REPUBLIC OF KENYA

Parliamentary Budget Office

UNPACKING OF THE ESTIMATES OF REVENUE AND EXPENDITURE FOR FINANCIAL YEAR 2023-2024 AND THE MEDIUM TERM

MAY, 2023

Disclaimer

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I. THE 2023/24 BUDGET IN CONTEXT

1. The 2023/24 budget is the first under the current government administration and is expected to set the pace of economic performance for the next five financial years. It has been prepared against a background of significant global economic uncertainty with the ongoing Russia-Ukraine conflict, agitated financial markets, and tightening monetary policy which has led to significant slowdown in economic growth.

2. On the domestic front, the economy is experiencing significant macroeconomic challenges. Lingering effects of drought continue to pose a risk to increased agricultural production, even as the 2023 long rains are expected to enhance food security in the coming months. The business environment has deteriorated, denoted by a decline in the PMI index in the first quarter of 2023 to 47.2 percent[1]; attributed to a cutback in consumer spending due to high inflation. The Kenya shilling has declined significantly against the dollar resulting to a reduction of the forex reserves below the statutory four months of import cover and increasing the risk of debt distress. Indeed, the country is facing an increasingly vulnerable debt position underpinned by undersubscription of domestic bond issuance, constrained access to international capital markets and a downgraded credit rating by S&P from stable to negative which has increased the country's risk profile.

3. The 2023-24 budget therefore faces the unenviable task of rebalancing the economy by implementing corrective policies aimed at addressing debt vulnerabilities while at the same time using available fiscal space to implement structural policies that will boost investment and economic productivity.

II. EVALUATION OF THE 2023/24 BUDGET ESTIMATES

4. The unpacking of the 2023/2024 budget estimates has been undertaken using a four-point criteria as follows:
   i. Adherence to legal provisions
   ii. Assessment of allocative efficiency
   iii. Credibility of the macro-fiscal framework
   iv. Alignment with medium-term priorities

[1] A PMI index reading below 50 percent denotes deterioration of business activities

Criterion 1

Adherence to legal provisions:

This criterion assesses the extent to which the budget documents as presented comply with the constitutional provisions, Public Finance Management Act, PFM regulations, National Assembly standing orders, and other applicable laws. The completeness and comprehensiveness of the information provided in the budget documents will enable parliament to make informed decisions.

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5. On or before the 30th of April of every year, budget documents are presented to Parliament in a form, format and manner prescribed by the constitution, the Public Finance Management Act, PFM regulations, National Assembly Standing Orders and other applicable laws.

6. In line with Article 221(1) of the Constitution, the National Treasury submitted to Parliament the following budget books for FY 2023/24:

    i. The Programme Based Budget for FY 2023/2024 and the medium term;
    ii. FY 2023/2024 Estimates for Recurrent Expenditure - Volumes I and II;
    iii. FY 2023/2024 Estimates of Development Expenditure - Volumes I, II and III;
    iv. List of Projects of the National Government of Kenya for the Financial Year ending 30th June 2024;
    v. The Budget Summary for FY 2023/24 and the supporting information;
    vi. Financial statement of the National Government for the FY 2023/2024;
    vii. Estimates of Revenue and Expenditure for State Corporations of the Government of Kenya for the Financial Year 2023/2024; and
    viii. 2023/2024 Annex of Estimates of Revenue and Expenditure for state corporations of the government of Kenya for the Financial Year ending 30th June 2024.

7. The Parliamentary Service Commission submitted the Estimates of Recurrent and Development Expenditure of the Parliamentary Service Commission for the year ending 30th June 2024 and Projections for FY 2024/25 – 2025/26; pursuant to Article 127(6)(c) of the Constitution.

8. In line with Article 173(3) of the Constitution, the Judiciary also tabled the following documents in support of their Expenditure Estimates for the Financial Year 2023/24:
    i. Expenditure Estimates for the Financial Year 2023/2024–2025/2026 (Recurrent and Development);
    ii. Programme Based Budget (PBB) for the Financial Year 2023/2024– 2025/2026;
    iii. Medium-Term Expenditure Framework (MTEF) Budget Report for Financial Year 2023/2024–2025/2026;

iv. Programme Performance Report (PPR) for the Financial Year 2019/2020–2021/2022; and
v. Budget estimates for the Financial Year 2023/2024 for the Judicial Service Commission (Vote 2051).

9. These documents were subjected to fourteen (14) queries to determine the comprehensiveness of the information provided as envisaged by law. Table 1 below shows the level of compliance to legal provisions.

Table 1: Compliance to Legal Provisions

	Query	Observation	Legal underpinning
1.	Did the ceilings approved in the Budget Committee report on the 2023 Budget Policy Statement serve as the basis of the 2023/24 budget?	This has been adhered to. Notably, the expenditure ceilings in the Executive arm of government are lower than the ceilings in the approved 2023 BPS.	Section 25(8) of PFM ACT, 2012 and Part 27(4) of PFM regulations, 2015.
2.	Did the preparation of the 2023/24 budget estimates take place solely through the prescribed automated integrated financial management systems (Itemized Budget)?	Complied with and itemized budget provided	Part 32(6) of PFM regulations, 2015.
3.	Does the Budget Summary contain revenue, expenditure, debt, and deficit financing policies?	The information is provided. Notably, there are limited details on the revenue policy measures as the tax policy measures haven't been quantified	Section 38(a)(i) of the PFM Act, 2012.
4.	Does the Budget Summary explain how the budget adheres to the fiscal responsibility principles and financial goals?	Complied with	Section15, Section 38(a)(i)(ii) of the PFM Act, 2012 and Part 26(1) of PFM regulations, 2015
5.	Is there a memorandum detailing how National Assembly BPS resolutions under section 25(7) were considered?	information provided	Section 25 (8) and 38(a)(iii) of the PFM Act, 2012.
6.	Is there a list of all entities that receive funds appropriated from the national government's budget in the submitted budget documents?	Information provided. Notable, the budget for State Corporations has been submitted to the National Assembly	Section 38(b)(i) of the PFM Act, 2012.

	Query	Observation	Legal underpinning
7.	Did the Commission on Revenue Commission (CRA) policy on marginalized areas guide the estimates of revenue distributed to and expenditures predicted from the Equalization fund?	The Equalisation Fund is allocated Ksh. 7.867 billion for FY 2023/24. However, the expenditures estimates based on the Commission on Revenue Commission (CRA) policy on marginalized areas are not provided	Article 216(4) of the Constitution and 38(b)(ii) of the PFM Act, 2012.
8.	Is the information on county government revenue allocations inclusive of conditional and unconditional grants?	Information provided	Article 202(2) of the Constitution and 38(b)(iii) of the PFM Act, 2012.
9.	Was the Estimated revenue by broad economic classification and format?	Information provided	38(b)(iv) of the PFM Act, 2012 and Part 59(1) of PFM regulations, 2015.
10.	Did the estimated expenditure by vote & programme identifying both recurrent and development expenditures?	Information provided	38(b)(v) of the PFM Act, 2012 and Part 32(4) of PFM regulations, 2015.
11.	Was information on loans made by the national government, including principal interest and other charges to be received by the national government, provided?	Information provided	Section 38(c) of the PFM Act, 2012.
12.	Is there information available on the loans and guarantees to be paid by the national government in the financial year?	Information Provided	Section 38(d) of the PFM Act, 2012.
13.	Is there a statement showing measures taken by the national government to implement any recommendations made by the National Assembly with respect to budget for the previous years?	The information that was submitted is insufficient. Some of the National Assembly's recommendations appear to be moving targets for the National Treasury.	Section 38 (f) of the PFM Act, 2012.
14.	Was public participation done including the publication of the Citizen's budget?	The citizen budget is not available on the National Treasury's website.	Article 201(a) of the Constitution and Part 6(2) of the PFM Regulations, 2015.

Criterion 2

Credibility of the Macro- Fiscal Framework

This criterion evaluates the proposed macro-fiscal framework against the prevailing macroeconomic environment to determine the realism of the outlook of various macroeconomic variables and the impact on revenue and expenditure projections

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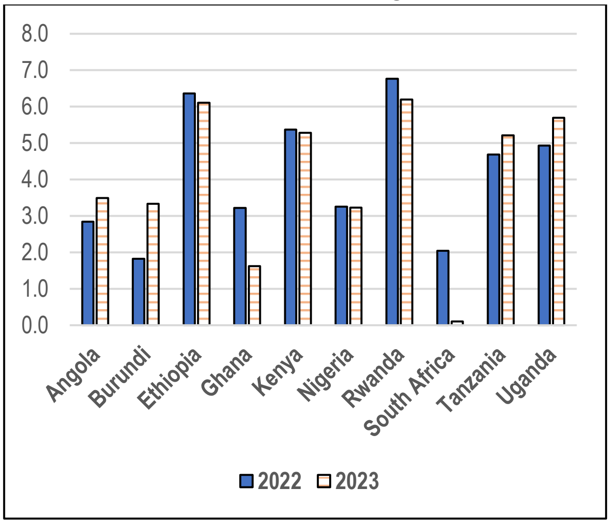
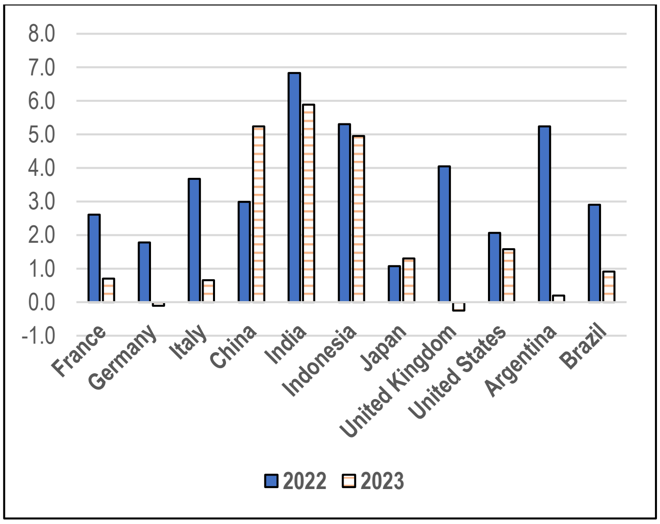
I. Realism of the macroeconomic framework underpinning the FY 2023-24 Budget Estimates

a) Economic Growth

10. The IMF has projected a decline in global growth from 3.4 percent in 2022 to 2.8 percent in 2023[2]. This is mainly attributed to significant slowdown in economic activity in advanced economies to curtail high inflation; banking sector vulnerabilities due to reduced confidence following collapse of Credit Suisse Bank - a globally renowned bank and medium-sized banks in the USA. Nevertheless, the growth outlook is positive in some countries such as China and Japan due to relaxed COVID-19 restrictions as well as improved supply chains disrupted by the Russia- Ukraine War. In Africa, the economic outlook is positive in countries such as Tanzania, Uganda, Angola and Burundi due to favourable global commodity prices and enhanced public investments. On the downside, most African economies face the risk of increased global food prices and adverse weather conditions that are likely to affect agricultural production[3].

