IPF
INSTITUTE OF PUBLIC FINANCE

ANNUAL NATIONAL SHADOW BUDGET BY IPFK™.

2023/24

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Preface

Welcome to the third edition of the Annual National Shadow Budget by the Institute of Public Finance. Kenya has been grappling with challenging economic times in recent years, with the country facing fiscal pressures that have had a significant impact on its economy. The country has also been experiencing a slowdown in economic growth and debt sustainability challenges, threatening government revenue and further compounding the problem. This has driven the government to cut back on spending, leading to austerity measures that could affect public services.

In order to actualize its fiscal consolidation plans, while providing the necessary resources to finance the ambitious Bottom-Up Transformation Agenda, the government has to strategically allocate its resources, cutting down on non-priority expenditure and investing in key programs. Some programs will face budget cuts, while others will receive strategic allocations. These allocations, due to high inflation, may still result in inflation-adjusted budget cuts.

We are thrilled this year to introduce a revamped shadow budget. Reflecting on analysis of past performance, priorities and proposals in the 2023 Budget Policy Statement, the Annual National Shadow Budget 2023/24 spotlights key questions that parliament, civil societies and advocates should ask when performing their oversight roles. This innovative approach, we hope, will become a reference point for advocacy to make budgets more effective, efficient and equitable. We are equally delighted to introduce a new chapter on fiscal decentralization, which lays the foundation for our future work to delve deeper into county budgets.

Our vision for this Annual National Shadow Budget is to generate evidence to inform the public debate on public finance management. As with all IPF publications, the views expressed are those of the institute, and not of the funders of the research.

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Ruth Kendagor
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Executive Summary

The Annual National Shadow Budget FY 2023/24 by Institute of Public Finance calls for increased transparency, effectiveness and efficiency in allocation and absorption of public resources. This document analyzes government's past performance in expenditure and non-financial indicators as provided in the Sector Working Group Reports; priorities and proposed allocations presented in the 2023 Budget Policy Statement (BPS). It also informs the effectiveness and flags off gaps in efficiency, effectiveness and/or transparency that Parliament, advocates and civil society should seek answers to as they undertake their oversight functions.

The Kenya National Budget FY 2023/24 comes at a time when the economy is rebounding from lingering effects of COVID-19 related shocks. Although the economy has exhibited a heightened degree of resilience, there exist a number of downside risks such as the ongoing Ukraine-Russia conflict, tightened global financial conditions, high cost of living attributed to rising food and commodity pricing, high debt servicing that is hindering the economy from achieving its full potential and political and climate-related challenges that would potentially lead to a slower growth rate than the predicted 6.1 percent by the National Treasury. Against this backdrop, this analytical product examines the key principles of public finance management in the wake of Kenya's fiscal policy which aims at supporting the ambitious Bottom - Up Economic Transformation Agenda while implementing fiscal consolidation to slow down the annual growth in public debt.

Notable concerns discussed from the sectoral analysis include, but are not limited to; weak performance reporting frameworks in the sector compromising accountability; underperformance in KPIs despite consistent record of high absorption rates in some sectors; low absorption of development budgets as compared to recurrent budgets; delayed implementation of capital projects with some stalled projects due to inadequate budgetary allocations, hence raising project costs through the accumulation of interests and penalties; budget cuts despite multiple public outcries for increased expenditure and contrary prioritization of programs in the budget Policy Statement; accumulated pending bills due to delayed exchequer releases; and observable mismatches between revised targets for FY 2022/23 and reported achievements for FY 2021/22.

With respect to fiscal decentralization, counties have been heavily reliant on equitable share from the national government, which accounts for 67 percent of budgeted county revenue between FY 2019/20 and FY 2021/22, while underperforming in their own source revenue generation. The over-reliance on equitable share from the national government poses a risk to the attainment of county development objectives when exchequer disbursements are delayed thus leading to a paralyzed delivery of essential services in the 47 counties. Additionally, county governments continue to struggle to comply with the constitutional limit of 35 % of their total revenue spent on compensation of employees, and the 2023 BPS fails to provide policy guidelines to unlock arrears in the disbursement of the Equalization Fund.

Aligned to the economic turnaround plan stipulated in the 2023 BPS, the national budget is expected to increase by 3.9% in FY 2023/24, with MDA allocation rising by 12% relative to the previous year and large infrastructure-related expenditure being one of the main drivers. Three sectors that have the largest share of MDA allocation include: Education (27%), Energy, Infrastructure and Information Communications Technology (19%), and Public Administration and International Relations (14%). Among the top five gainers in the FY 2023/24 are Environmental Environment Protection, Water and Natural Resources (51%), Health (36%), National Security (26%), Energy, Infrastructure, and Information Communications Technology (22%), General Economics and Commercial Affairs (14%). Analysis shows that government priority is not in the SPCR and ARUD sectors, despite their heavy mention in the BPS.

Moving forward, Kenya's fiscal approach should be supported by a robust institutional framework and coordination among MDAs to reinforce the principles of public finance, including transparency, accountability, equity, fiscal discipline, and efficiency in managing public funds, as stipulated in the country's laws, in order to enhance service delivery.

Abbreviations and acronyms

ARUD	-	Agriculture, Rural and Urban Development
ASAL	-	Arid & Semi-Arid Lands
BPS	-	Budget Policy Statement
CFS	-	Consolidated Fund Services
EAC	-	East African Community
FY	-	Financial Year
GDP	-	Gross Domestic Product
GECA	-	General Economics and Commercial Affairs
GJLO	-	Governance, Justice, Law & Order
IMF	-	International Monetary Fund
KPI	-	Key Performance Indicators
MDA	-	Ministries, Departments & Agencies
MFAS	-	Macro Fiscal Analytic Snapshot
MSME	-	Micro, Small and Medium Enterprises
NHIF	-	National Hospital Insurance Fund
PAIR	-	Public Administration and International Relations
PBB	-	Programme Based Budget
PFM	-	Public Financial Management
PLWD	-	People Living with Disabilities
SPCR	-	Social Protection Culture & Recreation
UHC	-	Universal Health Coverage
WASH	-	Water, Sanitation & Hygiene
WEO	-	World Economic Outlook

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CHAPTER ONE | Introduction

1.0 Introduction

The Institute of Public Finance (IPF) has released the Annual National Shadow Budget for FY 2023/24 offering expert insights to promote deeper engagement between the government and non-state actors in the budget process. The aim of the Annual National Shadow Budget is to enhance core public finance values in Kenya's budget process: transparency, accountability and participation in decisions and equity, effectiveness, and efficiency in allocation and expenditure of public resources.

The key message of the FY 23/24 Annual National Shadow Budget is that current budget documents leave many questions unanswered about both past budget performance and current budget choices. The Shadow Budget demonstrates this by assessing government expenditures across sectors in previous financial years, proposed expenditure ceilings, and the government's forward-looking spending priorities and policy goals. It highlights gaps in broader PFM that need to be addressed in order to enhance the principles of transparency, efficiency and effectiveness in public finance management.

The highlight of this 3rd edition of the Annual National Shadow Budget by IPF is a set of questions that parliament and civil society, in their oversight role, should ask and demand answers to from the executive arm of government responsible for budget planning, implementation, and execution.

