through various policy documents.
	The National Treasury should enhance its accuracy in the estimation of the ordinary revenue which is key in addressing sub-sequent delays in intergovernmental fiscal transfers.	The ordinary revenue projections in the BPS'22 for FY 2022/23 are quite conservative and are based on realistic projections. Revenues rebounded in the first quarter of FY 2021/22 following the easing of COVID-19 restrictions and implementation of tax policy measures.

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Tighten tax deductions by revising type of tax to have progressive tax so that the people who earn more pay more taxes.	Kenya income tax is progressive, the higher the earnings the higher the tax liability.
	Re-introduction of national tax policy in Kenya to assist in setting parameters for taxation in Kenya. The aim is to concentrate in indirect tax, widening the current tax base and deploy technology and move up ease of tax repayment.	The Government is in the process of developing a National Tax Policy Framework that will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislation and management of tax expenditure.
Accelerating Economic Recovery for Improved livelihood	Amend paragraph 72 vi, to read, "To consolidate the gains and adequately prepare the education sector for the next phase of the curriculum reforms were approximately one million students are to transition to junior secondary school in January 2023, the government will allocate Ksh 8 billion to the Ministry of Education for the CBC infrastructure expansion programme for the construction of over 10,000 classrooms."	Paragraph amended accordingly.
	In section 2.3.1 on Supporting growth of manufacturing for job creation, amend paragraph 75, 76, 77, 78, 79, 80 and 81.	Paragraph amended accordingly.
	In section 2.7.1, Replace Competency Based Curriculum (CBC) with Curriculum Reforms.	Paragraph amended accordingly.
Budget for FY 2022/23 and the Medium Term	The Budget Policy Statement to incorporate the drought situation analysis and mitigation measures in place to enable prioritization of DRR programmes in The National Budget.	Budgetary allocations to cater for emergencies/unforeseen events such as drought are encapsulated under the Contingency Fund meant. Additionally, to mitigate impact of the current drought and famine in the northern part of the country, the Government has provided Ksh 500 million to contain effects of drought in Turkana, Marsabit, Wajir and Mandera counties.

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	The National Treasury should enforce the "parity principle" to ensure that national spending is not prioritized over counties in order to address the decline relative transfers to the counties. The declining trend is evidence that national spending is prioritized over county spending.	Table 3.1 clearly indicates that the share of allocation in the FY 2022/23 projections for the Executive in the National Government and the County Governments are both declining. Whereas the County Governments share of allocation is declining from 12.1 percent in FY 2021/22 to 11.2 percent in FY 2022/23, the share of allocation to the Executive arm of the National Government is also declining from 62.2 percent in FY 2021/22 to 61.0 percent in FY 2022/23.
	The National Treasury should increase the amount of resource allocated to economic stimulus to facilitate economic recovery.	In section 2.2 of this BPS details the various interventions and allocation the government has put to implement the third Economic Stimulus Programmes to enhance economic growth and recovery.
	Table 3.1 show the budget to the Judiciary may need a further uplift to allow the sector to build capacity and deal with likely court cases that can arise during and after the electioneering period.	Despite the limited resources, the Judiciary has been allocated Ksh 18, 884.7 million in the FY 2022/23 an increase of 966.5 million. This will facilitate in matters arising during and after electioneering period.
	In the education sector, consideration can be given on schools with children who have special needs, especially in terms of accessing assistive devices and technologies and easing mobility, to make their education inclusive.	The Sector is undergoing reforms in order to enhance access and inclusivity as well as improve quality and relevance. This will ensure that the education system promotes innovativeness and lifelong learning. These reforms will meet the expectations of the citizens through improvement of education outcomes. To implement the programmes in the MTEF period. The Sector has been allocated Ksh 525.9

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		billion, Ksh 539.9 billion and Ksh. 558.4 billion in the financial years 2022/23, 2023/24 and 2024/25 respectively.
	The National Treasury should ensure that more resources are prioritized for the COVID-19 vaccination to enhance the attainment of the macroeconomic objectives	The Government is committed to ensure every Kenyan is safe and fully vaccinated. The health sector has been allocated Ksh 121.1 billion in FY 2022/23, this will facilitate 100% vaccination rollout among other priority programmes in the sector.
	Table 3.2 shows a decline in budget allocation or percentage share in Total Ministerial Expenditure to the Agriculture, Rural & Urban Development (ARUD) Sector, which might impact negatively on government plan for food security, as captured in the Big 4 Agenda. Thus, a proposal to have the shares increase rather than decline.	The sector allocations to ARUD Sector are declining on account of decline in donor financing (loans and grants).
	In Table 3.2, the General Economic and Commercial Affairs (GECA) sector was one of the hardest hit sectors by the pandemic. Given the significance of the sector towards employment creation and reducing poverty, it would be worthwhile to boost budget allocations to help the sector recover and contribute to government development agenda.	The sector has been allocated Ksh 24.8 billion in FY 2022/23 and Ksh 28.4 billion over the medium term to facilitate its operation and contribution to government development agenda. The GECA sector ceiling was enhanced to boost share of manufacturing to GDP to 15% by FY 2024/25 among other requirements in the MTEF.
	What are the key challenges on the budget implementation	The revenue projections are based on macro assumptions. In the event of unforeseen circumstances, revenues may not be realized, and this may pose a challenge to the implementation of the budget as it may lead to delays in the implementation of planned programmes or at times a complete postponement.

