REPUBLIC OF KENYA

Parliamentary Budget Office

UNPACKING OF THE 2019 BUDGET POLICY STATEMENT

FEBRUARY, 2019

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I. OVERVIEW

Introduction

The Budget Policy Statement (BPS) is a policy document that sets out the broad strategic priorities and policy goals that will guide the national and county governments in preparing their budgets for the financial year and over the medium term. The strategic direction of the BPS should be informed by the policies outlined in the various government policy documents that includes the Vision 2030, Medium Term plans, Ministerial and Sectoral Strategic plans as well as the Big Four agenda. The growth strategy, revenue and expenditure proposals in a particular financial year should take into account the current state of the global and domestic economy including the outlook of the various macroeconomic variables.

The 2019 BPS outlines the strategy of the government to continue implementing the Big Four plan as well as overall expenditure ceiling proposals for programmes under various Ministries, Departments and Agencies. Part I of the BPS reviews the recent economic developments and medium term outlook, Part II gives a status update of the Big Four plan initiatives including targets for the coming financial year and the medium term; Part III outlines the budgetary allocations and details of sector priorities for the medium term; and part IV discusses the county financial management and division of revenue.

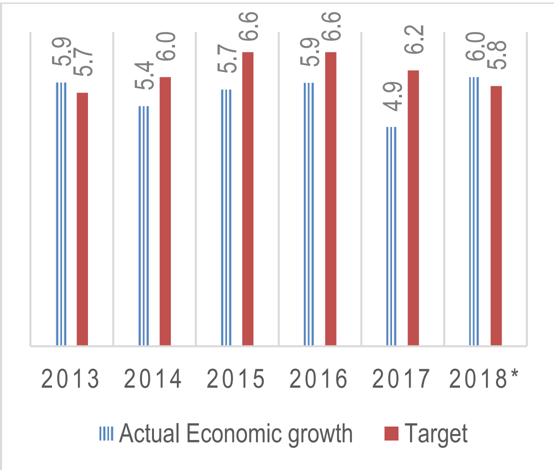
In reviewing the BPS, there will be need to consider the inter-linkages between the policies outlined in the BPS and broader policy documents such as Vision 2030 and Medium Term Plans, the realism of the macro framework and whether the expenditure proposals are adequately funded. The unpacking of the BPS will also review alignment with medium term strategic priorities of government as provided for in Vision 2030; whether the outlined policy interventions meet the national development needs; as well as the allocation of resources across sectors and whether the budgetary interventions are adequately funded.

II. REALISM OF THE 2019/20 MACRO FISCAL FRAMEWORK

A. Economic Growth

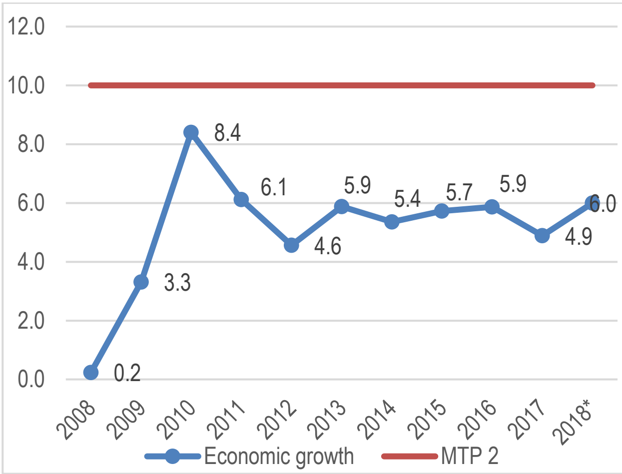
Over the past five years to 2018, Kenya's economic growth has remained stable but below the targeted growth given in the country's policy documents. According to the BPS 2019, economic growth in the period 2013 – 2017 is impressive at 5.6 percent compared to the previous two 5-year periods when growth averaged 4.7 percent and 4.6 percent respectively. The 10 percent annual economic growth target in Kenya's VISION 2030 remains elusive and the economy needs a significant change in policy direction and budget execution to scale up the country's productive capacity that will promote a higher growth trajectory. The country's growth stagnation at 5 – 6% can be attributed to inefficiencies in Capital and labour – the main factors of production. Low capital productivity can be attributed to low investment in contemporary, efficient production inputs such as industrial machinery, equipment and up-to-date technology. On the other hand, low labour productivity is mostly due to poor skills-set of the labour force, lack of motivation as a result of the mismatched skills during job entry-level selection, inadequate on-job training, inadequate salaries especially for the middle-skilled workers and lack of adoption to technology as well as innovative ways of increasing efficiency in service delivery. Therefore, specific budgetary investments should focus on production inputs such as industrial machinery & equipment, up-to-date technology and human capital development to upscale labour productivity.

Figure 1: Actual vs Target Economic growth



Source: KNBS, BPS (various issues)
***Estimates**

Figure 2: Economic Growth (2008-2018)



Source: KNBS

Economic growth for 2018 is projected at 6.0 percent; supported by improved weather conditions, improved business activities and easing of political uncertainty. From a sector perspective, growth was mainly driven by the service sectors, specifically in accommodation & restaurant, wholesale & retail trade and transport & storage, followed by the primary sector that includes agriculture and mining. Most of the sectors recorded an improvement in the estimated real GDP growth rates for 2018 compared to 2017. While this is impressive growth, the emerging concern is that these key drivers of economic growth are not anchored on key policy changes but are based on factors beyond the control of policy makers. Despite improved weather conditions, agriculture continues to face challenges mainly stemming from low adoption of technology and innovation. Business activities still face challenges stemming from unavailability of credit, regulatory challenges, shortage of raw materials and skilled labour.

Table 1: Real GDP growth rates for selected sectors (Percentage)

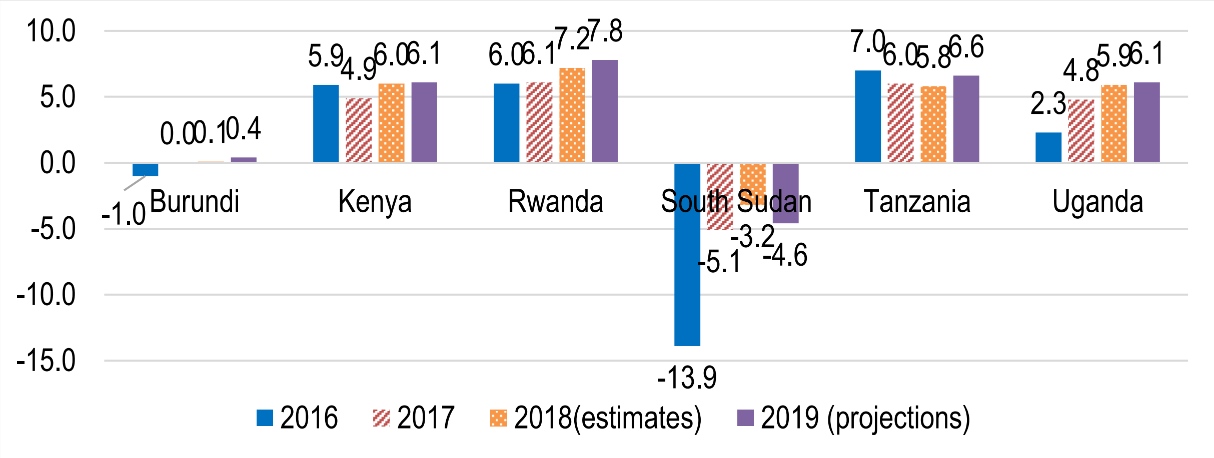
Sector	2013	2014	2015	2016	2017	2018*
Primary Sector	**5.0**	**4.8**	**5.6**	**4.9**	**1.8**	**5.3**
Agriculture	5.4	4.4	5.3	4.7	1.6	5.3
Mining	-4.2	14.9	12.3	9.5	6.1	5.5
Industry	**5.9**	**5.6**	**7.0**	**5.5**	**3.4**	**4.7**
Manufacturing	5.6	2.5	3.6	2.7	0.2	2.9
Electricity and water supply	6.6	6.1	8.5	8.3	5.6	7.4
Construction	6.1	13.1	13.8	9.8	8.6	6.7
Health	7.7	8.1	6.1	5.0	5.9	5.7
Service Sectors	**5.4**	**6.3**	**6.4**	**6.5**	**6.2**	**6.3**
Overall Real GDP Growth	**5.9**	**5.4**	**5.7**	**5.9**	**4.9**	**6.0**

Source: BPS 2019, KNBS
***Estimates**

Beyond borders, the global economic growth outlook is expected to weaken in 2019 to 3.5 percent from an estimated 3.7 percent in 2018 but will improve slightly to 3.6 percent by 2020. According to IMF, the weakening global growth is due to the negative effects of tariff increases on imports from the USA and from China. From the Euro area, Germany's new automobile fuel emission standards are likely to weigh on economic growth and a no deal withdrawal of the United Kingdom from the European Union will adversely affect prices for goods, and tariffs will increase the cost of imported capital goods for businesses, which will slow down growth. Regionally, growth in Sub-Saharan Africa is expected to pick up from 2.9 percent in 2018 to 3.5 percent in 2019, and 3.6 percent in 2020, mainly driven by high commodity prices and improved capital markets. According to the African Development Bank[1], The East Africa region continues to be the fastest-growing region in Africa with an estimated growth of 5.7 percent in 2018 and projected to 5.9 percent in 2019 and 6.1 percent in 2020. Notably, Rwanda and Tanzania continue to bolster EAC growth, which is mostly driven by agricultural expansion due to favorable weather conditions and improvement in private sector credit growth.

[1]African Economic Outlook 2019

Figure 3: EAC's Economic Growth



Source: IMF WEO, October 2018

The international and regional outlook provides an opportunity for Kenya to gain from increased value of exports given expected high commodity prices as this would support higher economic growth. On the downside lower growth in USA and Euro area would impact negatively on the demand for exports, therefore the government may focus more in encouraging intra-Africa trade.

