

**Post Budget Forum**  
**Financial Year 2024/2025**

**Date:14<sup>th</sup> June 2024**

**Public Finance Management and Constitution,  
Law and the Economy programme**



Institute of  
Economic Affairs

**Venue:Fair view Hotel**

# Outline of Presentation

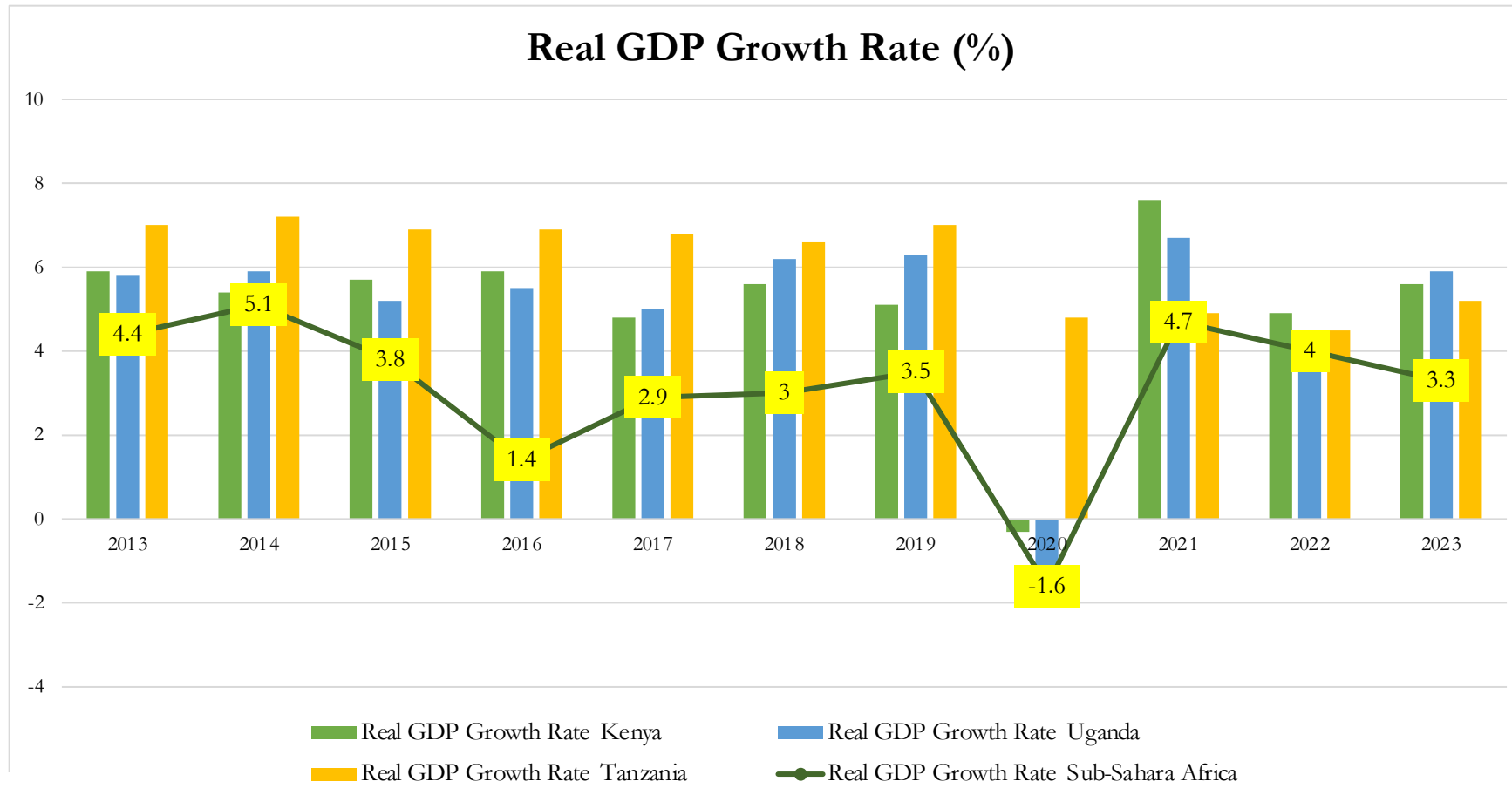
- Macroeconomic Outlook
- Budget Outturn
- Revenue performance
- CFS and Debt Position
- Sectoral Analysis
- The Judiciary, Independent Institutions/Commissions



# Economic Performance



# Economic Growth



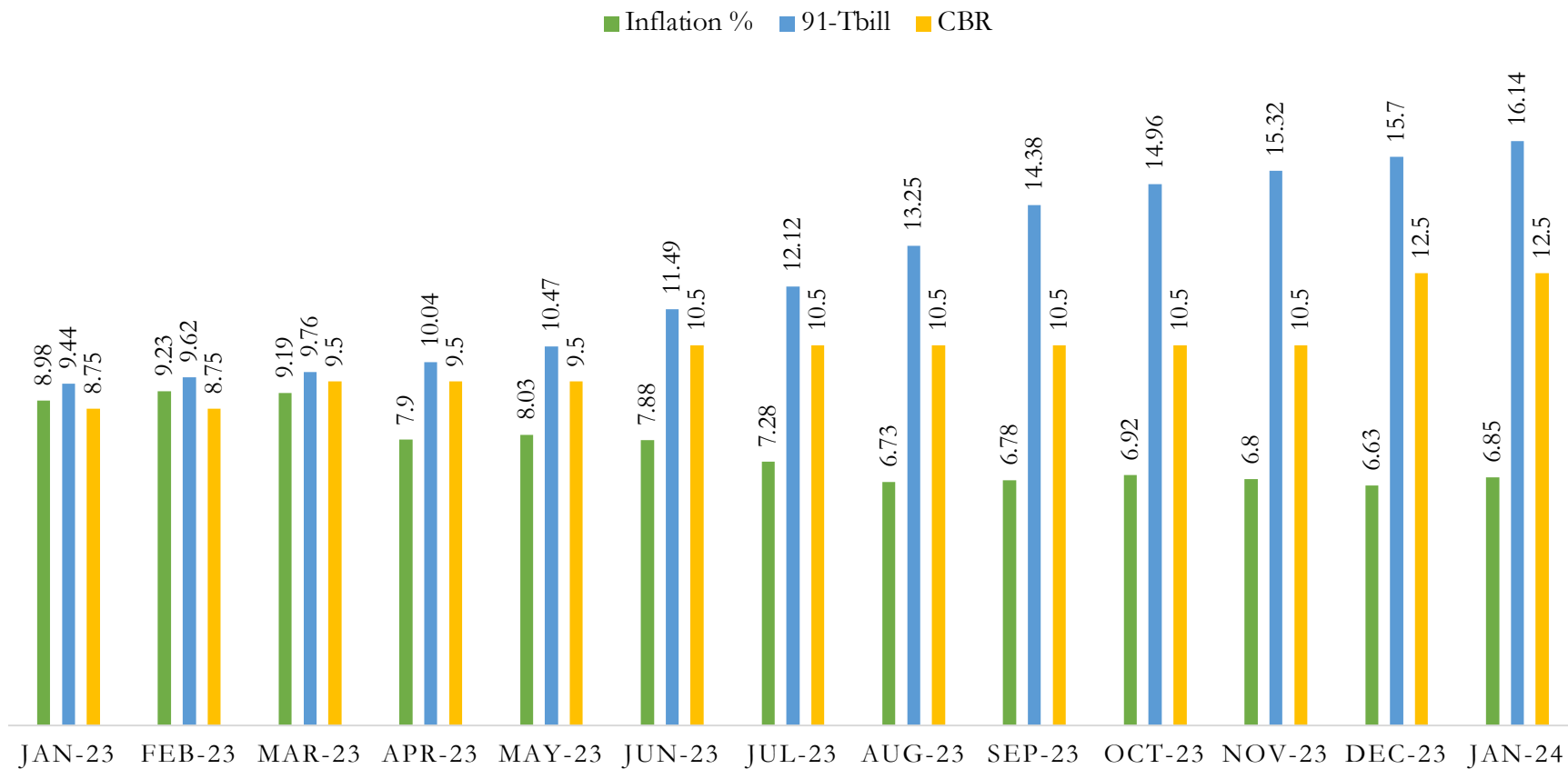
- Kenyan economy resilient recovered well post covid.
- Growth rate above 4% and above the SSA average
- Agriculture and service sector are the biggest contributors to growth