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SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		Although Ministries/Departments prepare procurement plans, sometimes the process of tendering and approval of contract takes too long, and this possess a major challenge in budget implementation Ministries/Departments make requests for additional provisions immediately after the budget has been approved. These could be due to unforeseen and emergency expenditure demands such as disasters and droughts which are difficult to project and estimate. Over the year, the Government may make policies that have an impact on the budget such as Huduma number which was adopted mid-year. This puts pressure on the limited resources.
Details of Sector Priorities	Amend paragraph 204 to include achievements in various programmes and activities in the FY 2018/19 – 2020/21 medium term budget.	Paragraph amended accordingly
	Amend paragraph 205 to show the programmes and continued implementation of projects the Medium term budget.	Paragraph amended accordingly
	The Government should invest in mental health at community level, since its where most Mental Health issues are being experienced. Investments should adequately cover mental health awareness, staffing at facilities and availability of the requisite medication/care.	The government continues to make deliberate effort to address mental health issues. In order to address the challenges caused by mental health, the Government has established an Office in the Ministry of Health, with the full responsibility of spearheading the national response to the disruption caused by mental illness. The Government also elevated Mathari National Teaching and Referral Hospital to

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		a semi-autonomous specialized hospital to offer training and research in psychiatry, specialized and forensic psychiatric services, child and adolescent mental services and substance abuse related and addictive disorders treatment and rehabilitation services.
	In the Education sector, over the last two years the share of education has been declining from 27% in FY 2020/21 to 25% in the draft BPS for FY 2022/23.	The sector has been allocated Ksh 525.9 billion in FY 2022/23, Ksh 539.9 billion in FY 2023/24 and Ksh 558.4 billion in FY 2024/25. Over the medium term, there is an increase of budget allocation of Ksh 32.5 billion. The government continues to make deliberate efforts to increase spending to crucial programs and should additional funding be available, the sector will continue to get top priority.
	Increase the budget allocated to the health sector from 6.2% to 7% by reducing an allocation equal to 0.8 percentage points from Energy, Infrastructure, and ICT sector.	The government continues to make deliberate efforts to increase spending to crucial programs amidst revenue challenges. Should additional funding be available the sector will continue to get top priority.
	Increase the allocation for Social Protection, Culture and Recreation Sector's share of budget from 3.5% to 4.5%.	The government continues to make deliberate efforts to increase spending to crucial programs amidst revenue challenges. Should additional funding be available the sector will continue to get top priority
	We recommend that pregnant teenagers are included in the vulnerable children category, and funds are allocated towards programmes and projects that support this group in the Sector.	This proposal is noted and will be considered in future budget allocations. The affairs of children are catered for under the Ministry of Education, Public Service, Social Protection and

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		Special Programmes. Their views are usually incorporated during the budget making process.
	We recommend the need to include and prioritize access to healthcare as a social service. Access to healthcare for all will ensure well-being and improve productivity in the population.	The Government prioritize access to quality and affordable healthcare. Under the universal health coverage pillar of the "Big Four" Agenda, the Government is implementing interventions that will further expand access to healthcare
	Decreasing health budget allocation will negativity impact service delivery & access? We recommend that the allocation is increased to reflect the healthcare needs in the country, especially post COVID-19. We recommend that the government in realizing establishing more community health units and health facilities must increase or allocate equal to Ksh. 56, 219, 500 as allocated in 2021/22.	The government continues to make deliberate efforts to increase spending to crucial programs amidst revenue challenges. Should there be additional funding be available the sector will continue to get top priority
	Amend paragraph 189 to replace "engagement of 4,000 annually…" with, "engagement of 10,300 and 12,000 interns in 2019/20 and 2020/21…"	Paragraph amended accordingly.
	Amend paragraph 190 to show Registered research institution are six (6) not seven (7).	Paragraph amended accordingly.
	The "Kazi Mtaani" project that is currently at the national level should be integrated at county level. This will ensure its sustainability and a multi-stakeholder approach in promoting youth employment.	The "Kazi Mtaani" Programme is one of the Economic stimulus programmes initiated by the government to ensure Kenyan's economy endures the shocks of the COVID-19 pandemic. The programme has been allocated Ksh 10.0 billion in the third EPS programme that will create employment for over 200,000 youths across the country.
	The allocation for state department of youth development service has declined as par the proposed budget from Ksh 4, 650,400 in 2021/22 to Ksh 3,442,100 in	To address youth empowerment the sector has been allocated Ksh 950.9 million and to promote youth development