For the medium term outlook, economic growth is estimated at 6.2 percent in FY 2019/20, 6.4 percent in FY 2020/21 and 6.7 percent by FY 2021/22. In calendar years, the growth projections are 6.2 percent in 2019 and 6.3 percent in 2020. The key drivers of growth will be strong performance in the agricultural and manufacturing activities, favorable weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence.

a) **Agricultural activities**: while agriculture is undoubtedly a major contributor to GDP, its performance is typically pegged on favourable weather. Quality concerns and inadequate policy implementation remain a challenge for the sector. Past government interventions to enhance agricultural productivity such as large scale irrigation, distribution of certified seeds and fertilizer have so far not enhanced food production mainly due to poor implementation of these projects. In the programme performance information, it is indicated that the sector will focus on land management, livestock resource management, increasing agricultural productivity, water storage, blue economy and agricultural research. However, it is not clear exactly how these priorities will be achieved. A review of the indicative budget for the sector does not show any major shifts in expenditure towards these areas. Indeed, some allocations such as for irrigation and land reclamation, land policy and planning and agricultural research development are lower than the 2018/19 estimates. Where increased budgetary allocations are observed, the increase is very minimal such as in livestock resource management, development of blue economy and water harvesting. Some of these projects are ongoing such as water storage and irrigation projects but remain off-track due to slow implementation. It should be noted that agriculture being devolved, there is need for a clear collaborative framework between the two levels of government on how some of these targets will be achieved.

b) **Manufacturing activities**: The manufacturing sector continues to face challenges ranging from shortage of capital, raw materials and skilled labour due to inadequate access to finances in addition to a number of regulatory challenges. Key areas of focus should be intervention in the expansion and promotion of small-scale industries, reduction of high power tariffs, access to finance and access to preferential markets identified by the State departments for industrialization and trade. In the Finance Act 2018, the government committed to reduce the electricity bill incurred by manufacturers by 30% in addition to the normal deductible electricity costs so as to reduce energy costs. There are a number of programmes under the state department for industrialization that could potentially benefit the small scale industries. These include modernization of cotton ginneries, training and capacity building of small scale manufacturers in various sectors as well as promotion of industrial incubation, provision of industrial sheds and financing support to SMEs by Kenya Industrial Estates (KIE). The challenge is in ensuring that these projects are fully implemented in manner that actually uplifts the SME/MSEs. Some of these programmes are not new and have been ongoing but their implementation doesn't seem to improve performance of the sector.

c) **Service Industry:** over the past few years, services have played a critical role in economic growth in the country. This includes sectors such as finance, accommodation, telecommunications among others. However, there are some challenges identified that limit the competitiveness of the services sector. This includes high cost of labour.

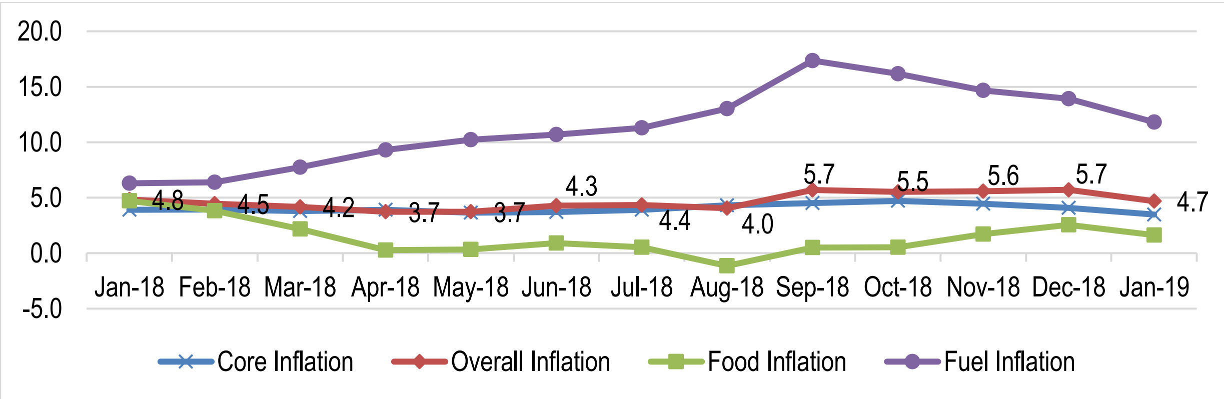
d) **Ongoing Infrastructure projects:** low absorption of development expenditure and reductions during supplementary budgets especially for infrastructure projects is the main risk to infrastructure as a key driver of economic growth. This is because the delayed completion of projects typically delays returns on investment. According to the latest released list of stalled government projects as at the beginning of FY 2018/19, most of the stalled projects are in transport infrastructure. The general reasons for stalling include delays in obtaining approvals, financial constraints including non-payment to contractors and suspension or termination of some of the contracts. The outstanding budgetary cost for the projects is Kshs. 69.2 Billion as of June 2018 which is 78.7 percent of the estimated cost of the projects.

Taking the prevailing risks and challenges into account and assuming no significant shift in how the budget is implemented from year to year, economic growth may reduce from 6.0 percent in 2018 to to 5.6 percent in 2019 and the medium term. In fiscal years, this translates to a growth of 5.5 percent growth for financial year 2019/20 and 5.6 percent in 2020/21 and the medium term.

B. Inflation

The overall monthly inflation remained relatively stable at an average of 4.7 percent in 2018 compared to 8.0 percent in 2017. This is attributable to increased food production leading to lower food prices as well as lower energy prices due to increased hydropower generation. Inflation has remained within the target range of 5± 2.5 percent (Figure 4).

Figure 4: Trends in Inflation



Source: KNBS

The BPS 2019 projects the inflation will remain within the target range in the medium term supported by lower food prices reflecting favorable weather conditions, reduced electricity tariffs and lower international oil prices. Going forward, risks to inflation outlook are likely to emanate mostly from a shift in oil prices. Though currently projected at low levels, fuel prices may go up if the USA sanctions on Venezuela and Iran coupled with the decision by OPEC to cut supply of crude oil ends up limiting oil production.[2] Higher fuel costs will invariably lead to higher transportation costs.

[2] January 2019 WEO update

Table 2: Annual Contribution to overall inflation

Category	2010	2011	2012	2013	2014	2015	2016	2017	2018
Food & Non-alcoholic Beverages	54.8	54.7	38.4	47.1	46.3	66.5	64.9	69.7	9.5
Alcoholic Beverages, Tobacco & Narcotics	4.0	1.4	2.0	2.2	1.5	1.2	4.9	0.9	1.8
Clothing & Footwear	6.5	3.9	7.6	7.0	5.2	5.6	5.6	4.0	5.9
Housing, Water, Electricity, Gas and other Fuels	15.3	15.5	18.2	15.0	15.1	9.5	5.4	8.2	45.1
Furnishings, Household Equipment and Routine Household Maintenance	5.2	3.9	6.6	4.8	4.6	4.4	4.4	2.8	5.3
Health	3.5	1.7	2.0	2.4	2.8	2.4	2.3	1.5	2.8
Transport	11.8	13.7	6.8	7.5	12.1	-0.7	-0.6	4.9	17.1
Communication	-10.2	-4.4	2.3	-1.0	-0.9	0.6	1.4	0.2	1.3
Recreation & Culture	0.7	1.3	2.3	2.5	3.4	1.1	1.7	0.5	0.0
Education	1.1	1.0	2.3	3.0	2.5	2.1	2.3	1.3	3.1
Restaurants & Hotels	4.7	4.9	6.9	5.8	4.4	3.8	4.4	3.5	4.5
Miscellaneous Goods & Services	2.6	2.4	4.6	3.8	3.0	3.5	3.3	2.4	3.7
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: KNBS, PBO

C. Interest rates and private sector credit

The Central Bank Rate (CBR) has been adjusted over the past five years to anchor inflation expectations with the most recent adjustment being in July 2018 – from 9.5 percent to 9.0 percent in March 2018 – to ease monetary policy stance in support of economic activity. Subsequently, short-term interest rates, as reflected by the 91-day T-bills declined to 7.2 percent in January 2019 from 8.0 percent in 2018. Subsequently, the lending rate declined to 12.6 percent in October 2018 from 13.7 percent for the same period in 2017. The deposit rate also declined from 7.8 percent to 7.6 percent during the same period. The outlook in 2019 BPS is that interest rates will remain low and stable supported by improved liquidity conditions and ongoing fiscal consolidation.

It should be noted that the annual growth of credit to the private sector declined from 2.5 percent in 2017 to 2.4 percent in 2018. The decline was mainly in the mining, transport & communication and agriculture sectors. Nevertheless, there was growth in credit for manufacturing, business services and finance & insurance.The supply of credit to private sector by financial institutions is important for the economy as it ensures continued expansion of businesses, creation of employment and increased revenue for the government. According to CBK, the lowering of the CBR was aimed at increasing the uptake of credit by the private sector, however, the credit remained below 5 percent against a target of 8.8 percent in 2018.The outlook in the 2019 BPS is that private sector credit is expected to strengthen on account of higher economic activity and easing credit risk.

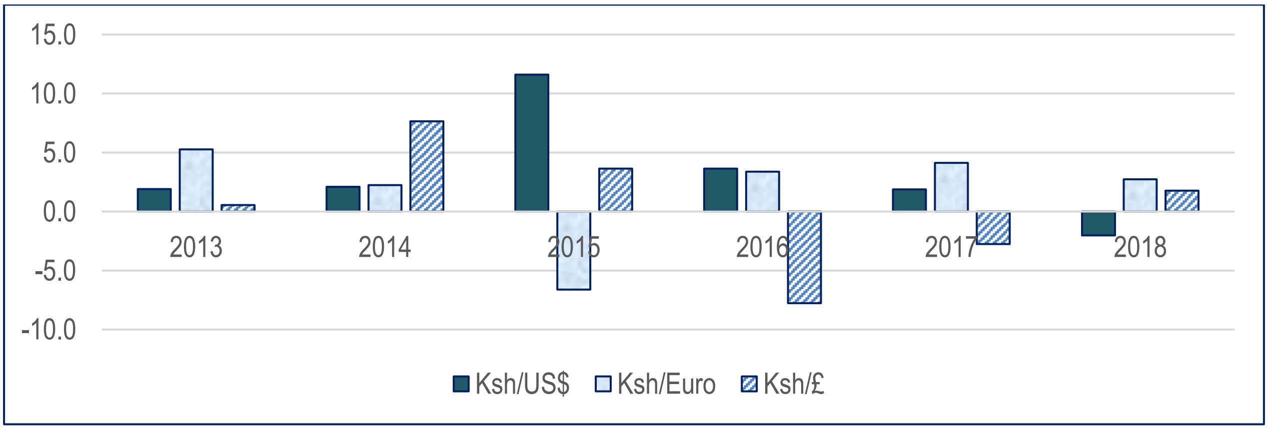
Crowding out of the credit to the private sector by the government through domestic borrowing remains a major challenge. The net domestic borrowing target for FY 2018/19 has increased from Kshs. 268.7 Billion to Kshs. 317.1 Billion which means that commercial banks may continue lending to government at the expense of the private sector. As a result, credit to the private sector may not increase as envisaged.

D. Exchange rate & External Sector

The exchange rate was stable against major international currencies in 2018 and beginning of 2019 compared to previous years (Fig 5). In January 2019, the Kenya Shilling strengthened against the dollar at 101.6, against the Euro and the Sterling Pound at 115.6 and Kshs. 130.8 respectively. The outlook in the 2019 BPS is that it will remain stable supported by improved performance of inflows from exports, continued increase in diaspora remittances and growth in tourism. The foreign exchange reserves remained an adequate buffer for short-term foreign exchange shocks at 5.5 months of import cover above the required threshold of at least 4 months. The current account deficit narrowed to an estimated 5.2% of GDP in 2018 from 6.3% in 2017, owing to strong growth in diaspora remittances, tourist receipts and increased tea & horticultural exports. The current account deficit is expected to slightly narrow to 5.1% of GDP in 2019 supported by the same drivers.

Going forward, the risk to the exchange rate is the over-reliance on "hot money flows" as the main source for foreign reserve stocks. Though diaspora remittances have grown significantly in the past, they are not reliable as a source of foreign exchange. Focus should therefore be on attracting Foreign Direct Investment (FDI) as well as diversifying and growing the country's exports.