Source : KNBS



# Inflation and Nominal Interest Rates

MONTHLY INFLATION AND NOMINAL INTEREST RATES (%) JAN 2023-JAN 2024



- High rates of inflation first half of 2023
- High food and fuel prices contributed to this. ( war, and depreciation of the KSH)
- Monetary tightening strategy applied to curb rising inflation



Source: KNBS

# Foreign Exchange

Average Nominal foreign exchange rates of Kenya shilling for selected currencies

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>I Euro</b>	114.41	116.84	108.96	112.33	116.73	119.63	114.18	121.65	129.76	124.19	151.25
<b>I USD</b>	86.12	87.92	98.18	101.5	103.41	101.29	101.99	106.47	109.65	117.87	139.85
<b>I Pound Sterling</b>	134.75	144.88	150.17	137.66	133.2	135.25	130.18	136.73	150.85	145.8	174.01
<b>Tsh/Ksh</b>	18.79	18.93	20.73	21.54	21.63	22.48	22.63	21.76	21.12	19.74	17.36
<b>Ush/Ksh</b>	30.06	29.55	32.94	33.68	34.92	36.81	36.32	34.93	32.72	31.3	26.76

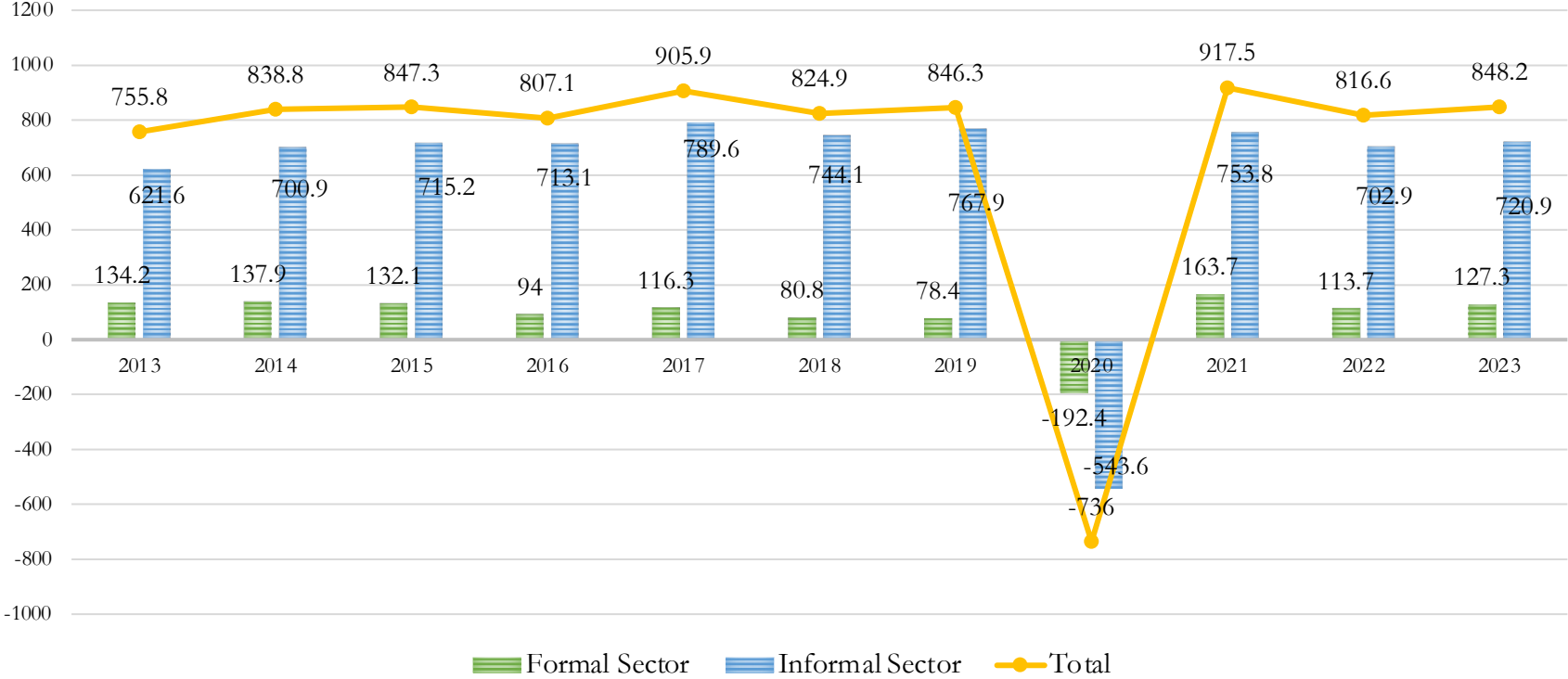
Source: KNBS

- The shilling has depreciated against major currencies. The exchange rate has been volatile.



# Employment

Number of new jobs created in formal and informal sectors 2013-2023 (000)

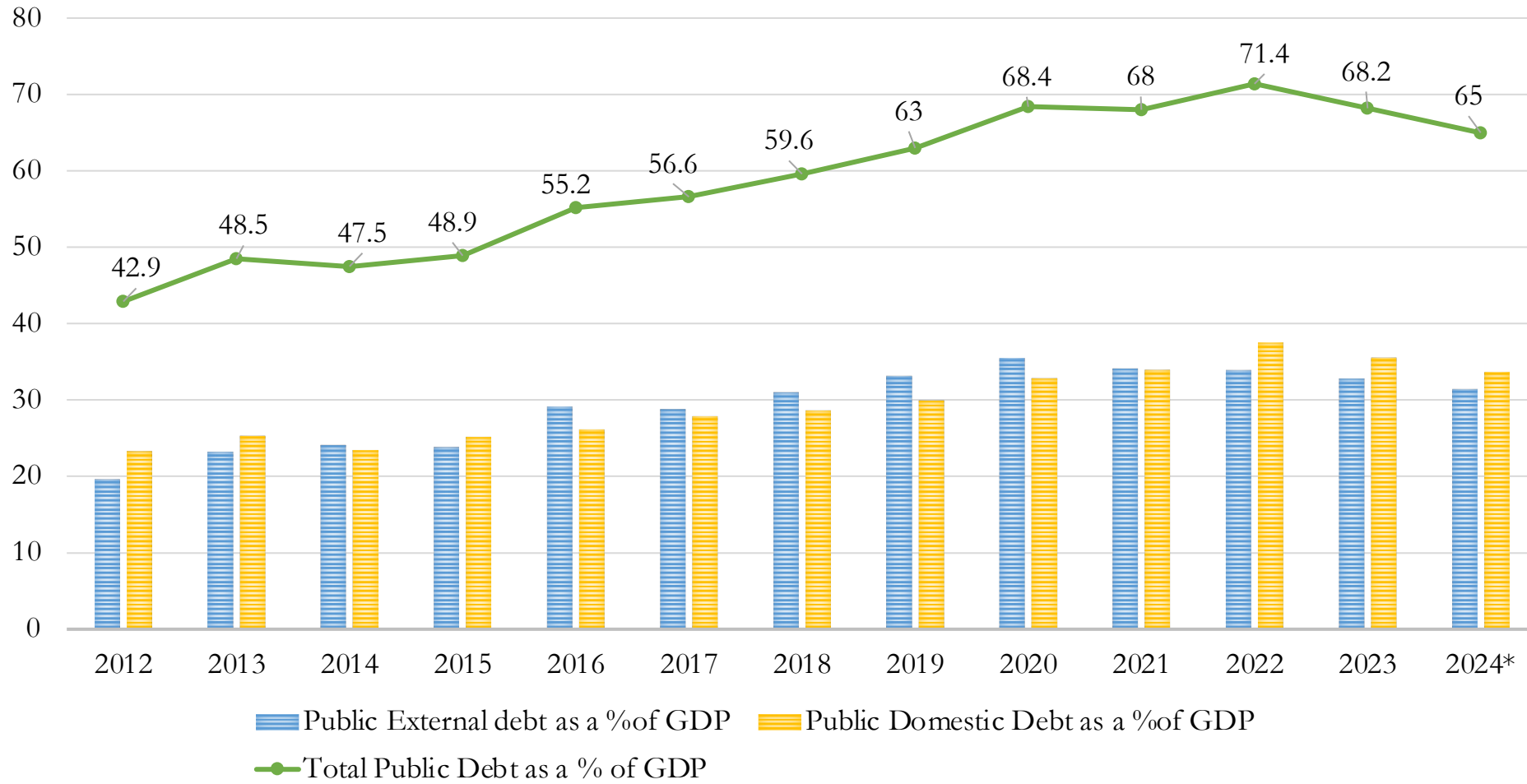


- More jobs are created in the informal sector
- Informal sector employs low skilled and pays less
- It is also the hard to tax sector.



