



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND PLANNING

**2020 BUDGET REVIEW
AND OUTLOOK PAPER**

SEPTEMBER 2020

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Public Relations Office
The National Treasury
Treasury Building
P. O. Box 30007-00100
NAIROBI, KENYA

Tel: +254-20-2252-299
Fax: +254-20-341-082

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Foreword

The 2020 Budget Review and Outlook Paper is set against the backdrop of a contracting global economy occasioned by the outbreak and the rapid spread of the Covid-19 Pandemic. The Pandemic and the attendant containment measures have led to contraction of the global economy disrupting businesses including international trade and leading to loss of lives and livelihoods for millions of people globally. Global economic activity is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain.

On the domestic scene, the Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business. Consequently, the economy grew by 4.9 percent in the first quarter of 2020 compared to a growth of 5.5 percent in a similar period in 2019. Considering the impact of Covid-19, the economy is projected to grow by about 2.6 percent in 2020. To cushion citizens and businesses from the adverse effects of Covid-19 Pandemic and support economic activities, the Government moved swiftly to implement a range of fiscal measures in the context of the Tax Laws (Amendment) Act, 2020 and the Finance Act 2020 as well as various monetary policy measures. Evidently these measures have provided the much needed relief to the economy and provided additional disposable incomes to the people and businesses. Building on the progress made, the Government introduced the Economic Stimulus Programme which is currently under implementation and is finalizing the development of a Post Covid-19 Economic Recovery Strategy to boost economic activity. As a result, the economy is projected to grow by about 5.3 percent in 2021 and 5.9 percent over the medium term.

The fiscal performance of the FY 2019/20 budget was below target on account of revenue shortfalls and rising expenditure pressures. In particular, the revenue shortfalls in the fourth quarter of the FY 2019/20 was largely due to the severe disruptions on economic activities from the containment measures put in place to contain the spread of the Covid-19 Pandemic. In light of these developments, revenue projections for the FY 2020/21 budget will be revised appropriately. The fiscal deficit (including grants) is therefore, projected at 8.9 percent of GDP in the FY 2020/21 budget which is higher than the 7.5 percent of GDP in the budget estimates and the outcome of 7.8 percent of the GDP in the FY 2019/20 budget. The deficit is projected to decline to 7.1 percent of GDP in FY 2021/22 and 4.9 percent of GDP over the medium term.

In light of the above, the focus of the FY 2021/22 budget and the Medium Term will be to grow revenues on account of economic recovery and policy measures. At the same time expenditures will be rationalized by removing the non-core expenditures from the budget. The outcome will be reduction in the fiscal deficit that will support reduction in the growth of public debt to ensure debt sustainability. The enhanced revenue will enable implementation of the “Big Four” Agenda, initiatives under the Economic Stimulus Programme as well as the Post Covid-19 Economic Recovery Strategy. This will re-position the economy on a steady and sustainable growth trajectory to create jobs, reduce poverty and narrow the inequality gap.

Considering the tight resource envelope that is available for FY 2021/22 budget, all the Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets and ensure strict adherence to the hard sector ceilings and tight deadlines provided in this document. This will facilitate the timely finalization and appropriation of the FY 2021/22 and the Medium Term budget.

HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY/ THE NATIONAL TREASURY & PLANNING

Acknowledgement

The 2020 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2019/20, the macro-economic projections and sets the sector ceilings for the FY 2021/22 and the Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2019/20 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing adjustments made in the projections outlined in the 2020 Budget Policy Statement.

We are operating under tight resource constraints amidst significant revenue shortfalls occasioned by declining economic activity as a result of the adverse effects of the Covid-19 Pandemic. This calls for proper prioritization to ensure that our expenditures go to the most impactful programmes with highest welfare benefits to Kenyans. Thus, all Sector Working Groups (SWGs) are expected to ensure that their budgets are aligned to the overall Government priorities while taking into account the available resources.

The preparation of the 2020 BROP was a collaborative effort of various Government Agencies. We thank all the Government Ministries, Departments and Agencies as well as other spending units for the timely provision of useful data and information on their budget execution for the FY 2019/20. We are also grateful to the Macro Working Group for reviewing this document to ensure it satisfies the PFM Act, 2012 and sets out the sector ceilings that will guide the rest of the sectors in the preparation of their FY 2021/22 and the Medium Term Budget. This document also benefitted from key inputs from various Directorates and Departments within the National Treasury and Planning. I wish to thank the core team from the Macro and Fiscal Affairs Department and the Budget Department that coordinated the finalization of this document.

Finally, allow me to thank all institutions that we consulted as well as the public for the useful comments and inputs. I wish to reiterate the importance of public participation in the FY 2021/22 and the Medium Term Budget preparation process by calling on all Sector Working Groups to ensure engagement and open public and stakeholders' participation and incorporation of the proposals received.

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

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Abbreviations and Acronyms

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

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

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

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

Fiscal Responsibility Principles in the Public Finance Management Act

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

- 1) Over the medium term, a minimum of 30% of the national budget shall be allocated to development expenditure
- 2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
- 3) Over the medium term, the national government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- 4) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and county assembly (CG)
- 5) Fiscal risks shall be managed prudently
- 6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

Executive Summary

The 2020 Budget Review and Outlook Paper has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides actual fiscal performance for the FY 2019/20, macro-economic projections and the sector ceilings for the FY 2021/22 and the medium term budget. The document also provides an overview of how the actual performance of the FY 2019/20 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2020 Budget Policy Statement.

The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain. Kenya has not been spared with the Pandemic slowing down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Considering the impact of the Covid-19 pandemic, the economy is projected to grow by about 2.6 percent in 2020 and recover to about 5.3 percent in 2021 and about 5.9 percent over the medium term.

The fiscal performance of the FY 2019/20 budget was below target on account of revenue shortfalls and rising expenditure pressures. In particular, the revenue shortfalls in the fourth quarter of the FY 2019/20 was largely due to the severe disruptions on economic activities from the containment measures put in place to contain the spread of the Covid-19 Pandemic and the tax reliefs implemented by government to cushion Kenyans.. Thus, total revenue collection including A-I-A amounted to Ksh 1,733.6 billion against the revised target of Ksh 1,864.8 billion. On the other hand, total expenditure and net lending was Ksh 2,565.4 billion falling short of the target by Ksh 252.4 billion, mainly due to the lower absorptions recorded in both the recurrent and development expenditures by the National Government. As a result, the fiscal deficit for the FY 2019/20 was Ksh 790.8 billion (equivalent to 7.8 percent of GDP) against a targeted deficit of Ksh 918.0 billion (9.0 percent of GDP).

In light of these developments, revenue projections for the FY 2020/21 will be lower than initially budgeted. In light of the additional expenditure pressures, the fiscal deficit (including grants) is projected at 8.9 percent of GDP in the FY 2020/21 which is higher than the 7.5 percent of GDP in the budget and 7.8 percent of the GDP in FY 2019/20. The fiscal outcome for the FY 2021/22 is projected to improve supported by enhanced revenue mobilization and rationalization of expenditures to eliminate non-core expenditures from the budget Revenue collection is projected at 16.2 percent of GDP in the FY 2021/22 from 16.5 percent of GDP in the FY 2020/21. Total expenditures are projected to decline to 23.7 percent of GDP in FY 2021/22 from 25.9 percent of GDP in FY 2020/21. The fiscal deficit for the FY 2021/22 is therefore projected to decline to 7.1 percent of GDP from 8.9 percent of GDP deficit in FY 2020/21.

To cushion businesses and households from the adverse effects of the Pandemic and stimulate economic recovery, the Government is implementing a host of measures including the Economic Stimulus Program and is finalizing a Post Covid-19 Economic Recovery Strategy. These measures coupled with the stable macroeconomic environment and the sustained implementation of the “Big Four” Agenda is expected to boost economic recovery. However, this macroeconomic outlook is not without risks. The main risk to this outlook relate to the persistence of the Covid-19 Pandemic. The Government will monitor these risks and respond appropriately to mitigate any negative impact on growth.

I. INTRODUCTION

Objective of the 2020 Budget Review and Outlook Paper

1. The objective of the 2020 Budget Review and Outlook Paper (BROP) is to provide a review of fiscal performance for the FY 2019/20 and how it impacts on the financial objectives and fiscal responsibility principles set out in the PFM Act and outlined in the 2020 Budget Policy Statement (BPS). This, together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2021/22 and the medium-term budget. Details of the fiscal framework and the medium term policy priorities will be firmed up in the 2021 BPS.

2. The 2020 BROP is a key policy document that will guide the development of the 2021 BPS. The 2021 BPS will highlight the progress in the implementation of the Post Covid-19 Economic Recovery Strategy, “Big Four” Agenda and other projects prioritized in the Third Medium Term Plan (MTP III 2018-2022), while also taking into account the recent macroeconomic developments.

3. The underperformance in revenue collection and expenditure pressures in the FY 2019/20 largely due to the adverse effects of the Covid-19 Pandemic had implications on the financial objectives outlined in the 2020 BPS and the fiscal projections of the 2020/21 budget. The 2020 BROP therefore, presents a revised fiscal outlook taking into account the revenue performance by end August 2020 and the prolonged effects of COVID-19 Pandemic on economic activities and the measures put in place to curb its spread. Expenditure projections for FY 2020/21 have been revised to accommodate the weak revenue performance through trade-offs and reallocations of the existing budgetary provisions and additional expenditure on productive areas of spending across the Government.

4. As required by the PFM Act, 2012, the budget process emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities. This will in turn ensure that the debt position remains sustainable and enhances continued fiscal discipline. To meet the resource requirements of the FY 2021/22 and the medium term budget, the Government will continue to implement prudent measures aimed at enhancing the tax revenue and rationalizing expenditures. In this regard, this BROP provides sector ceilings which will set in motion the budget preparation process for the FY 2021/22 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in Section III and IV of this document. Budgetary allocations in this BROP are aligned to the needs of the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy designed to mitigate the negative impact on the economy and further re-position the economy on a sustainable growth trajectory. The allocations also prioritize investments to the strategic interventions under the “Big Four” Agenda which aims to enable creation of more jobs, support manufacturing activities, enhance universal health coverage, improve food security and enhance living conditions through affordable housing.

5. With this background, the rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2019/20 and its implications on the financial objectives set out in the 2020 BPS. Section III provides highlights of the recent economic developments and outlook while Section IV and V provide the proposed resource allocation framework and the conclusion respectively.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2019/20

A. FY 2019/20 Fiscal Performance

6. In the 2020 BPS the financial projections assumed a normal operating environment having set on a conscious journey of fiscal consolidation, targeting a lower fiscal deficit of 6.3 percent of GDP in the FY 2019/20, 4.9 percent of GDP in 2020/21 and ultimately 3.0 percent of GDP over the medium term. This plan was premised on a strong revenue growth, reduction of non-core expenditures and a gradual slowdown in the growth of public debt.

7. However, this path was interrupted by the disruptions of economic activities, containment and fiscal measures undertaken to contain the spread of Covid-19 Pandemic and cushion Kenyans against the negative impact of the pandemic. The pandemic did not only worsen revenue performance in FY 2019/20, but will also affect revenue performance in FY 2020/21. In particular, import-related taxes such as import duty, VAT on imports, import declaration fees and railway development levy have been negatively affected due to lower imports and reduction of trade among countries. Further, other domestic taxes have been severely affected by declining incomes and depressed consumption.

8. Even before the first COVID-19 case was reported in Kenya, measures instituted internationally to curb the spread of the disease such as cancellation of international flights and total/partial lockdowns by some countries were having an adverse impact on import related taxes and sectors such as tourism and hospitality. The emergence of Covid-19 in Kenya in early March 2020 complicated the situation and negatively affected both the domestic and import related revenues especially in the fourth quarter of FY 2019/20.

Revenue Performance

9. The fiscal measures implemented by the Government in order to cushion Kenyans against the adverse impact of the pandemic and to further increase liquidity in the economy are estimated to cost the exchequer Ksh 172.0 billion in revenue foregone by the Government in one financial year. These measures include: lowering of the Value Added Tax (VAT) rate from 16% to 14%; reduction of tax rates for both corporate and personal income (PAYE) from 30% to 25%, provision of a 100% tax relief for persons earning a gross monthly income of up to Ksh 24,000 and reduction of turnover tax rate from 3.0% to 1.0%.

10. As a result of the challenging operating environment, total cumulative revenue including A-i-A for FY 2019/20 amounted to Ksh 1,733.6 billion against a revised target of Ksh 1,864.8 billion (**Table 1**). This represented a revenue shortfall of Ksh 131.2 billion. Ordinary revenue collection amounted to Ksh 1,573.4 billion against a target of Ksh 1,615.4 billion with tax revenues falling below target in all broad categories. The revenue performance in FY 2019/20 represented a year on year growth of 1.9 percent.

11. The appropriation in aid (A-i-A) shortfall of Ksh 89.2 billion is attributed to a difficult operating environment owed to the prevalence of COVID-19 pandemic especially in the fourth quarter. Closure of learning institutions significantly affected A-i-A revenue collection especially in the universities and other institutions of higher learning such as TVETs and Kenya Medical Training Colleges (KMTCS).

Table 1: Government Revenue and External Grants, FY 2019/20 (Ksh Million)

	2018/2019 Actual	2019/2020		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,701,672	1,733,631	1,864,823	(131,192)	1.9
(a) Ordinary Revenue	1,499,757	1,573,418	1,615,378	(41,960)	4.9
Import Duty	106,875	98,022	95,942	2,080	(8.3)
Excise Duty	194,310	195,270	201,205	(5,935)	0.5
PAYE	393,440	399,201	399,411	(210)	1.5
Other Income Tax	291,890	307,735	320,857	(13,121)	5.4
VAT Local	230,776	213,884	228,222	(14,338)	(7.3)
VAT Imports	183,368	169,829	171,907	(2,078)	(7.4)
Investment Revenue	26,763	103,393	104,576	(1,182)	286.3
Traffic Revenue	4,061	3,573	4,566	(993)	(12.0)
Taxes on Intl. Trade & Trans.(IDF Fee)	24,197	29,994	28,250	1,744	24.0
Others ¹	44,078	52,517	60,442	(7,925)	19.1
(b) Appropriation In Aid ²	201,915	160,213	249,445	(89,232)	(20.7)
o/w Railway Development Levy	21,303	23,258	22,682	576	9.2
(c) External Grants	19,702	19,820	35,026	(15,206)	0.6
Total Revenue and External Grants	1,721,373	1,753,451	1,899,849	(146,398)	1.9
Total Revenue and External Grants as a percentage of GDP	18.50	17.20	18.63		

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

2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

*Provisional

Source of Data: National Treasury

12. During the FY 2019/20, the Government received investment income in form of dividends, surplus funds and directors' fees of Ksh 46.0 billion which was on target (**Table 2**). The Government also received Ksh 70.1 billion from a mop-up exercise initiated to recall excess surplus funds from the parastatals.

Table 2: Investment Income for the FY 2019/20 (Ksh Million)

	FY 2018/19	FY 2019/20	
	ACTUAL RECEIPTS	REVISED ESTIMATES	ACTUAL RECEIPTS
DIVIDENDS	16,553.0	41,043.00	41,043.48
SURPLUS FUNDS	8,000.0	4,985.0	4,985.0
DIRECTORS FEES	22.0	29.5	16.7
TOTAL	24,575.00	46,057.48	46,045.15

Source of Data: National Treasury

13. Similarly, external grants amounted to Ksh 19.8 billion against a revised target of Ksh 35.0 billion, translating into a shortfall of 15.2 billion. Of these external grants, programme grants (AMISOM reimbursements) amounted to Ksh 4.6 billion against a target of Ksh 11.7 billion, project grants revenue of Ksh 9.6 billion against a target of Ksh 15.3 billion and project grants (A-i-A) of Ksh 5.6 billion against a target of Ksh 8.0 billion.

Table 3: Revenue Performance by Sector

Economic Sector	Ksh Million			Revenue Contribution			GDP Contribution		
	Jul-Jun 2017/18	Jul-Jun 2018/19	Jul-Jun 2019/20	Jul-Jun 2017/18	Jul-Jun 2018/19	Jul-Jun 2019/20	2017/18	2018/19	2019/20
Agriculture	19,943	23,445	20,478	2.4%	2.6%	2.3%	34.4%	34.6%	35.4%
Construction	42,913	44,736	44,699	5.1%	5.0%	4.9%	5.5%	5.5%	5.6%
Education	24,110	22,291	23,452	2.9%	2.5%	2.6%	4.2%	4.2%	4.1%
Electricity, Gas, Steam	33,326	33,838	32,140	4.0%	3.8%	3.5%	2.5%	2.3%	2.4%
Financial And Insurance	148,752	166,123	171,681	17.8%	18.4%	18.9%	6.6%	6.2%	5.9%
o/w banks	112,580	127,388	135,247	13.4%	14.1%	14.9%			
Information And Communication	116,645	134,724	148,801	13.9%	14.9%	16.4%	1.3%	1.3%	1.2%
Manufacturing	154,768	164,832	158,313	18.5%	18.3%	17.5%	8.0%	7.5%	7.2%
Others	137,262	138,932	137,870	16.4%	15.4%	15.2%	10.4%	10.5%	10.4%
Professional and Technical	30,388	33,019	36,219	3.6%	3.7%	4.0%	1.7%	1.7%	1.6%
Public administration	12,756	12,635	13,383	1.5%	1.4%	1.5%	3.4%	3.5%	3.5%
Real Estate Activities	24,179	24,958	24,493	2.9%	2.8%	2.7%	7.0%	7.0%	6.8%
Transportation And Storage	41,641	41,223	41,486	5.0%	4.6%	4.6%	7.6%	8.2%	8.5%
Wholesale And Retail Trade	50,616	61,293	53,581	6.0%	6.8%	5.9%	7.4%	7.5%	7.5%
Total	837,299	902,048	906,597	100%	100%	100%	100%	100%	100%

Source of Data: Kenya Revenue Authority for revenue figures and Kenya National Bureau of Statistics for GDP figures

14. Cumulatively, over half of revenue is generated from three sectors namely: Manufacturing, ICT and Financial Services. Whereas Agriculture contributed an average of 34.8% to GDP in the last three years, it contributed 2.4% of total revenue in FY 2019/20. The decline in manufacturing sector contribution to revenue from 18.5% in 2017/18 to 17.5% in 2019/20 is in line with the decline in the sector's contribution to GDP from 8.0% in 2017/18 to 7.2% in 2019/20.

Expenditure Performance

15. Total expenditure and net lending in the FY 2019/20 was Ksh 2,565.4 billion against a revised target of Ksh 2,817.8 billion, representing an under spending of Ksh 252.4 billion (9.0% deviation from the revised budget) (Table 4). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government.

16. The National Government's recurrent expenditure amounted to Ksh 1,603.1 billion (excluding Ksh 41.2 billion by Parliament and Judiciary) against a target of Ksh 1,728.4 billion, representing an under-spending of Ksh 125.3 billion. The under expenditure in recurrent category was mainly due to below target expenditure on operation and maintenance attributed to scaled down operations of the National Government in the last half of the FY 2019/20 due to Covid-19 Pandemic. Expenditure on domestic interest payments was above target by Ksh 13.5 billion while foreign interest payments was below target by Ksh 10.0 billion. Over the same period, a huge shortfall in operation and maintenance resulted to an under spending of Ksh 69.2 billion in recurrent ministerial Appropriation-in-Aid.

17. Development expenditures were below target by Ksh 83.5 billion on account of lower than programmed absorption by MDAs of domestically financed programmes by Ksh 53.0 billion and lower than programmed execution of externally funded programmes by Ksh 30.5 billion.

Table 4: Expenditure and Net Lending, FY 2019/20 (Ksh Million)

	2018/2019 Actual	2019/2020		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	1,489,844	1,603,128	1,728,403	(125,275)	7.6
Domestic Interest	272,351	315,362	301,812	13,550	15.8
Foreign Interest	103,372	121,840	131,868	(10,028)	17.9
Pensions & Other CFS	70,804	89,605	90,989	(1,384)	26.6
Wages and Salaries	417,526	449,927	457,155	(7,228)	7.8
Operation and Maintenance	625,791	626,394	746,579	(120,186)	0.1
O/W: Appropriation-in-Aid	147,765	106,958	176,126	(69,167)	(27.6)
2. DEVELOPMENT	541,884	594,944	678,466	(83,523)	9.8
Development Projects (Net)	289,029	389,571	434,273	(44,703)	34.8
Payment of Guaranteed Loans	2,485	661	644	18	(73.4)
Appropriation-in-Aid	243,408	204,712	243,549	(38,837)	(15.9)
3. County Governments	360,740	325,278	362,383	(37,105)	(9.8)
4. Parliamentary Service	28,525	27,990	34,257	(6,267)	(1.9)
5. Judicial Service	12,713	14,103	14,298	(195)	10.9
6. Equalization Fund	6,962	-	-	-	(100.0)
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	2,433,707	2,565,444	2,817,808	(252,365)	5.4

Wages and salaries; includes wages for teachers, civil servants and police

Source of Data: National Treasury

Ministerial Expenditure

18. The total cumulative ministerial and other public agencies expenditure including A-i-A was Ksh 1,736.4 billion (87.9 percent absorption) against a target of Ksh 1,976.5 billion. Recurrent expenditure was Ksh 1,127.8 billion (89.0 percent absorption) against a target of Ksh 1,266.6 billion, while development expenditure was Ksh 608.7 billion (85.8 percent absorption) against a target of Ksh 709.8 billion. The lower than targeted absorption of expenditures was partly due to the delayed reporting of expenditures related to Appropriation-in-Aid collected by State Owned Enterprises.

19. As at the end of FY 2019/20, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 45.1 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 10.2 percent and 8.8 percent of total recurrent expenditure respectively.

20. Analysis of development outlay indicates that the State Department for Infrastructure accounted for the largest share of the total development expenditure (27.5 percent), followed by the State Department for Transport (15.4 percent), State Department for Energy (8.2 percent), Ministry of water and Sanitation (7.3 percent), and the Ministry of Health (6.4 percent). The expenditures by large Ministries/State Departments were below target because of underreporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 5** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

Table 5: Ministerial Expenditures, Period Ending 30th June, 2020 (Ksh Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-20		Variance	Jun-20		Variance	Jun-20		Variance	% of Total Expenditure to Target
		Recurrent			Development			Total			
		Actual*	Target	Actual*	Target	Actual*	Target				
1011	The Presidency	11,238	12,849	(1,612)	2,860	3,624	(764)	14,098	16,474	(2,376)	85.6
1021	State Department for Interior	115,343	126,771	(11,428)	4,428	8,665	(4,236)	119,771	135,436	(15,665)	88.4
1023	State Department for Correctional Services	21,895	32,772	(10,877)	30	78	(49)	21,924	32,850	(10,926)	66.7
1024	State Department for Immigration and Citizen Services	1,844	2,034	(189)	573	651	(79)	2,417	2,685	(268)	90.0
1032	State Department for Devolution	2,372	2,433	(61)	907	2,820	(1,913)	3,279	5,253	(1,974)	62.4
1035	State Department for Development of the ASAL	977	978	(1)	4,819	5,669	(849)	5,797	6,647	(850)	87.2
1041	Ministry of Defence	99,668	107,077	(7,408)	2,183	9,644	(7,461)	101,851	116,721	(14,870)	87.3
1052	Ministry of Foreign Affairs	10,536	17,001	(6,465)	315	1,251	(936)	10,851	18,252	(7,401)	59.5
1064	State Department for Vocational and Technical Training	11,954	16,806	(4,852)	5,324	6,946	(1,623)	17,278	23,752	(6,474)	72.7
1065	State Department for University Education	87,199	116,933	(29,734)	6,390	6,622	(232)	93,589	123,555	(29,966)	75.7
1066	State Department for Early Learning & Basic Education	82,030	89,737	(7,708)	3,273	4,581	(1,307)	85,303	94,318	(9,015)	90.4
1068	State Department for Post Training and Skills Development	116	122	(6)	-	-	-	116	122	(6)	95.1
1071	The National Treasury	53,338	57,644	(4,305)	17,592	20,330	(2,738)	70,930	77,973	(7,043)	91.0
1072	State Department for Planning	11,672	11,701	(30)	29,389	43,563	(14,174)	41,061	55,264	(14,203)	74.3
1081	Ministry of Health	71,415	76,097	(4,681)	39,017	43,666	(4,650)	110,432	119,763	(9,331)	92.2
1091	State Department for Infrastructure	64,332	61,161	3,171	167,118	179,014	(11,896)	231,450	240,175	(8,725)	96.4
1092	State Department for Transport	6,387	9,768	(3,381)	93,571	94,198	(628)	99,958	103,967	(4,008)	96.1
1093	State Department for Shipping and Maritime	339	1,387	(1,048)	-	568	(568)	339	1,956	(1,616)	17.4
1094	State Department for Housing & Urban Development	930	954	(24)	24,356	27,851	(3,496)	25,285	28,805	(3,520)	87.8
1095	State Department for Public Works	2,162	2,165	(3)	1,163	1,386	(223)	3,325	3,551	(226)	93.6
1107	Ministry of Water and Sanitation	3,512	5,656	(2,144)	44,377	55,351	(10,974)	47,889	61,007	(13,118)	78.5
1108	Ministry of Environment and Forestry	9,505	10,358	(853)	3,572	3,655	(83)	13,078	14,013	(936)	93.3
1112	Ministry of Lands and Physical Planning	2,348	2,681	(333)	4,118	4,515	(397)	6,466	7,196	(730)	89.9
1122	State Department for Information Communication Technology	2,499	2,627	(129)	15,930	18,900	(2,969)	18,429	21,527	(3,098)	85.6
1123	State Department for Broadcasting & Telecommunications	3,316	4,839	(1,523)	515	531	(16)	3,831	5,370	(1,540)	71.3
1132	State Department for Sports	1,221	1,312	(91)	5,588	13,650	(8,062)	6,809	14,962	(8,153)	45.5
1134	State Department for Culture and Heritage	2,871	3,405	(534)	502	503	(2)	3,373	3,909	(536)	86.3
1152	Ministry of Energy	2,382	6,706	(4,323)	50,060	55,763	(5,703)	52,442	62,469	(10,026)	83.9
1162	State Department for Livestock	2,030	2,309	(279)	3,032	4,369	(1,336)	5,062	6,677	(1,616)	75.8
1165	State Department for Crop Development	4,496	14,643	(10,147)	16,209	22,512	(6,303)	20,705	37,155	(16,451)	55.7
1166	State Department for Fisheries, Aquaculture & the Blue Economy	1,672	1,732	(60)	1,645	3,043	(1,399)	3,316	4,775	(1,459)	69.4
1167	State Department for Irrigation	503	832	(330)	8,785	8,586	(711)	8,378	9,418	(1,040)	89.0
1168	State Department for Agricultural Research	4,351	5,366	(1,015)	348	595	(246)	4,699	5,960	(1,261)	78.8
1173	State Department for Cooperatives	309	649	(340)	4,517	4,573	(55)	4,827	5,222	(395)	92.4
1174	State Department for Trade	1,557	1,677	(120)	975	1,120	(145)	2,532	2,797	(265)	90.5
1175	State Department for Industrialization	2,529	3,409	(880)	9,013	7,770	1,243	11,542	11,179	363	103.2
1184	State Department for Labour	1,851	2,646	(795)	1,177	1,442	(264)	3,028	4,088	(1,059)	74.1
1185	State Department for Social Protection, Pensions & Senior Citizens Affairs	28,200	29,358	(1,158)	12,166	14,018	(1,852)	40,366	43,376	(3,010)	93.1
1192	State Department for Mining	411	586	(175)	333	333	(0)	743	918	(175)	80.9
1193	State Department for Petroleum	223	234	(11)	2,368	3,042	(674)	2,591	3,276	(685)	79.1
1202	State Department for Tourism	4,543	7,438	(2,895)	609	1,411	(802)	5,152	8,849	(3,697)	58.2
1203	State Department for Wildlife	3,733	8,089	(4,355)	517	1,539	(1,023)	4,250	9,628	(5,378)	44.1
1212	State Department for Gender	1,357	1,522	(165)	2,778	2,785	(7)	4,135	4,307	(172)	96.0
1213	State Department for Public Service	6,421	8,182	(1,762)	797	798	(1)	7,218	8,980	(1,762)	80.4
1214	State Department for Youth	12,677	13,970	(1,293)	7,785	7,954	(168)	20,462	21,923	(1,461)	93.3
1221	State Department for East African Community	504	515	(11)	-	-	-	504	515	(11)	97.9
1222	State Department for Regional and Northern Corridor Development	1,735	2,195	(460)	3,516	3,690	(173)	5,251	5,885	(633)	89.2
1252	State Law Office and Department of Justice	3,926	4,566	(640)	120	277	(157)	4,047	4,843	(797)	83.6
1261	The Judiciary	13,627	13,797	(171)	2,498	3,166	(668)	16,125	16,964	(839)	95.1
1271	Ethics and Anti-Corruption Commission	3,094	3,105	(11)	-	-	-	3,094	3,105	(11)	99.6
1281	National Intelligence Service	38,350	41,680	(3,330)	-	-	-	38,350	41,680	(3,330)	92.0
1291	Office of the Director of Public Prosecutions	2,926	3,267	(341)	73	14	59	2,999	3,281	(282)	91.4
1311	Office of the Registrar of Political Parties	1,182	1,212	(30)	-	-	-	1,182	1,212	(30)	97.5
1321	Witness Protection Agency	311	482	(171)	-	-	-	311	482	(171)	64.5
2011	Kenya National Commission on Human Rights	385	395	(9)	-	-	-	385	395	(9)	97.6
2021	National Land Commission	1,619	1,664	(45)	-	-	-	1,619	1,664	(45)	97.3
2031	Independent Electoral and Boundaries Commission	4,640	4,808	(168)	-	-	-	4,640	4,808	(168)	96.5
2041	Parliamentary Service Commission	7,902	9,773	(1,871)	513	513	-	8,415	10,286	(1,871)	81.8
2042	National Assembly	17,969	21,582	(3,613)	-	-	-	17,969	21,582	(3,613)	83.3
2043	Parliamentary Joint Services	2,120	2,902	(783)	1,608	1,722	(115)	3,727	4,625	(898)	80.6
2051	Judicial Service Commission	476	501	(24)	-	-	-	476	501	(24)	95.1
2061	The Commission on Revenue Allocation	364	365	(1)	-	-	-	364	365	(1)	99.9
2071	Public Service Commission	2,221	2,353	(132)	23	22	0	2,244	2,376	(132)	94.5
2081	Salaries and Remuneration Commission	420	450	(30)	-	-	-	420	450	(30)	93.3
2091	Teachers Service Commission	255,843	255,951	(108)	78	400	(322)	255,921	256,351	(429)	99.8
2101	National Police Service Commission	625	645	(20)	-	-	-	625	645	(20)	96.8
2111	Auditor General	5,055	5,363	(307)	143	143	-	5,198	5,505	(307)	94.4
2121	Office of the Controller of Budget	599	678	(79)	-	-	-	599	678	(79)	88.3
2131	The Commission on Administrative Justice	529	542	(13)	-	-	-	529	542	(13)	97.6
2141	National Gender and Equality Commission	377	391	(14)	0	3	(2)	378	394	(16)	95.9
2151	Independent Policing Oversight Authority	658	820	(162)	-	-	-	658	820	(162)	80.3
	Total	1,127,722	1,266,618	(138,896)	608,687	709,835	(101,147)	1,736,409	1,976,452	(240,044)	87.9