Figure 5: Exchange rate changes of the Shilling against major currencies (%)

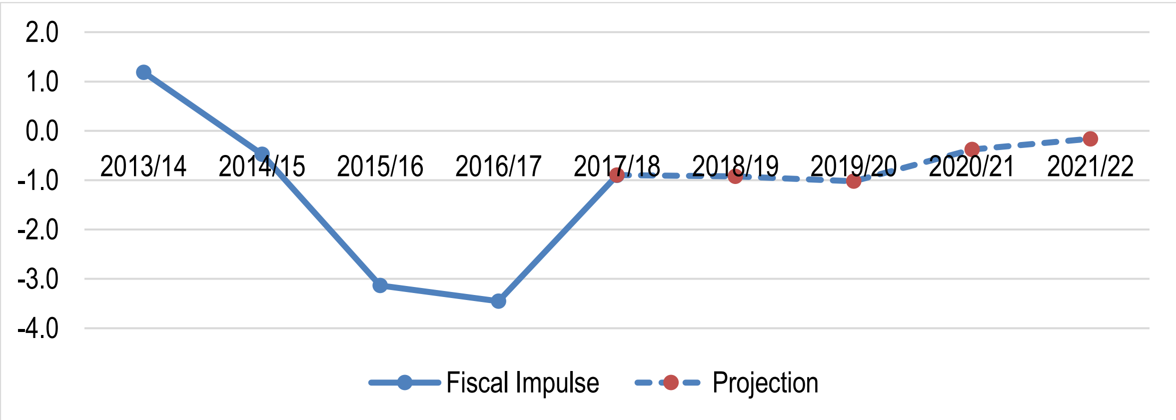


Source: CBK, PBO

E. Fiscal Policy

Fiscal consolidation is one of the key objectives in the 2019 BPS. Analysis indicates that the current fiscal policy is edging towards a contractionary fiscal policy for FY 2019/20 and the medium term as indicated by a fiscal impulse that is slowly edging upwards (figure 6). A negative fiscal impulse implies an expansionary fiscal policy while a positive fiscal impulse indicates a contractionary fiscal policy. While this is commendable, the challenge will be in maintaining a contractionary fiscal path given the prevailing expenditure pressures. The government has to fully commit to maintaining lower expenditures. This means remaining within the ceilings provided in the Budget Policy Statement and not presenting budget estimates that indicate higher expenditures than what was agreed during the BPS. This has been the outcome of previous BPSs.

Figure 6: Fiscal impulse for FY 2013/14 to FY 2021/22 (%)

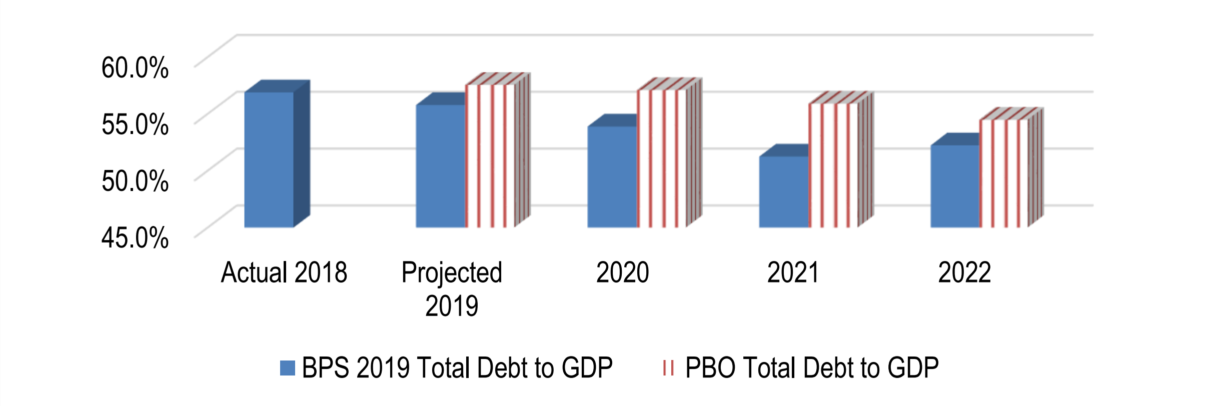


Source: KNBS, BPS, PBO

F. Debt Dynamics

According to the BPS 2019, the total debt to GDP ratio will decline in FY 2019/20 and the medium term. The primary balance is also expected to improve from -2.5% in FY 2018/19 to -1.3% in FY 2019/20. However, using the projected primary balance as indicated in the 2019 BPS, the projections show that the total debt to GDP ratios are much higher at 57.6 % in 2019 to 54.5% by 2022 compared to what has been provided in the BPS (Figure 7). The debt stabilizing primary budget balance that is required to keep debt levels in 2019 constant at the 2018 level is -1.3 percent. Thus for the debt levels to be lower, the target for the primary budget balance should be lower than what has been highlighted in the 2019 BPS. It is possible therefore that the current level of total debt targeted may not decline in 2019 to the level that has been indicated.

Figure 7: Total Debt to GDP Ratios for 2018 and the Medium Term



Source: National Treasury, PBO

III. CREATING JOBS, TRANSFORMING LIVES – THE BIG FOUR PLAN

The 2019/20 budget is expected to continue with the implementation of policies and programmes that are geared towards the realization of the big four agenda; a number which were initiated in the 2018/19 budget. The 'Big Four' plan is targeted at supporting job creation by increasing value addition and the manufacturing sector's share of GDP; enhancing food and nutrition security; providing universal health coverage to all Kenyans as well as the provision of affordable housing.

A. Inter-linkage between the Big Four Plan and other Policy documents

In the 2019 BPS, there appears to be some effort to create a linkage between the Big Four plan and the budget. This is exemplified in the focus on a number of key targets and outputs that are linked to the Big Four plan. This can be witnessed in various sectors such as in livestock, health, leather among others. The concern is whether these expenditures provided are enough to achieve any meaningful outcome and whether the implementation agencies are fully equipped/ empowered for the task ahead. A cursory glance of the budgetary allocations to the key sectors indicate that there is no major shift in expenditure allocations to the sectors housing the big four pillars indicating that the distribution of resources may not necessarily be geared towards actualizing the big four agenda.

To make it easier to monitor the Big Four, there is need for a separate accountability framework. In the unpacking of the 2018 BPS, there was a suggestion for the development of a masterplan or blueprint that clearly spells out the agenda/strategy/policies with a results matrix for resource allocation as well as a monitoring and evaluation framework. This blueprint would have guided resource allocation and facilitated reorganization and re-prioritization of expenditure to achieve the Big Four Plan. Furthermore, it is also important to query how already existing action plans are being handled in the context of the Big Four agenda. As previously indicated in 2018, there already exists some action plans in the textile industry and the leather industry under the Ministry of Industrialization but without proper coordination and a clear overarching framework, some important interventions may fail to be implemented and some key stakeholders may be overlooked in the process.

In terms of the linkage to Vision 2030, the projects pronounced under the Big Four Plan are broadly in line with the priorities under Vision 2030. The concern however is the tendency to roll over projects from one year to the next thereby delaying implementation of key projects. A review of the programme information provided indicates that some projects are off-track as the targets were not achieved. Other projects have completely stalled but continue to tie up significant resources that had already been invested. From the BPS 2019, there is no clear action plan on how this situation will be remedied.

B. Enablers of the Big Four plan

The enablers of the Big Four Agenda are:

i. Conducive Business Environment for Investment & Job Creation
ii. Investing in infrastructure development
iii. Investing in sectoral transformation for broad based sustainable economic growth
iv. Enhancing service delivery through devolution
v. Investing in Kenyans for shared prosperity
vi. Entrenching structural reforms to support "the Big Four Plan"

These enablers are to be unlocked through achievement of targets such as macroeconomic stability; business regulatory reforms; enhanced national security; development of road, rail, marine and air infrastructure; investment in alternative sources of energy; promotion in use of ICT; investment in quality education; empowerment of youth and women through skills development and provision of funds; service delivery through devolution and improved governance by fighting corruption.

C. A Critical Review of the 'Big Four' Plan

1. Supporting value addition and raising the share of manufacturing sector GDP to 15% by 2022

i. Textile/apparel/cotton sub-sector

In the 2019 BPS, it is indicated that to support the textile industries, the government has initiated production of BT cotton to boost production. Conventional cotton will also be supported in 21 cotton growing counties targeting 549,000 acres. Furthermore, 100,000 acres in the Galana Kulalu complex and the National Irrigation farm have been allocated to the National Youth Service to revive the cotton sector. However, a review of the performance table indicates a target of 129,600 acreage for cotton in 2019/20 under the cotton industry revitalization project in addition to 12,000 acreage target for cotton production under Rivatex. The acreage does not increase significantly in the medium term implying a disconnect in the number of acres set aside for cotton from the main policy document and what is indicated by the delivery unit. Or is the project being implemented separately by separate implementing agencies? This not clear.

Furthermore, increased production of cotton addresses concerns of quantity but not quality. Though there is a target to modernize 6 cotton cooperative ginneries in 2019/20, it is not clear if there are any investments in harvesting methods, defoliation techniques, quality of equipment used in ginneries. Indeed it is not clear how many cotton ginneries exist with only twelve cooperative ginneries targeted for modernization over the medium term. Also, if BT cotton planting is not properly monitored, it may produce poor quality cotton. Example of Burkina Faso.

Adequate, 'fit-for-purpose' training should also be provided in this sector. According to reports from the sector (Action Plan), value added per worker due to poor training and use of outdated technology which slows down worker output. Policy interventions should involve National Industrial Training Authority NITA which levies a monthly charge of Ksh. 50 per employee from manufacturing firms. There is need to review training materials in the NITA textile training centre due to concerns expressed over the quality of training by the manufacturing firms. Furthermore, the quality of equipment used for training should be assessed and equipment financing encouraged to facilitate upgrading of equipment.

It has been indicated in the BPS that modernization of Rivatex machinery and the factory will be carried out through procuring of machines, construction of tailoring plant. This project should be closely monitored to ensure returns on investment are achieved in the shortest time possible.

ii. Leather sub-sector

In the 2019 BPS, it is indicated that the government is investing in construction of basic infrastructure facilities including the road network as well as training and capacity building through provision of common manufacturing facilities at Kariokor by the Kenya Leather Development Council. This will entail training of SMEs/ Cobblers on leather goods design and manufacture (300 cobblers in 2019/20) as well as training of machine operators (20 machine operators in 2019/20). It should be noted that the common manufacturing facility at Kariokor has been in implementation since the 2016/17 financial year. There is need therefore for a report on what has been achieved so far. This information is not provided. Are we sending funds to a defunct project? Is the Common Manufacturing Facility truly underway?

iii. Agro-processing

Under the Big Four plan, the government had targeted to enhance value addition in agriculture through processing of tea, coffee, meat, sugar, dairy as well as fruits and vegetables. The priority initiatives entailed mapping of tea, dairy, meat and crops value chain; attraction of global tea processors in Mombasa; regulation of milk hawking; development of warehousing and cold chain sites and the development of Mombasa as a food value add hub.