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	2022/23. We recommend that budget allocation to be increased in order to address youth empowerment and unemployment.	services the sector has been allocated Ksh 2.2 billion in the FY 2022/23.
County Financial Management and - Division of Revenue	In section 4.1.2, wage bill should not exceed 35 percent of total revenue. Only 13 counties managed to achieve the threshold while 34 counties were not able to meet the threshold. Counties need to manage the escalating wage bill in terms of rationalizing that expenditure and minimization of duplication of functions where applicable.	In order to manage the escalating wage bill, Counties have been called upon to put in place measures to contain the wage bill in compliance with the law and to free up resources for development and improve service delivery.
	In section 4.2, the enhancement of County Governments Own-Source revenue, the counties performed dismally with actual collection at Ksh 34.4 billion against a target of 53.7 billion (an estimate of 64.1 percent) in 2020/21. The counties need to double their effort in revenue collection as the potential is already there which need to be exploited fully. Strict measures need to be implemented in revenue collection and minimise revenue slippages where applicable.	In order to support County Governments to enhance their own source revenue, the National Treasury through a Multi-Agency Team developed the National Policy to Support Enhancement of County Governments' OSR. The Policy which is currently being implemented, proposes strategies to address challenges in collection and administration of decentralized taxes, fees and charges.
	In section 4.1.1 there is need to give clear reasons why Nairobi County had below 30 percent allocation on development spending. In actual expenditures, only 21 counties that managed to achieve the 30 percent threshold while 26 counties completely failed to meet the expenditure threshold.	The data for analyzing the fiscal responsibility principle on development is obtained from the *County Governments' Budget Implementation Review Report* produced by the Controller of Budget. This Report does not indicate the reasons for non-compliance by the Nairobi City County Government.
	According to Disaster Risk Reduction Context the Budget Policy Statement under section 4.7.8 provides a guiding statement on delineated disaster management functions between the National Government and County Government. In section 4.6.2 it indicates an increase in equalization fund from	The Public Finance Management (Equalization Fund Administration) Regulations, 2021 were published under Legal Notice No. 54 dated 29th April, 2021 subsequently approved by the Parliament. The publication and approval of

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	6.7 billion -7.4 billion, however, the treasury is still in the process of constituting the Advisory board of the Equalization fund hence this means the fund is still not operational until the appointment of board members is complete. Hence the fund will not be able to address the impact of drought in ASAL Counties. There is need to establish the equalization advisory board to enable operationalization of the fund.	the Regulations paved the way for the full operationalization of the Equalization Fund Advisory Board. The National Treasury is in the process of constituting the Equalization Fund Advisory Board. Accordingly, the National Treasury has requested for nominations for appointment to the Board from the Council of Governors, the Senate and the National Assembly, in accordance with Regulations 4 and 5 of the PFM (Equalization Fund Administration) Regulations 2021.
	Budget documents should contain breakdown of sub-programmes to supporting Disaster Risk Reduction budget analysis.	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 this regard, the breakdown of specific budget items are contained within the specific County Governments and MDA budgets.
	There is need for costing of disaster impacts and financial requirements for disaster risk management. To close the loop for investment-gap analysis and carry out cost-benefit analysis of DRR investment.	The Inter-Governmental Relations Technical Committee (IGRTC) through a Legal Notice No. 86 of 2nd March 2021, delineated the disaster management function between the National Government and County Government. Hence the two levels of government have a role in disaster management including the costing and determining the financial requirements for disaster risk management.

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Why can't the National Government disburse the equalization funds to counties in form of conditional grants as enshrined in Article 202(2)?	Under PFM (Equalization fund administration) Regulations 2021 the equalization will be implemented as conditional grants to the Counties.
	In 4.3.1 on pending bills, it is noted that only Ksh 51.2 billion out of 88.98 billion were reported as a payable. The balance of 37.7 billion lack sufficient documents which is a huge chunk of pending bills. In order to pick genuine bills out of this, more strict reviews and measures need to be undertaken, more so like the forensic audit and use of artificial intelligence in order not to unnecessarily punish some innocent Kenyans. However, even for the eligible bills, there is still Ksh 10.79 billion not yet paid even after transfers were done to counties. This is unacceptable as this depresses some of the economic sectors that are directly related to this 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 30th June 2021, county governments had verified and paid Ksh 6.88 billion of the ineligible pending bills. The National Treasury is awaiting the OAG special audit of the County Governments' pending bills for the Financial Years 2018/2019 and 2019/2020 which was conducted in May 2021 at the request of the National Treasury.
State Corporations Reforms	Why do SOEs go for loans and don't have source of income? Who guarantees these loans?	State Corporations are body Corporates and have the legal capacity to contract debts and other liabilities to finance their requirements. Approval to procure such loans must be obtained from the Parent Ministry, subject to limitations and conditions as may be imposed by the National Treasury as required under the State Corporations Act.
	Who monitors the SOEs?	The Board of Directors run the implementations of the management in the SOEs, the management run the day-to-day operations of the SOEs and the parent ministry monitors the activities of the SOEs to make sure they implement the

