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REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

2022 BUDGET REVIEW AND OUTLOOK PAPER

NOVEMBER 2022

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Foreword

The 2022 Budget Review and Outlook Paper (BROP) has been prepared against a background of economic slowdown occasioned by the ongoing Russia-Ukraine conflict, effects of the COVID-19 containment measures, higher-than expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial condition. As a result, the global economic growth is projected to slow down to 3.2 percent in 2022 and 2.7 percent in 2023 from 6.0 percent in 2021.

On the domestic scene, the Kenyan economy has demonstrated remarkable resilience and recovery from COVID-19 shock due to its diversified nature and the proactive Government measures to support businesses. Consequently, the economy grew by 7.5 percent in 2021 following a modest 0.3 percent contraction in 2020. The growth momentum continued in the first half of 2022 with the economy expanding by 6.0 percent supported by the ongoing recovery in the services and industry sectors. Agricultural output has been affected by the ongoing drought. Addressing food security and climate change that will become a core development policy anchor in response to the climate change in relation to adaptation, mitigation and resilience. The Government in partnership with the Development Partners and the private sector under the auspices of the National Steering Committee on Drought Response has provided response to adverse impact of the ongoing drought to affected persons, regions and communities. As part of the Country's long-term food security plan, the Government has made available subsidized fertilizer to farmers across the country.

The economy is projected to grow by 5.5 percent in 2022 and above 6.0 percent over the medium term. This growth will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. The Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment.

The fiscal performance in the FY 2021/22 was satisfactory, largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 pandemic. Revenue performance recorded a growth of 22.0 percent compared to a marginal growth of 0.3 percent in FY 2020/21. The growth in revenue collection was recorded in all broad tax categories in the period under review. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic market affected expenditure performance during the reporting period. This notwithstanding, implementation of the FY 2022/23 budget picked up smoothly and we expect this to continue during the remainder of the financial year.

The strong outcome in revenue collection in the FY 2021/22 offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget. To enhance revenue mobilization, the National Treasury has initiated the development of the Medium-Term Revenue Strategy (MTRS). Based on the County Governments' fiscal performance in the FY

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2021/22, County Governments are expected to put measures in place to address the several areas of weakness that has been revealed. In particular, County Governments are expected to put in place measures to address the following: optimization of Own Source Revenue collection; adherence to fiscal responsibility principles; and clearance of pending bills

As we prepare for the FY 2023/24 and the Medium Term Budget, emphasis will be on aggressive revenue mobilization including policy measures to bring on board additional revenue while containing growth in expenditures. This will reduce the fiscal deficit that will support reduction in the growth of public debt to ensure debt sustainability. In this regard, the Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2023/24 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned to the achievement of the objectives. I therefore, call upon all to adhere to the hard sector ceilings, and the strict deadlines provided in this document to facilitate the finalization of the FY 2023/24 and the medium term budget proposals.



**NJUGUNA S. NDUNG'U, CBS
CABINET SECRETARY**

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Acknowledgement

The 2022 BRPOP has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2021/22, the macro-economic projections and set sector ceilings for the FY 2023/24 and the Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2021/22 affected compliance in the fiscal responsibility principles and the financial objectives outlined in the PFM Act. The 2022 BRPOP will guide the 2023 Budget Policy Statement (BPS) that will summarize the various projects and initiatives undertaken during third medium term plan of Vision 2030.

The economy is operating under tight global financial condition as a result of the ongoing Russia-Ukraine conflict and higher than expected inflation worldwide. Our resources are limited while at the same time the Government is confronted with significant expenditure demands. This calls for proper prioritization on Government projects that will ensure we focus on critical expenditures with the highest impact on the well-being of Kenyans while our economy remains resilient and continues to register growth. Therefore, All Sector Working Groups (SWGs) are expected to ensure that their budgets are aligned to the overall Government priorities while taking into account the resource constraints. We have put in place a budget implementation and monitoring framework at the National Treasury to ensure that budget implementation by all spending units is strictly adhered to as per the cash, procurement and work plans provided.

The preparation of the 2022 BRPOP was a collaborative effort among various Government Agencies. We thank all the Government Ministries, Departments and Agencies as well as other spending units for the timely provision of useful data and information on their FY 2021/22 Budget execution. We are also grateful to the Macro Working Group, that reviewed this document to ensure it satisfies the PFM Act, 2012 and set out the sector ceilings contained therein to guide the rest of the sectors in the preparation of their FY 2023/24 and Medium Term Budgets. This document incorporated key inputs from various Directorates and Departments within the National Treasury and Planning. I wish to thank the core team from the Macro and Fiscal Affairs Department that coordinated the finalization of this document.

Finally, allow me to thank all institutions that we consulted as well as the public for the useful comments and inputs. I wish to reiterate the importance of public participation in the FY 2023/24 and the Medium Term Budget preparation process by calling on all SWGs to ensure engagement and open public and stakeholders' participation and incorporation of the proposals received.



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

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Abbreviations and Acronyms

A-i-A	Appropriation in Aid
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
CG	County Government
DORB	Division of Revenue Bill
FISM	Financial Intermediation Services Indirectly Measured
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTP	Medium Term Plan
NG	National Government
NSE	Nairobi Securities Exchange
MTEF	Medium Term Expenditure Framework
NCDF	National Constituency Development Fund
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFM	Public Finance Management
PV	Present Value
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
WEO	World Economic Outlook
VAT	Value Added Tax

Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 26 of the Public Finance Management Act, 2012. The law states that:

- 1) The National Treasury shall prepare and submit to -Cabinet for approval, by the 30th September in each financial year, a Budget Review and Outlook Paper, which shall include:
 - a. Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b. Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent Budget Policy Statement
 - c. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest Budget Policy Statement; and
 - d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
- 2) Cabinet shall consider the Budget Review and Outlook Paper with a view to approving it, with or without amendments, not later than fourteen days after its submission.
- 3) Not later than seven days after the BROP has been approved by Cabinet, the National Treasury shall:
 - a. Submit the paper to the Budget Committee of the National Assembly to be laid before each house of Parliament; and
 - b. Publish and publicize the paper not later than fifteen days after laying the Paper before Parliament.

Fiscal Responsibility Principles in the Public Finance Management Act

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 15 of the Act states that:

- 1) Over the medium term, a minimum of 30% of the national budget shall be allocated to development expenditure
- 2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
- 3) 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
- 4) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and county assembly (CG)
- 5) Fiscal risks shall be managed prudently
- 6) 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

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Executive Summary

The 2022 BROP has been prepared pursuant to PFM Act, 2012 and its Regulations. The document provides an overview of the government's financial performance for the FY 2021/22 including compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act. It also presents macro-economic projections and the sector ceilings for the FY 2023/24 and the medium-term budget as well as information on variations from the projections outlined in the 2022 Budget Policy Statement.

The 2022 BROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China, higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, global growth is projected to slow down to 3.2 percent in 2022 and 2.7 percent in 2023 from 6.0 percent in 2021.

On the domestic scene, the Kenyan economy has demonstrated remarkable resilience and recovery from COVID-19 shock due to its diversified nature and the proactive Government measures to support businesses. Consequently, the economy grew by 7.5 percent in 2021 following a modest 0.3 percent contraction in 2020. The growth momentum continued in the first half of 2022 with the economy expanding by 6.0 percent supported by the ongoing recovery in the services and industry sectors. Agricultural output has been affected by the ongoing drought. Addressing food security and climate change that will become a core development policy anchor in response to the climate change in relation to adaptation, mitigation and resilience. The Government in partnership with the Development Partners and the private under the auspices of the National Steering Committee on Drought Response has provided response to adverse impact of the ongoing drought to affected persons, regions and communities. As part of the Country's long-term food security plan, the Government has made available subsidized fertilizer to farmers across the country.

The economy is projected to grow by 5.5 percent in 2022 and above 6.0 percent over the medium term. This growth will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. The Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment.

The fiscal performance in the FY 2021/22 was characterized by above target performance of total revenue mainly on account of surplus collection of ordinary revenue. By the end of June 2022, total revenue collected including A-I-A amounted to Ksh 2,199.8 billion against a target of Ksh 2,192.0 billion reflecting an improvement of Ksh 7.9 billion. The impressive revenue performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic financed resources affected expenditure performance during the FY 2021/22. As a result, total expenditure and net lending was lower than programmed at Ksh 3,027.8 billion against a target of Ksh 3,286.1 billion reflecting a shortfall of Ksh 258.2 billion. The resultant

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under expenditure is partly attributed to lower than targeted disbursements to county Governments, Ministries, Departments and Agencies (MDAs), Civil Servants Superannuation Scheme and below target performance in Ministerial Appropriation in Aid (AiA). This resulted to lower absorption recorded in both recurrent and development expenditures by the National and County Governments.

The strong outcome in revenue collection in the FY 2021/22 offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget. To enhance revenue mobilization, the National Treasury has initiated the development of the Medium-Term Revenue Strategy (MTRS). Based on the County Governments' fiscal performance in the FY 2021/22, County Governments are expected to put measures in place to address the several areas of weakness that has been revealed. In particular, County Governments are expected to put in place measures to address following: optimization of Own Source Revenue collection; adherence to fiscal responsibility principles; and clearance of pending bills.

The Government will continue with its fiscal consolidation plan driven by continued reforms in tax legislation and administration. Revenue collection is projected to increase to 17.8 percent of GDP in the FY 2023/24 from 17.3 percent of GDP in the FY 2022/23. Total expenditures are projected to decline to 22.4 percent of GDP in FY 2023/24 from 23.3 percent of GDP in FY 2022/23. While the overall fiscal deficit is projected to decline from 5.8 percent of GDP in FY 2022/23 to 4.3 percent of GDP in FY2023/24 and further to 3.5 percent of GDP in FY 2025/26.

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I. INTRODUCTION**Objective of the 2022 Budget Review and Outlook Paper**

1. The 2022 BROP provides a review of the fiscal performance for the financial year 2021/22 including adherence to the objectives and principles outlined in the 2022 Budget Policy Statement (BPS) and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2022 BROP will guide the development of the 2023 BPS. The 2023 BPS will summarize programmes and projects under the Fourth Medium Term Plan (MTP IV 2023-2027).
2. The fiscal performance in the FY 2021/22 was broadly in line with the financial objectives outlined in the PFM Act, 2012 and the 2022 BPS, and the Budget for FY 2022/23. The performance of main tax heads was broadly above the Supplementary II targets resulting to a surplus of Ksh 66.4 billion in ordinary revenue. As such, the overall ordinary revenue projections will be retained at the levels outlined in the 2022 BPS. Any adjustments to the revenue targets will be only to reflect movements in the macroeconomic indicators should these change. With revenues retained at the same levels at the 2022 BPS, the overall resource envelope therefore, remains unchanged from the 2022 BPS position. Any adjustments would be to reflect any change in priority across sectors or MDAs and any identified one-off expenditures.
3. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and government spending to ensure debt sustainability and stimulate economic activity. In this regard, this BROP provides sector ceilings which will guide the budget preparation process for the FY 2023/24 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in sections III and IV of this document. Sector ceilings in this BROP are aligned to the priorities of the Government, ongoing implementation of the Economic Recovery Strategy and other priority programmes outlined in MTP IV which aim to create wealth and employment; reduce poverty and create a conducive environment for savings and investment.
4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2021/22 and its implications on the financial objectives set out in the 2022 BPS; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework, Sections V and VI presents medium term revenue strategy and conclusion, respectively.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2021/22

A. FY 2021/22 Fiscal Performance

Revenue Performance

5. Revenue performance in FY 2021/22 was above target largely attributed to improved business environment following the recovery of the economy from the adverse impact of COVID-19 pandemic. Total cumulative revenue including Appropriation in Aid (A-i-A) collection recorded a growth of 22.0 percent compared to a marginal growth of 0.3 percent registered in FY 2020/21. The growth in revenue collection was recorded in all the broad tax categories in the FY 2021/22.

6. Total revenue including A-i-A for FY 2021/22 was Ksh 2,199.8 billion against a revised target of Ksh 2,192.0 billion (**Table 1**), recording a surplus of Ksh 7.9 billion. Ordinary revenue collection was Ksh 1,917.9 billion against a target of Ksh 1,851.5 billion. Collections from the broad tax categories were above target except for Value Added Tax on locally produced goods and services and Excise Duty which were slightly below target by Ksh 4.1 billion and Ksh 3.8 billion, respectively. On the other hand, import duty, income taxes and VAT on imports surpassed their targets by Ksh 2.4 billion, Ksh 40.0 billion and Ksh 13.1 billion respectively.

7. Performance of ministerial A-i-A was below target by Ksh 58.5 billion on account of shortfalls recorded in both recurrent and development A-i-A of Ksh 44.9 billion and Ksh 13.7 billion, respectively. Shortfall in recurrent A-i-A was mainly on account of below target performance recorded by State Department for Infrastructure (Ksh 9.8 billion), the Executive Office of the President (Ksh 7.7 billion), State Department for University Education (Ksh. 5.6 billion), State Department for Transport (Ksh 4.4 billion), State Department for Crop Development and Agricultural Research (Ksh 4.1 billion) and the Ministry of Energy (Ksh 2.9 billion). Development A-i-A performance is attributed to shortfall recorded by the State Department for Infrastructure (Ksh 12.5 billion), Executive Office of the President (Ksh 2.0 billion) and State Department for Sports (Ksh 2.0 billion).

Table 1: Government Revenue and External Grants, FY 2021/22 (Ksh Million)

	2020/2021 Actual	2021/2022		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,803,536	2,199,808	2,191,953	7,855	22.0
(a) Ordinary Revenue	1,562,015	1,917,911	1,851,510	66,401	22.8
Import Duty	108,375	118,280	115,869	2,411	9.1
Excise Duty	216,325	252,094	255,890	(3,796)	16.5
PAYE	363,343	462,357	455,129	7,228	27.3
Other Income Tax	330,709	414,350	381,562	32,788	25.3
VAT Local	197,072	244,926	249,021	(4,095)	24.3
VAT Imports	213,687	278,171	265,086	13,085	30.2
Investment Revenue	47,884	43,660	37,709	5,951	(8.8)
Traffic Revenue	4,600	4,425	5,106	(681)	(3.8)
Taxes on Intl. Trade & Trans. (IDF Fee)	39,743	50,337	42,615	7,723	26.7
Others ¹	40,277	49,309	43,522	5,786	22.4
(b) Appropriation In Aid²	241,521	281,897	340,443	(58,546)	16.7
(c) Grants	31,334	31,031	62,918	(31,887)	(1.0)
Total Revenue and Grants	1,834,870	2,230,839	2,254,871	(24,032)	21.6
Total Revenue and Grants as a percentage of GDP	16.1	17.5	17.8		

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

*Provisional

Source of Data: The National Treasury

8. Grants amounted to Ksh 31.0 billion against a revised target of Ksh 62.9 billion, registering a shortfall of Ksh 31.9 billion. This composed of programme grants (AMISOM reimbursements) of Ksh 3.6 billion, project grants revenue of Ksh 5.9 billion, Project grants (A-i-A) of Ksh 12.4 billion and grants from Nairobi Metropolitan Services (NMS) Ksh 9.1 billion (**Table 5**).

9. During the FY 2021/22, the Government collected Ksh 45.5 billion of investment income in the form of dividends, surplus funds, directors' fees and loan interest receipts against a revised target of Ksh 39.9 billion (**Table 2**). State agencies with on-lent loans from the National Government paid interest of Ksh 1.9 billion against the revised target of Ksh 2.2 billion.

Table 2: Investment Income for the FY 2021/22 (Ksh Million)

	FY 2020/21	FY 2021/22	
	ACTUAL RECEIPTS	REVISED ESTIMATES	ACTUAL RECEIPTS
OTHER PROFITS & DIVIDENDS	37,582.3	29,400.2	33,728.3
DIVIDENDS FROM CBK	7,500.0	5,500.0	5,500.0
SURPLUS FUNDS	2,777.2	2,777.2	4,418.2
DIRECTORS FEES	24.8	31.7	13.9
LOAN INTEREST RECEIPTS	2,095.2	2,200.0	1,868.3
TOTAL	49,980	39,909	45,529

Source of Data: The National Treasury

Expenditure Performance

10. Total expenditure and net lending in the FY 2021/22 amounted to Ksh 3,027.8 billion against a revised target of Ksh 3,286.1 billion, representing an under spending of Ksh 258.2 billion (7.9 percent deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections, lower than targeted spending on interest payments and low absorption of both externally and domestically funded development projects (**Table 3**). The underspending of Ksh 258.2 billion was also partly attributed to below target transfers to County Governments and lower disbursement of Governments contribution to civil servant superannuation pension scheme.

11. The National Government's recurrent expenditure was Ksh 2,135.3 billion (including Ksh 48.8 billion spending by Judiciary and Parliament) against a target of Ksh 2,227.3 billion, representing an under-spending of Ksh 92.0 billion. The recurrent spending was below target mainly due to lower than targeted absorption on operations and maintenance by Ksh 21.5 billion and shortfall related to poor collection of recurrent ministerial A-i-A of Ksh 35.2 billion. Interest payment was below target by Ksh 27.3 billion while payment of wages and pension and other CFS was below their targets by Ksh 5.1 billion and Ksh 2.9 billion respectively.

12. Development expenditure amounted to Ksh 540.1 billion against a revised target of Ksh 657.5 billion, translating to a shortfall of Ksh 117.4 billion. This was on account of lower than programmed absorption of domestically and externally funded programmes by Ksh 33.1 billion and Ksh 77.5 billion respectively, and non-disbursement of Equalization Fund of Ksh 6.8 billion.

Table 3: Expenditure and Net Lending, FY 2021/22 (Ksh Million)

	FY 2020/2021	FY 2021/2022			
	Actual	Actual	Revised Estimates	Deviation	% Growth
1. Recurrent Expenditure	1,813.3	2,135.3	2,227.3	(92.0)	17.8
Domestic Interest	388.8	456.8	479.2	(22.4)	17.5
Foreign Interest due	106.3	121.1	126.1	(4.9)	13.9
Pensions & Other CFS	112.9	122.4	125.3	(2.9)	8.5
Operations & Maintenance	561.9	717.3	738.9	(21.5)	27.7
Wages & Salaries	493.0	520.0	525.1	(5.1)	5.5
Ministerial Recurrent AIA	150.3	197.5	232.7	(35.2)	31.4
2. Development	557.0	540.1	657.5	(117.4)	-3.0
Domestically Financed (Gross)	390.0	378.2	411.3	(33.1)	-3.0
Foreign Financed	167.0	161.9	239.4	(77.5)	-3.1
Net Lending	-	-	-	0.0	0.0
Equalization Fund	-	-	6.8	(6.8)	0.0
3. County Transfer	399.0	352.4	401.2	(48.8)	-11.7
o/w Equitable Share	346.2	340.4	370.0	(29.6)	-1.7
Conditional Allocation	52.8	12.0	31.2	(19.2)	-77.2
4. Contingency Fund	-	-	-	0.0	0.0
TOTAL EXPENDITURE	2,769.3	3,027.8	3,286.1	(258.2)	9.3

*Wages and salaries; includes wages for teachers, civil servants and police
Source of Data: The National Treasury*

Ministerial Expenditure

13. The total ministerial expenditure including A-i-A for FY 2021/22 was Ksh 1,941.7 billion (90.2 percent absorption) against a target of Ksh 2,152.6 billion. Recurrent expenditure was Ksh 1,408.5 billion (96.2 percent absorption) against a target of Ksh 1,463.9 billion, while development expenditure was Ksh 533.2 billion (77.4 percent absorption) against a target of Ksh 688.8 billion. The lower than targeted absorption of expenditures was partly due to the delayed reporting of expenditures related to Appropriation-in-Aid collected by State Owned Enterprises.

14. As at the end of FY 2021/22, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 39.0 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 9.0 percent and 9.1 percent of total recurrent expenditure, respectively.

15. Analysis of development outlay indicates that the State Department for Infrastructure accounted for the largest share of the total development expenditure (24.1 percent), followed by the National Treasury (12.5 percent) and the Ministry of Water and Sanitation (11.0 percent). The expenditures by large Ministries/State Departments were below target because of under-reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 4** shows the recurrent and development expenditures by Ministries, State Departments and other Government entities for the period under review.

Table 4: Ministerial Expenditures, Period Ending 30th June, 2022 (Ksh Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-22			Jun-22			Jun-22			% of Total Exp. To Target
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	29,233	30,710	(1,477)	10,648	11,669	(1,021)	39,881	42,378	(2,498)	94.1
1021	State Department for Interior and Citizen Services	127,019	134,359	(7,340)	5,514	8,504	(2,990)	132,533	142,863	(10,330)	92.8
1023	State Department for Correctional Services	23,744	28,521	(4,777)	519	630	(111)	24,263	29,151	(4,888)	83.2
1032	State Department for Devolution	3,142	3,564	(422)	1,116	1,239	(122)	4,258	4,802	(545)	88.7
1035	State Department for Development of the ASAL	1,045	1,074	(29)	6,155	9,880	(3,726)	7,200	10,955	(3,755)	65.7
1041	Ministry of Defence	128,597	130,609	(2,011)	6,080	6,150	(70)	134,677	136,758	(2,081)	98.5
1052	Ministry of Foreign Affairs	15,341	18,695	(3,354)	295	1,296	(1,001)	15,636	19,991	(4,355)	78.2
1064	State Department for Vocational and Technical Training	19,302	19,045	257	2,146	4,008	(1,863)	21,447	23,053	(1,606)	93.0
1065	State Department for University Education	95,713	101,365	(5,652)	3,744	4,353	(609)	99,456	105,717	(6,261)	94.1
1066	State Department for Early Learning & Basic Education	94,155	93,259	895	6,867	14,100	(7,233)	101,021	107,359	(6,338)	94.1
1068	State Department for Post Training and Skills Development	225	232	(7)	-	-	-	225	232	(7)	96.9
1069	State Department for Implementation of Curriculum Reforms	88	88	0	-	-	-	88	88	0	100.0
1071	The National Treasury	56,599	59,099	(2,501)	66,594	111,008	(44,414)	123,193	170,107	(46,915)	-72.4
1072	State Department for Planning	3,834	3,982	(148)	47,510	47,652	(142)	51,344	51,634	(290)	99.4
1081	Ministry of Health	68,714	66,661	2,054	48,183	63,809	(15,625)	116,898	130,469	(13,572)	89.6
1091	State Department for Infrastructure	73,883	74,055	(172)	128,649	156,534	(27,884)	202,532	230,589	(28,057)	87.8
1092	State Department for Transport	5,597	10,369	(4,772)	420	985	(565)	6,017	11,353	(5,337)	53.0
1093	State Department for Shipping and Maritime	2,090	2,099	(9)	10	580	(570)	2,100	2,680	(580)	78.4
1094	State Department for Housing & Urban Development	1,403	1,392	11	13,451	14,125	(674)	14,854	15,517	(663)	95.7
1095	State Department for Public Works	2,998	3,093	(94)	840	1,028	(188)	3,839	4,120	(282)	93.2
1108	Ministry of Environment and Forestry	9,904	10,525	(621)	3,084	4,082	(998)	12,988	14,607	(1,618)	88.9
1109	Ministry of Water & Sanitation and Irrigation	4,899	6,292	(1,393)	58,227	71,577	(13,351)	63,126	77,869	(14,743)	81.1
1112	Ministry of Lands and Physical Planning	3,015	3,170	(155)	2,250	2,291	(41)	5,266	5,461	(195)	96.4
1122	State Department for Information Communication Technology	1,938	1,796	142	16,670	18,374	(1,704)	18,608	20,170	(1,562)	92.3
1123	State Department for Broadcasting & Telecommunications	6,037	7,647	(1,610)	352	397	(45)	6,388	8,044	(1,655)	79.4
1132	State Department for Sports	1,766	1,307	458	13,153	15,168	(2,015)	14,918	16,475	(1,557)	90.6
1134	State Department for Culture and Heritage	2,886	3,089	(203)	65	66	(1)	2,951	3,155	(203)	93.6
1152	Ministry of Energy	13,634	16,403	(2,769)	35,940	49,201	(13,261)	49,574	65,604	(16,030)	75.6
1162	State Department for Livestock	2,591	3,615	(1,024)	1,988	2,861	(873)	4,579	6,476	(1,897)	70.7
1166	State Department for Fisheries, Aquaculture & the Blue Economy	2,219	2,239	(20)	3,512	5,993	(2,481)	5,731	8,232	(2,501)	69.6
1169	State Department for Crop Development & Agricultural Research	9,219	13,361	(4,142)	25,206	31,715	(6,509)	34,425	45,076	(10,651)	76.4
1173	State Department for Cooperatives	461	1,495	(1,034)	372	433	(61)	833	1,928	(1,095)	43.2
1174	State Department for Trade and Enterprise Development	2,285	2,550	(265)	2,387	2,387	(0)	4,671	4,937	(265)	94.6
1175	State Department for Industrialization	3,184	3,305	(121)	1,875	2,988	(1,113)	5,059	6,293	(1,234)	80.4
1184	State Department for Labour	1,692	2,744	(1,052)	499	867	(368)	2,191	3,611	(1,420)	60.7
1185	State Department for Social Protection, Pensions & Senior Citizens	33,116	33,904	(788)	2,406	3,306	(901)	35,522	37,211	(1,689)	95.5
1194	Ministry of Petroleum and Mining	82,788	81,951	837	2,292	2,464	(172)	85,080	84,415	665	100.8
1202	State Department for Tourism	7,598	7,740	(142)	474	475	(1)	8,072	8,215	(142)	98.3
1203	State Department for Wildlife	6,810	8,824	(2,013)	769	820	(51)	7,579	9,643	(2,064)	78.6
1212	State Department for Gender	1,164	1,140	25	2,358	2,481	(124)	3,522	3,621	(99)	97.3
1213	State Department for Public Service	18,708	19,491	(783)	482	668	(186)	19,190	20,159	(969)	95.2
1214	State Department for Youth Affairs	1,379	1,419	(40)	3,221	3,977	(756)	4,599	5,395	(796)	85.2
1221	State Department for East African Community	602	609	(7)	-	-	-	602	609	(7)	98.8
1222	State Department for Regional and Northern Corridor Development	2,930	2,956	(26)	2,240	2,549	(308)	5,170	5,505	(335)	93.9
1252	State Law Office and Department of Justice	4,722	5,112	(389)	137	138	(1)	4,860	5,250	(390)	92.6
1261	The Judiciary	15,584	15,968	(385)	1,997	2,592	(595)	17,581	18,561	(980)	94.7
1271	Ethics and Anti-Corruption Commission	3,489	3,519	(30)	59	67	(9)	3,548	3,586	(38)	98.9
1281	National Intelligence Service	47,201	47,201	-	-	-	-	47,201	47,201	-	100.0
1291	Office of the Director of Public Prosecutions	3,129	3,326	(197)	117	150	(33)	3,246	3,476	(230)	93.4
1311	Office of the Registrar of Political Parties	3,228	3,315	(87)	-	-	-	3,228	3,315	(87)	97.4
1321	Witness Protection Agency	490	490	(0)	-	-	-	490	490	(0)	100.0
2011	Kenya National Commission on Human Rights	399	400	(1)	-	-	-	399	400	(1)	99.8
2021	National Land Commission	1,693	1,887	(194)	39	39	(0)	1,732	1,726	6	100.4
2031	Independent Electoral and Boundaries Commission	20,132	23,041	(2,909)	117	125	(8)	20,249	23,166	(2,917)	87.4
2041	Parliamentary Service Commission	6,557	6,962	(404)	-	-	-	6,557	6,962	(404)	94.2
2042	National Assembly	21,033	23,372	(2,339)	-	-	-	21,033	23,372	(2,339)	90.0
2043	Parliamentary Joint Services	5,061	5,673	(611)	1,810	2,404	(594)	6,872	8,077	(1,205)	85.1
2051	Judicial Service Commission	577	619	(42)	-	-	-	577	619	(42)	93.2
2061	The Commission on Revenue Allocation	435	446	(11)	-	-	-	435	446	(11)	97.5
2071	Public Service Commission	2,356	2,372	(16)	7	19	(13)	2,363	2,391	(29)	98.8
2081	Salaries and Remuneration Commission	592	621	(29)	-	-	-	592	621	(29)	95.3
2091	Teachers Service Commission	289,407	290,319	(912)	358	515	(157)	289,766	290,834	(1,069)	99.6
2101	National Police Service Commission	826	864	(38)	-	-	-	826	864	(38)	95.6
2111	Auditor General	5,514	6,077	(563)	2	6	(4)	5,516	6,083	(568)	90.7
2121	Office of the Controller of Budget	621	650	(29)	-	-	-	621	650	(29)	95.5
2131	The Commission on Administrative Justice	605	625	(20)	-	-	-	605	625	(20)	96.8
2141	National Gender and Equality Commission	434	440	(6)	-	10	(10)	434	450	(16)	96.5
2151	Independent Policing Oversight Authority	888	929	(41)	-	-	-	888	929	(41)	95.5
Total		1,408,518	1,463,867	(55,349)	533,204	688,752	(155,548)	1,941,722	2,152,619	(210,897)	90.2

Source of Data: The National Treasury

Overall Balance and Financing

16. In line with the performance in expenditure and revenues, the fiscal deficit (including grants), amounted to Ksh 797.0 billion (6.3 percent of GDP) against a target of Ksh 1,031.2 billion (8.2 percent of GDP) (Table 5).