Figure 1: Economic Growth for Selected Countries (%)





Source: IMF

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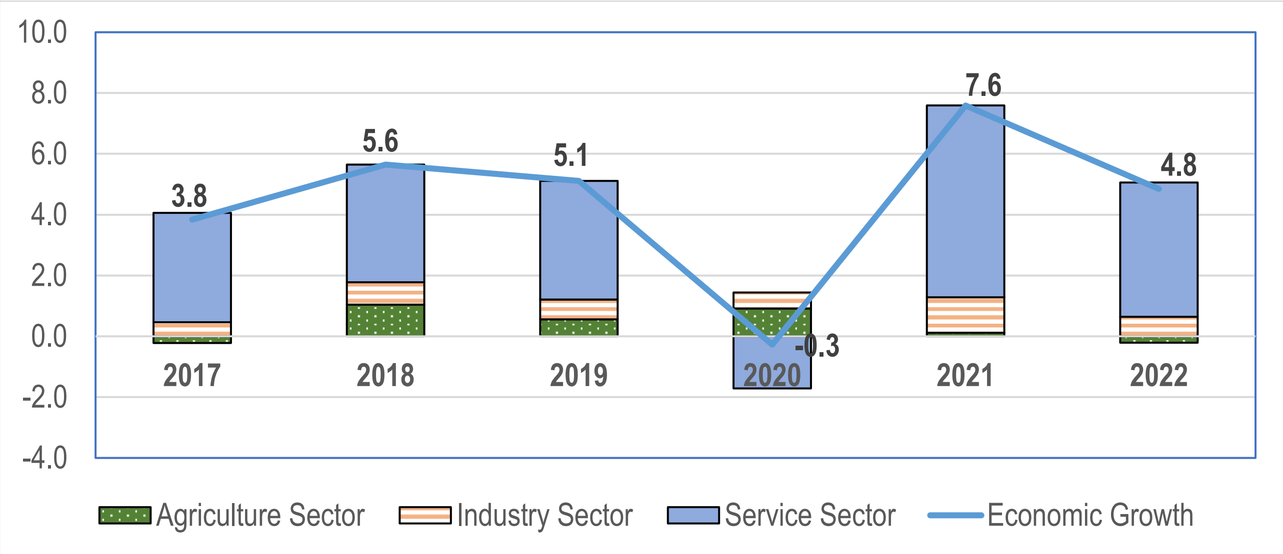
[2] IMF's World Economic Outlook, April 2023
[3] Includes crops, livestock, fisheries, forestry and mining.

11. Domestically, economic growth is projected to have weakened to 4.8 percent in 2022 from 7.6 percent in 2021(Figure 2). This growth decline was mostly recorded in the Service Sector[4] especially in wholesale and retail trade; transport and storage; and real estate. The industry sector[5] contribution to economic growth declined in 2022, with activities such as manufacturing declining as a share of GDP from 8.6 percent in 2021 to 8.4 percent in 2022 and Construction from 5.9 percent to 5.8 percent during the same period. The agriculture sector recorded a negative contribution to economic growth in 2022; contracting as a share of real GDP from 19 percent in 2021 to 18 percent in 2022.

Figure 2: Trend in Contribution to Economic Growth (%)



Source: KNBS

12. **In FY 2023/24, the National Treasury projects an economic growth of 5.6 percent; a downward revision from 6.1 percent projection as per the approved 2023 Budget Policy Statement.** This growth will be supported by strong performance in the service sector; ongoing public sector investments; recovery in the agriculture sector; private consumption; investor confidence and growth in exports. Further, the priority focus is on fiscal consolidation, investment in Agriculture and MSMEs in line with BETA.

13. It is noted that business activity declined significantly in the first quarter of 2023 due to high inflation that suppressed consumer demand as well as political unrest. Even though headline inflation is projected to ease in the coming months, production costs are likely to remain high due to increased power tariffs and high importation costs. With regard to the agriculture sector, crop production has increased due to above-average rainfall

[4] Consists of Wholesale & retail trade; Transport & storage; Accommodation & food service; Information & communication; Financial & insurance; Real estate; Education; Human Health & social work; Public administration & defence; Education; Professional, scientific & technical activities; other activities

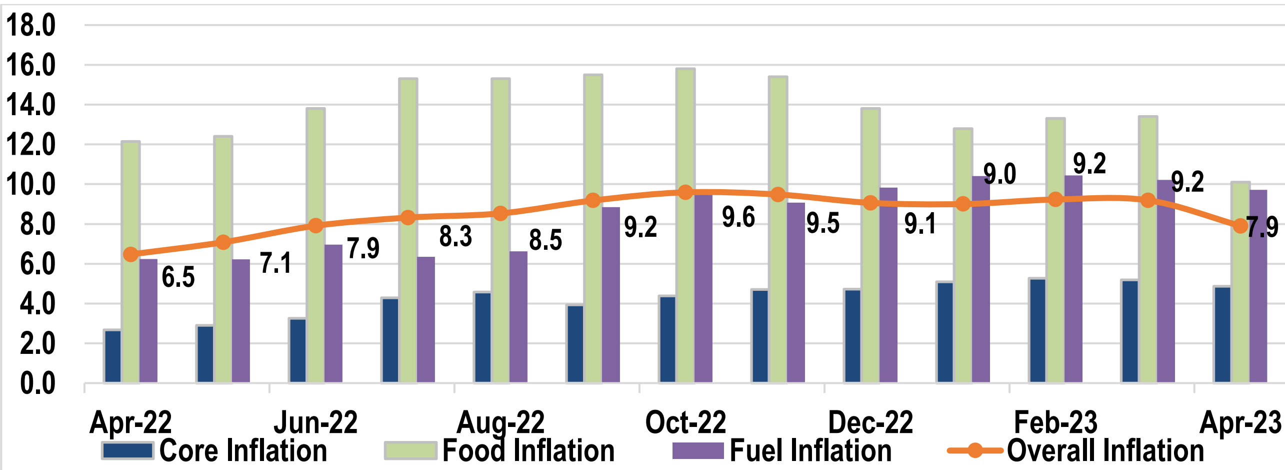
[5] Includes activities such as Manufacturing; Electricity supply; Water supply, sewerage, waste management; Construction.

performance (March-May long rains season). However, there are risks emanating from late onset of rains in some regions which delayed planting; increased infestation of fall armyworms; and low access to inputs. Exports performance is strongly linked to agricultural performance as Kenya's exports are predominantly agricultural %. Investor confidence facing a challenge due to debt vulnerabilities, political unrest, business environment. Considering the above factors, growth may be at a more moderate pace.5.1%.

b) Inflation

14. Kenya's overall inflation declined to 7.9 percent in April 2023 from 9.2 percent in March 2023 due to lower food and fuel inflation but remained above the upper target inflation of 7.5 percent (Figure 3). Increased food production and duty-free importation of food items lowered food inflation from 13.4 percent in March 2023 to 10.1 percent in April 2023. Fuel inflation also declined from 10.2 percent in March 2023 to 9.7 percent in April 2023 and is likely to improve further due to lower international oil prices (MURBAN-ADNOC) which declined from 81.6 USD per Barrel in January 2023 to 76.4 USD per Barrel in the beginning of May 2023 and are projected to decline even further. Additionally, Government-to-Government importation of fuel means that there will be lower fuel prices during the duration of this agreement.

Figure 3: Trend in Contribution to Overall Inflation



Source: KNBS, PBO

15. Going forward, underlying cost-push factors remain a significant risk to inflation. Increased cost of production due to higher power tariffs as well as high import prices due to the spill-over effects of a weak shilling are likely to keep core inflation elevated. On the other hand, lower crude oil prices and easing of US monetary stance which lessen the exchange rate

impact on imported goods[6] will contribute to lower inflation. The outlook for overall inflation is approximately 6.5 percent in 2023 which is below the upper target of 7.5 percent.

Table 2: Contribution to overall Inflation from various categories (%)

Category	**Apr 22**	**May 22**	**Jun 22**	**Jul 22**	**Aug 22**	**Sep 22**	**Oct 22**	**Nov 22**	**Dec 22**	**Jan 23**	**Feb 23**	**Mar 23**	**Apr 23**
Food & Nonalcoholic Beverages	61.2	61.0	60.6	59.5	58.3	58.9	57.6	56.8	53.2	49.5	50.0	50.7	44.1
Alcoholic Beverages, Tobacco & Narcotics	1.9	1.8	1.6	1.6	1.8	1.8	2.5	2.7	2.7	3.1	3.2	3.3	4.0
Clothing & Footwear	1.0	0.9	0.9	0.8	0.8	0.9	0.9	0.9	1.1	1.1	1.1	1.0	1.2
Housing, Water, Electricity, Gas and other Fuels	12.2	13.1	13.3	9.7	9.5	12.3	11.5	10.0	10.6	12.5	12.7	12.6	18.6
Furnishings, Household Equipment and Routine Household Maintenance	4.1	4.4	4.6	4.3	4.5	4.6	4.5	4.4	4.3	4.1	3.8	3.2	3.3
Health	0.5	0.4	0.3	0.4	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.9
Transport	10.2	9.2	9.1	8.0	8.5	11.4	12.4	12.6	14.7	14.9	14.2	14.0	12.5
Information & Communication	2.9	2.8	2.5	8.3	8.1	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.2
Recreation, Sports & Culture	0.3	0.7	0.7	0.6	0.6	0.7	0.7	0.8	0.9	1.1	1.2	1.2	1.2
Education Services	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.8	0.8	1.4	1.6	1.7	1.8
Restaurants & Accommodation Services	2.8	2.7	3.2	3.8	4.3	4.5	4.8	5.6	6.1	6.2	6.2	6.1	6.2
Personal Care, Social Protection and Miscellaneous Goods & Services	1.8	2.0	2.1	2.2	2.5	2.8	3.0	3.5	3.7	3.9	4.0	3.9	4.4
Insurance and Financial Services	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.4	0.4
TOTAL	100	100	100	100	100	100	100	100	100	100	100.0	100.0	100.0
Inflation Rate	**6.5**	**7.1**	**7.9**	**8.3**	**8.5**	**9.2**	**9.6**	**9.5**	**9.1**	**9.0**	**9.2**	**9.2**	**7.9**