This publication comes at a critical time when the economy's recovery pathway depends significantly on fiscal consolidation and fiscal discipline. In light of this, IPF has illustrated how the overall budget changes are spread across sectors and the correlations (or lack thereof) between budget variations, key performance indicators, and budget execution rates. The launch of this Shadow Budget is strategically timed to provide feedback to the government budget before its submission to the national assembly for approval by April 30.

1.1 Methodology

We deployed a robust and rigorous methodology to ensure the credibility of our Shadow Budget. The approach involved:

Review of past budgets and performance analysis to identify trends and patterns in the allocation of resources and to determine the effectiveness of past spending. This analysis helps to identify areas that need improvement and ensure that the proposed spending is more effective and efficient.

Assessment of government priorities and proposed allocations for FY 2023/24 to examine the alignment of funding priorities to commitments made by government, and examine how changes in budgetary allocation relate to these priorities and past performance.

Consultation with stakeholders: To ensure that the Shadow Budget reflects the needs and priorities of various stakeholders, consultations were held with civil society organizations, academia, and other relevant experts. These consultations helped to identify areas that need improvement and provide valuable input into the budgeting process.

The data was sourced from publicly available budget documents, including the Budget Review and Outlook Paper, Sector Working Group Reports, Quarterly Budget Implementation Review Reports, Budget Policy Statement, and the budget itself. Other documents considered include the IMF World Economic Outlook.

CHAPTER TWO Macro – Fiscal

2.0 Overview

This section covers broad questions on economic growth, revenue and debt. Our related publication, the ***Macro Fiscal Analytical Snapshot (MFAS)***, provides in-depth discussion, analysis and projections of key macro-fiscal indicators which are not covered here, but form a basis for the discussions herein. Key issues covered in the MFAS include Kenya's Macro- Fiscal and Debt, Revenue and Expenditure, Official Development Assistance, PFM institutions, as well as sector analyses of Health, Agriculture Nutrition, WASH, and Gender.

Macro Fiscal questions:

1. What fiscal policy measures has the government put in place to mitigate the risks associated with global economic slowdown and volatile financial markets, which could lead to reduced revenues?
2. Kenya's budget pursues inter-generational equity if two thirds of recurrent expenditure comprise CFS, mostly for debt servicing?
3. Why has budgetary allocation to the ARUD sector reduced by 12% in FY 2023/24 relative to 2022/23 Supplementary Budget 1 while Kenya is struggling to attain food security and government's commitment to intervene through fertilizer subsidies as a long-term solution has not been met?

2.1 Spotlight on GDP growth, revenue, expenditure, and fiscal deficit

The 2023/24 budget comes at a time when the economy is rebounding from COVID-19 related shocks. Although the Kenyan economy has exhibited resilience, there are downside risks like the ongoing Ukraine war, tight global financial conditions, rising food and commodity prices, political environment and climate change related challenges that would potentially lead the country to grow at a slower rate than the predicted 6.1 % growth by the National Treasury (see Table 2.1.1). Potentially, these factors pose an adverse impact to the revenue target set by Kenya Revenue Authority hence the question.

What fiscal policy measures has the government put in place to mitigate the risks associated with global economic slowdown and volatile financial markets, which could lead to reduced revenues?

Table 2.1.1: Economic Growth Trend and Projection (%)

	2021	2022	2023*	2024*
World (IMF, Jan 2023 WEO)	6.2	3.4	2.9	3.1
Advanced economies (IMF, Jan 2023 WEO)	5.4	2.7	1.2	1.4
Emerging market and developing economies (IMF, Jan 2023 WEO)	6.7	3.9	4	4.2
Sub-Saharan Africa (IMF, Jan 2023 WEO)	4.7	3.8	3.8	4.1
Kenya (IMF, Oct 2022 WEO)	7.5	5.3	5.1	5.5
Kenya (National Treasury, 2023 Budget Policy Statement)	7.5	5.5	6.1	6.1

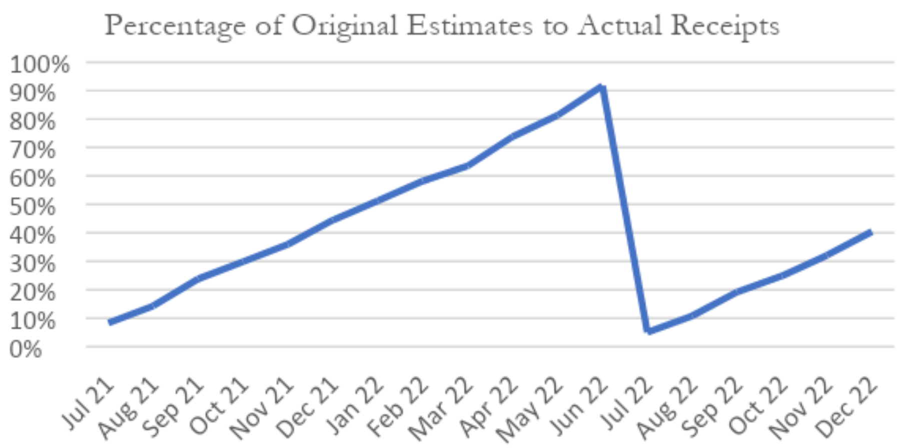
Note: * denotes projections

To achieve the ambitious growth projected by the National Treasury, the fiscal policy supporting FY 2023/24, and the medium-term budget, is expected to support inclusive economic growth, restore consumer confidence through price stabilization, mobilize revenues, rationalize expenditures, and ultimately reduce fiscal deficit. In addition to fiscal discipline, the country can avoid sinking into more debt through a strategic withdrawal of investment in non-performing state corporations. Moreover, a balance must be struck between expenditure cuts and debt servicing, and protection of the poor and vulnerable.

Notably, revenues collected by the government, mainly through taxes, have demonstrated a remarkable growth over time. Despite the growth in tax revenues, Kenya Revenue Authority (KRA) has consistently missed set revenue targets outlined in the annual Budget Policy Statements except for FY 2020/21. As of December 2022, revenue shortfall was at nearly Ksh. 52 billion, meaning that once again, targets were not met. According to KRA, reasons for this emanate from the shrinking tax base due to a shift in Kenya's economic structure to non-taxable components of GDP, discretionary policy changes and a sluggish decrease in tax exemptions and remissions. As depicted in Figure 2.1.1, revenue performance up to the end of FY 2022/23 is likely to be low. Actual revenue against target in December 2022 recorded a low %age of 20 compared to 45 % in December 2021.

The net effect of the inability of KRA to meet revenue targets is the increasing incidence of fiscal deficits in the country. As a result, the country is struggling with a huge debt burden and still exhibiting a high borrowing appetite. To reverse this trend and achieve optimistic revenue targets, a critical question emerges as to

Figure 2.1.1: Trend Analysis in Revenue Performance



Data source (http://kenyalaw.org/kenya_gazette/gazette/year/2023/)

What unique measures does the government intend to take with respect to discretionary policy changes and tax exemptions as a strategy to reduce fiscal deficit and reliance on borrowing?

2.2 Budget Overview

Over the years, Kenya's budget has been growing sharply with large infrastructure-related expenditure being one of the main drivers. This has also been exacerbated by the annual increase in recurrent expenditure on salaries and wages, Consolidated Funds Services (covering debt repayment) and the expenses for general maintenance and operations of the government as shown in Table 2.2.1.

