PARLIAMENTARY SERVICE COMMISSION

PARLIAMENTARY BUDGET OFFICE

Unpacking the Estimates of Revenue and Expenditure for 2020/2021 and the medium term

MAY 2020

Disclaimer

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I. THE 2020/2021 BUDGET IN CONTEXT

1) **Budgeting is an important tool for planning and resource allocation. During a time of crisis, it is even more important as a response and mitigation tool.** The COVID-19 pandemic is arguably the single most important parameter this year, with the capacity to significantly and adversely affect economic performance and the outlook of various economic indicators. Over a span of two months since the first case was reported in the country, the disease has emerged as a health crisis that is quickly morphing into an economic crisis, and a humanitarian crisis. The policy framework of the 2020/2021 budget must therefore be anchored on a response strategy that comprehensively addresses these three facets. Importantly the economic crisis may outstrip the health crisis as hopelessness grips those who lose their jobs find no food and shelter and no- where to run. Thus the budget needed to have been prepared in an extra-ordinary manner to take care of the vulnerable of our citizenry.

2) **The challenge of drafting the 2020/2021 budget is to comprehensively respond to the crisis is that the depth of the crisis is yet unknown.** What is evident is that both globally and domestically, economic activities have been significantly disrupted leading to uncertainty and instability thus affecting economic performance, tax collections, public and private investment, current account balance, personal incomes and employment. The ripple effect of the health pandemic on the Kenyan economy has been visible in terms of reduced export earnings, fewer business operations, increased unemployment levels and declining consumer demand. Indeed, the immense revenue loss occasioned by these developments within the first quarter of year 2020 resulted in a second supplementary budget for financial year 2019/2020 which was submitted to the National Assembly on 14th April 2020. Though the 2019/20 Supplementary II budget attempted to address COVID-19 related expenditures, the interventions were not very comprehensive probably due to unavailability of resources (revenue shortfall) as well as the little time left before the financial year elapses.

3) **Given the crisis at hand, the ideal response strategy, drawing from emerging international trends, is to introduce an economic reform package that not only addresses immediate health and income needs but also proposes a roadmap for the next phase of recovery. However, the 2020/2021 budget falls short in this aspect.** Immediate needs basically entail boosting the capacity of the health system to respond to disaster as well as providing an income safety net to deal with hunger and other needs particularly for the urban poor who are the hardest hit. Thus, massive effort, beyond current measures, should've been seen towards recruitment of additional health workers, revamping of health facilities particularly the referral hospitals and acquisition of medical equipment.

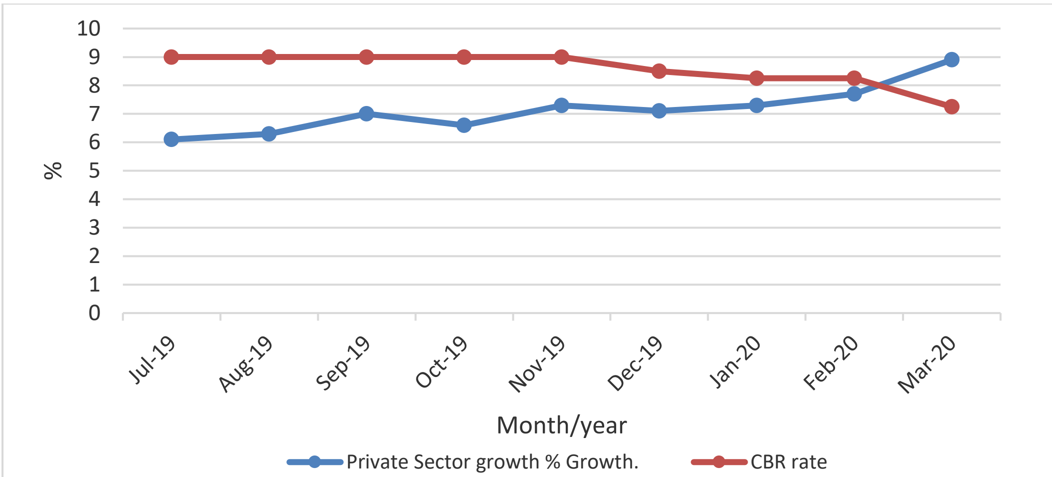
4) However, the budget doesn't seem to prioritize these needs at all. Indeed, except for a Kshs.2.6 billion allocation towards mass testing of COVID patients under the Kenya COVID-19 Emergency

Response Project, the health budget remains more or less the same with only slight upward adjustments probably to cater for inflationary trends. There are no significant changes made towards revamping referral hospitals or to boost research in KEMRI or for mass recruitment of healthcare workers. (Health is a county responsibility but more can be allocated through conditional grants to counties?). With regard to hunger/safety nets, it would have been useful to have a strategy for direct cash support for those who have lost livelihoods, particularly the urban poor but this is not seen. Most of the ongoing COVID mitigation responses are being done outside of the budget framework, that is, through the COVID-19 Emergency Response Fund which is mostly financed through donations and well-wishers and is managed separately from the Consolidated Fund. Though the COVID-19 Fund is an important intervention particularly with regard to raising resources, it may not be sustainable and should not be relied on solely to mitigate the impact of the crisis. The national budget must play its part. It is time for an economic stimulus through the budget

5) **Due to the nature of the crisis, conventional monetary and fiscal policy may not be adequate enough to facilitate an economic comeback especially if the crisis is prolonged.** The ongoing crisis is not due to a failure in the natural interaction between the forces of supply and demand. Both demand and supply have collapsed largely due to COVID containment measures. As a result, the government has to intervene significantly in order to mitigate the crisis. Thus for the next phase of recovery, the 2020/2021 budget should have also included measures to jumpstart the economy as the health crisis wears off rather than leaving the recovery to market dynamics. Arguably, one of the most crucial measures would have been to protect businesses particularly the MSMEs who are the hardest hit. Some businesses may never recover from this crisis, especially if the crisis persists into the third quarter.

6) The Central Bank (CBK) has been lowering the CBR rate since January 2020 but the impact on private sector credit remains muted due to weak economic activities which has adversely affected the ability of MSMEs to seek credit from banks. In addition the government is also in the market seeking for resources through domestic borrowing. In recent months, the moderate increase in credit to the private sector (as illustrated in Fig 1) has mostly been channelled to manufacturing sector. This can probably be attributed to the fact that some manufacturing businesses may have been able to adapt to meet gaps in the supply chain for intermediate goods as well as engage in production of PPEs. However, many businesses especially the micro and small enterprises that lack substantial assets, may not be able to access credit financing at all. To protect these businesses, provision of concessional financial support through Kenya Industrial Estates as well as the Micro and Small Enterprise Authority, and government credit guarantees through the banking system would help the business maintain their payrolls and sustain their businesses through the crisis. It should be noted also that the review the budget of the state department for industrialization, shows no clear government support to businesses that are manufacturing PPEs as well as those with the capacity to engage in import substitution. Without a clear economic recovery strategy, the economic and humanitarian effects of COVID may continue being felt long after the health crisis has ended.

Figure 1: Movement of CBR Rate vs. Private sector credit growth



Data source: CBK

II. ADHERENCE TO LEGAL PROVISIONS

7) The Estimates of Revenue and Expenditure for 2020/21 and the Medium Term were submitted to National Assembly on the Wednesday, 29th April, 2020; underpinned by provisions of Article 221 of the Constitution, Sections 25, 37 and 38 of the Public Finance Management (PFM) Act,2012, Sections 6, 27(4),32 and 59 of Public Finance Management Act Regulations, 2015 and National Assembly Standing Order 235.

8) Review of the documents submitted to Parliament indicate a **67.05** percent legal compliance rate. There are some issues of concern in regards to the extent of its legal compliance. These issues are:

a. As required under PFM Act, 2012 Section 25(8) and PFM regulations Section 27(4), the ceilings provided in the 2020/21budget estimates, do not adhere with the ceilings in the adopted Budget & Appropriations Committee report on 2020 Budget Policy Statement. It is indicated that this is on account of expenditure adjustments to reflect downward review of revenue targets as well as create fiscal space to fund COVID expenses.

b. The National Government share of wages and benefits to revenues in the FY 2020/21 is projected at 36.9 percent. This contravenes Section 15 (2) (b) of PFM Act, 2012 which stipulates that the National Government's expenditure on wages and benefits for its employees not to exceed 35 percent of the national government equitable share of the revenue. The National

Treasury has acknowledged this and is attributing it to the significantly reduced revenue projection for FY 2020/21.

c. Most of National Assembly Resolutions have not been adhered to pursuant to Section 38 (1)(a)(iii) and 38 (1) (f) (See Annex 2).

d. Estimates of revenue allocated to and expenditures for FY 2020/21 projected from Equalization Fund guided by the Commission on Revenue Allocation policy on marginalized areas have not been submitted to Parliament.

e. No publication of citizens' budget on National Treasury Website.

f. Since the budgets for the Parliamentary Service Commission (PSC) and the Judiciary are submitted separately, there is evidence that the one for judiciary was subjected to public participation but the one for the legislative arm was not. A more detailed analysis of legal compliance is available in Annex 1 and 2.

III. REALISM OF THE 2020/2021 MACRO-FISCAL FRAMEWORKOF THE BUDGET

9) Table 1 below is an outturn prepared after extraction of the numbers from the estimates of expenditure for recurrent and development from the Budget books submitted to the National Assembly for FY 2020/2021.

Table 1: Fiscal Framework for FY 2020/2021

	FY 2019/20				
Item	**Printed Estimates**	**Suppl. Estimates 1**	**Suppl. Estimates 11**	**BPS 2020**	**Draft 2020/21 Estimates**
Total Revenue	**2,115.8**	**2,084.2**	**1,893.9**	2134.1	**1,854.1**
o/w Ordinary Revenue	1,877.1	1,843.8	1,643.4	1856.7	1,621.4
Expenditure	**2,796.0**	**2,874.1**	**2,774.4**	**2,738.2**	**2,712.9**
CFS (Interest + Pensions etc)	550.00	550.00	524.67	574.7	586.5
Recurrent Ministerial	1,224.6	1,224.3	1,248.62	1,229.1	1,219.9
Development Ministerial	704.2	782.7	684.0	617.9	584.3
County-Equitable Share	316.5	316.5	316.5	316.5	316.5
Net Lending	0.6	0.6	0.6	0	-
Equalization Fund	5.8	5.8	-	5.8	5.8-
Fiscal Balance	**(680.2)**	**(789.9)**	**(880.5)**	**(604.1)**	**(858.8)**
Grants	38.8	41.8	44.6	42.8	36.1

Item	FY 2019/20 Printed Estimates	Suppl. Estimates 1	Suppl. Estimates 11	BPS 2020	Draft 2020/21 Estimates
Fiscal Balance (Grants)	**(641.4)**	**(748.1)**	**(835.9)**	**(561.3)**	**(822.7)**
Total Financing	**641.3**	**657.4**	**706.8**	**561.3**	**736.0**
Foreign Financing	462.7	484.8	455.0	519.3	523.9
Debt Repayment	(131.4)	(131.4)	(121.5)	(174.1)	(174.1)
Net domestic Financing	**306.8**	**300.7**	**473.2**	**222.9**	**486.2**
Other Domestic Financing	3.2	3.2	-	3.2	0
Provision for Tbills Redemption	-	-	(100)	(10)	(100)
Financing Gap	**(0.0)**	**(90.7)**	**(129.1)**	**(0.0)**	**(86.7)**

❖ **Real GDP growth:**

10) In light of the recent developments, the projected growth for 2020 has been revised downwards to 2.5% from an initial projection of 6.1% in the 2020 BPS. In terms of fiscal years, real GDP growth is projected at 4.2% in 2020/2021 but is expected to rebound to 5.8% over the medium term. According to the National Treasury, this growth outlook for 2020/21 will to a large extent be supported by ongoing public and private investments especially government investments in the Big Four Agenda. Other key drivers of economic growth include a stable macroeconomic environment with inflation remaining within the target range, increased private consumption and an expanded export base once the world borders re-open.