Table 5: Budget Outturn for the FY 2021/22 (Ksh Million)

	2020/2021	2021/2022		Deviation	% growth	2021/2022 as a % of GDP		2020/2021 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,834,870	2,230,839	2,254,871	(24,032)	21.6	17.5	17.8	16.1
1. Revenue	1,803,536	2,199,808	2,191,953	7,855	22.0	17.3	17.3	15.9
Ordinary Revenue	1,562,015	1,917,911	1,851,510	66,401	22.8	15.1	14.6	13.7
Import Duty	108,375	118,280	115,869	2,411	9.1	0.9	0.9	1.0
Excise Duty	216,325	252,094	255,890	(3,796)	16.5	2.0	2.0	1.9
Income tax	694,053	876,707	836,691	40,017	26.3	6.9	6.6	6.1
VAT	410,758	523,098	514,107	8,990	27.3	4.1	4.1	3.6
Investment Revenue	47,884	43,660	37,709	5,951	(8.8)	0.3	0.3	0.4
Others	84,620	104,071	91,243	12,828	23.0	0.8	0.7	0.7
Appropriation-in-Aid	241,521	281,897	340,443	(58,546)	16.7	2.2	2.7	2.1
2. Grants	31,334	31,031	62,918	(31,887)	(1.0)	0.2	0.5	0.3
Programme Grants/ AMISOM Receipts	8,943	3,603	3,000	603	-	0.0	0.0	0.1
Nairobi County to NMS	0	9,090	20,350	-	-	-	-	-
Covid -19 Emergency Grants	13	0	-	-	-	-	-	-
Revenue	9,378	5,903	15,496	(9,593)	(37.1)	0.0	0.1	0.1
Appropriation-in-Aid	12,999	12,435	24,072	(11,637)	(4.3)	0.1	0.2	0.1
B. EXPENDITURE AND NET LENDING	2,769,254	3,027,836	3,286,077	(258,241)	9.3	23.8	26.0	24.4
1. Recurrent	1,813,271	2,135,305	2,227,325	(92,021)	17.8	16.8	17.6	15.9
Domestic Interest	388,830	456,849	479,223	(22,374)	17.5	3.6	3.8	3.4
Foreign Interest	106,312	121,130	126,059	(4,930)	13.9	1.0	1.0	0.9
Pension & Other CFS	112,872	122,432	125,346	(2,915)	8.5	1.0	1.0	1.0
Wages and Salaries	493,029	520,033	525,122	(5,089)	5.5	4.1	4.2	4.3
O & M Others	712,228	914,862	971,574	(56,713)	28.5	7.2	7.7	6.3
2. Development and Net Lending	556,990	540,117	657,515	(117,398)	(3.0)	4.2	5.2	4.9
O/W Domestically financed	389,960	378,238	411,290	(33,051)	(3.0)	3.0	3.3	3.4
Foreign financed	167,030	161,879	239,400	(77,521)	(3.1)	1.3	1.9	1.5
Equalisation Fund	-	-	6,825	(6,825)	-	0.0	0.1	0.0
County Governments	398,993	352,414	401,237	(48,823)	(11.7)	2.8	3.2	3.5
CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL GRANT (Commitment basis)	(965,717)	(828,028)	(1,094,124)	266,096	(14.3)	(6.5)	(8.7)	(8.5)
D. DEFICIT INCL GRANTS (Commitment basis)	(934,384)	(796,997)	(1,031,206)	234,209	(14.7)	(6.3)	(8.2)	(8.2)
E. ADJUSTMENT TO CASH BASIS	5,098	11,868	-	11,868	132.8	0.1	-	0.0
F. DEFICIT INCL GRANTS (Cash basis)	(929,286)	(785,129)	(1,031,206)	246,078	(15.5)	(6.2)	(8.2)	(8.2)
Discrepancy	20,950	(37,304)	0	(283,381)	(21.3)	5.9	8.2	8.4
G. FINANCING	950,235	747,825	1,031,206	(283,381)	(55.9)	1.1	2.7	2.8
1. Net Foreign financing	323,310	142,524	343,085	(200,561)	(27.6)	2.6	4.3	4.0
Disbursements	451,587	327,059	545,151	(218,092)	(19.9)	1.1	1.3	1.5
Programme Loans	168,644	135,019	163,196	(28,177)	11.9	0.5	0.6	0.5
Project Cash Loans	52,351	58,601	81,074	(22,473)	(11.6)	0.7	1.1	0.9
Project Loans AIA	104,787	92,619	134,382	(41,764)	-	-	-	0.0
Project Loans SGR_PHASE_1&2A_AIA	4,643	-	-	-	-	-	-	0.1
Project Loans SGR_PHASE_2B_AIA	6,871	-	-	-	-	-	-	-
Use of IMF SDR Allocation	-	40,820	42,180	-	-	-	1.0	1.0
Commercial Financing	114,292	-	124,318	(124,318)	43.9	(1.4)	(1.6)	(1.1)
Debt repayment - Principal	(128,278)	(184,536)	(202,066)	17,530	(3.4)	4.8	5.4	5.5
2. Net Domestic Financing	626,926	605,301	688,121	(82,820)	6.0	4.6	5.4	4.9
Government Securities	556,289	589,545	678,077	(88,532)	-	0.0	-	0.1
Government Overdraft & Others	13,649	2,673	2,673	2,673	-	0.0	-	0.1
Movement in Government Deposits	(77,551)	138,485	139,090	(605)	-	1.1	1.1	(0.7)
Domestic Loan Repayments (Net Receipts)	6,259	5,097	1,453	3,644	(18.6)	0.0	0.0	0.1
Domestic Loan Repayment	(1,110)	(1,110)	(1,110)	-	-	0.0	(0.0)	(0.0)
Increase in Other Accounts Payable	129,389	(129,389)	(129,389)	-	-	-	-	-
MEMO ITEM								
GDP ESTIMATE	11,370,323	12,736,133	12,646,197	89,936	12.0	100	100	100

*Provisional

Source of Data: The National Treasury

17. The fiscal deficit was financed through net external financing amounting to Ksh 142.5 billion (1.1 percent of GDP) and net domestic financing of Ksh 605.3 billion (4.8 percent of GDP). Total disbursements (inflows) including A-i-A amounted to Ksh 327.1 billion against a target of Ksh 545.2 billion. The disbursements included Ksh 92.6 billion project loans A-i-A,

Ksh 58.6 billion project loans revenue, and Ksh 175.8 billion programme loans. External repayments (outflows) of principal debt amounted to Ksh 184.5 billion including principal repayments due to bilateral and multilateral organizations and to commercial sources.

B. Fiscal Performance for the FY 2021/22 in Relation to Financial Objectives

18. The fiscal performance in the FY 2021/22 is broadly in line with the financial objectives outlined in the PFM Act, 2012 and the 2022 BPS.

- i. The performance of main tax heads was above the Supplementary II targets resulting to a surplus of Ksh 66.4 billion in ordinary revenue. This revenue outcome builds confidence in the revenue projections for the FY 2022/23 and over the medium term. As such, the overall ordinary revenue projections are slightly higher than the levels outlined in the 2022 BPS. Further, fiscal aggregates have been revised to mirror revisions in the macroeconomic projections as well as budget execution outcome for the first quarter of FY 2022/23;
- ii. Despite the slight adjustment in revenues, the overall resource envelope remains largely within the 2022 BPS position. Therefore, the overall baseline expenditure ceilings for spending agencies will largely be retained at the same levels as per the 2022 BPS. Any adjustments would be to reflect any change in priority across sectors or MDAs and any identified one-off expenditures; and
- iii. The under-spending in both recurrent and development budget for the FY 2021/22 can partly be explained by low absorption of externally funded projects, low collection of local A-i-A and lower than planned external financing. The Government will put in place appropriate measures to improve absorption of resources from development partners and explore alternative financing strategies early in the financial year to ensure the budget is fully funded.

C. Fiscal Responsibility Principles

19. In line with the Constitution, the PFM Act, 2012, the PFM Regulations, and in keeping in line with prudent and transparent management of public resources, the Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

- i. The National Government's allocation to development expenditures has been above 30 percent of Ministerial Government expenditures. In the FY 2021/22, the allocation to development in the budget was 32.0 percent of the total expenditures meeting the set threshold (**Table 6**).

Table 6: Fiscal Performance in Relation to Financial Objectives

	FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26	
	Prel. Actual	SUPP II	Prel. Actual	Approved Budget	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	
	Ksh Billions											
1.0 Total Expenditure & Net Lending	2,769	3,286	3,028	3,359	3,390	3,551	3,641	3,865	3,970	4,215	4,434	
1.1 Total Ministerial National Govt Expenses	1,812	2,153	1,961	2,156	2,144	2,267	2,294	2,503	2,532	2,761	2,874	
Total Recurrent	1,828	2,227	2,135	2,273	2,367	2,360	2,440	2,569	2,668	2,805	2,936	
CFS (Interest & Pensions)	611	763	727	869	883	909	967	983	1,058	1,049	1,155	
Ministerial Recurrent	1,217	1,464	1,409	1,404	1,485	1,451	1,473	1,587	1,610	1,756	1,781	
o/w Wages & Salaries	493	525	520	537	561	600	600	645	645	703	703	
Wages as % National Government Revenues/1	33.8%	28.8%	28.0%	25.7%	26.5%	24.5%	23.8%	23.3%	22.6%	22.5%	21.5%	
Development	595	689	552	752	660	816	821	916	922	1,005	1,093	
Development as % Ministerial NG expenditures	32.8%	32.0%	28.2%	34.9%	30.8%	36.0%	35.8%	36.6%	36.4%	36.4%	38.0%	
1.2 County Allocation	399	401	352	407	437	412	417	417	417	442	442	
Equitable share	346	370	340	370	400	375	380	380	380	405	405	
Conditional Grants	53	31	12	37	37	37	37	37	37	37	37	
2.0 Total Revenues	1,804	2,192	2,200	2,462	2,513	2,821	2,898	3,146	3,231	3,534	3,670	
3.0 Total National Government Revenues (Incl. A-I-A)	1,457	1,822	1,859	2,092	2,113	2,446	2,518	2,766	2,851	3,129	3,265	
4.0 National Government Domestic Borrowing (net)	627	688	605	582	598	490	497	575	590	502	585	

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

Source of Data: National Treasury

- ii. The National Government's share of wages and benefits to revenues was 28.0 percent in the FY 2021/22 which is within the statutory requirement of 35.0 percent of the National Government's equitable share of the revenue plus other revenues generated by the National Government;
- iii. The fiscal responsibility principle spelt out in Section 15(2)(c) of the PFM Act, 2012 requires that over the medium term, the National Government's borrowing shall be used only for financing development expenditure. During the FY 2021/22, The National Government borrowed a total of Ksh 916.6 billion comprising of: project loans of Ksh 151.2 billion, programme loans of Ksh 135.0 billion, use of IMF SDR allocation of Ksh 40.8 billion and domestic securities of Ksh 589.5 billion. This borrowing was spent on loan funded projects of Ksh 155.6 billion, external redemptions of Ksh 184.5 billion and domestically funded development expenditures of Ksh 396.0 billion (inclusive of 30 percent equitable share). As such, the Government spent Ksh 82.3 percent of borrowed resources on development and redemption of external loans and 17.7 percent on recurrent spending. The recurrent spending was occasioned by spending interventions to cushion the poor and vulnerable members of society as well as to contain the spread of COVID-19.
- iv. The PFM Act, 2012 requires that public debt and obligations remain at sustainable levels and the Government is committed to adhering to this at all times. Kenya's debt is sustainable with overall and external ratings for risk of debt distress remaining high. **Table 7** below shows the Present Value (PV) of external debt-to-export and Public and Publicly Guaranteed (PPG) of debt-service-to-exports indicators were breached under the baseline and the shock scenario. Both indicators remained above the thresholds throughout the medium-term projection period. This is due to high deficits, partly due to large infrastructure projects combined with the sharp slowdown in export and

economic growth in 2020 caused by the pandemic. However, the debt indicators will improve as fiscal consolidation progresses and exports and output recover from the global shock; and

Table 7: Kenya's External Debt Sustainability (calendar years)

Indicators	Thresholds	2020	2021	2022	2023	2024	2025
PV of debt-to-GDP ratio	40	27.1	28.2	27.2	26.9	25.9	25.6
PV of debt-to-exports ratio	180	280.1	278.5	241.7	225.6	207.5	198.8
PPG Debt service-to-exports ratio	15	24.7	21.6	23.7	19.5	28.8	17.4
PPG Debt service-to-revenue ratio	18	14.6	13.6	16.0	13.3	20.0	12.2

Source: IMF Country Report No. 21/275, December 2021

- v. 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 the National Tax Policy to guide taxation process in Kenya. 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. Kenya Revenue Authority will continue to employ the use of technology to curb revenue leakages. Some of the developments include enhancement of i-Tax to facilitate cross-matching of consultancy payments against PAYE return, use of scanners to give smart alerts, and use of Integrated Customs Management System (iCMS) including targeting and profiling through the use of smart alerts and iCMS risk engine as well as bond management and reconciliation.

20. The Government has maintained tax rates for domestic taxes at stable levels over the years except in 2021 when the rates were temporary reduced to address the adverse effect COVID-19 pandemic. Since 2004 the EAC Community have maintained three-band structure on import on goods from outside the region with a maximum rate of 25 percent. Goods originating from the region that meet the East African Community Rules of Origin has continued to be traded freely in the region. From 1st July 2022, three-band structure was changed to four-band structure with a maximum band of 35 percent to keep up with global changes, protect the local industries and encourage value addition. The four-band structure is expected to prevail for several years before review is undertaken. The Government will continue to maintain stable tax rates for domestic taxes and build confidence in the Kenyan taxation 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. The National Tax Policy that is being finalised is expected to guide tax reforms and entrench predictability in the tax system. In addition, the Medium Term Revenue Strategy (MTRS) will give clarity on what administrative and tax policy reforms to be undertaken in the medium term.

21. The National Government fiscal projections for the 2022 BROP (**Table 8**) are consistent with the 2022 BPS estimates and shall inform the projections for the FY 2023/24 and the medium term. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives in the 2023 BPS to reflect changing circumstances.

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Table 8: Government Fiscal Projections, Ksh Billion

	FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26	
	Prel Actual	SUPP II	Prel Actual	Approved Budget	BROP 22	BPS'22	BROP 22	BPS'22	BROP 22	BPS'22	BROP 21
	Ksh. Billions										
TOTAL REVENUE	1,804	2,192	2,200	2,462	2,513	2,821	2,898	3,146	3,231	3,534	3,670
Total Revenue as a % of GDP	15.9%	17.3%	17.3%	17.6%	17.3%	18.1%	17.8%	18.1%	17.8%	18.1%	18.0%
Ordinary revenue	1,562	1,852	1,918	2,142	2,192	2,516	2,566	2,823	2,879	3,189	3,294
Ordinary Revenue as a % of GDP	13.7%	14.6%	15.1%	15.3%	15.1%	16.1%	15.8%	16.2%	15.8%	16.3%	16.1%
Tax Revenue	1,430	1,723	1,770	2,024	2,035	2,388	2,428	2,655	2,711	3,013	3,115
Non-Tax Revenue	133	129	148	118	157	129	138	168	168	176	179
AIA	242	340	282	321	321	305	332	323	352	345	376
Total Expenditure	2,769	3,286	3,028	3,359	3,390	3,551	3,641	3,865	3,970	4,215	4,434
Expenditure as a % of GDP	24.4%	26.0%	23.8%	24.0%	23.3%	22.8%	22.4%	22.2%	21.8%	21.5%	21.7%
Recurrent (incl of conditional transfer to counties)	1,828	2,227	2,135	2,271	2,353	2,360	2,422	2,569	2,646	2,805	2,916
Development	595	689	552	714	634	811	834	911	939	1,000	1,108
County Transfer (Equitable share only)	346	370	340	370	400	375	380	380	380	405	405
Contingencies	-	-	-	4	4	5	5	5	5	5	5
Budget Balance (Deficit (-) excl Grants)	(966)	(1,094)	(828)	(896)	(877)	(730)	(743)	(719)	(739)	(681)	(764)
Deficit as % of GDP	-8.5%	-8.7%	-6.5%	-6.4%	-6.0%	-4.7%	-4.6%	-4.1%	-4.1%	-3.5%	-3.7%
Grants	31	63	31	33	28	48	48	49	49	53	53
Adjustment to cash basis	5	-	12	-	-	-	-	-	-	-	-
Balance Incl Grants (cash basis)	(929)	(1,031)	(785)	(863)	(849)	(682)	(695)	(670)	(690)	(628)	(711)
Deficit as % of GDP	-8.2%	-8.2%	-6.2%	-6.2%	-5.8%	-4.4%	-4.3%	-3.9%	-3.8%	-3.2%	-3.5%
Net Foreign Financing	323	343	143	281	251	192	199	95	100	125	126
Domestic Loan Repayments (receipts)	6	1	5	4	4	3	4	3	4	-	5
Domestic Borrowing (net)	627	688	605	582	598	490	497	575	590	502	585
Domestic Borrowing % of GDP	5.5%	5.4%	4.8%	4.2%	4.1%	3.1%	3.0%	3.3%	3.2%	2.6%	2.9%
Public Debt (net Deposits)	7,140	8,171	8,161	9,034	9,010	9,716	9,705	10,386	10,395	11,014	11,106
Public Debt to GDP (net Deposits)	62.8%	64.6%	64.1%	64.5%	62.0%	62.3%	59.6%	59.7%	57.2%	56.3%	54.3%
Nominal GDP (Ksh. billion)	11,370	12,646	12,736	14,002	14,522	15,605	16,290	17,402	18,180	19,577	20,437

Source of Data: National Treasury

D. County Governments' Fiscal Performance

Sources of County Government Revenue

22. County Governments revenues consist of transfers from the National Government, proceeds from loans and grants from development partners, and county own source revenues. Transfers from the National Government can be in the form of; Equitable Share in line with Article 202 (1) of the Constitution or additional allocations in line with Article 202 (2) of the Constitution; County Own Source Revenue (OSR) may be from property rates, entertainment taxes, and any other tax that it is authorised to impose by an Act of Parliament in line with Article 209 (3) of the Constitution. In addition, County Governments may borrow if the National Government guarantees the loan in line with Article 212 (a) of the Constitution. **Table 9** summarizes total budgeted revenue from the various sources for the 47 County Governments for the FY 2021/22.

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Table 9: County Government sources of Revenue, FY 2021/22

Revenue Source	Budgeted County Governments Revenue FY 2021/22 (billions)	Budgeted % of Total revenue
Equitable Share	370	79%
Additional Allocations	39.9	8%
OSR	60.42	13%
Loans	0	0%
Total	470.32	100%

Source: National Treasury

23. The main source of revenue for the County Governments in the FY 2021/22 was the Equitable Share (79 percent) (**Table 9**). During the FY 2021/22 budgeted additional allocations to the County Governments from the National Government's share of revenue as well as from proceeds of loans and grants accounted for 8 percent of the total County revenue while the budgeted own source revenue was Ksh 60.42 billion translating to 13 percent of the total County Government revenue. County Governments did not report borrowing as a source of revenue in FY 2021/22.

Total Transfers to Counties

24. As provided for under the County Allocation of Revenue Act (CARA), 2021 and the County Governments Additional Allocations Act, 2022, County Governments were allocated Ksh 409.9 billion for the FY 2021/22. Out of this, a total of Ksh 359.8 billion was disbursed to the County Governments as at 30th June, 2022, comprising of Equitable Share Ksh 340.4 billion and Additional Allocation Ksh 19.8 billion (**Table 10**).

Equitable Share

25. During the FY 2021/22, a total of Ksh 370 billion was allocated to the County Governments as equitable share as reflected in the County Allocation of Revenue Act (CARA), 2021. Even though disbursements to the County Governments as equitable share stood at Ksh 340.4 billion representing 92 percent of the total allocations during the FY 2021/22, 100 percent of the equitable share was disbursed to the County Governments as at 29th August, 2022.

Additional Allocations

26. In addition to the equitable share, the County Governments were allocated Ksh 39.9 billion as additional allocations as provided for under the County Governments Additional Allocations Act, 2022. As at 30th June, 2022, a total of Ksh 12.0 billion had been transferred to the County Governments as additional allocations from proceeds of loans and grants from development partners, Ksh. 225 million transferred to the Counties for construction of county headquarters and Ksh. 7.2 billion for the Managed Equipment Services. The total additional allocations as at the end of FY 2021/22 translates to 48.6 percent of the total additional allocations to County Governments.

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Table 10: Total Transfers to County Governments from FY 2013/14 to FY 2021/22 (Ksh Million)

Transfer Type	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/2022	Grand Total	%
1. Equitable share transfer	190,000	226,660	259,774	280,300	302,000	314,000	286,784	346,216	340,400	2,546,134	91.0%
2. Conditional Transfers towards Covid-19	-	-	-	-	-	-	7,706	-	-	7,706	0.3%
a) Gok-Funded Conditional allocation	-	-	-	-	-	-	7,356	-	-	7,356	
b) DANIDA	-	-	-	-	-	-	350	-	-	350	
3. GoK-funded conditional allocations	5,665	3,261	10,901	13,705	12,008	15,017	13,343	12,673	7,430	94,004	3.4%
a) Level Five Hospital	3,419	1,863	3,600	4,000	4,200	4,326	4,326	4,326	-	30,061	
b) Free Maternal Healthcare *	2,246	1,398	3,321	4,105	-	-	-	-	-	11,070	
c) Managed Equipment Services	-	-	3,080	4,500	4,908	8,830	6,017	5,273	7,205	39,813	
d) Foregone User Fees Compensation	-	-	900	900	900	900	900	900	-	5,400	
e) Rehabilitation of Youth Polytechnics	-	-	-	-	2,000	961	2,000	2,000	-	6,961	
f) Emergency Medical Service Grant	-	-	-	200	-	-	-	-	-	200	
g) Construction of County HQs	-	-	-	-	-	-	100	175	225	500	
4. Other Additional conditional allocations	-	1,137	5,547	6,063	17,797	31,070	30,020	40,103	12,014	143,751	5.1%
a) Road Maintenance Levy Fund	-	-	3,300	4,307	10,262	7,424	7,645	9,433	-	42,372	1.5%
b) External Loans and Grants	-	1,137	2,247	1,756	7,535	23,646	22,375	30,670	12,014	101,380	3.6%
-World Bank (KDSP Level I)	-	-	-	-	2,148	-	1,410	2,115	-	5,673	
-World Bank (KDSP Level II)	-	-	-	-	1,950	4,000	-	4,600	-	10,550	
-World Bank (NUTRIP)	-	-	1,045	791	-	-	-	-	-	1,836	
-Danida (HSPS III)	-	734	664	408	-	-	-	-	-	1,806	
-World Bank (KHSSP-HSSF)	-	404	508	556	8	-	-	-	-	1,476	
-World Bank (THUSCP)	-	-	-	-	1,250	1,958	2,656	3,940	1,445	11,249	
-Danida (UHDSP)	-	-	-	-	1,116	1,040	922	855	323	4,257	
-World Bank (NARIGP)	-	-	-	-	1,063	1,052	4,563	3,900	3,995	14,573	
-Italy (KIDDP; Rehab. of Sub-Dist. Hosp.)	-	-	30	-	-	-	-	-	-	30	
World Bank, KUSP-UIG	-	-	-	-	-	1,854	387	-	-	2,241	
World Bank, KUSP-UDG	-	-	-	-	-	11,465	8,128	6,315	-	25,908	
World Bank-KCSAP	-	-	-	-	-	1,000	2,982	5,945	3,942	13,869	
EU - IDEAS	-	-	-	-	-	941	-	-	-	941	
IDA (World Bank)-WSDP	-	-	-	-	-	-	563	2,465	1,510	4,537	
SIDA -ASDSP II	-	-	-	-	-	335	764	536	501	2,135	
EU-WaTER	-	-	-	-	-	-	-	-	297	297	
IDA (WB)- ELRP	-	-	-	-	-	-	-	-	-	4,842	0.2%
5. Allowances for County medical personnel	-	-	-	4,842	-	-	-	-	-	4,842	0.2%
6. Coffee Cess	-	-	-	107	-	-	-	-	-	107	0.0%
Grand Total (= 1+2+3+4+5+6)	195,665	231,059	276,223	305,016	331,805	360,086	337,853	398,993	359,844	2,796,544	100%

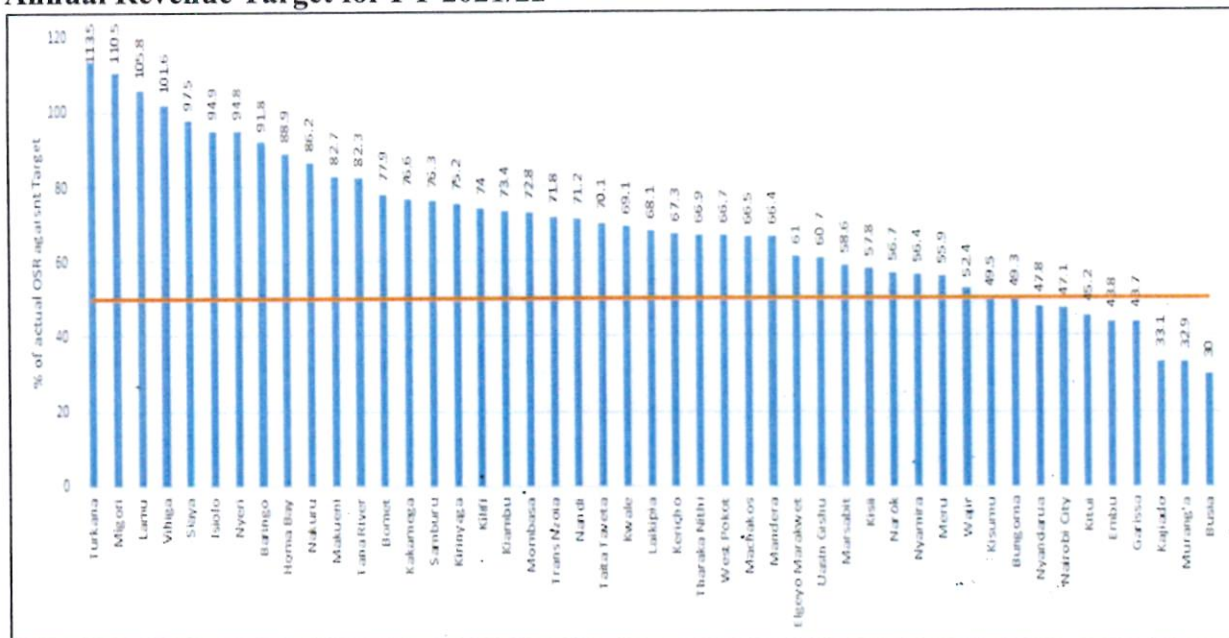
Source of Data: The National Treasury

Performance of County Governments Own Source Revenue

27. During the FY 2021/22, the County Governments were able to raise a total of Ksh 35.91 billion in Own Source Revenue (OSR) against an annual target of Ksh 60.42 billion as shown in **(Figure 1 and Annex Table 7)**. This represents 59.4 percent of the annual OSR target in FY 2021/22. There was a slight improvement recorded in OSR in FY 2021/22 compared to FY 2020/21 where a total of Ksh 34.44 billion was raised. Thirty-seven (37) County Governments in FY 2021/22 were able collect more than fifty percent of their annual OSR target. The top performing counties as far as OSR is concerned were Turkana (113.5%), Migori (110.5%), Lamu (108.5%) and Vihiga (101.6%) while the least performing counties were Kajiado (33.1%), Murang'a (32.9%) and Busia (30%).

