

PARLIAMENT
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DRAFT



REPUBLIC OF KENYA

**FINANCIAL STATEMENT
AND BUDGET
FRAMEWORK**

**for the
Fiscal Year 2012/2013**

(1st July – 30th June)

2012/13 BUDGET: DRAFT FINANCIAL STATEMENT (KSH. MILLION)

	Notes	2011/2012		2012/2013
		Original	Revised	Forecast
RECEIPTS				
Recurrent				
(i) Ordinary Revenue		713,615.23	724,894.00 *	870,518.60 *
(ii) Appropriations-in-Aid (including LATF)	1	68,740.99	74,452.06	79,321.00
		782,356.22	799,346.06	949,839.60
Development				
(i) Project Loans		39,484.96	36,429.21	37,424.81
(ii) Project Grants		12,733.00	14,209.55	14,691.31
(iii) Appropriations-in-Aid	2	136,081.43	139,394.48	178,177.82
		188,299.39	190,033.24	230,293.94
Total Receipts		970,655.61	989,379.30	1,180,133.54
EXPENDITURE				
(i) Recurrent Expenditure		544,858.42	578,394.32	657,185.45
(ii) Consolidated Fund Services (CFS)	3	209,523.75	209,470.03	345,987.75
Total Expenditure (gross) - Recurrent & CFS		754,382.17	787,864.35	1,003,173.20
(iii) Development Expenditure	4	398,551.22	382,614.04	451,683.38
Total Expenditure (gross) - Recurrent, CFS & Development		1,152,933.39	1,170,478.39	1,454,856.58
Provision - Civil Contingence Fund		2,000.00		5,000.00
Total Gross Expenditure		1,154,933.39	1,170,478.39	1,459,856.58
Deficit (Financed as Shown Below)		(184,277.78)	(181,099.09)	(279,723.04)
FINANCED BY:				
Net Domestic Financing				
- Treasury Bills/Bonds		83,649.02	61,953.00	74,718.00
- Infrastructure Bonds		35,850.00		32,022.00
Commercial Financing		0.00	52,200.00	
Domestic Debt Rollover		62,340.05	62,340.05	170,461.30
Debt Swap		483.84	483.84	483.84
Cash adjustment	5	1,954.87	4,122.20 *	2,037.90 *
		184,277.78	181,099.09	279,723.04

* Source - Draft budget framework table

NOTES			
1. Appropriations-in-Aid: Recurrent			
- Ministries	70,695.86	74,452.06	81,358.91
- LATF adjustment	(1,954.87)		
2. Appropriations-in-Aid: Development			
- Grants	28,379.00	32,818.08	41,484.15
- Loan	102,485.00	99,468.30	131,893.63
- Local (PDL)	5,217.00	7,108.09	4,800.02
3. Consolidated Fund Services:			
- Public Debt	173,281.19	175,386.31	303,632.70
- Pensions	31,759.13	29,259.13	37,846.89
- Salaries Allowances and Miscellaneous	3,073.43	3,363.10	3,164.44
- Subscriptions to International Organisations	0.50	0.50	0.50
- Guaranteed Debt	1,409.50	1,460.99	1,343.21
4. Development Expenditure :			
(i) Cash Payments			
- GOK Contribution	210,252.00	192,580.79	221,389.43
- Loans	39,485.00	36,429.21	37,424.81
- Grants	12,733.00	14,209.55	14,691.31
(ii) Appropriations-in-Aid:			
- Grants	28,379.00	32,818.08	41,484.15
- Loan	102,485.00	99,468.30	131,893.63
- Local	5,217.00	7,108.09	4,800.02
5. Cash Adjustment			
- LATF	1,954.87	-	2,037.91
- World Bank counterpart refinancing		3,000.00	
- JICA drought relief grants		1,132.00	

DRAFT 2012/13 BUDGET FRAMEWORK (KSH. BILLION)