*Source of Data: National Treasury***Overall Balance and Financing**

21. In line with the performance in expenditure and reduced revenues as a result of Covid-19 pandemic, the fiscal deficit (excluding grants) amounted to Ksh 831.8 billion (8.2 percent of GDP). This deficit was lower than the projected deficit of Ksh 953.0 billion (9.3 percent of GDP) (**Table 6**). Including grants, the fiscal deficit (on commitment basis) amounted to Ksh 812.0 billion (8.0 percent of GDP) against a target of Ksh 918.0 billion (9.0 percent of GDP).

Table 6: Budget Outturn for the FY 2019/20 (Ksh Million)

	2018/2019 Actual	2019/2020		Deviation	% growth	2019/2020 as a % of GDP		2018/2019 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,721,373	1,753,451	1,899,849	(146,398)	1.9	17.2	18.6	18.5
1. Revenue	1,701,672	1,733,631	1,864,823	(131,192)	1.9	17.0	18.3	18.3
Ordinary Revenue	1,499,757	1,573,418	1,615,378	(41,960)	4.9	15.4	15.8	16.1
Import Duty	106,875	98,022	95,942	2,080	(8.3)	1.0	0.9	1.1
Excise Duty	194,310	195,270	201,205	(5,935)	0.5	1.9	2.0	2.1
Income tax	685,330	706,936	720,268	(13,332)	3.2	6.9	7.1	7.4
VAT	414,143	383,713	400,129	(16,416)	(7.3)	3.8	3.9	4.5
Investment Revenue	26,763	116,146	121,791	(5,645)	334.0	1.1	1.2	0.3
Others	72,336	73,331	76,043	(2,712)	1.4	0.7	0.7	0.8
Appropriation-in-Aid	201,915	160,213	249,445	(89,232)	(20.7)	1.6	2.4	2.2
2. Grants	19,702	19,820	35,026	(15,206)	0.6	0.2	0.3	0.2
AMISOM Receipts	4,315	4,639	11,698	(7,059)	7.5	0.0	0.1	0.0
Revenue	8,437	9,623	15,309	(5,686)	14.0	0.1	0.2	0.1
Appropriation-in-Aid	6,949	5,558	8,019	(2,462)	(20.0)	0.1	0.1	0.1
B. EXPENDITURE AND NET LENDING	2,433,707	2,565,444	2,817,808	(252,365)	5.4	25.2	27.6	26.2
1. Recurrent	1,531,083	1,645,222	1,776,959	(131,737)	7.5	16.1	17.4	16.5
Domestic Interest	272,351	315,362	301,812	13,550	15.8	3.1	3.0	2.9
Foreign Interest	103,372	121,840	131,868	(10,028)	17.9	1.2	1.3	1.1
Pension & Other CFS	70,804	89,605	90,989	(1,384)	26.6	0.9	0.9	0.8
Wages and Salaries	417,526	449,927	457,155	(7,228)	7.8	4.4	4.5	4.5
O & M/Others	667,030	668,487	795,135	(126,648)	0.2	6.6	7.8	7.2
2. Development and Net Lending	534,922	594,944	678,466	(83,523)	11.2	5.8	6.7	5.7
O/W Domestically financed	307,010	396,648	449,677	(53,029)	29.2	3.9	4.4	3.3
Foreign financed	225,427	197,634	228,145	(30,511)	(12.3)	1.9	2.2	2.4
3. Equalization Fund	6,962	-	0	-	(100.0)	-	-	-
4. County Governments	360,740	325,278	362,383	(37,105)	(9.8)	3.2	3.6	3.9
5. CF	-	-	-	-	-	-	-	-
C. DEFICIT EXCL. GRANT (Commitment basis)	(732,035)	(831,812)	(952,985)	121,173	13.6	(8.2)	(9.3)	(7.9)
D. DEFICIT INCL. GRANTS (Commitment basis)	(712,333)	(811,993)	(917,959)	105,967	14.0	(8.0)	(9.0)	(7.7)
E. ADJUSTMENT TO CASH BASIS	8,725	(20,813)	-	(20,813)	-	(0.2)	-	0.1
F. DEFICIT INCL. GRANTS (Cash basis)	(721,058)	(791,180)	(917,959)	126,779	9.7	(7.8)	(9.0)	(7.8)
G. FINANCING	721,058	790,806	917,959	(127,153)	9.7	7.8	9.0	7.8
1. Net Foreign financing	414,518	340,431	324,009	16,423	(17.9)	3.3	3.2	4.5
Disbursements	680,759	442,031	445,486	(3,455)	(35.1)	4.3	4.4	7.3
Programme Loans	84,784	239,026	217,930	21,096	181.9	2.3	2.1	0.9
Project Cash Loans	41,681	47,798	56,361	(8,563)	14.7	0.5	0.6	0.4
Project Loans AIA	100,622	104,525	113,896	(9,371)	3.9	1.0	1.1	1.1
Project Loans SGR PHASE 1&2A AIA	79,960	44,812	51,090	(6,278)	(44.0)	0.4	0.5	0.9
Commercial Financing	373,712	5,870	6,209	(338)	(98.4)	0.1	0.1	4.0
O/W syndicated loan	212,329	-	-	-	(100.0)	-	-	2.3
Debt repayment - Principal	(266,241)	(101,600)	(121,477)	19,878	(61.8)	(1.0)	(1.2)	(2.9)
2. Net Domestic Financing	306,540	450,375	593,950	(143,575)	46.9	4.4	5.8	3.3
Government Securities	309,379	409,911	441,869	(31,958)	32.5	4.0	4.3	3.3
Government Overdraft & Others	(3,584)	(11,405)	-	(11,405)	218.2	(0.1)	-	(0.0)
Movement in Government Deposits	(2,133)	49,825	148,869	(99,044)	(2,436.1)	0.5	1.5	(0.0)
Domestic Loan Repayments (Net Receipts)	2,878	2,044	3,213	(1,169)	(29.0)	0.0	0.0	0.0
MEMO ITEM								
GDP ESTIMATE	9,303,050.00	10,199,889	10,196,618					

*Provisional

Source of Data: National Treasury

22. The fiscal deficit was financed through net external financing equivalent to Ksh 340.4 billion. Total disbursements (inflows) including A-i-A amounted to Ksh 442.0 billion against a target of Ksh 445.5 billion. The actual disbursement amount included Ksh 47.8 billion project cash loans, Ksh 104.5 billion project loans A-i-A, Ksh 44.8 billion project loans A-i-A for SGR, Ksh 5.9 billion commercial financing and Ksh 239.0 billion programme loans. External repayments (outflows) of principal debt amounted to Ksh 101.6 billion including principal repayments due to bilateral and multilateral organizations and to commercial sources amounting to Ksh 40.1 billion, Ksh 18.8 billion and Ksh 42.7 billion respectively.

23. The net domestic financing amounted to Ksh 450.4 billion against a target of Ksh 594.0 billion. This included Ksh 5.2 billion from the Central Bank, Ksh 235.4 billion from Commercial Banks, Ksh 165.8 billion from Non-Banking Financial Institutions, Ksh 5.2 billion from Non-residents and 2.6 billion from other domestic sources.

B. Fiscal Performance for the FY 2019/20 in Relation to Financial Objectives

24. The fiscal performance in the FY 2019/20 has affected the financial objectives set out in the PFM Act 2012 and outlined in the 2020 BPS and the Budget for FY 2020/21 in the following ways:

- i. The base for ordinary revenue projections is higher than the actual outcome by about Ksh 42.0 billion; forcing a downward adjustment of ordinary revenues base for FY 2020/21 and in the medium term. This adjustment in revenues is expected to translate to a mix of downward adjustment in expenditure projections and upward adjustment in financing measures for the FY 2020/21. In addition, adjustments will be made to fiscal aggregates to mirror revisions in the macroeconomic projections as well as revenue performance for the first two months of FY 2020/21;
- ii. The baseline ceilings for spending agencies will be adjusted in line with the revised resource envelope under the updated macroeconomic framework that will be provided in the 2021 BPS taking into account the performance in project execution in the FY 2020/21 budget by MDAs and any identified one-off expenditures; and,
- iii. The under-spending in both recurrent and development budget for the FY 2019/20 has implications on the base used to project expenditures in the FY 2020/21 and the medium term. Appropriate revisions have been undertaken in the context of this BROP taking into account the budget outturn for the FY 2019/20.

25. As highlighted above, the reasons for the deviations from the financial objectives include: implications of Covid-19 Pandemic on the economy – adversely impacting both revenue performance and absorption of both recurrent and development projects, lower than projected revenue collection; under-spending in both recurrent and development; under-reporting on A-i-A expenditures by MDAs; and slow uptake of external resources in the FY 2019/20.

26. To remedy these deviations, the fiscal outlook will focus on strengthening the tax and revenue administration reforms contained in the 2020 BPS. In addition, the National Treasury has established the Public Investment Management Unit (PIMU) to enhance transparency and accountability in the management of public investment projects. Further, the National Treasury has issued Public Investment Management Regulations, which provide a framework for appraising and approving capital projects. The PIMU and the Regulations will facilitate prioritization of ongoing projects and in evaluation of all new projects in the context of their alignment to the “Big Four” Agenda, medium and long term development agenda; their impact on poverty alleviation; promotion of growth and job creation. Additionally, the Economic Stimulus Programme that the Government is implementing will stimulate and sustain economic activities, cushion Kenyans and businesses particularly those affected by the COVID-19 pandemic.

C. Fiscal Responsibility Principles

27. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

28. The National Government's development expenditure as a percent of Ministerial Government expenditure was 35.3 percent in FY 2019/20 and is projected to remain above the 30 percent statutory benchmark over the medium term (**Table 7**).

Table 7: Fiscal Performance in Relation to Financial Objectives

	FY 2018/19	FY 2019/20		FY 2020/21		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
	Actual	Revised Budget	Prel. Actual	Budget	BROP'20	BROP'20	BROP'20	BROP'20	BROP'20
	Ksh. Billions								
1.0 Total Expenditure & Net Lending	2,434	2,818	2,565	2,791	2,919	2,984	3,147	3,397	3,747
1.1 Total Ministerial National Govt Expenses	1,671	1,976	1,751	1,888	1,990	1,945	2,053	2,220	2,464
Total Recurrent	1,548	1,792	1,660	1,841	1,858	1,956	2,079	2,267	2,514
CFS (Interest & Pensions)	449	525	527	586	586	693	748	815	904
Ministerial Recurrent	1,099	1,267	1,133	1,254	1,271	1,263	1,331	1,452	1,610
o/w Wages & Salaries	418	457	450	492	492	563	597	615	645
Wages as % National Government Revenues/1	31.2%	29.8%	32.6%	32.9%	33.7%	34.6%	31.9%	28.6%	26.8%
Development	572	709	618	633	719	682	722	768	855
Development as % Ministerial NG expenditures	34.2%	35.9%	35.3%	33.5%	36.1%	35.1%	35.1%	34.6%	34.7%
Domestic	316	450	397	337	417	352	361	401	440
External	225	228	198	253	253	282	313	319	366
Contingencies	-	-	-	5	5	5	5	5	5
1.2 County Allocation	363	333	355	395	399	405	405	422	438
Equitable share	317	287	317	343	347	347	347	362	378
Conditional Grants	47	46	38	53	53	59	59	60	60
2.0 Total Revenues	1,702	1,865	1,734	1,893	1,860	2,030	2,275	2,573	2,842
3.0 Total National Government Revenues (Incl. A-I-A)	1,338	1,532	1,379	1,497	1,461	1,625	1,870	2,151	2,404
4.0 National Government Domestic Borrowing (net)	307	594	450	494	600	497	540	473	506

Source of Data: National Treasury

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

29. In line with the requirements of the PFM Act that the National Government's expenditure on the compensation of employees (including benefits and allowances) not to exceed 35 percent of the national government's equitable share of the revenue raised nationally plus other revenues generated by the National Government pursuant to Article 209 (4) of the Constitution, the National Government's share of wages and benefits to revenues was 32.6 percent in the FY 2019/20 and is projected to remain below the 35 percent statutory benchmark in the medium term.

30. The fiscal responsibility principle spelt out in Section 15 2(c) of the PFM Act, 2012 requires that over the medium term, the National Government's borrowing shall be used only for financing development expenditure. In conformity to this, resources mobilized through borrowing during the FY 2019/20 were used to finance infrastructure projects as shown in the development estimates of the budget..

31. The Medium Term Debt Management Strategy and other policy documents spell out the purposes of external and domestic financing and as such:

- The Government maintained public debt at sustainable levels as approved by Parliament
- The debt ratios remained within sustainable levels for the country rated as a strong performer in comparison, to internationally recognized thresholds
- The public debt sustainability indicators illustrate that Kenya faces a high risk of debt distress.

32. The baseline projection scenario of Kenya’s external debt sustainability indicates that the country is within sustainable levels as a stronger performer. The debt sustainability indicators show that Kenya faces a high risk of external debt distress due to breach of at least one of the three external debt indicators (PPG debt service-to-exports ratio) (**Table 8**).

Table 8: Kenya’s External debt sustainability (Calendar years)

Indicators	Thresholds for Kenya	2019	2020	2021	2022	2023	2024	2025
PV of debt-to-GDP ratio	55	27.6	26.8	27.9	27.8	27.6	27.2	26.0
PV of debt-to-exports ratio	240	225.2	288.0	260.6	258.5	255.2	249.4	237.7
PPG Debt service-to-exports ratio	21	31.4	27.5	25.9	25.5	24.4	36.1	24.1
PPG Debt service-to-revenue ratio	23	21.3	14.5	15.9	15.7	14.8	22.0	14.4

Source: IMF Country Report No. 20/156, May 2020

33. To manage fiscal risks prudently as required, the Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget. Potential fiscal risks arising from contingent liabilities, including from Public Private Partnership projects among others are taken into account and a contingency provision made to cushion the economy from unforeseeable shocks.

34. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government continues to carry out tax reforms through modernizing and simplifying tax laws. In order to lock in predictability and enhance compliance with tax system, the Government through the Finance Act, 2020 proposed to amend the Income Tax Act, Excise Duty Act, VAT Act , Tax Procedures Act and Miscellaneous Fees and Levies Act.

35. The National Government fiscal projections (**Table 9**) provide comparisons between the updated projections in the 2020 BROP and the 2020 BPS which inform the projections for the FY 2020/21 and the medium term. The deviations, in the revision in revenues and expenditures are due to the base effect on revenue forecast and macroeconomic assumptions contained in this BROP, which will be firmed up in the context of the 2021 BPS. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest BPS to reflect the changed circumstances.

Table 9: Government Fiscal Projections, Ksh Billion

	FY 2018/19	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24	FY 2024/25
	Prel	Rev. Budget	Prel Actual	Budget	BROP 20	BPS 20	BROP 20	BPS 20	BROP 20	BROP 20	BROP 20
TOTAL REVENUE	1,702	1,865	1,734	1,893	1,860	2,417	2,030	2,707	2,275	2,573	2,842
Total Revenue as a % of GDP	18.3%	18.3%	17.0%	16.8%	16.5%	18.5%	16.2%	18.4%	16.4%	16.6%	16.4%
Ordinary revenue	1,500	1,615	1,573	1,634	1,601	2,145	1,814	2,418	2,041	2,298	2,558
Ordinary Revenue as a % of GDP	16.1%	15.8%	15.4%	14.5%	14.2%	16.4%	14.5%	16.5%	14.7%	14.8%	14.8%
Tax Revenue	1,401	1,418	1,384	1,515	1,478	2,019	1,705	2,279	1,924	2,169	2,419
Non-Tax Revenue	99	198	189	119	123	126	108	139	118	129	140
AIA	202	249	160	259	259	272	216	288	234	275	284
Expenditure	2,434	2,818	2,565	2,791	2,919	2,968	2,964	3,214	3,127	3,376	3,725
Expenditure as a % of GDP	26.2%	27.6%	25.2%	24.7%	25.9%	22.8%	23.7%	21.9%	22.5%	21.8%	21.5%
Recurrent (incl of conditional transfer to counties)	1,546	1,791	1,660	1,841	1,858	1,961	1,956	2,084	2,079	2,267	2,514
Development	574	710	619	628	714	677	677	790	717	763	850
Equalization Fund	7	-	-	7	7	7	7	7	7	8	8
County Transfer (Equitable share only)	314	317	287	317	343	326	327	335	327	341	357
Contingencies	-	-	-	5	5	5	5	5	5	5	5
Budget Balance (Deficit (-) excl Grants)	(732)	(953)	(832)	(898)	(1,059)	(551)	(934)	(508)	(852)	(803)	(882)
Deficit as % of GDP	-7.9%	-9.3%	-8.2%	-8.0%	-9.4%	-4.2%	-7.5%	-3.5%	-6.1%	-5.2%	-5.1%
Grants	20	35	20	57	57	46	46	47	47	48	49
Adjustment to cash basis	-	-	12	-	-	-	-	-	-	-	-
Balance Incl.Grants (cash basis)	(712)	(918)	(800)	(841)	(1,002)	(505)	(888)	(461)	(805)	(755)	(833)
Deficit as % of GDP	-7.7%	-9.0%	-7.8%	-7.5%	-8.9%	-3.9%	-7.1%	-3.1%	-5.8%	-4.9%	-4.8%
Net Foreign Financing	415	324	340	347	402	319	411	294	285	303	349
Domestic Loan Repayments (receipts)	3	4	3	5	-	4	1	4	4	3	3
Domestic Borrowing (net)	307	594	450	494	600	186	477	167	520	452	484
Domestic Borrowing % of GDP	3.3%	5.8%	4.4%	4.4%	5.3%	1.4%	3.8%	1.1%	3.8%	2.9%	2.8%
Public Debt (net Deposits)	5,301	6,190	6,190	5,824	7,192	6,731	8,080	7,291	8,885	9,640	10,473
Public Debt to GDP (net Deposits)	57.0%	60.7%	60.7%	51.7%	63.8%	51.6%	64.6%	49.7%	64.0%	62.2%	60.6%
Nominal GDP (Ksh. billion)	9,303	10,197	10,200	11,276	11,267	13,044	12,502	14,674	13,879	15,495	17,286

Source of Data: National Treasury

D. County Governments' Fiscal Performance

36. As reflected in the County Allocation of Revenue Act (CARA), 2019, County Governments were allocated a total of Ksh 378.49 billion. This included: a) Ksh 316.5 billion as equitable share of revenues raised nationally; b) Ksh 13.91 billion being conditional allocations that are part of National Government's shareable revenue; c) Ksh 8.98 billion from Roads Maintenance Fuel Levy Fund (RMLF) collected by the Kenya Roads Board (KRB), of which 15 percent is set aside for County roads; and d) Ksh 39.09 billion from proceeds of loans and grants from development partners. In addition, Ksh 5.76 billion was allocated to the Equalisation Fund in FY 2019/20 in line with Article 204 of the Constitution.

37. Actual disbursements to the County Governments during the FY 2019/20 totalled Ksh 338 billion comprising of; a) Ksh 286.78 billion as equitable share of revenue raised nationally; b) Conditional allocations amounting to Ksh 20.7 billion derived from the National Government's equitable revenue share; c) Ksh 7.65 billion from the Roads Maintenance Levy Fund (RMLF); and; d) Proceeds from external loans and grants totalling Ksh 22.88 billion earmarked to supplement financing of devolved functions (**Table 10**).

38. In aggregate terms, total transfers including equitable share and conditional grants to County Governments in FY 2019/20 amounted to 89 percent of the total allocations as contained in CARA, 2019. Only 91 percent of the equitable share was transferred to the County Governments as at 30th June 2020. This was majorly due to revenue shortfalls in the Financial Year especially during the last quarter of the Financial Year occasioned by the Covid-19 Pandemic and the responses by the government to cushion the affected individuals and businesses from the negative impact of the pandemic. It should be noted the National Government had proposed to Parliament amendments to the Division of Revenue Act (DoRA), 2019 and the CARA, 2019 to reduce the equitable share allocated to County Governments by Ksh 30 billion due to the then forecasted shortfalls in revenue. However, the proposed amendment was not approved by the two houses.

39. It is worth noting that this BROP is being prepared amidst an unprecedented situation of the Covid-19 pandemic which has brought about major economic and social disruptions. Jobs

and lives have been lost and businesses have been closed globally and throughout the country. To this end, the Government of Kenya, in collaboration with her development partners allocated and disbursed additional Kshs 7.71 billion in the FY 2019/20 outside CARA 2019 as part of Covid-19 pandemic emergency response measures. Ksh 7.36 billion was transferred to County Governments from the National Government share of revenue. Out of this amount, Ksh. 5 billion was distributed among counties using the equitable revenue share distribution formula, for the purpose of setting up requisite infrastructure for urgent response to the pandemic. The balance of Ksh 2.36 billion was distributed based on recommendations by the Salaries and Remuneration Commission (SRC) for the purposes of supplementing allowances for the frontline healthcare workers. Ksh 350 million from the Royal Danish Embassy was disbursed through the Ministry of Health.

40. This notwithstanding, the National Treasury committed through the Summit to transfer the remaining 9 percent of the equitable share to the County Governments as soon as the revenue performance improves, pursuant to Article 219 of the Constitution of Kenya, 2010.