From the 2019 BPS, there is a target to install 16 milk bulking and marketing equipment under smallholder dairy commercialization, install 120 milk coolers under the livestock value chain support project, evaluate beef and milk to improve breed performance, modernize new KCC, completion of Ewaso Ngiro Camel Milk factory as well as Northern Kenya Integrated Meat Processing factory. For coffee and Tea, the value addition strategies are not clear from the BPS, only the programmes to enhance quantity of production. It is also not clear how Mombasa will be developed as a food value add hub as well as the progress on attracting global tea processors.

Generally, Industrial production doesn't seem to have performed significantly better in the past financial year. From the programmes information, operationalization of the special economic zones seems off track due to squatters. Also, there seems to be some difficulty in attracting investors though there is an indication that there is some increase in the amount of foreign direct investment and exports from the zones. In terms of industrial credit, institutions such as the KIE and the ICDC have underperformed and issued less credit than had been targeted.

Other key highlights include the upgrading of research laboratory infrastructure. This brings to question the stalling of KIRDI laboratories among other projects. The plan of action to deal with these stalled projects is not clear yet they are significant for economic performance.

2. Enhancing Food and Nutrition Security for all Kenyans by 2022

i. Large scale crop production

To achieve food and nutrition security for all Kenyans, the government had targeted to enhance large scale crop production through placing an additional 700,000 acres under farming enhancing use of locally blended fertilizer on a 50/50 basis, implement liming as well as investment in post-harvest technologies to reduce post-harvest losses.

Placing an additional 700,000 acres under farming is no mean task given the limited availability of arable land in the country (approximately 89% of the country is classified as ASAL). It would require protection of land as a factor of production probably through agricultural land zoning, extensive irrigation programmes as well as investment in dryland research to convert the 89% of ASAL land into productive land.

- **Agricultural land zoning –** In the 2019 BPS, it is indicated that counties are in the process of being sensitized on the national land use policy which was launched in June 2018 and sets out long term goals of land use management for the country. The policy provides for – among other things - the zoning and protecting of lands appropriate for agricultural uses, re-establish and/or provide livestock holding grounds and livestock movement routes. The policy also proposes to implement a regulatory framework for reclamation, rehabilitation, restoration and use of reclaimed land as well as formulate and implement an integrated land use framework for ASAL areas, designate and gazette urban growth boundaries to reduce conversion of prime agricultural land to urban areas. However, beyond sensitization on land use policy, it is not clear from the BPS how these targets will be achieved. Implementation responsibility is with the National Lands Commission. Hopefully it won't go the same way as other existing policy frameworks gathering dust.

- **Irrigation –** from the 2019 BPS, it is apparent that irrigation is not thriving. In the small scale irrigation and value addition project, it is not clear if any new irrigation schemes have been developed in 2018/19 or if existing irrigation infrastructure has been rehabilitated as there is no status report for 2018/19. In other irrigation schemes such as small holder irrigation programme, Bura irrigation scheme, community based irrigation projects, galana kulalu, Mwea irrigation development project, Rwabura irrigation development project, Lower Nzoia Phase II, Perkerra irrigation scheme, lower Murang'a irrigation project, Hola irrigation project, Usueni-Wikithuki, Ahero West Kano, Nyabomite, Lumi, Soy and Upper Nzoia; there is little to no progress in increasing the number of acres of irrigation area developed a well as the tons of food produced. Irrigation schemes have a long history in Kenya but they have not translated to enhanced food security. Most problems facing irrigation schemes stem from poor water management among other mismanagement concerns. It is not clear if any of these challenges are being addressed. Indeed the progress in construction of Thiba dam and Thwake Multipurpose dam among other water harvesting programmes has been quite slow as portrayed in BPS 2019.

- **Research and Development –** from the BPS 2019, there seems to be very little going on in terms of agricultural research as there are no indicated targets for 2018/19 period and few past achievements. Establishment of agricultural research fund for 2019/20 though it is not clear what its exact purpose is. Some significant research projects in the pipeline for 2019/20 include livestock value chain research programmes, rangeland research, bio-deposit organic fertilizer extraction and rehabilitation in Nyandarua county, small holder mechanization, BT cotton among others. The strategies and framework for achievement are however not clear.

ii. Boosting small holder productivity

In the Big Four Plan, the government had targeted to boost smallholder productivity through establishing 1000 targeted production level SMEs using a performance based incentive model, establish commercialized feed systems for livestock, fish, poultry and piggery as well as improve access to credit through warehouse receipt system and strengthen commodity fund. From the 2019 BPS, one can only infer that the development of feed conservation infrastructure under the regional pastoral livelihood resilience project and the establishment of feed lots will somehow meet this target but this is not very clear.

However, there are some programmes targeting smallholder farmers such as establishment of feed lots, improvement of milk bulking and marketing infrastructure, grants to CIGs, technological packages and production inputs for smallholder farmers including e-voucher technical package and extension services under climate resilient improved farming practices, as well as small holder horticulture empowerment and smallholder aquaculture clusters, smallholder mechanization. Status of 2018/19 is however not clear including whether this has enhanced productivity of smallholders.

For the warehouse receipt system, it should be noted that there is a bill which has been in Parliament since 2015 and is yet to be passed which was meant to provide a legal framework for the country to develop a warehouse receipt system that would enable it to address marketing challenges in the cereals and grains subsectors and improve access to credit. This bill is not yet passed.

iii. Reduce cost of food

From the Big Four plan, this would entail enhancing the strategic food reserve, redesigning subsidy model, secure investments through PPP in post-harvest handling (including cold storage), market distribution infrastructure, elimination of multiple levies across counties in the agriculture value chain and rehabilitation and operationalization of fish landing sites in Lake Victoria.

In the 2019 BPS, it is indicated that the country has been able to enhance the strategic food reserve in 2017/18 from the 1.5 million 90 kg bags of maize procured to 3.6 million bags. The 2018/19 target is 1.5 million bags and 2 million bags in the medium term. The challenge lies in the ability of the country to store the bags of maize as too many times, the country has lost grain storage on account of contamination by aflatoxins. Such wastage raises pertinent questions on the maintenance of NCPB silos. Some reports indicate that the produce can only be stored for six months. It should be noted that the warehouse receipt system bill 2018 which has been in Parliament since 2015 and is yet to be passed was meant to provide a legal framework for the country to develop a warehouse receipt system that would enable it to address marketing challenges in the cereals and grains subsectors including establishment of modern warehouses that can preserve grain for a maximum of three years without yellowing. Indeed, it is reported that there are investors ready to assist in setting up these modern warehouses but delay in enactment of the bill into law has placed the entire project in abeyance.

Other post-harvest handling measures include refurbishment of storage facilities under the Kenya Cereal Enhancement Programme Climate Resilience Agricultural Livelihoods window, cold storage facilities for fisheries. However, previous year performance indicates slow progress and the current status is not clear. A review of past performance also indicates that agricultural mechanization appears to be progressing slowly with key targets not achieved and status of ongoing programmes remains unclear.

3. Universal Health Coverage

Under the Big Four Plan, the target of the government was to achieve universal health coverage through reconfiguring the NHIF and reforming governance of private insurance companies. Supportive initiatives include provision of specialized medical equipment, increasing the number of health facilities, expansion of Linda Mama programme as well as strengthening health research. In 2018, the government initiated a pilot project of the Universal Health Coverage in Machakos, Nyeri, Isiolo and Kisumu counties. The objective is to enhance the quality of service provision in these hospitals through upgrading infrastructure in hospitals, provision of medicine, expansion of hospitals, provision of key medical equipment as well as addressing HR concerns in the health sector.

From the 2019 BPS, it is reported that in 2017/18, 98 hospitals were fully equipped with MES (specialized medical equipment) and there is a target for 119 hospitals in 2019/20. However, the progress for achievement of other specific targets such as establishment of four comprehensive cancer centres is not clear. It is reported that in Kenyatta hospital, there is construction of a cancer centre of excellence and improvement of renal unit. It is also reported that 2 cancer centres were established in 2017/18 and there is a target to establish 1 in 2018/19 though the actual centres have not been expressly identified. From the 2019 BPS, the four regional centres were to be in Kisii, Mombasa, Nakuru and Nyeri. It is not clear if these cancer centres are operational or if fully equipped.

Ten referral hospitals, one centre of excellence for kidney health were also to be established as part of achieving universal health coverage as well as equipping of 21 hospitals with specialized equipment (surgical theatres, radiology and dialysis). The status of these projects is not clear and has not been referred to under the specific targets. Possibly, the Renal unit in KNH could be the centre of excellence for kidney health but this has not been expressly indicated.

It should be noted that Health is primarily a devolved function and therefore counties remain the key stakeholders of health service provision. There exists a Universal health coverage roadmap and universal health coverage pilot framework developed by government. Hopefully, these will entail a collaborative framework with the counties so that there is clear coordination between the national and county government in this process of achieving universal health coverage.

In terms of medical human resource, it is important to address HR concerns as the current labour unrest in the health sector does not augur well for health service delivery. To increase the number of health professionals in the medium to long term, it is indicated in the 2019 BPS that KMTCs have increased from 45 to 67 though this cannot be traced from the programme information provided.

Similarly the programme on Transforming Health Systems for Universal Care Project which has reportedly sponsored more than 1200 students from ASAL areas who are taking a course in enrolled community health nursing cannot be traced from the programme information provided. Thus it is not clear whether these projects are actually underway.

4. Provision of Affordable and Decent Housing

The government has reportedly identified land for the housing project and availed 7000 acres. Specific locations include Park Road, Shauri Moyo and Starehe in Nairobi, Mavoko in Machakos and Kiambu. There are agreements signed with county governments to provide land while the national government will provide infrastructure such as power, water and roads in order to facilitate actualization of this project.

To finance the programme, it is reported that there is a deal signed with the United Nations Office for Project Services to deliver 100,000 affordable units. NSSF will also construct 30,000 low cost housing at Mavoko and 300 low cost affordable housing in Machakos. Furthermore, the National Housing Development Fund has been established to mobilize capital. The Kenya Mortgage Refinance Company was also incorporated in 2018 and has started raising capital. It is reported that it will make it easier for banks and other financial institutions to access long term finance for house loans.

This housing project will require close monitoring and evaluation to ensure implementation is on-track and that there is no resource wastage. It should also be noted that beyond this, there are other housing units being constructed for civil servants and disciplined forces as well as the slum upgrading and informal settlements project. A review of past performance indicates that the projects are off-track as past targets have not been fully achieved.

IV. BUDGET FOR FY 2019/20 AND THE MEDIUM TERM

Indicative expenditure ceilings for the three arms of the government including shareable revenue to the county governments for the FY 2019/20 are as follows: (**In Ksh. Millions**)

I.	**National Government**	**Ksh.1,766,364**
II.	**Parliament**	**Ksh.38,502**
III.	**Judiciary**	**Ksh. 17,457**
IV.	**Consolidated Fund Services**	**Ksh.535,748**
V.	**County Equitable Share**	**Ksh.310,000**
VI.	**Equalization Fund**	**Ksh.5,800**
VII.	**Contingency Fund**	**Ksh.5,000**

A. Revenue Projections

The government targets total revenue collection including appropriation-in-aid amounting to **Ksh.2,081 billion** (18.3 per cent GDP) during the FY 2019/2020 compared to **Ksh.1,832 billion** during the previous financial year. Ordinary revenue is projected at **Ksh.1,877.2 billion** (16.5 per cent GDP). This is higher than **Ksh.1,652 billion** during the FY 2018/19.