While the total budget is expected to grow by 3.9% in FY 2023/24 relative to the previous year, CFS increases by double the growth in budget while growth in transfers to the counties remains below the rate of growth in the national budget. Such a large growth in CFS due to the debt component raises the question of whether:

Table 2.2.1: Overall Budget Allocations for FY 2021/22 - 2023/24

	FY 2021/22 Approved	FY 2022/23 (A)	FY 2023/24 (B)	% Change in A and B
National Government	1,942,008.8	2,119,258.8	2,252,077.2	3.0%
Executive	1,886,207.9	2,050,154.4	2,189,681.4	3.3%
Parliament	37,882.8	50,220.0	40,401.8	-10.8%
Judiciary	17,918.2	18,884.4	21,994.0	7.6%
Consolidated Fund Service (CFS)	718,316.8	869,342.7	991,340.5	6.6%
County Government	370,000.0	370,000.0	385,425.0	2.0%
Total	**3,030,325.6**	**3,358,601.5**	**3,628,842.8**	**3.9%**

Source: 2022 and 2023 Budget Policy Statement

Table 2.2.2: Development vs Recurrent Allocations (Ksh. million)

	FY 2021/22	FY 2022/23	FY 2023/24
Development	668,378.9	715,354.8	766,972.6
Recurrent	1,273,629.9	1,403,904.0	1,485,104.6
Total	**1,942,008.8**	**2,119,258.8**	**2,252,077.2**
CFS	718,316.8	869,342.7	991,340.5
CFS (% of Recurrent)	56%	62%	67%

Table 2.2.3: Total debt service

	FY 2019/20	FY 2020/21	FY 2021/22
Total debt service (Ksh. Billion)	651.5	780.6	917.8
Total debt service (% of Total Budget)	25%	28%	30%

Kenya's budget pursues inter-generational equity if two thirds of recurrent expenditure comprise CFS and 30 % of the budget is equal to debt servicing?

2.3 Winners and losers at sector level

Another concern revolves around sectoral allocations in the FY 2023/24 budget where sectors that are high priorities in the 2023 Budget Policy Statement receive small budgets.

As per the analysis shown in Table 2.3.1, it is evident that government priority is not in the SPCR and ARUD sectors, despite their heavy mention in the Budget Policy Statement, as they are both experiencing budget cuts, while the overall MDA budget is rising by 12%. Three sectors have the largest share of MDA allocations: Education (27%), Energy, Infrastructure, and Information Communications Technology (19%), and Public Administration and International Relations (14%). This observation leads to the question:

Table 2.3.1: Allocations by Sector FY 2021/22 - 2023/24 (Ksh. million)

National Government	**Actual Budget**	**Supp. Budget 1**	**Ceiling in 2023 Budget Policy Statement**	**% Change in A and B**	**% of 2023/24**
	FY 2021/22	FY 2022/23	FY 2023/24		MDAs Allocations
Environment Protection, Water and Natural Resources	102,118.0	82,500.8	124,568.0	51%	6%
Health	130,469.0	113,482.8	154,013.0	36%	7%
National Security	183,300.6	174,273.7	219,244.0	26%	10%
Energy, Infrastructure, and Information Communications Technology	442,488.0	347,346.3	422,004.0	22%	19%
General Economics and Commercial Affairs (GECA)	25,473.0	45,590.5	51,725.2	14%	2%
Education Sector	527,268.0	550,385.4	597,186.0	9%	27%
Public Administration and International Relations	320,956.6	307,916.0	308,914.0	0.3%	14%
Social Protection Culture and Recreation (SPCR)	69,699.5	69,277.0	69,007.2	-0.4%	3%
Governance, Justice, Law & Order	207,747.0	238,824.0	229,812.9	-4%	10%
Agriculture, Rural and Urban Development (ARUD)	72,991.0	85,711.3	75,603.0	-12%	3%
TOTAL MDAs	**2,082,510.7**	**2,015,307.8**	**2,252,077.3**	**12%**	

Why has budgetary allocation to the ARUD sector reduced by 12% in FY 2023/24 relative to 2022/23 Supplementary Budget 1 while Kenya is struggling to attain food security and government's commitment to intervene through fertilizer subsidies as a long-term solution has not been met?

Moreover, under the SPCR sector, the government is expected to cushion the vulnerable from high cost of living, increase cash transfers to the elderly and orphans, enrol the elderly and PLWDs to NHIF, and implement a Women Agenda that has interventions like fighting FGM and promoting women's rights. Unfortunately, a 0.3 % decline in budgetary allocation is a clear demonstration that the government is not committed to fulfil these promises. Therefore, it is paramount that the government account for this gap between the Budget Policy Statement priorities and the SPCR budget.

Among the top five gainers in the FY 2023/24 are Environment Protection, Water and Natural Resources (51%), Health (36%), National Security (26%), Energy, Infrastructure, and Information Communications Technology (22%), and General Economics and Commercial Affairs (14%). The increase in GECA in FY 2023/24 relative to 2023 Supplementary Budget I reflect on government's commitment to fund MSMEs in line with the Bottom-Up Economic Transformative Agenda.

Although the Health sector has a 36% increase in FY 2023/24, it still falls short of the 15 % budget share for health required by the Abuja Declaration. Failure by the government to meet such a declaration raises questions about the government's commitment to attain UHC.

CHAPTER THREE | Sector Deep Dives

3.0 Overview

In this third edition of the National Annual Shadow Budget, the Institute of Public Finance extends its sectoral analysis by undertaking a deep dive into sectoral programmes' fiscal performance, budgetary allocations, priorities and projections. These deep dives analyses the credibility of financial and non-financial data in recent years and evaluate government proposals to address inefficiencies. The result of our analysis is a set of questions that highlight potential gaps in budget equity, efficiency and effectiveness. The scope of the deep dive includes all the sectors except National Security.

The 2023 Budget Policy Statement classifies government's priority programmes under two categories: "core pillars" and "enablers". The core pillars are anticipated to have the highest impact at the bottom of the economy, whereas the enablers create a conducive business environment for socio-economic transformation. Unfortunately, while it is possible to guess how these items correspond to the budget sectors, there is no full alignment, nor is there an evident prioritization, since nearly all areas outside of security are mentioned.

The core pillars identified are Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. To make these programmes feasible, the Government plans to implement strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; the Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Youth Empowerment and Development Agenda; Social Protection; Sports, Culture and Arts; and Governance.

As discussed in Chapter 2, three sectors, Education (27%), Energy, Infrastructure, and Information Communications Technology (19%), and Public Administration and International Relations (14%) have the largest share of MDAs allocations in FY 2023/24.

The biggest winners in terms of nominal budgetary increase in FY 2023/24 are GECA, Health and Environment Protection, Water and Natural Resources (51%), Health (36%), National Security (26%), Energy, Infrastructure, and Information Communications Technology (22%), General Economics and Commercial Affairs (14%), while a decline in allocation has largely impacted Agriculture, Rural and Urban Development (ARUD, -12%).