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Figure 1: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for FY 2021/22



Source of Data: Controller of Budget

28. The National Treasury notes that County Governments may be projecting unrealistic OSR which ultimately leads to below target collection. In this regard, the National Treasury in collaboration with relevant stakeholders is currently coordinating the implementation of the National Policy to Support Enhancement of County Governments' OSR which seeks to enhance efficiency in collection and administration of County Governments' OSR. The County Governments (Revenue Raising Process) Bill, which was approved by Cabinet together with the OSR Policy, will be resubmitted to Parliament for enactment into law. Once enacted into law, this legislation will play an important role in regulating the manner in which Counties introduce/vary fees and charges.

29. To address the inadequacy of the existing legal framework to guide the imposition of property rates, the National Policy to Support Enhancement of the County Governments Own Source Revenue proposed enactment of the National Rating Legislation. The National Rating Bill, 2022 that is currently in Parliament stipulates a framework for levying of rates by county governments that will provide for the valuation of rateable property, the appointment and powers of valuers and the establishment, powers and functions of the National Rating Valuation Tribunal.

Mineral Royalty Revenue Sharing Framework

30. Section 183 of the Mining Act, 2016 provides that any holder of a mineral right shall pay royalty to the State in respect of the various mineral classes won by virtue of the mineral right. Such royalties shall be distributed at 70 percent to the National Government; 20 percent to the County Government; and 10 percent to the Communities. In order to implement this provision of the law, the National Treasury in consultation with the Ministry of Petroleum and Mining, Ministry of Industrialization, Trade & Enterprise Development, Commission on Revenue Allocation, State Law Office and Council of Governors developed a framework on sharing of mineral royalty revenue among the National Government, County Governments and Communities, which was forwarded to the Attorney General's Office for gazette. The Attorney General has recommended the need for enactment of Regulations specifically to deal with the question of the transfer of the 10 percent share of royalties to the communities in accordance with Section 223 of the Mining Act, 2017 and other connected matters.

Legal framework on County Governments Expenditure

31. PFM Act, 2012 Section 130 (1) (b) (v) requires the County Executive Committee Member for Finance to submit in the County Assembly budget estimates that include all expenditure by vote and by program clearly identifying both recurrent and development expenditure. Further, the PFM Act provides for fiscal rules which are provided as fiscal responsibility principles to be observed by County Governments in management of public finances. Specifically, PFM Act, 2012 and the PFM (County Government) Regulations, 2015 require county governments to enforce the following principles:

- i. The County Governments' recurrent expenditure shall not exceed the County Government total revenue.
- ii. In the Medium Term, a minimum of 30 percent of the County Governments budget shall be allocated to the development expenditure.
- iii. The County Government expenditure on wages shall not exceed 35 percent of County Governments total revenue as prescribed by the County Executive Committee for Finance.

Overall Performance of Expenditures

32. The total expenditure by the County Governments in the FY 2021/22 was Ksh 400.9 billion of which actual expenditure on development was Ksh 98.5 billion while on recurrent was Ksh 302.5 billion (**Table 11 and Annex Table 7**). On the other hand, the expenditure on wages was Ksh 190.1 billion. The expenditures were against actual revenue amounting to Ksh 440 billion.

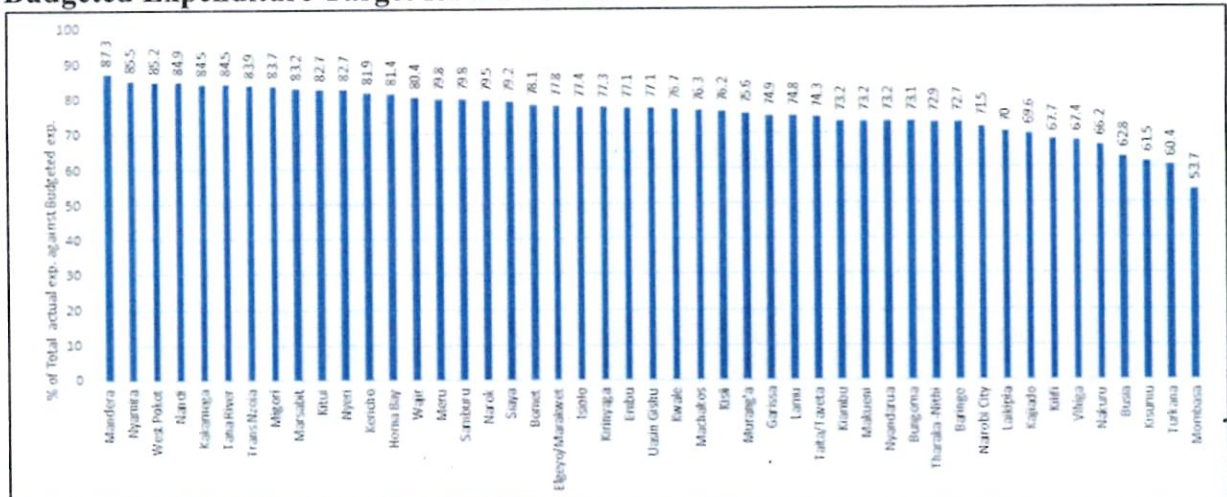
Table 11: Total Actual Expenditure for the first nine months of FY 2021/22

Item	Ksh 'Billion'	% of Expenditure to Total Revenue
Total actual Revenue	440.0	
Total actual Expenditure	400.9	91.1
Recurrent expenditure	302.5	68.8
Wages	190.1	43.2
Operations & Maintenance	112.4	25.5
Development expenditure	98.5	22.4

Source of Data: Controller of Budget

33. The expenditures reflect an improvement from FY 2020/21 where total expenditure was Ksh. 398.01 billion compared with Ksh 400.9 billion in the FY 2021/22. **Figure 2** shows the actual expenditure by the County Governments as a percentage of the total budgeted expenditure for the FY 2021/22.

Figure 2: Actual Total Expenditure by the County Governments as a percentage of Total Budgeted Expenditure Target for FY 2021/22



Source of Data: Controller of Budget

E. County Governments' Compliance with Fiscal Responsibility Principles

Recurrent Expenditure as a percentage of Total Revenue

34. The PFM Act, 2012 requires that a County Government's recurrent expenditure shall not exceed the County Government's total revenue. In the FY 2021/22, the total recurrent expenditure for the County Governments was Ksh 302.5 billion, while the total revenue available for the County Governments was Ksh 440.0 billion, representing 68.7 percent of the total revenue (Figure 3). In this regard, the total recurrent expenditure was within the PFM threshold as at the end of the FY 2021/22.

Figure 3: Actual recurrent expenditure as a percentage of the Total Revenue for the FY 2021/22



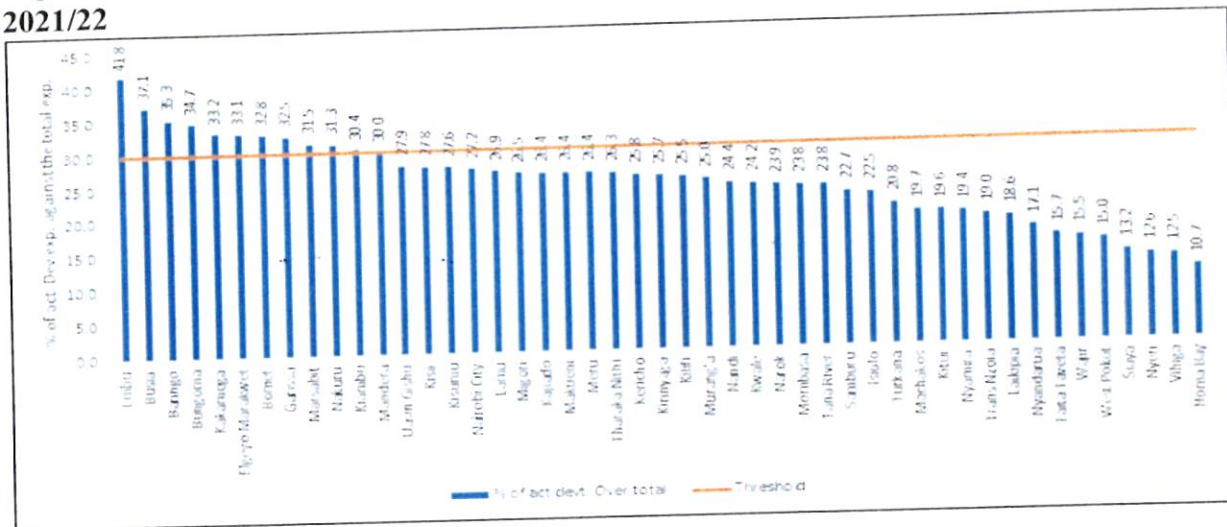
Source of Data: Controller of Budget

Development Budget as a percentage of the Total Budget

35. The total development expenditure amounted to Ksh 98.5 billion in the FY 2021/22 against a budget of Ksh 535.7 billion representing 18.4 percent of the total budget. This is an increase from Ksh 48.5 billion attained in FY 2020/21. The Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 percent of each County Government's budget shall be allocated to development expenditure. Most of the County Governments meet this requirement as far as the approved budget is concerned. In terms of

actual expenditure, only eleven out of the forty-seven County Governments were able to utilize over 30 percent of their budget on development with Embu, Busia and Baringo having the highest allocation of 41.82 percent, 37.10 percent and 35.34 percent, respectively. On other hand, Nyeri, Vihiga, and Homa Bay spent the least of their budgets on development within the specified time period (Figure 4).

Figure 4: Actual Development Expenditures as a Percentage of Total Budget for FY 2021/22

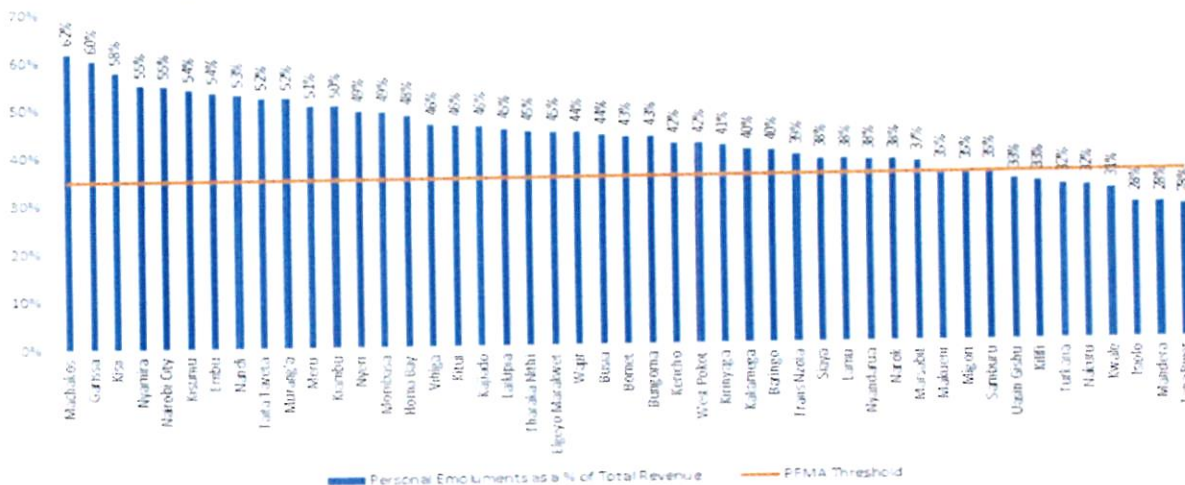


Source of Data: Controller of Budget

Expenditure on Wage bill

36. The total expenditure on wages by all the County Governments amounted to Ksh 190.1 billion over the FY 2021/2022. During the same period, the total revenue available to the County Governments was Ksh 440 billion. The Public Finance Management (County Government) Regulations, 2015 requires that expenditure on wages and benefits for public officers shall not exceed 35 percent of the total revenues. This means that on average County Governments spent 43.2 percent of their total revenue on wages which is higher than the threshold of 35 percent provided by the PFM Act, 2012. Within this period, only eleven counties (Makueni, Migori, Samburu, Uasin Gishu, Kilifi, Turkana, Nakuru, Kwale, Isiolo, Mandera, and Tana River) were able to maintain their allocation to wages and salaries below the 35 percent threshold (Figure 5).

Figure 5: Actual Expenditures on Wages and Salaries as a Percentage of Total Revenue for the FY 2021/22



Source of Data: Controller of Budget

Pending Bills of County Governments

37. The Office of the Auditor General (OAG) issued a Special Reports on Pending Bills for County Governments as of 30th June, 2020. The Special Report showed that the total pending bills by County Executives were Ksh 152.6 billion, which comprised Ksh 45.5 billion described as payable/eligible and Ksh 107 billion described as ineligible. Further, the OAG total pending bills by county assemblies was Ksh 2.9 billion, which comprised Ksh 1.9 billion described as eligible and Ksh 1.0 billion described as ineligible.

38. As at 30th June, 2022 County Governments (Executive) reported to have settled Ksh 18.0 billion of eligible pending bills and Ksh 1.6 billion of ineligible pending bills. On the other hand, the county assemblies had paid Ksh 923.8 million of eligible pending bills and Ksh 122.8 million of ineligible pending bills (**Table 12**). The total outstanding pending bills for both the executive and the county assemblies as at 30th June, 2022 was Ksh 134.9 billion. To address this challenge of pending bills by the county governments, the National Treasury has issued a number of circulars aimed at ensuring that the settlement of these pending bills is prioritized to clear the existing bills and reduce further accumulation of the pending bills.

Table 12: Payment of Pending Bills of the County Governments' as at 30th June, 2022 for the Pending Bills Audited by OAG as at 30th June 2020.

Description	Pending Bills (County Executives)(Ksh) (A)	Payments (Ksh) (B)	Outstanding Pending Bills (Ksh) (C= A-B)
Eligible Pending Bills	45,544,599,661	18,029,846,779	27,514,752,882
Ineligible Pending Bills	107,008,031,373	1,574,978,453	105,433,052,920
Sub Total	152,552,631,034	19,604,825,232	132,947,805,802
Description	Pending Bills (County Assemblies)	Payments (Ksh)	Outstanding Pending Bills
Eligible Pending Bills	1,974,921,408	923,842,554	1,022,078,854
Ineligible Pending Bills	1,014,552,269	122,827,458	891,724,811
Sub Total	2,960,473,677	1,046,670,012	1,913,803,665
Total	155,513,104,711	20,651,495,244	134,861,609,467

Source of Data: Controller of Budget

39. Based on the County Governments' fiscal performance in the FY 2021/22 outlined in the section above, County Governments are expected to put measures in place to address the several areas of weakness that has been revealed. In particular, County Governments are expected to put in place measures to address following: Optimization of Own Source Revenue collection; adherence to fiscal responsibility principles; and clearance of pending bills.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Recent Economic Developments

Global Economic Performance

40. This BROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the contractionary monetary policy in advanced economies that has created tighter financial conditions. As a result, the IMF projects global growth to slow down to 3.2 percent in 2022 from 6.0 percent in 2021 (WEO October 2022).

41. Growth in advanced economies is projected to slow down to 2.4 percent in 2022 from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. For emerging market and developing economies, growth is also projected to slow down to 3.7 percent in 2022 from 6.6 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth.

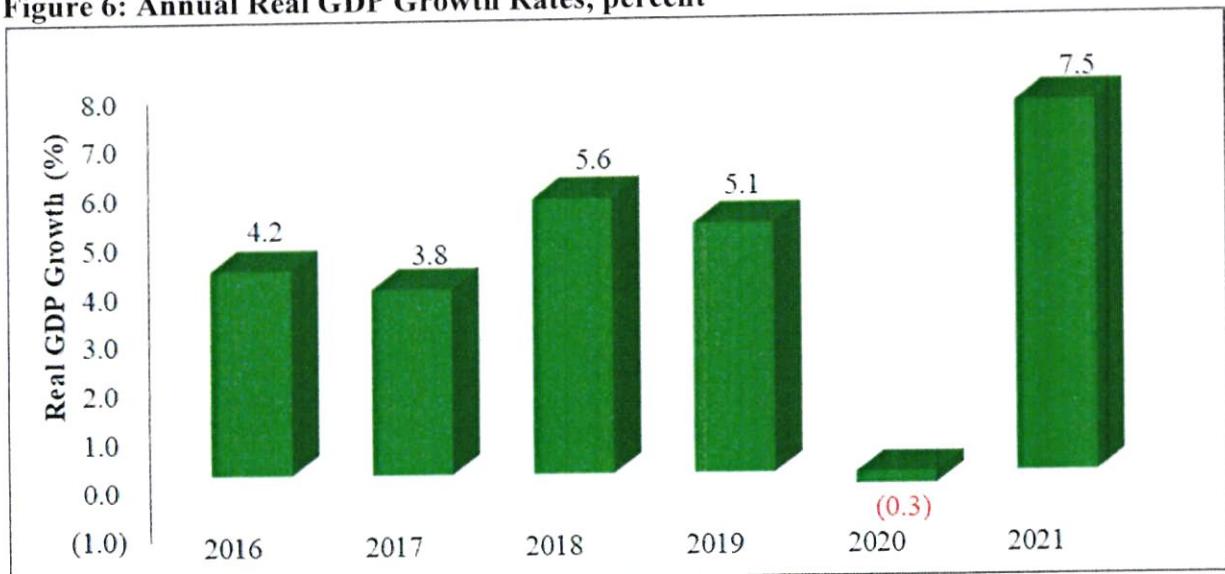
42. In sub-Saharan Africa region, growth is projected to slow down by 3.6 percent in 2022 from a growth of 4.7 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the Russia-Ukraine conflict reducing food affordability, and real incomes as well as surging fuel prices across the region.

Domestic Economic Performance

GDP Growth

43. The Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (Figure 6). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

Figure 6: Annual Real GDP Growth Rates, percent



Source of Data: Kenya National Bureau of Statistics

44. The growth momentum continued in the first half of 2022 despite subdued performance in agriculture and weaker global growth. The economy grew by 6.8 percent in the first quarter of 2022 compared to a growth of 2.7 percent in a similar quarter in 2021. This economic recovery

continued in the second quarter of 2022 with the economy expanding by 5.2 percent compared to a growth of 11.0 percent in the corresponding quarter of 2021 (**Table 13**). The slowdown in growth was as a result of normalization of activities after the 2021 recovery from COVID-19 pandemic. The growth in the second quarter of 2022 was supported by the non-agricultural sectors particularly strong activity in financial and insurance, transportation and storage, wholesale and retail trade, real estate, and construction sub-sectors. However, performance of the agriculture sector remained subdued due to unfavorable weather conditions.

Table 13: Sectoral GDP Performance

Sectors	2020					2021					2022	
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2
Primary Industry	4.6	7.8	(3.9)	9.6	4.7	0.9	0.02	1.4	0.7	0.7	0.5	(1.0)
Agriculture, Forestry and Fishing	4.5	8.0	(4.3)	9.8	4.6	0.4	(0.5)	0.6	(1.2)	(0.2)	(0.7)	(2.1)
Mining and Quarrying	6.5	3.9	5.6	6.0	5.5	10.7	10.9	16.4	34.5	18.0	23.8	22.6
Secondary Sector (Industry)	3.8	(1.6)	2.5	7.8	3.2	3.9	9.1	8.3	5.0	6.5	4.4	4.5
Manufacturing	1.4	(5.4)	(2.2)	4.3	(0.4)	2.1	11.3	10.2	4.9	6.9	3.7	3.6
Electricity and Water supply	1.5	(4.5)	0.8	4.6	0.6	3.6	7.2	6.4	2.8	5.0	1.9	5.0
Construction	8.9	6.0	10.2	15.2	10.1	6.8	6.8	6.7	6.0	6.6	6.4	5.8
Tertiary sector (Services)	3.9	(6.6)	(4.2)	(0.04)	(1.8)	3.2	14.9	11.4	9.1	9.6	9.1	7.5
Wholesale and Retail trade	5.5	(3.8)	(5.1)	1.4	(0.5)	7.5	9.2	6.4	8.4	7.9	8.7	8.2
Accommodation and Restaurant	(14.1)	(57.2)	(62.0)	(57.7)	(47.7)	(33.0)	90.1	127.5	118.6	52.5	56.2	22.0
Transport and Storage	2.1	(16.8)	(10.2)	(6.2)	(7.8)	(7.9)	18.6	14.2	6.5	7.2	7.8	7.1
Information and Communication	7.8	4.9	4.9	7.5	6.3	10.1	17.1	4.1	5.3	8.8	6.1	6.6
Financial and Insurance	6.2	3.2	3.3	10.6	5.9	11.8	17.3	11.8	9.9	12.5	14.7	11.6
Public Administration	4.7	4.5	8.3	10.2	7.0	6.8	7.6	4.8	3.3	5.6	6.4	4.2
Others	3.5	(8.1)	(5.4)	(2.1)	(3.2)	3.5	14.8	12.6	9.8	10.3	7.4	6.4
of which Professional, Admin & Support Services	2.7	(25.5)	(18.4)	(12.5)	(13.7)	(13.0)	18.3	13.4	8.1	5.7	14.9	11.2
Real Estate	4.1	3.6	3.8	4.8	4.1	6.7	7.4	7.1	5.7	6.7	6.1	5.5
Education	4.8	(21.1)	(16.1)	(4.8)	(9.3)	11.5	31.6	28.3	18.0	21.4	6.2	6.7
Health	7.1	9.0	4.4	2.9	5.7	5.8	6.2	4.1	7.8	6.0	5.0	4.8
Taxes less subsidies	5.5	(20.5)	(8.5)	(7.4)	(8.1)	1.8	18.5	12.5	15.7	11.9	11.7	7.3
Real GDP	4.4	(4.1)	(3.5)	2.3	(0.3)	2.7	11.0	9.3	7.4	7.5	6.8	5.2
of which Non-Agriculture	4.2	(5.6)	(2.7)	1.9	(0.6)	3.4	14.0	11.0	8.5	9.1	8.3	7.2

Source of Data: Kenya National Bureau of Statistics

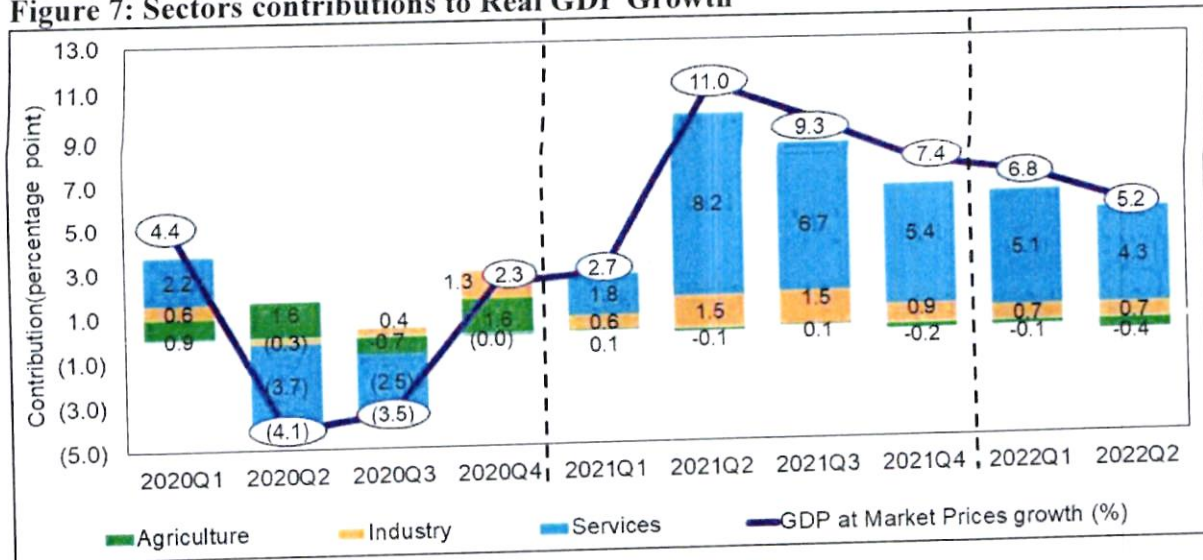
45. Activities in the agriculture, forestry and fishing sector contracted for the third consecutive quarters mainly attributed to unfavorable weather conditions that resulted to reduced agricultural production. The sector is estimated to have contracted by 2.1 percent in the second quarter of 2022 compared to a contraction of 0.5 percent in the corresponding quarter of 2021 (**Table 13**). The performance of the sector was evident in the significant decline in exports of vegetable and cut flower, and production of tea, coffee and milk. The sector's contribution to GDP growth was -0.4 percentage points in the second quarter of 2022 compared to -0.1 percentage points contribution in the same quarter in 2021(**Figure 7**).