Source: KNBS

# Debt as share of GDP



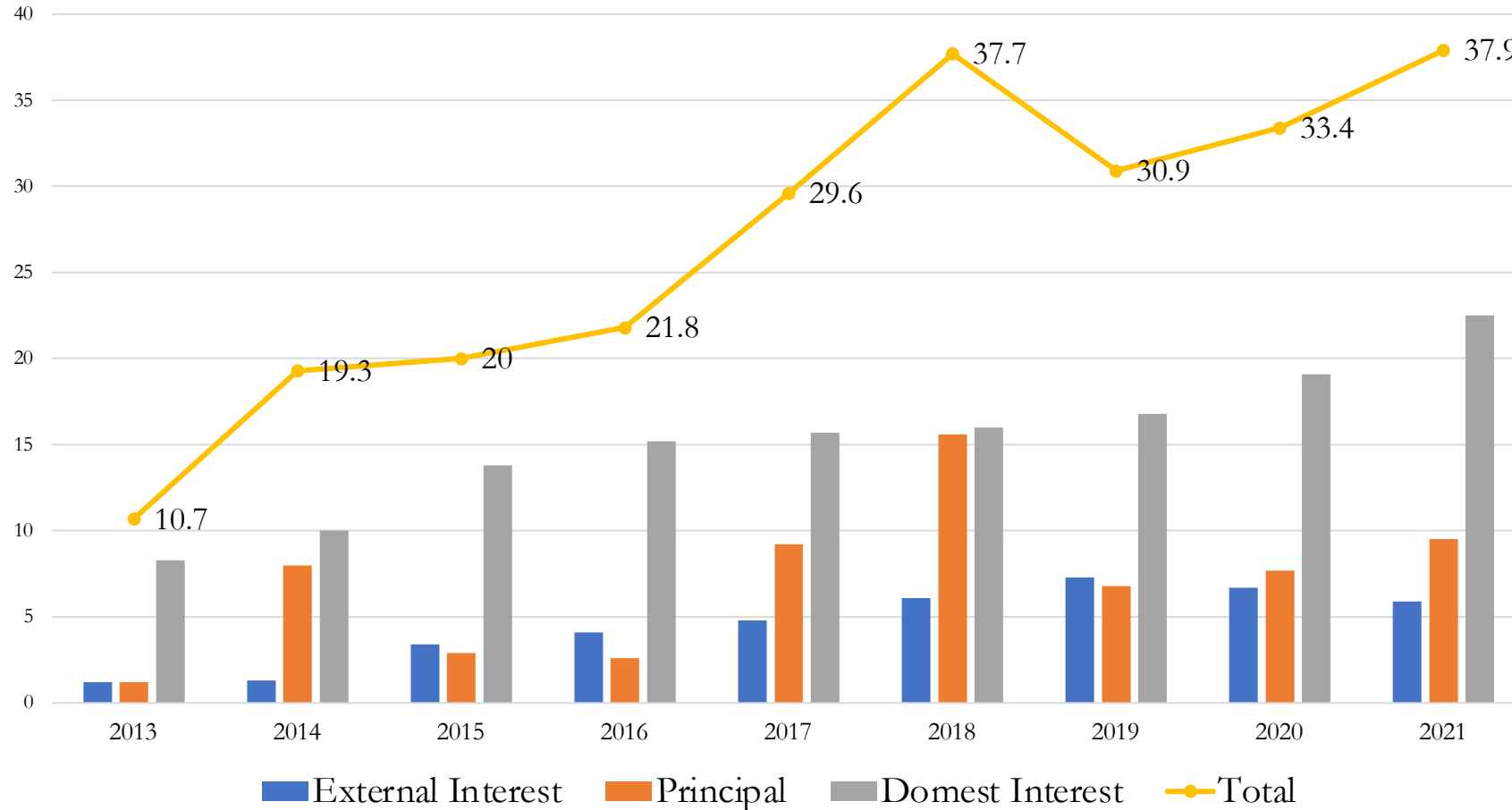
- Debt as a percent of GDP has been rising
- Recently, Government is moving towards domestic borrowing





# Debt Servicing

## Debt Service as a % of Revenue



- Total debt servicing as a share of revenue has increased sharply
- Domestic interest constitutes the highest payments



# Budget Outturn



Table 3 | 2024/25  
Budget Overview

<b>Fiscal Outturn 2024/2025 (Kshs Billion)</b>				
	<b>Item</b>	<b>Revised 2023/2024</b>	<b>Approved 2024/25</b>	<b>% change</b>
	<b>Revenue</b>			
	<b>Total Revenue and Grants</b>	<b>3,094.90</b>	<b>3,245.20</b>	<b>4.6%</b>
	Total Revenue	3,047.50	3,193.40	4.6%
	Ordinary Revenue	2,576.70	2,721.10 *	5.3%
	Total local AIA	470.80	472.30	0.3%
	Grants	47.40	51.80	8.5%
	<b>Expenditure</b>			
	<b>Total Discretionary Expenditure</b>	<b>2,538.10</b>	<b>2,818.94</b>	<b>10.0%</b>
	National Executive	2,044.00	2,322.74	12.0%
	Equalization fund	10.90	11.40 *	4.4%
	Parliament	39.20	44.60	12.1%
	Contingency Fund	1.20	5.00	76.0%
	Judiciary	18.90	24.60	23.2%
	County government	423.90	410.60 *	-3.2%
	<b>Non Discretionary Expenditure</b>	<b>1,983.48</b>	<b>2,056.93</b>	<b>3.6%</b>
	<i>Interest</i>	846.32	1,009.98	16.2%
	<i>Redemption</i>	946.16	843.29	-12.2%
	<i>Pension and other</i>	191.00	203.66	6.2%
	<b>Total Government Expenditure</b>	<b>4,521.58</b>	<b>4,875.87</b>	<b>7.3%</b>
	<b>Overall Fiscal Deficit</b>	<b>1,426.68</b>	<b>1,630.67*</b>	<b>12.5%</b>