In the following sections, budget performance and Key Performance Indicators are analysed and discussed at length. Notably, financial and non-financial performance varies across the sectors, with most sectors posting an average budget absorption rate of 87%. Most Key Performance Indicators are not met despite respective programmes reporting high budget absorption rates. In other cases, unrealistic Key Performance Indicators are set resulting in targets that are exceeded by considerable margins. This suggests that agencies are struggling to set meaningful targets for budget programmes.

While we proceed to interrogate each sector below, we first identify some cross-cutting themes in Box 3.1.

The deep dive presents an analysis of the sector performance in budget execution and key performance indicators, and the sector's priorities for the FY 2023/24. The highlight of the deep dive is a set of gaps, framed as questions that parliamentarians, CSOs and media, in exercising oversight should ask of Treasury and the line ministries about the budget.

Cross-cutting themes

1. Why do programs have low absorption rates, particularly on development budgets?
2. Why do many programs have high absorption rates but low performance on KPIs?
3. Why are core priority programs and constitutional requirements not funded?
4. Why do some sub-sectors, state departments and programs fail to publish relevant information, such as performance data and/or justifications for performance variations?
5. Why have programs with low absorption, and low achievement of KPIs received high budget increments?
6. Why do programs have pending bills as high as program budget, and yet report high absorption rates?

In the sections that follow, we present an analysis of each sector's proposed budget allocation, priorities and past performance, and identify key gaps in public finance management.

3.1 General economic and commercial affairs

3.1.1 Overview

The General Economic and Commercial Affairs (GECA) sector comprises of eight (8) sub-sectors (an increase from five last year) including: Cooperatives; Trade; Micro, Small and Medium Enterprises (MSMEs) Development; Industry; Investment Promotion; Tourism; East African Community and the ASALs & Regional Development. There are forty-two (42) Autonomous and Semi-Autonomous Government Agencies in the sector.

The core objective of the sector is the delivery of Kenya Kwanza's development agenda for Micro Small and Medium Enterprises (MSMEs) and the manufacturing sector as well as wealth and employment creation, industrial investment, trade, tourism, cooperative development, savings mobilization, ASALs development and regional integration.

In FY 2021/22, the sector received an allocation of Ksh 25.5 billion and spent Ksh 22.9 billion, translating to an average absorption rate of 90 % (Table 3.1.2.1). Overall, the sector's allocation and actual spending reduced between the FY 2019/20 and 2020/21 but increased in the FY 2021/22. While the budget has increased since then, it is still below its pre-COVID levels, nonetheless, some agencies have seen their budget increase above pre-COVID levels, such as the State Department for Trade and Enterprise Development and the State Department for EAC.

In the FY 2023/24 budget proposals, the sector received an increased resource allocation, from an actual spending of Ksh 22.9 billion to a proposed allocation of Ksh 51.5 billion. However, this increase is as a result of reorganization of government functions, rather than higher allotment to programmes and sub-programmes. The reorganization saw the sector's state departments increase from 5 to 8; State Department of MSMEs and State Department for Investment Promotion are newly created state departments while the State Department for Co-operatives was moved from ARUD to GECA sector. At the same time, there were notable shifts in the budgets for some state departments. Specifically, the budget for the State Department for ASALs and Regional and Northern Corridor Development increased by 150 %, which translated to an increase in its budget share from 18 % to 25 %. The budget for the State Department for Micro Small and Medium

Enterprise Development also accounts for a large share of the sector's budget at 25 %. However, the State Department for Tourism (7 %), State Department for Industry (22 %), and State Department for Trade all had their budgets (40 %) reduced compared to FY 2022/23 allocation.

GECA Sector Budget Questions

Review of Past Performance

1. Why are the budgets consistently being cut for capital projects, leading to stalled projects?
2. Why is there insufficient explanation for underachievement in some KPIs?
3. Why are similar KPIs reported under different sub-programmes?
4. How has the sector accumulated such a high stock of pending bills relative to its total budget?"

Review of Supplementary Budget 2022/23

5. Why are there budget cuts in the supplementary budget in performing ongoing flagship projects beyond the 10 percent threshold?
6. Why were flagship projects not spared from budget cuts in the FY 2022/23 first supplementary budget?

Review of 2023/ 24 Medium Term budget proposals

7. Why is expenditure on general administration, support services and planning increasing yet the some of the department's functions were moved?
8. Why are some key programmes under the State Department for MSMED not funded?
9. Why are there budget cuts and delays in industrialization?
10. Why is the State Department for EAC funded as a stand-alone state department?
11. Why have the recommendations from the report of the Presidential Taskforce on Parastatal Reforms not been implemented?

Why are the budgets consistently being cut for capital projects, leading to stalled projects?

A review of the implementation status of capital projects reveals slow implementation and, in some cases, stalled projects, apparently due to lack of adequate budgetary allocations. Some of these projects' start dates cast as back as 2013 such as Development of Athi River textile hub, construction and equipping of Industrial Research Laboratories at KIRDI, modernization of RIVATEX machinery, provision of finances to SMEs manufacturing sector, modernization of NMC, one stop shop centre, and Ronald Ngala Utalii college. For instance, the state department for Industrialization targeted to modernize RIVATEX by June 2022. However, as a result of the persistent budget cuts, the completion timelines have shifted from June 2022 to financial year 2024/25. Since 2015, the project has received cumulative funding of Ksh 6.74 billion against planned total spending of Ksh 7.2 billion. Rather than finish it now, the government is proposing to defer its completion for two fiscal years by cutting its spending by Ksh 460 million.

A major consequence of the delayed implementation of these projects is accumulation of interests and penalties. For example, the Ronald Ngala Utalii college has accumulated interests and penalties amounting to more than Ksh 3.5 billion without considering the increased cost of materials.

3.1.2 Overview of Past Sector Fiscal Performance and Key Performance Indicators

Table 3.1.2.1: Budget Performance FY 2021/22 (Ksh Million) and Absorption Rate (%)

Program	Approved Budget			Actual Expenditure			Absorption Rate		
	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total
State Department for Trade and Enterprise Development									
Trade Development and Promotion	2,549.7	2,325.8	4,875.5	2,453.4	1,949.6	4,403.0	96%	84%	90%
State Department for Industrialization									
General Administration, Planning and Support Services	443.4	0.0	443.4	421.2	0.0	421.2	95%		95%
Industrial Development and Investment	1,452.3	665.2	2,117.5	1,350.7	664.1	2,014.7	93%	100%	95%
Standardization, Business Incubation and Research	1,409.2	2,122.7	3,531.9	1,319.9	1,295.8	2,615.7	94%	61%	74%
State Department for Tourism									
Tourism Development and Promotion	7,739.7	475.0	8,214.7	7,599.3	474.4	8,073.7	98%	100%	98%
State Department For EAC									
East African Affairs and Regional Integration	609.3	0.0	609.3	604.0	0.0	604.0	99%		99%
State Department for Regional and Northern Corridor Development									
Integrated Regional Development	2,956.1	2,548.5	5,504.6	2,472.7	2,242.8	4,715.6	84%	88%	86%
Total	**17,159.7**	**8,313.3**	**25,473.0**	**16,243.1**	**6,682.0**	**22,925.1**	**95%**	**80%**	**90%**

Why is there insufficient explanation for underachievement in some Key Performance Indicators?