46. The performance of the industry sector slowed down to a growth of 4.5 percent in the second quarter of 2022 compared to a growth of 9.1 percent in the same period in 2021. This was mainly on account of normalization of activities in the manufacturing, electricity and water supply and construction sub-sector after the strong recovery in 2021. The industry sector accounted for 0.7 percentage points of growth in the second quarter of 2022 compared to 1.5 percentage points contribution in the same quarter in 2021 (**Figure 7**).

47. Manufacturing sub-sector expanded by 3.6 percent in the second quarter of 2022 compared to 11.3 percent growth recorded in the same period of 2021. In the manufacture of food products, growth was supported by processing and preserving of meat and fish and manufacture of bakery products. In the manufacture of non-food products, growth was buoyed by assembly

of motor vehicles and production of cement. The growth of the sector was constrained by manufacture of dairy products and edible oils.

Figure 7: Sectors contributions to Real GDP Growth



Source of Data: Kenya National Bureau of Statistics

48. Electricity and Water Supply sub-sector expanded by 5.0 percent in the second quarter of 2022 compared to 7.2 percent growth registered in the second quarter of 2021. The growth in the sub-sector was supported by increased generation of electricity from renewable sources such as geothermal and wind that offset the potential detriment associated with an increase in generation of electricity from thermal sources and a decline in generation from hydroelectric sources. Generation of electricity from hydro declined by 21.8 percent mainly due to insufficient rainfall received.

49. Activities in the construction sub-sector remained robust in the second quarter of 2022 partly supported by the ongoing public infrastructure projects, though the performance was slower compared to the second quarter of 2021. The sub-sector expanded by 5.8 percent in the second quarter of 2022 compared to 6.8 percent growth in the corresponding quarter of 2021. The sub-sector's growth was evident in the increased cement consumption. The import of construction materials recorded mixed performance with quantity of imported bitumen increasing while the quantity of imported iron and steel declining in the second quarter of 2022.

50. The activities in the services sector normalized and remained strong in the second quarter of 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 7.5 percent in the second quarter of 2022 compared to a growth of 14.9 percent in the second quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, financial and insurance sectors, wholesale and retail trade, and transport and storage. The service sector accounted for 4.3 percentage points of growth in the second quarter of 2022, a decline compared to 8.5 percentage points contribution in the same quarter in 2021 (Figure 7).

51. Accommodation and Food Service activities remained on a recovery path, though the sub-sector's performance remained below the pre-pandemic level. The sub-sector grew by 22.0 percent in the second quarter of 2022 compared to 90.1 percent growth in the corresponding quarter of 2021. Transportation and Storage sub-sector grew by 7.1 percent in the second quarter of 2022 compared to a growth of 18.6 percent in the corresponding quarter of 2021. The slowdown in activities in the sub-sector was as a result of increased price of light diesel, which is a key input to land transportation activities. The sub-sector's performance was however supported by increased activity in the railway, air transport and port operations.

Employment

52. Relaxation of various containment measures, such as the night curfew, lockdowns and travel restrictions coupled with the rollout of COVID-19 vaccination had a positive impact on economic activities. This provided an environment that spurred economic recovery and growth in 2021. There was a general decline in unemployment and inactivity levels, with total employment surpassing the pre-pandemic level. Total new jobs created in the economy were 926.1 thousand of which 172.3 thousand were in the formal sector, while 753.8 thousand were in the informal sector (Table 14). Jobs created in the informal sector accounted for 81.4 percent of the total jobs created outside of small-scale agriculture and pastoralist activities.

53. Wage employment in the formal sector recorded a growth of 6.0 percent to 2.9 million in 2021 supported by a partial resumption of international travel, and a broad-based recovery in the manufacturing sector. The number of self-employed and unpaid family workers engaged in the formal sector increased by 4.9 percent in 2021 compared to a decline of 4.1 percent recorded in 2020.

54. The share of private sector employment was 68.3 percent in 2021, which was slightly higher than the previous year which stood at 67.8 percent. In 2021, the private sector recorded a growth of 6.8 percent in employment levels compared to a decline of 10.0 percent registered in 2020. The top three sub-sector providing wage employment in the private sector were manufacturing, agriculture, forestry and fishing and wholesale and retail trade: There was a turnaround in accommodation and food Services which recorded a significant growth of 23.9 percent compared to a decline of 38.7 percent registered in 2020. Employment in accommodation and food activities industry has been on a recovery mode from the drastic decline at the height of COVID-19 pandemic. The easing of the pandemic restrictions impacted positively on the employment in the industry as well as the bed occupancy rate, hence increasing employment in the sector.

Table 14: Total jobs Created (in thousands)

Sectors	Private			Public			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
1. wage employees	46.2	(205.2)	126.2	22.4	19.4	38.5	68.6	(185.8)	164.7
Primary									
Agriculture, forestry and fishing	2.4	(16.1)	14.7	(0.4)	(0.2)	0.2	2.0	(16.3)	14.9
Mining and quarrying	0.6	(1.5)	0.3	0.1	0.0	0.0	0.7	(1.5)	0.3
Industries									
Manufacturing	7.7	(35.2)	19.7	(2.3)	(1.2)	0.2	5.4	(36.4)	19.9
Electricity Supply	0.1	(0.3)	0.1	0.5	(1.0)	(0.5)	0.6	(1.3)	(0.4)
Water supply	0.3	(0.4)	0.2	0.1	(0.4)	0.3	0.4	(0.8)	0.5
Construction	2.9	(0.3)	4.9	0.2	0.3	0.1	3.1	0.0	5.0
Services									
Wholesale and retail trade	8.8	(18.0)	6.6	0.0	0.2	0.0	8.8	(17.8)	6.6
Transportation and storage	2.9	(15.9)	6.2	(1.1)	0.3	0.8	1.8	(15.6)	7.0
Accommodation and food service	1.3	(31.4)	11.9	0.1	0.0	0.0	1.4	(31.4)	11.9
Information and communication	1.1	(13.2)	14.9	0.0	0.0	0.0	1.1	(13.2)	14.9
Financial and insurance activities	1.9	(0.9)	1.8	0.1	(0.9)	(0.1)	2.0	(1.8)	1.7
Real estate activities	0.1	(0.7)	0.4	0.0	0.0	0.0	0.1	(0.7)	0.4
Education	4.8	(47.6)	29.5	14.5	12.5	16.7	19.3	(35.1)	46.2
Health	6.6	(11.0)	3.1	2.6	2.4	2.2	9.2	(8.6)	5.3
2. Unpaid family workers				10.5	(6.6)	7.6	10.5	(6.6)	7.6
3. Formal (1+2)	46.2	(205.2)	126.2				79.1	(192.4)	172.3
4. Informal	767.9	(543.6)	753.8				767.9	(543.6)	753.8
5. Total jobs created (3+4)	814.1	(748.8)	880.0	32.9	12.8	46.1	847.0	(736.0)	926.1

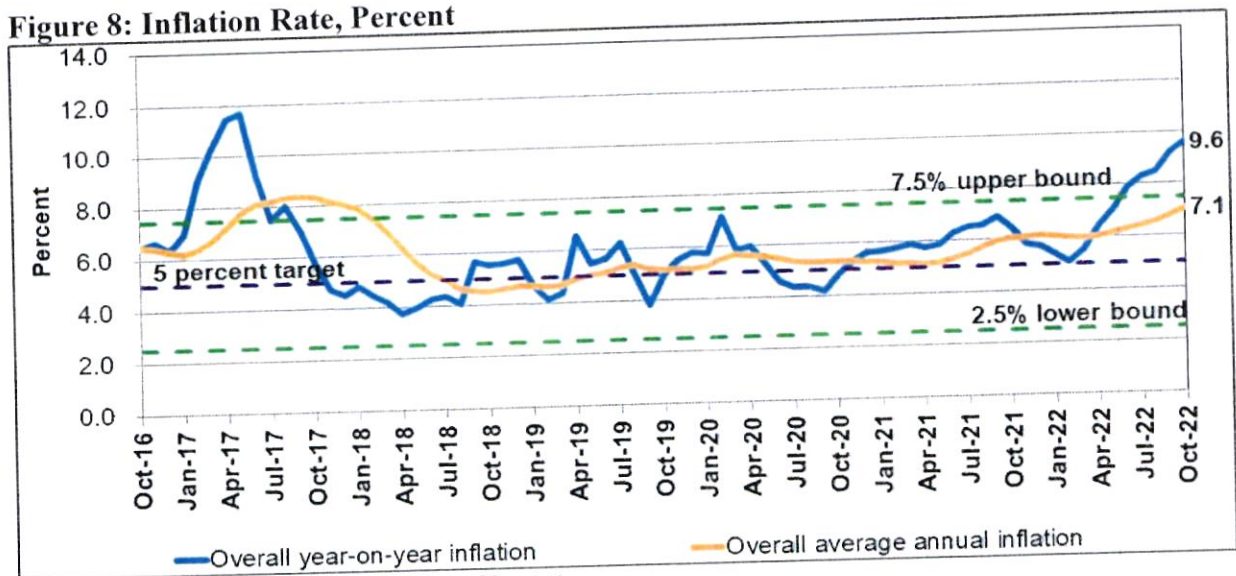
Source of Data: Kenya National Bureau of Statistics

55. Employment in the public sector increased by 4.3 percent to 923.1 thousand persons in 2021. The increase was mainly attributed to recruitment in the civil service for essential services. Public administration and defence; compulsory social security registered the highest growth of 5.9 percent in 2021. Other economic activities in the public sector that realized growth in employment were human health and social work activities, education and transport and storage.

Inflation Rate

56. The year-on-year inflation rate was above the 7.5 percent upper bound target for the fifth consecutive month in October 2022. Inflation rate was at 9.6 percent in October 2022 from 6.5 percent in October 2021 mainly due to higher international food and fuel prices (**Figure 8**). Inflation is expected to remain elevated in the near term, due in part to the scaling down of the Government price support measures, resulting in increases in fuel and electricity prices; the impact of tax measures in the FY 2022/23 Budget; and global inflationary pressures. Overall annual average inflation remained within Government target range at 7.1 percent in October, 2022 compared to the 6.1 percent recorded in October 2021.

Figure 8: Inflation Rate, Percent



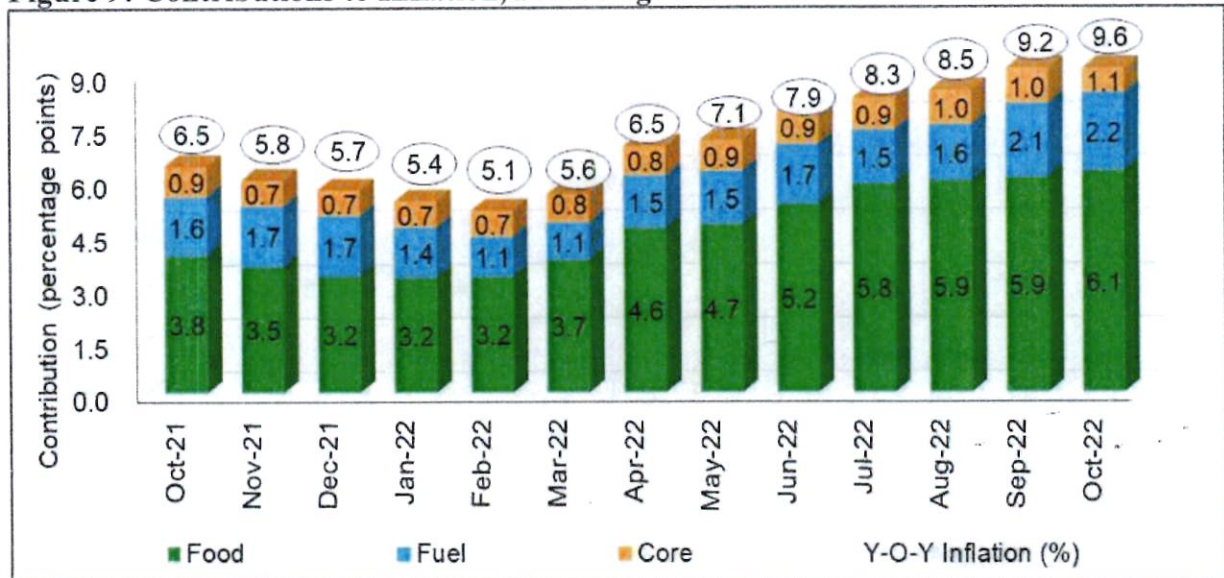
Source of Data: Kenya National Bureau of Statistics

57. Food inflation remained the main driver of overall year-on-year inflation in October 2022, contributing 6.1 percentage points, an increase, compared to a contribution of 3.8 percentage points in October 2021 (**Figure 9**). The increase was mainly attributed to unfavourable weather conditions and supply constraints of key food items particularly cooking oil (salad), maize flour (sifted), sugar, Irish potatoes, beans, carrots and fresh unpacked cow milk/fresh cream.

58. Fuel inflation also increased to contribute 2.2 percentage points to year-on-year overall inflation in October 2022 from a contribution of 1.6 percentage points in October 2021. This was mainly driven by increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices. Additionally, in September 2022, subsidies for petrol were eliminated while those for diesel and kerosene were substantially reduced.

59. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy. The contribution of core inflation to overall inflation increased slightly to 1.1 percentage points in October 2022 compared to 0.9 percentage points contribution in October 2021.

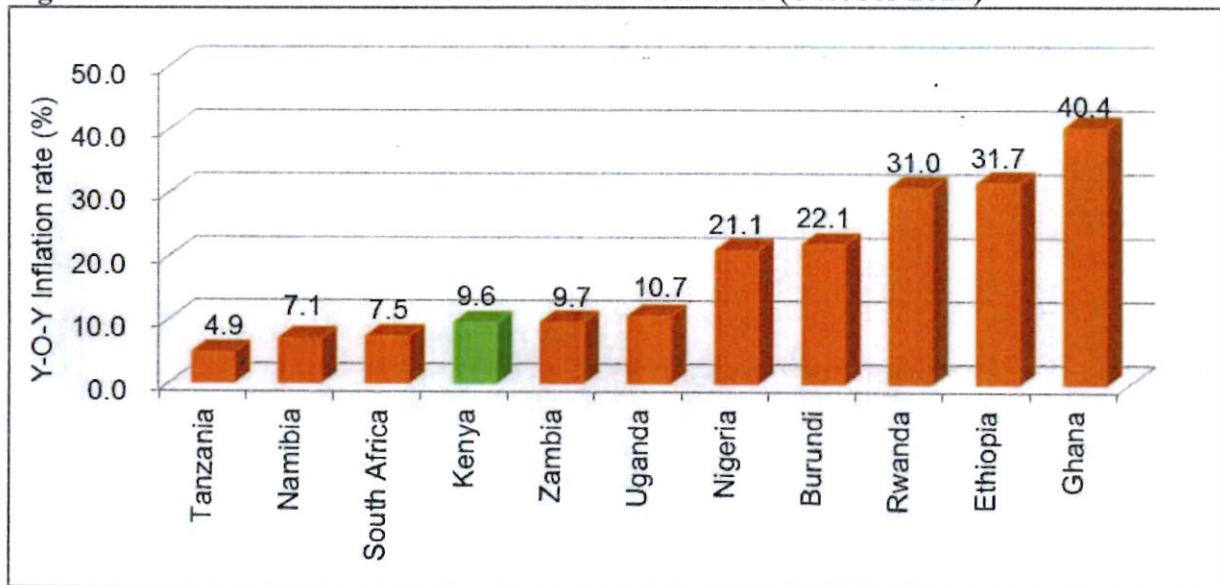
Figure 9: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

60. Kenya’s rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In October 2022, Kenya recorded a lower inflation rate than Ghana, Ethiopia, Rwanda, Nigeria, Burundi, Zambia and Uganda (Figure 10).

Figure 10: Inflation Rates in selected African Countries (October 2022)

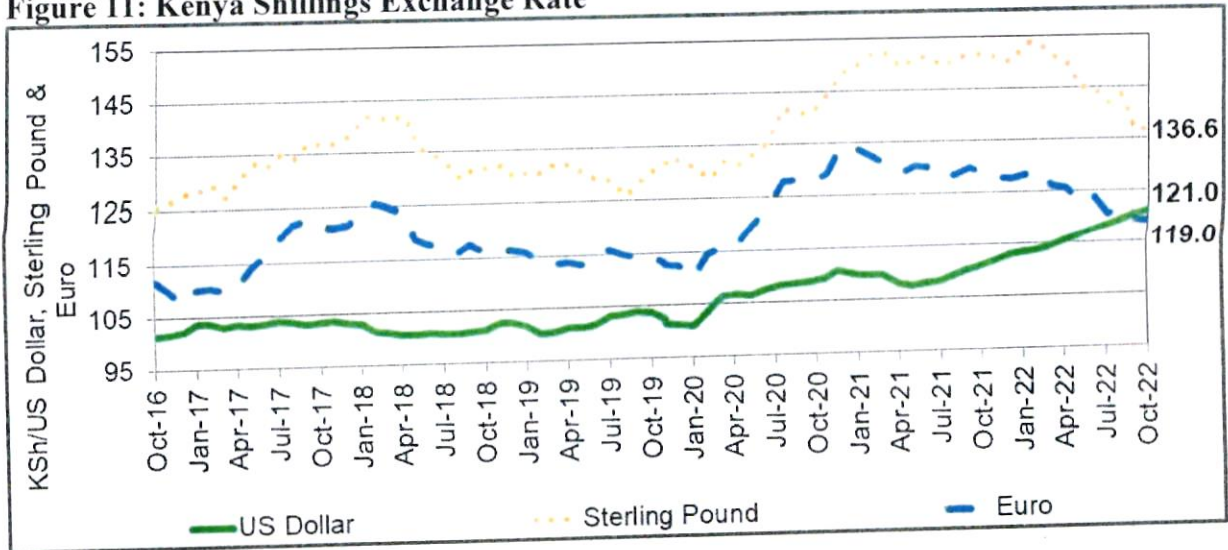


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

61. The foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar exchanged at KSh 121.0 in October 2022 compared to KSh 110.9 in October 2021. Over the same period, the Kenyan Shilling strengthened against other major international currencies. The Euro exchanged at KSh 119.0 in October 2022 compared to Ksh 128.6 in October 2021 while the Sterling Pound exchanged at KSh 136.6 compared to KSh 151.6 over the same period (Figure 10).

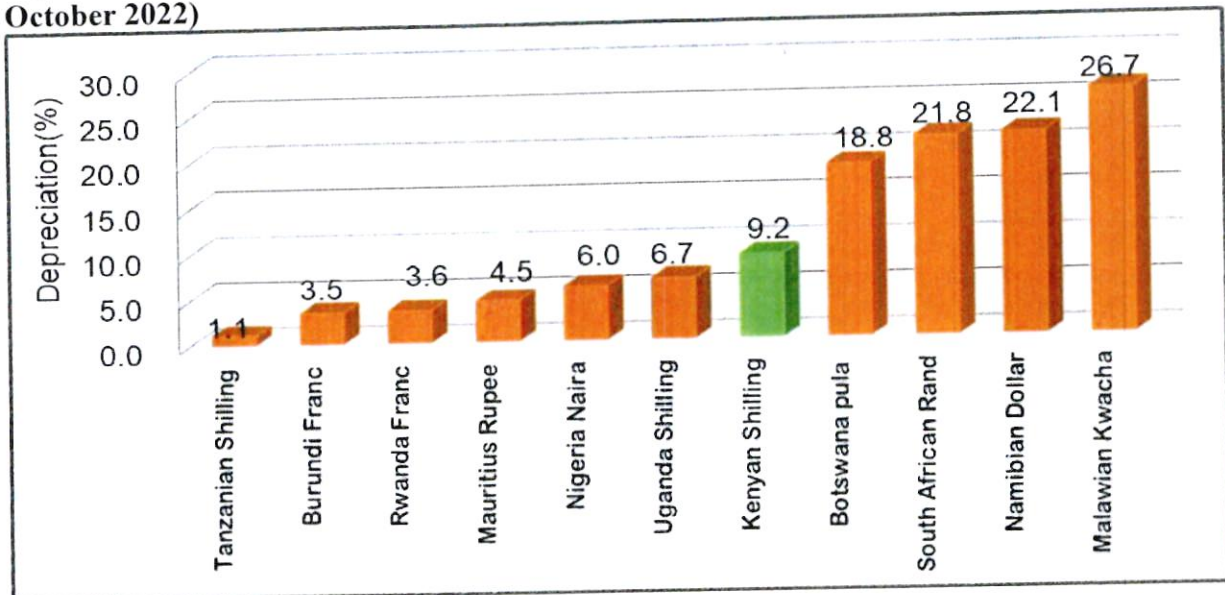
Figure 11: Kenya Shillings Exchange Rate



Source of Data: Central Bank of Kenya.

62. In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low at 9.2 percent against the US Dollar in October 2022 (Figure 12). The depreciation rate of the Kenya Shilling was lower than that of Namibian Dollar, Botswana pula, South African Rand and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

Figure 12: Performance of Selected Currencies against the US Dollar (October 2021 to October 2022)



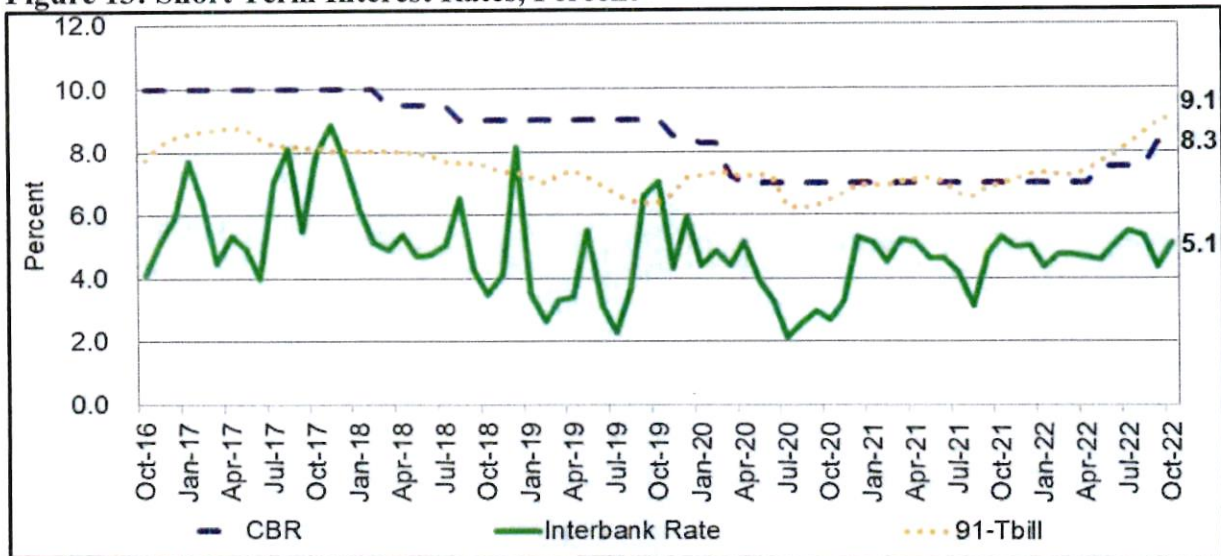
Source of Data: National Central Banks

Interest Rates

63. Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market in the last one year. Monetary policy stance remain tight to anchor inflation expectations due to the elevated risk of high inflation outlook as a result of increased global commodity prices and supply chain disruptions. The Central Bank Rate (CBR) was raised to 8.25 percent from 7.5 percent in September, 2022. The interbank rate remained stable at 5.1 percent in October 2022 compared to 5.3 percent in October 2021 (Figure 13).

64. The Treasury bills rates remained relatively low (below 10 percent) in October 2022. The 91-day Treasury Bills rate was at 9.1 percent in October 2022 compared to 7.0 percent in October 2021. Over the same period, the 182-day Treasury Bills rate increased to 9.7 percent from 7.4 percent while the 364-day also increased to 9.9 percent from 8.1 percent.

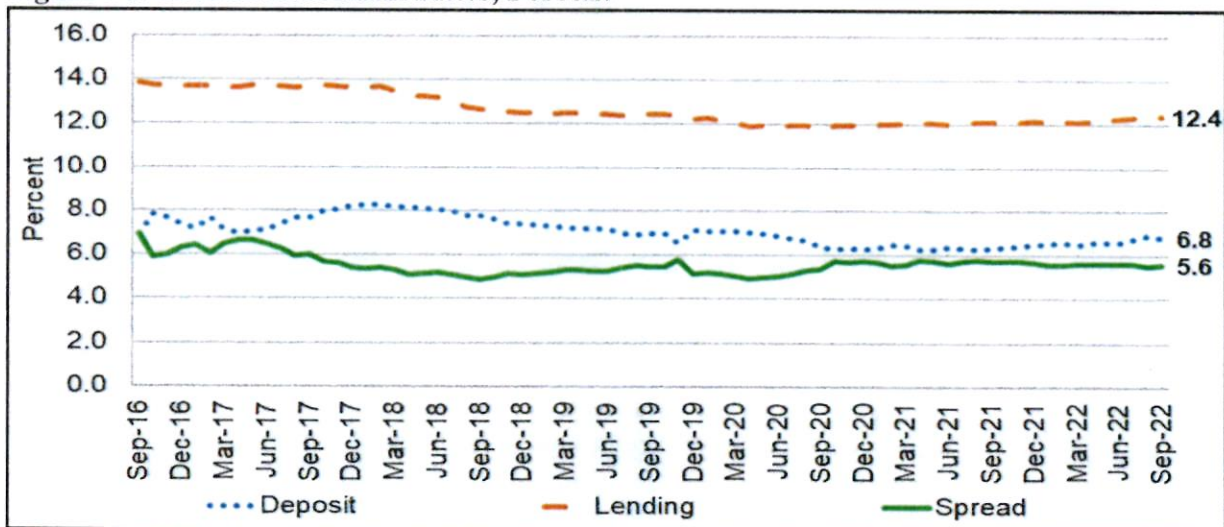
Figure 13: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

65. Commercial banks' lending rates remained relatively stable in September, 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.4 percent in September, 2022 from 12.1 percent in September 2021 while the average deposit rate increased to 6.8 percent from 6.3 percent over the same period. Consequently, the average interest rate spread declined to 5.6 percent in September, 2022 from 5.8 percent in September 2021 (Figure 14).

Figure 14: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Money and Credit

66. Broad money supply, M3, grew by 6.1 percent in the year to September, 2022 compared to a growth of 8.8 percent in the year to September 2021 (Table 15). The growth in September, 2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA).