According to the 2019 BPS, the projected revenue performance will be underpinned by ongoing reforms in tax policy and revenue administration. Some of the reforms include**:** enhanced scanning to detect concealment and increase efficiency in cargo clearing through procurement of additional scanners and full integration of all scanners, Use of Regional Electronic Cargo Tracking System (RECTS) to ensure all goods reach the desired destinations and avoid dumping; the use of third-party information to identify non-compliant property developers and ensure they are included in the tax base; and detection of non-compliance through i-Tax data matching. It should be noted that these reforms have been referred to in previous BPS documents but there has never been a report on the progress achieved so far nor how much will be raised specifically through these reforms.

Given the sustained underperformance of revenue in the past years, it is very important to ensure that the revenues projected for 2019/20 are realistic. As such, as indicated in previous analyses, the impact of these reforms should be adequately assessed and quantified. The National Treasury (in collaboration with KRA) should provide clear quantifiable and realistic tax administration measures towards boosting revenue collection.

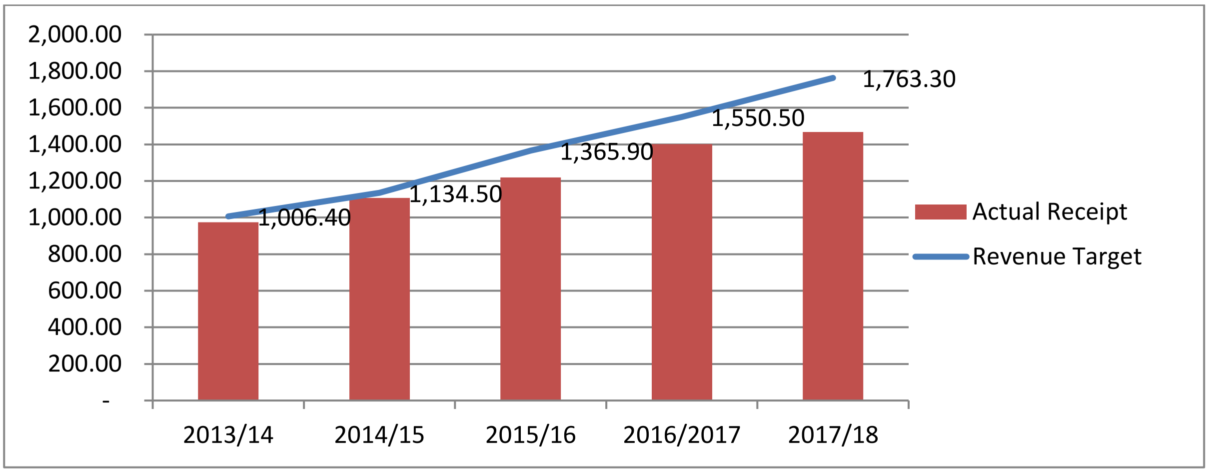
Table 3: Revenue Performance and projections as Percentage of GDP for the FY 2014/15-2020/21

Categories	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Total Revenue	*19.0*	*18.7*	*18.6*	*17.3*	*18.3*	*18.3*	*18.5*
Ordinary Revenue	*17.7*	*17.7*	*17.1*	*15.5*	*16.5*	*16.5*	*16.7*

Income Tax	*8.7*	*8.6*	*8.2*	*7.3*	*7.7*	*7.8*	*8.0*
VAT	*4.5*	*4.4*	*4.4*	*4.1*	*4.3*	*4.4*	*4.5*
Import Duty	*1.3*	*1.2*	*1.2*	*1.1*	*1.2*	*1.2*	*1.2*
Excise Duty	*2.0*	*2.1*	*2.2*	*1.9*	*2.1*	*2.1*	*2.1*
Other Revenues	*1.3*	*1.3*	*1.4*	*1.2*	*1.3*	*1.3*	*1.2*
Appropriation In Aid	*1.3*	*1.0*	*1.3*	*1.6*	*1.5*	*1.6*	*1.5*

Source: National Treasury

Figure 8: Revenue targets versus actual revenue receipt during FY 2013/14-2017/18



Source: National Treasury

B. Expenditure and Net lending

The total expenditure and net lending for the FY 2019/2020 is projected **Ksh.2, 710.8 billion** higher than the estimated **Ksh.2, 514.4 billion** during FY2018/19. It should be noted however that in terms of share to GDP, total expenditure is actually declining and is estimated at 23.9 percent of GDP 2018/19 from 25.1 per cent GDP in 2019/20.

Recurrent expenditure is estimated at **Ksh.1, 663.3 billion** and capital expenditure **Ksh.670.7 billion.** Total ministerial recurrent expenditure is set to increase by **Ksh.99.0 billion** compared to the previous financial year while development expenditure is projected to reduce by **Ksh.26.0 billion.** This is despite indications in the BPS that the government targets to reduce growth in recurrent spending in its effort to enhance fiscal consolidation.

C. MTEF SECTORS ALLOCATIONS FOR THE FY 2019/2020

Total allocation for ministerial expenditure is set to increase to **Ksh.1.82 trillion** compared **to Ksh.1.75 trillion** in FY 2018/19. Most of the sectors have increased budgets except for the Energy, Infrastructure and ICT and General Economic and Commercial Affairs (GECA) sectors. Budgetary reduction in Energy, Infrastructure and ICT is as a result of budgetary reduction in the Roads and Rail transport programmes under this sector while reduction in GECA sector is due budgetary reduction in the programme of integrated regional development.

The sectors that will witness the highest increment will be Education sector which is set to increase from **Ksh.442 billion** to **Ksh.473 billion,** Public Administration and International Relation from **Ksh.251.0 billion** to **Ksh.271.0 billion** and National Security from **Ksh.142.0 billion** to **Ksh.153.0 billion.**

Expenditure allocation per MTEF sectors analysis indicates a **business as usual approach,** the bulk of the government ministerial expenditure goes to Education Sector (26 per cent), Energy, Infrastructure and ICT Sector (22.3 percent), Public Administration and International Relation Sector(14.9 per cent) as well as Governance, Justice ,Law and Order (11.2 per cent) of the total ministerial expenditure. However, critical sectors that are the drivers of the Big Four agenda such as General Economic and Commercial Affairs as well as Agriculture, Rural and Urban Development under which manufacturing, food security and affordable housing are domiciled are the least funded sectors with total allocation of **Ksh.23.9 billion and Ksh.59.0 billion** respectively during the financial year 2019/2020. This is despite the promise under the BPS that resources allocation will be align in projects and programmes that are the drivers of the Big Four Agenda.

Table 4: Sectors ceiling for financial year 2019/2020

SECTORS	**2019/2020 ceilings**	**% Share in Total Ministerial Expenditure**
Agriculture, Rural and Urban Development	59,117	3.2
Energy ,Infrastructure and ICT	406,794	22.3
General Economics and Commercial Affairs	23,943	1.3
Health	93,048	5.1
Education	473,367	26.0
Governance, Justice ,Law and Order	204,841	11.2
Public Admin and International Relation	270,946	14.9
National Security	153,596	8.4
Social Protection, Culture and Recreation	54,807	3.0
Environmental Protection, Water and Natural Resources	82,340	4.5

Source: BPS 2019

D. STALLED PROJECTS

An analysis of the stalled government projects in the country reveals a total of 545 projects with an estimated cost of **Ksh.365.9 billion,** comprising of an estimated GoK funding of **Ksh.286.9 billion** and foreign financing is **Ksh.78.9 billion.**

The total expenditure incurred for the implementation of the projects as at June 2018 amounts **Ksh.72.5 billion** (20 % of the estimated cost) while outstanding projects cost are estimated at **Ksh.293.4 billion.**

Most of these projects are on-going with no or adequate budgetary allocations while others have completely stalled with some attracting interest from the contractor due to pending payments**.** the reason for the stalled projects are mainly attributed to budget rationalization during projects execution, inadequate funding/lack of funds , budgetary reallocation to fund the Big Four plan, lack of budgetary provision after devolution and reorganization of the government , insecurity, reduction in budgetary allocation , devolved projects to counties and contractual and land disputes among others.

Sectoral Analysis of Stalled Projects

I. **Agriculture, Rural and Urban Development Sector** –the Agriculture, Rural and Urban Development Sector has the highest number of stalled projects with 307 projects representing 56 per cent of the total stalled projects.
Under this sector the MDAs with the highest stalled projects are:
    - The State Department of Irrigation with 193 projects.
    - State Department of Public Works with 44 projects.
    - State Department of Housing and Urban Development 33 projects.
    - State department of livestock with 21 projects

The reason given for the stalled projects in the State Department Irrigation is due to no allocation of funds for the completion of the projects after the advent of devolution ,stalled projects in State Department of Public Works is due low budget allocation for the completion of districts headquarters ,stalled projects under the State Department of Housing and Urban Development is as a result of lack of funds for the completion of the projects while those under the state departments of livestock is due to non -allocation of funds to complete various on-going projects in the department..

II. **Governance, Justice, Law and Order sectors** – the sector has 133 stalled projects; the MDAs with the highest stalled projects are :
    - The state department of correctional services 74 projects.
    - The judiciary 37 projects.
    - State department of interior has 21 stalled projects.

Stalled projects in the state department of correctional services is due to budget rationalization in the course of projects implementations, stalled projects in the judiciary are accounts of un-completion of 37 law courts across the country due to lack of funds while those in the department of interior is on account of inadequate funding for the construction of police stations and housing for administration police as well as the construction of regional, county and sub county offices across the country.

III. **Education sector** – the sector has 33 stalled projects on account of stalled projects in 13 public universities as a result of lack of funding.

IV. **Environmental Protection, Water and Natural Resources Sector-**the sector has 29 stalled projects with ministry of water and sanitation accounting for 14 stalled projects while Regional Authorities 13 stalled projects. Some of the key stalled projects in the department of water are Badassa dam and Umma dam on account of excessive foundation grouting work variation and the rise of contractual dispute respectively.

V. **Social Protection, Culture and Recreation sector** – the sector has a total of 25 stalled projects:
  - Stalled construction of three National Stadia in Mombasa, Eldoret and Nairobi due to lack of funding despite feasibility study carried out.
  - Refurbishments of 7 regional stadia.

VI. **Energy, Infrastructure and ICT sector** – the sector has 11 stalled projects, the state department of transport has the highest with 10 stalled projects on account of stalled reallocation unit at Kiberia and Mukuru , Embakasi land fencing works and other suspended projects after it has been started e.g. Nanyuki air strip, rehabilitations of Wajir airport, Tseikuri airstrip, Voi Ikanga airstrip and Wagadud airstrip.

However, no stalled project has been reported in the Health and the national security sectors.