11) The challenge of this growth premise is that it doesn't seem to adequately incorporate the impact of the COVID crisis and the post COVID economic recovery strategy remains unclear. The tone of the 2020/2021 budget remains 'business as usual' despite the highly unusual environment the country is currently operating in. The strategy appears, is to leverage on past investment decisions, specifically the Big Four related projects, in order to move the economy forward. However, it should be noted that over the past two years, the Big Four projects have struggled to take shape and many of the targets are yet to be achieved. It is notable that the Supplementary II budget for 2019/2020 removed resources allocated to meet some manufacturing agenda targets including reduction of allocations for critical infrastructure at the proposed Naivasha Industrial Park and Kenanie Leather Park. Similarly, the food security agenda faces challenges in various fronts, including: the ongoing locust infestation, weak marketing strategies, and weak input subsidy systems. Indeed, slow implementation of government projects continues to be a major hindrance to the country's development agenda and may therefore not be a reliable driver of economic growth in the coming financial year.

12) **Private consumption and an expanded export base are also highly unlikely to be significant drivers of economic growth.** Given the economic uncertainty and the loss of income in many households, private consumption is likely to decline significantly especially if the crisis is not resolved by end of second quarter. Exports have also declined sharply and the impact is likely to be felt through 2020. Depending on how long the crisis lasts, the outcome could be worse and the negative effects may take long to resolve, even after the pandemic has ended. Indeed, the country could experience negative growth in Q2 and Q3 of 2020 due to significant dampening of economic activity. Given the current economic dynamics and the muted response by the government to the economic aspect of the crisis, **we project that GDP growth is likely to average -1.5% to 1% in 2020 with a slow pick up in 2021**.

13) **Given the ongoing crisis, the primary target of the 2020/2021 budget should have been to put in place mechanisms that will enhance our capacity to cope with and ensure a speedy resolution to the current crisis.** Indeed, effective control of the virus spread and resumption of normalcy is the key determinant of how fast the economy recovers and how it will perform thereafter. In this respect, a feasible strategy comprises of measures to save consumption demand and private investment from collapse by: supplementing incomes of those who have lost jobs and the poor; keeping supply chains open; and accelerating investment in sectors likely to thrive during the crisis among them agriculture, health, mobile telephony and essential goods manufacturing. For enterprises which would not operate through the crisis (hospitality and tourism related firms), then the strategy would be to keep them on life support via temporary aid for their overheads including rental and wage bill support. It is clear from the review of the estimates that there is no specific budgetary allocation seeking to address these factors in a coordinated manner.

14) **Ideally, the government should have considered at least two macroeconomic scenarios with distinct assumptions regarding the depth and duration of the pandemic.** Developing a budget in the current context is undoubtedly a challenge because the fluidity of the situation makes it difficult to make accurate macroeconomic predictions. Scenario setting can give clarity to the government on how to structure its responses in the budget in order to mitigate the impact of the crisis on the economy. Immediate needs include expansion of health infrastructure and direct relief to vulnerable households. Further along, there may be need to provide concessional loans to businesses among other needs which may arise depending on how long the crisis lasts. How will the budget be adjusted if situation worsens?

❖ Government spending and the Fiscal Deficit:

15) It is indicated that expenditures in the 2020/2021 budget have been revised downwards to provide more resources for interventions related to the COVID-19 pandemic; and non-priority expenditure has been reduced during this period. **However, it is difficult to ascertain the validity of these**

claims. Throughout the entire programme based budget, the only expenditure earmarked towards COVID response is a Kshs.2.6 billion allocation towards mass testing of COVID patients under the Kenya COVID-19 Emergency Response Project in the Ministry of Health. It is not clear what the other interventions towards this crisis are and in which spending agency they are domiciled.

16) Recurrent expenditure has been reduced by approximately Kshs.10 billion whereas development expenditure has been reduced by Kshs.27.8 billion from the initial projection at BPS level. Given the uncertainty of revenue performance in the coming financial year, it is indeed important to curtail all non-essential and non-urgent spending to create space for pandemic related spending. For the government to effectively determine what exactly is 'non-essential' and not-urgent, expenditure reductions should have been accompanied by justification as well as an analysis of how the programme targets will be affected. It is also crucial for the government to critically consider the mix of development spending that would be priority under the prevailing circumstances and this has to be clearly demonstrated. Non critical expenditures can then be slowed down.

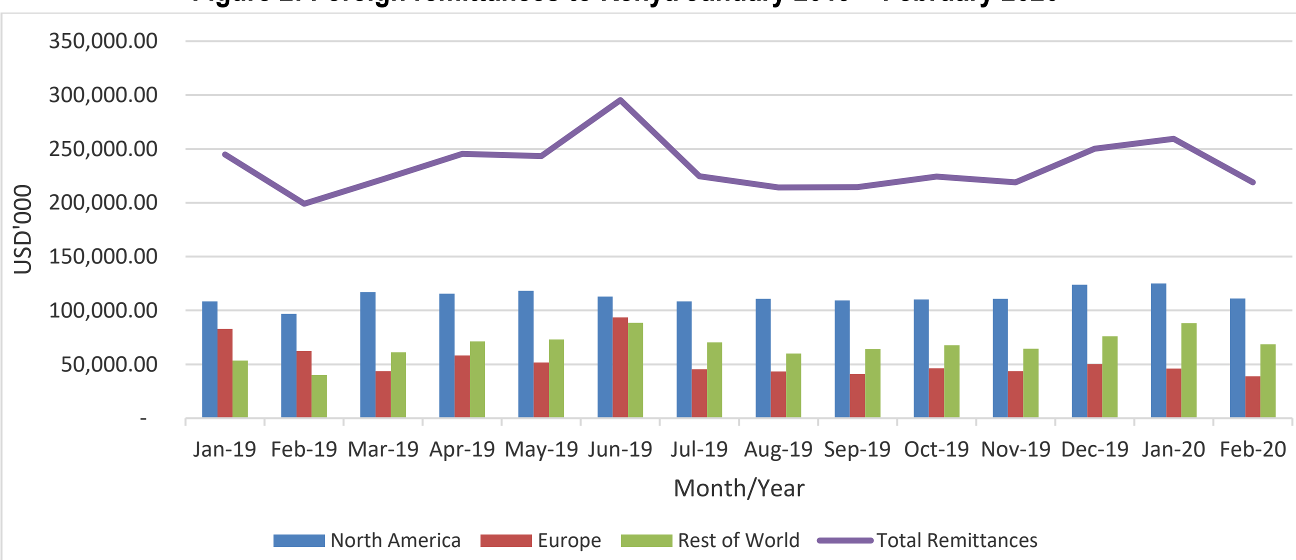
17) The Fiscal Deficit is projected at 7.3% of GDP, indicating a widening scenario compared to the previous projection of 4.9% of GDP due to the need to meet critical expenditure needs in the context of an economic slowdown and the ensuing revenue underperformance. The uniqueness of the ongoing crisis means that maintaining a significantly low deficit may not be a priority at the moment. Given critical expenditure needs, the government may have to allow an expanding deficit and significantly borrow in order to protect the economy from the detrimental effects of the crisis. For this reason, it is important for the budget to be adjusted in such a way that only the very important expenditures are retained while the non-core expenditure is released towards pandemic related spending. The projected fiscal deficit will be financed by net external financing of Kshs.349.7 billion (3.1% of GDP)and net domestic borrowing which is projected to increase from a provision of Kshs.222.9 billion (BPS 2020) to Kshs.486.2 billion (4.3% of GDP) in the Budget Estimates for 2020/21 (118%).

18) It should be noted that there are some inconsistencies between the Budget books and what appears in the budget summary (interest payments, pensions). Assuming that the envisaged revenue projections are achieved, there is still a financing gap of Kshs.86 billion. Best practice requires that there is sufficient disclosure of all expenditure items, for instance, the Kshs.100 billion earmarked for Treasury Bill/bond redemption that shall be borne from the revenues must be reflected as an expenditure in the Fiscal Framework (below the line).

❖ Current External Balance and Forex reserves:

19) The current account deficit is projected to worsen slightly and is estimated at -5.1%. This comprises the trade balance as well as net factor income from abroad. Exports remain among the hardest hit on account of the covid-19 pandemic. Cut flower exports have suffered significant losses and it is estimated that the sector may lose approximately Kshs. 60 billion by end of 2020. Coffee, tea, fruits exports are also likely to record dismal performance which is worsened by decline in most commodity prices. Furthermore, the tourism sector has suffered significant losses due to ban on international travel and restriction of movement. On the other hand, imports are also likely to decline moderately due to reduced global oil prices as well as reduction in importation of industrial supplies. As a result, foreign exchange reserves may decline slightly in the future. Over the past year, forex reserves have largely depended on remittances. However, with the ongoing crisis – reduced economic activity declining incomes and uncertainty over the future – remittances are expected to decline as the year progresses. A major decline in external receipts, remittances and exports, will dangerously expose the country to external debt repayment challenges. **To avoid such unprecedented occurrence, the government should expeditiously seek moratoriums on debt repayment for at least one year.**

Figure 2: Foreign remittances to Kenya January 2019 – February 2020



Data Source: Central Bank of Kenya (CBK)

Box 1: Macroeconomic Impact of COVID-19

The economy is currently navigating uncharted waters on account of the COVID-19 pandemic. The situation is evolving daily and without concrete statistics or an idea of how and when the crisis will end, it may not be possibly to accurately predict the economic outcome. Here, we have run a few scenarios to demonstrate how different COVID-19 assumptions will yield different results.

Scenario 1: Quick Recovery

The situation: The government is able to effectively control the virus spread and the health crisis is resolved by the end of the second quarter. COVID containment measures – ban on public gatherings, curfew – are lifted save for essential ones like handwashing hygiene and wearing of face masks which may need to be in place for a while. Private investment which dipped significantly in the first and second quarter improves as businesses recover slowly. The government tax measures as well as direct cash support to households through the COVID emergency response fund is able to protect consumption so aggregate demand recovers faster. Exports recover in Q3 and Q4 after registering losses in Q1 and Q2.

Economic outcome: GDP is likely to reduce by 2.6 to 2.8% points (GDP growth likely to average 2.8 – 3.2%), revenue will decline significantly on account of reduced economic activity and the tax relief measures; lower revenue leads to additional borrowing to meet critical expenditure needs particularly under health and other pandemic related spending; in the context of low revenue collection

Scenario 2: Economic Slowdown

The Situation: public health responses do not succeed in preventing spread and COVID containment measures stay in place well into the third Quarter. As a result, there is a sharp decline in consumption and investment as businesses collapse and households lose income. Exports continue to decline significantly. An increasing number of people require support from the government. The health system is under strain.

Economic outcome: economic growth dips by significantly by 5 to 7 points to average (GDP growth likely to average 1.2 to 2.0% with significant downside risks); the budget deficit increases leading to increased borrowing, government and private investments go down as revenue underperforms.

Scenario 3: Recession

The Situation: The spread of the disease permeates into most counties and the health system is overwhelmed. Crisis is prolonged and its effects are felt through the fourth quarter. Many businesses collapse and some, especially the MSMEs, may never recover. There are mass layoffs and unemployment levels soar.