**% Fiscal deficit  
to GDP  
10%**



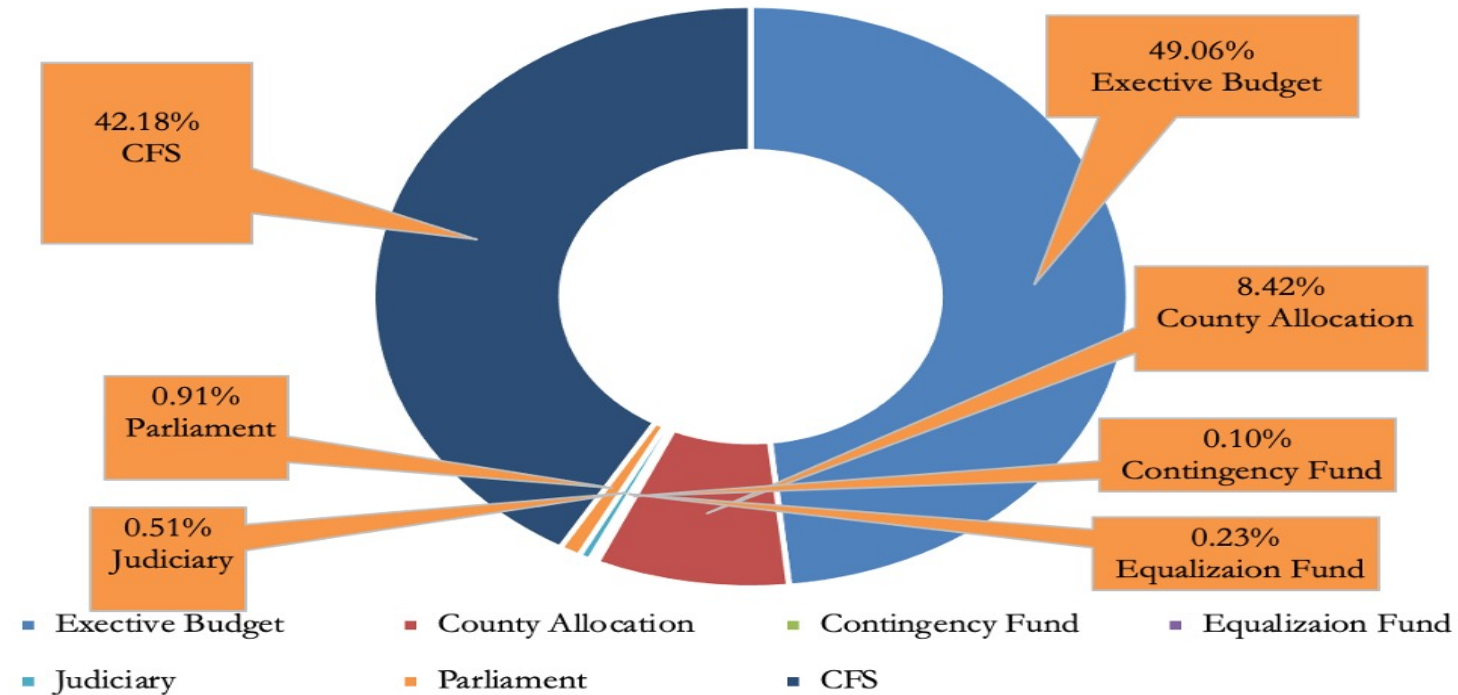
# Where is the money coming from?

Item	Ksh Billion
Income tax	1,230.20
VAT	812.20
Import duty	187.40
Excise duty	434.10
Other tax revenue	57.20 *
<b>Ordinary Revenue</b>	<b>2,721.10</b>
Appropriations-in-Aid	472.30*
<b>Total Revenue</b>	<b>3,193.40</b>
Grants	51.80
<b>Total Revenue and Grants</b>	<b>3,245.20</b>



## Budget Overview FY2024/25

Ksh 4.866 Trillion



Source: The National Treasury/Budget estimates

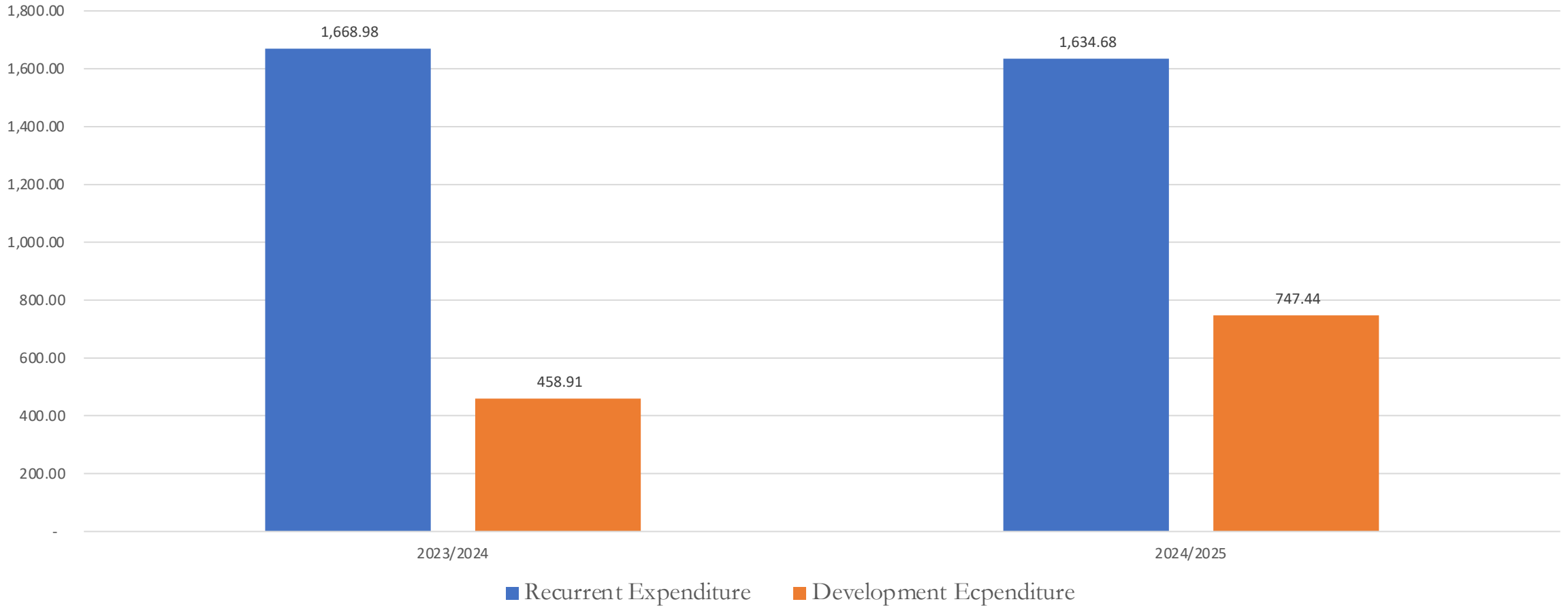


	2022/2023	2023/2024	2024/2025
Total Budget (ksh billion)	3,342	4,504	4,876
Total Budget (as a share of GDP)	26%	30%	29%
Total Budget per person (ksh)	66,047	87,456	94,674
Total Budget per person (ksh), Adjusted for inflation	66,047	81,204	82,463