Source: PBO, KNBS

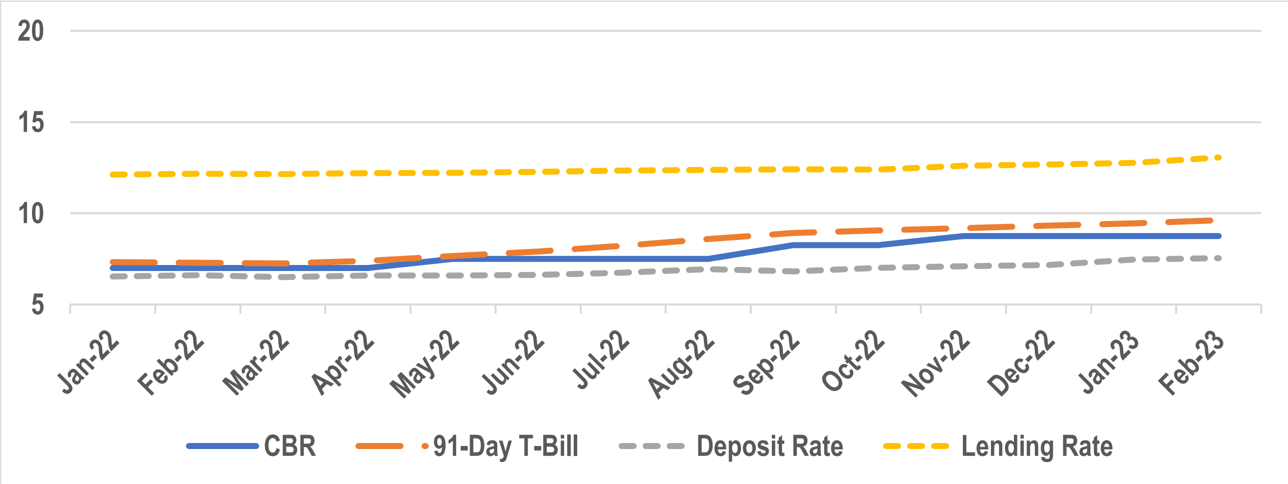
c) Interest rates and Credit

16. **The Central Bank Rate (CBR) rose from 7 percent in November 2021 to 8.75 percent in November 2022 and further to 9.5 percent in April 2023; denoting a tightening of the monetary policy stance by the Central Bank in order to curb a further rise in inflation.** As a result, there has been an increase in cost of short-term domestic borrowing with the 91-day T-Bill rate rising from 7.3 percent in February 2022 to 9.6 percent in February 2023, and the lending rate from 12.1 percent in February 2022 to 13.0 percent in

[6] IMF's World Economic Outlook April 2023

February 2023. On the other hand, the deposit rate rose from 6.6 percent in February 2022 to 7.5 percent in February 2023 indicating better returns for bank savings. As a result, the interest rate spread slightly declined from 5.6 percent in February 2022 to 5.5 percent in February 2023.

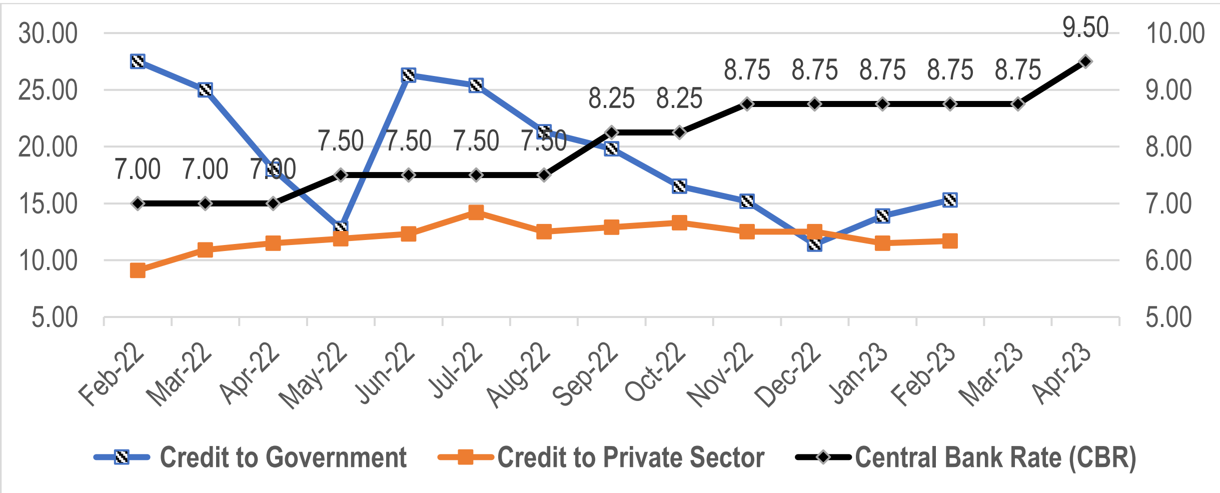
Figure 4: Trend in selected interest rates



Data source: Central Bank of Kenya

17. Notably, credit is shifting gradually to the private sector as denoted by a decline in Credit to Government from 27.5 percent in February 2022 to 15.3 percent in February 2023 and an increase in credit to private sector from 9.1 percent to 11.7 percent during the same period. The demand for credit in the private sector was particularly high in mining (97.7 percent); agriculture (18 percent); manufacturing (15.2 percent); and consumer durables (12.4 percent) sectors. Going forward, high cost of borrowing may moderate credit growth to the private sector.

Figure 5: Trend in Central Bank Rate and growth in Credit (%)

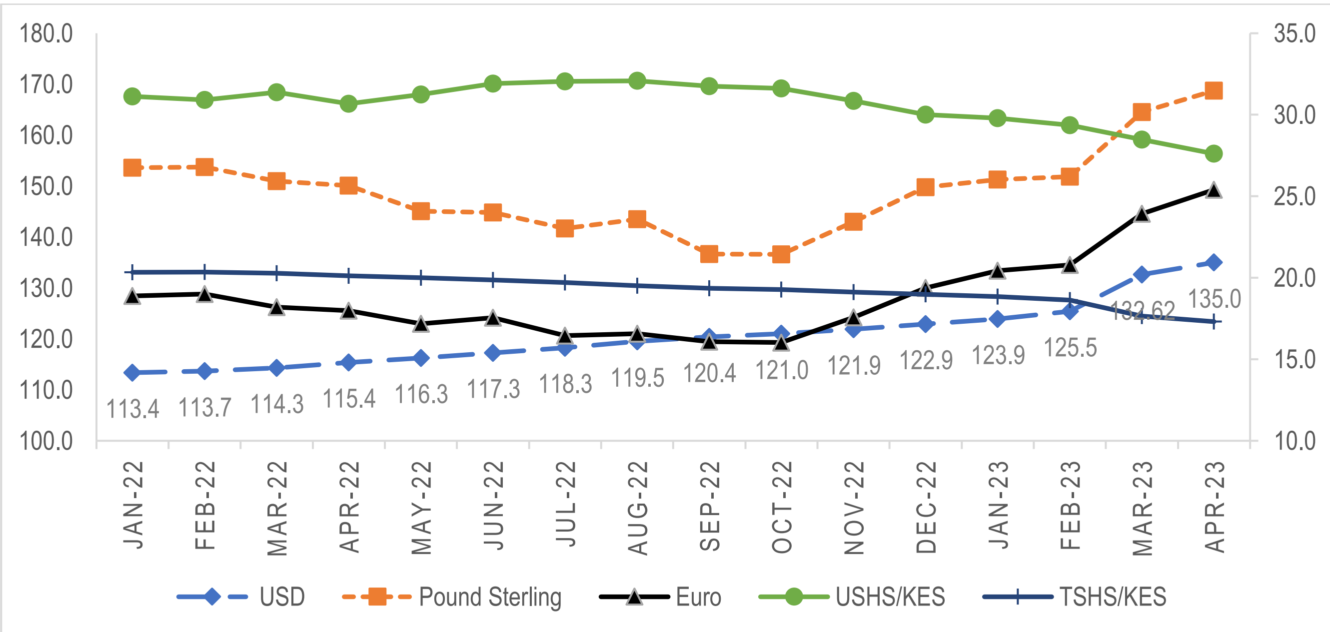


Data Source: Central Bank of Kenya

d) External Sector

18. **The overall Balance of Payments improved from a deficit of USD 253.4 million in February 2022 to a surplus of USD 2.1 billion in February 2023.** In the period under review, the capital account improved from USD 172 million to USD 190.5 million. This improvement indicates an improvement in the capital inflows in the country. The current account also improved from a deficit of USD 6.3 billion to deficit of USD 5.2 billion supported by an improvement in international travel in the services account and the diaspora remittances in the secondary income. On the other hand, the financial account slightly declined from USD 6.9 billion to USD 3.9 billion as a result of a decline in portfolio investments.
19. The Kenyan Shilling depreciated against the US Dollar from 115.4 in April 2022 to 135 in April 2023. This was occasioned by a scarcity of the US Dollar due to the Federal Reserve's monetary policy stance of raising interest rates to tackle inflation. As a result, most countries experienced capital flight and in the case of Kenya, this was also coupled by a deterioration of the foreign exchange reserves in this period from 5.2 months of import cover to 3.62 months of import cover, slightly below the 4 months target. If the USA Federal Reserve policy rate remains high in the coming months, then the Kenya Shilling will continue to weaken against the US Dollar.

Figure 6: Trend in Kenyan Shilling Exchange Rate



Source: Central Bank of Kenya

II. Fiscal Framework for FY 2023/24 Budget Estimates

20. The proposed total expenditure and net lending for the FY 2023/24 is **Ksh. 3,599.29 billion;** representing a 6.4% (Ksh. 215 billion) expenditure increase relative to the FY 2022/23 expenditure. Over the last decade, the historical average annual increase in total expenditure and net lending has been around 12%. Therefore, it is evident that the National Treasury has maintained the government's fiscal consolidation efforts by limiting expenditure growth.
21. Ministerial/National government recurrent expenditure is set to increase marginally by 0.7% (Ksh. 10 billion) in FY 2023/24. However, despite the commendable effort by the National Treasury to eliminate non-priority recurrent expenditures, the statutory Consolidated Fund Services (CFS) expenditures which are set to increase by 13.6% (Ksh.118.3 billion) will continue exerting fiscal pressure during budget implementation.
22. The main drivers of the increase in CFS expenditures is the expected increase of Ksh. 90.88 billion in interest payment on domestic debt, Ksh. 16.5 billion in expenditure on pension and Ksh. 8.4 billion in interest payment on foreign debt. Consequently, during the 2023/24 FY, the total expenditure on interest payment on domestic debt and foreign debt are expected to amount to **Ksh. 628.3 billion** and **Ksh. 146.9 billion** respectively. Further, the response to inflation by both domestic and foreign monetary authorities may result in higher expenditures on debt servicing during the first half of the 2023/24 FY.