Economic Outcome: Growth contracts sharply and recession dynamics set in. Monetary policy and fiscal policy are unable to overcome economic damage and government must implement a significant economic recovery strategy otherwise effects will persist into 2021.

Whether the country experiences an economic slowdown or a recession will largely depend on the policy responses of government. Even as public health responses are implemented, the government needs to also consider putting in place an economic recovery strategy keeping in mind that conventional monetary and fiscal responses may not be adequate enough to overcome the economic damage caused by the crisis. The 2020/21 budget should have basically been a contingency plan for the recovery of the economy. Without a clear cut path for recovery, the effects of the crisis may persist into 2021.

(Analysis *based on various briefing notes by McKinsey and Company*)

IV. KEY HIGHLIGHTS OF THE 2020/2021 BUDGET

Table 2: So where is the money going?

Sector	Current Estimates	Capital	Total	% of the National Government Budget
Education	480,616,628,320	20,883,600,000	501,500,228,320	**28%**
Health	64,932,476,233	49,591,983,849	114,524,460,082	**6%**
National Security	145,323,956,500	9,208,594,305	154,532,550,805	**9%**
Energy, Infrastructure &ICT	145,736,201,500	202,384,630,604	348,120,832,104	**19%**
Governance, Justice, Law and Order	175,983,166,701	4,702,110,000	180,685,276,701	**10%**
Judiciary	15,397,000,000	3,701,800,000	19,098,800,000	**1%**
Parliament	37,078,100,000	2,067,550,000	39,145,650,000	**2%**
Other Sectors	154,835,988,001	297,545,467,750	452,381,455,751	**25%**
Total	**1,219,903,517,255**	**590,085,736,508**	**1,809,989,253,763**	**100%**

Pertinent observations:

20) It is indicated that the 2020/2021 budget is aimed at prioritizing employment creation, youth empowerment, supporting manufacturing activities, enhancing health coverage, improving food security and enhancing living conditions through affordable housing. However, the budget allocation trend does not appear to support this claim. The biggest portion of the budget is allocated to the education sector to cater for operational costs of the Teachers Service Commission. Other highly funded programmes are the road transport and defence programmes. The health budget has not adequately addressed the challenges that threaten to hinder the attainment of Universal Health coverage particularly with regard to human resources inadequacies and poor health infrastructure; the manufacturing and food security are among the least funded sections of the budget; and the allocation to key big four housing projects has been significantly scaled down with programs such as construction of social housing receiving no allocation for FY 2020/2021. It should be noted however that some counties have made significant effort towards revamping their hospitals and equipping them particularly to deal with the COVID-19 pandemic. However, a lot more still needs to be done to improve the status of healthcare. Coordination between the two levels of government is therefore paramount.

21) In the recurrent budget, major expenditures are proposed for the Teachers Service Commission (Kshs.264 billion), state department for Interior (Kshs.128 billion), Ministry of Defence (Kshs.106.2

billion) and the State Department for University Education Kshs.107 billion. These expenditures represent 52% of the total recurrent budget of the national executive.

22) In the development budget, major expenditures are as follows; the state department for Infrastructure Kshs.121.6 billion, the State Department for Water and Sanitation Kshs.69.7 billion, Ministry of Energy Kshs.67 billion and the ministry of Health Kshs.49 billion. The expenditures represent 52% of the total development budget.

23) As earlier indicated, the 2020/2021 budget has been adjusted downwards in light of the COVID pandemic. However, there is no extensive analysis of how existing program targets have been affected by these expenditure adjustments. The development budget in particular, has been reduced by Kshs.27.8 billion from the BPS level. It is apparent that the development budget has been spread too thin, accounting for only 33% of total ministerial budget and this is likely to lead to delay in project completion. Given resource constraints, only the very important projects should be prioritized. Unfortunately, project prioritization has not borne fruit despite the creation of the PIMS unit in the National Treasury.

24) Funds earmarked for certain activities in line with legal provisions have been adjusted. For instance, the NG-CDF has been reduced by Kshs.10 billion from the 2019/20 baseline.

25) With regard to AiA, some sectors have set quite unrealistic targets. For instance, The state department for Tourism targets to collect Kshs.3.8 billion into the Tourism fund against a target of Kshs. 3.6 billion in the current financial year. This is unlikely to be achieved due to near collapse of the hotel industry that collects the catering levy into the fund. The sports department has also set a target of Kshs.14 billion to be collected into the sports fund. This is also unlikely to be realized given the fact that there are no activities happening in the sports industry, betting and lotteries which is the source of the levies into the fund.

26) Analysis of the list of projects reveals that some projects have been allocated resources despite having been finalized. (Refer to Annex 3)

27) Public participation is under threat. There is no evidence that the input of the public, both from the executive and legislature influences budget decisions.

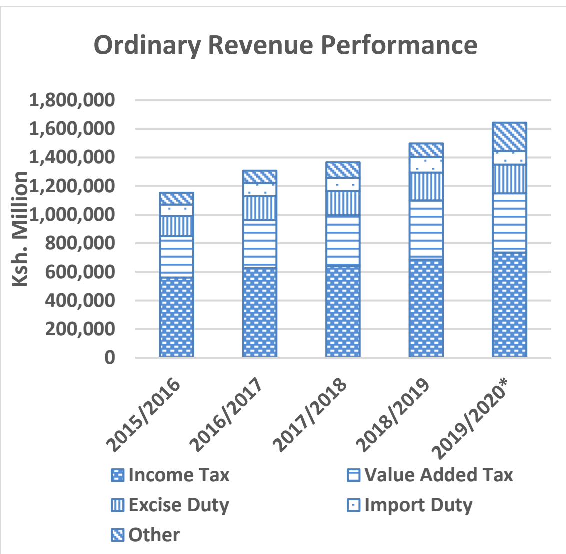
V. FINANCING OF THE 2020/2021 BUDGET

28) **The revenue targets set by the National Treasury in the budget estimates continue to be unrealistic.** The ordinary revenue target as per the 2019/20 printed estimates was Kshs.1.88 trillion. The target was revised down to Kshs.1.64 trillion in supplementary estimates II. However, as at 31st March 2020 ordinary revenue receipts stood at Kshs.1.2 trillion, consequently, the revenue target for the FY 2019/20 is unlikely to be achieved. The composition of ordinary revenue and its performance are presented in Table 3, Figure 2 and Figure 3 below.

Table 3: Ordinary Revenue Performance 2019/20 FY

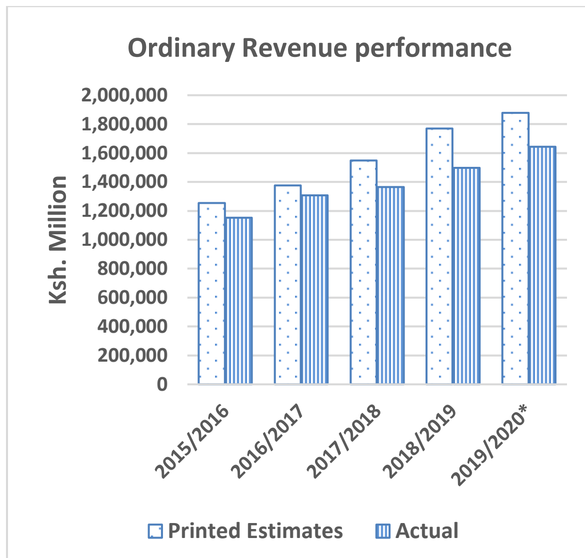
2019/2020 Ordinary revenue performance				
	Printed Estimates (Kshs.)	Supplementary Budget I (Kshs.)	Supplementary Budget II (Kshs.)	Actual receipts as at 31st March 2020 (Kshs.)
Total Ordinary Revenue	1,877,176,497,191.35	1,843,812,537,631.82	1,643,400,000,000	1,215,802,499,110.40

Figure 3: Composition of Ordinary Revenue



*Supplementary estimates II

Figure 4: Ordinary Revenue Performance



*Supplementary estimates I

29) **The Covid-19 pandemic is expected to have a negative impact on tax receipts in both the 2019/20 FY and 2020/21 FY.** Reduced demand for non-essential goods and services, limited international trade and travel, the shutdown in the accommodation and restaurant sector are some of the factors that are expected to contribute to reduced revenue collection. The National Treasury projects that ordinary revenue will decline from Kshs. 1,643.4 billion (16.1% of GDP) billion in

2019/20 (revised estimates II) to **Kshs. 1,621.4 billion (14.4% of GDP) in 2020/21.** One of the main drivers of the nominal decline in ordinary revenues is a decline in income tax see table 4 below.

Table 4: Revenue projections

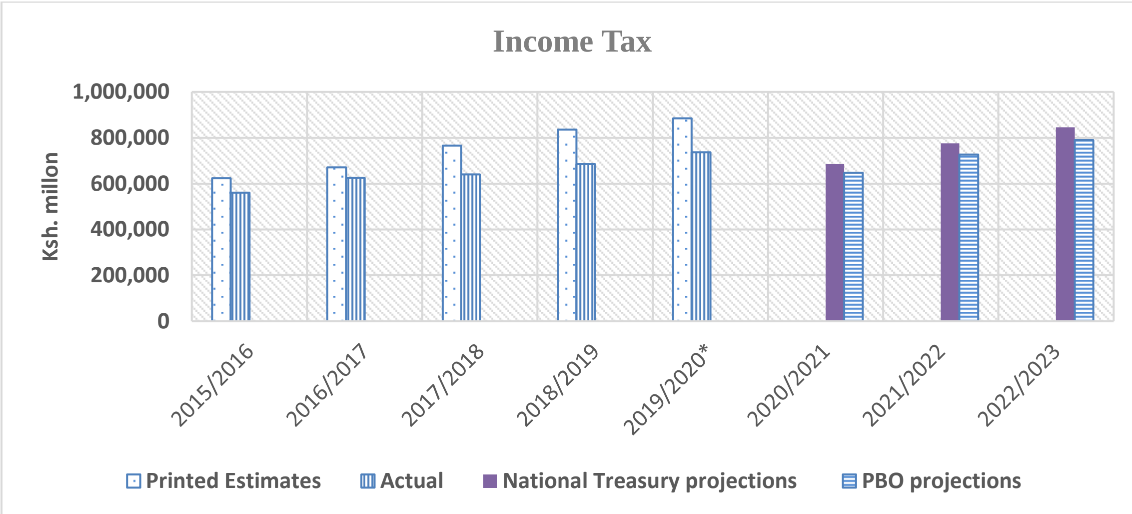
	Actual (Ksh million)					National Treasury projections (Kshs. Million)		
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20***	**2020/21**	**2021/22**	**2022/23**
Revenue and grants	**1,284,388**	**1,463,610**	**1,548,903**	**1,690,772**	**1,927,400**	**1,906,700**	**2,185,200**	**2,414,800**
Total Revenue	**1,254,791**	**1,439,506**	**1,522,419**	**1,671,070**	**1,892,900**	**1,870,600**	**2,139,100**	**2,367,900**
Ordinary Rev	**1,152,544**	**1,306,504**	**1,365,063**	**1,496,930**	**1,643,400**	**1,621,500**	**1,871,700**	**2,077,900**
Tax revenue	1,069,825	1,219,501	1,259,113	1,400,566	1,443,500	1,514,800	1,759,000	1,953,600
Income tax	560,762	625,050	640,546	685,389	736,300	685,000	776,600	846,500
VAT	289,213	339,034	357,129	413,186	412,600	481600	567,700	635,300
Import duty	79,638	89,943	93,685	107,702	93,400	106,800	137,400	159,000
Excise duty	140,212	165,474	167,753	194,289	201,200	241,400	277,300	312,800
Other	82,719	87,003	105,950	96,364	199,900	106,700	112,700	124,300
Appropriation-in-Aid	102,247	133,002	157,356	174,140	226,800	221,900	237,000	255,800
Rail levy					22,700	27,200	30,400	34,200
Grants	**29,597**	**24,104**	**26,484**	**19,702**	**34,500**	**36,100**	**46,100**	**46,900**
o/w project grants						33100		

*Supplementary estimates II

30) **The measures taken in response to the Covid-19 pandemic are expected to contribute to a decline in taxes on income, profits and capital gains (income tax).**Reduced demand for non-essential goods and services is expected to contribute to reduced income and profits of both small and large businesses. For instance, businesses in the accommodation, restaurant and tourism sector are expected to continue accruing losses and shedding staff for the better part of 2020/2021. Further, subdued exports of major cash crops are expected to dampen incomes of farmers/businesses in the agricultural sector.