The reasons provided for underperformance against Key Performance Indicators in the budget are unsatisfactory. For instance, the State Department for Trade and Enterprise Development under the Fair Trade and Consumer programme had targeted to raise compliance and strengthen standards. One of the Key Performance Indicators was to calibrate 411 standards in the FY 2019/20 but this was revised to zero in FYs 2020/21 and 2021/22 because "the air conditioning system in the laboratory was not functional and no budgetary allocation was done to repair the system". It is difficult to believe that a lack of air conditioning could explain this outcome. Under the International Trade programme, the reported reason for underperformance in value of exports target is decline in exports to South Sudan. This may be true, but we would expect that the sector would capture the reason why exports to South Sudan declined. These justifications for underachievement in development spending fails to meet recognized standards of explanation. More specifically, the justifications fail to establish a causal relationship between the KPI and the cause for underachievement, and fail to provide sufficient detail to explain the variation in outcomes (when some targets are met, and others are not) as recommended by the International Budget Partnership.[1]

There is also an observed mismatch between revised targets for FY 2022/23 and the reported achievement in FY 2021/22. For instance, modernization of RIVATEX machinery and factory is reported at 96% complete for FY 2021/22 in the sector report, but the target for FY 2022/23 is 92 % as presented in the PBB Supplementary Budget I. This reflects a weak link between sector reports and the PBB.

Why are similar Key Performance Indicators reported under different sub-programmes?

Analysis of the sector report also reveals weak performance reporting that could compromise accountability. A case in point is the number of boreholes drilled. This is identified as a KPI in the drought mitigation sub programme under the Integrated Basin Based Development programme. However, the performance data is reported in several places, and each shows different performance rates. At one point the target was achieved (page 29 and 32 of the sector report) and at another the target was not achieved (page 30 of the sector report). It is possible that these projects were implemented by different development agencies, but this is not clarified in the 2022 sector report. Without attaching the Key Performance Indicators to implementers, it is impossible to assign responsibility to a specific government agent, which leads to accountability gaps. As proposed by IBP, coordination among MDAs would avoid fragmented and duplicated data across programmes and sub-programmes. More coordinated reporting would permit objective assessment of performance against resources used.[2]

Equally, most projects under Integrated Regional Development that are aimed at sustainable integrated basin-based development, such as irrigation schemes, seem to overlap with the mandate of the Ministry of Water, Sanitation, and Irrigation. While the sector recognizes linkages with the Ministry of Water, Sanitation, and Irrigation it is not clear whether there are any joint working sessions with the ministry to avoid duplication of efforts for better coordination and increased accountability.

Why has the sector accumulated pending bills that account for more than 65 % of its total budget?

The sector report shows accumulated pending bills amounting to Ksh 17.4 billion; on the other hand, the sector's approved budget was Ksh. 25.47 billion, and the absorption rate was above 90%. The sector attributes this high level of pending bills to lack of exchequer releases. There is a major failure of cash flow management and control when sectors can spend more than half of their budget without releases, accumulating pending bills, which requires tighter scrutiny and oversight by parliament.

Why are there budget cuts in the supplementary budget beyond the 10% threshold?

For FY 2022/23, the sector received an allocation of Ksh 26 billion. The allocation was reduced to Ksh 22 billion in the first supplementary budget for FY 2022/23. This translated to an overall budget cut of 14 %. These budget cuts can be construed as a breach of the Public Finance Management (PFM) (National Government Regulations), 2015 that provides for a maximum of 10 % reallocation at the sub-vote level unless it is for unforeseen and unavoidable need. The cap on supplementary reallocations is intended to ensure that in-year budget changes are tied closely to unexpected events, and that the supplementary is not used to completely undo the original budget. Breaches of the 10% suggest poor budgeting practices or attempts to circumvent the approved budget and priorities.

The largest reductions are observed in capital spending

[1] https://internationalbudget.org/publications/assessing-reasons-in-government-budget-documents/

[2] https://archive.internationalbudget.org/wp-content/uploads/kenya-pbb_main.pdf

for the State Department for Industrialization (60 %), State Department for Tourism (90 %), and State Department for Regional and Northern Corridor (42 %). Consequently, all the sector Key Performance Indicators were revised downwards across all sub-sectors. Key flagship projects such as Numerical Machining Complex, modernization of Rivatex, and construction of Ronald Ngala Utalii College had their completion dates pushed back.

Why were flagship projects not spared from budget cuts in the FY 2022/23 first supplementary budget?

The first supplementary budget for the FY 2022/23 effected budget cuts that did not spare key development projects some of which were near completion. This raises questions about the government's commitment to its development plan, since flagship projects like RIVATEX modernization, cotton development (RIVATEX) subsidy and extension support, Athi River textile hub, numerical machining complex, and business development services and credit for MSMEs were not spared from the expenditure cuts.

3.1.3 Allocations vs Requirement for 2023/24 and the Medium Term

Why is expenditure on general administration, support services and planning increasing even as some of the department's functions were removed?

The State Department for Trade is one of the sectors that was affected by reorganization of government with some of its functions moved to the State Department for MSMEs. This resulted in a budget cut of 40 %. While the budget cut reflects reduced functions for the state department, its expenditure on general administration, support services and planning increased in FY 2023/24. This is rather surprising pronouncement that the government will be cutting non-essential services. The sector report does not provide any justification for the increase in the allocation to general administration, support services and planning.

Why are some key programmes under the State Department for MSMED not funded?

Two sub-programmes; SP 2.1 Market linkages for MSMES (Domestic & Export Market) and SP 2.2 Government Preferential Treatment for MSMEs Products are not funded, yet they were previously funded while under the State Department for Trade and Enterprise Development. Implementation of these sub-programmes is essential in helping MSMEs access domestic and international markets after expanding their products portfolio (facilitated by increased access to credit under various funds).

Why are there budget cuts and delays in industrialization, which is part of the Big Four?

The allocation to the State Department for Industrialization has reduced by 44% despite the manufacturing sector being a major pillar under the Big Four Agenda. The budget cuts have affected key programmes including industrial development and investment, standardization, and business incubation and research. The underfunding is evident in high absorption rates at the sub-programme level, especially in the Industrial Development and Investment programme, which absorbed 95% of its budget in FY 2021/22.

Additionally, the government in the 2020 Budget Policy Statement indicated that it would be restructuring the Numerical Machining Complex into a state corporation whose core mandate would be development of the Integrated Steel Mill to cater for the needs of the downstream steel industry. However, operationalization of NMC has been hampered by budget cuts over years despite the government's recognition that it should play a critical role in the steel industry. Modernization of NMC began in 2015 and was projected to be completed in 2024; however, by the end of FY 2021/22 the project was only 33.8% complete, which the sector report attributes to low funding.

Does this indicate that the broader industrialization plan is no longer a priority for the government?

Why is the State Department for EAC funded as a stand-alone state department?

The department's budget is 100% recurrent and its mandate overlaps with that of the State Department for Trade and State Department for Foreign Affairs, raising the question of whether it is efficient for a whole state department to deal exclusively with EAC affairs, especially considering the high administrative costs of running any state department.

Why have the recommendations from the report of the Presidential Taskforce on Parastatal Reforms not been implemented?