Table 10: Total Transfers to County Governments from FY 2013/14 to FY 2019/20 (Ksh Million)

Transfer Type	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Grand Total	%
1. Equitable share transfer	190,000	226,660	259,774	280,300	302,000	314,000	286,784	1,859,518	91.26%
2. GoK-funded conditional allocations	5,665	3,261	10,901	13,705	12,008	15,017	20,699	81,256	3.99%
a) Level Five Hospital	3,419	1,863	3,600	4,000	4,200	4,326	4,326	25,735	1.26%
b) Free Maternal Healthcare	2,246	1,398	3,321	4,105	-	-	-	11,070	0.54%
c) Managed Equipment Services	-	-	3,080	4,500	4,908	8,830	6,017	27,335	1.34%
d) Foregone User Fees Compensation	-	-	900	900	900	900	900	4,500	0.22%
e) Rehabilitation of Youth Polytechnics	-	-	-	-	2,000	961	2,000	4,961	0.24%
f) Emergency Medical Service Grant	-	-	-	200	-	-	-	200	0.01%
g) Construction of County HQs	-	-	-	-	-	-	100	100	0.00%
h) Covid-19 response Funds	-	-	-	-	-	-	7,356	7,356	0.36%
3. Additional conditional allocations	-	1,137	5,547	6,063	17,797	31,070	30,369	91,983	4.51%
a) Road Maintenance Levy Fund	-	-	3,300	4,307	10,262	7,424	7,645	32,938	1.62%
b) External Loans and Grants	-	1,137	2,247	1,756	7,535	23,646	22,724	59,045	2.90%
-World Bank (KDSP Level I)	-	-	-	-	2,148	-	1,410	3,558	0.17%
-World Bank (KDSP Level II)	-	-	-	-	1,950	4,000	-	5,950	0.29%
-World Bank (NUTRIP)	-	-	1,045	791	-	-	-	1,836	0.09%
-Danida (HSPS III)	-	734	664	408	-	-	0	1,806	0.09%
-World Bank (KHSSP-HSSF)	-	404	508	556	8	-	-	1,476	0.07%
-World Bank (THUSCP)	-	-	-	-	1,250	1,958	2,656	5,864	0.29%
-Danida (UHDSP)	-	-	-	-	1,116	1,040	922	3,079	0.15%
Danida Covid-19 Support of Level II and III Hospitals	-	-	-	-	-	-	350	350	0.02%
-World Bank (NARIGP)	-	-	-	-	1,063	1,052	4,563	6,677	0.33%
-Italy (KIDDP; Rehab. of Sub-Dist. Hosp.)	-	-	30	-	-	-	-	30	0.00%
World Bank, KUSP-UIG	-	-	-	-	-	1,854	387	2,241	0.11%
World Bank, KUSP-UDG	-	-	-	-	-	11,465	8,128	19,593	0.96%
World Bank-KCSAP	-	-	-	-	-	1,000	2,982	3,982	0.20%
EU - IDEAS	-	-	-	-	-	941	-	941	0.05%
IDA (World Bank)-WSDP	-	-	-	-	-	-	563	563	0.03%
SIDA -ASDSP II	-	-	-	-	-	335	764	1,099	0.05%
EU-WaTER	-	-	-	-	-	-	-	-	0.00%
4. Allowances for County medical personnel	-	-	-	4,842	-	-	-	4,842	0.24%
5. Coffee Cess	-	-	-	107	-	-	-	107	0.01%
Grand Total (= 1+2+3+4+5)	195,665	231,059	276,223	305,016	331,805	360,086	337,852	2,037,706	100.00%

Source of Data: The National Treasury

Notes: In both the FY 2018/19 and FY 2019/20 Ksh 4.3 billion from the National Government's revenue share was paid to the National Hospital Insurance Fund (NHIF) as a special grant for Free Maternal Healthcare, to be disbursed directly to Counties on reimbursement basis.

41. Another reason for the less than 100 percent transfer is failure by some County Governments to adhere to requirements of specific conditional allocations. Some of the conditional allocations affected by this non-compliance include Ksh 617 Million for the Water & Sanitation Development Project; Ksh. 338 Million for the Transforming Health Systems for Universal Care Project; Ksh. 337 Million for the National Agriculture & Rural Inclusive Growth Project (NARIGP); Ksh. 86 Million for the Kenya Climate Smart Agriculture Project (KCSAP); Ksh 80 million for the Kenya Urban Support Programme; and Ksh. 385 million for construction of County headquarters. Likewise, Ksh 1.34 billion from the RMLF was not disbursed because some counties failed to comply with the KRB Act, a condition for the grant.

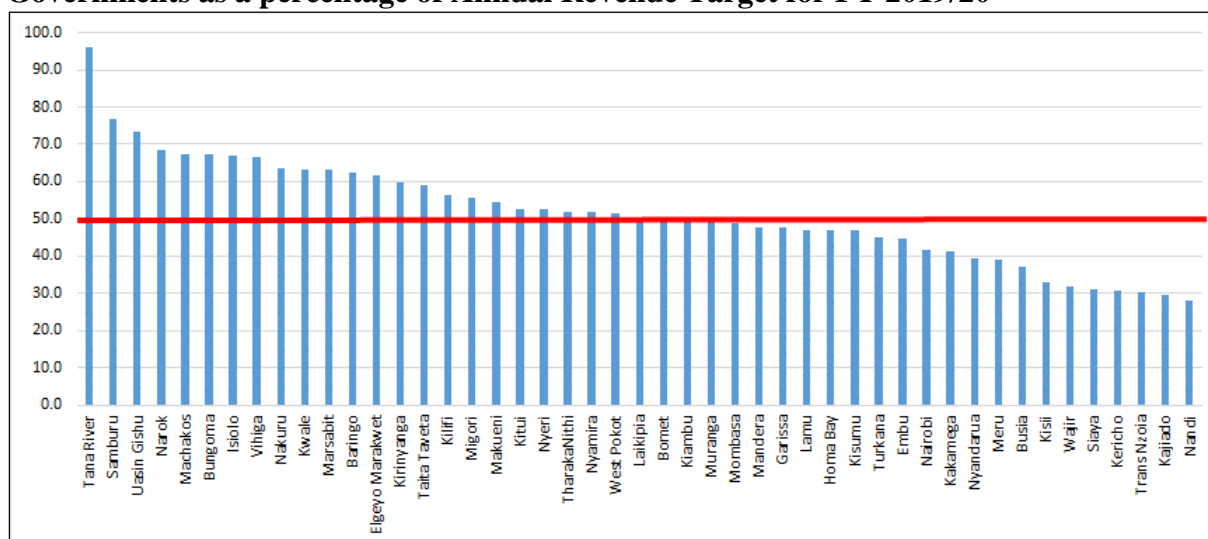
42. It is worth noting that this BROP is being prepared amidst an unprecedented situation of the Covid-19 pandemic which has brought about major economic and social disruptions. Jobs and lives have been lost and businesses have been closed globally and throughout the country. To this end, the Government of Kenya, in collaboration with her development partners allocated and disbursed additional Ksh 7.71 billion in the FY 2019/20 outside CARA 2019 as part of Covid-19 pandemic emergency response measures. Ksh 7.36 billion was transferred to County Governments from the National Government share of revenue. Out of this amount, Ksh. 5 billion was distributed among counties using the equitable revenue share distribution formula, for the purpose of setting up requisite infrastructure for urgent response to the pandemic. The balance of Ksh 2.36 billion was distributed based on recommendations by the Salaries and Remuneration Commission (SRC) for the purposes of supplementing allowances for the frontline healthcare workers. Ksh 350 million from the Royal Danish Embassy was disbursed through the Ministry of Health.

43. In total for the period FY 2013/14 to FY 2019/20, County Governments have received Ksh 2.03 trillion cumulatively, 91.6 percent of which is equitable share, 3.59 percent being conditional grants that are part of shareable revenue, and a further 4.58 percent being the additional conditional allocations that are not part of shareable revenue. The remaining 0.23 percent represents a one-off payment made in FY 2016/17 in respect to allowances to medical personnel and coffee cess.

Performance of County Governments Own Source Revenue

44. During the period July 2019 to March 2020, the County Governments generated a total of Ksh 28.04 billion in Own Source Revenue (OSR) against an annual target of Ksh. 57.82 billion (**Figure 1**). This represents 48 percent of the annual OSR target in FY 2019/20, which is a decrease from 55.5 percent of the annual OSR target for a similar period in the FY 2018/19. Only twenty six (26) County Governments in FY 2019/20 were able to generate more than fifty percent of their annual OSR target for the first three quarters of the financial year.

Figure 1: Actual Revenue Collected (First Nine Months of FY 2019/20) by the County Governments as a percentage of Annual Revenue Target for FY 2019/20

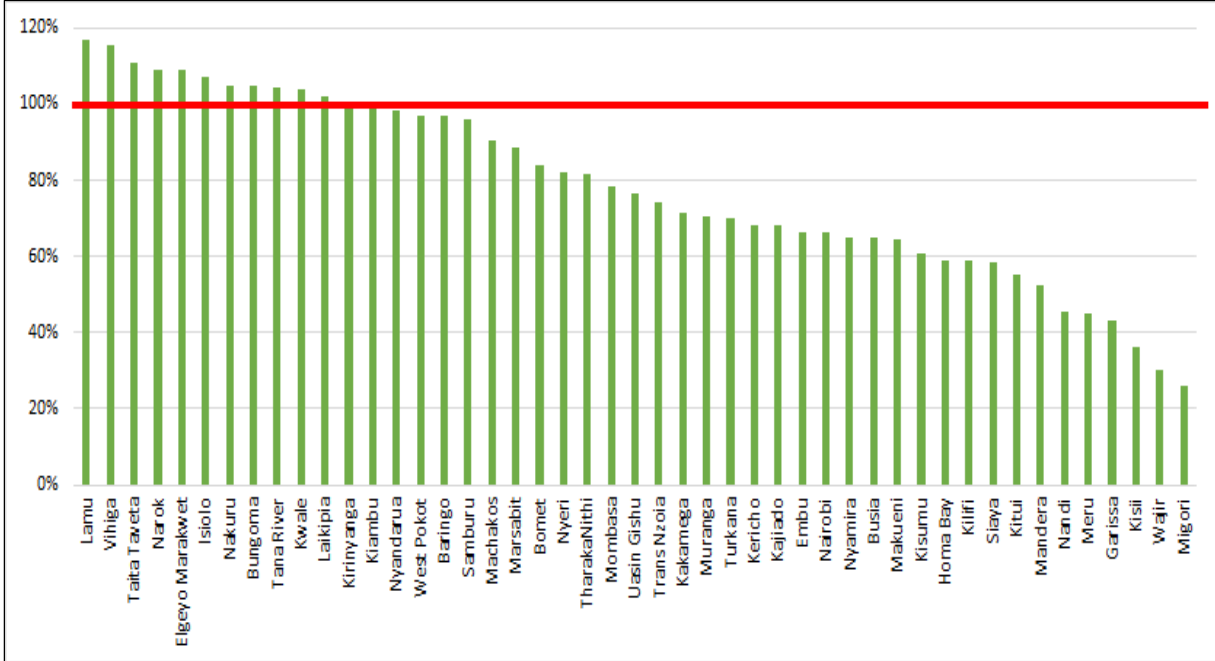


Source of Data: Controller of Budget

45. Data from OCOB indicates that County Governments collected Ksh 40.3 billion of OSR in the FY 2018/19 against a target of Ksh 53.86 billion representing an outturn of 74 percent. A total of 13 County Governments surpassed their targets in the FY, and about 6 County Governments collected less than half of their target (**Figure 2**). While this indicates an

improvement in OSR collections, it is worth noting that most County Governments have demonstrated the urge to have realistic OSR projections to avoid unfunded budgets which may lead to pending bills. However, given that there are still some County Governments with unrealistic OSR projections, there is need for more capacity building on areas of tax analysis and revenue forecasting. *The National Policy to Support Enhancement of County Governments' Own-Source Revenue* and the *County Governments (Revenue Raising Process) Bill 2018* will address challenges around OSR collection and administration once they are fully operational.

Figure 2: Actual Revenue Collected in FY 2018/19 by the County Governments as a Percentage of Annual Revenue Target



Source of Data: Controller of Budget

County Governments Budget Absorption Rate

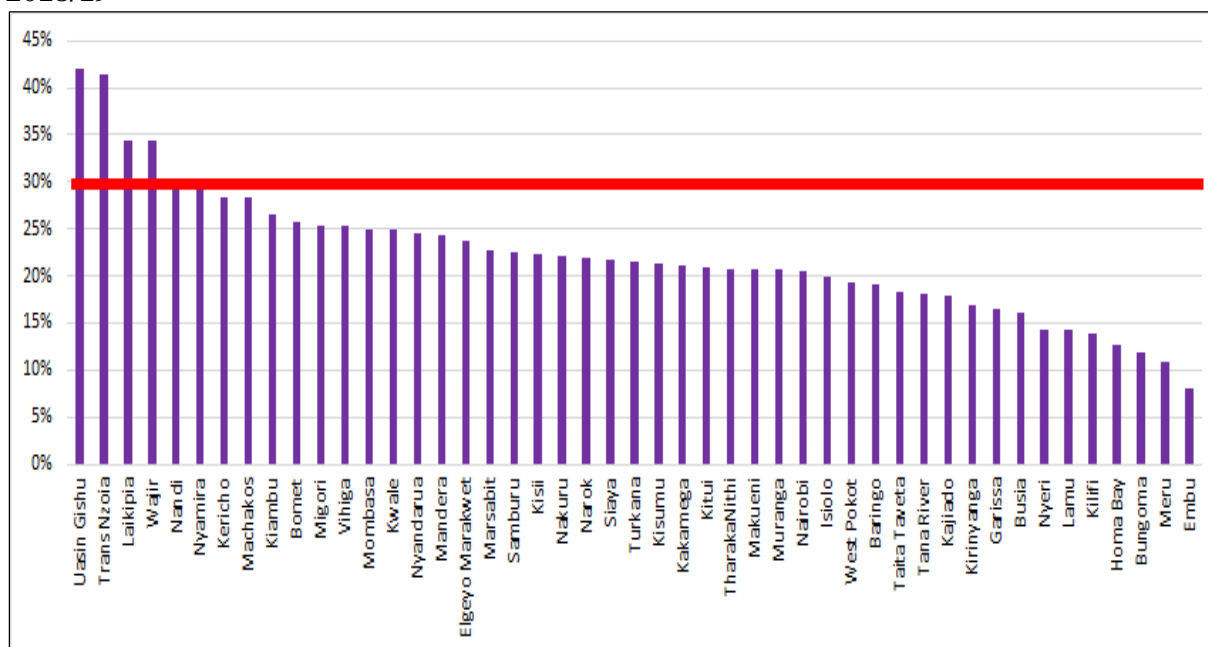
46. The overall absorption rate (actual expenditure over budget) for the County Governments combined for the first nine months of FY 2019/20 was 48.4 percent, which is equal to the absorption rate in FY 2018/19 (**Annex Table 7**). The absorption rate for development expenditure for the period July 2019 to March 2020 remained low at 25 percent compared to that of the recurrent expenditure which stood at 64 percent for the same period.

E. County Governments' Compliance with Fiscal Responsibility Principles

Allocation on Development Expenditure

47. In managing the County Government's finances, the Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 percent of each County Government's budget shall be allocated to development expenditure. All the forty-seven county governments complied with this legal requirement in their FY 2019/20. However, actual expenditure for the first nine months of FY 2019/20 on development spending was less than 30 percent during this period for all County Governments except for Isiolo, Kakamega, Kwale, Mandera, Marsabit and Tana River counties (**Annex Table 7**). Data from OCOB indicates that for the FY 2018/19, only about six (6) counties achieved the minimum 30 percent threshold in their actual development expenditure. (**Figure 3**).

Figure 3: Actual Development Expenditures as a Percentage of Total Budget for the FY 2018/19



Source of Data: Controller of Budget

Allocation on Compensation of Employees

48. Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015, requires that the county government’s expenditure on wages and benefits for its public officers should not exceed thirty five (35) percent of the county government’s total revenue. According to the Report by the Controller of budget on County Government’s budget implementation for the first nine months of FY 2019/20, over 50 percent of the County Governments total expenditures are going towards personal emoluments. About ten (10) Counties namely Embu, Baringo, Garissa, Elgeyo Marakwet, Samburu, Machakos, Nandi and Nyeri had over 60 percent of their total expenditures going towards personal emoluments. In this regard, the wage bill remains a major challenge being faced by most county governments hence the need for concerted effort to find viable solutions to keep the wage bill within the legal threshold.

Other Challenges encountered by County Governments in Public Finance Management

Pending Bills of County Governments

49. The National Treasury in collaboration with OCOB has continuously followed up with County Governments to clear their pending bills following the special audit conducted by the Office of the Auditor General (OAG) in 2018. As per the report, the total pending bills amounted to Ksh 89.0 billion out of which Ksh 51.28 billion were classified as eligible and Ksh 37.7 billion as ineligible. However, a total of Ksh 1.31 billion of the eligible pending bills were disputed by 13 County Governments. Further verification of the disputed pending bills is ongoing. Nevertheless, as at 30th June 2020, a total of Ksh 39.17 billion (76.39 percent) of the eligible bills had been paid by the County Governments. On the ineligible bills, County Governments were advised to form Pending Bills Verification Committees. To this end, Ksh 2.69 billion (7 percent) of the ineligible pending bills had been paid. This is as a result of the work being done by the Pending Bills Committee The total outstanding bills, both eligible and ineligible stood at Kshs 47.12 billion as at 30th June 2020 (**Table 11**).

Table 11: Pending Bills of the County Governments' as at 30th June 2020

County	Total Pending Bills	Eligible Pending Bills as per the OAG Special Audit (Kshs)	Eligible Pending Bills Disputed By County Governments	Eligible Pending Bills Paid	Outstanding Eligible Pending Bills as at 30th June 2020 (Kshs.)	Ineligible Pending Bills as per the OAG Special Report (Kshs)	Ineligible Pending Bills Paid
	A	B	C	D	E=B-D	E	F
Baringo	45,765,998	24,046,826		24,046,826	0	21,719,172	0
Bomet	1,253,551,181	1,190,167,877	144,488,259	990,262,922	199,904,955	63,383,304	0
Bungoma	601,481,507	376,038,793	13,264,596	362,774,197	13,264,596	225,442,714	128,225,677
Busia	1,013,493,163	972,895,883	1,251,275	971,644,606	1,251,277	40,597,280	0
Elgeyo/Marakw	908,679,275	225,216,395		225,216,395	0	683,462,880	428,978,838
Embu	1,362,958,792	435,114,432		435,114,432	0	927,844,360	50,250,949
Garissa	2,553,348,202	2,307,530,407	117,241,271	2,161,217,777	146,312,630	245,817,795	0
Homa Bay	1,663,245,610	40,447,020		40,447,020	0	1,622,798,590	241,871,783
Isiolo	1,334,674,795	1,258,372,703		691,253,320	567,119,383	76,302,092	0
Kajiado	366,353,650	88,191,609		88,191,609	0	278,162,041	0
Kakamega	593,950,376	583,093,452		583,093,452	0	10,856,924	8,082,840
Kericho	1,094,470,975	490,184,743		490,184,743	0	604,286,232	141,827,944
Kiambu	2,312,759,531	1,831,618,030		1,565,606,208	266,011,822	481,141,501	0
Kilifi	1,377,012,031	1,116,043,558		1,116,043,558	0	260,968,473	16,360,234
Kirinyaga	1,328,459,563	741,080,963	397,304,121	319,440,751	421,640,212	587,378,600	42,359,883
Kisii	1,414,104,629	1,200,573,919	15,763,476	1,184,810,134	15,763,785	213,530,710	0
Kisumu	2,475,722,125	1,792,200,077		1,595,253,547	196,946,530	683,522,048	0
Kitui	1,443,011,641	572,033,419		572,033,419	0	870,978,222	304,308,790
Kwale	2,501,631,906	809,734,393		809,734,393	0	1,691,897,513	0
Laikipia	989,444,917	77,539,708		77,539,708	0	911,905,209	0
Lamu	143,663,524	85,050,899		85,050,899	0	58,612,625	31,528,323
Machakos	1,286,526,181	942,363,607		940,436,740	1,926,867	344,162,574	0
Makueni	34,902,732	33,018,202		33,018,202	0	1,884,530	0
Mandera	552,137,062	349,433,313		338,950,000	10,483,313	202,703,749	0
Marsabit	776,411,111	728,259,831		617,942,947	110,316,884	48,151,280	0
Meru	2,265,112,691	1,845,545,178		1,793,635,716	51,909,462	419,567,513	148,518,534
Migori	1,275,250,208	1,007,373,410	168,968,104	750,178,806	257,194,604	267,876,798	203,700,508
Mombasa	5,347,786,393	3,545,800,427		1,887,722,116	1,658,078,311	1,801,985,966	0
Murang'a	2,038,047,918	1,531,778,008		1,531,778,008	0	506,269,910	0
Nairobi City	23,139,794,063	11,783,829,072		5,121,738,876	6,662,090,196	11,355,964,991	146,440,676
Nakuru	2,504,561,905	420,164,604	25,487,581	393,978,523	26,186,081	2,084,397,301	0
Nandi	1,447,847,605	942,307,841		942,307,841	0	505,539,764	0
Narok	2,056,439,795	1,980,736,070	212,049,716	1,583,033,918	397,702,152	75,703,725	27,609,076
Nyamira	435,328,993	275,698,127		275,698,127	0	159,630,866	36,301,873
Nyandarua	1,138,159,128	297,078,779		297,078,779	0	841,080,349	317,016,227
Nyeri	360,535,590	152,196,769		152,196,769	0	208,338,821	146,652,290
Samburu	846,492,795	762,579,174	48,201,481	714,377,693	48,201,481	83,913,621	0
Siaya	709,770,238	637,310,697	105,092,567	511,069,825	126,240,872	72,459,541	0
Taita/Taveta	451,282,264	390,269,112		390,269,112	0	61,013,152	0
Tana River	1,202,679,386	507,082,631		507,082,631	0	695,596,755	0
Tharaka -Nithi	1,112,652,892	701,871,919		682,223,937	19,647,982	410,780,973	0
Trans Nzoia	1,079,983,912	666,047,614	6,890,490	659,157,124	6,890,490	413,936,298	0
Turkana	5,660,295,757	1,816,400,453	53,631,790	1,515,480,718	300,919,735	3,843,895,304	0
Uasin Gishu	366,384,594	76,566,231		60,435,232	16,130,999	289,818,363	207,973,124
Vihiga	2,037,052,291	1,151,148,522		660,591,525	490,556,997	885,903,769	0
Wajir	2,357,171,365	2,039,742,167		2,039,742,167	0	317,429,198	65,740,429
West Pokot	1,725,540,240	483,053,261		384,982,834	98,070,427	1,242,486,979	0
Total	88,985,930,500	51,284,830,125	1,309,634,727	39,174,068,082	12,110,762,043	37,701,100,375	2,693,747,997

Source of Data: Office of the Auditor General

Failure to Report on Programme Achievements by County Governments

50. According to the *County Governments' Budget Implementation Review Report* for the first nine months of FY 2019/20, County Governments did not submit non-financial information on programme and project achievements despite this being a requirement by the Controller of Budget Act, 2016. Even in some instances, the submitted financial reports were inconsistent with the approved budgets.

Economic Impact of the Covid-19 pandemic

51. Given the disruptions occasioned by the actions taken by the Government to contain spread of the COVID-19 disease, it is clear that the measures negatively affected all County Governments in implementation of the FY 2019/20 budget. A clear example is the revenue shortages at the national level which affected transfers to the County Governments.

Weak Budgetary Controls by the County Treasuries and Use of OSR at Source before Banking in the CRF

52. According to the *County Governments' Budget Implementation Review Report* for the first nine months of FY 2019/20, some counties such as; Kitui, Laikipia, Machakos, Meru, Migori, Mombasa, Nyeri, Taita Taveta, Tana River, Bomet, Bungoma, Busia, Homa Bay, Kakamega, and Kericho, incurred expenditure in excess of approved budgetary allocations as a result of weak budgetary controls. This could also imply that County Governments were using own source revenue collection at source against the PFM Act.

Measures to address some of the challenges faced by County Governments

53. To ensure that the County Governments have a reliable and predictable Own Source Revenue (OSR), the National Treasury through a multi-agency team, is implementing the *National Policy to Support Enhancement of County Governments' OSR*. The Policy has been disseminated to the Executive Arms of all the 47 County Governments, and the dissemination to the County Assemblies is on-going. Other activities planned in the coming financial years include supporting Counties to develop principal laws to anchor their revenue measures in line with Article 210(1) of the Constitution, review of the national legislations affecting County Governments OSR, development of standardized guidelines on organizational structure for OSR, supporting the County Governments in development of Tariffs and Pricing Policy among others.

54. One of the mandates of the National Treasury as indicated in the PFM Act, 2012, is to assist county governments to build their capacity for efficient, effective and transparent financial management. In the upcoming trainings, more emphasis will be put on vote book and budgetary controls to ensure that there is no spending at source and that expenditures are within the approved budget. In order to ensure that the capacity building initiatives are more focused to the specific needs of the County Governments, the National Treasury will also undertake a training needs assessment of the County Governments on PFM to inform future capacity building strategies.

55. While the COVID-19 pandemic is primarily a health crisis and human tragedy, it also has far reaching economic ramifications. The responses instituted to control its spread have disrupted millions of livelihoods with disproportionate impact on poor households and small and informal business. Counties are called upon to develop frameworks for action aimed at saving lives, protecting households, businesses, and the economy from the fall out of the pandemic. In this regard, the counties are also encouraged to design an Economic Stimulus Package that will complement the one rolled out by the National Government.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Recent Economic Developments

Economic Performance

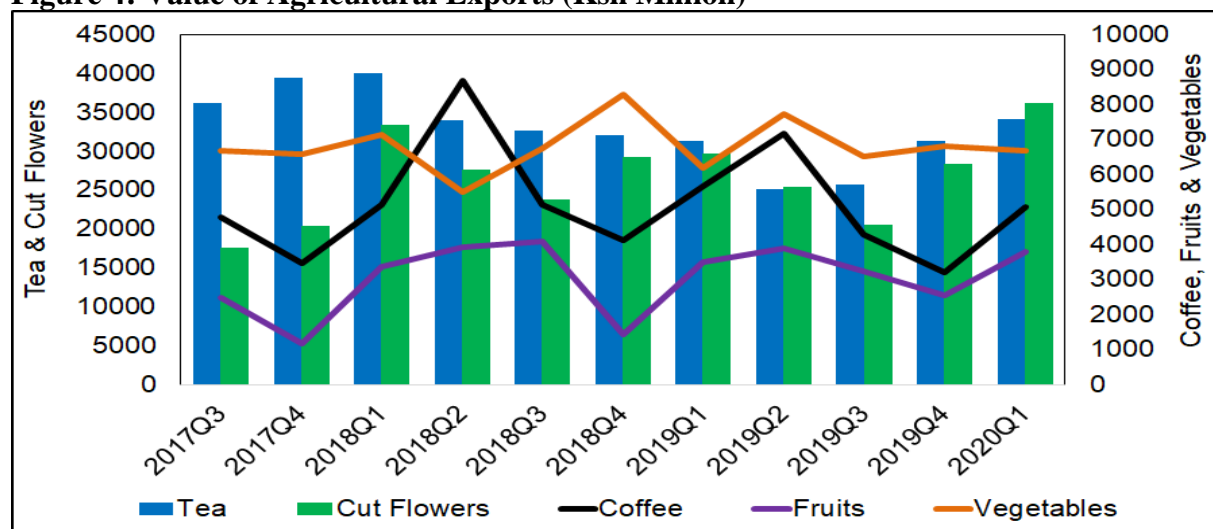
56. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain. Kenya has not been spared. The Pandemic and the containment measures slowed down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. This growth was supported by both the agricultural and non-agricultural sectors.

i. Primary Sector Performance

57. The primary sector (agriculture, mining and quarrying) grew by 5.1 percent in the first quarter of 2020 compared to a growth of 4.6 percent in the same period in 2019 (**Table 12**). The agriculture subsector grew by 4.9 percent in the first quarter of 2020 compared to a growth of 4.7 percent in the same period in 2019 supported by favorable weather conditions. Tea production grew by 49.2 percent in the first quarter of 2020 compared to a growth of 6.5 percent in the first quarter of 2019. Similarly cane deliveries grew by 10.2 percent compared to a contraction of 12.1 percent in the same period. However, the production of coffee and formal milk intake declined by 11.8 percent and 1.2 percent over the same period.