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
		mandate of the government. The auditor general monitors the financial records.
	Why do most SOEs in Kenya operate in a negative working capital? The Government keeps bailing some SOEs out of debt and yet some are monopolistic in nature?	State Corporation Enterprises offer social goods and services to the society therefore by not allocating funds to run their operations, most Kenyans will be deprived their rights.
Government Fiscal Operations	In FY21/22, program loans are about Ksh 50 billion above the level discussed during the IMF mission. Could your team please clarify the breakdown by main creditor of this financing item? What are the assumptions underpinning the expected level of net domestic credit? Could your team clarify the composition of net domestic credit to understand how the impact of the expected decrease in "accounts payable" for Ksh 129 billion is reflected in NT's estimates?	The program loans reflected in the include disbursements from IMF – Ksh 57.5 bn, WB – Ksh 62.5 bn, AfDB – Ksh 12.3 bn and the WB Vaccine – Ksh 14.2 bn and WB PfR Ksh 3.5 bn (total of Ksh 169.9 bn). This are in line with the numbers agreed in the forex flows expectations discussed during the second review mission. On the carry overs (accounts payables), as discussed these were captured as payables in the end June 2021 position. In the current FY, the payables are cleared by the deposits. This implies a reduction in payables and equivalent run down of deposits. In our end June 2022 position, we assume no other movement in deposits (accumulation or run down) except for the clearance of the accounts payable of 129 bn. This is our assumptions in our budgets even going forward.
	In FY22/23, the estimated level of tax revenues falls short of the program target. We understand that the BPS cannot show unidentified tax measures to reach program targets. However, in our view, this would argue in favour of increasing tax heads from current projected levels rather than keeping them below agreed	We note the comments on level of taxes compared to the program levels. We will address this.

SECRET

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	targets. Should the FY22/23 budget submitted to parliament reflect BPS' tax levels, it would be assessed by the Fund as inconsistent with program commitments and in breach of program conditionality. The estimated spending does not seem to include the agreed SOEs extraordinary support (Ksh 36 billion) and associated spending offsets (-Ksh 18 billion). Could you please clarify if this is the approach that you will take in preparation of the FY22/23 Budget? Also, if so, what would be the implications on NT's ability to provide such extraordinary support by end-December 2022? Could you please clarify the assumptions underpinning the estimate of debt service (domestic and foreign)? The current numbers appear to be somewhat different from the levels discussed during the mission meetings to reconcile NT/PDMO/CBK debt related figures. Program loans are about Ksh 100 billion above the level discussed during the mission after several rounds of reconciliations. Could your team please clarify the breakdown by main creditor of this financing item? The projected size of net domestic credit is different from that envisaged under the IMF baseline. Could you please confirm whether this only reflect differences in views about the size of foreign borrowing or are there other considerations that Fund should reflect in its projections?	The spending levels for FY 2022/23, FY 2023/24 and FY 2024/25 include additional SOE support of Ksh 36.1 bn, Ksh 36.6 bn and Ksh 22.8 bn.
	In FY23/24 and beyond, the projected path of tax revenues is inconsistent with program objectives. Our suggestion would be to allocate the agreed unidentified tax measures to the various tax heads.	The External debt service numbers in the BPS are as discussed during the review mission and assumptions have not changed the same with domestic interest remain unchanged. Domestic interest payments are as shared by PDMO in late October.

SECRET

SECTOR/POLICY AREA	PROPOSAL/COMMENT	WAY FORWARD/ACTION TAKEN/RESPONSE
	Projections for the debt service appear to be different from the ones discussed during the mission. Please, clarify how these estimates reflect the latest numbers discussed during the mission Projections for commercial borrowing are different from the ones discussed during the mission. Please, clarify the assumptions underpinning these figures and whether these are consistent with the IMF debt limit policy.	The program loans reflect our earlier numbers on the possible WB DPO funding. This we will revise downwards, as such domestic borrowing will rise by the reduction in program loans. We note the comments on level of taxes compared to the program levels. We will address this. The spending levels for FY 2022/23, FY 2023/24 and FY 2024/25 include additional SOE support of Ksh 36.1 bn, Ksh 36.6 bn and Ksh 22.8 bn.

THE NATIONAL TREASURY AND PLANNING
NOVEMBER 2021

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