The report of a Presidential Task Force on Parastatal Reforms developed in 2013 rightly identifies a fragmented approach to supporting, financing, and developing of the MSMEs sector as a key challenge. Various funds including The Youth Enterprise Development Fund (YEDF), Women Enterprise Fund (WEF) UWEZO Fund, the Credit Guarantee Scheme, and the most recent entrant, the Hustler fund all have the same objective of availing credit and supporting development of MSMEs. The report recommended creation of a Biashara fund merging and consolidating all agencies, funds, and initiatives targeting MSMEs.[3] Previous attempts to establish the fund through the PFM (Biashara Kenya Fund) Regulations, 2021 were not fruitful.[4] However, the current administration has rightfully shown that it wishes to prioritize development of MSMEs by establishing the State Department for MSMEs. This presents an opportunity to move toward greater consolidation in the sector.

The report also pointed out that Kenya's investment promotion strategy and framework is highly fragmented, with different institutions having overlapping mandates. At the time of writing the report, these investment promotion agencies included the Export Processing Zones Authority (EPZA), Export Promotion Council (EPC), Kenya Investment Authority (KenInvest), Kenya Tourist Board (KTB), Brand Kenya Board (BK) and the Vision Delivery Secretariat (VDS). Out of this, only the Export Promotion Council and Brand Kenya Board were merged to create the Kenya Export Promotion and Branding Agency (KEPROBA). Overlapping mandates translate into inefficient use of scarce government revenues and are a deterrent to investors who are confused about which institution to go to facilitate licensing. The report had recommended creation of the Special Economic Zones Agency (SEZA) that would be responsible for attracting investments, regulation, development and marketing of SEZs. However, recommendations from the report are yet to be implemented ten years down the line.

The Taskforce recommended that the functions of Kenya Tourist Board should be transferred to the new Kenya Investment Corporation while the Tourism Finance Corporation should be merged into the Kenya Development Bank (KDB). These recommendations remain unimplemented, which has translated to inefficient use of revenues due to overlapping mandates among state departments.

Table 3.1.3.1: GECA Resource Budget Allocation, Ksh million

	2022/23			2023/24			% change	% Share of the Sector Budget	
	Approved Estimates			Allocation				2022/23	2023/24
	Recurrent	Capital	Total	Recurrent	Capital	Total			
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	20,916.6	7,377.7	28,294.0	22,655.8	29,069.5	51,725.0	83%	100%	100%

[3] Report of The Presidential Taskforce on Parastatal Reforms

[4] Committee on Delegated Legislation: Report on the Consideration of the Public Finance Management (Biashara Kenya Fund) Regulations, 2021 (L.N No. 55 of 2021)

State Department for Industry	**3,625.0**	**3,501.6**	**7,126.5**	**2,747.6**	**2,785.0**	**5,533.0**	**-22%**	**25%**	**11%**
General Administration Planning and Support Services	462.0	-	462.0	428.6	-	428.6	-7%	2%	1%
Industrial Training & Industrial Development	1,640	995.0	2,635.0	896.0	575.9	1,472.0	-44%	9%	3%
Standards and Business Incubation	1,522.5	2,506.0	4,028.9	-	-	-	-	14%	0%
Standards and Quality Infrastructure and Research	-	-	-	1,422.7	2,209.5	3,632.0	-	-	7%
State Department for Investments Promotion	-	-	-	1,280.7	5,682.0	6,962.7	-	-	13%
General Administration, Planning and Support Services	-	-	-	181.9	-	181.9	-	-	-
Promotion of Industrial Development and Investment	-	-	-	1,058.7	5,652.0	6,710.7	-	-	-
Branding and Export Development	-	-	-	40.0	30.0	70.0	-	-	-
State Department for Tourism	**8,676.5**	**352.0**	**9,028.7**	**8,167.0**	**264.0**	**8,431.0**	**-7%**	**32%**	**16%**
Tourism Development and Promotion	-	-	-	-	-	-			
Programme: Tourism Promotion and Marketing	962.0	50.0	1,012.6	1,035.9	130.0	1,165.9	15%	4%	2%
Programme: Tourism Product Development and Diversification	7,328.6	268.0	7,596.6	6,745.3	116.8	6,862.1	-10%	27%	13%

Programme: General Administration Planning and Support services	385.4	34.0	419.4	385.9	17.3	403.2	-4%	1%	1%
State Department for East African Community	**767.1**	**-**	**767.1**	**807.7**	**51.0**	**858.7**	**12%**	**3%**	**2%**
East African Affairs and Regional Integration	767.1	-	767.1	807.7	51.0	858.7	12%	3%	2%
State Department for ASALS & Regional and Northern Corridor Development	**3,493.7**	**1,614.8**	**5,108.5**	**4,111.4**	**8,718.8**	**12,830.2**	**151%**	**18%**	**25%**
Integrated Regional Development	3,493.7	1,614.8	5,108.5	2,671.5	1,347.3	4,018.8	-21%	18%	8%
Accelerated ASALs Development	-	-	-	959.9	7,371.5	8,331.3	-	-	16%
General Administration and Support Services	-	-	-	480.0	-	480.0	-	-	1%
State Department for Cooperatives	**1,839.7**	**422.5**	**2,262.2**	**1,517.4**	**309.0**	**1,826.4**	**-19%**	**8%**	**4%**
Cooperative Development and Management	1,839.7	422.5	2,262.2	1,517.4	309.0	1,826.4	-19%	8%	4%
State Department for Trade	**2,514.6**	**1,486.6**	**4,001.2**	**2,210.9**	**180.1**	**2,391.0**	**-40%**	**14%**	**5%**
Regional Economic Integration Initiatives	-	-	-	143.8	40,1	133.9			
Domestic Trade and Enterprise Development	5,624.0	1,436.6	1,999	553.5	140.0	693.5	-65%	7%	1%

Fair Trade Practices and Compliance of Standards	548.5	50.0	598.5		-		-100%	2%	0%
International Trade Development and Promotion	1,029.6	-	1,029.6	1,030	-	1,030	0%	4%	2%
General Administration, Planning and Support Services	374.0	-	374.0	483.0	-	483.0	29%	1%	1%
State Department for Micro Small and Medium Enterprises Development	-	-	-	**1,813.0**	**11,079.0**	**12,892.0**	-	-	**25%**
Promotion and Development of MSMEs	-	-	-	460.0	178.0	638.5	-	-	1%
Product and Market Development for MSMEs	-	-	-	481.0	634.0	1,115.0	-	-	2%
Digitization and Financial Inclusion For MSMEs	-	-	-	478.8	10,267.0	10,745.8	-	-	21%
General Administration, Support Services and Planning	-	-	-	392.8	-	392.8	-	-	1%
Business Financing, Innovation, and Incubation	-	-	-	-	-	-	-	-	

Data Source: GECA Sector Report, December 2022 and 2023 Budget Policy Statement (Budget Policy Statement)

3.2 Energy, Infrastructure and ICT sector

3.2.1 Overview

The Energy, Infrastructure and ICT Sector is a key social economic pillar under Vision 2030 and the Sustainable Development Goals. The sector houses key pillars of the economy like the transport system and energy. The sector comprises nine sub-sectors namely: Road Transport, Shipping and Maritime, Housing and Urban Development, Public Works, Information Communication Technology and Digital economy, Broadcasting and Telecommunications, Energy and Petroleum.