Table 15: Money and Credit Developments (12 Months to September 2022 Ksh billion)

				Change		Percent Change	
	2020 September	2021 September	2022 September	2020-2021 September	2021-2022 September	2020-2021 September	2021-2022 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,643.1	1,748.0	1,877.2	104.9	129.2	6.4	7.4
1.1 currency outside banks (M0)	268.1	282.8	305.6	14.7	22.7	5.5	8.0
1.2 Demand deposits	1,297.8	1,358.8	1,505.9	60.9	147.2	4.7	10.8
1.3 Other deposits at CBK	77.2	106.4	65.7	29.2	(40.7)	37.9	(38.3)
2. Money supply, M2 (1+2.1)	3,588.5	3,856.7	4,032.0	268.1	175.3	7.5	4.5
2.1 Time and savings deposits	1,945.4	2,108.7	2,154.8	163.2	46.1	8.4	2.2
Money supply, M3 (2+3.1)	4,252.5	4,627.5	4,910.3	375.0	282.9	8.8	6.1
3.1 Foreign currency deposits	664.0	770.8	878.4	106.8	107.5	16.1	14.0
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	746.3	660.2	292.5	(86.1)	(367.7)	(11.5)	(55.7)
1.1 Central Bank	806.2	761.9	569.7	(44.3)	(192.2)	(5.5)	(25.2)
1.2 Banking Institutions	(59.9)	(101.7)	(277.2)	(41.8)	(175.5)	(69.8)	(172.6)
2. Net domestic assets (2.1+2.2)	3,506.4	3,967.3	4,617.8	460.9	650.6	13.1	16.4
2.1 Domestic credit (2.1.1+2.1.2+2.1.3+2.1.4+2.1.5)	4,683.0	5,309.2	6,072.3	626.2	763.2	13.4	14.4
2.1.1 Central Government (net)	1,234.5	1,618.4	1,930.9	383.9	312.5	31.1	19.3
2.1.2 County Government (Net)	4.5	6.6	5.3	2.0	(1.3)	45.0	(20.4)
2.1.3 Public Non Financial Corp (Net)	63.4	54.4	51.3	(9.0)	(3.1)	(14.2)	(5.7)
2.1.4 Private sector	3,349.3	3,598.5	4,055.6	249.3	457.1	7.4	12.7
2.1.5 Credit to Other Financial Corporations(Net)	31.3	31.3	29.3	(0.01)	(2.0)	(0.05)	(6.4)
2.2 Other assets net	(1,176.6)	(1,341.9)	(1,454.5)	(165.3)	(112.6)	(14.0)	(8.4)

Source of Data: Central Bank of Kenya

67. Net Foreign Assets (NFA) of the banking system in the year to September, 2022 contracted by 55.7 percent, compared to a contraction of 11.5 percent in the year to September 2021. The decline in NFA was partly due to the Central Bank payments of Government external obligations, and increased banks' borrowings from foreign sources and reduction in foreign deposit assets to support lending to customers.

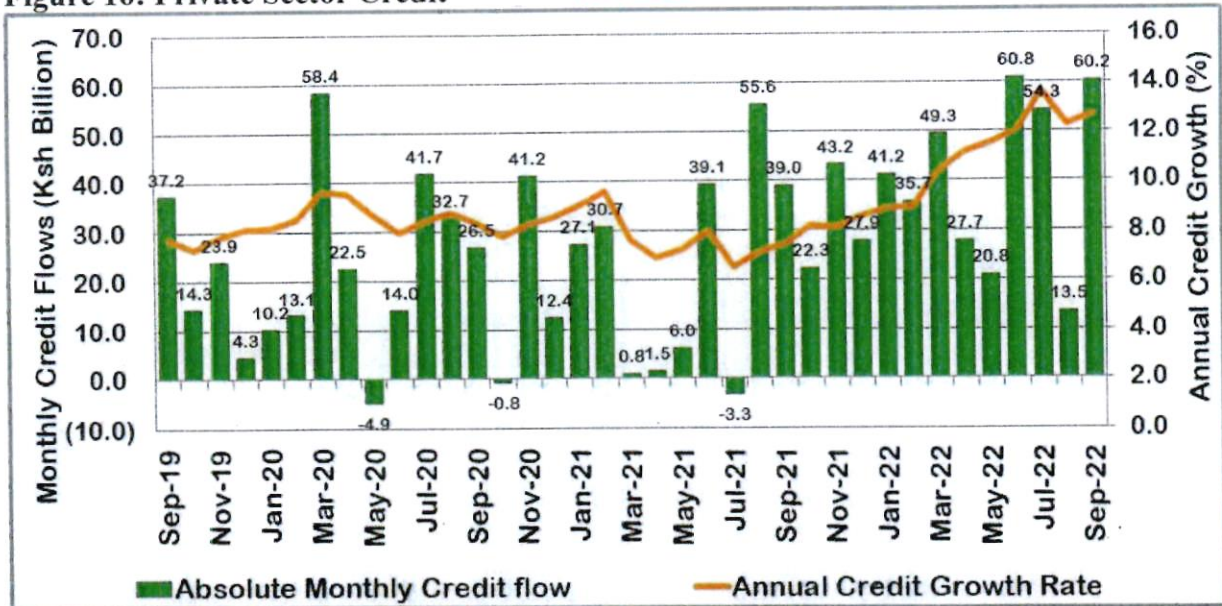
68. Net Domestic Assets (NDA) registered a growth of 16.4 percent in the year to September, 2022, an improvement compared to a growth of 13.1 percent over a similar period in 2021. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Credit to both the Central and County Governments declined in the year to September, 2022 due to a slowdown in Government activities during the transition period.

Private Sector Credit

69. Private sector credit improved to a growth of 12.7 percent in the 12 months to September, 2022 compared to a growth of 7.4 percent in the year to September 2021 (**Figure 16**). All economic sectors registered positive growth rates reflecting increased credit demand following improved economic activities. Strong credit growth was observed in the following sectors: mining, transport and communication, agriculture, trade, consumer durables, manufacturing, business services and building and construction. Monthly credit flows (month on month) has also improved from Ksh 39.0 billion in September 2021 peaking at Ksh 60.2 billion in September 2022.

70. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs), continues to de-risk lending by commercial banks hence remains critical to increasing credit flow to the private sector.

Figure 16: Private Sector Credit

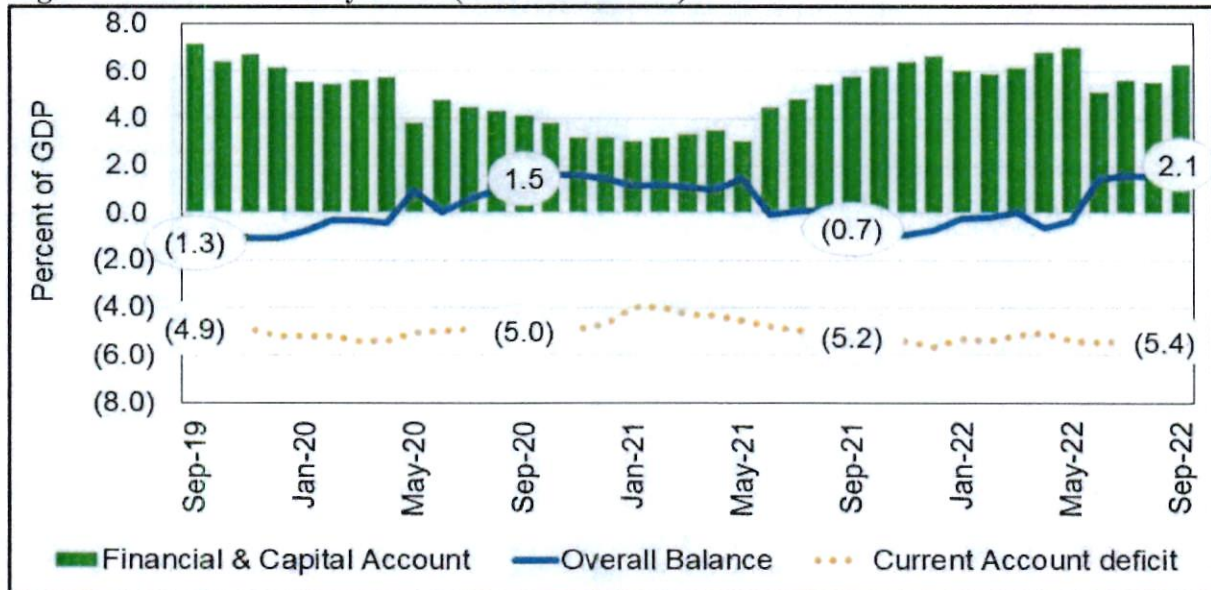


Source of Data: Central Bank of Kenya

External Sector Developments

71. The overall balance of payments position improved to a surplus of USD 2,318 million (2.1 percent of GDP) in September, 2022 from a deficit of USD 745.6 million (0.7 percent of GDP) in September 2021 (Figure 17). This was mainly due to an improvement in the financial account despite a decline in the merchandise account reflecting increased imports of petroleum products owing to high international crude oil prices.

Figure 17: Balance of Payments (Percent of GDP)



Source of Data: Central Bank of Kenya

72. The current account deficit was generally stable at USD 6,020.6 million (5.4 percent of GDP) in September, 2022 compared to USD 5,739.5 million (5.2 percent of GDP) in September 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account.

73. The balance in the merchandise account declined by USD 2,139.2 million to a deficit of USD 12,548.5 million in September,2022 mainly due to increased payments on imports in spite of an improvement in the export earnings (**Table 16**). In the year to September,2022, exports grew by 14.0 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. The increase in receipts from tea exports reflects improved prices attributed to demand from traditional markets. On the other hand, imports of goods increased by 18.0 percent in the year to September,2022 mainly due to increases in imports of oil and other intermediate goods.

Table 16: Balance of Payments (USD Million)

							Year to September 2022		Percent of GDP	
	Sep-20	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	change	Percent Change	Sep-21	Sep-22
Overall Balance	1,457.5	(745.6)	(787.7)	35.8	1,641.8	2,318.0	3,063.6	(410.9)	(0.7)	2.1
A) Current Account	(4,938.2)	(5,739.5)	(6,026.9)	(6,003.5)	(6,203.8)	(6,020.6)	(281.1)	(4.9)	(5.2)	(5.4)
Merchandise Account (a-b)	(9,010.5)	(10,409.3)	(11,439.3)	(11,718.3)	(12,365.5)	(12,548.5)	(2,139.2)	(20.6)	(9.5)	(11.3)
a) Goods: exports	6,010.6	6,501.7	6,729.6	6,818.1	7,112.0	7,409.4	907.7	14.0	5.9	6.7
b) Goods: imports	15,021.1	16,910.9	18,168.9	18,536.3	19,477.6	19,957.9	3,047.0	18.0	15.4	18.0
Net Services (c-d)	626.3	319.1	739.8	1,158.1	1,472.8	1,826.0	1,506.8	472.2	0.3	1.6
c) Services: credit	4,114.7	4,159.3	4,859.4	5,614.5	6,266.0	6,859.8	2,700.4	64.9	3.8	6.2
d) Services: debit	3,488.4	3,840.2	4,119.6	4,456.4	4,793.2	5,033.8	1,193.6	31.1	3.5	4.5
Net Primary Income (e-f)	(1,542.4)	(1,390.9)	(1,487.9)	(1,796.2)	(1,720.5)	(1,707.0)	(316.2)	(22.7)	(1.3)	(1.5)
e) Primary income: credit	170.9	126.4	128.8	119.2	104.2	95.0	(31.5)	(24.9)	0.1	0.1
f) Primary income: debit	1,713.3	1,517.3	1,616.7	1,915.4	1,824.7	1,802.0	284.7	18.8	1.4	1.6
Net Secondary Income	4,988.4	5,741.5	6,160.5	6,352.8	6,409.4	6,409.0	667.5	11.6	5.2	5.8
g) Secondary income: credit	5,039.2	5,873.3	6,270.8	6,468.1	6,510.3	6,478.3	605.0	10.3	5.4	5.8
h) Secondary income: debit	50.8	131.9	110.3	115.3	100.8	69.3	(62.5)	(47.4)	0.1	0.1
B) Capital Account	155.1	204.8	195.1	194.1	194.7	165.7	(39.0)	(19.1)	0.2	0.1
C) Financial Account	(3,907.7)	(6,105.0)	(6,927.1)	(6,948.7)	(5,641.0)	(6,838.5)	(733.5)	(12.0)	(5.6)	(6.2)

Source of Data: Central Bank of Kenya

74. Net receipts on the services account improved by USD 1,506.8 million to USD 1,826.0 million in September,2022 compared to a similar period in 2021. This was mainly on account of an increase in receipts from transportation and tourism as international travel continues to improve. Net Secondary income remained resilient and increased by USD 667.5 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 316.2 million to a deficit of USD 1,707.0 million in September,2022, from a deficit of USD 1,390.9 million in the same period last year, reflecting higher interest related payments on other investments.

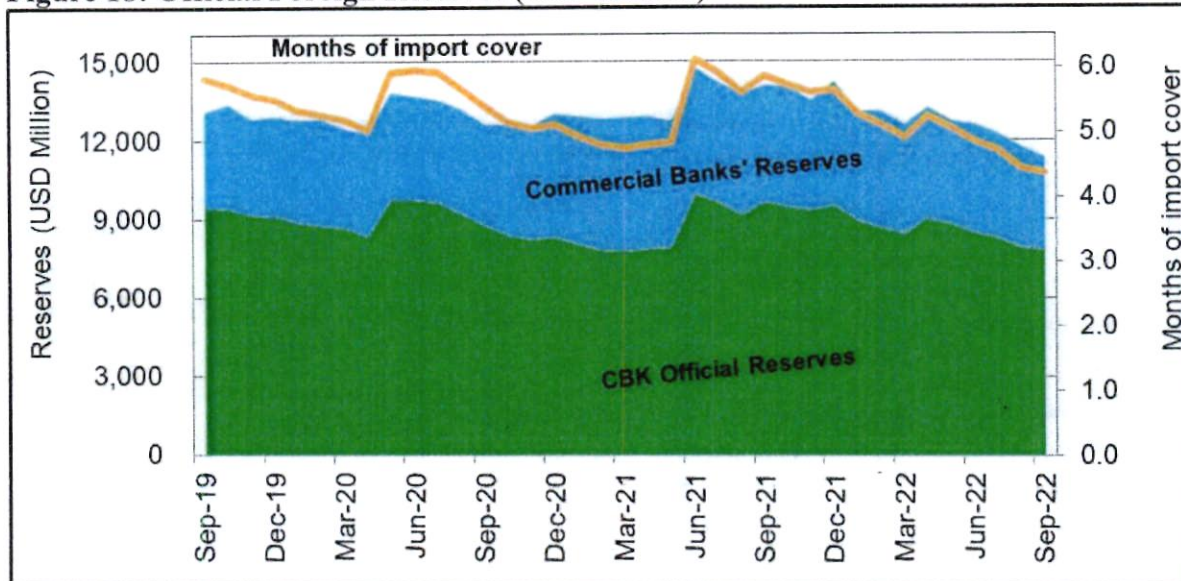
75. The capital account balance declined by USD 39.0 million to register a surplus of USD 165.7 million in September,2022 compared to a surplus of USD 204.8 million in the same period in 2021. Net financial inflows improved to USD 6,838.5 million in September,2022 compared to USD 6,105.0 million in September 2021. The net financial inflows were mainly in the form of other investments, financial derivatives and direct investments. Portfolio investments registered a net outflow during the period.

Foreign Exchange Reserves

76. The banking system's foreign exchange holdings remained strong at USD 11,337.4 million in September,2022 from USD 14,089.1 million in September 2021. The official foreign exchange reserves held by the Central Bank stood at USD 7,787.5 million compared to USD 9,632.2 million over the same period (**Figure 18**).

77. The official reserves held by the Central Bank in September,2022 represented 4.4 months of import cover as compared to the 5.9 months of import cover in September 2021. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings decreased to USD 3,549.9 million in September,2022 from USD 4,457.0 million in September 2021.

Figure 18: Official Foreign Reserves (USD Million)

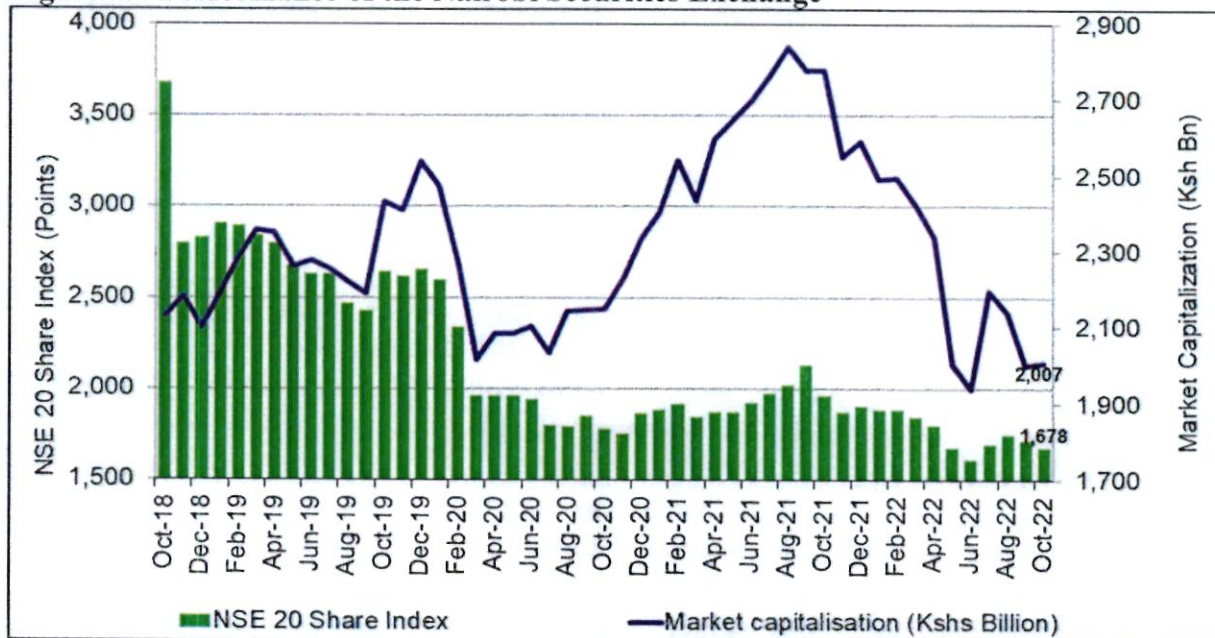


Source of Data: Central Bank of Kenya

Capital Markets Development

78. Activity in the capital markets slowed down in October 2022 compared to October 2021 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,678 points in October 2022 compared to 1,961 points in October 2021 while Market capitalization also declined to Ksh 2,007 billion from Ksh 2,777 billion over the same period (Figure 19).

Figure 19: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

B. Medium Term Economic Outlook

Global Growth

79. The global economic outlook remains highly uncertain with growth projected to slowdown from 3.2 percent in 2022 to 2.7 percent in 2023. This projected growth in 2023 was revised downwards from the initial projection of 2.9 percent largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies. Advanced economies are projected to slow down by 1.1 percent in 2023 from 2.4 percent in 2022 mainly due to a slowdown in growth in the United States and the Euro area. Growth in the United States is projected to slow down due to the expected impact of a steeper tightening in monetary policy. Growth in the Euro area is expected to be adversely affected by the spill overs from the Russia-Ukraine conflict as well as the tighter financial conditions.

80. The emerging market and developing economies are projected to grow by 3.7 percent in 2023 same as in 2022 albeit with varying performance across countries. The emerging and developing Asia is projected to pick up as a result of a more robust recovery in China despite a slowdown in India, while growth in the Latin America and the Caribbean, and the Middle East and Central Asia are expected to slow down.

81. The Sub-Saharan African region is projected to pick up to a growth of 3.7 percent in 2023 from 3.6 percent in 2022 with the East and Southern African sub-region showing a sustained recovery from the recession. The DRC and Zambia are expected to benefit from rising metal prices in the short-and medium term and gain from the transition away from fossil fuels in the long term.

Domestic Growth

82. Domestically, the economy continued to expand, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP grew by 6.0 percent in the first half of 2022 supported by the ongoing recovery in the services sector, driven by accommodation and food services, wholesale and retail trade, transport and storage, and finance. Moreover, mining expanded on the back of elevated global commodity prices.

83. Agricultural output has been affected by the ongoing drought. Addressing food security and climate change that will become a core development policy anchor in response to the climate change in relation to adaptation, mitigation and resilience. The Government in partnership with the Development Partners and the private under the auspices of the National Steering Committee on Drought Response has provided response to adverse impact of the ongoing drought to affected persons, regions and communities. As part of the Country's long-term food security plan, the Government has made available subsidized fertilizer to farmers across the country.

84. The economy is projected to grow by 5.5 percent in 2022 and above 6.0 percent over the medium term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24) (**Table 17 and Annex Table 1**). This growth will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative

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

Monetary Policy

85. The main objective of monetary policy, over the medium term will be to maintain price stability. Overall inflation is expected to remain within the medium term target range of 5 ± 2.5 percent as international and domestic commodity prices stabilize.

86. The foreign exchange market is expected to remain stable supported by, resilient export receipts, buoyant remittances, and a gradual pick up in receipts from services exports. The continued coordination of monetary and fiscal policies is expected to sustain macroeconomic stability and support economic activity.

Fiscal Policy

87. Fiscal policy over the medium-term aims at enhancing revenue mobilisation, containment of expenditure growth and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the Government priorities.

Table 17: Macroeconomic Indicators

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	Proj.	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
<i>annual percentage change, unless otherwise indicated</i>												
National Account and Prices												
Real GDP	3.6	6.8	6.5	5.8	5.8	5.9	6.1	6.0	6.2	6.1	6.1	6.2
GDP deflator	5.0	4.8	6.2	6.1	6.9	5.3	5.8	5.2	4.8	6.0	5.9	6.0
CPI Index (eop)	6.3	5.2	6.9	5.5	6.4	5.0	5.4	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.7	5.4	6.8	6.0	7.0	5.0	5.8	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-3.6	1.1	1.1	-0.4	1.1	0.2	-0.6	0.3	-1.8	0.4	-0.7	0.6
<i>in percentage of GDP, unless otherwise indicated</i>												
Investment and Saving												
Investment	20.1	23.9	18.8	19.3	17.9	20.7	18.9	21.1	18.9	21.2	18.6	18.6
Central Government	4.9	4.7	4.2	4.7	3.9	4.9	4.7	5.0	4.8	5.0	5.2	4.9
Other	15.2	19.1	14.6	14.6	14.1	15.7	14.2	16.1	14.1	16.2	13.4	13.6
Gross National Saving	14.1	19.1	12.9	14.2	13.1	15.4	13.6	15.4	13.5	15.4	13.3	13.2
Central Government	-2.2	-5.3	-1.5	-0.7	-1.1	-2.2	1.1	-1.6	1.6	-1.1	2.1	1.7
Other	16.3	24.4	14.5	14.9	14.2	17.6	12.5	17.0	11.9	16.5	11.2	11.5
Central Government Budget												
Total revenue	15.9	17.1	17.3	17.6	17.3	18.1	17.8	18.1	17.8	18.1	18.0	18.3
Total expenditure and net lending	24.4	25.6	23.8	24.0	23.3	22.8	22.4	22.2	21.8	21.5	21.7	22.3
Overall Fiscal balance excl. grants	-8.5	-8.5	-6.5	-6.4	-6.0	-4.7	-4.6	-4.1	-4.1	-3.5	-3.7	-3.9
Overall Fiscal balance, incl. grants, cash basis	-8.2	-8.0	-6.2	-6.2	-5.8	-4.4	-4.3	-3.9	-3.8	-3.2	-3.5	-3.6
Primary budget balance	-3.8	-3.3	-1.6	-1.2	-1.1	0.2	0.3	0.5	0.7	0.9	0.8	0.7
External Sector												
Current external balance, including official transfers	-6.0	-4.8	-5.9	-5.0	-4.8	-5.3	-5.2	-5.7	-5.4	-5.9	-5.3	-5.4
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0
Memorandum Items:												
Nominal GDP (in Ksh Billion)	11,370	12,646	12,736	14,002	14,522	15,605	16,290	17,402	18,180	19,577	20,437	22,872

Source: National Treasury

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

C. Risks to the Domestic Economic Outlook

88. There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, the emergence of new COVID-19 variants may occasion restrictive measures. Other risks emanate from unfavorable weather conditions that could affect agricultural production, the rising inflationary pressures and market failures that restrict access to credit.

89. On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia - Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; the continued COVID-19 restrictions in China could further disrupt the global supply chains; and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

90. The Government continues to respond to the adverse impact of these emerging issues through fiscal measures, among them fertilizer subsidies to lower the cost of production, targeted intervention to persons and communities affected by the ongoing drought and establishment of the Hustler Fund to support growth of MSMEs and individual traders that will correct the market failures of the vast majority of Kenya's at the bottom of the pyramid.

IV. RESOURCE ALLOCATION FRAMEWORK**A. Implementation of the FY 2022/23 Budget**

91. Budget implementation during the first four months of FY 2022/23 has progressed smoothly. Total revenues amounted to Ksh 731.3 billion (5.2 percent of GDP) in the four months to October 2022 against a target of Ksh 733.1 billion. This revenue represented a growth of 11.9 percent in the twelve months to October 2022. Total expenditure for period ending October 2022 was Ksh 868.8 billion and was below target of Ksh 937.8 billion by Ksh 69.0 billion. There has been expenditure pressures due to in part, the ongoing drought as well as the need to cushion farmers with subsidized fertilizers. While the FY 2022/23 Budget has been revised to cater for these emerging expenditure pressures, the Government has affirmed its strong commitment to its fiscal consolidation plan. The fiscal deficit for FY 2022/23 is now targeted at 5.8 percent of GDP instead of the 6.2 percent in the budget approved by Parliament in June 2022.

92. Total revenues for the FY 2022/23 are projected at Ksh 2,512.7 billion (17.3 percent of GDP) with ordinary revenues at Ksh 2,191.9 billion (15.1 percent of GDP). Total expenditures are projected at Ksh 3,390.0 billion (23.3 percent of GDP) with recurrent expenditures projected at Ksh 2,352.7 billion (16.2 percent of GDP), development expenditures are projected at Ksh 596.6 billion (4.1 percent of GDP) and an allocation of Ksh 4.0 billion to Contingency Fund. Transfer to County Governments is projected at Ksh 436.6 billion (3.0 percent of GDP). The resulting fiscal deficit of Ksh 849.2 billion (5.8 percent of GDP) will be financed by a net external financing of Ksh 298.4 billion and a net domestic financing of Ksh 550.9 billion (**Annex Table 2 and 3**).