Table 5: Number of stalled projects per sector

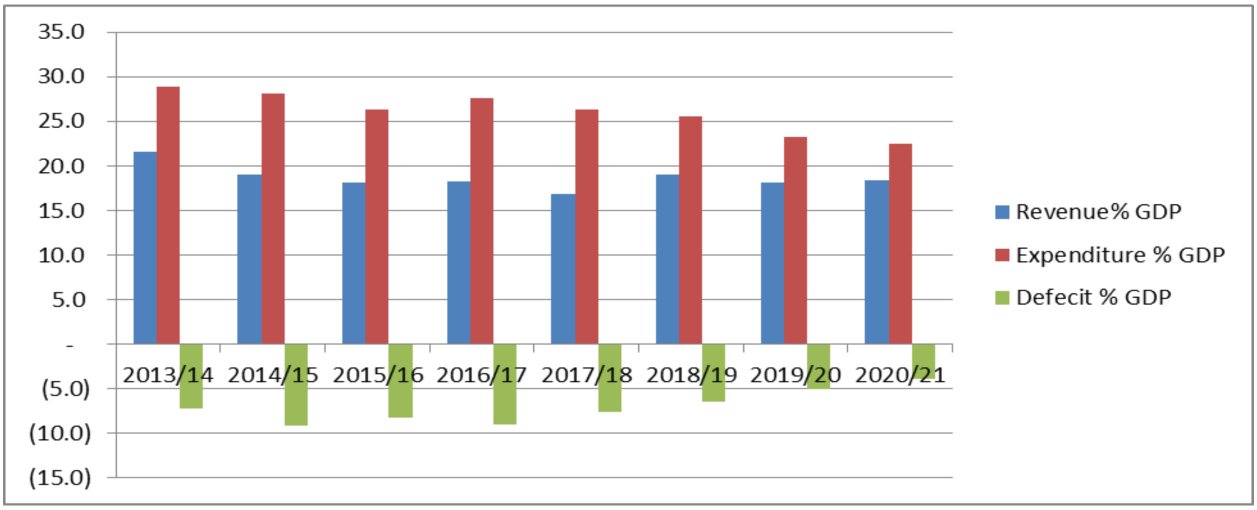
SECTORS	**Stalled projects**
Agriculture, Rural and Urban Development	307
Energy ,Infrastructure and ICT	11
General Economics and Commercial Affairs	4
Health	0
Education	33
Governance, Justice, Law and Order	133
Public Admin and International Relation	3
National Security	0
Social Protection, Culture and Recreation	25
Environmental Protection, Water and Natural Resources	29
Total Stalled Projects	545

E. Deficit Financing

According to the 2019 BPS, the fiscal stance of the government during the FY 2019/20 and the medium term targets fiscal consolidation supported by restriction in the growth of recurrent spending and domestic resources mobilization while aiming fiscal deficit to decline to 3.0 per cent GDP deficit by 2022/23. Given the projected revenue and expenditure, the projected fiscal balance during the FY 2019/2020 is **Ksh.629.9 billion** (5.6 per cent GDP) excluding grants, while grant inclusive projected fiscal deficit is expected to decline to **Ksh.578.3 billion** (5.1 per cent GDP).

The fiscal balance during the FY 2019/2020 will be financed through net external financing of **Ksh.306.5 billion**, net domestic borrowing of **Ksh.277.5 billion** and other net domestic receipt of **Ksh.5.7 billion.**

Figure 9: Revenue, Expenditure and Deficit as a Share of GDP (%)



Sources: National Treasury

V. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

i. Fiscal Performance of County Governments in FY 2017/18

According to Article 202 of the Constitution, cumulatively from financial year 2013/14 a total of Kshs 1,767.3 billion has been allocated to the county governments from the nationally raised revenue. This comprises of equitable share of Kshs 1,572.8 billion and additional Kshs 194.5 billion in form of conditional grants from the national government share for specific programmes and policies. The main sources of financing to counties are equitable share accounting for over 80 percent, the conditional grants from both national government as well as proceeds from loans and grants from development partners and counties own source revenue mainly raised from several tax streams such as business permits, imposition of property rates, in line with the Article 209 of the Constitution.

Further, in accordance with sections 141 of the public finance management act 2012, county governments are conferred with power to borrow from external financiers with guarantees from the National Treasury. However, under this borrowing window, county governments have not been able to utilize this window as a result of lack of approved borrowing framework. It has to be negotiated between the financiers and the national Treasury with concurrence of the IBEC.

Table 6: Fiscal transfers to county governments for period FY 2013/14 – 2019/20 in Kshs in billions.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total	**212.20**	**243.90**	**284.70**	**302.20**	**347.30**	**377.00**	**371.60**
o/w Equitable Share	190.00	226.70	259.80	280.30	302.00	314.00	310.00
Annual % Growth	-	19.32	14.60	7.89	7.74	3.97	(1.27)
o/w Conditional Grants	22.20	17.20	24.90	21.90	45.30	63.00	61.60
Annual % Growth	-	(22.52)	44.77	(12.05)	106.85	39.07	(2.22)
Total Annual % Growth rate	**-**	**14.94**	**16.73**	**6.15**	**14.92**	**8.55**	**(1.43)**

Source: DORA (Various Issues), BPS 2019

It is worth noting that over the period FY 2013/14 and 2019/20, annual growth rate of the equitable share allocated to the counties has been reducing from 19.32 percent in financial year 2014/15 to slightly below 4 per cent in FY 2018/19. Though the annual allocations in nominal terms has been increasing there has been decelerated allocated of the equitable share. The equitable share is calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly. The Approval of the Audited Accounts has been lagging behind to the detriment of the counties. The latest audited revenue account relate to FY 2014/15 where total revenue stood at Kshs 1,038 billion.

ii. County Own Source Revenue

In financing county budget, Own Source Revenue (OSR) is an integral component for financing respective county budgets. In this regard, local revenue enhancing strategies and measures aimed at limiting fiduciary risks raised in the Auditor General in county fiscal efforts is essential. It is akin to reduce fiscal risks to supplement fiscal transfers from national government. Records, from the Controller of Budget indicate over reliance of equitable share and declining local revenue collections over time. Perhaps counties are overstating their forecasts in an effort to balance their respective budget estimates. It could also be as a result of setting unrealistic assumptions thus underperformance in key revenue streams.

iii. County Government's Compliance With Fiscal Responsibility Principles

a) **Development Spending Allocation:** Section 107(2) of the PFM Act 2012 requires that County Governments allocate a minimum of 30 percent of their budget to development expenditure. However, even though approved County budgets comply with this requirement, actual development expenditure for most of the Counties is below 30 percent.

   From the Auditor General report, the value for money has been raised constantly from all county governments casting doubts on the use of these funds. The citizens are either denied delivery of services and may lead to flagrant noncompliance with relevant laws.

   The actual expenditures are way below the approved budgets. However, it is observed constantly that recurrent expenditure actual expenditure are on average above 75% while for development spending the actual are on average below 50%. This raises the issue of absorption capacities.

   There is overwhelming evidence that despite substantial resources having been transferred to County Governments on annual basis since 2013, there has been no commensurate improvement in the livelihoods of Kenyans in the counties. The bulk of the funds are utilized for recurrent spending leaving a small fraction for the wealth creation and capital generation. Most of these allocations are spent on salaries and wages, travel both domestic and foreign, use of goods and services, and other operations and maintenance.

b) **Personnel Emoluments:** The Section 25(b) of the Public Finance Management County government Regulations, 2015 which puts a cap on county wage bill at 35% of total receipts. However, counties are still paying salaries outside the Integrated Payroll and Personnel Data (IPPD) system. This implies that total wage bill may be way beyond the set threshold. This probably is as a result of unresolved staff establishment matters that results to over employment/ recruitment of excess staff. Therefore county entities need to provide completion timelines for the conclusion of staff establishment exercise as well as a detailed budget forecast and implementation plans.

c) **Pending Bills:** According to the CoB, at the close of FY 2017/18, County Governments had accumulated pending bills worth Ksh. 108.4 billion. Whenever counties fail to meet their financial obligations to creditors/ or suppliers or fail to remit third party statutory deductions and utilities results to pending Bills which usually are rolled and spill over to successive financial year. During the FY 2013/14 to FY 2015/16, a number of County Governments did not settle bills amounting to Kshs 62.8 billion in FY 2013/14, Kshs 108.9 billion in FY 2014/15 and Kshs 74.9 billion in 2015/16.

d) **Irregular Procurement of Goods and Services:** This may be as a result of single sourcing, disregard of procurement rules and regulations, flouting laid down procedures and acting in disregard of procurement process. It is outright noncompliance with relevant legislations, policies and guidelines. This leads to draining public resources available for service delivery and may be an avenue for rent-seeking and more so may be due to single sourcing, contract variations, inflation of contract prices and undocumented purchases of assets;

e) **Proliferation Of County Public Funds**: establishment of numerous county public funds outside the legal requirements. This poses a fiscal risk in terms of management of these funds and earmarking of funds outside the budget funds puts expenditure pressure and constrained fiscal framework in the counties. For instance, failure to establish public funds in line with section 116 of the PFM Act, 2012, mainly undermines the legality of County Governments' mortgage and car loan schemes;

f) Failure by county governments to post all their financial transactions on the IFMIS system; this may lead to inaccurate presentation of financial statements and failure to capture all correct financial position. In addition, it may lead to undisclosed local revenue collections and hence revenue leakages.

g) Weak human resource management practices, including ineffectiveness of County Public Service Boards, which contributes to uncontrolled hiring of non-core personnel outside approved staff establishments and remuneration guidelines;

h) Absence and/or ineffectiveness of internal audit committees and Assets register in line with the PFM (County Governments) Regulations, 2015. In addition, County entities are required to keep a register of all assets and liabilities inherited from the defunct local authorities and assets and their value acquired under their administration.

iv. Basis and Division of Revenue between the two levels of government

Pursuant to Art 202 and 203, the 2019 BPS outlines the share of both levels of government using the most recent audited national revenue. Notably, the sharing should take into account various criteria and principles that are designed to promote and ensure that-

- **Resources follow functions** assigned to the two levels of government and in manner that is cognizant of current funding levels for continued service delivery and as per Schedule Four of the Constitution and intergovernmental resolutions. This is important for funding of the core functions under counties and resourcing of unfunded mandates. This also includes devolving all components of devolved functions that to some extent remain fully unresolved partly due to intergovernmental exigencies (see emerging issues).
- **Allocative efficiency targeting county priority funding in the medium term** that takes into account eliminating duplication and overlaps in view of the hard budget constraints. Further, the import as per Art 203 1 (d) is financing counties developmental needs in sustainable ways that meets the(current) cost of operations in undertaking such county functions unless there are fiscal capacity gaps or material breach that may compromise service delivery.
- **Equity in sharing between the two levels of government which also informs fair allocation among counties** for purposes of balanced and inclusive development and mitigating against fiscal imbalances where one level is unduly disadvantaged or burdened to offer services to Kenyans. Technically, this must be prosecuted at the intergovernmental platform[3] based on the expenditure performance and gaps arising.
- **Considerations on aspect of subsidiarity** with the imperative that services may be offered on the basis of proximity and other inherent characteristics for effective delivery and maximum impact that in this case that are mostly in favor of decentralization and devolution. This is further reinforced by the provisions of constitution that promotes consultation and cooperation between the two levels of government and has been evident in promoting affirmative action through conditional allocation over the years. The conditional allocations are principally designed to promote sustainability and reach of overarching policy goals at the counties as seen in universal and access to health by county residents, construction and rehabilitation of village polytechnics and results for performance programmes in strengthening devolution systems, procedures including support for urban institutions in the counties[4]. The same provides a window and a basis for developing framework of intergovernmental engagement in delivering the big 4 plan

[3] Inter-Governmental Budget and Economic Forum
[4] World bank's Devolution and urban support programs and projects

especially where such plans are under devolved mandates such as health and agriculture and component of housing.