The sector includes some critical state corporations, such as Kenya Railways Corporation, Kenya Ports Authority, Kenya Airports Authority, and Kenya Maritime Authority among others. The sector plays an important role as an enabler of socioeconomic development of the country. This section evaluates the performance of the sector in the previous financial year 2021/22, the current year 2022/23, and an analysis of the coming financial year 2023/24.

Over 52% of this sector's budget is allocated to Road Transport, followed by the State Department for Energy at 19%. Comparing allocations in FYs 2022/23 and 2023/24, Highest budget increase is on the State Department for Housing and Urban Development, (25.8%), largely driven by doubling of allocation to Urban and metropolitan development program. On the other hand, the highest cuts were posted by the State Department for Energy and State Department for ICT and Digital economy, each facing an 18% budget cut respectively. Within the Energy Department, whereas the Power Generation and Power Transmission and Distribution programs each faced a budget cut of 26 and 18 % respectively, the Alternative Energy Technologies gained a 30% increase, indicating commitment by the government towards alternative energy. Similarly, within the state department for ICT and Digital Economy, the ICT Infrastructure and Development program's budget is reduced by 23 %, and E-Government Services increased by 14 %.

3.2.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

The sector was allocated roughly Ksh 442 billion in the financial year 2021/22. The table below clearly captures the trends in the allocations actual expenditure and absorption rates.

The table illustrates the overall absorption rate for the sector is 86%, as some departments have not been able to utilize their budget optimally. The State Department for Petroleum and mining has the highest absorption rate of 98%, followed by the State Department for Public Works at 93%, and the State Department for Broadcasting and Telecommunications and State Department of ICT and Innovation at 91% and 90%, respectively. On the other hand, the State Department of Transport has the lowest absorption rate of only 55%, which could indicate issues with ineffectiveness in spending (shown in Table 3.2.2.1). The approved development budget for the sector was nearly Ksh 244 billion whereas the actual development expenditure amounted to just Ksh 192 billion. This represents a decrease of 21 % from the approved development

Energy, Infrastructure and ICT Sector questions:

Questions on past performance:

1. Why in FY2021/22 did maritime, rail transport service, and road transport and safety regulations post a low absorption rate of below 12 percent while General Administration, Planning, and Support Services records 81 percent?
2. What are the main challenges affecting implementation of Key Performance Indicators under the State department of Energy despite the subsector recording an absorption rate of 71 percent?

Questions of forward budget:

3. What are the key policies and projects outlined in the Fourth MTP (2023-27) and how do they support Bottom-Up Transformation Agenda?
4. What is the reason for the huge increase in the proposed allocations for the State Department of Transport in FY 2023/24 by Ksh 51,604.00 million yet the department recorded a low absorption rate of 55% in FY2021/22?

Table 3.2.2.1: Programs Absorption Rate for 2021/22

Sector Programmes	Approved Budget			Actual Expenditure			Absorption Rate		
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
INFRASTRUCTURE									**88%**
Road Transport	74,055	156,533	230,588	72,662	130,595	203,257	98%	83%	88%
TRANSPORT									**31%**
Administration, Planning and Support Services	239	23.0	262	191	23	214	80%	100%	82%
Rail Transport Services	-	-	-	-	-	-	0%	0%	0%
Marine Transport Services	801	268.0	1,069	11	-	11	1%	0%	1%
Air Transport Services	9,317	348.0	9,665	5,665	348	6,013	61%	100%	62%
Road Transport and Safety Regulation	11	346.0	357	11	31	42	100%	9%	12%
SHIPPING AND MARITIME	**64%**								**64%**
Shipping and Maritime affairs	2,099	580	2,679	1,484	226	1,710	71%	39%	64%
HOUSING & URBAN DEVELOPMENT	**84%**								**84%**
Housing Development and Human Settlement	548	5,288	5,836	548	4,824	5,372	100%	91%	92%
Urban and Metropolitan Development	486	8,837	9,323	484	5,146	5,630	100%	58%	60%
General Administration, Planning	359.0	-	359.0	358.0	-	358.0	100%	0%	100%
PUBLIC WORKS									**95%**
Government Buildings	469	554	1,023	469	545	1,014	100%	98%	99%
Coastline Infrastructure and Pedestrian Access	159	192	351	156	185	341	98%	96%	97%
General Administration, Planning and Support Services	346	14	360	335	14	349	97%	100%	97%
Regulation & Development of Construction Industry	2,118	268	2,386	2,019	96	2,115	95%	36%	89%
ICT & INNOVATION									**88%**
General Administration Services	258	-	258	252	-	252	98%	0%	98%
ICT AND INFRASTRUCTURE DEVELOPMENT	**575**	**17,246**	**17,821**	**571**	**15,784**	**16,355**	**99%**	**92%**	**92%**
E GOVERNMENT SERVICES	**963**	**1,128**	**2,091**	**939**	**644**	**1,583**	**98%**	**57%**	**76%**
Film Development Services	-	-	-	-	-	-			
BROADCASTING & TELECOMMUNICATION									**95%**
General Administration, Planning and Support Services	251.0	-	251.0	246.0	-	246.0	98%	0%	98%

Information and Communication services	6,162	247	6,409	5,502	237	5,739	89%	96%	90%
Mass Media Skills Development	225	64	289	225	64	289	100%	100%	100%
Film Development Services	1,009	85	1,094	943	85	1,028	94%	100%	94%
ENERGY									**76%**
Power Generation	2,444	9,330	11,774	2,384	5,449	7,833	98%	58%	67%
Power Transmission and Distribution	13,369	38,612	51,981	13,340	24,279	37,619	100%	63%	72%
Alternative Energy Technologies	179	1,129	1,308	177	729	906	99%	65%	69%
Administration, Planning and Support services	411	130	541	383	128	511	93%	99%	95%
PETROLEUM AND MINING									**87%**
Exploration and Distribution of Oil and Gas	99	2,401	2,500	93	2,027	2,120	94%	84%	85%
Geological Survey & Geo information Management	229	30	259	181	19	200	79%	63%	77%
Mineral Resources Management	185	32	217	154	33	187	83%	103%	86%
General Planning and Support Services	81,438	-	81,438	80,043	-	80,043	98%	0%	98%
Total	**198,804**	**243,685**	**442,489**	**189,826**	**191,511**	**381,337**	**96%**	**79%**	**86%**

Source: Sector Working Group Report

budget in FY 2021/22.

Why in FY 2021/22 did maritime, rail transport service, and road transport and safety regulations post a low absorption rate of below 12 % while General Administration, Planning, and Support Services recorded 81%?

From Table 3.2.2.1, the sector has done well except for some programmes like rail transport services, road transport and maritime transport services which posted less than 11 % absorption rates. This is worrying, given that the three areas are key drivers of the economy.

The Sector recorded a low absorption rate of 86 % in FY 2021/22 as shown in Table 3.2.2.2 Further analysis of 2021/22 sector performance indicates that the recurrent vote posted an absorption rate of 95 % with the development vote recording 79 %. While the sector recorded a low absorption rate in capital budget, the sector working group reports have not provided an elaborate breakdown of the relationship between financial and nonfinancial performance.