B. FY 2023/24 Budget Framework

93. The FY 2023/24 and the Medium Term Budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes supporting economic recovery and additional priority programs of the Government. The government will eliminate the remaining unsustainable and consumption driven fuel subsidy by end of December 2022, but will continue to offer support to agricultural production through the fertilizer subsidy programme. In addition, the Government through the Financial Inclusion Fund will inspire growth and innovation in the Micro, Small and Medium Enterprises (MSME) sector and boost economic growth and entrance the saving culture among Kenyans. These priority programmes aim at bringing down the cost of living; eradicating hunger; creating jobs; and provide the greater majority of our citizens with much needed social security while expanding the tax revenue base and improving foreign exchange balance.

94. Additionally, the Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth. As a result, the overall fiscal deficit is expected to decline from 5.8 percent of GDP in FY 2022/23 to 4.3 percent of GDP in FY 2023/24. This will boost the country's debt sustainability position and ensure the country's development agenda is sustainably funded.

95. In the FY 2023/24 total revenue including Appropriation-in-Aid (A-i-A) is projected at Ksh 2,897.7 billion (17.8 percent of GDP). Of this, ordinary revenue is projected at Ksh 2,566.0 billion (15.8 percent of GDP). This revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned

by implementation of priority programmes supporting economic recovery, priority projects and programmes of the Government as outlined in MTP IV of Vision 2030. On the other hand, the overall expenditure and net lending are projected at Ksh 3,641.0 (22.4 percent of GDP). Of this, recurrent expenditure will amount to Ksh 2,422.3 billion (14.9 percent of GDP) while development expenditure will amount to Ksh 796.4 billion (4.9 percent of GDP). Transfer to Counties and Contingency Fund are projected at Ksh 417.3 billion and Ksh 5.0 billion, respectively.

96. The resulting fiscal deficit of Ksh 695.2 billion (4.3 percent of GDP) in FY 2023/24 will be financed by a net external financing of Ksh 198.6 billion (1.2 percent of GDP) and a net domestic financing of Ksh 496.6 billion (3.0 percent of GDP).

C. Medium Term Fiscal Projections

97. Over the medium term, driven by economic recovery strategies, continued reforms in revenue administration and revenue enhancement measures, the Government's total revenue including A-i-A is projected to rise from 17.3 percent of GDP in the FY 2022/23 to 17.8 percent of GDP in the FY 2023/24 and 18.0 percent of GDP in the FY 2025/26. On the other hand, the Government will continue to pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. In addition, provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies will be prioritized. Therefore, total expenditure is projected to progressively decline from 23.3 percent of GDP in the FY 2022/23 to 22.4 percent of GDP in the FY 2023/24 and further to 21.7 percent of GDP in the FY 2025/26. Of the total expenditures, recurrent expenditures are expected to decline from 16.2 percent of GDP in the FY 2022/23 to 14.9 percent of GDP in the FY 2023/24 and further to 14.3 percent of GDP in the FY 2025/26. While development and net lending expenditure is expected to remain stable at around 5.0 percent of GDP over the medium term.

98. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to decline from 5.8 percent of GDP in the FY 2022/23 to 4.3 percent of GDP in the FY 2023/24 and further to 3.5 percent of GDP in the FY 2025/26 (**Annex Table 2 and 3**). This is intended to significantly improve Kenya's debt sustainability position.

D. Medium-Term Expenditure Framework

99. The Government will continue with its policy of expenditure prioritization with a view to supporting economic recovery and achieving its transformative development agenda. This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. Realization of these objectives will have implications in the budget ceilings provided in this BROP. The following criteria will serve as a guide for allocating resources:

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

100. Reflecting on the above, the Medium-Term Expenditure Framework provided in **Table 18 and Annex Tables 4 and 5** will guide resource allocation into the medium term.

Table 18: Medium Term Sector Ceilings, FY 2023/24 – FY 2025/26 (Ksh Million)

Code	Sector		Approved Budget	BROP Ceiling			%Share In Total Ministerial Expenditure			
			2022/23	2023/24	2024/25	2025/26	2022/23	2023/24	2024/25	2025/26
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Sub_Total	68,959.5	67,671.2	81,834.3	90,855.2	3.3	3.0	3.3	3.4
		Rec_Gross	27,059.7	28,229.2	29,409.0	30,644.2	1.9	1.9	1.9	1.8
		Dev_Gross	41,899.8	39,442.0	52,425.3	60,211.0	5.9	5.0	5.8	6.5
020	ENERGY, INFRASTRUCTURE AND ICT	Sub_Total	407,760.1	398,252.7	426,379.7	444,752.3	19.2	17.7	17.2	16.7
		Rec_Gross	131,010.0	110,344.4	115,217.2	120,330.6	9.3	7.5	7.3	6.9
		Dev_Gross	276,750.1	287,908.4	311,162.5	324,421.7	38.7	36.5	34.7	35.2
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Sub_Total	26,032.0	33,894.8	36,937.7	37,571.6	1.2	1.5	1.5	1.4
		Rec_Gross	19,076.8	19,396.3	19,776.0	20,299.5	1.4	1.3	1.3	1.2
		Dev_Gross	6,955.2	14,498.5	17,161.7	17,272.1	1.0	1.8	1.9	1.9
040	HEALTH	Sub_Total	122,519.3	148,293.3	158,166.5	166,713.2	5.8	6.6	6.4	6.3
		Rec_Gross	68,503.0	74,155.7	77,091.1	80,164.8	4.9	5.1	4.9	4.6
		Dev_Gross	54,016.3	74,137.6	81,075.4	86,548.4	7.6	9.4	9.0	9.4
050	EDUCATION	Sub_Total	544,519.5	580,568.0	590,361.3	604,059.6	21.7	22.3	23.1	22.5
		Rec_Gross	515,600.7	544,255.0	556,197.8	569,549.5	38.3	36.4	35.9	36.7
		Dev_Gross	28,918.8	36,313.0	34,163.5	34,510.1	1.4	1.6	1.4	1.3
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GILO)	Sub_Total	234,408.1	234,746.1	245,246.2	255,750.1	11.1	10.4	9.9	9.6
		Rec_Gross	224,127.2	222,813.9	230,379.7	239,853.8	16.0	15.2	14.6	13.8
		Dev_Gross	10,280.9	11,932.3	14,866.5	15,896.3	1.4	1.5	1.7	1.7
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Sub_Total	356,857.6	371,396.9	478,202.0	611,526.2	16.8	16.5	19.3	22.9
		Rec_Gross	177,982.1	205,757.2	283,932.8	410,430.8	12.7	14.1	18.0	23.5
		Dev_Gross	178,875.5	165,639.7	194,269.2	201,095.4	25.0	21.0	21.7	21.8
080	NATIONAL SECURITY	Sub_Total	177,811.0	220,748.7	243,449.2	229,229.3	8.4	9.8	9.8	8.6
		Rec_Gross	174,343.0	187,732.7	193,964.2	199,014.3	12.4	12.8	12.3	11.4
		Dev_Gross	3,468.0	33,016.0	49,485.0	30,215.0	0.5	4.2	5.5	3.3
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Sub_Total	73,213.5	74,358.2	79,033.0	79,872.1	3.5	3.3	3.2	3.0
		Rec_Gross	41,674.0	43,560.7	44,638.9	45,224.5	3.0	3.0	2.8	2.6
		Dev_Gross	31,539.5	30,797.5	34,394.1	34,647.6	4.4	3.9	3.8	3.8
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Sub_Total	107,178.2	122,877.8	136,559.7	144,394.4	5.1	5.5	5.5	5.4
		Rec_Gross	24,527.5	26,705.0	28,749.1	28,846.6	1.7	1.8	1.8	1.7
		Dev_Gross	82,650.7	96,172.8	107,810.6	115,547.8	11.6	12.2	12.0	12.6
GRAND TOTAL		Sub_Total	2,119,258.8	2,252,807.8	2,476,169.6	2,664,724.1	100.0	100.0	100.0	100.0
		Rec_Gross	1,403,904.0	1,462,950.1	1,579,355.8	1,744,358.7	66.2	64.9	63.8	65.5
		Dev_Gross	715,354.8	789,857.7	896,813.8	920,365.4	33.8	35.1	36.2	34.5

E. Public Participation and Involvement of Stakeholders

101. As required by the Public Finance Management (PFM) Act, 2012 this Budget Review and Outlook Paper was shared with various stakeholders and the public for comments before its

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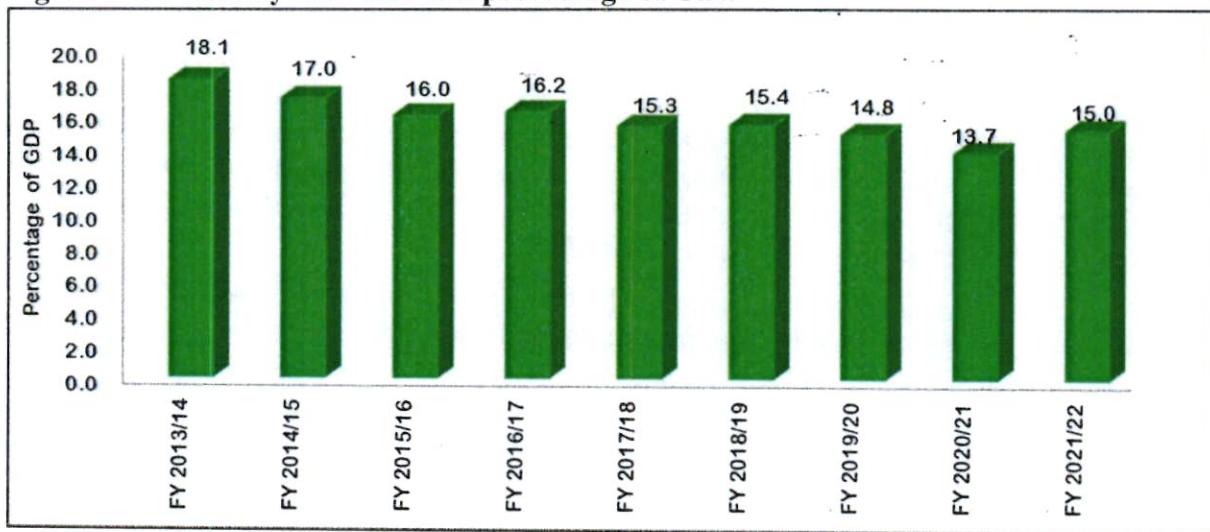
finalization. Specifically, the document was further reviewed and finalized during a retreat of the Macro Working Group in Nakuru from 11th to 17th September, 2022 that brought together 34 Officers of the Macro Working Group from the following institutions: various Departments of The National Treasury, the State Department of Planning, the Central Bank of Kenya, the Kenya Revenue Authority, the Kenya Institute of Public Policy Research Analysis and the Commission on Revenue Allocation. **Annex Table 8** 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 9**.

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V. MEDIUM TERM REVENUE STRATEGY

102. The ordinary revenue as share of GDP has been declining since FY 2013/14. The revenues declined from 18.1 percent in the FY 2013/14 to 15.4 percent in the FY 2018/19 mainly associated with various challenges including increase in tax incentives, growth of the informal sector which is hard to tax and change in business models (use of new technology) which create tax administrative bottlenecks. The emergence of COVID-19 pandemic worsened revenue performance for the FY 2019/20 and FY 2020/21 with revenues declining to 14.8 percent and 13.7 percent, respectively. Revenue collection improved to 15.0 percent of GDP in the FY 2021/22 as economic activities picked up following the easing of COVID-19 restrictions. Despite the effort to mobilize revenue, Kenya’s revenue yield is still below the desired East African Community target of 25 percent of GDP (Figure 20).

Figure 20: Ordinary Revenue as a percentage of GDP



Source: National Treasury

103. Due to the decline in domestic resource mobilization, the realization of the Vision 2030 through implementation of its Medium Term Plans is lagging behind. To catch up to the goal in the Vision 2030 of providing a high quality of life to all citizens in a clean and secure environment by 2030, the gap in domestic resources must be bridged. In the last decade Kenya’s infrastructure development drive has been funded mainly by borrowing including from international bond markets. Although Kenya’s debt remain sustainable, the faster pace of debt acquisition has increased debt vulnerabilities and worsened debt indicators. To reduce these vulnerabilities and ensure the implementation of development agenda, domestic revenues mobilization is crucial.

104. To address the declining revenue trends and ensure a fair taxation system, the Government is developing a Medium-Term Revenue Strategy to:

- Facilitate the implementation of Government programs under the Vision 2030;
- Entrench predictability on tax rates by providing greater certainty of policy direction for investors;
- Enhance self-reliance in financing economic development thus less dependence on the international capital markets and development partners;
- Encourage voluntary tax compliance; and
- Identify tax reforms to be undertaken such as widening the tax base and tax administration reforms.

105. The main objective of this Strategy is to provide a comprehensive framework for guiding tax reforms for boosting revenues and improving the tax system over the medium-term. The specific objectives are:

- i) Raise ordinary revenue to GDP from 15.0 percent in FY 2021/22 to 25 percent by 2030.
- ii) Increase tax compliance rate from 70 percent in FY 2021/22 to 90 percent by 2030.
- iii) Align the tax policy objectives with other government objectives such as ease of doing business, trade policies among others; and
- iv) Enhance collaboration between the Government MDAs, County Governments, private sector, civil society and the general public for enhancement of the domestic revenue mobilization.

106. Two MTRS will be prepared to cover the remaining period of Vision 2030 which targets to raise ordinary revenue to GDP collection by an additional 10.0 percent gradually through the Strategy period. The first MTRS will cover the FY 2023/24 - 2026/27 while the second MTRS will cover the FY 2027-28 to FY 2029-30. To kick off the process, The National Treasury issued a Circular on 30th August, 2022, inviting proposals from Government MDAs and the County Governments for the development of the MTRS. The Circular provides timelines for the completion of the Strategy as outlined in **Table 19**.

107. The objectives and interventions in the MTRS will be aligned with Vision 2030, the MTP IV, the MTEF, the BPS, and will be within the Public Financial Management Reform Strategy (2018-2023). The reforms in MTRS will also be aligned with the National Tax policy which is at the final stage of development. The additional ordinary revenue generated from the Strategy is expected to hasten the fiscal consolidation process thus reducing the fiscal deficit, to the EAC target of 3.0 percent of GDP. The National Tax Policy aims at having an efficient and fair tax system that promote equity in tax administration and predictable tax environment for business to operate. It provides broad principles of tax administration and revenue collection and sets parameters on tax policy and other tax related matters. Further, the policy guides tax reforms and forms the basis for tax legislation and review.

Table 19. Timelines for the Completion of the First Medium Term Revenue Strategy

NO.	ACTIVITIES	TIME FRAME
1.	Preparation of MTRS inputs for incorporation in the 2022 Budget Review and Outlook Paper (BROP)	12 th to 23 rd September, 2022
2.	Review of various reports on tax policy and tax administration and development of background paper on the MTRS	26 th September to 21 st October, 2022
3.	Development of zero draft MTRS	21 st to 25 th November, 2022
4.	Request for and receipt of proposals from stakeholders (including members of the public) on the zero draft MTRS.	9 th to 27 th January, 2023
5.	Consideration of proposals received from public participation/ stakeholder engagement	20 th to 24 th February, 2023
6.	Review of the draft MTRS at policy level	June 2023
7.	Preparation of a Cabinet Memorandum and approval by Cabinet Secretary, the National Treasury and Planning	July, 2023
8.	Submission of the draft MTRS to Cabinet for approval	August, 2023
9.	Sensitization of MDAs including the Departmental Committee of the National Assembly	September, 2023
10.	Development of an implementation action plan, and monitoring and evaluation tool	November, 2023

VI. CONCLUSION AND NEXT STEPS

108. Global economic outlook has become more uncertain reflecting, the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. The Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shock due to its diversified nature and the proactive measures by the Government to cushion the vulnerable, support businesses and accelerate economic recovery. The economy expanded by 7.5 percent in 2021, from a contraction of 0.3 percent in 2020 and is expected to remain resilient in 2022 going forward. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government and programmes to support economic recovery. The economic growth over the medium term will further be supported by implementation of strategic interventions contained in the Fourth Medium Term Plan (2023-2027) of the Vision 2030 aimed at driving the economy towards a sustainable growth path.

109. The strong revenue performance in the FY 2021/22 offers a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium Term Budget. The approved fiscal year 2022/23 budget broadens tax collection and maintains careful expenditure control while protecting social spending. To strengthen the fiscal position, the budget for FY 2023/24 and over the medium term will focus on revenue mobilization and containment of expenditure growth. In this respect, the MTRS being developed will guide tax reforms, improve the tax system and boost revenue over the medium-term. Based on the County Governments' fiscal performance in the FY 2021/22, County Governments are expected to put measures in place to address the several areas of weakness that has been revealed. In particular, County Governments are expected to put in place measures to address following: optimization of Own Source Revenue collection; adherence to fiscal responsibility principles; and clearance of pending bills.

110. The Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2023/24 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned to the achievement of the objectives. In this regard, the Sector Working Groups are expected to unbundle the medium term development strategies and develop budget proposals for FY 2023/24 and the medium term. The 2022 BROP sector ceilings will guide the development of sector budget proposal which will form inputs into the 2023 Budget Policy Statement.

Annex Table 1: Macroeconomic Indicators for the FY 2020/21- 2026/27 Period

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	Proj.	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
<i>annual percentage change, unless otherwise indicated</i>												
National Account and Prices												
Real GDP	3.6	6.8	6.5	5.8	5.8	5.9	6.1	6.0	6.2	6.1	6.1	6.2
GDP deflator	5.0	4.8	6.2	6.1	6.9	5.3	5.8	5.2	4.8	6.0	5.9	6.0
CPI Index (eop)	6.3	5.2	6.9	5.5	6.4	5.0	5.4	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.7	5.4	6.8	6.0	7.0	5.0	5.8	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-3.6	1.1	1.1	-0.4	1.1	0.2	-0.6	0.3	-1.8	0.4	-0.7	0.6
Money and Credit (end of period)												
Net domestic assets	11.7	11.1	18.8	9.4	13.9	11.4	10.0	11.4	10.6	12.0	11.9	10.6
Net domestic credit to the Government	27.1	19.6	26.3	13.1	12.4	10.7	10.0	11.4	10.8	8.9	9.6	10.9
Credit to the rest of the economy	7.7	10.8	12.3	12.8	18.9	12.7	11.6	12.9	15.1	16.0	17.6	12.4
Broad Money, M3 (percent change)	6.4	11.4	7.4	10.1	14.0	11.4	12.2	11.5	11.6	12.5	12.4	11.9
Reserve money (percent change)	5.4	11.4	15.4	4.7	8.4	11.4	12.1	11.5	11.5	12.5	12.3	11.8
<i>in percentage of GDP, unless otherwise indicated</i>												
Investment and Saving												
Investment	20.1	23.9	18.8	19.3	17.9	20.7	18.9	21.1	18.9	21.2	18.6	18.6
Central Government	4.9	4.7	4.2	4.7	3.9	4.9	4.7	5.0	4.8	5.0	5.2	4.9
Other	15.2	19.1	14.6	14.6	14.1	15.7	14.2	16.1	14.1	16.2	13.4	13.6
Gross National Saving	14.1	19.1	12.9	14.2	13.1	15.4	13.6	15.4	13.5	15.4	13.3	13.2
Central Government	-2.2	-5.3	-1.5	-0.7	-1.1	-2.2	1.1	-1.6	1.6	-1.1	2.1	1.7
Other	16.3	24.4	14.5	14.9	14.2	17.6	12.5	17.0	11.9	16.5	11.2	11.5
Central Government Budget												
Total revenue	15.9	17.1	17.3	17.6	17.3	18.1	17.8	18.1	17.8	18.1	18.0	18.3
Total expenditure and net lending	24.4	25.6	23.8	24.0	23.3	22.8	22.4	22.2	21.8	21.5	21.7	22.3
Overall Fiscal balance excl. grants	-8.5	-8.5	-6.5	-6.4	-6.0	-4.7	-4.6	-4.1	-4.1	-3.5	-3.7	-3.9
Overall Fiscal balance, incl. grants, cash basis	-8.2	-8.0	-6.2	-6.2	-5.8	-4.4	-4.3	-3.9	-3.8	-3.2	-3.5	-3.6
Statistical discrepancy	0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. discrepancy	-8.2	-8.0	-6.2	-6.2	-5.8	-4.4	-4.3	-3.9	-3.8	-3.2	-3.5	-3.6
Primary budget balance	-3.8	-3.3	-1.6	-1.2	-1.1	0.2	0.3	0.5	0.7	0.9	0.8	0.7
Net domestic borrowing	5.5	5.4	4.8	4.2	3.8	3.1	3.0	3.3	3.2	2.6	2.9	2.9
External Sector												
Exports value, goods and services	10.2	11.0	11.4	12.6	12.4	10.7	13.0	10.4	12.9	10.1	12.4	12.1
Imports value, goods and services	19.0	17.6	19.3	19.7	18.6	17.1	19.1	16.7	18.6	16.4	17.7	17.2
Current external balance, including official transfers	-6.0	-4.8	-5.9	-5.0	-4.8	-5.3	-5.2	-5.7	-5.4	-5.9	-5.3	-5.4
Gross reserves in months of next yr's imports	5.2	5.5	5.7	5.7	5.3	5.5	5.5	5.5	5.7	5.6	5.6	5.5
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	6.0
Public debt												
Nominal central government debt (eop), gross	67.7	68.4	67.4	67.3	64.9	64.9	62.1	62.1	59.5	58.3	56.3	54.0
Nominal debt (eop), net of deposits	62.8	63.9	63.1	63.4	61.2	61.3	58.8	58.8	56.5	55.4	53.7	51.7
Domestic (gross)	32.5	34.5	33.7	34.7	33.3	34.4	32.8	34.2	32.6	33.0	31.9	31.6
Domestic (net)	27.6	30.0	29.4	30.8	29.6	30.8	29.4	30.9	29.6	30.1	29.2	29.3
External	35.2	33.9	33.7	32.6	31.6	30.5	29.4	27.9	26.9	25.4	24.5	22.4
Memorandum Items:												
Nominal GDP (in Ksh Billion)	11,370	12,646	12,736	14,002	14,522	15,605	16,290	17,402	18,180	19,577	20,437	22,872
Nominal GDP (in US\$ Million)	105,677	114,595	111,617	114,898	117,984	131,276	126,508	141,823	136,689	154,252	148,463	159,922

Notes: BPS = Budget Policy Statement; BROP = Budget Review & Outlook Paper.

Source: The National Treasury

SECRET**Annex Table 2: Government Operations for the FY 2020/21 - 2026/27 Period, Ksh Billion**

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	Proj.	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
TOTAL REVENUE	1803.5	2,192.0	2,199.8	2,462.4	2,512.7	2,820.8	2,897.7	3,146.0	3,231.1	3,533.8	3,670.0	4,195.2
Ordinary Revenue	1562.0	1,851.5	1,917.9	2,141.6	2,191.9	2,516.3	2,566.0	2,822.6	2,878.6	3,189.2	3,294.2	3,775.7
Income Tax	694.1	836.7	876.7	997.3	1,004.3	1,178.6	1,198.5	1,285.7	1,305.7	1,460.1	1,500.1	1,734.5
Import duty (net)	108.4	115.9	118.3	144.9	145.9	170.4	173.3	181.4	199.4	204.0	229.0	258.1
Excise duty	216.3	255.9	252.1	297.2	297.2	346.9	352.7	395.1	401.1	453.0	460.5	521.5
Value Added Tax	410.8	514.1	523.1	584.7	587.7	691.6	703.3	792.7	804.7	896.2	926.2	1,061.3
Investment income	45.1	37.7	43.7	31.5	35.5	33.1	33.1	34.7	34.7	35.1	38.1	42.3
Other	87.4	91.2	104.1	86.0	121.3	95.7	105.1	133.1	133.1	140.8	140.8	158.1
Ministerial Appropriation in Aid	241.5	340.4	281.9	320.8	320.8	304.5	331.7	323.3	352.5	344.6	375.8	419.5
EXPENDITURE AND NET LENDING	2,769.3	3,286.1	3,027.8	3,358.6	3,390.0	3,550.9	3,641.0	3,865.3	3,970.2	4,214.6	4,434.2	5,096.4
Recurrent expenditure	1,813.3	2,227.3	2,135.3	2,271.0	2,352.7	2,359.9	2,422.3	2,569.3	2,646.3	2,804.9	2,916.4	3,390.3
Interest payments	495.1	605.3	578.0	690.6	690.6	712.2	750.5	758.3	811.9	796.8	883.4	984.7
Domestic interest	388.8	479.2	456.8	553.4	553.4	572.3	604.8	615.0	660.4	637.2	723.8	792.5
Foreign interest	106.3	126.1	121.1	137.2	137.2	139.9	145.7	143.3	151.5	159.6	159.6	192.1
Pensions & Other CFS	112.9	137.3	122.4	150.6	145.3	168.2	170.6	192.9	192.9	217.6	217.6	250.3
Pensions	110.3	132.8	119.3	146.0	140.7	163.5	165.9	188.1	188.1	212.5	212.5	244.4
Other CFS	2.6	4.5	3.2	4.6	4.6	4.6	4.6	4.9	4.9	5.1	5.1	5.9
Contribution to Civil Service Pension Fund	3.3	20.8	26.4	25.9	31.9	28.5	28.5	31.3	31.3	34.4	34.4	45.7
Net Issues/Net Expenditure	1,051.7	1,231.2	1,211.0	1,178.4	1,259.3	1,250.3	1,250.3	1,382.8	1,382.8	1,541.4	1,541.4	1,842.8
O/W: Wages & Salaries	493.0	525.1	525.1	537.2	560.7	600.0	600.0	645.3	645.3	703.4	703.4	914.9
Free Secondary education	59.4	62.4	62.4	102.8	102.8	105.9	105.9	110.1	110.1	110.1	110.1	116.7
Free Primary Education	12.0	12.0	12.0	21.6	21.6	22.3	22.3	23.4	23.4	23.4	23.4	24.8
IEBC	4.9	14.2	14.2	16.5	16.5	6.5	6.5	6.9	6.9	6.9	6.9	7.3
Defense and NIS	157.7	157.1	175.8	174.3	161.9	170.0	170.0	170.0	170.0	170.0	170.0	176.8
Others	301.2	438.1	399.2	294.7	364.5	315.2	312.2	395.5	388.8	496.0	483.8	555.8
Ministerial Recurrent AIA	144.5	229.5	197.5	225.5	225.5	200.7	222.5	204.0	227.3	214.7	239.6	266.8
Ministerial Recurrent AIA - NMS	5.8	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	557.0	657.5	540.1	676.6	596.6	774	796.4	873.5	901.5	962.3	1,070.3	1,149.6
Domestically financed (Gross)	390.0	411.3	378.2	372.6	387.9	416.4	421.8	475.7	481.5	522.8	611.2	624.1
O/W Domestically Financed (Net)/NMS	308.2	281.5	290.4	287.4	302.7	323.1	323.1	367.3	367.3	404.1	486.4	484.2
Ministerial Development AIA	82.7	79.4	79.6	71.9	71.9	93.3	93.3	110.6	110.6	141.9	141.9	133.3
Foreign financed	167.0	239.4	161.9	294.7	189.0	349.9	349.9	390.0	390.0	431.7	431.7	512.7
Net lending	0.0	0.0	0.0	2.3	14.7	0.0	17.2	0.0	22.2	0.0	19.6	0.0
Equalization Fund	0.0	6.8	0.0	7.1	5.1	7.5	7.5	7.9	7.9	7.8	7.8	12.8
County Transfers	399.0	401.2	352.4	407.0	436.6	412.3	417.3	417.5	417.5	442.5	442.5	551.6
Equitable Share	346.2	370.0	340.4	370.0	399.6	375.0	380.0	380.2	380.2	405.2	405.2	514.6
Conditional Allocation	52.8	31.2	12.0	37.0	37.0	37.3	37.3	37.3	37.3	37.3	37.3	37.0
Contingency Fund	0.0	0.0	0.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fiscal Balance (commitment basis excl. grants)	-965.7	-1,094.1	-828.0	-896.2	-877.3	-730.2	-743.3	-719.4	-739.2	-680.8	-764.2	-901.2
Grants	31.3	62.9	31.0	33.3	28.1	48.1	48.1	49.3	49.3	53.2	53.2	68.6
Fiscal Balance (incl. grants)	-934.4	-1,031.2	-797.0	-862.9	-849.2	-682.0	-695.2	-670.0	-689.8	-627.5	-711.0	-832.6
Adjustment to Cash Basis	5.1	0.0	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-929.3	-1,031.2	-785.1	-862.9	-849.2	-682.0	-695.2	-670.0	-689.8	-627.5	-711.0	-832.6
Statistical discrepancy	20.9	0.0	-37.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	950.2	1,031.2	747.8	862.9	849.2	682.0	695.2	670.0	689.8	627.5	711.0	832.6
Net Foreign Financing	323.3	343.1	142.5	280.7	298.4	192.3	198.6	95.4	99.7	125.5	125.9	169.7
Disbursements	451.6	545.2	327.1	521.8	539.4	674.2	674.2	381.1	381.1	415.4	415.4	481.0
Commercial Financing	114.3	124.3	0.0	105.6	105.6	270.0	270.0	0.0	0.0	0.0	0.0	0.0
O/W Export Credit	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	107.6	124.3	0.0	105.6	105.6	270.0	270.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	168.7	257.6	192.0	286.5	186.0	338.8	338.8	377.6	377.6	415.4	415.4	481.0
o/w: Project loans (AIA)	104.8	134.4	92.6	184.9	110.9	239.1	239.1	263.0	263.0	289.3	289.3	307.6
Project Loans Revenue	52.4	81.1	58.6	101.6	75.1	99.7	99.7	114.6	114.6	126.1	126.1	173.4
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
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
Use of IMF SDR Allocation		42.2	40.8		47.3							
Programme Loans	168.6	163.2	135.0	129.7	200.5	65.4	65.4	3.5	3.5	0.0	0.0	0.0
Debt repayment - Principal	-128.3	-202.1	-184.5	-241.1	-241.1	-482.0	-475.6	-285.7	-281.5	-289.9	-289.5	-311.3
Net Domestic Financing	626.9	688.1	605.3	582.2	550.9	489.8	496.6	574.7	590.2	502.1	585.0	662.9
Memo items												
Gross Debt (Stock)	7,696.6	8,579.1	8,579.1	9,442.0	9,428.3	10,107.2	10,123.5	10,777.2	10,813.4	11,394.9	11,514.0	12,358.4
External Debt	3,999.5	4,290.7	4,290.7	4,571.5	4,589.1	4,758.9	4,787.7	4,854.3	4,887.4	4,969.9	5,003.0	5,120.9
Domestic Debt (gross)	3,697.1	4,288.3	4,288.3	4,870.5	4,839.2	5,348.3	5,335.8	5,923.0	5,926.0	6,425.0	6,511.0	7,237.4
Domestic Debt (net)	3,140.7	3,828.8	3,746.0	4,328.2	4,296.8	4,805.9	4,793.4	5,380.6	5,383.6	5,882.7	5,968.6	6,695.1
Financing gap	15.8	0.0	-49.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	11,370.3	12,844.3	12,736.1	14,002.5	14,521.6	15,604.6	16,290.3	17,401.9	18,180.2	19,577.0	20,436.9	22,872.3