	2011/12		2012/13	
	Printed	Revised	Forecast	
			2012 BPS	Draft Budget
1.0 Revenue and Grants	833.2	852.5	984.7	1,010.8
1.1 Revenue	792.1	804.3	936.5	954.6
1.1.1 Tax Revenue	662.6	658.8	780.8	786.4
1.1.1.1 Income tax (incl. LATF)	308.4	326.6	387.6	390.7
1.1.1.2 Import duty (net)	55.6	56.6	64.1	64.1
1.1.1.3 Excise duty	93.3	81.8	96.3	96.3
1.1.1.4 Value-Added tax	205.3	193.8	232.8	235.3
1.1.2 Nontax revenue	129.5	145.5	155.6	168.2
1.1.2.1 Investment income	13.3	13.6	15.9	15.9
1.1.2.2 Other incl. fees	116.2	131.9	139.7	152.3
of which: Refunds from AMISOM	-	7.5	-	15.7
1.2 Grants	41.1	48.2	48.3	56.2
1.2.1 Project grants	41.1	47.0	48.3	56.2
1.2.2 Program grants	-	1.1	-	-
2.0 Expenditure and Net Lending	1,071.3	1,082.8	1,152.1	1,263.2
2.1 Recurrent expenditure	672.2	697.5	773.3	807.0
2.1.1 Interest payments	84.1	86.6	97.2	105.8
2.1.1.1 Domestic interest	76.6	77.7	85.5	94.5
2.1.1.2 Foreign interest due	7.5	8.9	11.6	11.3
2.1.2 Wages and benefits (civil service)	222.6	229.4	262.9	263.7
2.1.3 Pension, etc.	34.8	32.6	37.3	41.0
2.1.4 Contribution to civil service pension fund	-	-	15.2	-
2.1.5 Other	265.7	270.5	296.6	313.0
2.1.6 Defense and NSIS	65.2	78.6	64.1	83.5
2.2 Development and net lending	399.1	385.2	370.2	448.2
2.2.1 Domestically financed	213.5	199.7	230.8	220.1
2.2.2 Foreign financed	183.1	182.9	136.6	225.5
2.2.3 Net lending	2.6	2.6	2.8	2.5
2.3 Equalization fund	-	-	3.6	3.0
2.4 Contingency fund	0.5	-	5.0	5.0
3.0 Balance (excluding grants)	(279.2)	(278.4)	(215.7)	(308.6)
4.0 Adjustment to cash (LATF)	2.0	2.0	-	2.0
5.0 Balance (including grants)	(236.2)	(228.3)	(167.4)	(250.4)
6.0 Financing	236.2	228.2	167.4	250.3
5.1 Net External Financing	116.7	166.2	60.7	143.6
5.1.1 Disbursement	142.5	191.6	88.9	169.8
5.1.1.1 Project loans	142.0	138.9	88.4	169.3
5.1.1.2 Commercial loans	-	52.2	-	-
5.1.1.3 Other	0.5	0.5	0.5	0.5
5.2.1 Amortization	(25.8)	(25.4)	(28.2)	(26.2)
5.2 Net Domestic Financing	119.5	62.0	106.7	106.7
7.0 Financing gap	(0.0)	(0.0)	(0.0)	(0.0)

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REPUBLIC OF KENYA

FINANCIAL STATEMENT

for the

Fiscal Year 2009/2010

(1st July – 30th June)

2009/2010 BUDGET

FINANCIAL STATEMENT

	<i>Original 2008/2009</i>	<i>Revised 2008/2009</i>	<i>Forecast 2009/2010</i>
	<i>Kshs.M</i>	<i>Kshs.M</i>	<i>Kshs.M</i>
RECEIPTS			
Recurrent			
(i) Ordinary Revenue	467,893	463,642	522,766
(ii) Appropriations-in-Aid (including LATF)	39,716	40,611	41,753
	507,609	504,252	564,519
Development Receipts			
(i) Project Loans	16,546	17,899	24,387
(ii) Project Grants	16,764	14,529	15,130
(iii) Appropriations-in-Aid			
No-Cash Receipts:			
Grants	17,028	14,846	20,178
Loan	30,898	40,634	44,070
Local (PDL)	4,662	5,987	4,374
	85,898	93,896	108,139
Total Receipts	593,507	598,149	672,658
PAYMENTS			
(i) Recurrent Expenditure	388,947	390,564	419,182
(ii) CFS - Public Debt	146,528	140,147	160,671
- Pensions	26,158	25,158	24,315
- Salaries Allowances and Miscellaneous	1,901	2,232	2,493
- Subscriptions to International Organisations	55	55	55
Total Payments-Recurrent	563,589	558,157	606,716
Development			
(i) Development Expenditure - G.O.K.	110,327	109,409	150,765
- Donor - Grant	16,764	14,529	15,130
- Loans	16,546	17,899	24,387
(ii) Expenditure Though Appropriation-in-Aid:			
- Grants	17,028	14,846	20,178
- Loan	30,898	40,634	44,070
- Local	4,662	5,987	4,374
Total Payments-Development	196,225	203,305	258,904
Total Payments-Recurent & Development:	759,814	761,461	865,620
Civil Contingence Fund			2,000
Total Payments-Recurent,Development & C.C.F	759,814	761,461	867,620
Deficit (Financed as Shown Below)	(166,307)	(163,313)	(194,962)
FINANCING OF DEFICIT			
Net Domestic Financing			
-Treasury Bills/Bonds	54,500	73,900	76,650
-Infrastructure Bonds	33,600	18,500	32,850
-Domestic Debt Rollover	67,957	67,957	76,506
Italian Debt/Swap	456	456	456
Privatisation Proceeds	8,000	0	6,000
Other Receipts	0	2,500	2,500
Cash Adjustment	1,795	0	0
Total	166,307	163,313	194,962