31) **Income tax revenue is also expected to decline as a result of the tax measures taken to cushion Kenyans against the impact of the pandemic.** These measures which included a reduction in the top tax rates for individuals from 30% to 25% and the reduction of the corporate income tax rate from 30% to 25% are expected to directly contribute to a decline in income tax collection in 2020/2021. **Consequently, PBO projects that income tax revenue will decline from about 7.2% of GDP in 2019/20 to between 5.8% and 6% of GDP in 2020/2021(See figure 5).**

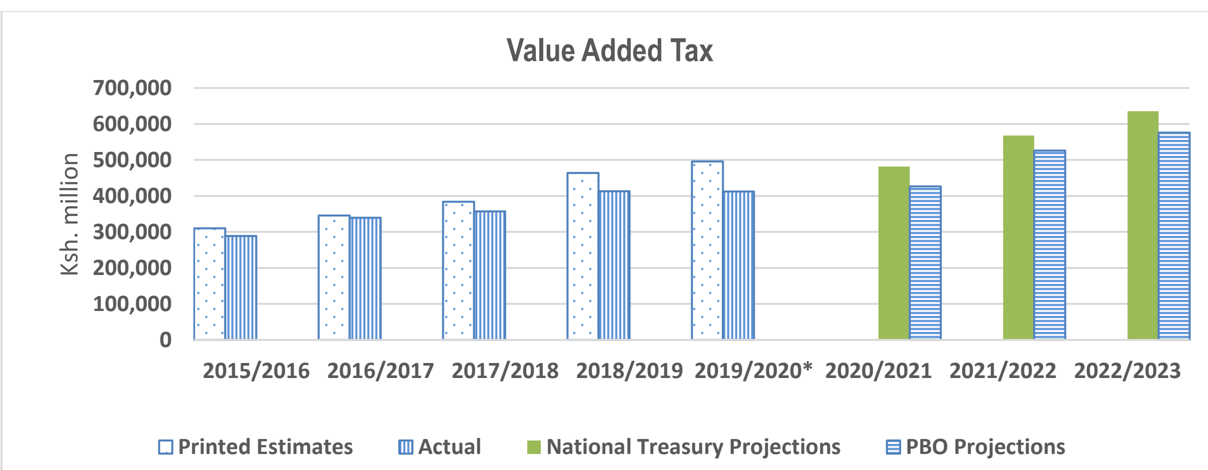
Figure 5: Income tax projections



*Supplementary estimates II

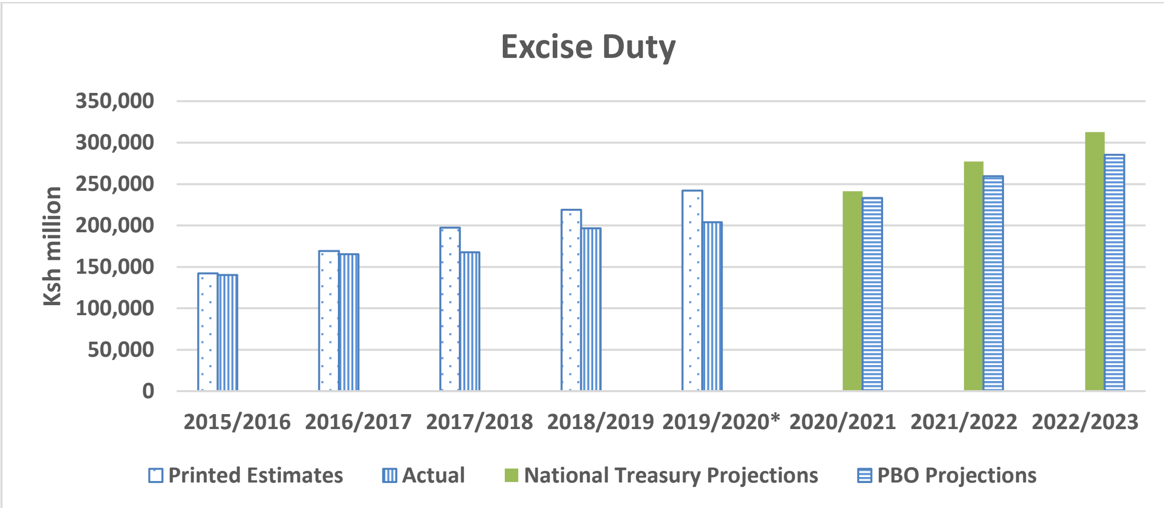
32) **Reduced consumption and the reduction of the Value Added Tax (VAT) rate from 16% to 14% could dampen VAT collection in 2019/2020 and 2020/2021.** This is however dependent on how demand for the consumption of VATable goods behaves, that is, whether it increases or decreases. Lower prices could trigger increased demand but on the other hand, declining incomes may dampen this demand. VAT on imports is further expected to be negatively impacted by the resulting slowdown in international trade volumes due to the COVID-19 pandemic. **As a result, the PBO projects that the VAT revenue as a share of GDP will decline from about 4% in 2019/20 to 3.8% in 2020/21. Figure 6 and Figure 7 presents PBO and National Treasury VAT and Excise Duty projections.**

Figure 6: Income tax projections



*Supplementary estimates II

Figure 7: Income tax projections



*Supplementary estimates II

33) **The projected decline in ordinary revenue receipts is expected to contribute to a worsening fiscal deficit.** The fiscal deficit (excluding grants) as a share of GDP, is expected to worsen from -7.3% in 2017/18 to **-7.6%**in 2020/2021. At -7.3% of GDP, the projected deficit (inclusive of grants) in FY 2020/21 is above the EAC convergence criteria of not more than -3%. Further, a large fiscal deficit implies that Kenya will have limited room for a fiscal response to the impact of the Covid-19 pandemic on poor and vulnerable households, especially if the measures adopted to fight the pandemic remain in place for an extended period.

34) The 2020/21 fiscal deficit (inclusive of grants) of Kshs. 823.2 billion will be financed by foreign and domestic borrowing. A breakdown of the financing of the fiscal deficit is presented in table xx below. Net foreign financing is projected to beKshs. 350billion in 2020/21 which is similar to FY 2019/20. However, a decrease in Programme and concessional loans in FY 2020/21 will be replaced by more expensive semi concessional loans which may result in higher debt service expenditure in the medium term. Further, there is no clear definition of what constitutes a semi concessional loan.

Table 5: Financing of the fiscal deficit

In Kshs. Billion				
	2017/2018	**2018/2019**	**2019/2020***	**2020/2021**
Fiscal Balance (commitment basis excl. grants)	-623.9	-732	-874.2	-859.3
Grants	27.6	19.7	34.5	36.1
Of which: Project grants	22.9	15.4	22.8	33.1
Fiscal Balance (incl. grants)	-596.3	-712.3	-839.7	-823.2
Adjustment to Cash Basis	-34.7	8.7	0	0
Fiscal Balance (incl. grants) Cash Basis	**-631**	**-703.6**	**-839.7**	**-823.2**
Financing	**631.2**	**721.2**	**839.7**	**823.2**

Net Foreign Financing	354.9	414.6	349.9	349.75
Project loans	180.8	222.3	219	241.55
Programme and other concessional Loans	8.5	84.8	246.2	152
O/W: Programme Loans	8.5	8.2	96.2	2
Rapid Credit Facility from IMF			74.4	
DPO (WB & ADB) & Other Concessional Loans		76.6	150	150
Commercial Financing	304	373.7	6.2	6.2
Semi concessional Loans				124.1
Repayments due	-138.4	-266.2	-121.5	-174.1
Other Domestic Financing	2.6	2.9	152.1	-12.6
Net Domestic Financing	273.7	303.7	337.8	486.2
Financing gap	35	8.7		

*Supplementary estimates II

35) **Project loans and grants will account for almost 50% of development expenditures in FY 2020/21.** Out of the **Kshs. 583.4 billion** gross development budget **Kshs. 241.6 billion** will be financed by project loans, while **Kshs. 33.1 billion** will be financed by project grants. In the 2019 BROP, low absorption by development partner funded projects was identified as one of the causes of below target development spending. Therefore, low uptake of external financing is expected to continue hampering project completion in 2020/21 and the medium term. Table 6 and table 7 below, present a summary of development partner funding in 2020/21.

Table 6: Development partner commitments for 2020/21 FY

DEVELOPMENT EXPENDITURE BY SOURCE OF FUNDING SUMMARY 2020/2021 (in Kshs.)	
Gross development budget	**584,316,386,508**
Total Development partner commitments	**274,611,899,909**
Total Loans	**241,552,787,264**
Total Grants	**33,059,112,645**

Table 7: Summary of external funding for 2020/21 FY

Summary of External Funding: 2020/2021							
Bilateral loans		**Multilateral Loans**		**Bilateral Grants**		**Multilateral Grants**	
Source	**Kshs. Million**	**Source**	**Kshs. Million**	**Source**	**Kshs. Million**	**Source**	**Kshs. Million**
Government of Italy	12,797	International Development Association (WORLD BANK/IMF)	92,428	Government of Denmark	1,485	Global Fund	4,223
Government of Japan	24,887	African Development Fund (ADB/ADF)	38,296	Government of Germany	1,612,	African Development Fund	14,259

Summary of External Funding: 2020/2021							
Bilateral loans		**Multilateral Loans**		**Bilateral Grants**		**Multilateral Grants**	
Government of China	31,280			Government of Japan	1,187	European Development Fund	3,931
Other bilateral loans	30,089	Other multilateral loans	11,773	Other bilateral Grants	2,902	Other multilateral Grants	3,459
Total	**99,055**		**142,497**		**7,186**		**25,873**

36) Emerging issues

a. Tax receipts are expected to decline in 2020/21 due to the impact of the Covid-19 pandemic on economic activities as well as the tax measures that were implemented cushion Kenyans from the effects of the pandemic.

b. The projected deficit (inclusive of grants) as a share of GDP in FY 2020/21 is **-7.3%.** Such a large deficit implies that Kenya will have limited room for a fiscal response to the continued impact of the Covid-19 pandemic on poor and vulnerable households, especially if the measures adopted to fight the pandemic remain in place for an extended period.

c. Over 40% of the 2020/21 projected fiscal deficit of **Kshs. 823.2 billion** will be financed by foreign borrowing. However, relative to 2019/20, there will be a decrease in Programme and concessional loans which will be replaced by semi concessional loans.

d. A clear definition of what constitutes a semi concessional loan has not been provided by the National Treasury. Despite the lack of a clear definition/terms, an uptake of semi-concessional loans in place of Programme and concessional loans is expected to result in higher debt service expenditure in the medium term.