Table 3: Budget Estimates for 2022/23 FY and the medium term (Ksh. Million)

	2022/23	2023/24			2023/24	2024/25	2025/26
Item	Approved Revised 1	Budget Est	Gross Change	% Change	BPS	BPS	BPS
Recurrent Estimates	1,498,719	1,508,760	10,041	0.7%	1,485,105	1,589,647	1,751,795
Development Estimates	618,164	718,946	100,782	16.3%	801,276	843,753	859,647
National Government	**2,116,884**	**2,227,706**	**110,823**	**5.2%**	**2,286,381**	**2,433,401**	**2,611,442**
Consolidated Fund Services	**867,777**	**986,158**	**118,381**	**13.6%**	**991,341**	**1,079,993**	**1,156,864**
County Equitable Share	**399,600**	**385,425**	**(14,175)**	**(3.5%)**	**385,425**	**380,645**	**405,646**
Total	**3,384,261**	**3,599,289**	**215,028**	**6.4%**	**3,663,147**	**3,894,039**	**4,173,951**

23. Development expenditure is set to increase by 16.3% (Ksh. 100.8 billion) to **Ksh. 718.9 billion** in the 2023/24 FY. However, it should be noted that the main driver of the increase in development expenditure, is the reinstatement of donor funds (**Ksh. 84.69 billion** Project loans and **Ksh. 10.7 billion** project grants) which were the target of budget cuts in the 2022/23 supplementary No.1 budget.
24. The proposed budget estimates for the 2023/24 FY were informed by the budget ceilings that were set by Parliament during the consideration of the Budget Policy Statement (BPS).

Notably, the National Treasury has made some adjustments to the 2023 BPS through a proposed downward revision of the total expenditure and net lending by Ksh. 63.86 billion.

Table 4: Budget Estimates for 2022/23 FY and the medium term (Ksh. Million)							
	2022/23	2023/24				2024/25	2025/26
Item	Approved Revised 1	BPS	Budget Est	Gross Change	% Change	BPS	BPS
Recurrent Estimates	1,498,719	1,485,105	1,508,760	23,655	1.5%	1,589,647	1,751,795
Development Estimates	618,164	801,276	718,946	(82,330)	(8.9%)	843,753	859,647
National Government	**2,116,884**	**2,286,381**	**2,227,706**	**(58,675)**	**(2.3%)**	**2,433,401**	**2,611,442**
Consolidated Fund Services	**867,777**	**991,341**	**986,158**	**(5,183)**	**(0.4%)**	**1,079,993**	**1,156,864**
County Equitable Share	**399,600**	**385,425**	**385,425**	**-**	**0.0%**	**380,645**	**405,646**
Total	**3,384,261**	**3,663,147**	**3,599,289**	**(63,858)**	**(1.6%)**	**3,894,039**	**4,173,951**

25. The net decrease of the total expenditures relative to the 2023 BPS is mainly due to a Ksh. 82 billion reduction in development expenditure coupled with a Ksh. 23.7 billion increase in recurrent expenditures. The increase in recurrent expenditure is primarily due to a Ksh. 22.1 billion increase in Ministerial A-in-A projection.
26. The reduction in development expenditure relative to the 2023 BPS proposal is a result of Ksh. 67.14 billion net reduction in project loans**,** Ksh. 5.9 billion reduction in project grants and Ksh. 12.89 billion reduction in projected Ministerial Development A in A. The continued reduction in the budget of development partner-funded projects may result in delays in implementation of the projects and the accrual of commitment fees.
27. The National Treasury has maintained its BPS proposal of enhancing ordinary revenue collection as a share of GDP from 15.1% in 2022/23 to 15.8% in 2023/24. Some of the policy measures include the implementation of the yet-to-be-finalised National Tax Policy Framework and the Medium-Term Revenue Strategy (MTRS), rolling out the electronic Tax Invoice Management System (eTIMIS), integration of KRA tax system with telecommunication companies, mapping of rental properties and enhanced compliance through hampering the prevalence of counterfeit excisable products stamps in the market. If some of the measures are fully implemented they may slightly boost revenue collection. However, other proposals such as the expansion of the tax base in the informal sector by targeting MSME may need careful consideration if they are to be effectively implemented.
28. The ordinary revenue projection for FY 2023/24 is **Ksh. 2,571.2 million**, which represents a 17 percent increase relative to the expected 2022/23 FY collection. Despite expected enhanced revenue collection resulting from some of the proposed tax policy measures coupled with the raft of proposals in the finance bill, a 17 percent increase in revenue collection may be unattainable.

29. Historically, ordinary revenue has grown in tandem with GDP at an average of around 10 percent. Consequently, it is expected that ordinary revenue underperformance may result in a higher-than-expected fiscal deficit. Further, the risk of court challenges to some of the finance bill measures poses an additional risk to the achievement of the projected fiscal deficit. Consequently, it is expected that ordinary revenue collection may amount to about Ksh. 2,397.3 billion ceteris paribus.

Table 5: Fiscal Framework in Ksh. Billion							
	2021/22	2022/23	2023/24			2023/23	2024/25
	Prel Actual	Suppl No.1	Budget Est	Gross Change	% Change	BPS	Proj
Revenue and grants	**2,230.8**	**2,560.2**	**2,935.8**	**375.6**	**15%**	**2,943.0**	**3,280.4**
Total Revenue	**2,199.8**	**2,528.8**	**2,893.6**	**364.8**	**14%**	**2,894.9**	**3,231.1**
Ordinary Revenue	**1,917.9**	**2,191.9**	**2,571.2**	**379.2**	**17%**	**2,571.2**	**2,878.6**
Income tax	876.7	1,004.3	1,198.5	194.2	19%	1,198.5	1,305.7
VAT	523.1	587.7	703.3	115.6	20%	703.3	804.7
Import duty	118.3	145.9	173.3	27.4	19%	173.3	199.4
Excise duty	252.1	297.2	352.7	55.6	19%	352.7	401.1
Other tax revenue	147.7	156.8	143.3	(13.6)	-9%	143.3	167.8
Appropriation-in-Aid	281.9	336.8	322.5	(14.3)	-4%	323.8	352.5
Grants	31.0	31.4	42.2	10.7	34%	48.1	49.3
Total expenditures & net lending	**3,027.8**	**3,384.3**	**3,599.3**	**215.0**	**6%**	**3,663.1**	**3,991.9**
Recurrent expenditure	2,352.7	2,351.8*	2,477.6*	125.8	5%	2,459.3*	2,667.5*
Wages & salaries National gvt	520.0	539.6	600.0	60.5	11%	600.0	645.3
Pensions & Other CFS	122.4	145.3	165.4	20.0	14%	170.6	192.9
Interest	578.0	675.8	775.1	99.3	15%	775.1	833.6
On domestic debt	456.8	537.4	628.3	90.9	17%	628.3	680.9
On foreign debt	121.1	138.4	146.9	8.4	6%	146.9	152.7
Operation and maintenance	866.1	890.8	849.5	(41.3)	-5%	826.0	896.6
Contribution to civil serv pension	-	31.9	28.5	(3.4)	-11%	28.5	31.3
Development & net lending	**540.1**	**594.1**	**689.1**	**95.0**	**16%**	**769.3**	**901.5**
Development expenditure	540.1	565.5	664.1	98.5	17%	744.2	871.5
Net lending	-	14.7	17.2	2.5	17%	17.2	22.2
Contingency Fund	-	2.0	2.8	0.8	40%	5.0	5.0
Transfer to Counties	352.4	436.3	429.7	(6.6)	-2%	429.6	417.9
Equitable Share	340.4	399.6	385.4	(14.2)	-4%	385.4	380.6
Conditional Allocation	12.0	36.7	44.3	7.6	21%	44.2	37.3
Parliamentary service	32.7						
Judicial Service	16.2						
Equalization Fund	-	13.9	7.9	(6.0)	-43%	7.9	7.9
Overall balance including Grants	**(797.0)**	**(824.0)**	**(663.5)**			**(720.1)**	**(711.5)**
Overall balance excluding grants	**(828.0)**	**(855.3)**	**(705.6)**			**(768.2)**	**(760.8)**
Adjustment to cash basis	11.9	-				-	-
Deficit incl grants cash basis	**(785.1)**	**(824.0)**	**(663.5)**			**(720.1)**	**(711.5)**
As a Share of GDP							
Revenue and grants	17.5%	17.6%	18.0%			18.1%	18.0%
Total Revenue	17.3%	17.4%	17.8%			17.8%	17.8%
Ordinary Revenue	15.1%	15.1%	15.8%			15.8%	15.8%
Total expenditures and net lending	23.8%	23.3%	22.1%			22.5%	22.0%
Overall balance including grants	**-6.3%**	**-5.7%**	**-4.1%**			**-4.4%**	**-3.9%**
Overall balance excluding Grants	**-6.5%**	**-5.9%**	**-4.3%**			**-4.7%**	**-4.2%**
Nominal GDP	**12,736**	**14,522**	**16,290**			**16,290**	**18,180**
.*Includes an allocation for Parliament and The Judiciary.							

30. Ministerial Appropriation in Aid (AIA) collection is projected to decline by 4.3 percent from projected Ksh. 336.8 billion in the supplementary Estimates No.1 of FY 2022/23 **to Ksh. 322.5 billion** in the FY 2023/24. However, the amount increases marginally by Ksh.1.72 billion when compared to the FY 2022/23 projections of Ksh.320.5 billion. Additionally, there is a decline from what was projected in the 2023 Budget policy statement (BPS) by 1.27 billion (From Ksh.323.8 billion to Ksh.322.5 billion).
31. Actual receipts from AIA have significantly improved in the last five financial years by over 75 percent increase. In FY 2021/22 government collected Ksh.281.9 billion as AIA against Ksh.160.5 billion received in FY 2017/18. Nevertheless, there has been over ambitious revenue targets of A-in-A by some ministries, that lead to uncoordinated budget cuts during implementation. For instance, in FY 2021/22 the A-in-A projection was Ksh.340.4 billion, but actual receipts was Ksh.281.9 billion, representing a 17 percent decrease.