Source: The National Treasury

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

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Annex Table 3: Government Operations for the FY 2020/21 - 2026/27 Period (% of GDP)

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27
	Prel. Act	Approved Revised II	Prel. Act	Budget	Proj.	BPS'22	BROP'22	BPS'22	BROP'22	BPS'22	BROP'22	BROP'22
TOTAL REVENUE	15.9	17.1	17.3	17.6	17.3	18.1	17.8	18.1	17.8	18.1	18.0	18.3
Ordinary Revenue	13.7	14.4	15.1	15.3	15.1	16.1	15.8	16.2	15.8	16.3	16.1	16.5
Income Tax	6.1	6.5	6.9	7.1	6.9	7.6	7.4	7.4	7.2	7.5	7.3	7.6
Import duty (net)	1.0	0.9	0.9	1.0	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.1
Excise duty	1.9	2.0	2.0	2.1	2.0	2.2	2.2	2.3	2.2	2.3	2.3	2.3
Value Added Tax	3.6	4.0	4.1	4.2	4.0	4.4	4.3	4.6	4.4	4.6	4.5	4.6
Investment income	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.8	0.7	0.8	0.6	0.8	0.6	0.6	0.8	0.7	0.7	0.7	0.7
Ministerial Appropriation in Aid	2.1	2.7	2.2	2.3	2.2	2.0	2.0	1.9	1.9	1.8	1.8	1.8
EXPENDITURE AND NET LENDING	24.4	25.6	23.8	24.0	23.3	22.8	22.4	22.2	21.8	21.5	21.7	22.3
Recurrent expenditure	15.9	17.3	16.8	16.2	16.2	15.1	14.9	14.8	14.6	14.3	14.3	14.8
Interest payments	4.4	4.7	4.5	4.9	4.8	4.6	4.6	4.4	4.5	4.1	4.3	4.3
Domestic interest	3.4	3.7	3.6	4.0	3.8	3.7	3.7	3.5	3.6	3.3	3.5	3.5
Foreign interest	0.9	1.0	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Pensions & Other CFS	1.0	1.1	1.0	1.1	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.1
Pensions	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.1	1.0	1.1	1.0	1.1
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil Service Pension Fund	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	9.2	9.6	9.5	8.4	8.7	8.0	7.7	7.9	7.6	7.9	7.5	8.1
O/W: Wages & Salaries	4.3	4.1	4.1	3.8	3.9	3.8	3.7	3.7	3.5	3.6	3.4	4.0
Free Secondary education	0.5	0.5	0.5	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.5	0.5
Free Primary Education	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Defense and NIS	1.4	1.2	1.4	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.8	0.8
Others	2.6	3.4	3.1	2.1	2.5	2.0	1.9	2.3	2.1	2.5	2.4	2.4
Ministerial Recurrent AIA	1.3	1.8	1.6	1.6	1.6	1.3	1.4	1.2	1.3	1.1	1.2	1.2
Ministerial Recurrent AIA - NMS	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	4.9	5.1	4.2	4.8	4.1	5.0	4.9	5.0	5.0	4.9	5.2	5.0
Domestically financed (Gross)	3.4	3.2	3.0	2.7	2.7	2.7	2.6	2.7	2.6	2.7	3.0	2.7
O/W Domestically Financed (Net)/NMS	2.7	2.2	2.3	2.1	2.1	2.1	2.0	2.1	2.0	2.1	2.4	2.1
Ministerial Development AIA	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.6
Foreign financed	1.5	1.9	1.3	2.1	1.3	2.2	2.1	2.2	2.1	2.2	2.1	2.2
Net lending	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Equalization Fund	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
County Transfers	3.5	3.1	2.8	2.9	3.0	2.6	2.6	2.4	2.3	2.3	2.2	2.4
Equitable Share	3.0	2.9	2.7	2.6	2.8	2.4	2.3	2.2	2.1	2.1	2.0	2.3
Conditional Allocation	0.5	0.2	0.1	0.3	0.3	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
Fiscal Balance (commitment basis excl. grants)	-8.5	-8.5	-6.5	-6.4	-6.0	-4.7	-4.6	-4.1	-4.1	-3.5	-3.7	-3.9
Grants	0.3	0.5	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fiscal Balance (incl. grants)	-8.2	-8.0	-6.3	-6.2	-5.8	-4.4	-4.3	-3.9	-3.8	-3.2	-3.5	-3.6
Adjustment to Cash Basis	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.2	-8.0	-6.2	-6.2	-5.8	-4.4	-4.3	-3.9	-3.8	-3.2	-3.5	-3.6
Statistical discrepancy	0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	8.4	8.0	5.9	6.2	5.8	4.4	4.3	3.9	3.8	3.2	3.5	3.6
Net Foreign Financing	2.8	2.7	1.1	2.0	2.1	1.2	1.2	0.5	0.5	0.6	0.6	0.7
Disbursements	4.0	4.2	2.6	3.7	3.7	4.3	4.1	2.2	2.1	2.1	2.0	2.1
Commercial Financing	1.0	1.0	0.0	0.8	0.7	1.7	1.7	0.0	0.0	0.0	0.0	0.0
O/W Export Credit	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	0.9	1.0	0.0	0.8	0.7	1.7	1.7	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.5	2.0	1.5	2.0	1.3	2.2	2.1	2.2	2.1	2.1	2.0	2.1
o/w: Project loans (AIA)	0.9	1.0	0.7	1.3	0.8	1.5	1.5	1.5	1.4	1.5	1.4	1.3
Project Loans Revenue	0.5	0.6	0.5	0.7	0.5	0.6	0.6	0.7	0.6	0.6	0.6	0.8
Project Loans SGR_Phase I_AIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
Use of IMF SDR Allocation	0.0	0.3	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	1.5	1.3	1.1	0.9	1.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Debt repayment - Principal	-1.1	-1.6	-1.4	-1.7	-1.7	-3.1	-2.9	-1.6	-1.5	-1.5	-1.4	-1.4
Net Domestic Financing	5.5	5.4	4.8	4.2	3.8	3.1	3.0	3.3	3.2	2.6	2.9	2.9
Memo items												
Gross Debt (Stock)	67.7	69.8	67.4	67.4	64.9	64.8	62.1	61.9	59.5	58.2	56.3	54.0
External Debt	35.2	34.7	33.7	32.6	31.6	30.5	29.4	27.9	26.9	25.4	24.5	22.4
Domestic Debt (gross)	32.5	35.1	33.7	34.8	33.3	34.3	32.8	34.0	32.6	32.8	31.9	31.6
Domestic Debt (net)	27.6	30.5	29.4	30.9	29.6	30.8	29.4	30.9	29.6	30.0	29.2	29.3
Financing gap	0.1	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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Annex Table 4: Development Sector Ceilings for the FY 2023/24-2025/26 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	Approved Budget	BROP Ceiling		
			2022/23	2023/24	2024/25	2025/26
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Gross	41,899.8	39,442.0	52,425.3	60,211.0
		GOK	7,377.8	7,802.8	10,086.1	15,319.2
		Loans	24,730.1	19,613.9	23,870.1	23,870.1
		Grants	2,617.2	1,935.9	1,314.0	2,686.2
		Strategic Interventions	7,174.7	10,089.4	17,155.1	18,335.5
020	ENERGY, INFRASTRUCTURE AND ICT	Gross	276,750.1	287,908.4	311,162.5	324,421.7
		GOK	71,332.0	75,208.4	85,895.3	93,527.9
		Loans	152,647.3	156,438.8	164,861.9	171,533.9
		Grants	5,205.9	6,752.2	6,822.3	6,180.9
		Local AIA	36,267.0	37,227.0	38,394.0	38,434.0
		Strategic Interventions	5,554.0	6,004.0	5,673.0	5,229.0
		Big Four(GOK)	4,364.0	6,278.0	9,516.0	9,516.0
		Public Participation Proj.	1,380.0			
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Gross	6,955.2	14,498.5	17,161.7	17,272.1
		GOK	2,400.1	2,559.5	3,840.8	3,951.2
		Loans	2,945.1	1,989.0	1,747.0	1,747.0
		Grants	74.0	74.0	74.0	74.0
		Strategic Interventions	910.0	9,250.0	10,500.0	10,500.0
		Economic Stimulus Prog.	626.0	626.0	1,000.0	1,000.0
040	HEALTH	Gross	54,016.3	74,137.6	81,075.4	86,548.4
		GOK	8,456.0	8,456.0	10,680.0	11,275.0
		Loans	12,612.6	23,028.0	23,922.0	26,124.0
		Grants	7,757.6	10,584.0	12,040.0	12,040.0
		Strategic Interventions	15,080.0	19,260.0	20,460.0	19,960.0
		Big Four(GOK)	10,110.0	12,809.6	13,973.4	17,149.4
050	EDUCATION	Gross	28,918.8	36,313.0	34,163.5	34,510.1
		GOK	6,416.2	7,832.2	9,559.4	10,886.0
		Loans	14,657.4	20,854.8	15,935.1	15,737.1
		Grants	1,035.4	746.0	789.0	847.0
		Strategic Interventions	4,000.0	5,040.0	6,040.0	6,040.0
		Economic Stimulus Prog.	2,749.8	1,840.0	1,840.0	1,000.0
		Public Participation Proj.	60.0			
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Gross	10,280.9	11,932.3	14,866.5	15,896.3
		GOK	4,824.4	4,502.3	6,773.7	7,716.5
		Loans	159.7	659.7	659.7	659.7
		Grants	685.3	493.1	493.1	493.1
		Strategic Interventions	4,611.5	6,277.2	6,940.0	7,027.0
		Public Participation Proj.				

Note: CF_ Contingency Fund, EF_Equalization Fund, NG-CDF_National Government Constituency Development Fund
PFR_Performance for Results

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Annex Table 4: Development Sector Ceilings for the FY 2023/24-2025/26 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	Approved Budget	BROP Ceiling		
			2022/23	2023/24	2024/25	2025/26
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Gross	178,875.5	165,639.7	194,269.2	201,095.4
		GOK	11,037.1	11,296.5	12,605.8	13,445.0
		Loans	27,222.4	21,174.4	25,516.3	21,721.3
		Grants	11,062.0	15,860.4	16,725.5	16,752.8
		Local AIA	33,170.6	30,396.0	30,396.0	30,396.0
		Strategic Interventions	40,025.0	21,878.5	34,646.3	34,296.3
		CF & EF	11,068.5	11,502.4	12,868.7	12,810.1
		NG-CDF	44,289.9	53,531.5	61,510.6	71,673.9
		Economic Stimulus Prog.	1,000.0	-	-	-
		080	NATIONAL SECURITY	Gross	3,468.0	33,016.0
GOK	3,468.0			4,130.0	5,730.0	5,730.0
Loans	-			28,886.0	43,755.0	24,485.0
Grants	-			-	-	-
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Gross	31,539.5	30,797.5	34,394.1	34,647.6
		GOK	1,334.2	1,702.4	2,093.2	2,543.2
		Loans	4,177.6	2,381.2	4,778.7	4,482.2
		Grants	1,289.7	1,139.1	810.0	810.0
		Local AIA	15,750.0	16,000.0	16,800.0	17,400.0
		Strategic Interventions	2,630.0	2,630.0	2,630.0	2,130.0
		PFR(GOK)	6,358.0	6,944.8	7,282.2	7,282.2
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Gross	82,650.7	96,172.8	107,810.6	115,547.8
		GOK	18,193.0	19,392.2	22,364.0	25,902.6
		Loans	53,605.1	63,752.6	72,594.0	75,037.0
		Grants	3,589.6	5,865.0	5,832.6	5,483.2
		Big Four	1,657.0	1,657.0	1,657.0	1,657.0
		Economic Stimulus Prog.	5,606.0	5,506.0	5,363.0	7,468.0
		TOTAL	Gross	715,354.8	789,857.7	896,813.8
	GOK	134,838.8	142,882.2	169,628.3	190,296.6	
	Loans	292,757.3	338,778.3	377,639.7	365,397.2	
	Grants	33,316.7	43,449.7	44,900.5	45,367.2	
	Local AIA	85,187.6	83,623.0	85,590.0	86,230.0	
	Strategic Interventions	79,985.2	80,429.1	104,044.4	103,517.8	
	CF & Equalization Fund	11,068.5	11,502.4	12,868.7	12,810.1	
	NGCDF	44,289.9	53,531.5	61,510.6	71,673.9	
	PFR(GOK)	6,358.0	6,944.8	7,282.2	7,282.2	
	Big Four(GOK)	16,131.0	20,744.6	25,146.4	28,322.4	
	Economic Stimulus Prog.	9,981.8	7,972.0	8,203.0	9,468.0	
	Public Participation Proj.	1,440.0				

Note: CF_ Contingency Fund, EF_ Equalization Fund, NG-CDF_ National Government Constituency Development Fund
PFR_ Performance for Results

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Annex Table 5: Recurrent Sector Ceilings for the FY 2023/24-2025/26 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	Approved Budget	BROP Ceiling		
			2022/23	2023/24	2024/25	205/26
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT	Gross	27,059.7	28,229.2	29,409.0	30,644.2
		A-I-A	8,757.7	8,757.7	8,757.7	8,757.7
		Net	18,302.0	19,471.5	20,651.3	21,886.5
		Salaries	6,766.5	6,990.0	7,221.3	7,460.5
		Grants & Transfers	17,948.3	17,948.3	18,774.6	19,642.2
		Other Recurrent	2,344.9	2,444.9	2,567.2	2,695.5
		Strategic Intervention	-	846.0	846.0	846.0
020	ENERGY, INFRASTRUCTURE AND ICT	Gross	131,010.0	110,344.4	115,217.2	120,330.6
		A-I-A	108,262.5	92,834.5	96,909.4	101,188.0
		Net	22,747.5	17,509.9	18,307.8	19,142.6
		Salaries	5,080.3	5,215.7	5,372.2	5,533.3
		Grants & Transfers	94,347.7	99,436.7	103,966.5	108,722.7
		Other Recurrent	24,532.0	3,865.0	4,051.6	4,247.6
		Strategic Intervention	7,050.0	1,827.0	1,827.0	1,827.0
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	Gross	19,076.8	19,396.3	19,776.0	20,299.5
		A-I-A	8,724.9	8,724.9	8,724.9	8,724.9
		Net	10,351.9	10,671.5	11,051.1	11,574.6
		Salaries	1,803.9	1,863.1	1,919.0	1,976.6
		Grants & Transfers	15,589.1	15,383.1	15,740.2	16,115.1
		Other Recurrent	1,683.8	1,733.8	1,820.5	1,911.5
		Strategic Intervention	-	416.3	296.3	296.3
040	HEALTH	Gross	68,503.0	74,155.7	77,091.1	80,164.8
		A-I-A	19,665.0	19,665.0	19,665.0	19,665.0
		Net	48,838.0	54,490.7	57,426.1	60,499.8
		Salaries	13,534.7	14,125.4	14,549.2	14,985.7
		Grants & Transfers	50,232.9	50,232.9	52,744.5	55,381.8
		Other Recurrent	2,424.6	2,424.6	2,424.6	2,424.6
		Strategic Intervention	2,310.8	7,372.8	7,372.8	7,372.8
050	EDUCATION	Gross	515,600.7	544,255.0	556,197.8	569,549.5
		A-I-A	49,052.5	49,052.5	49,052.5	49,052.5
		Net	466,548.2	495,202.5	507,145.3	520,497.0
		Salaries	290,301.3	299,027.8	307,998.6	317,238.5
		Grants & Transfers	105,086.0	105,086.0	105,086.0	105,086.0
		Other Recurrent	2,407.8	2,449.4	2,556.0	2,667.8
		Strategic Interventions	85,064.6	101,754.3	104,619.6	106,619.6
		Economic Stimulus Prog.	1,900.0	1,900.0	1,900.0	1,900.0
		Medical Insurance	15,430.0	16,626.5	16,626.5	18,626.5
		HELB	15,411.0	17,411.0	17,411.0	17,411.0

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Annex Table 5: Recurrent Sector Ceilings for the FY 2023/24-2025/26 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	Approved Budget	BROP Ceiling		
			2022/23	2023/24	2024/25	205/26
060	GOVERNANCE, JUSTICE, LAW AND ORDER	Gross	224,127.2	222,813.9	230,379.7	239,853.8
		A-I-A	2,668.8	2,668.8	2,668.8	2,668.8
		Net	221,458.5	220,145.1	227,711.0	237,185.1
		Salaries	133,056.8	136,970.8	141,060.7	145,292.6
		Grants & Transfers	29,808.8	29,808.8	31,163.5	32,586.0
		Other Recurrent	25,259.3	25,393.2	26,764.7	28,084.5
		Strategic Interventions	28,921.0	22,059.6	22,809.4	25,309.4
		Medical Insurance	7,081.4	8,581.4	8,581.4	8,581.4
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	Gross	177,982.1	205,757.2	283,932.8	410,430.8
		A-I-A	19,821.2	10,482.5	10,482.5	10,482.5
		Net	158,160.9	195,274.8	273,450.3	399,948.4
		Salaries	48,388.3	45,148.4	46,693.1	48,255.6
		Grants & Transfers	54,692.3	49,712.3	51,489.3	53,355.2
		Other Recurrent	50,848.5	40,526.5	42,387.5	44,478.4
		Medical Insurance	5,400.0	5,400.0	5,400.0	5,400.0
		Job Evaluation	-	22,518.1	44,536.2	67,554.3
Strategic Interventions	18,653.0	42,451.9	93,426.6	191,387.3		
080	NATIONAL SECURITY	Gross	174,343.0	187,732.7	193,964.2	199,014.3
		A-I-A	-	-	-	-
		Net	174,343.0	187,732.7	193,964.2	199,014.3
		Salaries	2,130.0	2,193.9	2,259.7	2,327.5
		Grants & Transfers	171,717.3	174,118.3	178,958.0	183,912.9
		Other Recurrent	495.7	520.5	546.5	573.8
		Strategic Interventions	-	10,900.0	12,200.0	12,200.0
		Gross	41,674.0	43,560.7	44,638.9	45,224.5
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Gross	1,676.0	1,676.0	1,676.0	1,676.0
		A-I-A	39,998.0	41,884.7	42,962.9	43,548.5
		Net	3,603.3	3,722.1	3,833.3	3,948.3
		Salaries	7,280.6	7,322.6	7,586.4	7,911.0
		Grants & Transfers	2,782.0	2,782.0	2,921.1	3,067.1
		Other Recurrent	28,008.2	29,734.1	30,298.1	30,298.1
		Strategic Interventions	-	-	-	-
		Gross	24,527.5	26,705.0	28,749.1	28,846.6
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	A-I-A	6,876.4	6,876.4	6,876.4	6,876.4
		Net	17,651.1	19,828.6	21,872.7	21,970.2
		Salaries	2,248.8	2,316.3	2,385.8	2,457.3
		Grants & Transfers	20,292.0	20,292.0	20,292.0	20,292.0
		Other Recurrent	886.7	886.7	911.4	937.3
		Strategic Interventions	1,100.0	3,210.0	5,160.0	5,160.0
		Gross	1,403,904.0	1,462,950.1	1,579,355.8	1,744,358.7
		A-I-A	225,504.9	200,738.2	204,813.1	209,091.7
TOTAL		Net	1,178,399.1	1,262,211.9	1,374,542.8	1,535,266.9
		Salaries	506,913.9	517,573.5	533,292.9	549,475.9
		Grants & Transfers	566,995.1	569,341.0	585,801.1	603,004.9
		Other Recurrent	113,665.1	83,026.5	86,950.9	91,088.1
		Strategic Intervention	171,107.5	220,572.0	278,855.8	381,316.5
		Medical Insurance	27,911.4	30,607.9	30,607.9	32,607.9
		Job Evaluation	-	22,518.1	44,536.2	67,554.3
		Economic Stimulus Prog.	1,900.0	1,900.0	1,900.0	1,900.0
HELB	15,411.0	17,411.0	17,411.0	17,411.0		

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Annex Table 6: Budget Calendar for the FY 2023/24 Medium-Term Budget

Activity	Responsibility	FY2023/24
		Timeline
1. Develop and issue MTEF guidelines	National Treasury	30-Aug-22
2. Launch of Sector Working Groups	National Treasury	9-Sep-22
3. Programme Performance & Strategic Reviews	MDAs	21-Sep-22
3.1 Review and update of strategic plans	"	"
3.2 Review of programme outputs and outcomes	"	"
3.3 Review of Expenditure	"	"
3.4 Review and approval of projects for FY2023/24	Project Committees	"
3.5 Progress report on MTP implementation	"	"
3.6 Preparation of annual plans	"	"
4. Development of Medium-Term Budget Framework	Macro Working Group	30-Sep-22
4.1 Estimation of Resource Envelope	"	"
4.2 Determination of policy priorities	"	"
4.3 Preliminary resource allocation to Sectors, Parliament, Judiciary & Counties	"	"
4.4 Draft Budget Review and Outlook Paper (BROP)	"	"
4.5 Submission of BROP to Cabinet	"	30-Sep-22
4.6 Approval of the BROP by Cabinet	"	14-Oct-22
4.7 Submission of approved BROP to Parliament	"	21-Oct-22
5. Preparation of MTEF budget proposals	Line Ministries	28-Nov-22
5.1 Retreats to draft Sector Reports	Sector Working Group	16-29th Oct & 30th Oct - 13th Nov -22
5.2 Public Sector Hearing	National Treasury	23rd Nov 22
5.3 Review and incorporation of stakeholder inputs in the Sector proposals	Sector Working Group	30-Nov-22
5.4 Submission of Sector Report to Treasury	Sector Chairpersons	1-Dec-22
5.5 Consultative meeting with CSs/PSs on Sector Budget proposals	National Treasury	6-Dec-22
6. Draft Budget Policy Statement (BPS)	Macro Working Group	14-Feb-23
6.1 Draft BPS	Macro Working Group	2-Dec-22
6.2 Division of Revenue Bill (DORB)	National Treasury	"
6.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
6.4 Submission of BPS, DORB and CARB to Cabinet for approval	National Treasury	12-Jan-23
6.5 Submission of BPS, DORB and CARB to Parliament for approval	National Treasury	14-Feb-23
8. Preparation and approval of Final MDAs Budgets		28-Apr-23
7.1 Develop and issue final guidelines on preparation of 2023/24 MTEF Budget	National Treasury	3-Mar-23
7.2 Submission of Budget Proposals to Treasury	Line Ministries	15-Mar-23
7.3 Consolidation of the Draft Budget Estimates	National Treasury	1-Apr-23
7.4 Submission to Cabinet for Approval	National Treasury	13-Apr-23
7.5 Submission of Draft Budget Estimates to Parliament	National Treasury	27-Apr-23
7.6 Submission of the Finance Bill	National Treasury	27-Apr-23
7.7 Review of Draft Budget Estimates by Parliament	National Assembly	15-May-23
7.8 Report on Draft Budget Estimates from Parliament	National Assembly	31-May-23
7.9 Consolidation of the Final Budget Estimates	National Treasury	6-Jun-23
7.10 Submission of Appropriation Bill to Parliament	National Treasury	8-Jun-23
8. Budget Statement	National Treasury	8-Jun-23
9. Appropriation Bill Passed	National Assembly	30-Jun-23
10. Finance Bill Passed	National Assembly	30-Jun-23