Some of the other key criteria to be considered in sharing allocation between the two levels are: national interest; public debt and other national obligations; ability to respond to emergencies; need for economic optimization of each county government; desirability of stable and predictable allocation of revenue, among other objective criteria.

v. Division of Revenue between the two levels of government

County equitable share is proposed at a reduced amount of Kshs. 310.00 billion in comparison to current base allocation of Kshs. 314.00 billion as per the approved Division of Revenue Act, 2018. In addition, the total conditional grants allocation to counties is Kshs 61.6 billion, of which Kshs. 38.71 is from development partners. This brings the total proposed allocation to counties for FY 2019/20 to Kshs. 371.6 billion, relative to the current total amount of Kshs 376.4 billion[5].

Despite the reduction in the proposed county equitable share, the basis – been the recent audited and approved nationally raised revenue - has increased by 11 % from Kshs 935. 65 billion to Kshs. 1,038.03 billion which were for the FYs 2013/14 and 2014/15, respectively. The import of the current basis also suggests of a backlog in processing the audited appropriation accounts relating to FYs 2015/16 to 2017/18 that were submitted to parliament

Moreover, ordinary revenue underpinning the fiscal framework for the 2019 BPS for purposes of the FY 2019/20 is projected at Kshs 1,877.17 up from ***Kshs 1,688.49 billion*** in the current FY 2018/19, a projected growth of approximately 11.2 %, slightly lower than the overall year on year revenue growth factor of ...% in the last three years. Notably, the share of national government against the projected ordinary revenue to finance its various programmes across MDAS is set at Kshs. 1,561.41 billion.

[5] This take into account recent amendments to DORA 2018 for additional conditional allocation in form of loans and grants from development partners

Table 7 : Allocations to County Governments as proposed by National Treasury and CRA							
No.	**Item**	**FY 2017/18**		**FY 2018/19**		**FY 2019/20**	
		Allocation	**Actual**	**BPS**	**CRA**	**BPS**	**CRA**
1	**Equitable Share**	**302.00**	**302.00**	**314.00**	**337.20**	**310.00**	**335.70**
2	**Conditional Allocations from National Government share of Revenue**	**12.21**	**7.10**	**17.23**	**21.91**	**13.91**	**26.71**
	*o/w Leasing of Medical Equipment**	*4.50*	-	*9.40*	4.50	6.20	9.40
	Compensation for user fee foregone	*0.90*	*0.90*	*0.90*	0.90	0.90	0.90
	Rehabilitation of youth polytechnics	*2.00*	*2.00*	*2.00*	2.00	2.00	2.00
	Construction of County Headquarters	*0.61*		*0.61*	0.61	0.49	0.61
	Level 5 Hospitals	*4.20*	*4.20*	*4.33*	4.50	4.33	4.50
	Free Maternal Healthcare	-	-	-	3.40	-	4.30
	Special purpose grant (access to emergency medical services)	-	-	-	-	-	-
	Establishment of 2 Regional Cancer Referral Centres	-	-	-	5.00	-	-
	National Cancer Drugs Access Programme	-	-	-	1.00	-	-
	Transfer to Financing of 5 cities	-	-	-	-	-	5.00
3	***Other conditional allocation : Road Maintenance Fuel Levy Fund***	***11.07***	***10.26***	***8.27***	8.56	8.98	8.98
4	**Loans and grants**	**12.54**	**7.54**	**36.98***	-	38.70	-
5	**Grand Total**	**337.81**	**326.90**	**376.48**	**367.67**	**371.60**	**371.39**
	Memo Items						
(i)	*Ordinary Revenue*	*1,549.41*		*1,681.00*		*1,877.18*	
(ii)	*growth factor*	*12%*		*8.5%*		*11.7%*	

Source: 2019 BPS, 2018 CRA Submissions

The proposal by the Commission on Revenue Allocation (CRA) through its recommendations to Parliament sets the county equitable share at Kshs 335.70 billion. The recommendation by CRA is based on adjusting the current base to compensate for inflation using an actual three year average of annual inflation factor of 6.91%. This means that, on a minimum, the proposed amount is to finance the current operational and development expenditure levels and needs across the counties.

This is, however, in contrast with National Treasury proposal, where the county share of Kshs 310.00 billion is based on enhancement from a 'revised fiscal framework that indicates a reduced base of Kshs 304.96 billion. According to the National Treasury the revised base is on account of revenue shortfalls in the current FY 2018/19 and a projected reduction in fiscal deficit from 5.9% to 5% in FY 2019/20 as well as an increase in debt service costs.

However, the 'revised' basis leading to a lower base - and thus likely to impact the amount of county fiscal transfers - is not based on any law or approval by Parliament (National Assembly and Senate) and further contravenes section 5(1) of the 2018 DORA in which any shortfall in expected revenue is to be borne out by the national government. In principle, this legal provision is in line with the sum of criteria outlined in the constitution (Art 203 (1)) of ensuring 'desirability of stable and predictable allocation of revenue' as highlighted earlier.

With regards to funding of further devolved functions, there are still a number of challenges. Key among them as per the 2019 BPS include functions that are fully devolved but not fully operationalized such as libraries[6], statistics ,land survey ,mapping and housing ,cooperatives , mechanical and transport equipment; ferries and habours which are also critical to actualization of the big 4 plans at the county level. In addition, functions that are overlapping or duplicated at both levels include: water in terms of protection and reticulation; and agriculture which involves licensing and imposition of levies and charges as well as betting, casinos and gambling.

vi. Emerging issues

Arising from the above analysis, the following are the key emerging inter-fiscal issues and policy options:

a) National Treasury use of revised framework as basis for proposed allocation is not anchored on any legal provision. Thus the proposal of Kshs 310.00 billion is reduced allocation. This is likely to affect current funding levels of devolved functions and operational cost across the counties.

b) There are inconsistencies in computing the proposed allocation between CRA and National Treasury. While CRA's proposal takes into consideration inflation effect in line with key principles such as desirability of stable and predictable allocation of revenue, the proposed reduction by National Treasury is not clear on the basis underpinning its proposal despite

[6] Only 33 counties have devolved library services

growth of shareable revenue in terms of actuals and projections and the effect of inflation on baseline allocation.

c) 2019 BPS outlines the Big 4 plan as major priorities to be implemented in the medium term and it is expected that counties have substantial role play in actualizing these plans. However, it is not clear from the proposed allocation and policies on what role counties may be engaged. This is likely to pose risks of duplication and overlaps and there is need for an inter-fiscal framework for implementing the big 4 Plan and strategically harmonized to guide resource allocation and service delivery to minimize those risks.

d) There is need to ensure that devolved functions that a fully devolved are operationalized through adequate funding with clear timelines and reign on duplication or overlapping of functions to minimize associated risks on resource utilization.

VI. Summary of Emerging Issues

1. **Realism of Economic growth projections:** Economic growth projections are not anchored on major policy shifts of government and project implementation but are still based on factors beyond the control of the government such as the weather outlook. Some ongoing projects especially under infrastructure and industry which could have actually boosted economic growth have experienced delayed implementation/ inadequate resource allocation in previous years and there is no indication on how any prevailing challenges will be addressed to ensure the targets of 2019/20 are met.

2. **Fiscal consolidation:** though the government has indicated commitment towards fiscal consolidation efforts, the challenge will be in maintaining a contractionary fiscal path given the prevailing expenditure pressures. It should be noted that in the 2018 BPS, the fiscal deficit for FY 2019/20 was projected at 4.3 percent of GDP but in the 2019 BPS, it is projected at 5.1. It should also be noted that expenditure reduction is observed in development expenditure while recurrent expenditure has increased. This may affect the effectiveness of the budget as a tool for economic growth.

3. **Debt Sustainability:** for the debt levels to be lower, the target for the primary budget balance should be lower than what has been highlighted in the 2019 BPS. It is possible therefore that the current level of total debt targeted may not decline in 2019 to the level that has been indicated.

4. **Monitoring and Evaluation of the Big Four:** there is no accountability framework to facilitate tracking of big four expenditures. The government could consider developing a framework

that clearly spells out the agenda/strategy/policies with a results matrix for resource allocation as well as a monitoring and evaluation framework. In addition, there is no mention of the total resources allocated in FY 2019/20 to support the Big Four Agenda.

5. **Comprehensiveness of policies:** Though there are indicative allocations to some projects under various sectors linked to the big four such as agriculture and leather, the status of ongoing projects has not been adequately assessed neither do the projects being implemented adequately address the challenges prevailing in these sectors.

6. **Realism of revenue projections:** Revenue projection is anchored on unclear reforms in tax policy and revenue administration whose impact has not been fully assessed. The idea of tax reforms has been put forward many times before but it is not clear what has been achieved so far. By itself, this may be a very weak driver for higher revenue performance especially given its vagueness.

7. **Investment in SMEs:** In 2018, the government intended to roll out SME center models in 20 constituencies and establish National SME master plan, the 2019 BPS has not mentioned the progress made so far on these projects and policies**.** Furthermore, there is no mention of ways to increase credit either by enhancing SME's Development funds and establishing of guarantee schemes as earlier indicated in FY 2018/19.

8. **Biashara fund:** There is no status update on the establishment of 'Biashara Bank' which the government had promised after consolidating various funds (Kenya Industrial Estates, Development Bank of Kenya, Industrial Development Bank of Kenya, Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development Fund).

9. **Exports:** In FY 2018/19, the government had planned to establish Kenya Export Guarantee Fund which is critical in increasing market access so as to boost exports for the country. However, the 2019 BPS has not highlighted the progress made so far on this Fund.

10. **No clear timelines:** The 2019 has identified several legislations and policies as enablers of the Big Four Agenda however there are no timelines on when the legislations will be enacted. The 2019 BPS has also not highlighted the timelines and completion rate of some of these critical projects.

11. **Stalled projects:** there is no clear roadmap on how stalled projects will be dealt with.

VII. ANNEXURES

Annex 1: FY 2019/20 ENABLERS OF THE BIG FOUR AGENDA, TARGETS AND PROJECTS

A. CONDUCIVE BUSINESS ENVIRONMENT FOR INVESTMENT & JOB CREATION

This will be achieved through:

a) Macroeconomic Stability

Targets are:

- ✓ Inflation rate within the target band of ±7.5 percent
- ✓ Reinforce price stability
- ✓ Interest rates to remain low and stable
- ✓ International Reserves to remain high to support the shilling
- ✓ Exchange rate to remain broadly stable and competitive to support exports
- ✓ Fiscal Consolidation

b) Business Regulatory Reforms

Targets are:

- ✓ Cut down the number of licenses at both National and County Level and processing times of licenses and permits
- ✓ Automate business registration processes
- ✓ Tax incentives and protect private property against expropriation
- ✓ Setup of business investment observatory to fast track processing of policy, regulatory and administrative challenges
- ✓ Continue to implement the Local Content Policy to enhance investments that utilize local resources

c) Improving National Security

Targets are:

- ✓ Modernization of the National Police Service
- ✓ Facilitate research on informed ways of fighting by identifying ways of combating emerging forms of crime that technologically aided
- ✓ Acquisition of 3,071 housing units for National Police Service and 590 for Kenya Prison
- ✓ Provision of comprehensive insurance cover and medical insurance.