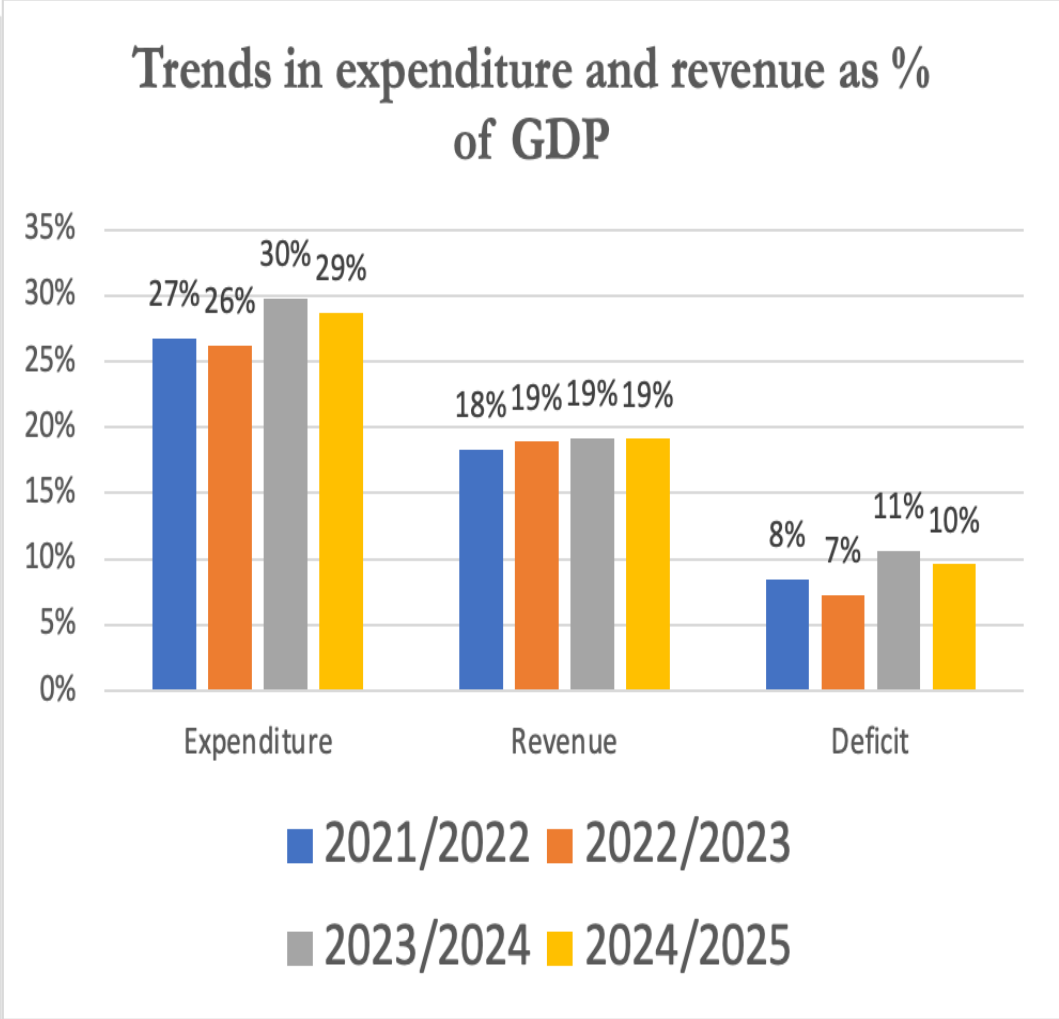
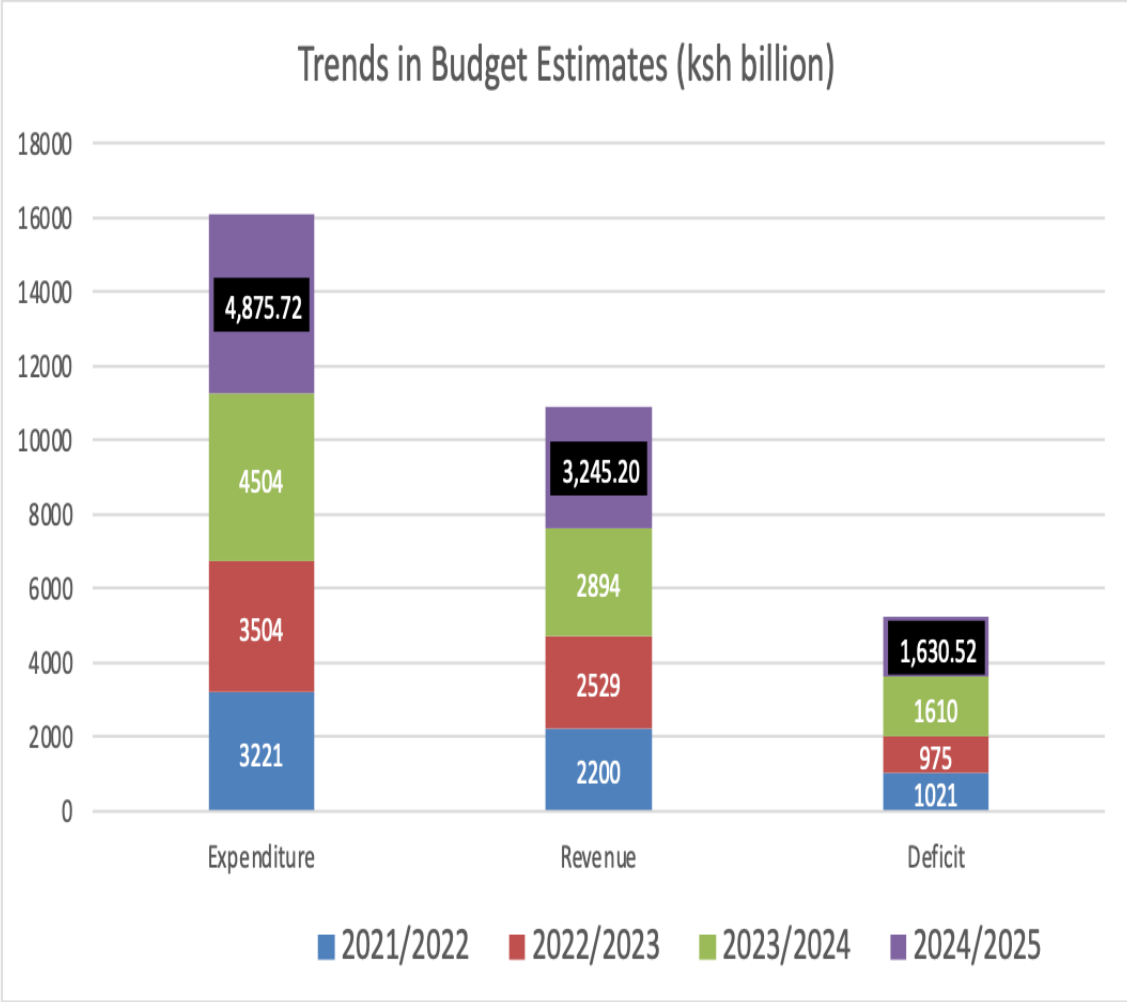


# Recurrent Vs Development

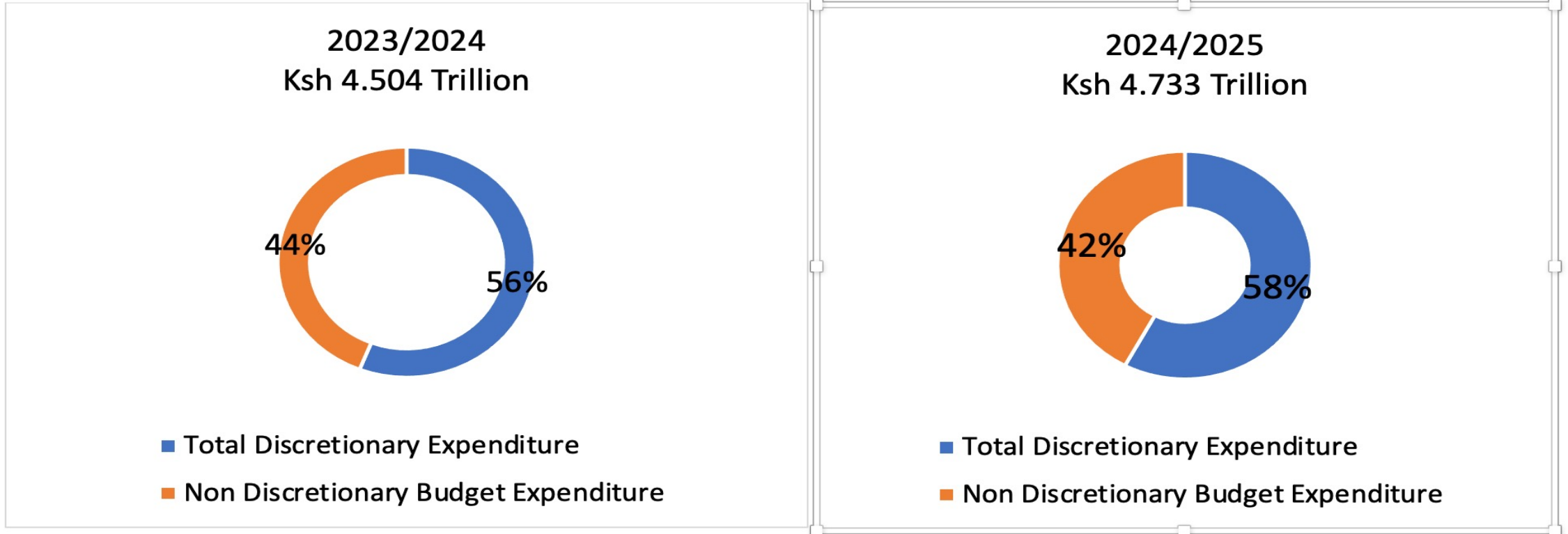
Recurrent Vs Development



# Total Expenditure and Revenue



# Percentage share of Mandatory and non-discretionary spending



- For FY 2023/24, Out of the total budget of Ksh 4.504 trillion, the non-discretionary allocation was 44%. On the other hand, of the total budget of Ksh 4.875 trillion in 2024/25, the non-discretionary allocation was 42 % expressed as a share of the total budget. It can be concluded that the proportion of the budget for non-discretionary allocation has increased by 6 percentage points, hence reducing the flexibility of the budget