58. The performance of agricultural exports was strong with earnings from exports of fruits growing by 128.8 percent in the first quarter of 2020 up from 4.1 percent in the first quarter of 2019. Earnings from the export of cut flowers grew by 112.4 percent up from a contraction of 11.2 percent over the same period. Coffee, tea and vegetables export earnings also registered improved performance over the same period. (**Figure 4**).

Figure 4: Value of Agricultural Exports (Ksh Million)



Source of Data: Kenya National Bureau of Statistics

59. The contribution of agricultural sector to the overall GDP growth was 1.3 percentage points in the first quarter of 2020 compared to 1.2 percentage points in the same quarter of 2019.

60. Activities in the mining and quarrying sector recovered to record a growth of 9.5 percent in the first quarter of 2020, up from 1.4 percent in the first quarter of 2019. The sector’s growth is attributed to increased production from prior quarters across all products in Base Titanium Limited which operates Kenya’s largest mine.

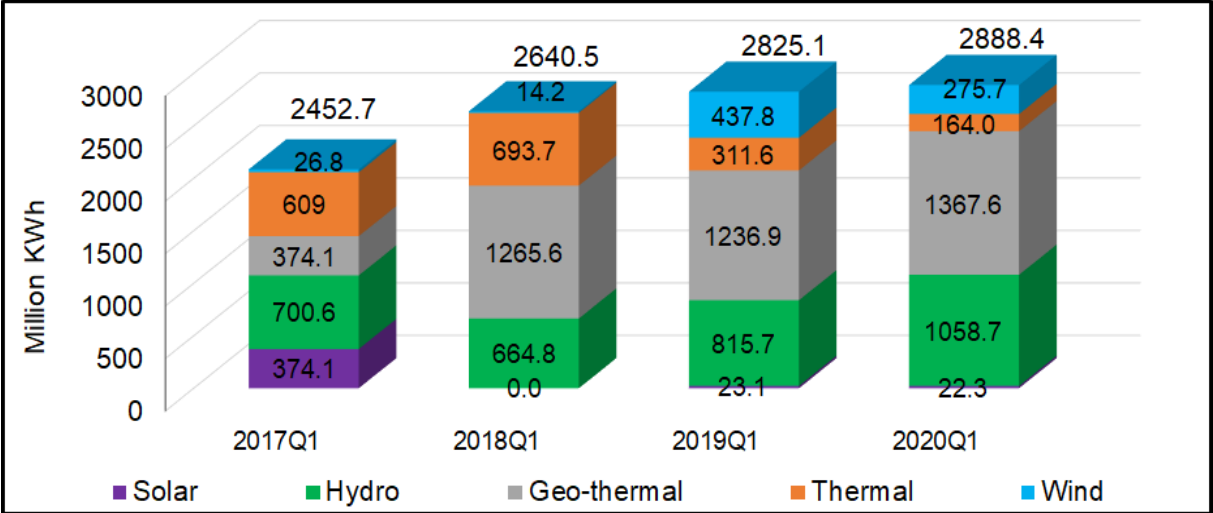
ii. Secondary (Industry) Sector Performance

61. The industry (manufacturing, electricity and water supply and construction) sector growth declined from 4.9 percent in the first quarter of 2019 to 4.1 percent in the first quarter of 2020 due to a slowdown in the performance of manufacturing, construction and electricity and water supply activities. Nevertheless, the sector accounted for 0.7 percentage points to real GDP growth in the first quarter of 2020 (Table 12).

62. The manufacturing sector is estimated to have expanded by 2.9 percent in the first quarter of 2020 compared to a growth of 3.5 percent in a similar quarter of 2019. This is reflected by the decline in consumption of electricity to a growth of 2.4 percent in the first quarter of 2020 compared to a growth of 2.8 percent in the first quarter of 2019. Growth in the sector was mainly supported by the manufacture of non-food products such as cement production, assembly of motor vehicles and cigarette production that increased by 4.6 percent compared to a growth of 3.3 percent in the corresponding period of 2019. The subsector’s contribution to growth was 0.3 percentage points in the first quarter of 2020.

63. Activities in Electricity and water supply subsector declined to 6.3 percent in the first quarter of 2020 from 7.8 percent in the same period of 2019. Total electricity generation expanded by 2.2 percent in the first quarter of 2020 compared to a growth of 7.0 percent in the corresponding quarter of 2019. Growth in the electricity sector was supported by increased generation of electricity from hydro (29.8 percent) due to sufficient rainfall and geothermal (10.6 percent) coupled with a decline in generation of electricity from thermal sources (47.4 percent). However, generation of electricity from solar, and wind declined by 3.2 percent, and 37.0 percent respectively. The electricity and water supply subsector contributed 0.2 percentage points to real GDP growth (Figure 5).

Figure 5: Local Electricity Generation



Source of Data: Kenya National Bureau of Statistics

64. The construction subsector grew by 5.3 percent in the first quarter of 2020 compared to 6.1 percent in a similar period in 2019. Its contribution to growth was 0.3 percentage points in both quarters. The decelerated growth in the subsector was due to a decline in importation of

fabricated metal products and cement, and construction related materials on account of disruption in international trade and the business environment as a result of the Covid-19 pandemic. Nonetheless, the sector's performance was supported by growth in consumption of cement which rose by 11.9 percent compared to a contraction of 2.5 percent in the first quarter of 2019.

iii. Tertiary (Services) Sector Performance

65. The services sector expanded by 5.4 percent in the first quarter of 2020 compared to a growth of 6.4 percent in the same quarter in 2019 (**Table 12**). Activities in information and communication (9.8 percent), wholesale and retail trade (6.4 percent), transport and storage (6.2 percent), financial and insurance (6.0 percent), and real estate (4.3 percent) remained vibrant supporting the growth in the services sector. The sector accounted for 2.6 percentage points in the first quarter of 2020, compared to 3.0 percent in the first quarter of 2019.

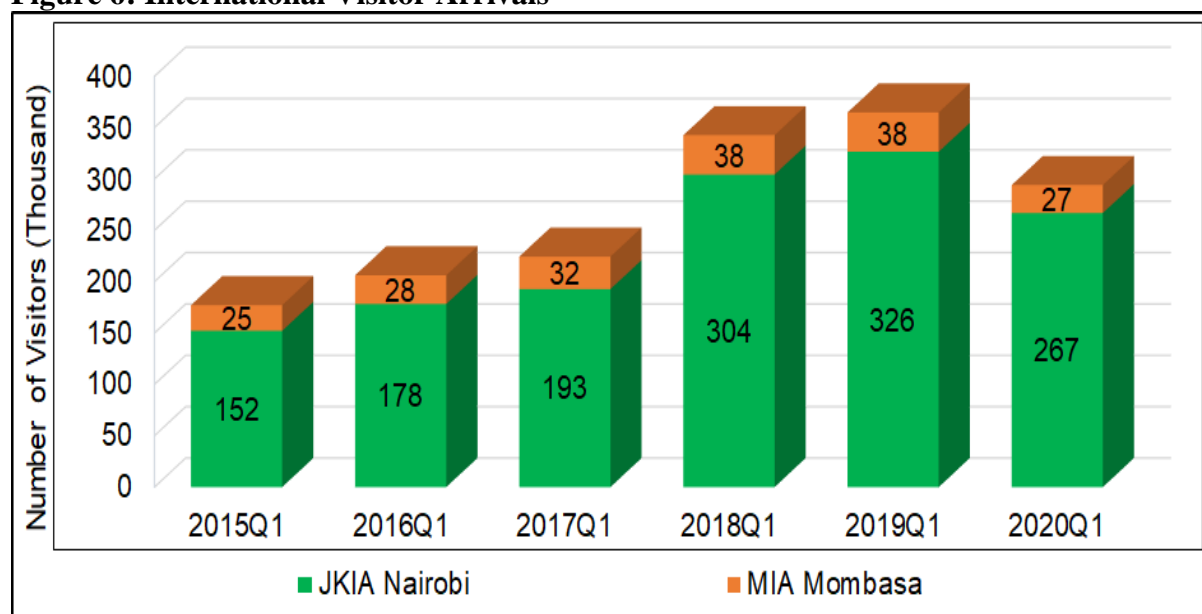
66. The performance of activities in the transport and storage subsector declined to 6.2 percent in the first of quarter of 2020 from 6.4 percent recorded in the first quarter of 2019 following imposition measures to contain the spread of covid-19 towards the end of the quarter. Growth in the subsector was mainly supported by a 0.8 percent increase cargo throughput at the port of Mombasa, 20.6 percent decline in the average international oil price and 7.1 percent growth in the stock of credit advanced to transport and communication in March 2020.

67. The information and communication technology (ICT) subsector grew by 9.8 percent in the first quarter of 2020 down from 10.2 percent in the same quarter in 2019. The growth was supported by increased number of mobile transactions and growth in imports of telecommunication equipment. While the total number of mobile money subscriptions and transactions declined in the quarter, the value of mobile money transactions grew by 2.1 percent to Ksh 1,086.9 billion. The subsector's performance was also enhanced by increased access and use of internet services.

68. The financial and insurance subsector's performance was weaker in the quarter under review expanding by 6.0 percent in 2020, compared to 6.3 percent in 2019 but its contribution to real GDP growth remained 0.4 percent in both quarters. On the other hand, following the confirmation of Covid-19 case in Kenya in March 2020, activities in the health subsector increased marginally from 5.4 percent in quarter one of 2019 to 5.8 percent in the first quarter of 2020.

69. Accommodation and food service activities contracted by 9.3 percent in the first quarter of 2020 compared to a growth of 11.0 percent in the first quarter of 2019. The subsector has been affected by the spread of COVID-19 which led to lockdowns and travel restrictions in most countries. International travels were either suspended or cancelled, most hotels closed while others scaled down and this has resulted in a steep decline in the volume of tourists. Evidently, the number of international visitors declined to 294,053 in the first quarter of 2020, from 364,744 recorded during the same period in 2019 (**Figure 6**).

Figure 6: International Visitor Arrivals



Source of Data: Kenya National Bureau of Statistics

Table 12: Sectoral GDP Performance

Sectors	Real GDP Growth by Sector					Sector Contributions to Real GDP				
	2016Q1	2017Q1	2018Q1	2019Q1	2020Q1	2016Q1	2017Q1	2018Q1	2019Q1	2020Q1
Primary Sector	3.7	4.1	6.6	4.6	5.1	1.0	1.1	1.8	1.3	1.4
Agriculture	3.6	4.0	6.7	4.7	4.9	1.0	1.1	1.8	1.2	1.3
Mining & Quarrying	5.8	5.6	3.1	1.4	9.5	0.1	0.1	0.0	0.0	0.1
Industry Sector	4.7	4.4	4.6	4.9	4.1	0.8	0.8	0.8	0.8	0.7
Manufacturing	1.4	1.9	3.2	3.5	2.9	0.2	0.2	0.3	0.3	0.3
Electricity & Water Supply	10.3	8.2	6.1	7.8	6.3	0.2	0.2	0.2	0.2	0.2
Construction	9.2	7.9	6.7	6.1	5.3	0.4	0.4	0.3	0.3	0.3
Services Sector	6.8	6.1	6.2	6.4	5.4	3.1	2.9	2.9	3.0	2.6
Wholesale & Retail trade	2.9	3.5	5.6	6.3	6.4	0.2	0.2	0.4	0.4	0.4
Accommodation & Restaurant	8.3	24.0	13.3	11.0	(9.3)	0.1	0.3	0.2	0.2	(0.1)
Transport & Storage	8.2	7.8	6.5	6.4	6.2	0.5	0.5	0.4	0.4	0.4
Information and Communication	10.8	13.4	13.2	10.2	9.8	0.4	0.5	0.5	0.4	0.4
Financial & Insurance	7.8	3.9	4.0	6.3	6.0	0.5	0.2	0.2	0.4	0.4
Public Administration	6.0	2.6	5.5	8.9	6.7	0.2	0.1	0.2	0.3	0.2
Others	6.8	5.4	5.1	4.8	4.7	1.3	1.1	1.0	0.9	0.9
of which Real Estate	9.6	6.5	5.2	4.8	4.3	0.7	0.5	0.4	0.4	0.3
Taxes on Products	2.2	4.1	6.1	4.7	3.4	0.2	0.4	0.6	0.5	0.3
GDP at Market Prices	5.0	5.2	6.2	5.5	4.9	5.0	5.2	6.2	5.5	4.9
of which Non-Agriculture	6.1	5.9	6.0	5.9	5.2	3.8	3.8	3.8	3.8	3.3

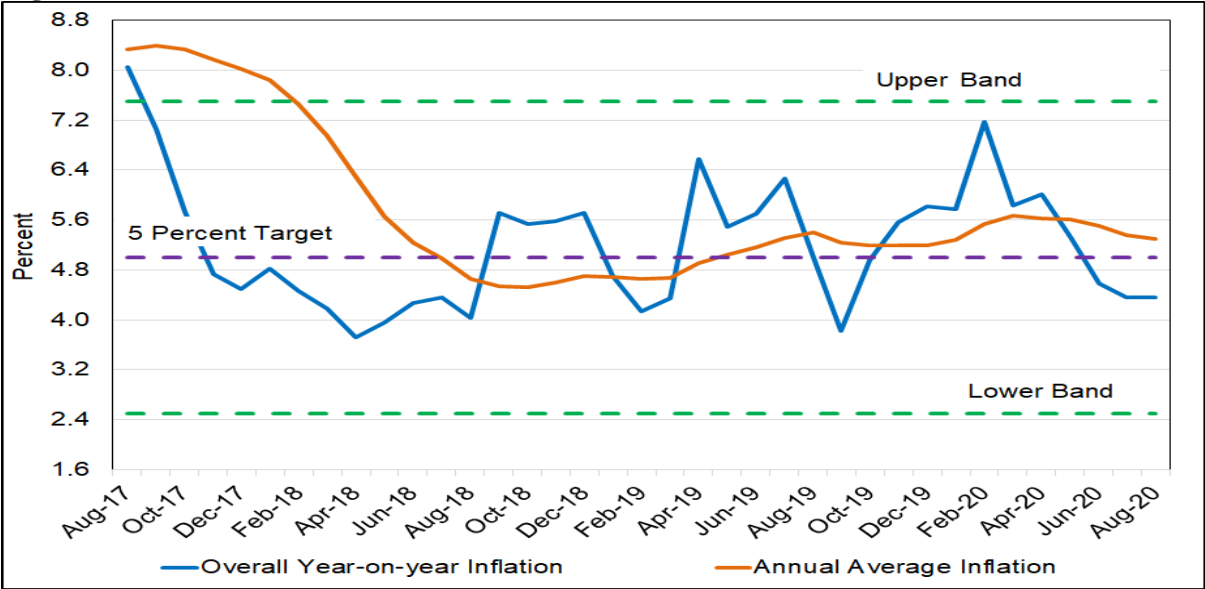
Source of Data: Kenya National Bureau of Statistics

Inflation Rate

70. Year-on-year overall inflation has remained within the Government target range since end 2017 demonstrating prudent monetary policies. The inflation rate was at 4.4 percent in August 2020, declining from 5.0 percent in August 2019 as a result of a reduction in food prices

particularly cabbages, tomatoes, Irish potatoes, spinach and loose maize grain (Figure 7). Additionally, the inflation was supported by a decline in international oil prices.

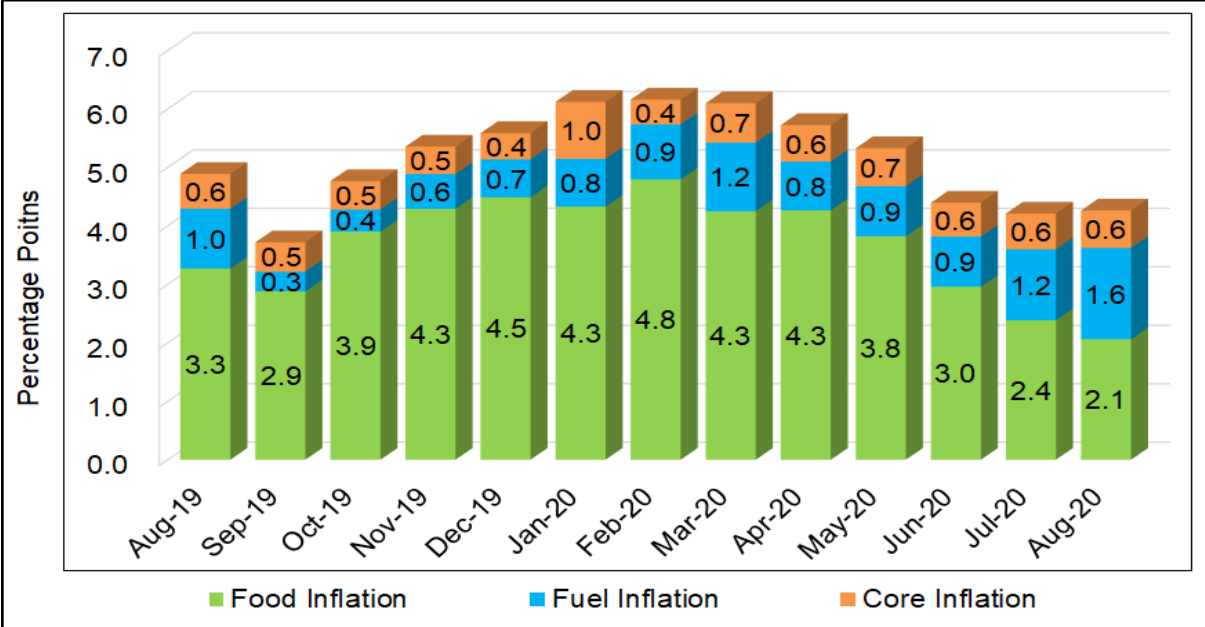
Figure 7: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

71. The contribution of core inflation to overall inflation has been low and stable as a result of muted demand pressures in the economy on account of prudent monetary policies. The contribution of fuel inflation has also been low due to stable energy prices (Figure 8).

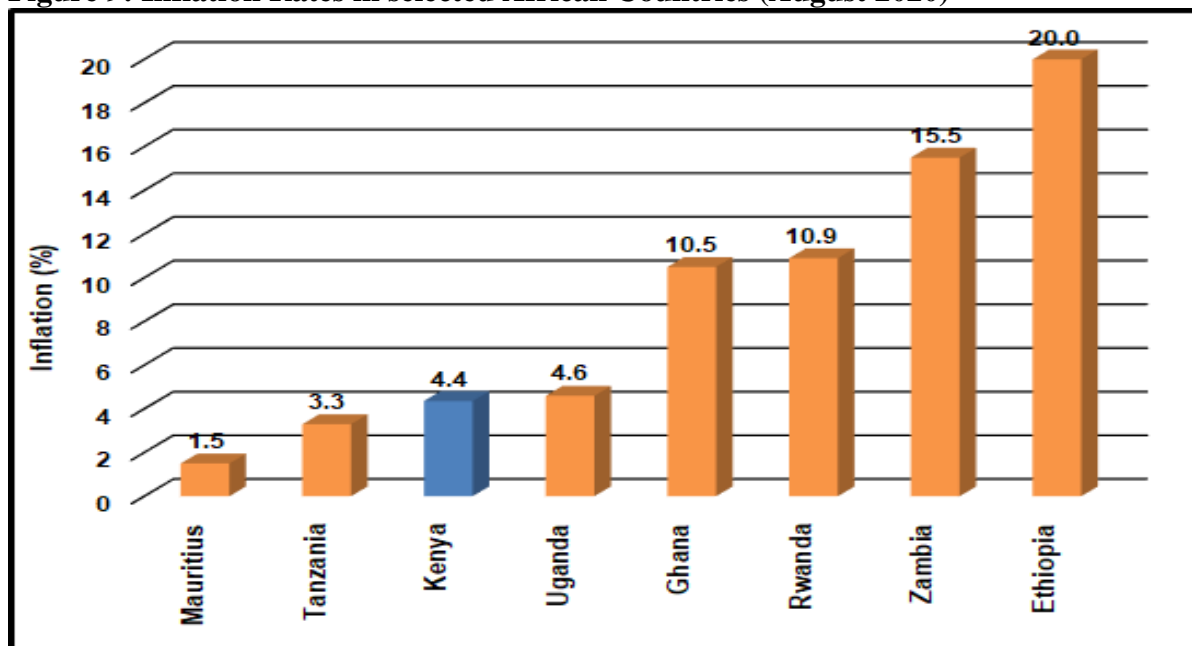
Figure 8: Contributions to Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

72. Kenya’s rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In July 2020, Kenya recorded a lower inflation rate than Uganda, Ghana, Rwanda, Nigeria, Zambia, and Ethiopia (Figure 9).

Figure 9: Inflation Rates in selected African Countries (August 2020)

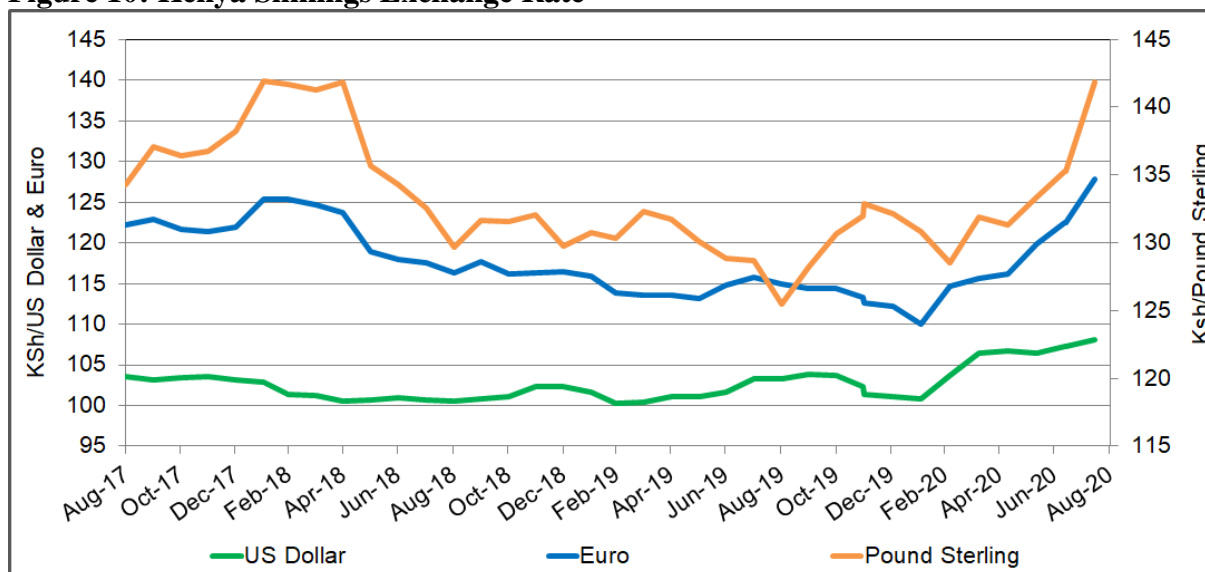


Source of Data: National Central Banks

Kenya Shilling Exchange Rate

73. The foreign exchange market has largely remained stable but partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 108.1 in August 2020 compared to Ksh 103.3 in August 2019 (**Figure 10**).

Figure 10: Kenya Shillings Exchange Rate

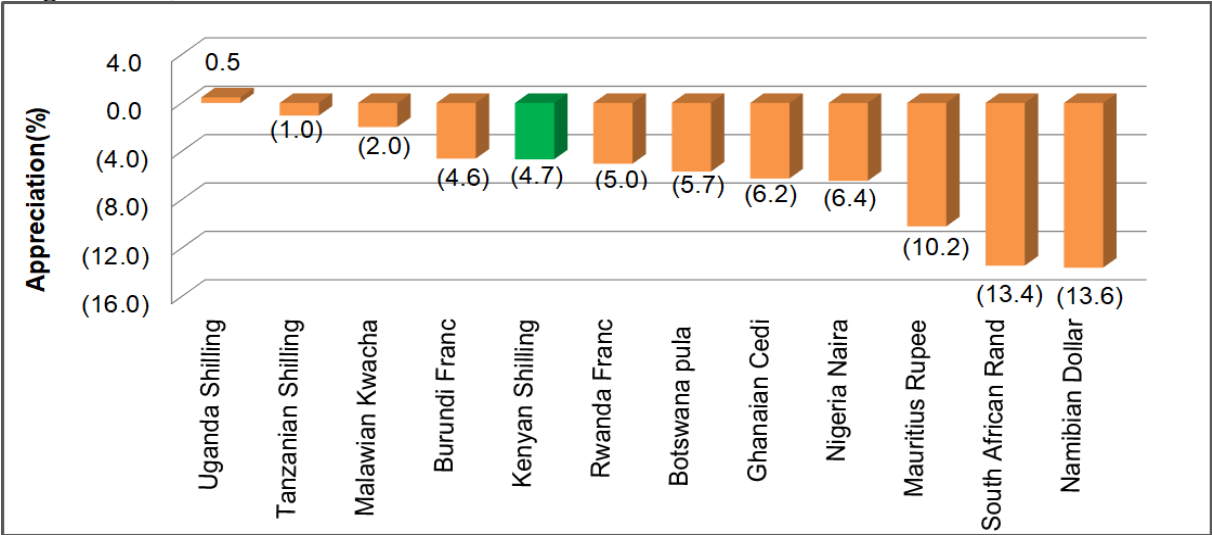


Source of Data: Central Bank of Kenya.

74. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by only 4.7 percent against the US Dollar (**Figure 11**). This

depreciation of the Kenya Shilling was lower than that of Ghanaian Cedi, Rwanda Franc, Botswana pula, Nigerian Naira, Mauritius Rupee, South African Rand and Namibian Dollar.