B. INVESTING IN INFRASTRUCTURE DEVELOPMENT TO UNLOCK GROWTH POTENTIAL AND DRIVE "THE BIG FOUR PLAN"

a) Further Expanding Road Network

Projects identified over the medium term

- ✓ Construction 8,245 Km of new roads and 150 bridges
- ✓ Rehabilitation of 763 Km of existing roads
- ✓ Maintain 114,131 km of existing roads in the medium term
- ✓ Reconstruction of roads in 11 constituencies in Nairobi's Eastland- Komarock road, Harambee Estate, Sacco roads, Eastern Bypass, Kayole Spine Road, Donholm Phase V and VIII roads, Eldoret Road and Nyasa Road.

b) Rail, Marine & Air transport

Projects identified over the medium term

i. Standard Gauge Railway

- ✓ Completion of Phase 2A (Nairobi to Naivasha)
- ✓ Construction of Phase 2B (Naivasha to Kisumu)

ii. Sea Projects

- ✓ Construction of Phase II of second container terminal
- ✓ Development of a free port under Dongu Kundu, Special Economic Zone, the Kisumu Port

iii. Airports

- ✓ Remodeling and upgrading JKIA's Terminal 1 B, C and D to raise is total passenger handling capacity to 10 million by the end of 2020.
- ✓ Develop a number of airstrips to connect various neighboring countries

c) Enhancing Access to adequate, affordable and reliable Energy

Projects identified over the medium term

- ✓ Construction of more substations, transmission lines and distribution of transformers
- ✓ Support exploration and distribution of oil and gas
- ✓ Explore alternative sources of energy including solar, wind and community hydro-power generation

d) Promotion of the use of ICT

Projects identified over the medium term

- ✓ Investment in Konza Technopolis
- ✓ Creation of technological hubs in each constituency

C. INVESTING IN SECTORAL TRANSFORMATION FOR BROAD BASED SUSTAINABLE ECONOMIC GROWTH

This will be achieved through:

i. Promoting environmental conservation and water supply

- ✓ Conservation and management of forest, wildlife resources and water catchment.

ii. **Stimulating Tourism Recovery, Sports, Culture and Arts**
Projects Identified
- ✓ Re-engineer the Kenya Utalii College
- ✓ Complete construction of the Ronald Ngala Utalii College in Kilifi County
- ✓ Developing tourism research institute under Kenya Utalii College
- ✓ Reviewing the National Tourism Policy and Tourism Act, 2011
- ✓ Establishing the National Convention Bureau
- ✓ Baraza Kenya
- ✓ Establish a Beach Management Board
- ✓ Tourism Council
- ✓ Establish an international arts and culture centre
- ✓ Expand the Kenya film school
- ✓ Modernize filming equipment

iii. **Sustainable Management of Land for Social- Economic Development**
- ✓ Scale up investment towards policies and programs covering land use, security of tenure, access to land title, transparent and secure land registration system.
- ✓ Implementation of National Spatial Data Infrastructure policy and National Land Value Index

D. ENHANCING SERVICE DELIVERY THROUGH DEVOLUTION

- ✓ Enforcing compliance of fiscal responsibility principles
- ✓ A policy framework that strengthen the legal underpinning for locally generated revenue collection.

E. INVESTING IN KENYANS FOR SHARED PROSPERITY

This will be achieved through:

1. **Investing in Quality and relevant education for all Kenyans**
   - ✓ Free Day secondary education to ensure 100 percent transition from primary to secondary school
   - ✓ Roll out of competency-based curriculum in pre-primary I and II and Grades 1,2, and 3.
2. **Strengthening the social safety nets**
   - ✓ Extending Cash Transfers to vulnerable groups including olders persons, orphans and Vulnerable Children and Persons with Disabilities under Inua Jamii programme
3. **Empowering Youth, Women and Persons with Disabilities.**
   - ✓ Train 50,000 Youth and Women engaged in Textile & Apparel Sectors
   - ✓ Train 66,000 workers on basic training on Housing
   - ✓ Amalgamation of Uwezo& Women Enterprise Fund into one robust fund
   - ✓ 30 percent preferential to all government procurement opportunities
   - ✓ 15,000 workers especially youth to be certified to be compliant with National Construction Authority.

F. ENTRENCHING STRUCTURAL REFORMS TO SUPPORT “THE BIG FOUR PLAN”

1. **Strengthening Governance and fight against corruption**

- ✓ Aligning public procurement process through Public Procurement and Disposal Act.

2. **Deepening Public Finance Management Reforms**
   - ✓ Establishment of Public Investment Management (PIM) Unit with the aim of establishing a framework for public management thjat accounting units in national and county governments shall adhere.
   - ✓ Approval of the Public Investment management Regulations
   - ✓ Fast track consideration of reports on budget implementation, audited accounts of the National Government, County Governments and State Corporations
   - ✓ Expansion of automation of public service delivery systems
   - ✓ Review of taxation, duty and customs framework to ensure predictable, fairer and transparent tax system
   - ✓ Digitization of all payments

Annex 2: Sector priorities for financial year 2019/20 and the medium term

Sectors	Key Priorities in FY 2019/20 and medium term
Agriculture, Rural and Urban Development Sector	• improved land management for sustainable development; • enhanced livestock resource management and development; • increase agricultural productivity and outputs; increased food security and income; • conducive environment for sustainable development of the blue economy; • increased per capita water storage capacity for irrigation; and • improved agricultural research for socio-economic development and industrialization
Energy, Infrastructure and Information, Communication and Technology Sector	• Construction of 500,000 housing units; • Construction of 8,245 km of roads, 150 bridges, rehabilitate 763km of roads, and maintenance of 114,131 km of roads; • completion the first 3 berths at Lamu Port; completion of SGR Phase 2A; • Completion of Phase 2 of the Second Container Terminal at Mombasa Port, and expand airstrips. • Generation of 649.5 MW of power; construct 1,432km of electricity transmission lines; connect 2 million new customers to electricity, install 5,398 new transformers; drill 270 oil wells, produce 600,000 barrels of oil, and distribute 20,482 metric tonnes of oil and gas. • Completion the laying of fiber under NoFBI Phase II Expansion; • Completion of Konza Complex; and implementation of Horizontal Infrastructure in Phase 1 at Konza Technopolis.
General Economic and Commerce Affairs Sector	• Acquisition equipment and machinery for the New KCC; • expand dairy processing plants (powdered milk); • implement the Co-operative Management Information System;

Sectors	Key Priorities in FY 2019/20 and medium term
	• Improvements on the ease of doing business; acquires the Regional Anti Counterfeit Agency Exhibit Warehouses and establish the Commodities Exchange Platform. • Development of Kenanie Leather Industrial Park; • Completion and operationalize of Ewaso Ng'iro Tannery and Leather Factory with processing capacity of 4000 Tons of hides & skins annually. • Development of Athi River Textile hub; construct Industrial Research Laboratories in Kisumu and South B. • Provision of credit to MSMEs in manufacturing Sector; and construct Constituency Industrial Development Centers. • Promotion of tourism; improve implementation of the EAC Customs Union, Common Market and Monetary Union Protocols; and operationalize Regional Integration Centres (RICs) at One Stop Border Posts in Malaba, Taita Taveta and Isebania
Health Sector	• Provision of the universal health coverage to all Kenyans • Reductions of the health financial burden to the households to enable them attain the highest standard of health care. • Scaling up universal health initiatives including the Linda Mama, subsidies for the poor, elderly and vulnerable groups, persons with mental illness, secondary school children and the informal Sector. • expansion of health infrastructure including: expanding specialized medical equipment and establish centers of excellence in health, health commodity storage centers, new specialized health facilities and laboratories throughout the country
Education Sector	• Recruitment of additional teachers to support the 100 percent transition policy of the Government;

Sectors	Key Priorities in FY 2019/20 and medium term
	• Continued support to Free Primary Education and Free Day Secondary Education through increased capitation. • Continued support to Special Needs Education (SNE) through increased capitation to SNE learners. • Provision of Examination Fees for all students in KCPE and KCSE. • Completion the ongoing construction and equipment of TTIs and support university education in public and private universities in order to equip the youth with relevant skills required to drive the industrialization agenda.
Governance, Justice, Law and Order Sector	• Implementation of police reforms; equipping of the Forensic Lab. • acquisition of additional assorted security equipment; installation of CCTV cameras in Nairobi, Mombasa and its environs, Kisumu, Nakuru and Eldoret; • improved population management system and production of 3rd generation ID cards, enhancement of accountability and governance structures
Public Administration and International Relations Sector	• Enhancing advisory on public policy for effective management of public affairs. • Management and implementation of the devolved system of government to promote harmonious inter- and intra-governmental relations. • Strengthening management of humanitarian support services; • Promotion of foreign relations for stronger diplomatic engagements and improvement on international trade and Foreign Direct Investments. • Managing the Government's finances efficiently and effectively for macroeconomic stability and economic growth. • Strengthening oversight on management of public resources for effective service delivery.

Sectors	Key Priorities in FY 2019/20 and medium term
	• Providing reliable and effective Monitoring and Evaluation system to track implementation of development policies. • strategies, programmes and projects; strengthening linkages between planning, policy formulation and budgeting at all levels; • Enhancing empowerment and participation of youth and other vulnerable groups in all aspects of national development. • Strengthening Human Resource Management and Development in the public service among others.
National Security	• Continue to address contemporary and emerging threats to national security that undermine peace and development. In addition. • Continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges
Social Protection, Culture and Recreation Sector	• Carry out 1,700 drought resilience and preparedness projects in ASAL Counties; support 130,000 vulnerable and drought prone households through cash transfers annually. • Provide sanitary towels to 11.1 million school going girls to reduce absenteeism in school; host and participate in national, regional and international sports competitions. • continue developing and upgrading sports infrastructure (national and regional stadia); empower 7,500 cultural artists/ practitioners; honor 480 heroes and heroines; nurture 3,300 youth in music and dance; • Establish an Alternative Dispute Resolution (ADR) Mechanism for labour and employment related disputes. And • Sensitize 303,500 people in prevention and response to Gender Based Violence and FGM.

Sectors	Key Priorities in FY 2019/20 and medium term
Environment Protection, Water and Natural Resource	• Provide policy and legal framework for efficient and effective management of the environment. • Sustainably manage and conserve environment and water resources. • Provide reliable weather and climate information for decision making. • Sustainably manage and conserve forests and water towers. • Sustainably conserve and manage Kenya's wildlife; provide policy and legal framework for efficient and effective management of the natural resources. • Increase availability of safe and adequate water resources; enhance accessibility of water and sewerage services. • Enhance utilization of land through irrigation, drainage and land reclamation; and increase per capita water storage capacity for irrigation and other uses.

Source: 2019 BPS