VI. ANALYSIS OF THE CONSOLIDATED FUND SERVICES (CFS)

37) The consequential impact of Kenya's stock of public debt is reflected under the Consolidated Fund Services (CFS) expenditure which, according to Article 214 of the Constitution, constitutes a direct charge to the consolidated fund[1]. The CFS has grown considerably owing to the growth of the Public and Publicly Guaranteed Stock of debt, which by end of March 2020, had amounted to Kshs. 6.3 trillion[2] (70% of the Kshs. 9 trillion national debt ceiling) and comprised of Kshs. 2.9 trillion (49%) in domestic debt and Kshs. 3.1 trillion (51%) in external debt.

38) The current borrowing strategy, as indicated under the approved Medium Term Debt Management Strategy 2020, is pegged on the assumption that fiscal consolidation will reduce the overall cost of debt and safeguard debt sustainability. However, given the impact of Covid-19 pandemic on revenue mobilization, exports, production and other contingent liabilities vis-à-vis increasing expenditure demands, there is a high likelihood that fiscal consolidation measures will be hard to adhere to.Thus the country's debt distress levels could move from moderate to high. There may be need therefore , to revise the medium term debt strategy and related assumptions, in order to effectively mitigate against any risks that could jeopardize debt sustainability.

39) Debt sustainability analysis[3], compares debt burden indicators to thresholds over a 20 -year projection period. At the beginning of 2019, Kenya's DSA overall parameter indicated that Kenya's debt stock would remain within a sustainable range (55.4% against a threshold of 70%). However, specific indicators e.g. debt service to revenue and debt service to exports ratios have breached their respective thresholds. A forecast for 2020 and the medium term[4] indicates that, without any policy intervention, all threshold ratios could be breached in the medium term, thus indicating the debt distress position could last longer.

Table 8: Public Debt Sustainability Analysis

	Threshold	2017	2018	2019	2020*
PPG Debt Services as a % of Revenue	30	29.2	35.6	45.2	56.2
PV of Debt to Exports Ratio	240	165	191.1	224.8	262.1
PPG External Debt Service to Exports Ratio	21	16.5	19.9	29.3	39.2
PPG External Debt Services to Revenue Ratio	23	13.3	16.2	20.4	25.3
PV of Debt as % of GDP	70	55.4	60.6	55.4	62.4***
PV of debt as % of Ceiling	Ksh. 9 Trillion.			72%	81%

Source: 2020 BPS Debt Forecast, MTDS 2020, * Average based forecast, ** forecast includes a COVID-19 factor, ***Debt as ratio of GDP

[1] As defined in Article 206 of the Constitution

[2] The Central Bank of Kenya (24th April 2020 Weekly Economic Bulletin)

[3] DSA uses thresholds to show exposure to debt distress i.e. the capacity of a country to finance its policy agenda, and service the ensuing debt without unduly large adjustments that could compromise its macroeconomic stability.

[4] The forecast for 2020 was based on the 2 year average whilst 2021, 2022, 2023 were adjusted anadditional by COVID-19 factors of 0.07%, 0.04% and 0.01%, respectively.

Consolidated Fund Services (CFS) Expenses FY 2020/21

40) **Consolidated Fund Services (CFS) expendituresare projected to amount to Kshs. 1.028 trillion in FY 2020/21; a level that is double the amount it was in FY 2015/16 (Kshs. 437 billion).** The increase ofKshs. 162.1 billion from the 2019/2020 level is substantially attributed to increased public debt servicing expenses and is in line with both medium term and long-term public borrowing objectives as well as the existing budget financing deficit. As such, the CFS expenditures are projected to reach Kshs. 1.35 trillion by FY 2023/24, disapproving the concept that the re-profiling of the debt portfolio (replacing expensive commercial debt with relatively cheaper funds) coupled with fiscal consolidation, will progressively reduce debt service over the medium term[5].

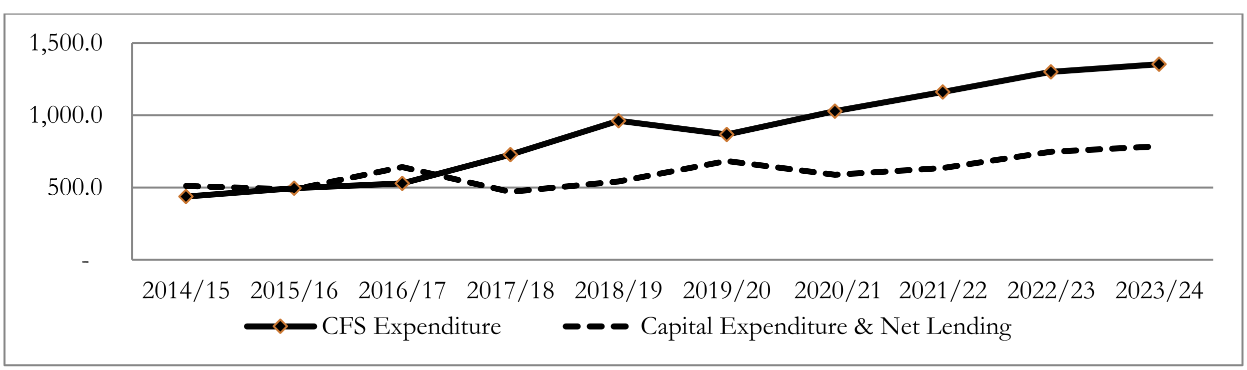
Table 9: Consolidated Fund Services Expenditures FY 2020/21 & the Medium Term

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Interest Payments	433,680	463,108	537,251	556,539	569,354
Redemptions	335,168	441,595	486,203	594,235	615,622
Total Interest rate and Redemption	768,848	904,704	1,023,454	1,150,773	1,184,975
Pensions & Other Expenditures	97,113	123,360	136,978	150,351	167,929
Total CFS Expenditure	865,961	1,028,064	1,160,432	1,301,124	1,352,905
% Total Revenue	46%	55%	54%	55%	50%
% GDP	8%	9%	9%	9%	9%

Source: FY 2020/21 Printed Budget Estimates & Budget Summary

41) **CFS expenditures will consume 55% of the projected revenue for FY 2020/2021 compared to 46% in 2019/2020.**Given that this is non-discretionary expenditure,it indicates a tightening fiscal position which could worsen if revenue collections decline rapidly due to COVID-19 impact. Since FY 2016/17, CFS expenditure has outstripped development expenditure and in FY 2020/21, it is double the amount allocated towards capital expenditure and net lending. Thus the cost of debt financing actually consumes more financial resources than development expenditure, for which the debt is obtained.

Figure 8: CFS vs. Capital expenditure growth, FY 2014/15 to FY 2023/24



Source: Budget Estimates & Annual Budget Policy Statement

[5]As indicated in the FY 2020/21 Budget Summary.

i. Public Debt Servicing Expenses

42) **Public debt service expenses, which will form up to 88% of total CFS expenses, will rise by Kshs. 135.9 billion (18%) to reach Kshs. 904.7 billion in FY 2020/2021.** The cost of borrowing will continue to play a key role in the increasing debt outlays. This is indicated by the rise in interest payments, which constitute 51% of total debt service payments, by Kshs. 74.1 billion compared to the Kshs. 44.6 billion for debt redemptions (maturing debt). Further analysis indicates that the domestic debt portfolio carries a higher interest cost (twice that of the External debt) and has a higher refinancing risk given the high level of maturing debt.

Table 10: Public Debt Servicing Expenses

Interest Payments	FY 2018/2019	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Interest - Internal Debt	285,607	301,812	308,424	370,430	382,588	385,662
Interest - External Debt	114,374	131,868	154,684	166,821	173,950	183,692
Sub-Total	399,981	433,680	463,108	537,251	556,539	569,354
Redemptions Payments						
Redemption - Internal Debt	220,352	213,691	261,955	246,810	336,623	357,165
Redemption - External Debt	250,283	121,477	179,640	239,393	257,612	258,457
Sub-Total	470,635	335,168	441,595	486,203	594,235	615,622
Public Debt Service Expenses	870,616	768,848	904,704	1,023,454	1,150,773	1,184,975

Source: FY 2019/20 Budget Estimates & FY 2020/21 Printed Budget Estimates

a) Interest payments

43) **Interest payments include interest costs on domestic debt worth Kshs. 308.4 billion and external debt interest costs worth Kshs. 154.7 billion.** Domestically, interest costs will relate to Treasury bonds amounting to Kshs. 257.5 billion, short term borrowing costs worth Kshs. 41.35 billion, government overdraft facility borrowing costs worth Kshs. 5.8 billion, interest payments worth Kshs. 80 billion for loans to be issued in the next financial year and a further Kshs. 1.8 billion for new loans[6]. For external debt, large interest payments will involve payables to commercial debt creditors worth Kshs. 72.5 billion (up from Kshs. 66.1 billion), interest payments to China (and Chinese lending institutions) worth Kshs. 33.1 billion, and interest payments for projected new loans for FY 2020/21 that will amount to Kshs. 29.4 billion..

Table 10: Interest payments (KShs. Millions)

No.	Credit Source	FY 2019/20	FY 2020/21
1.	Italy	2,663	2,547
2.	IDA (World Bank)	6,389	8,906
3.	ADB/ADF	3,543	3,673
4.	New loans	441	29,378
5.	France	4,561	1,416
China related Interest Payments			

[6] According to the estimates, net domestic financing has been assumed at Kshs. 222.86 billion for the FY 2020/21and is assumed to be fully financed by treasury bonds.

No.	Credit Source	FY 2019/20	FY 2020/21
6.	Exim Bank of China	37,845	29,887
7.	China Development Bank	4,788	3,166
	Total China Related Interest Payments	42,633	33,053
Commercial Debt Interest Payments			
8.	Debut international SVRG Bond (USD 2.75 BN)	14,531	15,176
9.	2018 Sovereign Bond (USD 2 BN)	16,608	17,107
10.	2019 Sovereign Bond (USD 1.2 BN)	10,095	10,596
11.	2019 Sovereign Bond (USD 900 MN)	7,730	6,953
12.	TDB Syndicated bond	17,052	22,630
	Total Interest on Commercial Debt	66,016	72,462

Source: FY 2020/21 Printed Budget Estimates

b) Redemptions payments

44) **Debt redemption payments on domestic debt amount to Kshs. 160.8 billion, in addition to an allocation of Kshs. 100 billion towards any shortfall in the redemption of treasury bills[7].** With regard to external debt, large payments will be payable for maturing China related debt worth Kshs. 62.03 billion and a 7-year Trade and Development Bank Syndicated Loan (7 years) that was used to offset accruing Eurobond payments. A review of the CFS reveals lack of a cost-effective debt repayment policy. This is because expensive commercial loans are settled using syndicated loans due to a persisting debt refinancing problem.