Figure 11: Performance of Selected Currencies against the US Dollar (August 2019 to August 2020)

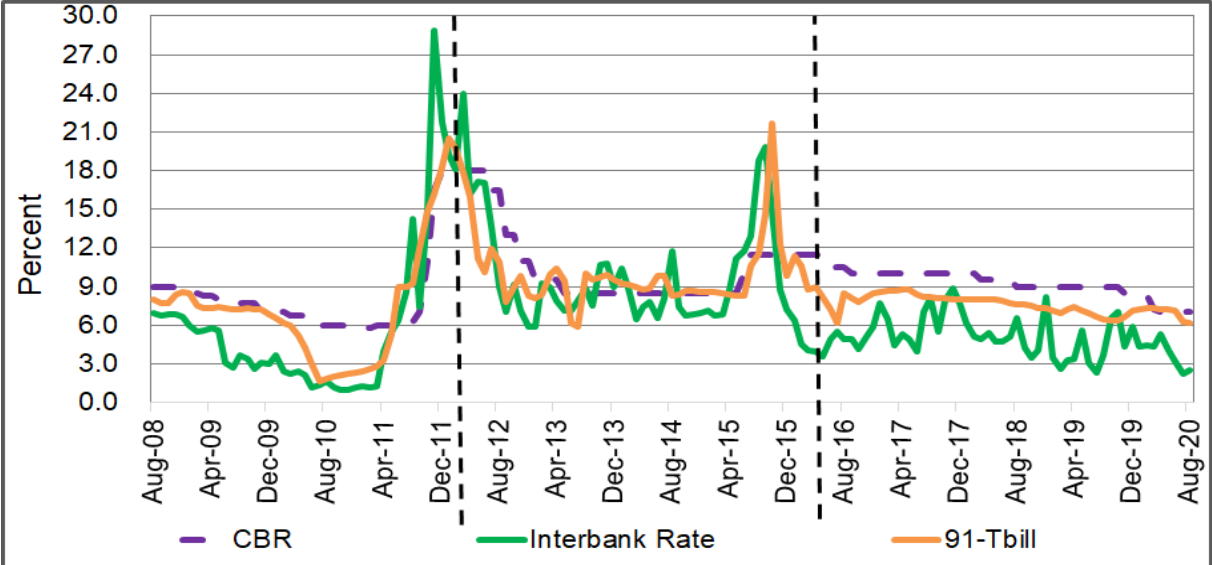


Source of Data: National Central Banks

Interest Rates

75. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on July 29, 2020 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by Covid-19 pandemic. The interbank rate remained low and fairly stable at 2.5 percent in August 2020 from 3.6 percent in August 2019 in line with the easing of the monetary policy and adequate liquidity in the money market (Figure 12). The 91-day Treasury Bills rate declined to 6.2 percent in August 2020 compared to 6.4 percent in August 2019. Over the same period, the 182-day Treasury Bills rate declined to 6.6 percent from 7.1 percent while the 364-day decreased to 7.5 percent from 9.2 percent.

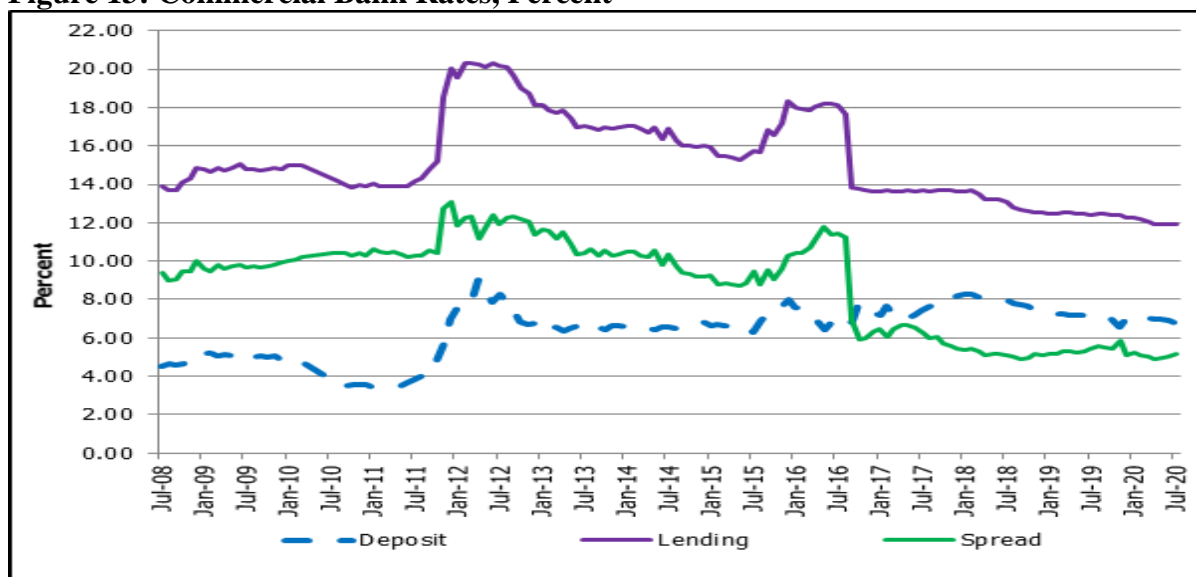
Figure 12: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

76. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate declined from 12.4 percent in July 2019 to 11.9 percent in July 2020 while the average deposit rates declined from 7.0 percent to 6.8 percent over the same period. This led to an decrease in the average interest rates spread by 0.2 percentage points over the review period (**Figure 13**).

Figure 13: Commercial Bank Rates, Percent



Source of Data: Central Bank of Kenya

Money and Credit

77. Broad money supply, M3, grew by 11.3 percent in the year to July 2020 compared to a growth of 7.0 percent in July 2019, (**Table 13**). The improved growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector.

78. Net Foreign Assets (NFA) of the banking system in the year to July 2020 contracted by 7.0 percent, compared to a growth of 19.1 percent in the July 2019. The contraction in growth of the NFA was mainly reflected in the contraction of the foreign currency reserves by the Central Bank. The NFA of commercial banks also declined during the review period as a result of a decrease in the deposits by foreign banks.

79. Meanwhile, Net Domestic Assets (NDA) increased to register a growth of 17.6 percent in the year to July 2020 from a growth of 3.4 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to both the Government and the private sectors. However, net credit flows to other public sectors declined during the review period (**Table 13**).

Table 13: Money and Credit Developments (12 Months to July 2020 Ksh billion)

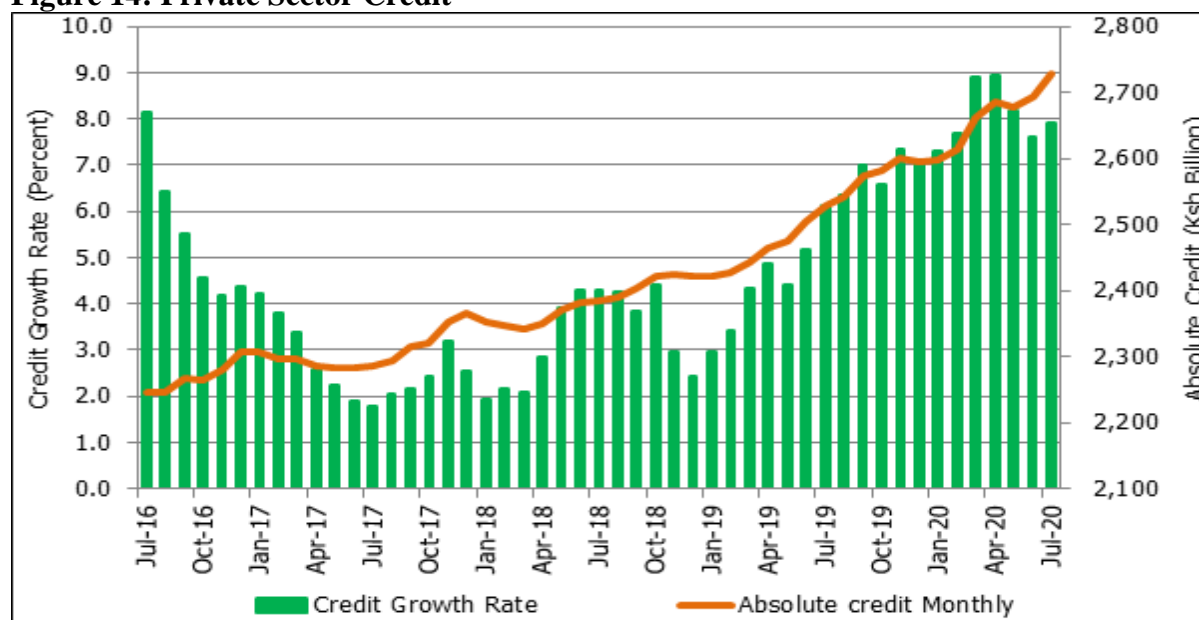
	2018 July	2019 July	2020 July	Absolute Change		Percent Change	
				2019-2018 July	2020-2019 July	12 months to Jul-19	12 months to Jul-20
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,434.6	1,510.8	1,683.6	76.2	172.8	5.3	11.4
1.1 currency outside banks	220.7	188.4	219.1	-32.3	30.7	-14.6	16.3
1.2 Demand deposits	1,123.0	1,233.5	1,379.1	110.4	145.6	9.8	11.8
1.3 Other deposits at CBK	90.8	88.9	85.4	-1.9	-3.5	-2.1	-4.0
2. Money supply, M2 (1+2.1)	2,705.2	2,892.6	3,236.7	187.4	344.1	6.9	11.9
2.1 Time and savings deposits	1,270.6	1,381.8	1,553.2	111.2	171.3	8.8	12.4
3. Money supply, M3 (1+2)	3,278.8	3,509.4	3,905.4	230.6	396.0	7.0	11.3
3.1 Foreign currency deposits	573.6	616.8	668.7	43.2	51.9	7.5	8.4
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	756.0	900.7	837.4	144.7	-63.2	19.1	-7.0
1.1 Central Bank	798.1	925.5	883.5	127.4	-42.0	16.0	-4.5
1.2 Banking Institutions	(42.1)	(24.8)	(46.0)	17.3	(21.2)	(41.1)	85.6
2. Net domestic assets (2.1+2.2)	2,522.8	2,608.8	3,068.0	85.9	459.2	3.4	17.6
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,258.5	3,500.5	3,989.7	242.0	489.2	7.4	14.0
2.1.1 Government (net)	766.7	875.6	1,172.1	108.9	296.5	14.2	33.9
2.1.2 Other public sector	108.7	96.2	88.8	(12.5)	(7.4)	(11.5)	(7.7)
2.1.3 Private sector	2,383.1	2,528.7	2,728.8	145.5	200.2	6.1	7.9
2.2 Other assets net	(735.7)	(891.7)	(921.7)	(156.0)	(30.0)	21.2	3.4

Source of Data: Central Bank of Kenya

Private Sector Credit

80. Private sector credit grew by 7.9 percent in the 12 months to July 2020 compared to a growth of 6.1 percent in the year to July 2019 (**Figure 14**). This growth was observed mainly in the manufacturing (11.0 percent); trade (8.1 percent); transport and communication (20.6 percent); Mining and Quarrying (11.3 percent) and consumer durables (13.8 percent). The operationalization of the prospective Credit Guarantee Scheme for the vulnerable Micro, Small and Medium sized Enterprises (MSMEs), which will de-risk lending by commercial banks, is critical to increasing credit to this sector.

Figure 14: Private Sector Credit

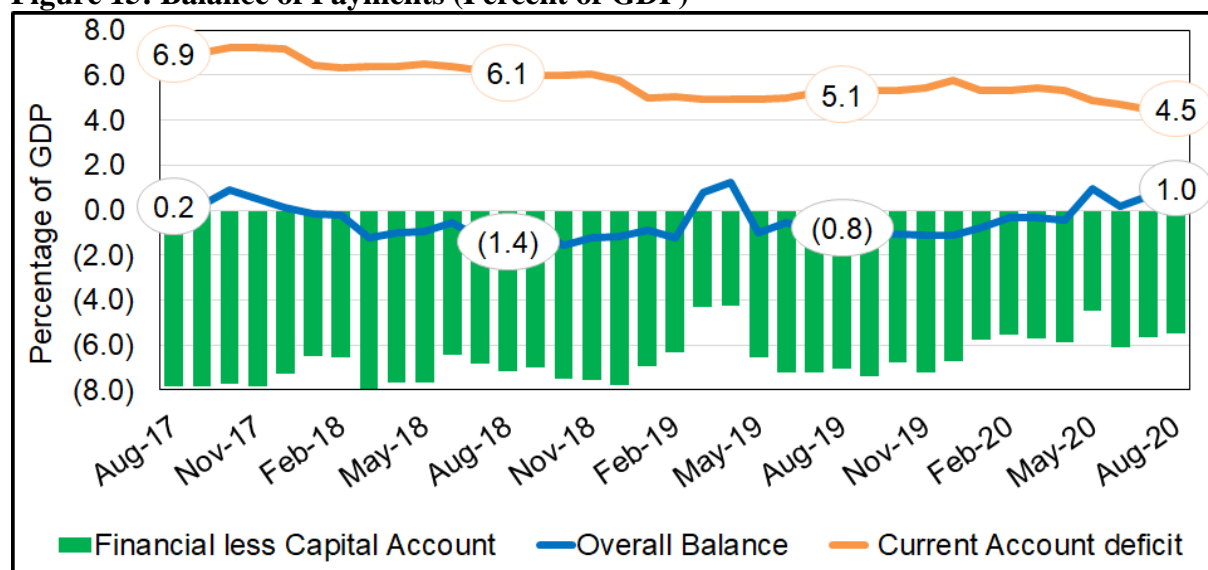


Source of Data: Central Bank of Kenya

External Sector Developments

81. The overall balance of payments position improved to a surplus of US\$ 989.5 million (1.0 percent of GDP) in the year to August 2020 from a deficit of US\$ 746.7 million (0.8 percent of GDP) in the year to August 2019 (Figure 15). This was mainly due to the narrowing of the current account deficit and reduction of financial inflows.

Figure 15: Balance of Payments (Percent of GDP)



Source of Data: Central Bank of Kenya

82. The capital account balance registered a surplus of US\$ 61.2 million in the year to August 2020. However, this was a decline by US\$ 35.5 million compared to the balance witnessed in August 2019. Financial inflows declined to US\$ 5,345.9 million in August 2020 compared to US\$ 6,404.2 million in August 2019 (Table 14). The financial inflows were mainly in the form of direct investments at US\$ 214.7 million, portfolio investments at US\$ 1,126.0 million and other investments at US\$ 436.4 million in August 2020.

Table 14: Balance of Payments (US\$ Million)

	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Absolute change	Percent Change	Percent of GDP Aug-19	Percent of GDP Aug-20
Overall Balance	(746.7)	(1,054.1)	(353.7)	955.7	989.5	1,736.1	(232.5)	(0.8)	1.0
A) Current Account	(4,828.3)	(5,130.4)	(5,682.2)	(4,938.7)	(4,505.9)	322.5	(6.7)	(5.1)	(4.5)
<i>Merchandise Account (a-b)</i>	(10,242.2)	(10,388.6)	(10,490.2)	(9,684.9)	(9,012.7)	1,229.5	(12.0)	(10.9)	(9.0)
a) Goods: exports	5,866.4	5,881.9	5,972.3	5,978.4	5,947.9	81.5	1.4	6.2	5.9
b) Goods: imports	16,108.6	16,270.5	16,462.5	15,663.3	14,960.6	1,148.0	(7.1)	17.1	15.0
<i>Net Services (c-d)</i>	1,945.9	1,886.6	1,457.1	1,343.1	1,080.5	865.4	(44.5)	2.1	1.1
c) Services: credit	5,723.8	5,680.4	5,410.2	5,152.3	4,765.7	958.1	(16.7)	6.1	4.8
d) Services: debit	3,777.9	3,793.7	3,953.0	3,809.1	3,685.3	92.7	(2.5)	4.0	3.7
<i>Net Primary Income (e-f)</i>	(1,774.4)	(1,910.6)	(1,933.5)	(1,730.0)	(1,562.2)	212.2	(12.0)	(1.9)	(1.6)
e) Primary income: credit	226.6	230.0	229.2	215.4	204.3	22.3	(9.8)	0.2	0.2
f) Primary income: debit	2,001.1	2,140.6	2,162.7	1,945.4	1,766.5	234.5	(11.7)	2.1	1.8
<i>Net Secondary Income</i>	5,242.4	5,282.2	5,284.4	5,133.0	4,988.5	253.9	(4.8)	5.6	5.0
g) Secondary income: credit	5,293.8	5,336.9	5,338.7	5,187.2	5,049.7	244.1	(4.6)	5.6	5.0
h) Secondary income: debit	51.4	54.7	54.4	54.2	61.2	9.8	19.0	0.1	0.1
B) Capital Account	215.2	210.0	193.1	164.9	138.8	76.4	(35.5)	0.2	0.1
C) Financial Account	(6,404.2)	(6,622.4)	(5,766.6)	(4,355.4)	(5,345.9)	1,058.3	(16.5)	(6.8)	(5.3)

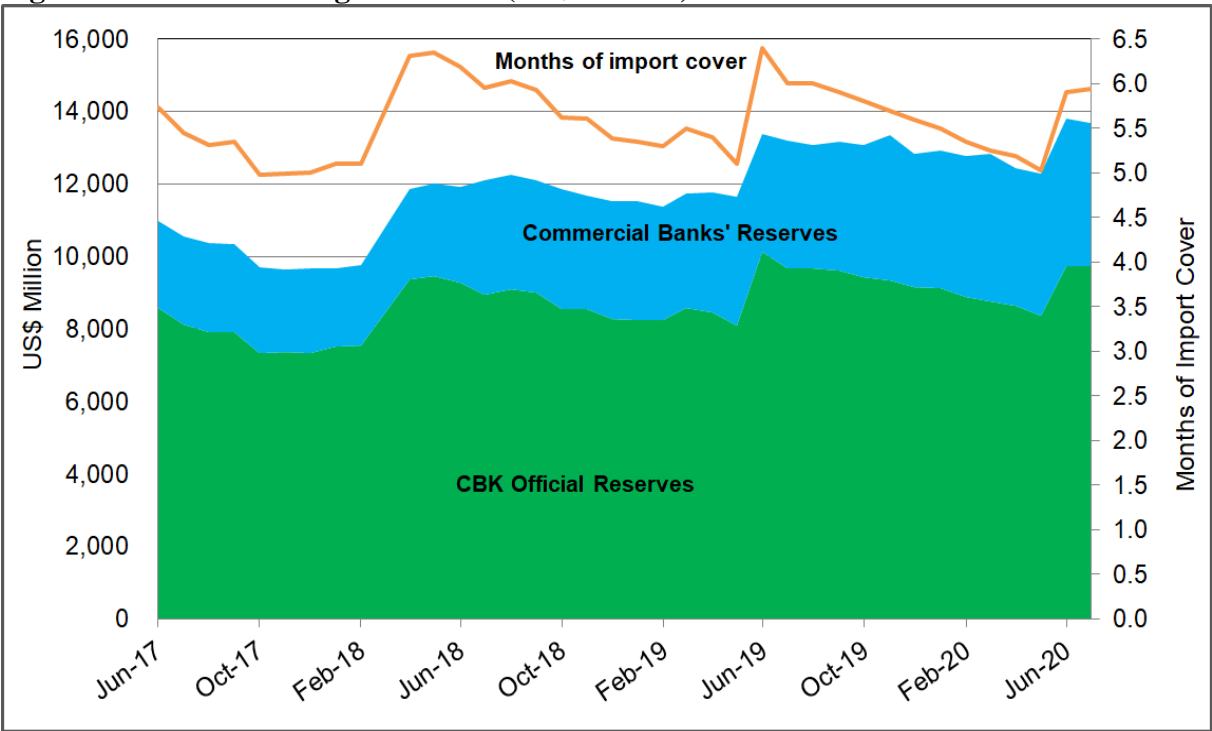
Source of Data: Central Bank of Kenya

83. The current account deficit improved to US\$ 4,505.9 million (4.5 percent of GDP) in the year to August 2020 compared to a deficit of US\$ 4,828.3 million (5.1 percent of GDP) in the year to August 2019 mainly due to an improvement in the merchandise account balance and net primary income balance (Table 14). The balance in the merchandise account improved by US\$ 1,229.5 million to a deficit of US\$ (9,012.7) million in the year to August 2020 on account of a growth in exports and a decline in imports.

Foreign Exchange Reserves

84. The banking system’s foreign exchange holdings remained strong at US\$ 13,680.9 million in June 2020 up from US\$ 13,187.3 million in June 2019. The official foreign exchange reserves held by the Central Bank improved to US\$ 9,739.9 million (5.9 months of import cover) in June 2020 compared with US\$ 9,655.9 million (6.0 months of import cover) in June 2019 (Figure 16). This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to US\$ 3,940.9 million in June 2020 from US\$ 3,531.4 million in June 2019.

Figure 16: Official Foreign Reserves (US\$ Million)

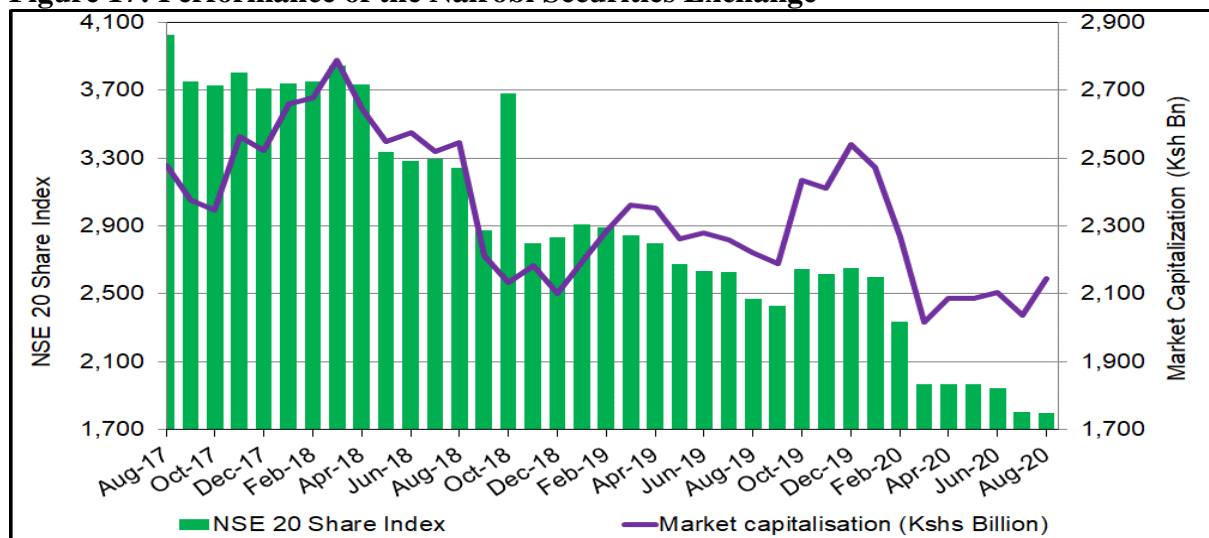


Source of Data: Central Bank of Kenya

Capital Markets Developments

85. Activity in the capital markets declined in August 2020 compared to August 2019, with equity share prices declining as shown by the NSE 20 Share Index. The decline reflects the volatility in the financial markets as a result of the uncertainty surrounding the corona virus pandemic. The NSE 20 Share Index was 1,794 points by end of August 2020 compared to 2,468 points by end August 2019. Consequently, market capitalization declined from Ksh 2,222 billion to Ksh 2,144 billion over the same period (Figure 17).

Figure 17: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Security Exchange

B. Medium Term Economic Outlook

Global Growth Outlook

86. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019. This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis. On a positive note, world economic growth is projected to rebound to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment is also expected to firm up.

87. Growth in the advanced economies is projected at negative 8.0 percent in 2020 recovering to 4.8 percent in 2021. This reflects deeper than anticipated effects of the pandemic on economic activity in the first half of 2020 and more gradual recovery in the second half of the year. Significant contraction of the economy is projected in the United States (-8.0 percent), Japan (-5.8 percent), the United Kingdom (-10.2 percent), Germany (-7.8 percent), France (-12.5 percent), and Italy and Spain (-12.8) percent. Growth in the Euro area is expected to contract by 10.2 percent in 2020 before recovering to grow at 6.0 percent in 2021.

88. The emerging markets and developing economies are also projected to contract by 3.0 percent in 2020. Better prospects are however expected in 2021 with growth forecasted at 5.9 percent; this recovery is well echoed in the forecasted growths of Emerging and Developing Asia and Europe, Latin America and the Caribbean, and Sub-Saharan Africa.

89. The Sub-Saharan African region has not been spared the negative impact of the pandemic with the region projected to contract by 3.2 percent in 2020. Consistent with forecast in the other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 as most of the economies in the region recover from the adverse effects of the Covid-19 pandemic.

Domestic Growth Outlook

90. On the domestic scene, prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The economy expanded by

4.9 percent in the first quarter of 2020 supported by the agricultural sector on account of favorable weather conditions.

91. Considering the impact of Covid-19 pandemic, the economy is projected to grow by about 2.6 percent in 2020 from the earlier projection of 6.1 percent in the 2020 Budget Policy Statement. On a positive note, economic growth is projected to recover to 5.3 percent in 2021 and 5.9 percent in the medium term. In terms of fiscal years, economic growth is projected to grow by 4.0 percent in FY 2020/21 and further to 5.9 percent over the medium term.

92. This growth outlook for the calendar year 2020 and the FY 2020/21 and the medium term, will be supported by the stable macroeconomic environment, investments in the strategic areas under the “Big Four” agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Program being implemented and the planned Post Covid-19 Economic Recovery Strategy. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) which is implementing Vision 2030 (Table 15 and Annex Table 1).

Table 15: Macroeconomic Indicators, in Fiscal Years

	2018/19	2019/20		2020/21		2021/22		2022/23		2023/24		2024/25
	Act	Supp III Budget	Act	Budget	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BROP'20
	Annual percentage change											
National Accounts and Prices												
Real GDP	5.9	4.0	4.0	4.2	4.0	6.3	5.2	6.6	5.4	6.8	5.9	5.9
GDP Deflator	3.2	5.4	5.4	6.2	6.2	5.4	5.5	5.3	5.3	5.4	5.4	5.3
CPI Index (eop)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	4.9	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of Trade (-deterioration)	0.6	2.6	-0.3	4.2	-1.1	1.1	1.1	0.3	-0.5	0.4	0.4	0.5
	Percentage of GDP											
Investment and saving												
Investment	17.7	15.7	13.1	21.6	13.3	22.1	16.4	22.4	17.2	22.6	18.4	18.5
Gross National Savings	13.6	11.4	7.6	16.5	8.2	17.8	11.6	19.6	12.3	21.2	13.7	13.8
Central Government Budget												
Total revenue	18.3	18.3	17.0	16.8	16.5	18.5	16.2	18.4	16.4	18.4	16.6	16.4
Total expenditure and net lending	26.2	27.6	25.2	24.7	25.9	22.8	23.7	21.9	22.5	21.8	21.8	21.5
Overall Fiscal balance excl. grants	-7.9	-9.3	-8.2	-8.0	-9.4	-4.2	-7.5	-3.5	-6.1	-3.3	-5.2	-5.1
Overall Fiscal balance, incl. grants, cash basis	-7.8	-9.0	-8.0	-7.5	-8.9	-3.9	-7.1	-3.1	-5.8	-3.0	-4.9	-4.8
Nominal debt (eop), net of deposits	57.0	58.7	59.7	60.5	63.0	53.9	63.9	51.0	63.3	48.3	61.6	49.2
External sector												
Current external balance, incl. official transfers	-4.1	-4.2	-5.5	-5.1	-5.1	-4.3	-4.8	-2.9	-4.8	-1.3	-4.8	-4.7
Gross reserves in months of imports	6.4	6.5	6.3	6.0	5.8	6.0	5.8	6.0	5.8	6.0	5.8	5.9

Source of Data: National Treasury

Monetary Policy Outlook

93. The main objective of monetary policy, over the medium terms, will be to maintain price stability with overall inflation expected to remain within the target range. The Central Bank of Kenya will continue to monitor developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

External Sector Outlook

94. The Kenya Shilling is expected to remain stable in 2020 on account of a stable current account deficit. The current account deficit is expected to narrow to 5.1 percent of GDP in 2020 from 5.8 percent in 2019 supported by a lower oil import bill and a better than expected performance for tea and horticulture.