# Consolidated Fund Services

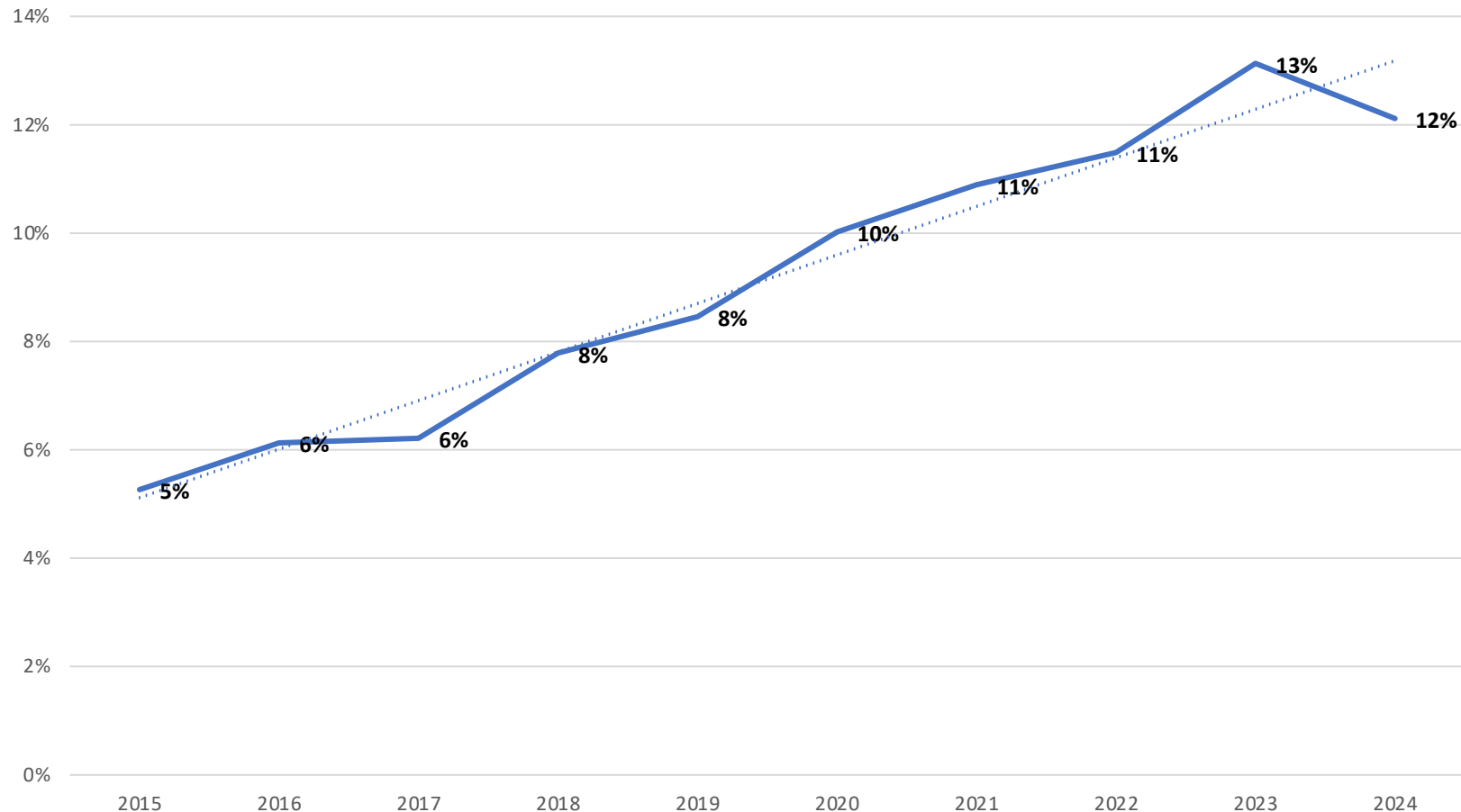
**Table 4: Trends in Consolidated Fund Services (CFS) (Ksh Billion)**

Item	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	% of total CFS 23/24	% of total CFS 24/25
Public Debt	324.92	417.20	466.51	649.40	768.850	958.400	1151.300	1,359.129	1,792.473	1,853.16	90.3%	90.1%
Pensions	32.36	43.00	55.69	71.90	92.500	111.140	153.640	171.829	187.564	199.37	9.5%	9.7%
Salaries & Allowances	4.07	4.44	4.00	4.15	3.960	4.170	4.500	4.373	4.034	4.16	0.2%	0.2%
Miscellaneous Service	0.13	0.13	0.13	0.13	0.016	0.016	0.016	0.016	0.053	0.05	0.0%	0.0%
Subscriptions to International Orgs	0.00	0.00	0.00	0.00	0.001	0.001	0.001	-	-	-	0.0%	0.0%
Guaranteed Debt	1.01	0.94	1.02	1.29	0.644	0.000	0.000	0.005	-	-	0.0%	0.0%
<b>Total</b>	<b>362.49</b>	<b>465.71</b>	<b>527.35</b>	<b>726.860</b>	<b>865.970</b>	<b>1073.726</b>	<b>1309.456</b>	<b>1,535.352</b>	<b>1,984.124</b>	<b>2,056.74</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GoK Budget</b>	<b>2112</b>	<b>2275</b>	<b>2615</b>	<b>2735</b>	<b>3119</b>	<b>3286</b>	<b>3998</b>	<b>3342</b>	<b>4449</b>	<b>4,733.44</b>		
<b>CFS % of GoK Budget</b>	<b>17%</b>	<b>20%</b>	<b>20%</b>	<b>27%</b>	<b>28%</b>	<b>33%</b>	<b>33%</b>	<b>46%</b>	<b>45%</b>	<b>43%</b>		

Source: *Budget Estimates 24/25/*



# CFS Growth in Comparison to the Gross Domestic Product



- CFS spending was comparable to 5% of the GDP value in the financial year ending in June 2015 before reaching a peak of 13% in 2023
- Based on the spending proposals for the financial year starting in July 2024, the CFS will constitute an equivalent of 12% of total value added in Kenya.



# Pending bills

CATEGORY	31 <sup>st</sup> March 2024	30 <sup>th</sup> June 2023	Change Increase/ (Decrease)	Overall Change in %
	Kshs			
<b>a) MDAs</b>				
Recurrent	63,027,944,397	86,974,748,826	(23,946,804,429)	(38)
Development	18,486,431,692	28,265,786,657	(9,779,354,965)	(53)
<b>Sub-Total*</b>	<b>81,514,376,089</b>	<b>115,240,535,483</b>	<b>(33,726,159,394)</b>	<b>(41)</b>
<b>b) State Corporations (SC)/State Owned Enterprises (SOEs/SAGAs)</b>				
<b>Recurrent</b>				
Pay as you Earn	20,059,092,181	20,158,407,897	(99,315,716)	(1)
National Social Security Fund	495,609,065	182,522,530	313,086,535	63
National Hospital Insurance Fund	76,771,282	33,887,484	42,883,798	56
Unremitted Sacco Deductions	2,618,869,186	2,504,095,407	114,773,779	4
Unremitted Staff Loan Deductions	2,532,496,852	1,781,223,777	751,273,075	30
Pension Arrears	35,646,829,561	46,806,796,510	(11,159,966,948)	(31)
Others	62,906,892,097	85,595,784,996	(22,688,892,899)	(36)
Consumables and General Supplies	39,280,086,789	31,072,554,614	8,207,532,174	21
<b>Subtotal (Recurrent)</b>	<b>163,616,647,013</b>	<b>188,135,273,215</b>	<b>(24,518,626,202)</b>	<b>(15)</b>
Contractors/Projects (Development)	241,665,811,918.9	255,460,724,633	(13,794,912,715)	(6)
<b>Sub-Total</b>	<b>405,282,458,932</b>	<b>443,595,997,848</b>	<b>(38,313,538,917)</b>	<b>(10)</b>
<b>(National Government)</b>	<b>486,796,835,021</b>	<b>558,836,533,331</b>	<b>(72,039,698,311)</b>	<b>(15)</b>

- The highest percentage of the SCs pending bills belong to Contractor/Projects and Suppliers and most pending bills constitutes mainly of historical pending bills
- There inconsistency in reporting of balances which could be an indication of lack of transparency and proper accountability by MDAs and state corporations



# Sector Analysis



# Sector Estimates

## Sector Expenditure Estimates as a share of the Total Expenditure Estimates (%), FY 2024/25



- Education sector Has the highest share of total expenditure
- General Economic and Commercial Affairs and Social protection,culture and recreation was allocated 1% of the total budget