Source: National Treasury

Annex Table 7: County Governments' Fiscal Performance for FY 2021/22

County	Own Source Revenue (Ksh)			Budget Estimates (Ksh millions)					Expenditure (Ksh millions)					Absorption Rate		
	Target	Actual	% of Actual OSR over target	Rec't	% of Rec't budget over total budget	Dev't	% of Dev't budget over total budget	Total	Rec't	% of Rec't expenditure over total expenditure	Dev't	% of Dev't expenditure over total expenditure	Total	Rec't	Dev't	Total
Baringo	288,546,935	264,898,800	91.8	5,415.43	56.3	4,205.19	43.7	9,620.63	5,150.75	73.6	1,847.19	26.4	6,997.94	95.1	43.9	72.7
Bomet	260,000,000	202,430,010	77.9	5,842.23	66.4	2,961.02	33.6	8,803.24	5,158.61	75.0	1,719.97	25.0	6,878.57	88.3	58.1	78.1
Bungoma	746,811,602	368,035,218	49.3	9,974.99	69.0	4,479.38	31.0	14,454.36	8,601.23	81.4	1,969.51	18.6	10,570.73	86.2	44.0	73.1
Busia	976,108,322	292,736,456	30.0	5,681.53	55.5	4,548.85	44.5	10,230.38	4,887.78	76.1	1,537.63	23.9	6,425.41	86.0	33.8	62.8
Elgevo Marak	266,100,000	162,252,071	61.0	3,700.80	56.4	2,858.56	43.6	6,559.35	3,507.189	68.7	1,597.342	31.3	5,104.532	94.8	55.9	77.8
Embu	900,000,000	394,540,728	43.8	4,750.39	68.7	2,168.72	31.3	6,919.11	4,221.74	79.2	1,110.83	20.8	5,332.56	88.9	51.2	77.1
Garissa	150,000,000	65,624,500	43.7	7,096.95	68.0	3,343.79	32.0	10,440.74	6,847.20	87.5	978.13	12.5	7,825.32	96.5	29.3	74.9
Homa Bay	164,982,028	146,642,418	88.9	6,350.27	65.6	3,334.09	34.4	9,684.36	5,694.11	72.2	2,189.70	27.8	7,883.81	89.7	65.7	81.4
Isiolo	113,686,337	107,832,875	94.9	4,169.53	65.5	2,198.31	34.5	6,367.84	3,759.66	76.2	1,172.14	23.8	4,931.80	90.2	53.3	77.4
Kajiado	1,595,132,700	527,943,689	33.1	7,451.72	67.6	3,570.37	32.4	11,022.09	5,551.53	72.4	2,118.96	27.6	7,670.48	74.5	59.3	69.6
Kakamega	1,600,000,000	1,226,076,737	76.6	10,202.21	62.2	6,198.03	37.8	16,400.24	9,307.86	67.2	4,550.52	32.8	13,858.38	91.2	73.4	84.5
Kericho	842,636,240	566,821,704	67.3	5,299.72	63.1	3,104.29	36.9	8,404.00	5,057.98	73.5	1,822.64	26.5	6,880.62	95.4	58.7	81.9
Kiambu	4,288,015,282	3,149,182,552	73.4	12,637.21	72.2	4,869.66	27.8	17,506.87	9,923.98	77.5	2,885.95	22.5	12,809.93	78.5	59.3	73.2
Kilifi	1,118,754,087	827,496,951	74.0	9,981.52	62.6	5,971.31	37.4	15,952.83	8,678.39	80.4	2,116.78	19.6	10,795.17	86.9	35.4	67.7
Kirinyaga	485,000,000	364,653,724	75.2	4,531.06	58.8	3,174.27	41.2	7,705.33	4,334.45	72.8	1,623.49	27.2	5,957.94	95.7	51.1	77.3
Kisii	700,000,000	404,554,620	57.8	8,498.97	67.5	4,091.72	32.5	12,590.70	7,703.61	80.3	1,887.90	15.7	7,483.54	74.6	31.5	61.5
Kisumu	1,984,000,003	982,789,204	49.5	8,451.05	69.4	3,726.80	30.6	12,177.85	6,307.86	84.3	1,175.68	15.7	7,483.54	74.6	31.5	61.5
Kitui	800,000,000	361,271,342	45.2	8,327.23	66.8	4,141.51	33.2	12,468.74	7,586.01	73.6	2,728.05	26.4	10,314.07	91.1	65.9	82.7
Kwale	438,000,000	302,688,593	69.1	6,986.72	54.7	5,778.92	45.3	12,765.64	6,602.90	67.5	3,184.35	32.5	9,787.25	94.5	55.1	76.7
Lakopia	1,313,813,276	894,884,655	68.1	4,966.83	55.9	3,911.73	44.1	8,878.56	4,355.21	70.0	1,862.13	30.0	6,217.34	87.7	47.6	70.0
Lamu	120,000,000	126,995,226	105.8	3,115.71	62.3	1,881.67	37.7	4,997.38	2,695.44	72.1	1,042.92	27.9	3,738.35	86.5	55.4	74.8
Machakos	1,682,894,197	1,118,461,753	66.5	9,051.33	69.1	4,038.39	30.9	13,089.72	8,673.32	86.8	1,317.52	13.2	9,990.83	95.8	32.6	76.3
Makueni	906,306,710	749,406,507	82.7	7,269.88	63.0	4,274.95	37.0	11,544.84	5,878.19	69.6	2,571.19	30.4	8,449.37	80.9	60.1	73.2
Mandera	200,037,792	132,899,851	66.4	7,840.82	59.0	5,442.85	41.0	13,283.67	7,568.41	65.3	4,027.48	34.7	11,595.89	96.5	74.0	87.3
Marsabit	170,000,000	99,563,452	58.6	4,745.54	50.9	4,586.00	49.1	9,331.54	4,514.82	58.2	3,245.20	41.8	7,760.02	95.1	70.8	83.2
Meru	689,061,600	385,391,541	55.9	8,387.69	66.9	4,153.46	35.9	10,444.02	6,623.50	75.8	2,115.15	24.2	8,738.66	99.0	56.4	83.1
Migori	350,000,000	386,872,946	110.5	6,690.49	64.1	3,753.53	35.9	10,444.02	6,623.50	75.8	2,115.15	24.2	8,738.66	99.0	56.4	83.1
Mombasa	4,957,305,414	3,608,672,111	72.8	10,168.15	52.0	9,388.90	48.0	19,557.05	7,034.88	66.9	3,474.45	33.1	10,509.34	69.2	37.0	53.1
Murang'a	1,580,000,000	520,317,425	32.9	7,372.37	69.1	3,296.19	30.9	10,668.56	6,685.91	82.9	1,374.41	17.1	8,060.31	90.7	41.7	75.6
Nairobi City	19,610,744,671	9,238,804,878	47.1	29,293.58	73.9	10,333.96	26.1	39,627.54	25,309.71	89.3	3,024.71	10.7	28,334.42	86.4	29.3	71.5
Nakuru	1,980,000,000	1,707,447,685	86.2	12,851.05	54.7	10,662.94	45.3	23,513.99	10,062.45	64.7	5,499.91	35.3	15,562.36	78.3	51.6	66.2
Nandi	387,106,430	275,658,466	71.2	6,019.80	67.1	2,945.75	32.9	8,965.55	5,800.93	76.2	1,809.18	23.8	7,610.11	96.4	61.4	84.9
Narok	2,354,426,171	1,334,563,666	56.7	9,344.77	70.0	4,007.34	30.0	13,352.11	9,274.76	87.4	1,338.29	12.6	10,613.05	99.3	33.4	79.5
Nyamira	295,000,000	166,487,465	56.4	4,778.83	69.9	2,053.79	30.1	6,832.62	4,516.52	77.3	1,327.81	22.7	5,844.34	94.5	64.7	85.5
Nyandarua	990,000,000	473,061,809	47.8	5,223.94	65.0	2,808.58	35.0	8,032.51	4,766.72	81.0	1,116.41	19.0	5,883.14	91.2	39.7	73.2
Nyeri	1,000,000,000	948,313,629	94.8	6,097.46	69.8	2,635.80	30.2	8,733.27	5,815.12	80.6	1,403.37	19.4	7,218.48	95.4	53.2	82.7
Samburu	157,264,422	120,049,011	76.3	4,653.65	63.1	2,723.89	36.9	7,377.54	4,033.79	68.5	1,855.25	31.5	5,889.04	86.7	68.1	79.8
Siaya	445,445,551	434,376,276	97.5	5,624.76	62.7	3,345.54	37.3	8,970.29	5,228.21	73.6	1,879.75	26.4	7,107.96	92.9	56.2	79.2
Taita Taveta	450,282,421	315,575,986	70.1	4,662.91	65.2	2,492.70	34.8	7,155.61	4,491.95	84.5	822.56	15.5	5,314.51	96.3	33.0	74.3
Tana River	87,846,000	72,260,813	82.3	5,510.90	65.0	2,973.82	35.0	8,484.71	5,241.41	73.1	1,927.72	26.9	7,169.13	95.1	64.8	84.5
Tharaka Nithi	350,000,000	234,293,360	66.9	3,987.11	67.4	1,924.15	32.6	5,911.26	3,178.03	73.7	1,132.43	26.3	4,310.47	79.7	58.9	72.9
Trans Nzoia	529,500,000	379,991,105	71.8	5,254.43	56.5	4,050.87	43.5	9,305.30	5,211.67	66.8	2,591.58	33.2	7,803.26	99.2	64.0	83.9
Turkana	180,000,000	204,349,844	113.5	9,880.51	61.0	6,308.33	39.0	16,188.84	7,285.44	74.5	2,491.86	25.5	9,777.30	73.7	39.5	60.4
Uasin Gishu	1,414,917,111	858,341,720	60.7	7,103.02	53.8	6,110.64	46.2	13,213.66	6,410.89	62.9	3,781.95	37.1	10,192.84	90.3	61.9	77.1
Vihiga	232,658,878	236,265,160	101.6	4,475.23	69.8	1,933.65	30.2	6,408.88	3,672.65	85.0	647.14	15.0	4,319.79	82.1	33.5	67.4
Wajir	100,000,000	52,415,625	52.4	7,341.86	63.4	4,243.70	36.6	11,585.56	6,917.60	74.3	2,391.60	25.7	9,309.20	94.2	56.4	80.4
West Pokot	170,000,000	113,444,832	66.7	5,150.59	67.1	2,521.09	32.9	7,671.68	4,941.19	75.6	1,596.71	24.4	6,537.89	95.9	63.3	85.2
Total	60,422,384,180	35,907,638,989	59.4	342,212.74	63.9	193,529.00	36.1	535,741.71	302,493.56	75.4	98,471.36	24.6	400,964.88	88.4	50.9	74.8

Source of Data: Controller of Budget

Annex Table 8: Members of the Macro Working Group who attended the Retreat in Nakuru from September 11-17, 2022 to finalize this 2022 Budget Review and Outlook Paper

S/No.	Institution/ Department		Name	Designation
1	The National Treasury	Macro & Fiscal Affairs	1. Mr. Musa Kathanje	Director/ Macro & Fiscal Affairs
			2. Mr. Joseph Z. Ngugi	Senior Deputy Director
			3. Mr. John Njera	Director Planning
			4. Mr. Johnson Mwangi	Director Planning
			5. Mr. Maurice Omete	Senior Economist
			6. Ms. Catherine Kalachia	Senior Economist
			7. Ms. Lucy Muraya	Senior Economist
			8. Ms. Mary Maina	Senior Economist
			9. Ms. Geraldine Kyalo	Senior Economist
			10. Ms. Phyllis Muthoni	Economist I
			11. Mr. Thomas Kipyego	Economist I
			12. Ms. Ann Nyagah	Economist II
			13. Ms. Jane Karanja	Senior Assistant Office Administrator
			14. Ms. Phyllis Navaria	Office Assistant
	Budget	15. Ms. Miriam Musyoki	Assistant Director of Budget	
		16. Mr. Dancan Kombo	Economist	
	Intergovernmental Fiscal Relations	17. Mr. Brian K. Cheruiyot	Principal Economist	
		18. Ms. Sharon Wamu	Economist I	
	Financial and Sectoral Affairs	19. Ms. Josephine Kulundu	Senior Economist	

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S/No.	Institution/ Department	Name	Designation	
		Debt Policy, Strategy and Risk Management	20. Ms. Lottan Mwangi	Economist II
		Debt Recording & Settlement	21. Mr. Daniel K Mwangi	Assistant Accountant General
		Resource Mobilization	22. Mr. Michael Kahiti	Director Planning
		Government Investment and Public Enterprises	23. Mr. Paul Kiagu	Chief Economist
		Public Private Partnership	24. Mr. Paul Kimani	Assistant Accountant General
2	State Department of Planning		25. Mr. Jackson Kiprono	Principal Economist
			26. Ms. Peninah Kawira	Senior Economist
3	Central Bank of Kenya		27. Dr. Anne Kamau	Manager
			28. Ms. Caroline Wanjiru	Economist
4	Kenya Revenue Authority		29. Dr. Alex Oguso	Manager
			30. Mr. Walter Mokaya	Officer
5	Kenya National Bureau of Statistics		31. Mr. Benjamin Muchiri	Senior Manager
6	Commission on Revenue Allocation		32. Ms. Lineth Oyugi	Director/Economic Affairs
7	Kenya Institute of Public Policy and Research Analysis		33. Mr. Benson Kiriga	Senior Policy Analyst
			34. Ms. Hellen Chemnyongoi	Policy Analyst

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Annex Table 9: Summary of Comments Received from Stakeholders and Public on the 2022 BROP

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
Fiscal Performance - Revenue and Expenditures	5,6	Total cumulative revenue including A-i-A for FY 2021/22 amounted to Ksh 2,199.8 billion against a revised target of Ksh 2,192.0 billion, recording a surplus of Ksh 7.9 billion. This has remained so in FY 2021/22.	Fiscal performance of 2022 BROP has been drafted to reflect that total revenue remained above target in the FY 2021/22.
	6	The Draft BROP does not contain any narrative explaining the low performance in collection of Value Added Tax on locally Produced Products, Excise Duty, AIA and Grants.	The BROP is prepared in accordance with section 26 of the PFA Act, 2012. Among other requirement, The BROP provides the actual fiscal performance in the previous financial year compared to the Budget appropriation for that year. Paragraph 6 explains the reason why these broad tax categories were below the set target.
	7	The Ministerial AIA have not been disintegrated of revenue collected by each ministry and state agencies under each ministry. It is difficult to know how much each state agency contributed	2023 BPS will provide adequate information on the revenue collected by each ministry and state agencies.
	9	There is need to disintegrate information from state agencies for accountability and tracking. The information should display the estimated revenue and actual collections for each state agency under the ministries.	This is a welcomed proposal however more information will be provided in 2022 BPS
	10	The National Government's recurrent expenditure was Ksh 2,135.0 billion (including Ksh 48.8 billion spending by Judiciary and Parliament) against a target of Ksh 2,227.3 billion, representing an under-spending of Ksh 92.3 billion. The recurrent spending was below target mainly due to lower than targeted absorption on operations and maintenance by Ksh 21.5 billion and shortfall related to poor collection of recurrent ministerial A-i-A of Ksh 35.2 billion.	The low absorption on O&M by Ksh. 21.5 billion as one of the reasons for below target recurrent spending has been well captured in this BROP.
	10	Although the Paper in Page 10 indicates that the 2022 BROP provides sector ceilings which will guide the budget preparation	The sector ceilings have been included in the 2022 BROP which will guide the 2023 BPS and

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POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
		process for the FY 2023/24 and the medium term, the Sector ceilings have not been provided nor attached in the paper. We propose that the paper to be enhanced through inclusion of the segregated proposed ceilings for the three arms of Government (Executives (Sectors), Judiciary, and Parliament.	FY 2023/24 budget in Table 18 and Annex Table 4 & 5. The tables provide ceilings across all the MTEF sectors. The 2023 BPS will segregate the proposed ceilings for the three arms of Government.
	11	The Draft BROP should have expenditure data against programs for all spending such as those included in the Programme Based Budgets	Table 4 provides ministerial expenditure data on both recurrent and development expenditures. For actual programmes expenditure on PBBs, the information is well captured in Budget Estimate book available in the National Treasury website.
	12	Development expenditure amounted to Ksh 540.1 billion against a revised target of Ksh 657.5 billion, translating to a shortfall of Ksh 117.4 billion. This was on account of lower than programmed absorption of domestically and externally funded programmes by Ksh 33.1 billion and Ksh 77.5 billion respectively, and non-disbursement of Equalization Fund of Ksh 6.8 billion.	Non-disbursement of equalization fund of Ksh 6.8 billion has been included as part of the reasons for shortfall in development expenditure
	17	There is need to set realistic revenue targets, to avoid missed revenue targets which would lead to a higher fiscal deficit and /or unnecessary budget changes through supplementary budgets	The FY 2021/22 revenue was above the set target by 7.9 billion. Revenue projections are based on the previous year revenue collection and the macroeconomic indicators which are subject to changes depending on the domestic and international shocks. Such risks put strain on fiscal framework.

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POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
Fiscal Performance - Financial Objectives	19, i	Though the Draft BROP mentions efforts the government will put in future to ensure the revenue targets are met in the next financial year, there is need to ensure that the BROP provides efficient non-financial information explaining the underperformance in some revenue streams. They also need to mention what attributed to over performance by some other revenue streams.	The 2022 BROP explains the revenue performance for the FY 2021/22 and the reason for under and over performance is also explained.
	19, iii	Amend paragraph to read “iii. The under-spending in both recurrent and development budget for the FY 2021/22 can partly be explained by low absorption of externally funded projects, low collection of local A-i-A and lower than planned external financing.	Paragraph amended.
Fiscal Responsibility Principles	21	There is need to strictly comply to fiscal principles	In line with the Constitution, the PFM Act 2012, the PFM Regulations, and in keeping in line with prudent and transparent management of public resources, the Government has largely adhered to the fiscal responsibility principles
	21	The public debt ought to be utilized for development expenditure so that we realize return on investment in the long run. But as it is, our debt is unproductive and in the long run may not be sustainable, and in contravention of the fiscal responsibility principle spelt out in Section 15(2) (c) of the PFM Act, 2012 requires that over the medium term, the National Government’s borrowing shall be used only for financing development expenditure.	To finance development expenditure, the National Government borrowed a total of Ksh 916.6 billion in FY 2021/22. The Government spent Ksh 82.3 percent of borrowed resources on development and redemption of external loans and 17.7 percent on recurrent spending.
	21	The BROP projects an expenditure growth of 221 billion from FY 2022/23 to FY 2023/24. However, the National Treasury does not indicate what this increase for. Therefore, it will be prudent for the National Treasury to highlight what this increase is for and how this affects the government’s fiscal consolidation efforts.	Annex table 2 gives the Estimates on Government operations. Total expenditure is projected at 3,390.0 billion for the FY 2022/23, 23.3 percent of GDP in the FY 2022/23. As percent of GDP, total expenditure is projected to decline from 23.3 percent in FY 2022/23 to

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			22.4 percent in FY 2023/24 and further to 22.3 percent in the FY 2026/27.
	23	It will be prudent to factor in the future uncertainties that may affect revenue collection. The analysis should assume different scenarios and the expected outcomes if the identified risks were to materialize and the remedial action therein.	Fiscal projections are based the previous year financial performance and on macroeconomic indicators. Potential domestic and international risk on the macroeconomic indicators are assessed and taken into account.
County Governments' Fiscal Performance	26	The County Government are projecting unrealistic figures which need to be rectified. The National Treasury needs to ensure counties have capacity to project realistic targets as well as guidance on revenue collection.	The National Treasury has continuously built capacity of the County Government to enhance their Public Finance Management, ability to collect OSR and project realistic targets.
	27	The failure to transfer full amounts to the County Governments jeopardizes service delivery at county level.	During the FY 2021/22, a total of Ksh 370 billion was allocated to the County Governments as equitable share as reflected in the County Allocation of Revenue Act (CARA), 2021. Even though disbursements to the County Governments as equitable share stood at Ksh 340.4 billion representing 92 percent of the total allocations during the FY 2021/22, 100 percent of the equitable share was disbursed to the County Governments as at 29 th August, 2022.
	30	Amend to read; "The National Rating Bill, 2022 that is currently in Parliament stipulates a framework for levying of rates by county governments that will provide for the valuation of rateable property, the appointment and powers of valuers and the establishment, powers and functions of the National Rating Valuation Tribunal."	The paragraph amended to read as proposed.

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Recent Economic Developments and Outlook	3(Executive Summary)	The economy is expected to remain resilient at 5.5 percent in 2022, and grow above 6.0 percent over the medium term, when the economy is facing a lot of externalities.	The economy grew by 7.5 percent in 2021, and 6.8 percent in the first quarter of 2022. Growing on this momentum, the economy is expected to remain resilient at 5.5 percent and above 6.0 percent over the medium term supported by the prevailing stable macroeconomic environment, continued strong performance in the services and industry sector and favourable weather condition to support agricultural output.
	42	Reasons for higher-than-expected inflation worldwide is triggered by higher global oil and food prices and the impact of the contractionary monetary policy in advanced economies and not global monetary policy.	Contractionary monetary policy has been included as part of reasons for higher than expected inflation rate.
	44	The Russia-Ukraine conflict induced supply disruptions leading to increase in domestic prices. Therefore, reducing food affordability, and real incomes as well as surging fuel prices across the region.	In sub-Saharan Africa region, growth is projected to slow down by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the Russia-Ukraine conflict. This is well elaborated in 2022 BROP.
	52	The economic growth in 2021 was 7.5 percent and yet not being felt by common Mwananchi.	In 2021, the economy grew by 7.5 percent due to growth in the services and industry sector. Agriculture subdued recording a contraction of 0.2 percent. About 60 percent of the population practice agriculture therefore it they have not felt the growth effect in the economy.
	59	There was notable increase in prices of kerosene/paraffin, petrol and diesel in August 2022 compared to August 2021, mainly attributed	Fuel inflation remained generally stable contributing to 1.6 percentage points to year-on-year overall inflation in August 2022 from a

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		to elevated global prices. But fuel inflation continues to remain moderate compared to food inflation.	contribution of 1.5 percentage points in August 2021. This was mainly due to the effect of Government measures to stabilize fuel prices, lower electricity tariffs and reduce VAT on LPG.
	60	Clarify that on the contribution of core inflation is it non-food and non-fuel.	Core inflation is the Non-Food-Non-fuel inflation which has been low and stable. Its consistent with the muted demand pressures in the economy supported by prudent monetary policy.
	61	What will happen to inflation rate when subsidies are withdrawn	Inflation is expected to the same since the inflationary pressures were considered.
	62	For the stability in the Kenya Shilling, it is necessary to show that it was due to increased remittances, adequate foreign exchange reserves and improved exports receipts.	Paragraph 62 has been amended to incorporate this comment.
	65	Amend to read; "The Treasury bills rates remained relatively low (below 10 percent) in August 2022."	Paragraph amended as proposed
	74	The current account widened in 2022 as compared to 2021, are there measures to narrow it down?	In medium term it will narrow down due to improvements in horticulture, remittances and import bill.
	76	There has been a draw down on Foreign Reserves as of August.	The country is expecting foreign disbursement in the next few months.
	77	The Government implemented a statutory requirement to maintain official reserves at minimum of 4.0 months of imports cover so as to provide adequate buffer against short term shocks in the foreign exchange market.	The official reserve has been below 4.0 months of import cover.

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Revenue Performance	91	There is a projected growth in revenue of Ksh 373 billion. Given the current tough economic times across the globe, particularly in Kenya, what informs an optimistic picture of the current economic situation?	The Revenue collection is built on the Government's effort to stimulate and sustain economic activities that will enable the economy to be on a trajectory growth. As a result, Revenue collection is expected to be on target despite the tough global economic conditions.
	93	Amend the paragraph to capture commodity prices and Russia-Ukraine conflict as priority risks instead of COVID 19.	COVID-19 still possess risk as the emergent of new variant in the economy might led to the measure that will disrupt economic activities and supply chains on commodity.
	96	The on-going reforms in Tax policy, Revenue administration and implementation of priority programmes under the Economic Strategy and other priority programmes outlined in MTP IV of Vision 2030 will make sure revenue performance improved significantly.	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. Kenya Revenue Authority will continue to employ the use of technology to curb revenue leakages. This will assist to realise a growth of Ksh 2,896.32 billion (17.8 percent of GDP) in the FY 2023/24.
	98	Please address why the fiscal deficit is always projected to decline but in real sense it goes up.	Tax revenue has been declining since FY 2013/14 from 18.1 percent of GDP to 13.7 percent of GDP in FY 2021/22 to 15.1 percent of GDP in FY 2021/22. As a result, the Government looks for why to finance the budget resulting to higher fiscal deficit. Also, because of pressures not anticipated such as drought, Ukraine-Russia war and COVID 19,

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			the Government finances the mitigation measures which was not earlier budgeted.
Medium Term Revenue strategy	98	The fiscal deficit is declining from 6.2 percent in FY 2022/23 to 3.2 percent in FY 2025/26. Is the decline attributed to expenditure or revenue?	The proposal is to constrict spending so as to reduce the deficit.
	100	Amend to read; "The ordinary revenue as share of GDP has been declining since FY 2013/14. The revenues declined from 18.1 percent in the FY 2013/14 to 15.4 percent in the FY 2018/19, this decline was mainly associated with various challenges including increase in tax incentives, growth of the informal sector which is hard to tax, change in business models (use of new technology), thus creating tax administrative bottlenecks"	The paragraph amended as proposed. N/B: this applies to all sections on tax revenues
	101	This paragraph should read; "Due to the decline in domestic resource mobilization, the realization of the Vision 2030 through implementation of its Medium Term Plans is lagging behind". Amend the last sentence to read; "To reduce these vulnerabilities and ensure implementation of development agenda, domestic revenues mobilization is crucial."	The paragraph has been edited.
	104	There will be two MTRS prepared to cover the remaining period of Vision 2030 which targets to raise ordinary revenue to GDP collection by an additional 10 percent gradually through the Strategy period. The first MTRS will cover the FY 2023/24 - 2026/27 while the second MTRS will cover the FY 2027-28 to FY 2029-30.	The paragraph amended to reflect the two MTRS.
3	Amend to read; "Sector ceilings in this BROP are aligned to the priorities of the government, ongoing implementation of the Economic Recovery Strategy and other priority programmes outlined in MTP IV which aim to create wealth and employment; reduce poverty and create a conducive environment for investment."	The paragraph amended to read as proposed.	

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**THE NATIONAL TREASURY AND ECONOMIC PLANNING
NOVEMBER 2022**