Table 11: Redemptions payments (KShs. Millions)

No.	Credit Source		FY 2019/20	FY 2020/21
1.	Italy		6,355	11,352
2.	Japan		5,271	4,700
3.	France		9,048	7,267
4.	IDA		14,795	17,576
5.	ADB/ADF		4,626	5,662
6.	Spain		2,068	5,776
	China Related Debt Redemptions			
7.	Exim Bank of China		17,561	18,763
8.	China Development Bank		23,036	43,267
		Sub-Total	40,596	62,030
9.	TDB Syndicated		26,289	53,139

Source: FY 2020/21 Printed Budget Estimates

ii. Pensions and Other Expenses

45) **This sub-class of CFS expenditures will increase by Kshs. 26 billion to reach Kshs. 123.4 billion in FY 2020/21 and is projected to amount toKshs. 167.7 billion in FY 2023/24.** The increase is as a

7The allocation for redemption of Treasury Bills was historically allocated Kshs. 10 billion but was increased in FY 2019/20 for the first time to Kshs. 100 billion ostensibly to create a buffer against revenue shortages that would relate to economic impact of Covid-19 mitigation measures.

result of increased pensions expenses i.e. ordinary pension that will amount to Kshs. 57.2 billion and commuted pension (Gratuities) worth Kshs. 61.7 billion (See Annexes). Furthermore, the new allocation towards gratuity and pension for Retired Deputy Presidents & Designated State Officersin FY 2020/21 has also contributed to this increase. The allocation presumed to be in line with the Retirement & Benefits (Deputy President & Designated State Officers) Act, 2015. The Act stipulates the benefits for the following retired state officers; a) Chief Justice, b) Deputy Chief Justice, c) prime minister, d) Deputy President or Vice President, and e) Retired Speaker.

Table 12: Pensions and Other Expenses (KShs. Millions)

	FY 2018/2019	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Pensions	86,252	92,489	119,192	132,810	145,951	163,530
Salaries and Allowances	4,193	3,965	4,152	4,152	4,384	4,384
Miscellaneous Services	128	16	16	16	16	16
Guaranteed Debt	1,373	644	-	-	-	-
Subscriptions to International Organizations	1	1	1	1	1	1
Sub - Total	91,947	97,113	123,360	136,978	150,351	167,929

Source: FY 2020/21 Printed Budget Estimates

46) In addition to the pension allocations under CFS, Kshs. 11.04 billion is allocated to the Pension Department within the National Treasury (Vote 1071) for employer contributions to the compulsory National Social Security Scheme and to facilitate the management of pensions. Despite this allocation, pension management in Kenya is fraught with inefficiency owing to the slow pace of operationalization of pension contribution schemes and slow pension management information system. This has led to inefficient collection of pension contributions and late disbursement of pension benefits for retirees after civil service therefore negatively impacting households that are solely dependent on pension payments for income.

a) Ordinary pensions

47) **Ordinary pensions will amount to Kshs. 57.2 billion in FY 2020/21 having risen by 19%.** The expenditure item is the pension to civil servants worth KShs. 36.1 billion (which will account for 63% of ordinary pensions) followed by the ordinary pension to retired military personnel worth Kshs. 11.8 billion. A new expenditure item is the allocation of Kshs. 50 million to the "monthly pension for retired deputy presidents & other state officers" . However, there is no mention of this under the budget summary.

b) Commuted Pensions

48) **Commuted pension (Gratuities) will amount to Kshs. 61.7 billion.** These are primarily composed of gratuities to civil servants worth Kshs. 45.6 billion, Kshs. 17.7 billion for the military and Kshs. 983 million for Members of Parliament (which are expected to double in FY 2021/22 owing to the election year). The new line item "Gratuity for retired deputy presidents & other state officers" is allocated Kshs. 400 million. This amount will double by FY 2022/23.

49) Notably, the Act stipulates that retired state officers can receive a pension (upon retirement) and gratuity (if the person serves in office for less than a term at rates stipulated by the Act) and not both. This being the basis, the state officers to whom this gratuity is payable is unknown, the basis for which this amount is based, and that for the MTEF, has not provided. This is therefore a possible item for rationalization and reallocation to other high priority expenditure needs.

c) Salaries and Allowances

50) This entails the salaries for constitutional offices, commissions and independent institutions but does not include the salaries and allowances for commissioners of the Parliamentary Service Commission. **This expenditure item will decrease from Kshs. 4.6 billion (FY 2019/20) to Kshs. 4.17 billion owing to salary changes** for the following expenditure heads;

Table 13: Changes in Salaries and Allowances (Kshs.)

Office / Commission	FY 2019/20	FY 2020/21	Increase/Decrease
Office of the President / Deputy President	38,095,200	39,619,008	1,523,808
Judicial Department	2,840,822,414	3,034,938,350	194,115,936
Auditor General	37,307,980	20,613,419	(16,694,561)
Former President	39,124,800	23,474,880	(15,649,920)
Independent Electoral & Boundaries Commission	94,982,552	98,781,854	3,799,302

Source: FY 2020/21 Printed Budget Estimates

d) Guaranteed debt

51) **It is important to note that there is no provision for called up guaranteed debt.** Whereas few national debt guarantees given to various institutions have been called up in the recent past, this position might not hold given the depressed economic conditions and restrictions that are likely to depress incomes for guaranteed institutions leading to non-performance of guaranteed debt. Contingent liabilities arising from guaranteed debt should therefore be treated as a real risk to the fiscal position in FY 2020/21.

Table 14: Outstanding Government Guaranteed Debt (End of Dec 2019)

Entity	Kshs. Millions
Kenya Power Company	12,549.34
Kenya Electricity Generating Company	27,808.48
Kenya Ports Authority	36,844.72
Kenya Airways	76,002.38
Kenya Railways (IDA Concessionaire)	4,560.14
Sub-Total Uncalled Guarantees (Performing)	157,765.05
Tana & Athi Rivers Dev. Authority	136.37
East African Portland Cement	169.51
Sub-Total Called Guarantees (Non-Performing)	305.88
Grand Total Guarantees	158,070.93

Source: MTDS 2020

Issues of concern & recommendations

i. CFS expenditures will consume up to 48% of the projected revenue for the next fiscal year compared to 41% in FY 2019/20. This indicates the inflexibility in fiscal position which could worsen depending on revenue performance.

ii. Prior to impact of COVID-19 both debt service to revenue and debt service to exports ratios had exceeded internationally accepted debt sustainability thresholds (IMF reviews). With the impact of the pandemic, forecasts indicate that these ratios will worsen while others will breach their thresholds soon. These thresholds will therefore require greater monitoring.

iii. Since FY 2016/17, CFS expenditure have outstripped development expenditure, indicating that the cost of debt financing consumes more financial resources than the development expenditure for which the debt is obtained (indicating the changing sustainability of the use of debt).

iv. Article 214 of the Constitution stipulates that public debt is a charge on the Consolidated Fund, but an Act of Parliament may provide for charging all or part of the public debt to other public funds. In this regard, an Act should be enacted to charge at least 10% of debt servicing expenses to other public funds and limit the impact of debt servicing on nationally raised revenues.

v. Even though there are no expenses projected to be incurred from realization of debt guarantees, the economic impact of COVID-19 is reasonably expected to contribute to rising debt associated with contingent liabilities. This situation should therefore be treated as a real debt sustainability risk that could affect the fiscal position in FY 2020/21.

vi. Given the increase of debt servicing expenditure and the fall in revenue, there is need to reassess the debt ceiling (possibly downwards) as the assumptions behind the Kshs. 9 trillion ceiling, including expected economic and revenue growth are expected to deteriorate.

vii. There is no clear policy guideline on how re-profiling of the debt portfolio (replacing expensive commercial debt with relatively cheaper debt) will be undertaken and therefore the impact and desired fiscal position is unknown. Owing to the rising negative impact of COVID-19, this policy should be accelerated with possible restructuring of the payment terms for some of the debt.

viii. The MTDS 2020 should be revised in order to have a comprehensive medium term debt strategy that takes into consideration the COVID-19 pandemic economic conditions (both domestic and international) in order to effectively mitigate against any rising debt sustainability risks. This should include temporary abandonment of contracting new expensive commercial loans.

ix. Information should be provided on how the budget estimates have taken into consideration the following objectives MTDS 2020:

   a) Issuance of fewer but large size benchmark bonds to enhance market liquidity and attract capital flows
   b) Issuance of part of external debt in local currency in order to reduce the impact of exchange rate risk and change currency composition of Kenya's debt portfolio

x. The Retirement benefits (Deputy president & Designated State officers) Act, 2015 stipulates that retired state officers can receive a pension (upon retirement) and gratuity (if the person serves in office for less than a term at rates stipulated by the Act) and not both. Therefore the details of state officers to whom gratuity is due (i.e. will serve for a period less than their term), should be provided otherwise this item could be rationalized by 50%.

VII. POLICY OPTIONS

A. Manufacturing sector:
   i. Create a subsidy instrument (expenditure) to support entities participating in the manufacture of PPE and other COVID related equipments
   ii. Import substitution. Consider revamping clothing and textile industry and provide subsidy to specific industries not covered under (a)
   iii. Provide subsidy to local companies participating in the production of COVID testing kits and associated reagents

B. Agriculture sector:
   i. Substantial funding to the HCDA towards preservation and storage of fresh fruits and related horticulture
   ii. Livestock: revival of abattoirs in various counties in order to support livestock off-take
   iii. Fish farmers: provisions for storage and cooling equipment

C. Transport sector:
   i. Subsidy to KQ and the railway and significant support towards measures that will enhance safe travel in a COVID-19 environment.

D. Options for financing:
   i. 5% reduction in the recurrent budget
   ii. Float a special COVID-19 bond

ANNEX 1: LEGAL COMPLIANCE OF THE 2020/2021 BUDGET

ITEM	CONSTITUTION	PFM ACT	PFM REGULATIONS	NATIONAL ASSEMBLY STANDING ORDERS	SCORE (OUT OF 5)	COMMENTS
1. Submission of estimates of revenue and expenditure of the national government, Parliament and Judiciary for the next financial year by 30th April	221(1), (3)	37(2)		235 (1)	5 out of 5	Submitted to Parliament on Wednesday 29th April 2020
2. The ceilings approved in the report on 2020 Budget Policy Statement, shall serve as the basis of the expenditure ceilings for 2020/21and medium term		25(8)	27(4)		0 out of 5	The ceilings provided in the 2020/21budget estimates, do not adhere with the ceilings in the adopted BAC report on 2020 BPS
DOCUMENTS SUPPORTING THE BUDGET ESTIMATES (BUDGET SUMMARY)						
3. The preparation and submission of estimates shall be done exclusively through prescribed automated integrated financial management systems (Itemized Budget).			32(6)		5 out of 5	Information provided
4. Submission of Budget Summary that includes a summary of budget policies on revenue, expenditure, debt and deficit financing		38(a)(i)			2 out of 5	Scanty information is provided on revenue policies and deficit financing

ITEM	CONSTITUTION	PFM ACT	PFM REGULATIONS	NATIONAL ASSEMBLY STANDING ORDERS	SCORE (OUT OF 5)	COMMENTS
5. Submission of Budget Summary that includes an explanation of how the budget relates to the fiscal responsibility principles and financial objectives		15,38(a)(i)(ii)	26(1)		2 out of 5	There is no level of predictability with respect to the level of tax rates and tax bases shall be Maintained.
6. Submission of Budget Summary that includes a memorandum by the cabinet secretary explaining resolutions adopted by National Assembly on the BPS under section 25(7) have been taken account		25 (8), 38(a)(iii)			5 out of 5	Information Provided
7. A list of all entities that receive funds appropriated from the budget of the national government		38(b)(i)			5out of 5	Information provided
8. Estimates of revenue allocated to and expenditures projected from equalization fund guided by the CRA policy on marginalized areas	216(4)	38(b)(ii)			0 out of 5	Estimates of revenue allocated to and expenditures for 2020/21not submitted to Parliament as required.
9. Revenue allocations to county governments including conditional and	202(2)	38(b)(iii)			5 out of 5	Information provided