PART II

TAXATION PROPOSALS

This part of the Financial Statement summarises the proposed tax and other revenue measures included in the Finance Bill, 2009. Not all the individual items are specified therefore, reference should be made to the Finance Bill and related Subsidiary Legislation for full details.

The Proposed revenue measures are as follows:

Import Duty Measures

1. To encourage industrial growth and reduce the cost of manufacturing, duty remission will be granted on all imported industrial spare parts;
2. Import duty will be remitted on raw materials for the manufacture of sanitary towels to make them cheaper and available locally;
3. To cushion paper mills against cheap imports, duty will be remitted on imported inputs for manufacture of paper and paperboard;
4. The import duty on asbestos fibres used in the manufacture of brake linings and pads will be removed to promote local manufacturers;
5. To revive the Cotton industry, import duty on all synthetic yarns, acrylic yarn, polyester yarn and high ferocity yarn, will be removed;
6. In order to revive and promote tourism sector, duty will be removed on imported four wheel drive motor vehicles, specially designed and built for tourist purposes;
7. To encourage growth of film industry in Kenya, import duty on television cameras, digital cameras and video camera recorders will be removed;
8. To promote and protect wheat farmers from cheap imports, import duty rate on wheat will be increased from 10% or 50 US\$ whichever is higher to a rate of 25%;

9. To also support our dairy farming sub-sector, duty on imported heat insulated milk tank will be removed

10. Import duty on second hand clothings will be reduced from the current rate of US\$0.3 per kg or 45% whichever is higher to US\$0.20 per kg or 35% whichever is higher, to make these products affordable to poor.

Excise Duty Measures

1. To encourage production of soft drinks and make them affordable to wanainchi, excise duty on water will be reduced 5%. Excise duty on carbonated soft drink and juices will also be reduced to 7%

2. Excise duty regime on spirits will be changed from Kshs.7/= per 1% of alcohol per litre to Kshs 120 per litre or 65%. In addition, excise duty on wine will be changed from Kshs.7/= per 1% of alcohol per litre to Kshs 85 per litre to Ksh 70 per litre or 50%, whichever is higher

VAT Measures

1. In order to encourage the expansion of cotton sector, locally produced and ginned cotton will be zero rated;

2. To encourage growth of film industry in Kenya, VAT on television cameras, digital cameras and video camera recorders will be removed;

3. To promote Kenya as a preferred film destination of choice, all taxable goods and services offered to film producers will be zero rated for VAT;

4. VAT on all telephones, for cellular networks or other wireless networks will be removed to make them affordable;

5. To also support our dairy farming sub-sector, tax on heat insulated milk tank will be zero rated for duty and VAT;

6. In order to make power available to our homes and industries, VAT on power generators and generating sets is zero-rated;

7. To also support our dairy farming sub-sector, VAT on heat insulated milk tank will be zero rated.

8. Refrigerated trucks and parts for agricultural, horticultural and forestry machinery will be zero rated for VAT.

9. Bicycles will be zero rated to make them affordable to wananchi and to ease transport in many parts of the country.

Miscellaneous Taxes

1. Sugar Development levy will be removed on imported raw industrial sugar so as to lower the cost of production

	KShs. Million
IMPORT DUTY	-200
EXCISE DUTY	-400
VALUE ADDED TAX	-300
MISCELLANEOUS ORDINARY REVENUE	-50
TOTAL ORDINARY REVENUE	-950
MISCELLANEOUS APPROPRIATION-IN-AID	0
TOTAL REVENUE	-950