Table 6: AIA projections 2023/2024

	Supplementary No. 1 FY 2022/23 A IA	Budget Estimates FY 2023/24 AIA	Change	Estimates of Revenue, Grants, and Loans Books - FY 2023/24 AIA	Fiscal Framework FY 2023/24 AIA
Recurrent AIA	232,749,678,580	236,616,594,499	3,866,915,919	236,640,594,499	236,616,594,499
Development AIA	94,000,000,000	85,849,000,000	(8,151,000,000)	111,365,940,414	85,849,000,000
RML to Counties	10,088,000,000	-	(10,088,000,000)		
Grants				(25,516,940,414)	
Total	**336,837,678,580**	**322,465,594,499**	**(14,372,084,081)**	**322,489,594,499**	**322,465,594,499**

32. This discrepancy can be explained by the fact that Estimates of Revenue, Grants, and Loans Books presents projected revenue collection, while Ministries, Departments and agencies (MDAs) indicates the expected expenditures from Railway Development Levy (RDL), Petroleum Development Levy (PDL) and Road Maintenance Levy (RML) collections.
33. The major earnings of Appropriation in Aid (AIA) in FY 2023/24 will mainly be from Road Maintenance Levy (RML)from State Department for Roads, Fees charged in the education sector especially by universities and tertiary institutions and from the state department for transport in particular from Railway Development Levy (RDL) and Aviation and Air navigation related charges. Other key streams of revenue will be from betting and gaming related taxes, medical and health related charges and the 5% electricity levy (REP).

Table 7: State Departments with highest projections of AIA in FY 2023/24(Kshs.)

State Department	FY 2023/24 AIA
Recurrent AIA	
State Department for Roads	81,231,211,993
State Department for Higher Education and Research	45,155,318,380
State Department for Transport	9,179,450,000
State Department for Medical Services	19,536,000,000
Development AIA	
State Department for Roads	16,599,000,000
State Department for Transport	37,396,000,000
State Department for Sports	16,000,000,000
State Department for Energy	9,663,000,000

34. The fiscal deficit including grants as a share of GDP is expected to decline from 5.7 percent (Ksh.824.0 billion) in 2022/23 to 4.1 percent (**Ksh. 663.5 billion**) in 2023/24. However, it should be noted that projected reduction in the deficit is partially attributed to an ambitious projection in tax revenue collection that may not be attained. To finance the deficit, the National Treasury plans to borrow **Ksh. 532 billion** from the domestic market and **Ksh. 131.5 billion** from foreign sources. In order to meet external debt obligations there is a proposal to seek external commercial financing of Ksh. 270 billion in FY 2023/24. This additional foreign commercial debt is expected to increase future statutory expenditures that are not channelled towards service delivery.

Table 8: Financing of the Fiscal Deficit (in Ksh. Billion)

	2020/21	2021/22	2022/23	2023/24		2023/24
	Actual	Prel Actual	Suppl No. 1	Printed Est	Diff	BPS
Fiscal Balance (incl. grants) Cash Basis	(929.3)	(785.1)	(824.0)	(663.5)		(720.1)
TOTAL FINANCING	950.2	747.8	824.0	663.5	(160.5)	720.1
NET FOREIGN FINANCING	323.3	142.5	395.8	131.5	(264.3)	198.6

Disbursements	**451.6**	**327.1**	**619.5**	**607.1**	(12.4)	**674.2**
Commercial Financing	114.3	0.0	110.0	270.0	160.0	270.0
o/w Export Credit- Commercial Financing	6.7	0.0	-	-	-	-
Sovereign Bond other Commercial Financing	107.6	0.0	110.0	270.0	160.0	-
External Debt Operations - Refinancing	-	-	-	-	-	270.0
Semi concessional Loans	-	-	-	-	-	-
Project Loans AIA	104.8	92.6	112.4	149.1	36.5	239.1
Project Loans Revenue	52.4	58.6	74.3	122.5	48.2	99.7
Project Loans SGR _Phase I_ AIA	4.6	-	-	-	-	-
Project Loans SGR _ PHASE 2A_AIA	6.9	-	-	-	-	-
Use of IMF SDR Allocation	-	40.8	47.3	-	(47.3)	-
Programme Loans	168.6	135.0	275.3	65.4	(209.9)	65.4
O/W P for R Programme Loans	11.0	4.0	15.5	3.5	(12.0)	3.5
IMF - RCF/ECF/EFF	76.9	29.1	116.9	61.9	(54.9)	61.9
Development Policy Operations - WB	80.8	86.3	124.0	-	(124.0)	-
Support for COVID-19 Vaccine Purchase	-	4.3	6.2	-	(6.2)	-
Development Policy Operations - ADB	-	11.3	12.7	-	(12.7)	-
Debt repayment - Principal	**(128.3)**	**(184.5)**	**(223.8)**	**(475.6)**		**(475.6)**
NET DOMESTIC FINANCING	**626.9**	**605.3**	**428.1**	**532.0**	**103.7**	**521.5**
Financing gap	20.9	-37.3				

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Criterion 3

Assessment of Allocative Efficiency

This criterion evaluates whether the budget proposals have established firm priorities, including shifting resources from old priorities to new ones in line with government objectives and perceived programme effectiveness

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I. KEY HIGHLIGHTS OF THE 2023/24 BUDGET

Where is the money going?

35. The total budget for the fiscal year 2023/24 **is Ksh. 4,449.4 billion**. This comprises of **Ksh. 1,508.7** billion in recurrent expenditures, **Ksh. 718.9 billion** in development expenditures, **Ksh. 1,836** billion in Consolidated Fund Services (CFS) and **Ksh. 385.4 billion** in county equitable share. Notably, the CFS expenditure as tabulated in table 9 includes **Ksh. 775.14 billion** in interest payments on debt and **Ksh. 850.1 billion** in principal debt redemptions.

Table 9: Overall Outlook of Budget Estimates for FY 2022/23 (Ksh. Millions)

		2022/23	% Share of total	2023 BPS (indicative ceilings)	% Share of total	2023/24 Estimates	% Share of total
Executive	Recurrent	1,430,345	**35.4%**	1,416,204	**31.6%**	1,449,629	**32.6%**
	Development	613,799	**15.2%**	772,978	**17.3%**	714,681	**16.1%**
	Total	**2,044,144**		**2,189,181.40**		**2,164,310**	
Parliament	Recurrent	48,255	**1.2%**	38,337	**0.9%**	38,337	**0.9%**
	Development	2,465	**0.1%**	2,065	**0.0%**	2,065	**0.0%**
	Total	**50,720**		**40,402**		**40,402**	
Judiciary*	Recurrent	20,119	**0.5%**	20,794	**0.5%**	20,794	**0.5%**
	Development	1,900	**0.05%**	2,200	**0.05%**	2,200	**0.05%**
	Total	**22,019**		**22,994**		**22,994**	
CFS	Public Debt related expenses **	1,360,986	**33.7%**	1,649,481	**36.8%**	1,625,274	**36.5%**
	Pensions, Salaries &Others	191,956	**4.8%**	191,994	**4.3%**	211,019	**4.7%**
	Total	**1,552,942**		**1,841,475**		**1,836,293**	
Overall	Recurrent	1,498,719	**37.1%**	1,475,335	**32.9%**	1,508,760	**33.9%**
	Development	618,164	**15.3%**	777,243	**17.4%**	718,946	**16.2%**
	CFS	1,552,942	**38.4%**	1,841,475	**41.1%**	1,836,293	**41.3%**
	County Governments***	370,000	**9.2%**	385,425	**8.6%**	385,425	**8.7%**
	Total	**4,039,825**		**4,479,478**		**4,449,424**	

***Judiciary and Judicial Service Commission**
****Comprised of domestic and foreign interest payments and debt redemptions.**
*****Equitable Share as enacted in the Division of Revenue Act, 2023**

II. SECTORAL ALLOCATION IN THE 2023-24 FY BUDGET ESTIMATES

36. A detailed scrutiny of the submitted estimates reveals no significant shift in resource allocation to various sectors. Education continues to receive the lion's share of the National Government budget, with allocations growing from 25.7% to 27.1%. The increase is due to the need for additional resources at the Junior Secondary School and the recruitment of new teachers through the Teachers Service Commission.
37. The Energy, Infrastructure, and ICT Sector remains the second largest expenditure centre, accounting for 16.4% of total expenditure, primarily due to infrastructure resource requirements. The rise in General Economic and Commercial Affairs funding from 1.3% to 2.4% is primarily due to BETA priorities under the MSMEs pillar.
38. The reduction in Public Administration and International Relations allocation from 16.8% to 13.9% of National Government expenditure is due to cuts to the Executive Office of the President under the Nairobi Metropolitan Service, cuts from Parliament due to one-time expenditures related to the new legislature, and the transfer of some programs from the National Treasury to line ministries.

Table 10: Sector allocations for FY 2022-23 vs 2023-24 (Ksh. Millions)

SECTOR	Approved Estimates FY 2022-23	% Share of NG Budget	FY 2023-24 Estimates	% Share of NG Budget
Agriculture, Rural & Urban Development	66,697.30	**3%**	84,826.48	**4%**
Energy, Infrastructure and ICT	407,760.10	**19%**	433,159.24	**19%**
General Economic and Commercial Affairs	28,294.20	**1%**	54,318.80	**2%**
Health	122,519.30	**6%**	140,356.52	**6%**
Education	544,519.50	**26%**	604,016.20	**27%**
Governance, Justice, Law and Order	234,408.10	**11%**	227,926.16	**10%**
Public Administration and International Relations	356,857.60	**17%**	310,230.93	**14%**
National Security	177,811.00	**8%**	187,044.16	**8%**
Social Protection, Culture and Recreation	73,213.50	**3%**	70,482.95	**3%**
Environment Protection, Water and Natural Resources	107,178.20	**5%**	115,344.72	**5%**
TOTAL	**2,119,258.80**		**2,227,706.26**	

Criterion 4

Alignment with medium-term priorities

This criterion assesses whether the policies in the budget are aligned with the medium term strategic priorities of the government as provided for in the policy documents

Alignment with the BPS Policies and Medium Term Priorities

39. The 2023 Budget Policy Statement approved by parliament was themed "***Bottom-Up Economic Transformation Agenda for Inclusive Growth***". It was conceptualized in line with the Manifesto of the current administration that is founded on a bottom-up approach to economic transformation and fiscal consolidation for sustainable management of public resources.
40. The policies therein were anchored on five pillars including Agricultural transformation, MSMEs economy, Universal health coverage, affordable housing and Digital and Creative economy. The policies sought to prioritize these sectors for resource allocation. It is noted that although there are no fundamental changes in sectoral ceilings, expenditure within the sector has been prioritized and reoriented to key envisaged interventions.
41. The Budget Policy Statement Committed to a fiscal consolidation path that is premised on expenditure rationalization and mobilization of the tax revenue. The estimates submitted have revised the budget downwards from the approved ceilings by Ksh. 63.86 billion a possible indication of commitment to the fiscal consolidation plan.
42. Kenya Revenue Authority has also been allocated additional resources to upscale its capacity in revenue collection in line with the Bottom Up Economic Transformation Agenda commitments. Additional revenue raising measures are also outlined in detail in the Finance Bill. Fiscal consolidation that encompasses additional taxation should be pursued with caution given its possible implication on investment, consumption and overall economic performance.
43. The total expenditure in the submitted estimates for FY 2023-24 have increased by Ksh. 215 billion in comparison to the approved estimates for FY 2022-23. This represents a 6.4% increase compared to an average growth of 12% over the last decade. This also demonstrates that the government is committed to fiscal consolidation and may play an important role in bolstering investor and citizen confidence with the government.
44. The delivery of the interventions prioritized under the Bottom Up Economic Transformation Agenda envisioned a value chain approach to ensure that government interventions are coordinated and aligned in the same direction. A scan of the estimates indicates that resources have been allocated to support the value chains. However, given

that the estimated resource requirement to actualize each value chain has not been indicated, it is not possible to ascertain the sufficiency of the allocated resources.