ITEM	CONSTITUTION	PFM ACT	PFM REGULATIONS	NATIONAL ASSEMBLY STANDING ORDERS	SCORE (OUT OF 5)	COMMENTS
unconditional grants						
10. Estimated revenue by broad economic classification and format		38(b)(iv)	59(1)		5 out of 5	Information provided
11. Estimated expenditure by vote &programme identifying both recurrent and development expenditures		38(b)(v)	32(4)		5 out of 5	Information provided
12. An estimate of budget deficit or Surplus and the medium term		38(b)(vi)			5 out of 5	Information provided
13. Information regarding loans made by the national government including principal interest and other charges to be received by the national government in respect to those loans		38(c)			5 out of 5	Information provided
14. Loans and guarantees to be paid by national government in the financial year respect to those loans		38(d)			5 out of 5	Information provided
15. Information regarding payments to be made and liabilities to be incurred that need constitutional approval or legislative authority for such payments		38(e)			0 out of 5	No information provided

ITEM	CONSTITUTION	PFM ACT	PFM REGULATIONS	NATIONAL ASSEMBLY STANDING ORDERS	SCORE (OUT OF 5)	COMMENTS
16. 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		38 (f)			3 out of 5	Information provided is limited. Some of the recommendations made by the national assembly seem to be moving targets for National Treasury
PUBLIC PARTICIPATION						
17. Public participation on all public matters including the publication of the Citizen's budget	201(a)		6(2)		0 out of 5	No citizen's budget uploaded on National Treasury's Website
Total					**67.05 percent**	

ANNEX 2: COMPLIANCE TO HOUSE RESOLUTIONS ON THE 2020 BUDGET POLICY STATEMENT AND PAST BUDGET ESTIMATES

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
No.	**2020 BUDGET POLICY STATEMENT**	
1	THAT, before the Budget Estimates for 2020/2021 are submitted to the House, the National Treasury shall resubmit the Macroeconomic and Fiscal Framework with adequate information on debt, clearly indicating the amount of concessional, semi concessional and commercial loans; as well as clearly outlining the country's borrowing strategy. This information shall be accompanied by a list of specific projects that will benefit from these funds and realign this submission to the Medium-Term Debt Strategy.	Not Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
2	THAT, by 30th April 2020 when the budget estimates are submitted to the House, the National Treasury shall develop a criteria for identifying and isolating core priority programmes (Big 4) in the FY 2020/2021 budget in order to shield them from ad-hoc expenditure cuts. In addition, a monitoring and evaluation framework and an accountability matrix shall be provided clearly identifying the total resource requirements, shall be prepared.	Partly Complied. No monitoring and evaluation framework and an accountability matrixprovided.
3	THAT, user fees (fines and forfeitures) collected by the Judiciary for services rendered shall be retained and applied by the institution in order to enable operationalization of the Judiciary Fund in line with Article 173 of the Constitution, similar to other government institutions that generate and retain AIA revenues.	Not Complied
4	THAT, to enforce commitment control, Ministries, Departments and Agencies shall submit a quarterly projection of details of commitments by sub-programme/project to the National Treasury. The Treasury then shall align its cash releases to those specific commitments.	Not Complied
5	THAT, pending bills that have been determined as legally payable and above Kshs. 500 million, shall be settled through a long-term instrument including and where necessary, use of debt swaps for intergovernmental bills shall be applied.	Not Complied
6	THAT, in order to enhance transparency and accountability, as from 1st July 2020, the net exchequer issues shall be published on the website of the National Treasury, by vote, programme and project, at the end of each month.	Complied
7	THAT, adequate funds be provided for full operationalization of institutions of public finance, in particular, recent institutions created through various pieces of legislation.	Partly Complied
8	THAT, on the expenditure reduction efforts, the policy of cutting the budget by a certain percentage across the board has been determined as being an ineffective way of expenditure control. Rather, there ought to be critical reforms in expenditure that will isolate wasteful expenditure and ensure only key expenditure needs are funded.	Partly complied
9	THAT, by 30th April 2020 when the Budget is submitted, it should clearly indicate projects that will be funded through the Sports Fund and the funds be directly applied to these projects.	Not Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
10	THAT, the process of filling a vacant constitutional, statutory, or any critical senior leadership position in the public financial and budgetary sectors including the Audit Office be expedited before the incumbent leaves office. This is guarantee continuity and performance of critical roles provided for under the Constitution and Statutes.	Not Complied
11	THAT, to support ongoing reduction in the fiscal deficit, the borrowing strategy shall entail a reliable net domestic borrowing target for 2020/2021 and the medium term. That the commercial debt borrowing target shall be consistent with the debt ceiling and the National Treasury shall ensure that external debt service costs do not breach internationally accepted debt service to exports ratio threshold in the medium term.	Not Complied
	Financial Resolutions	
12	That the ceilings of each arm of government for FY 2020/2021 be capped as follows: i. Parliament – Kshs.39.14 billion ii. Judiciary – Kshs.19.05 billion iii. Executive – Kshs.1,778.13 billion	Not Complied
13	That, Kshs. 3 billion be allocated for strategic response to public initiatives	Not Complied
14	That, the financing gap of Kshs. 7 billion be funded through reprioritization and realignment within the Executive's approved ceiling.	Not Complied
15	That in effecting the approved ceilings for each arm of government, the National Treasury should take into consideration the summary of recommendations as indicated in the attached Schedule 2 and 3.	Not Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
16	That, county governments be allocated Kshs. 369.868 billion for FY 2020/2021 distributed as follows: a. County Government Equitable share of Kshs. 316.5 billion. b. Conditional allocations from the national government's equitable share of revenue as follows: i. Leasing of medical equipmentKshs. 6.205 billion ii. Compensation for user fees foregone Kshs. 900 million iii. Level 5 hospitals Kshs. 4.326 billion iv. Supplement for construction of county headquarters Kshs. 300 million v. Rehabilitation of village polytechnicsKshs. 2 billion vi. Allocation from Fuel Levy Fund (15% of collections) Kshs. 9.433 billion vii. Allocation from loans and grants Kshs.30.204billion c. Before finalization of the Division of Revenue Bill (DoRB), the transfer of functions of the Nairobi County to the National Government shall be reflected in the allocations provided.	Complied
17	That the allocation to the Equalization Fund of Kshs. 6.53 billion be as provided in the Budget Policy Statement.	Complied
	THE ESTIMATES OF REVENUE AND EXPENDITURE FOR 2019/20 AND THE MEDIUM TERM	
18	THAT, the Kshs. 4.6 billion allocated to the Ministry of Health for the rollout of Universal Health Care to the 43 Counties be released only upon provision of a summative report on the progress of the Universal Health Care rollout in the 4 pilot counties;	Summative report on the progress of Universal Health Coverage rollout to the 4 pilot Counties was finalized and submitted to the National Assembly.
19	THAT, the National Assembly Health Committee and the Senate Standing Committee on Health jointly come up with a framework for oversighting the level five hospitals, in particular, to ensure that projects funded by conditional grants are properly implemented;	Not Achieved. The framework not in place.
20	THAT, the National Treasury comes up with a framework for the completion of stalled projects by October 1, 2019;	Not Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
21	THAT, the House considers amending the Public Finance Management Act, 2012 to put sanctions and penalize any Ministry, Department or Agency that fails to settle outstanding commitments, or that commits Government when there are inadequate provisions;	Not Achieved.
22	THAT, the State Department for Early Learning and Basic Education conducts an infrastructural audit in all public schools within the next three months to identify infrastructural gaps and prepare a plan of action aimed at ensuring the distribution of the funds is equitable and priority accorded to schools located in rural areas. Further, the State Department should submit quarterly reports on how infrastructural funds have been utilized;	Partly Complied. No report has been submitted in regards on how infrastructural funds have been utilized
23	THAT, the State Department for Vocational and Technical Training, the Ministry of Interior and Coordination of National Government and the National Government Constituency Development Fund (NGCDF) management initiates modalities within the next three months to ensure that the stalled Technical Training Institutes (TTIs) projects are completed;	Not Complied
24	THAT, funds earmarked for relief food be budgeted for under the Ministry of Devolution to ensure adequate and timely planning and distribution of the requisite money and relief food to Kenyans in need throughout the year;	Complied
25	THAT, beginning FY 2019/20, the Controller of Budget reports on non-financial performance in its quarterly budget implementation reports to facilitate proper oversight by Parliament and the county assemblies as per the constitutional requirements;	Not Complied. Compliance will begin FY 2020/21 Budget
26	THAT, the responsible Cabinet Secretaries ensure that regulations on the Cherry Revolving Fund under the State Department for Cooperatives as well as the *Ajira* Fund under the State Department of ICT are developed and fast tracked in order to ensure proper operationalization of the Funds, and are submitted to Parliament for consideration before the end of the 1st quarter of the FY 2019/20;	Partly Complied. The Coffee Cherry Fund Regulations have been finalized and have been submitted to Parliament for approval.
27	THAT, the State Department responsible for sports prepares and submits its planned activities and expenditure plans which will be funded by the proceeds from the Sports, Arts and Social Development Fund for pre-budget scrutiny by the relevant committee in the next budget process;	Not Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
28	THAT, starting July 1, 2019, the National Tree Planting Campaign Project be implemented by way of an inter-sectoral approach, and undertaken by institutions with the technical know-how such as the Kenya Forest Service, through community forest associations, Kenya Water Towers Agency and the Kenya Forestry Research Institute, instead of being a project exclusive to the headquarters of the Ministry of Environment and Forestry;	Complied
29	THAT, the Cross-County Bulk Water and Sanitation Programme be rolled out in a manner that promotes equitable distribution of water resources throughout the country;	Not Complied
30	THAT, the National Treasury considers providing for resources in the 2019/20 financial year to rehabilitate roads that were recently washed away by floods across the country;	Complied
31	THAT, the Parliamentary Service Commission budgets for the retired Speakers as per the Retirement Benefits (Deputy President and Designated State Officers) Act, 2015commencing July 1, 2019 akin to other arms of Government which also incorporate budgeting for the respective offices contemplated in the Act; and	Complied
32	THAT, both Bus Rapid Transit and Diesel Multiple Units be domiciled in the State Department for Transport and that the Kenya National Shipping Line remains in the State Department for Shipping and Maritime Affairs for ease of coordination and management.	Not Complied
	SUPPLEMENTARY ESTIMATES NO. 1 FOR THE FINANCIAL YEAR 2019/20	
33	THAT, in view of the emerging concerns of rising debt, the National Assembly initiates a legislation to operationalize establishment of an Independent Debt Management Office within first quarter of 2020;	Not Complied
34	THAT, the Ministries, State Departments and Agencies initiates comprehensive plans (by ring-fencing funds in FY 2020/21 budget estimates) to ensure completion of all stalled and incomplete projects before starting any new projects. No new projects are to be introduced mid-year, by way of supplementary estimates;	Not Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
35	THAT, each financial year, upon approval of the annual estimates, the Cabinet Secretary for National Treasury ensures that the National Treasury uploads the approved Budget into Integrated Financial Management Information System (IFMIS) in accordance with the PFM Regulations (2015), within seven days of the enactment of the Appropriations Act so as to ease implementation of annual work plans, procurement plans and clearance of pending bills and that a status report be submitted to National Assembly every quarter;	Not Complied
36	THAT, the Office of Auditor General carries out a special forensic audit of the National Integrated Identity Management Systems (NIIMS) to establish the value for money and submit a report to National Assembly by end of March 2020;	Not Complied
37	THAT, in their quarterly reporting, all the Ministries, State Departments and Agencies do report, not only on financial performance, but also non-financial performance by programmes/projects and further that the Office of the Controller of Budget complies with Section 9 of Controller of Budget Act, 2016 in Reporting;	Not Complied
38	THAT, the Universal Health Care (UHC) funding should be channeled through counties as Conditional grants by amending the Division of Revenue Act, 2019. In addition, there is need to strengthen and revamp the National Hospital Insurance Fund (NHIF) as a vehicle of implementing UHC given that it is a more sustainable channel;	Not Complied
39	THAT, the State Department for Labour fast tracks development of labour export/migration policy to provide a framework for labour export with favourable terms for Kenyans seeking opportunities abroad. The Cabinet Secretary submits a status report on this resolution to the National Assembly by February, 2020;	Not Complied
40	THAT, the Cabinet Secretary for the National Treasury institutionalizes the *Street Children Rehabilitation Trust Fund* and releases Kshs. 153.9 million held in suspense account to enable the Trust Fund to execute its mandate and thereafter submit a status report on this resolution to the National Assembly by February, 2020;	Not Complied
41	THAT, the State Department for Industrialization conducts a feasibility study with respect to modernization programme of the Numerical Machine Complex and submits the report on the findings to the National Assembly within 90 days;	Not Complied
42	THAT, the Office of the Auditor General to submits a special audit report on the deemed Generation of the Lake Turkana Wind Power and submits a report to National Assembly by end of February 2020;	Complied