Fiscal Policy Outlook

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

C. Risks to the Domestic Economic Outlook

96. Risks from the global economies relate to persistence of the Covid-19 pandemic and required lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.

97. On the domestic front, risks will emanate from weaker external demand, reduced tourist arrivals and containment measures due the Covid-19 pandemic. In addition, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and the erratic weather related shocks that could have negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth.

98. The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against the downsides of the risks, the Government is implementing an Economic Stimulus Package to protect lives and livelihoods. Implementation of the “Big Four” Agenda will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction. The Government is also planning a Post Covid-19 Economic Recovery Strategy to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Adjustments to the FY 2020/21 Budget

99. The FY 2020/21 Budget emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This will in turn ensure that the debt position remains sustainable and enhances continued fiscal discipline.

100. As the FY 2019/20 came to a close, it was noted that revenue collection and expenditure were below target. This has implications on the financial objectives outlined in the 2020 BPS and the FY 2020/21 Budget. In this regard, the revenue projections for FY 2020/21 have been revised taking into account the outcome of the FY 2019/20 where revenues were below target by Ksh 131.2 billion, on account of the impact of the containment measures against Covid-19 pandemic on economic activities and the tax relief measures implemented to cushion Kenyans against the adverse impact of the pandemic and to increase liquidity in the economy. Expenditure projections for FY 2020/21 will be revised through a supplementary budget to accommodate the weak revenue performance ease funding pressures and create fiscal space.

101. Revenues for the FY 2020/21 are therefore, projected at Ksh 1,860.3 billion (16.5 percent of GDP) with ordinary revenues at Ksh 1,601.4 billion (14.2 percent of GDP). On the other hand, expenditures are projected at Ksh 2,919.0 billion (25.9 percent of GDP) with recurrent expenditures projected at Ksh 1,843.5 billion (16.4 percent of GDP) while development expenditures are projected at Ksh 675.2 billion (6.0 percent of GDP). Transfer to County Governments is projected at Ksh 395.2 billion (3.5 percent of GDP). The resulting fiscal deficit of Ksh 1,001.8 billion (8.9 percent of GDP) will be financed by a net external financing of Ksh 401.8 billion and a net domestic borrowing of Ksh 600.0 billion (**Annex Table 2 & Annex Table 3**).

B. FY 2021/22 Budget Framework

102. The FY 2021/22 budget framework builds up on the Government's efforts to stimulate and sustain economic activities through the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy. To protect the gains already made, the Government will continue to emphasize on the implementation of policy measures such as the zero-based budgeting process and adoption of the "no new projects" policy, a review of portfolio of externally funded projects to restructure and re-alignment with the "Big Four" Agenda and reducing non-priority spending. As a result, the overall fiscal deficit is expected to decline to 7.1 percent of GDP in FY 2021/22 from 8.9 percent of GDP in FY 2020/21. This will boost our debt sustainability position and give flexibility for counter cyclical fiscal policy interventions when appropriate.

103. In the FY 2021/22 revenue collection including Appropriation-in-Aid (A-i-A) is projected at Ksh 2,030.1 billion (16.2 percent of GDP). Of this, ordinary revenues is projected at Ksh 1,813.7 billion (14.5 percent of GDP). This revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by the Economic Stimulus Programme and the planned Post Covid-19 Economic Recovery Strategy. On the other hand, the overall expenditure and net lending are projected at Ksh 2,984.3 billion (23.7 percent of GDP). Of this, recurrent expenditure will amount to Ksh 1,940.1 billion (15.5 percent of GDP) while, development expenditure will

amount to Ksh 634.0 billion (5.1 percent of GDP). Transfer to Counties and Contingency Fund are projected at Ksh 405.3 billion and Ksh 5.0 billion respectively.

104. The fiscal deficit in FY 2021/22 will be financed by a net external financing of Ksh 411.3 billion (3.3 percent of GDP) and a net domestic financing of Ksh 496.8 billion (3.8 percent of GDP).

C. Medium Term Fiscal Projections

105. Over the medium term, driven by economic recovery strategies, continued reforms in revenue administration and revenue enhancement measures, the Government's total revenue is projected at Ksh 2,573.3 billion (16.6 percent of GDP) in FY 2023/24. On the other hand, driven by expenditure rationalization to eliminate non-core expenditures, total expenditure is projected at Ksh 3,397.1 billion (21.8 percent of GDP) in FY 2023/24. Of the total expenditures, recurrent expenditures are expected to decline to 14.5 percent of GDP in the medium term while development and net lending expenditure is projected at 4.6 percent of GDP by FY 2023/24. As a result, fiscal deficit inclusive of grants is projected to decline to 4.9 percent of GDP in the FY 2023/24.

D. Medium-Term Expenditure Framework

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

- (i) Linkage of Programmes to Post-Covid-19 Economic Stimulus Programme (PC-ESP);
- (ii) Linkage of Programmes to the 'Big Four' Plan either as drivers or enablers;
- (iii) Linkage of the programme with the objectives of Third Medium-Term Plan of Vision 2030;
- (iv) Degree to which a programme addresses job creation and poverty reduction;
- (v) Degree to which the programme is addressing the core mandate of the MDAs;
- (vi) Expected outputs and outcomes from a programme;
- (vii) Cost effectiveness and sustainability of the programme; and
- (viii) Requirements for furtherance and implementation of the Constitution.

107. In FY 2018/19, the Government initiated the implementation of the "Big Four" Agenda and allocated resources to implement the programmes both for drivers and enablers. Going forward, resources will be prioritized towards the achievement of the following "Big Four" interventions;

- (i) Enhancing Food and Nutrition Security to all Kenyans by 2022.
- (ii) Providing Universal Health Coverage and Guaranteeing Quality and Affordable Healthcare to all Kenyans.
- (iii) Providing Affordable and Decent Housing for all Kenyans; and

(iv) Supporting value addition and raising the manufacturing sector share of GDP.

108. Reflecting on the above, the following Medium-Term Expenditure Framework puts into consideration the Governments priorities outlined in the Big Four Agenda as provided in **Table 16 and Annex Tables 4 and 5.**

Table 16: Medium Term Sector Ceilings, FY 2021/22 – FY 2023/24 (Ksh Million)

CODE	SECTOR		APPROVED	BROP PROJECTION				%SHARE IN TOTAL MINISTERIAL EXPENDITURE			
			BUDGET ESTIMATES	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Sub_Total	63,236.4	68,088.2	62,423.4	51,470.1	3.3%	3.4%	3.0%	2.4%	
		Rec_Gross	20,275.4	20,265.5	20,821.3	21,341.7	1.6%	1.5%	1.5%	1.5%	
		Dev_Gross	42,961.0	47,822.7	41,602.1	30,128.4	6.8%	7.0%	5.7%	3.9%	
020	ENERGY, INFRASTRUCTURE AND ICT	Sub_Total	362,769.1	408,400.5	443,589.1	472,656.2	19.2%	20.4%	21.0%	21.9%	
		Rec_Gross	92,351.0	96,122.2	100,114.1	104,301.1	7.4%	7.3%	7.3%	7.5%	
		Dev_Gross	270,418.1	312,278.3	343,475.0	368,355.1	42.7%	45.6%	47.0%	47.9%	
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Sub_Total	27,906.2	24,167.6	24,769.6	24,249.0	1.5%	1.2%	1.2%	1.1%	
		Rec_Gross	16,144.2	16,254.5	16,520.5	16,691.4	1.3%	1.2%	1.2%	1.2%	
		Dev_Gross	11,762.0	7,913.2	8,249.1	7,557.6	1.9%	1.2%	1.1%	1.0%	
040	HEALTH	Sub_Total	111,702.7	114,878.6	121,824.5	128,004.2	5.9%	5.7%	5.8%	5.9%	
		Rec_Gross	64,450.7	66,158.7	69,809.8	71,089.6	5.1%	5.0%	5.1%	5.1%	
		Dev_Gross	47,252.0	48,720.0	52,014.7	56,914.7	7.5%	7.1%	7.1%	7.4%	
050	EDUCATION	Sub_Total	505,101.2	521,870.2	532,216.1	546,717.5	26.8%	26.0%	25.2%	25.3%	
		Rec_Gross	481,167.6	496,965.6	509,829.5	521,087.8	38.4%	37.6%	37.0%	37.4%	
		Dev_Gross	23,933.6	24,904.6	22,386.6	25,629.7	3.8%	3.6%	3.1%	3.3%	
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Sub_Total	197,794.7	214,594.5	229,298.1	219,356.6	10.5%	10.7%	10.9%	10.1%	
		Rec_Gross	186,874.8	203,751.6	217,771.2	206,690.6	14.9%	15.4%	15.8%	14.8%	
		Dev_Gross	10,919.9	10,842.9	11,526.9	12,666.0	1.7%	1.6%	1.6%	1.6%	
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Sub_Total	289,312.8	309,165.7	317,102.9	322,651.4	15.3%	15.4%	15.0%	14.9%	
		Rec_Gross	180,832.7	203,048.0	214,574.5	221,029.1	14.4%	15.4%	15.6%	15.9%	
		Dev_Gross	108,480.0	106,117.7	102,528.4	101,622.3	17.1%	15.5%	14.0%	13.2%	
080	NATIONAL SECURITY	Sub_Total	154,532.6	164,014.4	181,553.2	190,844.0	8.2%	8.2%	8.6%	8.8%	
		Rec_Gross	145,324.0	150,934.4	161,973.2	164,764.0	11.6%	11.4%	11.8%	11.8%	
		Dev_Gross	9,208.6	13,080.0	19,580.0	26,080.0	1.5%	1.9%	2.7%	3.4%	
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Sub_Total	70,089.7	73,720.3	75,145.1	75,718.3	3.7%	3.7%	3.6%	3.5%	
		Rec_Gross	39,700.2	39,794.9	39,108.6	39,417.7	3.2%	3.0%	2.8%	2.8%	
		Dev_Gross	30,389.6	33,925.4	36,036.4	36,300.6	4.8%	5.0%	4.9%	4.7%	
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Sub_Total	105,216.6	106,688.1	121,398.8	130,114.9	5.6%	5.3%	5.8%	6.0%	
		Rec_Gross	27,232.8	27,197.1	27,413.1	25,587.2	2.2%	2.1%	2.0%	1.8%	
		Dev_Gross	77,983.7	79,491.0	93,985.7	104,527.7	12.3%	11.6%	12.9%	13.6%	
GRAND TOTAL		Sub_Total	1,887,661.9	2,005,588.3	2,109,320.6	2,161,782.3	100.0%	100.0%	100.0%	100.0%	
		Rec_Gross	1,254,353.4	1,320,492.5	1,377,935.7	1,392,000.2	66.5%	65.8%	65.3%	64.4%	
		Dev_Gross	633,308.5	685,095.8	731,384.9	769,782.1	33.5%	34.2%	34.7%	35.6%	

Source of Data: National Treasury

E. Public Participation and Involvement of Stakeholders

109. As required by the Public Finance Management (PFM) Act, 2012 this Budget Review and Outlook Paper was shared with various stakeholders and the public for comments before its finalization. We have provided a summary of the comments received and the actions taken in a matrix form as **Annex Table 8.**

V. CONCLUSION AND NEXT STEPS

110. The FY 2021/22 and the medium term budget is being prepared against the backdrop of a slowdown in the growth of the global economy. The Pandemic and the attendant containment measures has led to contraction of the global economy disrupting businesses including international trade and leading to loss of livelihoods for millions of people globally. Kenya has not been spared. The Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business. Consequently, the economy is projected to slow down to 2.6 percent in 2020 from the 5.4 percent registered in 2019. The economy is projected to recover and grow by about 5.3 percent in 2021 and about 5.9 percent over the medium term. To cushion citizens and businesses from the adverse effects of Covid-19 Pandemic and stimulate economic recovery, the Government will continue to implement measures in the context of the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy.

111. Given the tight resource constraints and considering the outcome for FY 2019/20, the purpose of the FY 2021/22 budget and the medium term will be to grow revenues once the economy recovers to pre-Covid levels and reduce non-core expenditures. The result will be a reduction in the fiscal deficit that will reduce growth in public debt and ensure debt sustainability. The enhanced revenue mobilization will enable implementation of strategic interventions under the Post Covid-19 Economic Recovery Strategy that will further re-position the economy on a steady and sustainable growth trajectory. Equally, special focus will be placed on the achievement of the “Big Four” Agenda as prioritized in the third Medium Term Plan (MTP III) of the Vision 2030. Given the tight resource envelope, all Sector Working Groups are required to carefully scrutinize all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2021/22 and the medium term to ensure that they strictly adhere to the hard sector ceilings and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2021/22 and the medium term budget. The resource envelope and ceilings for each Sector provided in this Budget Review and Outlook Paper will form inputs into the next Budget Policy Statement, which will be finalized by mid-February 2021.

Annex Table 1: Macroeconomic Indicators for the FY 2018/19- 2024/25 Period

	2018/19	2019/20		2020/21		2021/22		2022/23		2023/24		2024/25
	Act	Supp III Budget	Act	Budget	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BROP'20
	<i>annual percentage change, unless otherwise indicated</i>											
National Account and Prices												
Real GDP	5.9	4.0	4.0	4.2	4.0	6.3	5.2	6.6	5.4	6.8	5.9	5.9
GDP deflator	3.2	5.4	5.4	6.2	6.2	5.4	5.5	5.3	5.3	5.4	5.4	5.3
CPI Index (eop)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	4.9	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	0.6	2.6	-0.3	4.2	-1.1	1.1	1.1	0.3	-0.5	0.4	0.4	0.5
Money and Credit (end of period)												
Net domestic assets	4.7	12.8	13.5	14.8	13.3	6.5	11.7	15.4	12.7	15.9	13.6	13.2
Net domestic credit to the Government	19.5	15.7	21.0	19.6	23.1	6.8	14.9	5.6	14.2	13.2	10.8	10.4
Credit to the rest of the economy	5.2	7.1	7.6	7.5	12.1	13.1	12.2	15.9	14.3	14.2	14.4	13.3
Broad Money, M3 (percent change)	9.2	9.6	8.4	10.6	10.5	12.1	11.0	12.5	11.0	12.6	11.6	11.6
Reserve money (percent change)	2.5	5.2	-2.9	6.1	13.6	7.6	6.5	8.0	6.5	8.1	7.1	7.1
	<i>in percentage of GDP, unless otherwise indicated</i>											
Investment and Saving												
Investment	17.7	15.7	13.1	21.6	13.3	22.1	16.4	22.4	17.2	22.6	18.4	18.5
Central Government	8.1	6.7	5.8	5.0	5.9	5.1	5.0	5.3	4.8	4.9	4.6	4.6
Other	9.5	9.0	7.3	16.6	7.3	17.1	11.4	17.2	12.4	17.6	13.8	13.9
Gross National Saving	13.6	11.4	7.6	16.5	8.2	17.8	11.6	19.6	12.3	21.2	13.7	13.8
Central Government	1.8	1.3	0.9	0.5	0.3	3.7	0.8	4.4	1.6	4.0	2.2	2.1
Other	11.8	10.1	6.7	16.0	7.9	14.1	10.8	15.1	10.8	17.3	11.5	11.7
Central Government Budget												
Total revenue	18.3	18.3	17.0	16.8	16.5	18.5	16.2	18.4	16.4	18.4	16.6	16.4
Total expenditure and net lending	26.2	27.6	25.2	24.7	25.9	22.8	23.7	21.9	22.5	21.8	21.8	21.5
Overall Fiscal balance excl. grants	-7.9	-9.3	-8.2	-8.0	-9.4	-4.2	-7.5	-3.5	-6.1	-3.3	-5.2	-5.1
Overall Fiscal balance, incl. grants, cash basis	-7.8	-9.0	-8.0	-7.5	-8.9	-3.9	-7.1	-3.1	-5.8	-3.0	-4.9	-4.8
Primary budget balance	-3.6	-4.7	-3.6	-3.4	-4.8	0.3	-2.7	0.8	-1.5	1.0	-0.7	-0.7
Net domestic borrowing	3.3	5.8	4.4	4.4	5.3	1.4	3.8	1.1	3.8	2.4	2.9	2.8
External Sector												
Exports value, goods and services	14.1	13.4	11.0	12.7	10.1	13.4	9.9	13.3	9.3	13.2	8.6	7.9
Imports value, goods and services	21.2	20.2	19.9	20.3	17.7	19.9	16.3	18.2	15.2	16.4	14.1	13.0
Current external balance, including official transfers	-4.1	-4.2	-5.5	-5.1	-5.1	-4.3	-4.8	-2.9	-4.8	-1.3	-4.8	-4.7
Gross reserves in months of next yr's imports	4.9	4.9	5.5	4.5	5.3	5.8	5.5	5.9	5.5	5.9	5.5	5.5
Gross reserves in months of this yr's imports	6.4	6.5	6.3	6.0	5.8	6.0	5.8	6.0	5.8	6.0	5.8	5.9
Public debt												
Nominal debt (eop), net of deposits	57.0	58.7	60.7	60.5	63.8	53.9	64.6	51.0	64.0	48.3	62.2	60.6
Domestic (gross)	29.9	30.6	31.2	32.0	33.5	26.8	34.0	24.9	34.4	24.5	33.7	33.0
Domestic (net)	24.5	25.7	26.2	27.5	29.1	22.9	30.0	21.4	30.8	21.4	30.5	30.1
External	32.5	33.1	34.5	33.0	34.8	31.0	34.6	29.6	33.2	26.9	31.7	30.5
Memorandum Items:												
Nominal GDP (in Ksh Billion)	9,303	10,197	10,200	11,276	11,267	13,044	12,502	14,674	13,879	16,527	15,495	17,286
Nominal GDP (in US\$ Million)	90,881	99,742	99,774	110,672	111,863	130,124	127,469	145,788	143,759	163,349	163,831	188,098

Source of Data: The National Treasury

Annex Table 2: Government Operations for the FY 2018/19 - 2024/25 Period, Ksh Billion

	2018/19	2019/20		2020/21			2021/22		2022/23		2023/24		2024/25
	Act	Supp III Budget	Act	BPS'20	Budget	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BROP'20
TOTAL REVENUE	1,701.7	1,864.8	1,733.6	2,134.1	1,892.6	1,860.3	2,417.1	2,030.1	2,706.6	2,275.0	3,046.4	2,573.3	2,842.4
Ordinary Revenue	1,499.8	1,615.4	1,573.4	1,856.7	1,633.8	1,601.4	2,144.9	1,813.7	2,418.3	2,041.3	2,720.6	2,298.2	2,558.5
Income Tax	685.3	720.3	706.9	862.3	685.0	735.5	996.9	838.7	1,141.3	947.4	1,280.6	1,067.7	1,187.0
Import duty (net)	106.9	95.9	98.0	126.5	106.8	96.3	147.7	117.4	164.1	137.3	182.3	153.2	168.7
Excise duty	194.3	201.2	195.3	258.0	241.4	208.8	272.0	237.2	303.1	266.3	348.1	301.7	339.3
Value Added Tax	414.1	400.1	383.7	496.4	481.6	437.6	602.0	512.2	670.6	572.9	757.8	646.8	723.8
Investment income	26.8	34.7	34.7	21.0	28.6	28.6	21.6	30.0	22.3	31.5	22.9	33.1	34.7
Other	72.3	163.2	154.8	92.5	90.4	94.7	104.7	78.2	116.9	86.0	128.8	95.7	105.0
Ministerial Appropriation in Aid	201.9	249.4	160.2	277.4	258.9	258.9	272.2	216.4	288.3	233.7	325.9	275.1	283.9
Railway Development Levy	21.3	22.7	23.3	27.8	27.2	27.2	29.2	27.8	32.5	30.4	36.1	33.2	36.3
Ministerial and Departmental Fees (AiA)/NMS	180.6	226.8	137.0	249.6	231.7	231.7	243.0	188.6	255.8	203.3	289.8	241.9	247.6
Across the board Additional AiA													
EXPENDITURE AND NET LENDING	2,433.7	2,817.8	2,565.4	2,748.2	2,790.6	2,919.0	2,968.2	2,964.3	3,214.1	3,127.0	3,595.0	3,376.2	3,724.8
Recurrent expenditure	1,531.1	1,777.0	1,645.2	1,781.0	1,826.7	1,843.6	1,945.3	1,940.1	2,067.9	2,062.8	2,404.1	2,250.1	2,497.0
Interest payments	375.7	433.7	437.2	456.0	463.1	463.1	541.3	555.8	577.0	594.8	661.6	646.6	711.3
Domestic interest	272.4	301.8	315.4	308.4	308.4	308.4	371.0	389.0	382.0	420.8	454.2	462.9	509.2
Foreign Interest	103.4	131.9	121.8	147.6	154.7	154.7	170.2	166.8	195.0	174.0	207.5	183.7	202.1
Pensions & Other CFS	70.8	91.0	89.6	118.7	123.4	123.4	134.0	137.0	152.9	152.9	173.5	167.9	192.6
Pensions	66.4	87.0	87.0	114.2	119.2	119.2	128.5	132.8	146.9	146.0	167.4	163.5	188.1
Other CFS	4.4	4.0	2.6	4.4	4.2	4.2	5.5	4.2	6.1	4.4	6.1	4.4	4.6
Contribution to civil service pension fund	0.0	0.0	0.0	10.3	10.3	10.3	21.6	21.6	22.9	22.9	24.3	23.8	24.8
Net Issues/Net Expenditure	936.8	1,076.2	1,011.5	1,022.9	1,052.8	1,069.6	1,064.7	1,090.4	1,115.3	1,145.0	1,315.9	1,230.8	1,381.7
O/W: Wages & Salaries ¹	417.5	457.2	449.9	483.7	496.3	481.7	541.3	541.3	573.8	573.8	591.0	591.0	620.6
Development and Net lending	541.9	678.5	594.9	587.3	589.7	675.2	633.5	634.0	747.4	674	785	720.0	806.3
Domestically financed (Gross)	307.0	449.7	396.6	334.5	329.9	410.4	345.1	345.6	427.2	353.6	459.2	393.3	432.2
O/W Domestically Financed (Net)/NMS	262.2	385.3	352.7	265.3	273.5	354.0	272.4	274.3	349.1	277.6	372.9	309.9	345.7
Ministerial Development AIA	270.2	64.3	43.9	52.9	56.4	56.4	72.7	71.3	78.1	76.0	86.2	83.4	88.2
Foreign financed	225.4	228.1	197.6	246.3	253.0	258.0	281.6	281.6	312.7	312.7	317.6	318.7	366.1
Net lending	2.5	0.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	7.0	0.0	0.0	6.5	6.8	6.8	6.8	6.8	7.5	7.5	8.0	8.0	8.0
County Allocation	360.7	362.4	325.3	375.0	369.2	395.2	384.5	385.3	393.7	385.4	401.2	401.1	416.5
Equitable Share	314.0	316.5	286.8	316.5	316.5	342.5	325.7	326.5	334.8	326.5	341.2	341.2	356.5
Conditional Allocation	46.7	45.9	38.5	58.5	52.7	52.7	58.8	58.8	58.9	58.9	59.9	59.9	59.9
Contingency Fund	0.0	0.0	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fiscal Balance (commitment basis excl. grants)	-732.0	-953.0	-831.8	-614.1	-898.0	-1,058.7	-551.2	-934.1	-507.5	-852.0	-548.6	-802.9	-882.4
Grants	19.7	35.0	19.8	42.8	56.8	56.8	46.1	46.1	46.9	46.9	46.9	48.1	49.3
Of which: Project grants	15.4	23.3	15.2	37.9	32.7	32.7	43.6	43.6	46.9	46.9	46.9	48.1	49.3
Programme grants	4.3	11.7	4.6	4.9	24.1	24.1	2.5	2.5	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants)	-712.3	-918.0	-812.0	-571.2	-841.1	-1,001.8	-505.1	-888.1	-460.6	-805.1	-501.7	-754.8	-833.1
Adjustment to Cash Basis	0.0	0.0	11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-712.3	-918.0	-800.2	-571.2	-841.1	-1,001.8	-505.1	-888.1	-460.6	-805.1	-501.7	-754.8	-833.1
Statistical discrepancy	8.7	0.0	-9.4	0.0	0.0	0.0	-3.3	0.0	-3.3	0.0	-3.3	0.0	0.0
TOTAL FINANCING	721.1	918.0	790.8	571.2	841.1	1,001.8	501.8	888.1	457.2	805.1	498.3	754.8	833.1
Net Foreign Financing	414.5	324.0	340.4	345.2	346.8	401.8	319.3	411.3	293.6	284.6	101.2	302.6	348.8
Disbursements	680.8	445.5	442.0	519.3	526.4	581.4	550.6	650.6	542.2	542.2	561.1	561.1	607.2
Commercial Financing	373.7	6.2	5.9	0.3	6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Semi concessional Loans	0.0	0.0	0.0	124.1	124.1	124.1	124.3	224.3	105.6	105.6	113.6	113.6	113.6
Total Project loans (AIA + Revenue)	222.3	221.3	197.1	242.9	244.1	249.1	273.5	273.5	302.0	302.0	307.6	307.6	353.7
Concessional Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	84.8	217.9	239.0	152.0	152.0	202.0	152.8	152.8	134.6	134.6	139.9	139.9	139.9
O/W: P for R Programme Loans	8.2	21.8	30.1	2.0	2.0	2.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Rapid Credit Facility from IMF	0.0	78.3	78.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	76.6	117.8	108.2	150.0	150.0	150.0	149.3	149.3	131.1	131.1	136.4	136.4	136.4
AfDB	0.0	0.0	22.4	0.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt repayment - Principal	-266.2	-121.5	-101.6	-174.1	-179.6	-179.6	-231.3	-239.4	-248.7	-257.6	-459.9	-258.5	-258.5
Net Domestic Financing	306.5	594.0	450.4	226.1	494.3	600.0	182.4	476.8	163.6	520.5	397.1	452.2	484.3
Memo items													
External Debt	3,023.1	3,361.6	3,515.8	3,721.8	3,722.8	3,917.6	4,041.1	4,328.9	4,338.2	4,613.5	4,439.4	4,916.1	5,264.9
Domestic Debt (gross)	2,785.5	3,233.1	3,177.5	3,309.5	3,609.9	3,777.6	3,491.9	4,254.4	3,652.1	4,774.9	4,049.1	5,227.1	5,711.3
Domestic Debt (net)	2,278.1	2,725.7	2,674.2	2,802.1	3,102.4	3,274.2	2,984.5	3,751.1	3,144.6	4,271.6	3,541.7	4,723.8	5,208.0
Financing gap	8.7	0.0	-21.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	9,303.1	10,196.6	10,199.9	11,636.9	11,275.8	11,266.6	13,044.1	12,501.6	14,673.6	13,879.0	16,527.2	15,494.8	17,286.2