45. The success and sustainability of the value chain approach is dependent of the level of organization of value chain actors into common producer groups. It is therefore expected that the State Department for Cooperatives could initiate the process of organizing actors with an aim of forming value chain cooperatives. However, based on the estimates, there is no allocation towards the same.

Development Resource Allocation to Agricultural Transformation

46. To support the Agricultural transformation pillar, several programmes have been allocated resources to support various value chains as highlighted on table 11.

Table 11: BETA Programmes under Agricultural Transformation Pillar

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1162100500 Livestock Value Chain Support Project	500,000,000	2,130,000,000	326.00
1162100900 Establishment of Liquid Nitrogen Plants- KAGRC	18,750,000	135,000,000	620.00
1162104600 Development of Leather Industrial Park - Kenanie	62,500,000	350,000,000	460.00
1162104700 Kenya Livestock Commercialization Programme	953,030,000	1,541,000,000	61.69
1162104800 Towards Ending Drought Emergencies in Kenya	128,000,000	318,000,000	148.44
162105300 De-Risking, Inclusion & Value Enhancement of Pastoral Economies	2,200,000,000	3,669,000,000	66.77
1162105400 Embryo Transfer Project	15,000,000	166,000,000	1006.67
1169103900 Food Security and Crop Diversification Project	265,000,000	592,000,000	123.40
169104200 Construction & Equipping of Tea Research & Development Factory	20,000,000	85,000,000	325.00
1169104700 Capacity Building for Enhancement of Rice Production	30,000,000	35,000,000	16.67
1169106600 Cotton Industry Revitalization Project	30,000,000	120,000,000	300.00
1169108400 Coconut Industry Revitalization Project	20,000,000	62,000,000	210.00
1169109400 National Agricultural Value Chain Development Project	2,100,000,000	8,647,752,850	311.80
1169109700 National Edible Oil Crops Promotion Project	No Allocation	134,000,000	
1169109900 Quelea Quelea Management	No Allocation	50,000,000	
TOTAL	**6,342,280,000**	**18,034,752,850**	**184.36**

47. Under the livestock and leather value chain, the following programmes have been funded: Livestock Value Chain Support Project, Kenya Livestock Commercialization Programme, De-Risking, Inclusion & Value Enhancement of Pastoral Economies and Development of the Kenanie Leather Industrial Park. To support the edible oils value chain, the following programmes have been allocated additional resources: National Edible Oil Crops Promotion Project and the Coconut Industry Revitalization Project.

48. The National Agricultural Value Chain Development Project is aimed at increasing market participation and value addition for small scale farmers in Kenya who are engaged in nine value chains across 26 counties. These value chains include dairy, poultry, fruits (banana, mango, and avocado), vegetables (tomato & potato), coffee, cotton, cashew nut, apiculture, and pyrethrum value chains.
49. It is important to note that while resources have been allocated towards key interventions under agricultural value chains, most of these programmes are donor funded and risk underabsorption given the historical challenges in absorption of donor funds. Further, reliance on donors for such a critical programme renders the sector vulnerable to donor dependency and decreases the country's ability to respond adequately and decisively to its own needs.
50. The Bottom Up Economic Transformation Agenda also commits to unbundling and fully transferring the devolved functions to county governments. Agriculture is one of the devolved functions. It isn't clear if some of the functions and attendant resources will be transferred to the counties and the collaboration framework between the two levels of government remains unclear.

Development Resource Allocation to MSMEs Pillar

51. To support the Micro Small and Medium Enterprises (MSMES) pillar, various programmes have been conceptualized and resources apportioned. Allocations to various programmes under this pillar point to substantial shift in allocation of resources to key priority programmes as defined in the Bottom Up Economic Transformation Agenda (BETA).

Table 12: BETA Allocations to MSMEs Pillar.

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1173100800 Modernization of Cooperative Cotton Ginneries	26,700,000	174,000,000	551.69
1173100900 Coffee Industry Revitalization	58,104,143	125,000,000	115.13
175101000 Construction of Industrial Research Laboratories -KIRDI	82,490,000	332,790,000	303.43
1175102300 Modernization of NMC's Foundry Plant & Workshop	38,000,000	42,220,000	11.11
5102700 Cotton Development (RIVATEX) - Subsidy and Extension Support	65,700,000	73,890,000	12.47
1175102900 Kenya Industry and Entrepreneurship Project-BETA	438,380,000	1,455,890,000	232.11
175103700 Enhancement of the Accreditation Programme in Kenya - KENAS	No allocation	50,000,000	
1176100100 Construction of Constituency Industrial Dev. Centres	50,000,000	172,900,000	245.80
176100300 Provision of Finances to SMEs in the Manufacturing Sector - KIE	277,230,000	634,000,000	128.69
1176100400 Financial Inclusion Fund (Hustler Fund)	20,000,000,000	10,000,000,000	-50.00
1176100500 Youth Enterprise Development Fund	43,750,000	175,000,000	300.00
1176100600 Youth Employment and Enterprise Initiative	46,000,000	92,000,000	100.00
1176100700 Centre for Entrepreneurship Project	New	105,300,000	

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1177100100 Development of Special Economic Zones	No allocation	550,000,000	
1177100200 Development of Athi River Textile Hub - EPZA	1,347,083,333	1,380,000,000	2.44
1177100300 Establishment of One Stop Centre for Investment Promotion	8,000,000	22,000,000	175.00
1177100500 Establishment of County Integrated Agro-Industrial Parks	New	4,700,000,000	
Total	**22,481,437,476**	**20,084,990,000**	**-10.66**

52. The pillar is aimed at creating an enabling environment for entrepreneurship, industrialization and investment promotion. Critical projects include the Centre for Entrepreneurship Project under the umbrella of the Kenyan-German TVET Initiative which is designed to provide a first point of contact for young people who want to set up a business or need support for their start-up enterprises. The objective of the project is to support growth of emerging formal and informal enterprises in selected industrial and service sectors for employment creation.
53. Resource allocation to some programmes in the sector has been enhanced to support the various priority value chains. These include development of the Athi River textile hub export processing zone, Subsidy and extension support for cotton development under RIVATEX and Modernization of Cooperative Cotton Ginneries which are aimed at revitalization of the garments and apparels value chain.
54. The policy pronouncements under BETA also sought to provide enough working capital for Micro, Small and Medium Enterprises. To this end, the scrutiny of the estimates indicates that resources have been apportioned to the Financial Inclusion Fund, Youth Enterprise Development Fund and Kenya Industrial Estates. Although the Manifesto had indicated that the government will commit Ksh. 50 billion per year for the financial inclusion fund, however, the allocation for FY 2023-24 is Ksh. 10 billion.

Table 13: Development Resource Allocation for Universal Healthcare.

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1071110300 Special Global Fund - TB NFM 3	325,852,059	2,365,224,659	625.85
1071110500 Special Global Fund - HIV NFM 3	1,075,060,805	9,017,010,413	738.74
1071110600 Special Global Fund - Malaria NFM 3	343,360,210	4,807,796,238	1300.21
1082101600 Rollout of Universal Health Coverage	9,310,000,000	12,600,000,000	35.33

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1082102700 Emergency Medical Treatment Fund	New	300,000,000	
1082104400 Human Vaccine Production	300,000,000	500,000,000	66.66
082103000 Digital Health Platform	New	352,000,000	
Total		**29,942,031,310**	

55. The BPS committed to setting aside sufficient resources for various global funds that are geared towards enhancing access to critical medications including TB, Malaria and HIV. To this, the submitted estimates indicate that the government has apportioned resources equivalent to over 600% of allocation in the previous financial year. Similarly, additional resources have been allocated towards the roll out of the universal health coverage.
56. To further support the BETA commitments under universal health coverage, the estimates have apportioned resources to Set up of an Emergency Medical Treatment Fund to cater for emergency, cancer treatment and referrals. However, the operationalization framework for the fund including the regulations to support management of the same are not in place.
57. The Bottom Up Economic Transformation Agenda also noted the need for deployment of an integrated state-of-the-art health information system that will enable every Kenyan to own and control access to their health record. The same is expected to be achieved through the digital health platform programme that has been introduced in the estimates. It is important to note that there have been similar attempts to put in place such a system but did not bear the intended results.
58. Given that the health sector is a devolved function any envisaged interventions by the National Government require close coordination with the County Governments. This is critical given the challenges that have faced the Managed Equipment Services Programme that has a conditional allocation of Ksh. 5.86 billion in the FY 2023-24 estimates.

Table 14: BETA Allocations for Affordable Housing Pillar

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
101400 Construction of Housing Units for national Police& Kenya Prison	800,000,000	1,050,000,000	31.25

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1094105300 Construction of Affordable Housing Units	1,750,000,000	3,200,000,000	82.86
1094105400 Construction of Social Housing Units	1,000,000,000	3,250,000,000	225.00
1094105500 Development of Appropriate Building Technology (Rural Housing)	160,000,000	300,000,000	87.50
1071108800 Operationalization of Kenya Mortgage Refinance Company (KMRC)	3,500,000,000	2,070,012,765	-40.86
1112100300 Processing and Registration of Title Deeds	377,500,000	1,294,728,977	242.97
1112101100 Settlement of the Landless	90,000,000	1,500,000,000	1566.6
Total		**12,664,741,742**	

59. The Affordable Housing pillar of the Bottom Up Economic Transformation Agenda sought to close the housing gap by facilitating delivery of 250,000 houses per year. To realize this, the Government committed to implement interventions to lower the cost of construction and improve access to affordable housing finance while creating jobs and entrepreneurial opportunities to all Kenyans. However, the estimates have scaled down allocation to the Kenya Mortgage refinancing company that is expected to enhance access to affordable mortgages.
60. To link affordable housing pillar to job creation, BETA policies indicated the commitment to strengthen the Jua Kali sector by building its capacity to produce high quality construction materials such as doors, windows, gates and hinges. However, there are no resources that have been apportioned towards organizing, training and linking the jua kali actors with the formal construction industry.
61. The estimates have set aside resources for interventions to address land related issues that hinder access to affordable housing such as processing and registration of title deeds. Ksh. 1.5 billion has also been set aside for settlement of the landless in line with the priorities of the BETA.