	NATIONAL ASSEMBLY POLICY RESOLUTIONS	Remarks
43	THAT, the approval of payment of Kshs. 1.16 Billion to the Loiyangalani - Suswa Transmission Line under the Lake Turkana wind power project be deferred awaiting the findings of the special forensic audit, the recommendation of the relevant Committee and decision of the House;	Partly Complied
44	THAT, the National Treasury provides sufficient counter-part funding in FY 2020/21 budget towards the commencement of Loiyangalani-Marsabit-Isiolo and Thika-Nairobi-East power transmission lines. This will safeguard the Kshs. 2.6 billion already paid as insurance, failure to which the National Treasury finds ways and means of recovering the insurance amount;	Not Complied
45	THAT, the Cabinet Secretary for National Treasury submits to the Houses of Parliament, the comprehensive matrix on the implementation of the GoK's Big Four Agenda before the submission of the 2020 Budget Policy Statement. This matrix should include the total cost of the projects, how much has been spent so far and the expected annual allocations until the completion of the projects;	Not Complied
46	THAT, the National Treasury should NOT effect, through the IFMIS and/or through Treasury Circulars, any reduction in the approved Budget of Judiciary, Parliament and/or any Ministries, State Departments or Agency before approval by the House as doing is illegal; and,	Not Complied
47	THAT, prior to the disbursement of Kshs. 10,544,456,947 for county primary health care facilities (within the conditional grant framework under the roll out of the Universal Health Coverage) the National Treasury submits a report on the expected disbursement of these resources per county to the National Assembly.	Not Complied

ANNEX 3: SAMPLE ANALYSIS OF INFRASTRUCTURE PROJECTS REPORTED AS 100% COMPLETE BY FEB 2020 (KSHS. BILLION)

	Roads	Total cost	Start Date	Expected Completion date	Actual to Feb 2020	Remain cost	% Completion	Allocation 2020
1	Nairobi Southern Bypass	25,116	Jul-10	Jul-15	22,131	2,985	100%	100
2	NCTIP: Rehabiliation of Sultan Hamud - Machakos Turnoff Road (A109)	5,170	Nov-06	Jul-12	4,806	364	100%	65
3	NCTIP: Rehabiliation of Njoro Turnoff - Timboroa Road	4,384	9-Oct-06	19-Mar-10	4,284	99	100%	99
4	NCTIP: Rehabiliation of Kericho - Nyamasaria Road	10,379	16-Sep-10	30-Oct-14	10,325	54	100%	5
5	NCTIP: Rehabiliation of Nyamasaria - Kisian Road	8,048	9-Feb-12	16-Jun-15	7,825	222	100%	5
6	EATTFP: Busia OBP	954	Jul-12	Jul-15	629	325	100%	20
7	EATTFP: One Stop Border Post at Lungalunga Border Crossing	633	5-Jul-12	30-Apr-15	613	20	100%	20
8	KTSSP: Rehabilitation Webuye - Kitale Road	6,026	10-Jan-13	May-19	5,330	696	100%	50
9	KTSSP: Rehabilitation MajiyaChumvi - Bachuma Gate Road	5,548	3-Nov-14	Nov-19	5,504	45	100%	10
10	KTSSP: Interchanges at Nyahururu, Njoro, & Mau Summit Turnoffs	3,870	2-Feb-15	Dec-19	3,557	314	100%	10
11	Industrial Area Roads	640	Jul-15	Oct-19	289	351	100%	40
12	Marsarbit- Turbi Road	13,756	Apr-11	Jun-17	13,630	126	100%	10
13	Mwatate - Taveta Road	10,916	May-14	Feb-18	10,542	374	100%	5

	Roads	Total cost	Start Date	Expected Completion date	Actual to Feb 2020	Remain cost	% Completion	Allocation 2020
14	Magumu - Njambini Road	820	Mar-13	Mar-15	811	10	100%	2
15	Turbi - Moyale Road	13,531	Oct-12	Sep-16	13,250	282	100%	33
16	Ndanai - Gorgor Road	1,101	1-Jun-14	13-Jan-17	993	108	100%	20
17	RodiKopany - Ndhiwa - Karungu Road	1,544	Apr-12	Sep-17	1,340	204	100%	60
18	Kehancha-Suna - Masara Road	6,226	May-13	Jul-17	5,938	288	100%	10
19	Mariakani – Bamba (Rwc 096)	2,435	Apr-16	Oct-19	2,166	268	100.00	70
20	Kamatira - Cheptongei(D327/D329) RWC 10	3,369	May-16	May-19	2,421	949	100.00	110
21	Thekanda - Ndaraweta - Sasik - Singorwet - Leldaet	1,276	Jun-17	May-20	819	457	100.00	60
22	Lwakhakha - Korrosiondet - Tulienge - Sirisia - Namwela	1,610	Oct-16	Sep-18	1,036	574	100.00	50
23	Butere(Bukolwe) -Musanda - Bungasi - Sigomere - Ugunja	2,218	Dec-16	Nov-19	1,522	696	100.00	72
24	Kisima - Kibirichia - Kima - Ruiri	1,704	Aug-16	Feb-19	1,200	504	100.00	100
25	Kangeta - Muutine - Lare	652	Jun-17	Nov-18	315	337	100.00	85
26	Njegas - Mutito - Kagumo - Gatwe - Kangaita / Kiaga - Kianjege - Mukindori	1,253	Oct-16	Apr-19	1,224	29	100.00	100
27	Karima(A2) - Kianjege - Mukangu - Ndimaini - Karatina(A2) And KiburuKabonge	1,208	Oct-16	Apr-19	991	217	100.00	100
28	Imaroro - Mashru - Isara	3,038	Jun-17	Jun-20	2,110	928	100.00	90

	Roads	Total cost	Start Date	Expected Completion date	Actual to Feb 2020	Remain cost	% Completion	Allocation 2020
29	Murang`a Town -Karii Railway Stn-Muthingiriri-Marewa-Gakindu Bridge-Wandaka-Gikuu-Kayuy-Mirira	1,076	Aug-17	Jul-19	655	421	100.00	53
30	Modika - Nuno Road (phase II)	1,227	Mar-12	May-15	1,140	87	100%	6
31	Wajir - Buna -Moyale	206	May-12	May-15	186	20	100%	1
32	Eldoret - Webuye Road	6,512	Mar-11	Jul-16	6,441	72	100%	4
33	Nairobi - Thika Highway Improvement Project Lot 1 & 2	16,321	Jul-07	Jul-12	14,542	1,779	100%	300
34	Emali- Oloitoktok Road	5,140	Jun-08	Jul-12	4,972	168	100%	10
35	Jn. A109 (Changamwe round about) - Moi International Airport Access Road & Port Reitz Road	5,129	Apr-15	Oct-18	236	4,893	100%	10
36	Isiolo - Merille Road	6,332	Jun-07	Jul-10	6,267	65	100%	20
37	Kangema - Gacharage Road	4,468	1-Aug-12	Feb-16	4,029	438	100%	8
38	Elwak - Wargadud	505	Feb-16	Aug-18	505	-	100%	60
39	Bambo - Rhamu	635	Jan-16	Jul-18	634	1	100%	60
40	Kitale-Morpus (A1) (Lot No. 2)	431	Jun-16	Jun-18	430	1	100%	917
41	MorpusJunc b4- Marich Pass (A1) (Lot no. 3-Emergence maintenance	317	Jun-16	Jun-19	303	14	100%	50
42	NETIP: Lot 1_Isiolo – Kula Mawe	3,778	Aug-17	Feb-20	53	3,724	100%	60
43	NETIP: Lot 2_Kula Mawe - Modogashe	3,828	Aug-17	Feb-20	56	3,771	100%	60
44	NETIP: Lot 3_Modogashe - Samatar	3,858	Aug-17	Feb-20	109	3,749	100%	60

	Roads	Total cost	Start Date	Expected Completion date	Actual to Feb 2020	Remain cost	% Completion	Allocation 2020
45	NETIP: Lot 4_Wajir – Wargetut	3,828	Aug-17	Feb-20	97	3,731	100%	60
46	NETIP: Lot 6_Wargetut – Elwak	3,778	Aug-17	Feb-20	52	3,725	100%	60
47	NETIP: Lot 7_Elwak - Rhamu	3,828	Sep-17	Mar-20	28	3,800	100%	60
48	Enjinja - Bumala Road	2,648	21-Oct-11	19-Jun-16	2,428	219	100%	20
49	Dundori-Olkalau-Njambini	65	Sep-16	Dec-20	65	1	100%	29
50	Dualling Thika - Kenol - Marua (A2-R)	28,000	25-May-17	Dec-21	-	28,000	100%	4,300
51	SotikRoret-Sigowet D226 Roads	2,221	Sep-16	Sep-19	2,207	14	100%	43
52	Iten-Kapsowar Phase II-Kapsowar - Chebiemit	1,421	Jan-12	Mar-16	1,280	141	100%	50
53	Sigiri Bridge And Approaches	993	Aug-11	Jun-13	938	55	100%	20
54	Muthatari-Siakago/Rwc-059A	1,233	Aug-14	Feb-17	976	257	100%	40
55	Wamumu - Machanga Phase I	114	Feb-14	Sep-16	77	37	100%	10
56	Limo Hospital-Illula-Elgeyo Border-MoimJuntion And Tendwo-Bombo	2,159	May-19	Aug-20	2,090	69	100%	24
57	Mairi-Gatiani-MakombokiGituru-WanyagaKimandi	1,459	Jul-10	Mar-19	768	691	100%	70
58	Waiyaki Way -Redhill Link Road	3,875	Mar-16	Mar-19	2,363	1,512	100%	150
59	Eastlands Roads (9.1 KM)	373	Mar-16	Mar-18	364	9	100%	100
60	KahawaWestfly Over Bridge And Adjoining Accesses	403	May-16	Jul-18	396	8	100%	5
61	Eldoret Access Roads	747	Jun-17	Dec-18	597	150	100%	13
62	Industrial Area Roads	500	Feb-20	Aug-22	171	329	100%	5

	Roads	Total cost	Start Date	Expected Completion date	Actual to Feb 2020	Remain cost	% Completion	Allocation 2020
63	Posta, Lotodo&Kacheliba Roads; Cereals-Chewoyet-Bendera Road	182	May-17	Nov-18	159	23	100%	10
64	District Hospital-Ndowasco RD-Showgound	164	May-17	Nov-20	108	56	100%	40
	Total	**255,177**			**181,322**	**73,856**		**8,190**