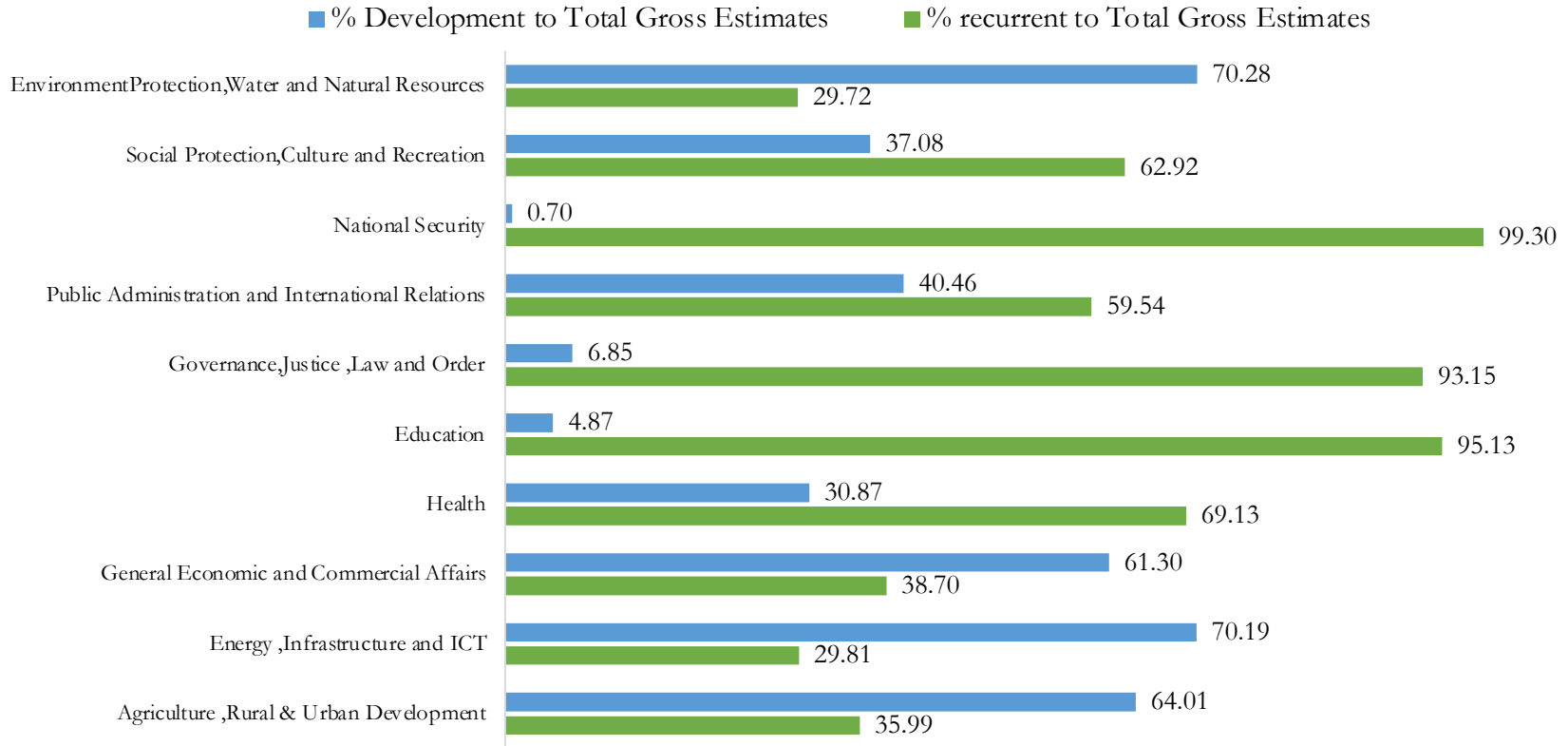
# Sector Allocations

<b>Sector</b>	<b>Gross Estimates 2024/2025 (Ksh Billion)</b>	<b>Estimates as a % of Total Expenditure</b>
Agriculture ,Rural & Urban Development	83.33	2%
Energy ,Infrastructure and ICT	476.44	10%
General Economic and Commercial Affairs	53.60	1%
Health	131.02	3%
Education	658.43	14%
Governance,Justice ,Law and Order	246.42	5%
Public Administration and International Relations	341.85	7%
National Security	219.44	5%
Social Protection,Culture and Recreation	71.97	1%
EnvironmentProtection,Water and Natural Resources	109.48	2%
Contingecy Fund	5.00	0.00
County Allocation	410.60	8%
Equalization Fund	11.30	0%
Consolidated Fund Services	2,056.20	42%
<b>TOTAL EXPENDITURE OUTLAY</b>	<b>4,875.72</b>	<b>100%</b>



# Sector Estimates

Sectors' share of allocation to Recurrent and Development Expenditure



- Most sectors allocate large budgets to recurrent expenditure



Source: National Treasury

# Conclusion

- Structural imbalance evidenced by the primary deficit
- Unrealistic revenue targets
- High cost of debt has significantly reduced overall MDA allocation (→ high opportunity costs)
- High domestic borrowing has had a crowding out effect on the private sector, leading to lower revenue performance
- Fiscal consolidation pressure –Adjustment borne by GECA, Education and ARUD





Budget Highlights FY 2024/2025:  
The Judiciary, Parliament and Chapter 15  
Commissions

# The Judiciary: Estimates FY 2024/25

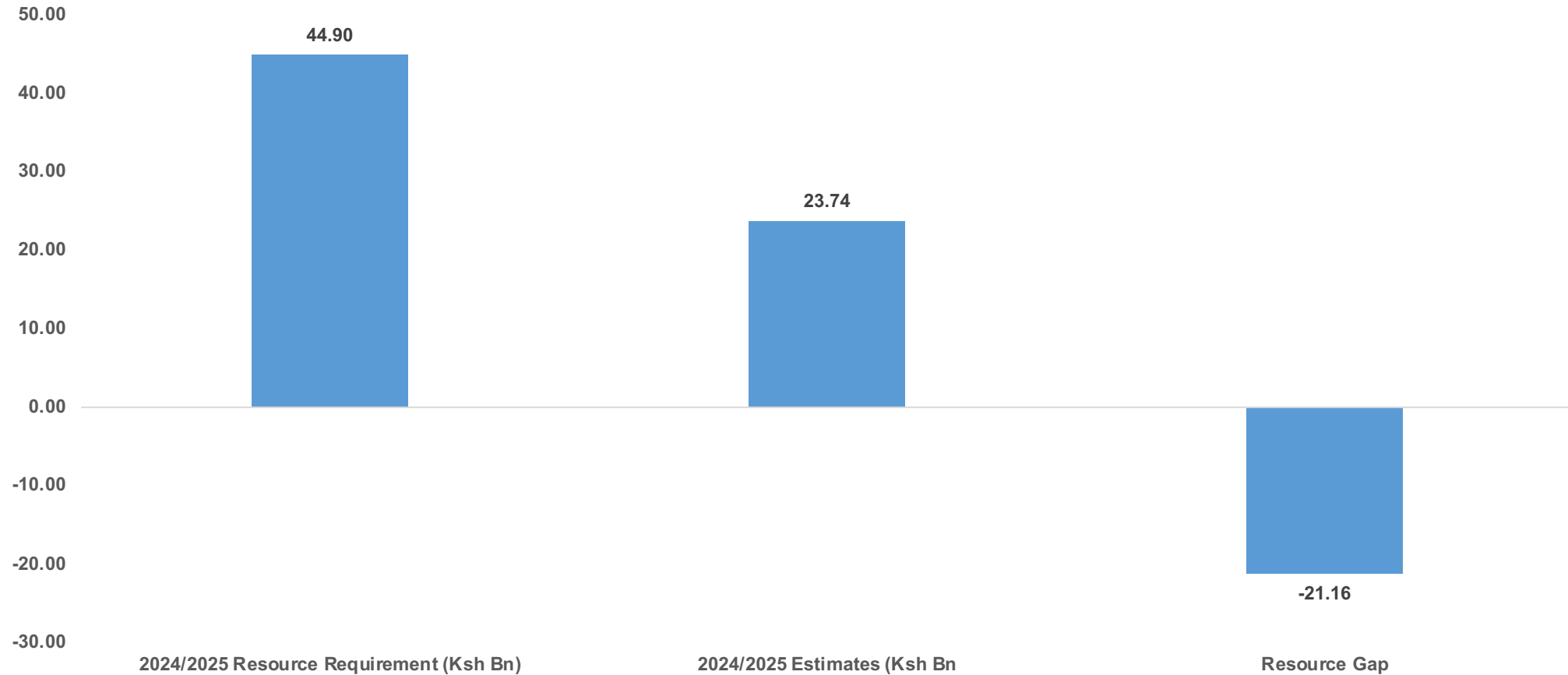
Judiciary's Estimates	Approved Allocation	Approved Allocation 2023/24 (Ksh bn)	2024/2025 Estimates (Ksh Bn)	% Change
	20.97	22.29	23.74	7%