Table 15: Digital Superhighway and Creative Economy

Programme	Approved Estimates FY 2022-23	Gross Allocation FY 2023-24	% Change
1122100100 Maintenance & Rehabilitation of Last Mile County Connectivity	90,000,000	620,000,000	588.89
1122100400 Maintenance & Rehabilitation of NOFBI II Cable	400,000,000	610,000,000	52.50
1122100500 Maintenance & Rehabilitation of NOFBI II Expansion Cable	429,000,000	692,000,000	61.31
1122100700 Construction of Konza Complex Phase I B	139,000,000	475,000,000	241.73
1122101200 Constituency Innovation Hub	34,000,000	108,000,000	217.65
1122101400 Konza Horizontal Infrastructure Phase I - EPCF	5,150,700,000	4,756,000,000	-7.66
1122101800 Konza data Center & Smart City Facilities	3,696,000,000	1,200,000,000	-67.53
1122101900 Connectivity to Government Priority Projects	106,000,000	632,000,000	496.23
122102000 Horn of Africa Gateway Development Project	160,000,000	575,000,000	259.38
1122102300 Construction of KAIST at Konza Technopolis	New	5,740,000,000	
213100100 Implementation of Huduma Service Delivery Channels	37,170,000	383,000,000	930.40
Total	**10,241,870,000**	**15,791,000,000**	**54.18**

62. The Bottom Up Economic Transformation Agenda under the Digital Superhighway and Creative Economy pillar sought to mainstream the sector into the National economy. This was to be achieved through digitization of government services, rehabilitation and extension of the fibre optic network and monetarization of talents and creative arts.
63. Most of the envisaged interventions have been funded under the FY 2023-24 Estimates. These include fast tracking the completion of the Konza technopolis, construction and operationalization of the Kenya Advanced Institute of Science and Technology that is expected to enhance capacity in software development and linking innovators to the markets.
64. The estimates have also apportioned resources towards maintenance and rehabilitation of the National fibre optic backbone. This is expected to upscale digital economic activities while easing the cost of doing business while creating efficiency and opening opportunities for job creation.

ANNEX 1: COMPLIANCE TO HOUSE RESOLUTIONS ON THE 2023 BUDGET POLICY STATEMENT

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	REMARKS
No.	**2023 BUDGET POLICY STATEMENT**	
1.	**THAT,** by 30th September 2023, the National Assembly proposes amendments to the Public Finance Management Act, 2012 and attendant regulations to extend the timelines for consideration of the BPS by Parliament from 14 days to 28 days.	**Not complied**
2.	**THAT,** before submission of the annual estimates to the National Assembly, the National Treasury should ensure that Ministries, Departments and Agencies (MDAs) have aligned their budgets, projects and key performance indicators to the proposed value chain approach under the Bottom-Up Economic Transformation Agenda (BETA) within the approved ceilings.	**Complied**
3.	**THAT,** the deficit financing strategy and public debt mix be undertaken in accordance with the resolutions of the National Assembly based on the Report of the Public Debt and Privatization Committee on the 2023 Medium Term Debt Management Strategy.	**Complied**
4.	**THAT,** during the submission of the 2023/24 annual estimates, the National Treasury should provide a list of all projects to be completed in FY 2023/24 for all MDAs reconcilable with the development budget; with a view to consolidating thinly spread allocations to high impact priority projects to ensure completion.	**Partly Complied**
5.	**THAT,** before submission of the 2023/24 annual estimates, the National Treasury reviews donor funded projects including the existing financing framework and develops a strategy to fast-track their implementation and review the terms of the facilities.	**Not Complied**
6.	**THAT,** within the next three months, the National Treasury spearheads a review of the State Corporations and Semi-Autonomous Government Agencies (SAGAs) with a view of rationalization to remove overlaps, duplication and redundancies.	**Partly Complied**
7.	**THAT,** before the submission of the 2023/24 Annual Estimates, the National Treasury in collaboration with National Government Constituencies Development Fund (NG-CDF), comes up with a framework for implementation of National Government initiatives at the constituency level such as construction of administrative offices, police stations and national tree planting through grants to the NG-CDF.	**Not Complied**

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	REMARKS
8.	**THAT,** by April 2023, the national government reviews taxation levied in the aviation industry and addresses the heavy taxation on purchase of spare parts in the aviation sector. This should be submitted to the National Assembly during consideration of the Finance Bill, 2023.	**Complied**
9.	**THAT,** beginning FY 2023/24, the National Treasury through the Public Sector Accounting Standards Board should start preparations for migration from the cash basis accounting system to an accrual system in line with sections 81 and 164 of the Public Finance Management Act, 2012.	**Partly complied**
10.	**THAT,** the allocation to various MDAs through the Sports, Arts and Social Development Fund be channelled towards government value chain priorities in line with the Bottom-Up Economic Transformation Agenda. A list of these projects should be submitted alongside the estimates by 30th April 2023.	**Complied**
11.	**THAT,** the National Assembly proposes amendment to the Public-Private Partnership Act to require regular submission of project lists by the National Treasury which are under consideration for funding through the Public Private Partnership (PPP) framework before the end of the FY 2023/24.	**Not Complied**
12.	**THAT**, the National Treasury in consultation with all relevant stakeholders develops a framework of collaboration between the county and the national government with regard to implementation of policy proposals that are devolved and shared functions and report to the National Assembly by 30th September 2023.	**Complied**
13.	**THAT,** the National Treasury and the State Department for ASALs and Regional Development undertakes a review of the mandate of the Regional Development Authorities, their contribution to the national development agenda and options for their revitalization. This should be reported to the National Assembly by 30th December 2023.	**Complied**
14.	**THAT**, by June 2023, the National Treasury develops a framework for governing conditional grants to the county governments to ensure that they meet their intended objectives. This should include the role, criteria and counterpart contribution by the counties to ensure the initiatives take off.	**There is a framework in place, complied**
15.	**THAT**, before the submission of the 2023/24 Annual Estimates, the National Treasury in coordination with the Ministry of Education should develop a framework for administration of the school infrastructure improvement funds as a conditional grant to NG-CDF to support school infrastructure development in all constituencies.	**Partly Complied**
16.	**THAT**, the State Department for Shipping and Maritime Affairs develops a policy framework with the Ministry of Education to ensure Bandari Maritime Academy students access capitation like their counterparts in other TVET institutions.	**Partly Complied**
17.	**THAT**, the State Department for Basic Education initiates and spearheads process of reviewing the capitation policy at the basic level of education to ensure	**Partly Complied**

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	REMARKS
	adequate funding to schools. A report should be submitted to the National Assembly within six months.	
18.	**THAT**, in the next cycle of placements (2023), the State Department for Higher Education and research, through the Kenya Universities and Colleges Central Placement Service (KUCCPS), should not place new government sponsored students in private universities.	**Complied**
19.	**THAT**, the fees/charges on digital services offered through the e-Citizen platform be reviewed with a view of optimizing revenue collection and service delivery.	
20.	**THAT**, before finalization of the FY 2023/24 Estimates, the State Department for Roads engages contractors and other stakeholders to negotiate on rationalization of commitments made in the roads sector and propose a framework for contracting new road projects to curtail escalation of pending bills.	**Partly Complied**
21.	**THAT**, the Geothermal Development Corporation (GDC) should prioritize connecting the steam generated from wells with capacity totalling 206MW to the national grid starting with the 35MW expected from the Menengai geothermal project by 30th April 2023 in order to afford the country access to cheaper renewable sources of energy.	**Partly Complied**
22.	**THAT**, before submission of the annual estimates for FY 2023/24, the development of community small hydro power projects be transferred from the Ministry of Energy headquarters to the Rural Electrification and Renewable Energy Corporation (REREC) to enable fast-tracking of these projects.	**Partly Complied**
23.	**THAT**, the ICT Authority in collaboration with the State Department for ICT and Digital Economy as well as key stakeholders in the Education and Energy sectors, establishes an implementation strategy for the digital learning programme and submits it to this House for review by 1st May 2023.	**Partly Complied**
24.	**THAT**, to reduce expenditure on bank charges with regard to bulk transfers by Government Agencies including transfers under the Cash Transfer Programme, the bank charges be renegotiated by the relevant agencies with the assistance of the National Treasury. This should also consider adoption of alternative technologies for cash disbursement including mobile money transfer. This should be implemented within the next three months, pending the establishment of the Treasury Single Account.	**Not Complied**
25.	**THAT**, the State Department for Social Protection and Senior Citizens reviews the *Inua Jamii* cash transfer programme incorporating lessons learnt so far and report to the National Assembly by 30th September 2023. The review should include an assessment of the adequacy of the stipend, the current outreach, mechanisms for continuous registration, exclusion of those who have exited through natural attrition and modalities of the cash transfer to beneficiaries.	**Partly Complied**
26.	**THAT**, within six months, the State Department for Wildlife establishes a wildlife compensation insurance scheme to cater for wildlife related damages.	**Partly Complied**

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	REMARKS
27.	**THAT**, within the next one month, the Attorney General's Office introduces a Bill to give effect to the merger of the National Fund for the Disabled of Kenya (NFDK) with the National Council for Persons with Disabilities (NCPWD). This will unlock both physical and monetary resources to the NCPWD as well as ensure parliamentary oversight for accountability to the NFDK.	**Partly Complied**
28.	**THAT**, the State Department for Trade fast-tracks conclusion of the ongoing agreement between Kenya and the USA on Strategic Trade and Investment Partnership and reports the progress to the National Assembly by the end of FY 2023/24.	**Partly Complied**
29.	**THAT**, the Ministry of Agriculture and Livestock in collaboration with the Ministry of Industry, Trade and Investments develops mechanisms of liberalizing the market for cotton seeds to ensure availability and affordability and report to the National Assembly by 1st September 2023.	**Partly Complied**
30.	**THAT**, by the end of the FY 2023-24 the State Department for Sports establishes a World Anti-Doping Agency (WADA) accredited laboratory in the country to reduce the cost of testing and analysing of anti-doping tests.	**Partly Complied**
31.	**THAT**, the State Department for Medical Services presents a report to the National Assembly on the assessment and evaluation of the Managed Equipment Services (MES) project and the negotiated contracts with county governments before publication of the County Conditional Additional Allocations Bill for FY 2023-24.	**Not Complied**
32.	**THAT**, the National Security Council reviews the policy of centralizing air services for security agencies under the Kenya Defence Forces and works towards returning the police air wing back to the National Police Service with corresponding funding in order to make it more effective. This should be undertaken before 30th June 2023.	**Partly Complied**
33.	**THAT**, the Parliamentary Service prepares a sector report in line with the Medium-Term Expenditure Framework (MTEF) process in a participatory manner across the four votes, conduct public participation, and submit the same to the Budget and Appropriations Committee by end of January in every financial year.	**Partly Complied**
34.	**THAT**, to enhance service delivery and streamline operations of the two principal secretaries assigned to the Office of the Prime Cabinet Secretary in line with the Executive Order no. 1 of 2023, the Office be split into the following two votes: performance management and delivery services; and legislative affairs in order to enhance service delivery. This should be undertaken before submission of the estimates for FY 2023-24.	**Complied**
35.	**THAT**, to streamline service delivery within the Parliamentary Service, a new vote	**Partly Complied**
FINANCIAL RESOLUTIONS ON THE 2023 BUDGET POLICY STATEMENT		