Source of Data: The National Treasury

Annex Table 3: Government Operations for the FY 2018/19 - 2024/25 Period (% of GDP)

	2018/19	2019/20		2020/21			2021/22		2022/23		2023/24		2024/25
	Act	Supp III Budget	Act	BPS'20	Budget	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BPS'20	BROP'20	BROP'20
TOTAL REVENUE	18.3%	18.3%	17.0%	18.3%	16.8%	16.5%	18.5%	16.2%	18.4%	16.4%	18.4%	16.6%	16.4%
Ordinary Revenue	16.1%	15.8%	15.4%	16.0%	14.5%	14.2%	16.4%	14.5%	16.5%	14.7%	16.5%	14.8%	14.8%
Income Tax	7.4%	7.1%	6.9%	7.4%	6.1%	6.5%	7.6%	6.7%	7.8%	6.8%	7.7%	6.9%	6.9%
Import duty (net)	1.1%	0.9%	1.0%	1.1%	0.9%	0.9%	1.1%	0.9%	1.1%	1.0%	1.1%	1.0%	1.0%
Excise duty	2.1%	2.0%	1.9%	2.2%	2.1%	1.9%	2.1%	1.9%	2.1%	1.9%	2.1%	1.9%	2.0%
Value Added Tax	4.5%	3.9%	3.8%	4.3%	4.3%	3.9%	4.6%	4.1%	4.6%	4.1%	4.6%	4.2%	4.2%
Investment income	0.3%	0.3%	0.3%	0.2%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
Other	0.8%	1.6%	1.5%	0.8%	0.8%	0.8%	0.8%	0.6%	0.8%	0.6%	0.8%	0.6%	0.6%
Ministerial Appropriation in Aid	2.2%	2.4%	1.6%	2.4%	2.3%	2.3%	2.1%	1.7%	2.0%	1.7%	2.0%	1.8%	1.6%
Railway Development Levy	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Ministerial and Departmental Fees (AiA)/NMS	1.9%	2.2%	1.3%	2.1%	2.1%	2.1%	1.9%	1.5%	1.7%	1.5%	1.8%	1.6%	1.4%
Across the board Additional AiA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURE AND NET LENDING	26.2%	27.6%	25.2%	23.6%	24.7%	25.9%	22.8%	23.7%	21.9%	22.5%	21.8%	21.8%	21.5%
Recurrent expenditure	16.5%	17.4%	16.1%	15.3%	16.2%	16.4%	14.9%	15.5%	14.1%	14.9%	14.5%	14.5%	14.4%
Interest payments	4.0%	4.3%	4.3%	3.9%	4.1%	4.1%	4.1%	4.4%	3.9%	4.3%	4.0%	4.2%	4.1%
Domestic interest	2.9%	3.0%	3.1%	2.7%	2.7%	2.7%	2.8%	3.1%	2.6%	3.0%	2.7%	3.0%	2.9%
Foreign Interest	1.1%	1.3%	1.2%	1.3%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%
Pensions & Other CFS	0.8%	0.9%	0.9%	1.0%	1.1%	1.1%	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%	1.1%
Pensions	0.7%	0.9%	0.9%	1.0%	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%	1.1%	1.1%
Other CFS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Contribution to civil service pension fund	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.1%	0.2%	0.1%
Net Issues/Net Expenditure	10.1%	10.6%	9.9%	8.8%	9.3%	9.5%	8.2%	8.7%	7.6%	8.2%	8.0%	7.9%	8.0%
O/W: Wages & Salaries I	4.5%	4.5%	4.4%	4.2%	4.4%	4.3%	4.2%	4.3%	3.9%	4.1%	3.6%	3.8%	3.6%
Development and Net lending	5.8%	6.7%	5.8%	5.0%	5.2%	6.0%	4.9%	5.1%	5.1%	4.9%	4.7%	4.6%	4.7%
Domestically financed (Gross)	3.3%	4.4%	3.9%	2.9%	2.9%	3.6%	2.6%	2.8%	2.9%	2.5%	2.8%	2.5%	2.5%
O/W Domestically Financed (Net)/NMS	2.8%	3.8%	3.5%	2.3%	2.4%	3.1%	2.1%	2.2%	2.4%	2.0%	2.3%	2.0%	2.0%
Ministerial Development AIA	2.9%	0.6%	0.4%	0.5%	0.5%	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Foreign financed	2.4%	2.2%	1.9%	2.1%	2.2%	2.3%	2.2%	2.3%	2.1%	2.3%	1.9%	2.1%	2.1%
Net lending	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equalization Fund	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%
County Allocation	3.9%	3.6%	3.2%	3.2%	3.3%	3.5%	2.9%	3.1%	2.7%	2.8%	2.4%	2.6%	2.4%
Equitable Share	3.4%	3.1%	2.8%	2.7%	2.8%	3.0%	2.5%	2.6%	2.3%	2.4%	2.1%	2.2%	2.1%
Conditional Allocation	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%
Contingency Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fiscal Balance (commitment basis excl. grants)	-7.9%	-9.3%	-8.2%	-5.3%	-8.0%	-9.4%	-4.2%	-7.5%	-3.5%	-6.1%	-3.3%	-5.2%	-5.1%
Grants	0.2%	0.3%	0.2%	0.4%	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Of which: Project grants	0.2%	0.2%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Programme grants	0.0%	0.1%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fiscal Balance (incl. grants)	-7.7%	-9.0%	-8.0%	-4.9%	-7.5%	-8.9%	-3.9%	-7.1%	-3.1%	-5.8%	-3.0%	-4.9%	-4.8%
Adjustment to Cash Basis	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fiscal Balance (incl. grants) Cash Basis	-7.7%	-9.0%	-7.8%	-4.9%	-7.5%	-8.9%	-3.9%	-7.1%	-3.1%	-5.8%	-3.0%	-4.9%	-4.8%
Statistical discrepancy	0.1%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL FINANCING	7.8%	9.0%	7.8%	4.9%	7.5%	8.9%	3.8%	7.1%	3.1%	5.8%	3.0%	4.9%	4.8%
Net Foreign Financing	4.5%	3.2%	3.3%	3.0%	3.1%	3.6%	2.4%	3.3%	2.0%	2.1%	0.6%	2.0%	2.0%
Disbursements	7.3%	4.4%	4.3%	4.5%	4.7%	5.2%	4.2%	5.2%	3.7%	3.9%	3.4%	3.6%	3.5%
Commercial Financing	4.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Semi concessional Loans	0.0%	0.0%	0.0%	1.1%	1.1%	1.1%	1.0%	1.8%	0.7%	0.8%	0.7%	0.7%	0.7%
Total Project loans (AIA + Revenue)	2.4%	2.2%	1.9%	2.1%	2.2%	2.2%	2.1%	2.2%	2.1%	2.2%	1.9%	2.0%	2.0%
Concessional Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Programme Loans	0.9%	2.1%	2.3%	1.3%	1.3%	1.8%	1.2%	1.2%	0.9%	1.0%	0.8%	0.9%	0.8%
O/W: P for R Programme Loans	0.1%	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rapid Credit Facility from IMF	0.0%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
World Bank DPO	0.8%	1.2%	1.1%	1.3%	1.3%	1.3%	1.1%	1.2%	0.9%	0.9%	0.8%	0.9%	0.8%
AfDB	0.0%	0.0%	0.2%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt repayment - Principal	-2.9%	-1.2%	-1.0%	-1.5%	-1.6%	-1.6%	-1.8%	-1.9%	-1.7%	-1.9%	-2.8%	-1.7%	-1.5%
Net Domestic Financing	3.3%	5.8%	4.4%	1.9%	4.4%	5.3%	1.4%	3.8%	1.1%	3.8%	2.4%	2.9%	2.8%
Memo items													
External Debt	32.5%	33.0%	34.5%	32.0%	33.0%	34.8%	31.0%	34.6%	29.6%	33.2%	26.9%	31.7%	30.5%
Domestic Debt (gross)	29.9%	31.7%	31.2%	28.4%	32.0%	33.5%	26.8%	34.0%	24.9%	34.4%	24.5%	33.7%	33.0%
Domestic Debt (net)	24.5%	26.7%	26.2%	24.1%	27.5%	29.1%	22.9%	30.0%	21.4%	30.8%	21.4%	30.5%	30.1%
Financing gap	0.1%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nominal GDP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source of Data: The National Treasury

Annex Table 4: Development Sector Ceilings for the FY 2021/22-2023/24 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	APPROVED BUDGET ESTIMATES	BROP PROJECTION				
			2020/21	2021/22	2022/23	2023/24		
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Gross	42,961.0	47,822.7	41,602.1	30,128.4		
		GOK	2,771.0	1,059.3	4,953.3	9,860.0		
		Loans	24,552.1	31,468.0	21,209.0	12,606.0		
		Grants	3,586.5	2,405.0	2,165.0	736.0		
		Strategic Interventions	-	581.0	200.0	200.0		
		Big Four(GOK)	7,798.4	7,156.7	7,849.2	2,081.0		
		Counterpart Funding	1,253.0	2,152.7	2,225.6	1,645.4		
		Economic Stimulus Prog.	3,000.0	3,000.0	3,000.0	3,000.0		
		020	ENERGY, INFRASTRUCTURE AND ICT	Gross	270,418.1	312,278.3	343,475.0	368,355.1
				GOK	43,956.7	22,675.7	32,201.3	79,063.9
Loans	139,874.3			157,738.3	185,600.3	186,882.3		
Grants	3,261.6			5,628.9	6,304.9	5,068.9		
Local AIA	35,891.0			51,998.0	52,677.0	55,251.0		
Strategic Interventions	7,190.0			33,885.6	24,700.0	5,000.0		
Big Four(GOK)	10,363.5			12,399.8	13,087.5	8,700.0		
Counterpart Funding	26,471.0			27,952.0	28,904.0	28,389.0		
Economic Stimulus Prog.	3,410.0			-	-	-		
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)			Gross	11,762.0	7,913.2	8,249.1	7,557.6
		GOK	310.8	288.0	1,594.0	1,844.0		
		Loans	3,855.0	3,029.0	3,029.0	2,425.0		
		Big Four(GOK)	3,326.2	3,326.2	3,356.1	3,288.6		
		Economic Stimulus Prog.	4,270.0	1,270.0	270.0	-		
		040	HEALTH	Gross	47,252.0	48,720.0	52,014.7	56,914.7
GOK	5,310.2			5,310.2	5,810.2	7,310.2		
Loans	7,922.8			9,922.8	12,922.8	12,922.8		
Grants	4,315.7			4,315.7	4,315.7	4,315.7		
Strategic Interventions	532.0			-	-	-		
PFR(GOK)	4,000.0			4,000.0	-	-		
Big Four(GOK)	24,646.3			25,171.3	28,966.0	32,366.0		
Economic Stimulus Prog.	525.0			-	-	-		
050	EDUCATION	Gross	23,933.6	24,904.6	22,386.6	25,629.7		
		GOK	5,724.2	5,144.2	8,105.0	9,714.1		
		Loans	9,600.0	10,571.0	9,912.0	11,546.0		
		Grants	1,269.6	1,269.6	1,269.6	1,269.6		
		Local AIA	-	-	-	-		
		Strategic Interventions	2,800.0	2,800.0	2,800.0	2,800.0		
		Counterpart Funding	-	580.0	300.0	300.0		
		Economic Stimulus Prog.	4,539.8	4,539.8	-	-		
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Gross	10,919.9	10,842.9	11,526.9	12,666.0		
		GOK	4,485.5	3,173.0	5,206.4	5,549.0		
		Loans	906.4	738.4	-	-		
		Grants	153.0	80.5	80.5	77.0		
		Strategic Interventions	5,375.0	6,851.0	6,240.0	7,040.0		

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

Annex Table 4: Development Sector Ceilings for the FY 2021/22-2023/24 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	APPROVED BUDGET ESTIMATES	BROP PROJECTION		
			2020/21	2021/22	2022/23	2023/24
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Gross	108,480.0	106,117.7	102,528.4	101,622.3
		GOK	8,397.7	7,007.9	10,214.2	10,327.1
		Loans	8,129.3	8,272.3	6,863.3	5,892.3
		Grants	13,314.1	12,982.9	12,819.4	12,819.4
		Local AIA	6,512.2	6,512.2	6,512.2	6,512.2
		Strategic Interventions	4,617.0	6,825.6	5,645.6	5,145.6
		CF & EF	11,788.0	11,825.0	12,485.0	12,997.0
		NG-CDF	41,714.8	41,714.8	41,714.8	41,714.8
		PFR(GOK)	5,040.0	4,660.0	1,200.0	1,140.0
		Counterpart Funding	3,312.0	3,317.0	5,074.0	5,074.0
		Economic Stimulus Prog.	5,655.0	3,000.0	-	-
080	NATIONAL SECURITY	Gross	9,208.6	13,080.0	19,580.0	26,080.0
		GOK	3,000.0	3,000.0	4,000.0	4,000.0
		Loans	6,208.6	8,000.0	13,000.0	22,000.0
		Grants	-	-	-	-
		Strategic Interventions	-	2,080.0	2,580.0	80.0
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Gross	30,389.6	33,925.4	36,036.4	36,300.6
		GOK	939.8	950.5	1,498.7	1,805.8
		Loans	7,186.0	7,186.0	7,186.0	7,186.0
		Grants	1,095.8	1,113.4	1,113.4	1,095.8
		Local AIA	14,000.0	15,000.0	15,750.0	16,000.0
		Strategic Interventions	2,130.0	2,130.0	2,130.0	2,130.0
		Counterpart Funding	155.0	187.6	195.0	195.0
		PFR(GOK)	4,883.0	7,357.9	8,163.3	7,888.0
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Gross	77,983.7	79,491.0	93,985.7	104,527.7
		GOK	19,122.0	7,949.4	15,152.0	16,316.0
		Loans	42,104.8	46,623.8	55,426.8	63,104.8
		Grants	5,742.9	5,742.9	5,742.9	5,742.9
		Big Four	2,512.0	2,482.0	-	-
		Economic Stimulus Prog.	8,502.0	7,202.0	6,662.0	6,662.0
		Counterpart Funding	-	9,200.0	8,602.0	8,602.0
		Strategic Interventions	-	290.9	2,400.0	4,100.0
	TOTAL	Gross	633,308.5	685,095.8	731,384.9	769,782.1
		GOK	94,017.9	56,558.2	88,735.0	145,790.0
		Loans	250,339.3	283,549.7	315,149.3	324,565.3
		Grants	32,739.1	33,538.9	33,811.4	31,125.3
		Local AIA	56,403.2	73,510.2	74,939.2	77,763.2
		Strategic Interventions	22,644.0	55,444.1	46,695.6	26,495.6
		CF & Equalization Fund	11,788.0	11,825.0	12,485.0	12,997.0
		CDF	41,714.8	41,714.8	41,714.8	41,714.8
		PFR(GOK)	13,923.0	16,017.9	9,363.3	9,028.0
		Big Four(GOK)	48,646.4	50,536.0	53,258.7	46,435.6
		Counterpart Funding	31,191.0	43,389.3	45,300.6	44,205.4
		Economic Stimulus Prog.	29,901.8	19,011.8	9,932.0	9,662.0
	<i>Note: CF_ Contingency Fund, EF_Equalization Fund, NG-CDF_National Government Constituency Development Fund</i>					
	<i>PFR_Performance for Results</i>					

Annex Table 5: Recurrent Sector Ceilings for the FY 2021/22-2023/24 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	APPROVED BUDGET ESTIMATES	BROP PROJECTION		
			2020/21	2021/22	2022/23	2023/24
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT	Gross	20,275.4	20,265.5	20,821.3	21,341.7
		A-I-A	3,155.0	3,155.0	3,155.0	3,155.0
		Net	17,120.4	17,110.5	17,666.3	18,186.7
		Salaries	6,612.0	6,648.1	6,847.6	7,053.0
		Grants & Transfers	11,684.8	11,684.8	11,960.5	12,244.2
		Other Recurrent	1,508.6	1,532.6	1,563.2	1,594.5
		Economic Stimulus Prog.	470.0	-	-	-
		Strategic Intervention	-	400.0	450.0	450.0
020	ENERGY, INFRASTRUCTURE AND ICT	Gross	92,351.0	96,122.2	100,114.1	104,301.1
		A-I-A	80,171.7	83,341.9	86,801.6	90,296.7
		Net	12,179.4	12,780.3	13,312.5	14,004.4
		Salaries	4,464.8	4,715.8	4,857.2	5,003.0
		Grants & Transfers	74,754.6	87,924.8	91,705.9	95,676.0
		Other Recurrent	3,131.7	3,131.7	3,201.0	3,272.1
		Strategic Intervention	-	350.0	350.0	350.0
		Economic Stimulus Prog.	10,000.0	-	-	-
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	Gross	16,144.2	16,254.5	16,520.5	16,691.4
		A-I-A	8,495.7	8,495.7	8,495.7	8,495.7
		Net	7,648.5	7,758.8	8,024.8	8,195.8
		Salaries	1,451.5	1,511.8	1,557.1	1,605.3
		Grants & Transfers	13,511.6	13,511.6	13,675.6	13,734.0
		Other Recurrent	1,181.1	1,231.1	1,287.8	1,352.2
040	HEALTH	Gross	64,450.7	66,158.7	69,809.8	71,089.6
		A-I-A	15,482.0	15,482.0	15,482.0	15,482.0
		Net	48,968.7	50,676.7	54,327.8	55,607.5
		Salaries	10,232.6	10,539.6	10,855.8	11,181.4
		Grants & Transfers	44,464.6	44,464.6	45,353.9	46,261.0
		Other Recurrent	1,521.5	1,521.5	1,567.2	1,614.2
		Strategic Intervention	7,099.2	8,500.2	10,900.2	10,900.2
		Economic Stimulus Prog.	1,132.7	1,132.7	1,132.7	1,132.7
050	EDUCATION	Gross	481,167.6	496,965.6	509,829.5	521,087.8
		A-I-A	57,057.3	57,057.3	57,057.3	57,057.3
		Net	424,110.3	439,908.3	452,772.2	464,030.5
		Salaries	259,053.3	268,551.3	273,965.2	279,488.6
		Grants & Transfers	109,127.3	109,127.3	110,945.9	112,800.8
		Other Recurrent	24,007.5	24,007.5	24,939.0	25,818.9
		Strategic Interventions	73,279.3	80,779.3	84,279.3	87,279.3
		Economic Stimulus Prog.	3,100.0	1,900.0	3,100.0	3,100.0
		Medical Insurance	12,600.2	12,600.2	12,600.2	12,600.2

Annex Table 5: Recurrent Sector Ceilings for the FY 2021/22-2023/24 MTEF Period (Ksh Million)

CODE	SECTOR	ECONOMIC CLASSIFICATION	APPROVED BUDGET ESTIMATES	BROP PROJECTION		
			2020/21	2021/22	2022/23	2023/24
060	GOVERNANCE, JUSTICE, LAW AND ORDER	Gross	186,874.8	203,751.6	217,771.2	206,690.6
		A-I-A	2,653.7	2,653.7	2,653.7	2,653.7
		Net	184,221.1	201,097.9	215,117.4	204,036.8
		Salaries	131,664.3	135,808.8	139,240.9	143,418.1
		Grants & Transfers	9,824.7	10,116.8	10,440.5	10,843.1
		Other Recurrent	29,328.4	29,328.4	29,905.3	30,744.9
		Strategic Interventions	10,361.3	21,415.5	31,102.4	14,602.4
		Medical Insurance	5,696.1	7,082.1	7,082.1	7,082.1
		070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	Gross	180,832.7	203,048.0
A-I-A	9,547.4			9,547.4	9,547.4	9,547.4
Net	171,285.4			193,500.6	205,027.0	211,481.6
Salaries	49,960.7			51,485.5	52,697.8	53,946.5
Grants & Transfers	44,198.8			44,198.8	45,006.2	45,829.9
Other Recurrent	40,377.3			40,401.4	41,473.2	42,596.5
Medical Insurance	4,093.3			4,093.3	4,093.3	4,093.3
JE & Pension Contributory	14,582.9			29,626.0	44,441.0	53,213.0
Strategic Interventions	17,106.7			22,730.0	21,350.0	21,350.0
Economic Stimulus Prog.	10,513.0			10,513.0	5,513.0	-
080	NATIONAL SECURITY	Gross	145,324.0	150,934.4	161,973.2	164,764.0
		A-I-A	-	-	-	-
		Net	145,324.0	150,934.4	161,973.2	164,764.0
		Salaries	1,349.0	1,489.5	1,534.1	1,580.2
		Grants & Transfers	143,488.0	148,488.0	159,457.8	162,646.9
		Other Recurrent	487.0	487.0	511.3	536.9
		Economic Stimulus Prog.	-	470.0	470.0	-
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Gross	39,700.2	39,794.9	39,108.6	39,417.7
		A-I-A	1,620.3	1,620.3	1,620.3	1,620.3
		Net	38,079.8	38,174.6	37,488.3	37,797.4
		Salaries	3,157.9	3,252.6	3,350.2	3,450.7
		Grants & Transfers	7,123.1	7,123.1	7,228.0	7,336.1
		Other Recurrent	2,224.9	2,224.9	2,336.2	2,436.7
		Strategic Interventions	26,194.3	26,194.3	26,194.3	26,194.3
		Economic Stimulus Prog.	1,000.0	1,000.0	-	-
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Gross	27,232.8	27,197.1	27,413.1	25,587.2
		A-I-A	7,952.1	7,952.1	7,952.1	7,952.1
		Net	19,280.7	19,245.0	19,461.0	17,635.1
		Salaries	2,672.6	2,661.0	2,740.8	2,823.0
		Grants & Transfers	21,134.0	21,134.0	21,134.0	21,134.0
		Other Recurrent	822.5	798.4	838.3	880.2
		Strategic Interventions	603.8	603.8	700.0	750.0
		Economic Stimulus Prog.	2,000.0	2,000.0	2,000.0	
TOTAL		Gross	1,254,353.4	1,320,492.5	1,377,935.7	1,392,000.2
		A-I-A	186,135.2	189,305.5	192,765.2	196,260.3
		Net	1,068,218.2	1,131,187.0	1,185,170.5	1,195,739.9
		Salaries	470,618.7	486,663.8	497,646.6	509,549.7
		Grants & Transfers	479,311.4	497,773.8	516,908.2	528,506.0
		Other Recurrent	104,590.6	104,664.6	107,622.4	110,847.1
		Strategic Intervention	134,644.5	160,973.1	175,326.2	161,876.2
		Medical Insurance	22,389.5	23,775.5	23,775.5	23,775.5
		JE & Pension Contributory	14,582.9	29,626.0	44,441.0	53,213.0
		Economic Stimulus Prog.	28,215.7	17,015.7	12,215.7	4,232.7

Annex Table 6: Budget Calendar for the Medium-Term Budget

ACTIVITY	RESPONSIBILITY	FY2021/22 DEADLINE
1. Develop and issue MTEF guidelines	National Treasury	27-Aug-20
2. Launch of Sector Working Groups	National Treasury	11-Sep-20
3. Programme Performance & Strategic Reviews	MDAs	16-Sep-20
3.1 Review and update of strategic plans	"	"
3.2 Review of programme outputs and outcomes	"	"
3.3 Expenditure Review	"	"
3.4 Review and approval of projects for FY2021/22	Project Committees	"
3.5 Progress report on MTP implementation	"	"
3.6 Preparation of annual plans	"	"
4. Development of Medium-Term Budget Framework	Macro Working Group	30-Sep-20
4.1 Estimation of Resource Envelope	"	"
4.2 Determination of policy priorities	"	"
4.3 Preliminary resource allocation to Sectors, Parliament, Judiciary & Counties	"	"
4.4 Draft Budget Review and Outlook Paper (BROP)	"	"
4.5 Submission and approval of BROP by Cabinet	"	30-Sep-20
4.6 Submission of approved BROP to Parliament	"	22-Oct-20
5. Preparation of MTEF budget proposals	Line Ministries	29-Nov-20
5.1 Retreats to draft Sector Reports	Sector Working Group	11-24 th Oct & 25th Oct - 7th Nov -20
5.2 Public Sector Hearing	National Treasury	25th Nov 20
5.3 Review and incorporation of stakeholder inputs in the Sector proposals	Sector Working Group	30-Nov-20
5.4 Submission of Sector Report to Treasury	Sector Chairpersons	4-Dec-20
5.5 Consultative meeting with CSs/PSs on Sector Budget proposals	National Treasury	10-Dec-20
6. Draft Budget Policy Statement (BPS)	Macro Working Group	15-Feb-21
6.1 Draft BPS	Macro Working Group	12-Nov-20
6.2 Division of Revenue Bill (DORB)	National Treasury	"
6.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
6.4 Cabinet Retreat on Finalization of FY2021/22 Budget	Executive Office of the President	15-Jan-21
6.5 Submission of BPS, DORB and CARB to Cabinet for approval	National Treasury	22-Jan-21
6.6 Submission of BPS, DORB and CARB to Parliament for approval	National Treasury	15-Feb-21
8. Preparation and approval of Final MDAs Budgets		27-Apr-21
7.1 Develop and issue final guidelines on preparation of 2021/22 MTEF Budget	National Treasury	5-Mar-21
7.2 Submission of Budget Proposals to Treasury	Line Ministries	15-Mar-21
7.3 Consolidation of the Draft Budget Estimates	National Treasury	1-Apr-21
7.4 Submission to Cabinet for Approval	National Treasury	15-Apr-21
7.5 Submission of Draft Budget Estimates to Parliament	National Treasury	27-Apr-21
7.6 Submission of the Finance Bill	National Treasury	27-Apr-21
7.7 Review of Draft Budget Estimates by Parliament	National Assembly	14-May-21
7.8 Report on Draft Budget Estimates from Parliament	National Assembly	31-May-21
7.9 Consolidation of the Final Budget Estimates	National Treasury	4-Jun-21
7.10 Submission of Appropriation Bill to Parliament	National Treasury	10-Jun-21
7.11 Submission of Vote on Account to Parliament	National Treasury	30-Jun-21
8. Budget Statement	National Treasury	10-Jun-21
9. Appropriation Bill Passed	National Assembly	30-Jun-21
10. Finance Bill Passed	National Assembly	30-Jun-21

Source: National Treasury

Annex Table 7: County Governments' Fiscal Performance (July 2019 to March 2020)