Table: Judiciary Estimates  
(Excluding the Judicial Service Commission)

FY 24/25: Judicial Service Commission **902 (Ksh Mn)**



# The Judiciary's Budget (Context)



Source: FY 2024/25 Judiciary Draft Report Budget, National Assembly Budget and Appropriation Committee

# Parliament Estimates FY 2024/2025

Parliament Votehead	Subvote (Ksh Mn)	sub vote share of the total budget
Senate Legislation and Oversight	3236.65	7.3%
Senate Representation, Liaison and Intergovernmental Relations	2178.20	4.9%
Senate General Administration, Planning and Support Services	2595.15	5.8%
PSC General Administration, Planning and Support Services	1127.00	2.5%
PSC Human Resource Management and Development	40.00	0.1%
National Assembly National Legislation, Representation and Oversight	26775.00	60.0%
Parliamentary Joint Services General Administration, Planning and Support Services	8428.81	18.9%
Parliamentary Joint Services Legislative Training Research & Knowledge Management	217.19	0.5%
<b>Total</b>	<b>44,598.00</b>	

Table: Parliament Estimates FY 2024/2025



# Parliament's Budget (Trends)

	<b>2022/23</b>	<b>2023/24</b>
Recurrent	48.225	38.337
Development	2.465	2.065
<b>Total</b>	<b>50.69</b>	<b>40.402</b>

Source: BPS, BPO



# Budget Estimates: Constitutional Commissions & Independent Offices

INSTITUTION	Approved 2023/2024	Estimates	Gross Estimates 2024/2025	% Change
<b>Ethics and Anti-Corruption Commission</b>	3,761.76		3,971.55	6%
Office of the Director of Public Prosecutions	4,062.04		3,907.52	-4%
Office of the Registrar of Political Parties	1,260.26		1,037.87	-18%
Witness Protection Agency	813.44		741.19	-9%
Kenya National Commission on Human Rights	539.80		478.07	-11%
Independent Electoral and Boundaries Commission	4,751.01		3,755.22	-21%
Judicial Service Commission	941.90		902.90	-4%
<b>National Police Service Commission</b>	2,805.87		2,876.99	3%
National Gender and Equality Commission	444.97		435.81	-2%
Independent Policing Oversight Authority	1,019.27		1,107.67	9%
The Commission on Revenue Allocation	516.82		413.47	-20%
<b>Public Service Commission</b>	3,565.54		3,667.53	3%
Salaries and Remuneration Commission	550.32		472.23	-14%
<b>Auditor General</b>	8,293.88		8,566.77	3%
Office of the Controller of Budget	707.37		652.22	-8%
The Commission on Administrative Justice	745.19		661.97	-11%

Source: National Assembly Budget and Appropriation Committee

# The Office of the Auditor General

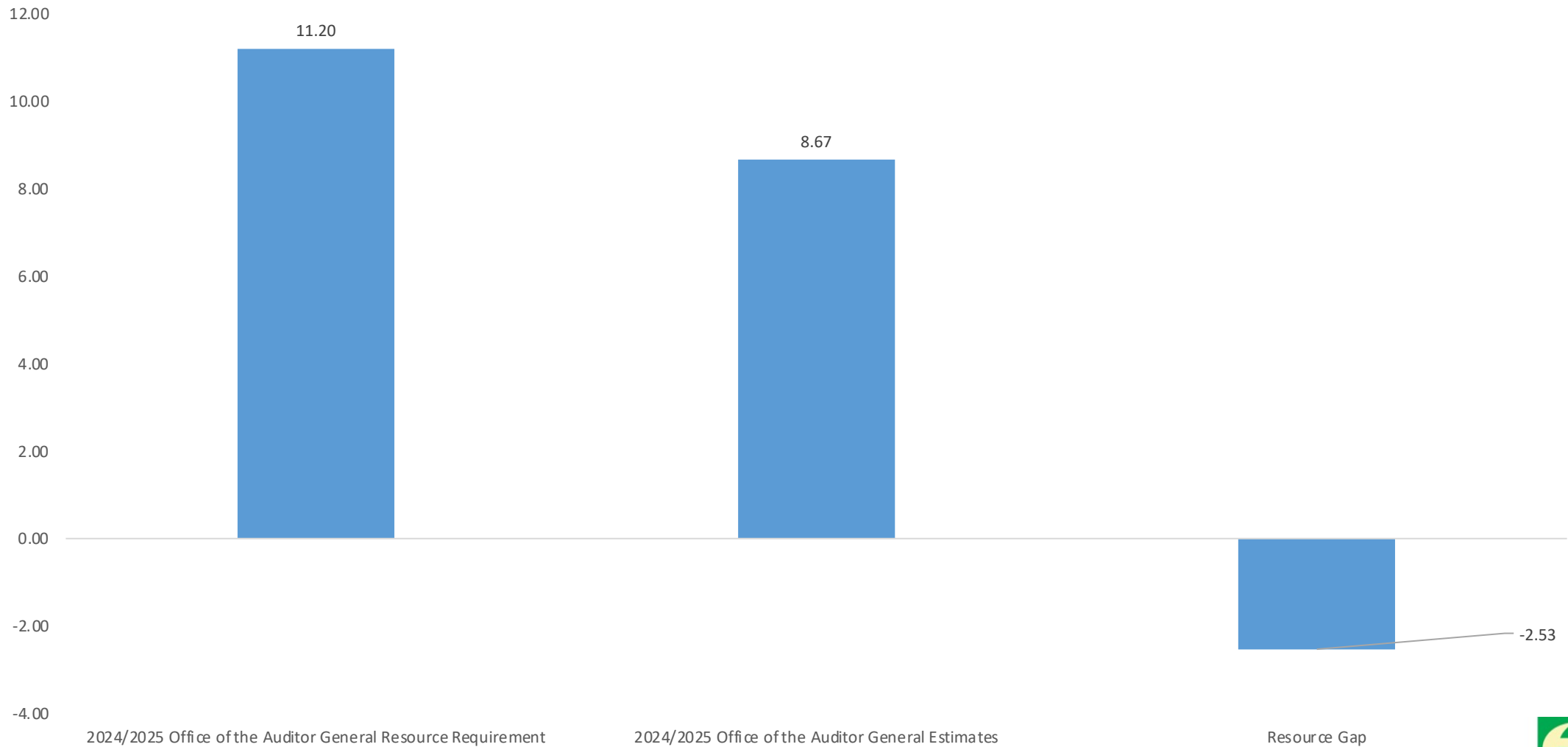


Chart: Office of the Auditor General Resource Gap

## Analysis of Budget Requirement by OAG versus Allocation

Year	Requirement (Kshs. Billions)	Budget Allocation (Kshs. Billions)	Budget Shortfall (Kshs. Billions)	Actual Expenditure (Kshs. Billions)	OAG Budget Absorption %
2018/2019	9.206	5.968	<b>3.238</b>	5.783	97
2019/2020	8.880	5.505	<b>3.375</b>	5.425	99
2020/2021	8.900	5.525	<b>3.375</b>	5.348	96
2021/2022	8.333	6.083	<b>2.250</b>	5.613	92
2022/2023	8.700	6.532	<b>2.168</b>	6.058	93

Source: Summary of the Auditor-General's Report on National Government 2022/2023





# Key Messages | Conclusions

1. Fiscal pressures- Adjustments borne disproportionately by Independent Offices
2. Implications for independence and operational effectiveness of the Judiciary and independent agencies
3. Limited resource capacity for oversight (OAG)
4. Constraints on rights provision & service delivery by constitutional commissions and independent offices
5. Strengthen mechanisms for public oversight to ensure efficient use of allocated funds
6. Parliament to consider-Funding model for independent offices