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	REMARKS
36.	(a) makes the following **Financial Resolutions** with respect to the BPS- **(i)** **approves** the National Government's Budget ceiling for the year 2023/2024 at **Ksh. 2,252,577,400,000-** *of which:* Executive **Ksh. 2,189,181,400,000** *Of which*: Office of the Auditor General: **Ksh. 7,698,700,000** 2) Parliament **Ksh. 40,402,000,000** 3) Judiciary **Ksh. 22,994,000,000**	**Complied. The Ceiling for the Executive was revised downwards to Ksh. 2,174,977 Billion**
37.	ii) Resolves that, the allocation to the County Government Equitable Share be approved at Ksh. 385,424,616,047;	**Complied**
38.	iii) Approves the Equalization Fund at Ksh. 7,867,000,000	**Complied**
39.	iii) approves the Conditional Grants at Ksh. 44,316,798,386 as per the Fourth Schedule of the Report. Of which an allocation of Ksh. 4.5 billion to the Managed Equipment Services (MES) will be subject to the submission of the Evaluation Report as per the resolution of the House on non-financial matters as contained in the Report (Recommendation No.32)	**Partly Complied. No evaluation report submitted to Parliament**
40.	v) orders that, the First and Second Schedule forms the basis for the ceilings for the FY 2023/24 Budget Estimates,	**Partly Complied**
41.	vi) resolves that, the financial resolutions form the basis for the 2023/2024 budget estimates.	**Partly Complied**

Annex 2. Recurrent /Current Appropriation in Aid

VOTE	State Department	Supplementary 1 2022/23 A in A	Recurrent Books for FY 2023/24 AIA	Change	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1011	Office of the President	9,084,990,990	7,100,000	(9,077,890,990)	7,100,000
1012	Office of the Deputy President	1,650,000	3,300,000	1,650,000	3,300,000
1021	State Department for Interior and Citizen Services	1,574,752,500	0	(1,574,752,500)	0
1023	State Department for Correctional Services	3,500,000	5,000,000	1,500,000	5,000,000
1026	State Department for Internal Security & National Administration	30,467,500	92,920,000	62,452,500	92,870,000
1036	State Department for the ASALs and Regional Development	0	478,500,000	478,500,000	478,500,000
1052	Ministry of Foreign Affairs	420,500,000	0	(420,500,000)	0
1053	State Department for Foreign Affairs	0	150,000,000	150,000,000	150,000,000
1064	State Department for Technical Vocational Education and Training	4,828,000,000	4,794,000,000	(34,000,000)	4,794,000,000
1065	State Department for Higher Education and Research	42,973,456,383	45,155,318,380	2,181,861,997	45,155,318,380
1066	State Department for Basic Education	1,433,000,000	2,038,000,000	605,000,000	2,038,000,000
1071	The National Treasury	9,610,314,306	7,436,314,306	(2,174,000,000)	12,080,709,552

VOTE	State Department	Supplementary 1 2022/23 A in A	Recurrent Books for FY 2023/24 AIA	Change	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1072	State Department for Economic Planning	71,000,000	71,000,000	-	71,000,000
1081	Ministry of Health	19,046,050,000	0	(19,046,050,000)	0
1082	State Department for Medical Services	0	19,536,000,000	19,536,000,000	19,536,000,000
1083	State Department for Public Health and Professional Standards	1,116,350,000	5,649,000,000	4,532,650,000	5,649,000,000
1091	State Department for Roads	67,821,000,000	81,231,211,993	13,410,211,993	77,571,027,747
1092	State Department for Transport	9,179,450,000	11,441,800,000	2,262,350,000	11,441,800,000
1093	State Department for Shipping and Maritime Affairs	1,618,000,000	1,730,000,000	112,000,000	1,730,000,000
1094	State Department for Housing & Urban Development	0	86,000,000	86,000,000	86,000,000
1095	State Department for Public Works	912,000,000	950,000,000	38,000,000	950,000,000
1104	State Department for Irrigation	77,000,000	408,000,000	331,000,000	100,000,000
1108	Ministry of Environment and Forestry	1,031,400,000	0	(1,031,400,000)	0
1109	State Department for Water & Sanitation	2,311,500,000	2,260,500,000	(51,000,000)	2,260,500,000
1112	State Department for Lands and Physical Planning	9,000,000	509,000,000	500,000,000	9,000,000
1122	State Department for Information Communication Technology & Digital Economy	710,000,000	1,460,000,000	750,000,000	860,000,000
1123	State Department for Broadcasting & Telecommunications	2,668,500,000	2,665,000,000	(3,500,000)	2,665,000,000
1132	State Department for Sports	196,289,820	218,401,000	22,111,180	314,089,000

VOTE	State Department	Supplementary 1 2022/23 A in A	Recurrent Books for FY 2023/24 AIA	Change	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1134	State Department for Culture and Heritage	473,846,000	405,000,000	(68,846,000)	405,000,000
1135	State Department for Youth Affairs and the Arts	0	212,159,000	212,159,000	34,970,000
1152	State Department for Energy	6,367,000,000	6,153,117,820	(213,882,180)	6,153,117,820
1162	State Department for Livestock Development	1,115,900,000	6,157,000,000	5,041,100,000	6,157,000,000
1166	State Department for the Blue Economy and Fisheries	22,000,000	70,000,000	48,000,000	70,000,000
1169	State Department for Crop Development	6,457,630,000	7,595,950,000	1,138,320,000	7,595,950,000
1173	State Department for Cooperatives	1,234,900,000	1,152,100,000	(82,800,000)	1,152,100,000
1174	State Department for Trade	134,500,000	389,400,000	254,900,000	389,400,000
1175	State Department for Industry	342,900,000	405,000,000	62,100,000	405,000,000
1176	State Department for Micro, Small and Medium Enterprises Development	199,100,000	197,600,000	(1,500,000)	197,600,000
1177	State Department for Investment Promotion	482,000,000	507,000,000	25,000,000	507,000,000
1184	State Department for Labour and Skills Development	913,420,000	2,608,100,000	1,694,680,000	2,608,100,000
1185	State Department for Social Protection and Senior Citizens Affairs	60,000,000	100,000,000	40,000,000	100,000,000
1192	State Department for Mining	25,000,000	100,000,000	75,000,000	100,000,000
1194	Ministry of Petroleum and Mining	20,435,031,250	0	(20,435,031,250)	0
1202	State Department for Tourism	8,570,395,007	7,984,890,000	(585,505,007)	7,984,890,000
1203	State Department for Wildlife	4,176,384,824	4,764,000,000	587,615,176	4,764,000,000
1212	State Department for Gender and Affirmative Action	135,000,000	135,000,000	-	135,000,000

VOTE	State Department	Supplementary 1 2022/23 A in A	Recurrent Books for FY 2023/24 AIA	Change	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1213	State Department for Public Service	2,638,740,000	2,638,770,000	30,000	2,638,740,000
1222	State Department for Regional and Northern Corridor Development	478,500,000	0	(478,500,000)	0
1252	The State Law Office	567,680,000	564,680,000	(3,000,000)	559,580,000
1291	Office of the Director of Public Prosecutions	0	2,000,000	2,000,000	2,000,000
1331	State Department for Environment & Climate Change	0	618,900,000	618,900,000	618,400,000
1332	State Department for Forestry	237,500,000	4,550,000,000	4,312,500,000	5,050,000,000
2043	Parliamentary Joint Services	24,000,000	0	(24,000,000)	0
2071	Public Service Commission	8,000,000	15,000,000	7,000,000	15,000,000
2091	Teachers Service Commission	665,000,000	657,512,000	(7,488,000)	657,512,000
2101	National Police Service Commission	0	50,000	50,000	50,000
2111	Auditor General	257,080,000	257,000,000	(80,000)	257,000,000
	TOTAL	**232,749,678,580**	**236,616,594,499**	**3,866,915,919**	**236,640,594,499**

Source: Budget Books.

Annex 3: Development Appropriations in Aid

VOTE	State Department	Development Books FY 2023/24 AIA	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1023	State Department for Correctional Services	-	70,000,000

VOTE	State Department	Development Books FY 2023/24 AIA	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1036	State Department for the ASALs and Regional Development	-	113,000,000
1041	Ministry of Defence	534,000,000	534,000,000
1064	State Department for Technical Vocational Education and Training	-	240,422,807
1065	State Department for Higher Education and Research	-	50,000,000
1066	State Department for Basic Education	-	200,000,000
1071	The National Treasury	-	13,128,428,116
1082	State Department for Medical Services	-	2,960,000,000
1091	State Department for Roads	16,599,000,000	24,965,365,108
1092	State Department for Transport	37,396,000,000	33,399,284,892
1093	State Department for Shipping and Maritime Affairs	480,000,000	480,000,000
1094	State Department for Housing & Urban Development	969,000,000	969,000,000
1095	State Department for Public Works	100,000,000	100,000,000
1104	State Department for Irrigation	-	45,000,000
1109	State Department for Water & Sanitation	-	1,578,000,000
1112	State Department for Lands and Physical Planning	500,000,000	-
1122	State Department for Information Communication Technology & Digital Economy	30,000,000	330,000,000
1132	State Department for Sports	16,000,000,000	16,000,000,000
1152	State Department for Energy	9,663,000,000	11,461,350,000

VOTE	State Department	Development Books FY 2023/24 AIA	Estimates of Revenue, Grants, and Loans Books AIA FY 2023/24
1169	State Department for Crop Development	135,000,000	788,000,000
1193	State Department for Petroleum	3,100,000,000	3,100,000,000
1203	State Department for Wildlife	-	235,000,000
1212	State Department for Gender and Affirmative Action	-	200,000,000
1213	State Department for Public Service	-	100,100,000
1214	State Department for Youth Affairs	-	135,989,491
1331	State Department for Environment & Climate Change	-	140,000,000
2091	Teachers Service Commission	43,000,000	43,000,000
	TOTAL	**85,849,000,000**	**111,365,940,414**