County	Own Source Revenue (Kshs M)			Budget Estimates (Ksh M)					Expenditure (Ksh M)					Absorption Rate (%)		
	Target	Actual	% of actual OSR over Target	Rec't	% of Rec't over Total Budget	Dev't	% of Dev't over Total Budget	TOTAL	Rec't	% of Rec't over Total Expen.	Dev't	% of Dev't over Total Expen.	TOTAL	Rec't	Dev't	TOTAL
Baringo	393.42	245.9	62.5	4,383.00	50.5	4,298.52	49.5	8,681.5	2,935.16	82.5	624.67	17.5	3,559.8	67%	15%	41%
Bomet	275.92	138.58	50.2	4,470.70	63.1	2,616.92	36.9	7,087.6	2,785.80	82.1	606.76	17.9	3,392.6	62%	23%	48%
Bungoma	893.75	600.75	67.2	9,015.27	66.3	4,581.80	33.7	13,597.1	5,348.37	78.7	1,449.89	21.3	6,798.3	59%	32%	50%
Busia	504.5	186.6	37.0	5,350.35	57.7	3,915.25	42.3	9,265.6	3,261.24	81.1	760.76	18.9	4,022.0	61%	19%	43%
Elgeyo Marakwet	152	93.65	61.6	3,342.12	58.0	2,425.00	42.0	5,767.1	2,301.77	82.8	477.88	17.2	2,779.7	69%	20%	48%
Embu	900	401.86	44.7	4,331.36	65.5	2,279.60	34.5	6,611.0	2,915.76	87.1	433.42	12.9	3,349.2	67%	19%	51%
Garissa	150	71.37	47.6	6,122.97	56.0	4,807.49	44.0	10,930.5	4,194.48	80.4	1,020.10	19.6	5,214.6	69%	21%	48%
Homa Bay	207.59	97.29	46.9	5,424.72	65.1	2,913.07	34.9	8,337.8	3,800.04	76.0	1,199.07	24.0	4,999.1	70%	41%	60%
Isiolo	170.86	114.16	66.8	3,401.67	59.1	2,349.49	40.9	5,751.2	1,817.25	66.9	898.28	33.1	2,715.5	53%	38%	47%
Kajiado	1,793.86	531.68	29.6	6,324.65	61.5	3,961.80	38.5	10,286.5	4,010.34	79.7	1,018.40	20.3	5,028.7	63%	26%	49%
Kakamega	2,131.64	881.2	41.3	8,269.11	53.0	7,341.27	47.0	15,610.4	5,186.88	62.6	3,098.86	37.4	8,285.7	63%	42%	53%
Kericho	913.94	278.53	30.5	4,608.07	53.5	4,003.31	46.5	8,611.4	3,156.76	77.4	921.57	22.6	4,078.3	69%	23%	47%
Kiambu	3,853.59	1,895.64	49.2	11,502.40	64.2	6,412.96	35.8	17,915.4	7,788.32	78.8	2,095.81	21.2	9,884.1	68%	33%	55%
Kilifi	1,100.00	619.5	56.3	8,470.42	57.5	6,253.22	42.5	14,723.6	4,884.48	80.4	1,193.45	19.6	6,077.9	58%	19%	41%
Kirinyanga	480	286.9	59.8	4,295.81	70.1	1,835.80	29.9	6,131.6	2,428.78	79.7	616.99	20.3	3,045.8	57%	34%	50%
Kisii	870	286.68	33.0	8,456.98	66.2	4,311.71	33.8	12,768.7	5,289.49	81.0	1,237.99	19.0	6,527.5	63%	29%	51%
Kisumu	1,438.48	672.34	46.7	7,541.37	62.6	4,514.77	37.4	12,056.1	5,141.81	80.6	1,237.99	19.4	6,379.8	68%	27%	53%
Kitui	600	316.38	52.7	7,214.84	63.4	4,163.66	36.6	11,378.5	5,252.77	78.1	1,469.24	21.9	6,722.0	73%	35%	59%
Kwale	325	205.34	63.2	5,984.17	45.6	7,124.77	54.4	13,108.9	3,458.03	67.9	1,638.43	32.1	5,096.5	58%	23%	39%
Laikipia	1,006.88	507.96	50.4	4,277.97	60.2	2,827.66	39.8	7,105.6	3,032.64	84.4	560.65	15.6	3,593.3	71%	20%	51%
Lamu	100	46.92	46.9	2,655.94	56.1	2,080.38	43.9	4,736.3	2,487.23	82.6	523.19	17.4	3,010.4	94%	25%	64%
Machakos	1,608.58	1,085.63	67.5	8,105.62	60.1	5,385.75	39.9	13,491.4	5,446.78	83.8	1,054.31	16.2	6,501.1	67%	20%	48%
Makueni	655.24	356.57	54.4	6,332.08	56.6	4,847.56	43.4	11,179.6	4,409.14	80.2	1,090.73	19.8	5,499.9	70%	23%	49%
Mandera	183.56	87.85	47.9	6,510.52	50.1	6,476.97	49.9	12,987.5	4,774.80	63.9	2,699.62	36.1	7,474.4	73%	42%	58%
Marsabit	170	107.22	63.1	4,170.14	50.0	4,173.39	50.0	8,343.5	2,845.92	61.1	1,813.73	38.9	4,659.7	68%	43%	56%
Meru	825	320	38.8	7,847.65	70.1	3,346.00	29.9	11,193.7	5,453.71	88.0	746.58	12.0	6,200.3	69%	22%	55%
Migori	450	250.55	55.7	5,552.51	58.2	3,989.35	41.8	9,541.9	3,384.09	84.3	630.23	15.7	4,014.3	61%	16%	42%
Mombasa	5,000.00	2,443.08	48.9	9,357.92	63.8	5,309.28	36.2	14,667.2	5,134.11	73.4	1,856.70	26.6	6,990.8	55%	35%	48%
Muranga	960	471.64	49.1	5,495.23	61.3	3,472.57	38.7	8,967.8	3,209.18	60.6	2,090.52	39.4	5,299.7	58%	60%	59%
Nairobi	17,316.30	7,238.76	41.8	25,710.13	69.5	11,271.26	30.5	36,981.4	14,253.70	91.9	1,253.77	8.1	15,507.5	55%	11%	42%
Nakuru	3,100.00	1,968.76	63.5	10,806.49	49.7	10,943.61	50.3	21,750.1	6,413.03	80.4	1,559.65	19.6	7,972.7	59%	14%	37%
Nandi	628.82	175.74	27.9	5,106.23	60.0	3,407.23	40.0	8,513.5	3,657.66	81.4	833.95	18.6	4,491.6	72%	24%	53%
Narok	3,190.31	2,183.81	68.5	7,913.99	62.1	4,826.81	37.9	12,740.8	5,609.69	84.3	1,042.42	15.7	6,652.1	71%	22%	52%
Nyamira	250	129.34	51.7	4,901.38	70.0	2,100.59	30.0	7,002.0	3,201.48	84.7	578.25	15.3	3,779.7	65%	28%	54%
Nyandarua	630	246.74	39.2	4,909.39	61.5	3,074.32	38.5	7,983.7	2,776.55	95.7	125.3	4.3	2,901.9	57%	4%	36%
Nyeri	1,000.00	524.81	52.5	5,787.88	65.5	3,055.15	34.5	8,843.0	4,261.99	88.8	539.31	11.2	4,801.3	74%	18%	54%
Samburu	267.03	205.21	76.8	4,494.77	64.8	2,441.51	35.2	6,936.3	2,471.93	94.4	147.37	5.6	2,619.3	55%	6%	38%
Siaya	420	130.54	31.1	4,870.25	52.8	4,353.10	47.2	9,223.4	3,237.80	80.9	766.43	19.1	4,004.2	66%	18%	43%
Taita Taveta	350	206.53	59.0	3,466.84	60.4	2,275.47	39.6	5,742.3	2,513.79	89.7	289.32	10.3	2,803.1	73%	13%	49%
Tana River	66	63.45	96.1	5,333.27	66.4	2,702.05	33.6	8,035.3	2,896.56	70.2	1,231.79	29.8	4,128.4	54%	46%	51%
TharakaNithi	350	181.98	52.0	3,399.25	67.0	1,676.08	33.0	5,075.3	2,222.07	77.2	656.44	22.8	2,878.5	65%	39%	57%
Trans Nzoia	500	151.01	30.2	4,692.50	58.8	3,281.89	41.2	7,974.4	3,143.75	73.5	1,131.19	26.5	4,274.9	67%	34%	54%
Turkana	250	112.79	45.1	10,120.27	67.9	4,792.36	32.1	14,912.6	5,236.91	86.8	799.74	13.2	6,036.7	52%	17%	40%
Uasin Gishu	900	660.94	73.4	5,217.34	45.5	6,253.09	54.5	11,470.4	3,507.28	74.9	1,173.89	25.1	4,681.2	67%	19%	41%
Vihiga	192.09	128	66.6	4,174.81	59.3	2,868.40	40.7	7,043.2	2,714.68	76.5	835.59	23.5	3,550.3	65%	29%	50%
Wajir	150	47.9	31.9	6,224.00	54.3	5,244.33	45.7	11,468.3	4,482.64	79.7	1,138.66	20.3	5,621.3	72%	22%	49%
West Pokot	150.32	77.24	51.4	4,155.10	64.7	2,265.70	35.3	6,420.8	3,079.76	83.4	610.99	16.6	3,690.8	74%	27%	57%
TOTAL	57,824.7	28,035.3	48.5	300,099.5	60.1	198,852.3	39.9	498,951.7	191,816.4	79.4	49,779.9	20.6	241,596.3	64%	25%	48%

Source of Data: Controller of Budget

Annex Table 8: Summary of Comments Received from Stakeholders and Public on the 2020 Budget Review and Outlook Paper

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
Fiscal Performance - Revenue and Expenditures	3, Page 3 (Foreword)	Amend to read “Revenue performance has further worsened by the tax incentives introduced to cushion Kenyans from the economic impact of the pandemic.”	Paragraph amended
	3, Page 8	Amend the last sentence to read “The fiscal deficit for FY 2021/22 is projected to decline to 7.3 percent of GDP from 8.4 percent of GDP in FY 2020/21.”	Sentence amended
	2	Amend the second sentence to read “The 2021 BPS will highlight the progress in implementation of the Post Covid -19 ERS, the Big Four Plan and other projects prioritized in the Third Medium Term Plan (MTP III 2018-2022), while also taking into account the recent macroeconomic developments.”	Sentence amended
	6	There is a need for further disaggregation of financial information on the revenue and expenditure side.	A summary of Revenue and Expenditure performance is provided in this BRPOP. In addition, Table 1 provides disaggregated ordinary revenue, Table 3 contains revenue contribution by sector, Table 4 provides disaggregated expenditures while Annex Table 2 and 3 provides the same information from FY 2018/19 and the medium term include their shares of nominal GDP.
	7 -11 (Table 1)	There is a line item titled Others under Ordinary Revenue that reports a growth of 19.1 percent which is not fully explained	Further breakdown of the line item is provided in the notes below the table. It includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
		External Grants are listed in Table 1 as the only external source of funding for the budget, the financing side of the budget should also be included as a second component in the Table	Table 1 provides external grants since they are classified as revenue. Data on financing for the fiscal deficit is provided in Table 6 and Annex Tables 2 and 3.
		It is not clear why tax revenue should continue to decline relative to GDP through the projection period. This is especially puzzling given statements in the text that tax revenue will be the focus of the coming years through implementation of tax policy measures and tax administration reforms. How can one square these conflicting messages?	This is a useful observation. Revenue projection for the FY 2020/21 and the medium term as a share of GDP has been kept at around 16 percent as a reflection of the current operating environment.
		Elaborate on the extent that the decline in revenue (in 2019/20 relative to original budget, and in 2020/21 relative to the projection in the BPS) can be explained by (i) tax policy changes, (ii) impact of reduced economic activity, and (iii) other (unexplained) reasons. The latter could include disruptions to tax administration resulting from Covid. Do you rule out the possibility of recovering some of the ‘unexplained’ revenue losses in the future?	<ul style="list-style-type: none"> • The revenue foregone due to tax reliefs in the last quarter of FY 2019/20 mentioned in paragraph 9 amounted to Ksh 42 billion. The rest of the revenue shortfall is attributable to reduced economic activity on account of the Covid-19 pandemic. • The revenue foregone due to tax reliefs was recovered in part through a review of tax exemptions. The revenue foregone will also be recovered when the tax reliefs are reversed following recovery of economic activities.
	14	Table 3 shows a decline in the GDP contribution of the manufacturing sector from 8 per cent in FY 2017/19 to 7.2 per cent in FY 2019/20 which is contrary to the national aspirations under the BIG FOUR AGENDA of attaining a GDP contribution of 15 per cent by 2022.	As correctly observed, the manufacturing sector as a share of GDP has declined. However, the implementation of the “Big Four” Agenda initiatives under the manufacturing pillar are expected to reverse the trend.
15 - 20 (Table 5)	The information provided on government expenditure does not give a clear picture at the programme and sub-programme level.	Table 5 reports expenditure by Ministries, Departments and Agencies. Going the	

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
			proposal to report expenditure by program will be considered.
		The explanation for excellent or poor performance should be specific and include proposed solutions that the Government will pursue to solve them. Specifically, there should be a section that indicates measures that have been put in place to address challenges causing revenue shortfall and lower budget absorption.	This is a useful suggestion and will be considered in future BROPs.
		Expenditure is projected to decline by more than 1 percent of GDP each year. How can the budget address the “Big Four” agenda in this context?	The projected expenditure have taken the resource requirements of the “Big Four” into consideration. The projected decline in expenditures is due to the elimination of non-core expenses.
		What is the plan supporting the projected decline in the wage bill as a percentage of GDP over the next four years?	
	8	Break down the sentence since it’s too long	Paragraph amended
		Fiscal measures estimated to cost the exchequer KES 172 billion in revenue foregone by GoK in one financial year: Could the 'one financial year' be specific? Is it FY 2019/20 which bore the brunt of Covid-19 in the last quarter or will the foregone revenue be the lost revenue in the fiscal years that the reliefs will be in place? This is in light of the negative externalities that have arisen in Covid-19 period that have a much bigger impact on revenue mobilization than the tax reliefs.	The estimated revenue foregone in the fourth quarter of FY 2019/20 due to the tax reliefs is about Ksh 43 billion. The estimate of Ksh 172 billion was arrived at after multiplying Ksh 43 billion by four quarters to get the estimated revenue foregone for a full financial year.
	10	Indicate early March	Amended appropriately
	13	Provide reasons for the shortfall in external grants	Amended appropriately and reasons for the shortfall provided in the BROP
	14	Need to monitor resources allocated to the BIG FOUR AGENDA to ensure commensurate returns on investment and money	This is a useful proposal that is already being done.
	16	Indicate FY as FY 2019/20	Amended appropriately

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
	18 & 20	Review the law which allows MDAs to spend funds before they have been received in the Consolidated Fund in order to enhance transparency and accountability hence ensuring completeness and timeliness in periodic financial reporting.	This is duly noted and will be given due consideration.
	23	Insert 'KSh' before 235.4 billion and 2.0 billion	Amended appropriately
	37	Delete the word 'has' after Finance Act, 2019	Amended appropriately
	25	Indicate other factors for failing to meet the financial objectives such as failure to meet revenue targets and the broadening trade deficits rather than attributing the failure to purely Covid-19 Pandemic alone	Already qualified
	26	Indicate areas where transparency and accountability needs to be promoted by the Public Investment Management Unit (PIMU)	Areas where transparency and accountability need to be promoted by PIMU indicated in the paragraph
	20	Qualify underspending by MDAs	Lags in reporting expenditures by parastatals and donor funded projects explain underspending as explained in the same paragraph.
	Table 9	Report 2018/19 fiscal numbers as actual not preliminary	The 2018/19 fiscal accounts are yet to be audited thus they are reported as preliminary actuals pending auditing
	6 - 38	Review tax statutes with the aim of: <ul style="list-style-type: none"> ● Discontinuing further issuance of redundant tax incentives to newly registered firms ● Gradually phasing out of the existing redundant tax incentives ● Develop national guidelines on provisions of tax incentives to guide evaluation and enactments so to ensure that only beneficial incentives are provided for in law ● Use of taxes for appropriate purposes 	The Government continuously reviews the tax policy with an aim of introducing or removing tax incentives to attract and promote investments

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
		Use direct government transfers other than indirect tax adjustment in cushioning low-income segments against hardships. This will safeguard against revenue loss and directly benefit vulnerable citizens	The Government is enhancing the social protection programmes through cash transfers and safety nets. The lowering of tax rates was a one-off intervention necessitated by Covid-19 Pandemic
		Review the tax policy measures introduced to cushion citizens against the impact of Covid-19 pandemic with the aim of removing these measures when the economy recovers from the impact of Covid-19	The Government will review the tax reliefs once the economy recovers.
	3	Expenditure projections for the FY 2020/21 (Annex Table 2) have not been revised as indicated in paragraph 3. The indicated expenditures are as per the approved budget.	The Fiscal Framework has been amended appropriately as indicated in Annex Table 2 and 3.
Deficit Financing	22	Rectify the net external financing to Ksh 340.8 billion, A.I.A to Ksh 442.4 billion and commercial financing to Ksh 5.9 billion and not Ksh 340.4 billion, Ksh 442.0 billion and Ksh 5.8 billion respectively as reflected in Table 6	This has been amended to match Table 6
Debt Sustainability	33, 34, 35	Align the three paragraphs to avoid repetition.	The three paragraphs have been combined
	35 Table 8	Debt to be restructured into concessional loans and debt with longer payment period for ease of management.	The government is already in the process of re-profiling the existing debt to ensure debt sustainability
	Table 9	What is the legal basis underpinning the Public Debt to GDP (net deposits) as shown in Table 9.	There is no legal basis for reporting public debt net of deposits. The inclusion of the public debt net of deposit in Table 9 is based on the fact that Government deposits at the Central Bank can be utilized to reduce the stock of public debt if the need arises.
Fiscal Performance in Relation to	28	Align the paragraph with the provisions of the PFM Act 2012 section 15	Total budget includes transfer to counties thus adherence to the recurrent and development expenditure thresholds is

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
Financial Objectives			reported at the two levels of government separately
	31-34	End paragraph 31 with a semicolon and replace paragraphs 32, 33 and 34 with the following: <i>31. The Medium-Term Debt Strategy (MTDS) and other policy documents spells out the purposes of external and domestic financing and as such;</i> <ul style="list-style-type: none"> • The Government maintained public debt at sustainable levels as approved by Parliament • The debt ratios remained within sustainable levels for the country rated as a strong performer in comparison, to internationally recognized thresholds • The public debt sustainability indicators illustrate that Kenya faces a high risk of debt distress. 	The paragraphs have been amended appropriately
	38 (Table 9)	We note Domestic borrowing for the fiscal year 2020/21 has been revised to Ksh 555 billion and considering the market environment, the market may not be able to absorb this amount and we propose the number to be revised downwards.	The net domestic financing target for FY 2020/21 has been revised upwards necessitated by the revenue outcome for FY 2019/20 and the rising expenditure pressures. It is projected to decline in FY 2021/22.
	52	The draft 2020 BROP provides information on pending bills for counties but similar information on pending bills by MDAs is not included in the 2020 BROP	This is a good proposal that will be considered in the preparation of the 2021 BROP
	Annex Table 2	Government Operations: adopt the numbers on debt service as submitted earlier (especially on domestic debt interest)	The Fiscal Framework has been revised
Fiscal Responsibility Principles	2, Page 7	Indicate the percentage in the regulation , “The national government’s expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.”	The percentage in the regulation is 35 percent and this is indicated in paragraph 29.
	30	Replace infrastructural projects with infrastructure projects	This has been done

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
	33/34	The message in the two paragraphs are contradicting	Amended accordingly
County Governments' Fiscal Performance and Fiscal Responsibility Principles	43	Amend to read, "This notwithstanding, The National Treasury committed through the Summit to transfer ..."	This has been effected
	52	Include information on pending bills by MDA as well as the measures put in place to address the accumulation of pending bills.	This is a good proposal that will be considered in the preparation of the 2021 BROP
	47-48	Highlight some of the challenges faced by county governments in meeting own source revenue (OSR) to facilitate design of strategies to solve them	Own source revenue was below target reflecting overestimation and capacity gaps in tax analysis at the counties. The National Policy to Support Enhancement of County Governments' Own-Source Revenue and the County Governments (Revenue Raising Process) Bill 2018 will address challenges around OSR collection and administration once they are fully operational.
Recent Economic Developments and Outlook	Forward and Executive summary	Acknowledge in the foreword and executive summary, the re-opening of the economy and subsequent pickup in economic activity. Indicate growth forecast as 'about 2.6 percent', to acknowledge the uncertainties surrounding the growth assumptions for 2020	This has been done
	4	Amend the third sentence to read, "To meet the resource requirements of the FY 2021/22 and the medium term budget,"	This has been done
	7	Edit the statement " <i>However this path was interrupted by the outbreak and the rapid spread of COVID-19 Pandemic</i> " because the spread of COVID-19 has not been rapid as indicated and may not have directly caused the slowdown in revenues. Rather, the resulting disruptions of economic activities, containment and fiscal & other measures undertaken to contain the spread of COVID-19, may have caused the slowdown in revenues	This statement has been revised

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
	76	<p>Insert new paragraph under 76 on the growth of the tourism sector to read as follows. “Tourism sector contracted by 9.3% in Q1’2020, from a growth of 11.0% in Q1’2019, as sectoral contribution fell to 1.3% from the 1.6% recorded in Q1’2019. The sector has been adversely affected by the spread of the COVID-19 which led to lockdowns and travel restrictions in most countries. International travels were either suspended or cancelled, most hotels closed while others scaled down and this has resulted in a steep decline in the volume of tourists. Evidently, the number of international visitors declined to 294,053 in Q1’2020, from 364,744 recorded during the first quarter of 2019.</p>	<p>This has been captured in paragraph 69 covering the Accommodation and food services sector</p>
		<p>Insert a new paragraph 108 to be added to capture matters pertaining to disasters as follows: - “Risks emanating from disasters such as floods, droughts, mudslides and landslides, seismic shocks, desert locust infestations among others continues to put fiscal burden on the Government expenditure envelope. Going forward, the government is in the process of establishing a Standing Disaster Management Fund whose objective will be to stabilize the Government’s capacity to respond effectively and efficiently to disasters with a focus on disaster preparedness, response and mitigation and recovery.</p>	<p>This is captured in summary as weather related shocks in paragraph 97</p>
	81	<p>Edit the paragraph to read “The Overall balance of payment position improved to a surplus of US \$ 162.4 million in the year to June 2020 from a deficit of 537.92”</p>	<p>The data has been updated to August 2020.</p>
	82	<p>Edit the paragraph to read ‘Financial inflows declined to US\$ 6049.8 million in June 2020 compared to US\$ 6,634.8 million in June 2019 (Table 14). The financial inflows were mainly in the form of direct investments, portfolio investments and other</p>	<p>The data has been updated to August 2020.</p>

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
		investments which stood at a deficit of US\$ 202.6 million, US\$ 1,126.8 million and deficit of US\$ 423 million, respectively in June 2020”	
	87	Provide indicative timelines for the operationalization of the prospective credit guarantee scheme for the vulnerable MSME	<ul style="list-style-type: none"> • The Cabinet on 10th September, 2020 approved a capital fund for the MSME Credit Guarantee Scheme of up to Ksh. 10 billion to be provided over the next two financial years. Parliament has also approved the amendments to the Public Finance Management Act of 2020 to anchor this Scheme in law. In addition, some participating Banks have committed to the scheme that they will start disbursing funds to MSMEs in October 2020.
	89	Edit the paragraph to read “The current account deficit worsened by 1.2 percent to US\$ 4,786.1 million (5.0 percent of GDP) in the June 2020 compared to a deficit of US\$ 4,727.1 million (4.9 percent of GDP) in the year to June 2019 mainly due to a decline in net secondary income and net services (Table 14). The balance in the merchandise account improved by US\$ 715 million to a deficit of US\$ (9,449.7) million in the year to June 2020 on account of a decline in imports that more than offset the decline in exports”	The data has been updated to August 2020.
		Include a table/chart comparing Kenya’s growth to peer economies akin to figure 9 and figure 11. In addition, include a paragraph stating the unemployment/ employment effects caused by the pandemic	This is a good proposal that will be included in the 2021 BROP

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
	Economic Recovery Strategy	Provide indications of possible timing of rollout of the post-COVID economic recovery strategy and indications when it is likely to be ready	The timelines will be announced as soon as the plan is finalized
		Indicate sectors that the post-COVID economic strategy will focus on	The sectors of focus will be announced once the plan is finalized
	97	Provide latest leading indicators to provide indications of what is happening the second half of the year	The projection for 2020 and the medium term has incorporated the available indicators
	96-98	Moderate macroeconomic forecasts to be more realistic and prudent to avoid revenue shortfalls due to forecast variation from realized key macroeconomic indicators	The macroeconomic forecasts are based on broad sectoral analysis. We regularly update our indicators to ensure moderate and realistic forecasts
	105	Consider the value of foreign exchange reserves as at August 2020 instead of June 2020.	The latest available data for foreign exchange reserves is for June 2020
	Annex Table 1	Show/include additional indicators (e.g. imports, consumption) in the table with the main macroeconomic assumptions, and elaborating on anticipated developments in individual tax components as it would help inform the revenue projection	Annex Table 1 has provided the imports of goods and services as a share of GDP. Going forward, we shall consider giving a breakdown of developments under the components of ordinary revenue.
Resource Allocation Framework	113	Give new measures to ensure the path to fiscal consolidation is attained given that past budget outturns have pointed to fiscal indiscipline.	The Government had set a fiscal consolidation path aimed at reduced the fiscal deficit from 8.0 percent of GDP in FY 2019/20 to 3.0 percent over the medium term. However, taking into account the impact of the weak business environment and rising expenditure pressures, the fiscal consolidation path has been revised as provided in this BROP.

POLICY AREA	PARAGRAPH	RECOMMENDATIONS	ACTION TAKEN
	118 (ii)	Amend to read, “Linkage of the programme with the objectives of the Post Covid-19 ERS and Third Medium Term Plan of Vision 2030.”	This has been done.
	120	Amend paragraph 120 to read as, “The National Treasury and Planning has developed a Medium-Term Expenditure Framework which puts into consideration the Government's priorities outlined in the Big Four Agenda.	This has been done.
	116 - 117 (Annex Table 2, Annex Table 3 & Table 9)	Expenditure is projected to decline by more than 1 percent of GDP each year. How can the budget address the “Big Four” agenda in this context?	The decline is due to elimination of non-core expenses.
	Big Four Agenda	Report on progress made so far in the implementation of the Big Four Agenda and the exact adjustments under COVID-19 period	
General Clarifications and Editorials	5 (introduction)	Delete the word ‘for’ to read ...section IV and V provide the proposed resource allocation	The word ‘for’ has been deleted
	1 (forward)	Add loss of lives as one of the effects of Covid-19 Pandemic	This has been done.
	2 (forward)	Provide specific measures that the Government is implementing to cushion citizens against effects of Covid-19 Pandemic	Specific measures are captured in paragraph 8
	3 (forward)	Add the word ‘that’ after the words ..tax incentives in the third sentence	This has been done.
	23	Insert Ksh before 235.4 billion and 2.0 billion.	This has been done.
	85	Write NFA in full and also include it in the list of abbreviations and acronyms	This has been done.
		The last sentence is not clear	This has been done.
		Since this is an unusual period, it would have been more informative if the design of the BROP isolated (perhaps in form of a box) the COVID-19 highlights including budget specific interventions	

THE NATIONAL TREASURY AND PLANNING