Surprisingly, the sector absorbed only 79 % of allocated resources but attributed lack of provision and budget cut as the cause for incomplete capital projects totalling Ksh. 18.9 billion and pending bills totalling Ksh 153.9 billion in FY 2021/22. Since this sector has economic enablers, it should explore alternative financing mechanisms such as increasing the Public Private Partnership (PPP) funded projects as this may enable faster project completion given the current funding challenges. Absorption rate is also a major

Table 3.2.2.2: Analysis of Current and Capital Expenditure for FY 2021/22:

Category	Approved Budget (Ksh Millions)	Actual Expenditure	Absorption Rate
Current	198,803.0	189,825.0	95%
Capital	243,685.0	191,511.0	79%
Total	**442,488.0**	**381,336.0**	**86%**

Source: National Treasury

issue especially in a key state department like transport hence the question:

What is the reason for the huge increase in the proposed allocations for the State Department of Transport in FY 2023/24 (over Ksh 50 billion) yet the department recorded a low absorption rate of 31% in FY 2021/22?

The State Department of Energy has a total of 52 Key Performance Indicators across four different programs. Out of the 52 Key Performance Indicators, only 28 have been achieved, resulting in a low overall performance rate of approximately 53 %. At the same time, more than 70% of the budget was absorbed.

At the program level, General Administration, planning and support services has the highest number of Key Performance Indicators achieved (2) representing a 100 % achievement indicating that the program is performing relatively well in terms of meeting its targets. On the other hand, the Power Generation and Alternative Energy Technologies programs have achieved the lowest number of Key Performance Indicators, with 10 out of 26 Key Performance Indicators achieved (38%) and 7 out of 12 Key Performance Indicators achieved (58%), respectively. Some of the Key Performance Indicators not achieved under these programs include the completion of 50.7 MW Olkaria I Rehabilitation plant, completion of geothermal and coal strategies, number of clean cooking solutions adopted, and the number of institutional biogas plants constructed. According to the sector working group report, the underachievement of these programs is as a result of poor performance of the contractors, delayed revision and disbursement of budget, funding challenges and escalation of material costs for rural electrification.

Table 3.2.2.3: Review of Key Performance Indicators under the State Department of Energy:

Program	Total Planned Key Performance Indicators (Key Performance Indicators)	Key Performance Indicators (Key Performance Indicators) Achieved	KPI Achieved as a %
Power Generation	26.0	10.0	95%
Power Transmission and Distribution	12.0	9.0	79%
Alternative Energy Technologies	12.0	7.0	58%
General Administration, Planning and Support Service	2.0	2.0	100%
Total	**52.0**	**28.0**	**53%**

Source: Energy, Infrastructure and ICT Sector Report

3.2.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

Table 3.2.3.1: Energy Sector Budget changes

Category	2022/23 Approved			2023/24 Allocation			% Change	% Share of the Sector Budget	
Programmes	Current	Capital	Total	Current	Capital	Total		2022/23	2023/24
State Department for Roads	69,478.0	151,816.0	221,294.0	74,556.0	146,319.0	220,875.0	-0.2%	54%	52%
Road Transport	69,478.0	151,816.0	221,294.0	74,556.0	146,319.0	220,875.0	-0.2%	54%	52%
State Department for Transport	9,622.0	1,350.0	10,972.0	13,843.0	48,733.0	62,576.0	470%	3%	15%
General Administration, Planning and Support Services	278.0	430.0	708.0	810.0	121.0	931.0	32%	0%	0%
Rail Transport	-	-	-	-	42,180.0	42,180.0	-	0%	10%
Marine Transport	794.0	247.0	1,046.0	771.0	2,885.0	3,656.0	250%	0%	1%
Air Transport	8,533.0	673.0	9,206.0	9,249.0	841.0	10,090.0	10%	2%	2%
Road Transport Safety and Regulation	12.0		12.0	2,386.0	1,567.0	3,953.0	32842%	0%	1%
Transport Master planning and Coordination	-	-	-	627.0	1,139.0	1,766.0	-	0%	0%
State Department for Shipping and Maritime Affairs	2,182.0	1,178.0	3,360.0	2,338.0	1,050.0	3,388.0	1%	1%	1%
Shipping and Maritime Affairs	2,182.0	1,178.0	3,360.0	2,338.0	1,050.0	3,388.0	1%	1%	1%
State Department for Housing & Urban Development	1,341.0	19,020.0	20,361.0	1,315.0	24,288.0	25,603.0	26%	5%	6%
Housing Development and Human Settlement	793.0	13,585.0	14,378.0	829.0	13,289.0	14,118.0	-2%		
Urban and Metropolitan Development	285.0	5,435.0	5,720.0	206.0	10,999.0	11,205.0	96%		
General Administration Planning and Support Services	263.0	-	263.0	280.0	-	280.0	6%		
State Department for Public Works	3,383.0	1,310.0	4,693.0	3,557.0	1,144.0	4,701.0	0%		

Government Buildings	551.0	630.0	1,181.0	590.0	639.0	1,229.0	4%		
Coastline Infrastructure and Pedestrian Access	173.0	321.0	494.0	115.0	316.0	431.0	-13%		
General Administration Planning and Support Services	380.0	14.0	394.0	393.0	14.0	407.0	3%		
Regulation and Development of the Construction Industry	2,279.0	345.0	2,624.0	2,459.0	175.0	2,634.0	0%		
State Department for Information Communication Technology & Digital Economy	2,268.0	16,986.0	19,254.0	3,023.0	12,775.0	15,797.0	-18%		
General Administration Planning and Support Services	356.0	-	356.0	383.0	-	383.0	7%		
ICT Infrastructure Development	574.0	15,759.0	16,333.0	927.0	11,562.0	12,488.0	-24%		
E-Government Services	1,338.0	1,227.0	2,565.0	1,713.0	1,213.0	2,926.0	14%		
State Department for Broadcasting & Telecommunication	6,691.0	817.0	7,508.0	6,202.0	791.0	6,993.0	-7%		
General Administration Planning and Support Services	228.0	-	228.0	237.0	-	237.0	4%		
Information And Communication Services	5,267.0	398.0	5,665.0	5,550.0	511.0	6,061.0	7%		
Mass Media Skills Development	228.0	110.0	338.0	248.0	180.0	428.0	27%		
Film Development Services Programme	967.0	309.0	1,276.0	167.0	100.0	267.0	-79%		
State Department for Energy	14,696.0	80,972.0	95,668.0	7,822.0	70,563.0	78,385.0	-18%		
General Administration Planning and Support Services	411.0	208.0	619.0	422.0	335.0	757.0	22%		
Power Generation	2,914.0	17,584.0	20,498.0	2,706.0	12,529.0	15,235.0	-26%		

Power Transmission and Distribution	11,238.0	60,985.0	72,223.0	4,592.0	54,771.0	59,363.0	-18%		
Alternative Energy Technologies	133.0	2,195.0	2,328.0	102.0	2,928.0	3,030.0	30%		
State Department for Petroleum	-	-	-	383.0	3,303.0	3,686.0	-		
Exploration and Distribution of Oil and Gas	-	-	-	383.0	3,303.0	3,686.0	-		
Ministry of Petroleum and Mining	21,349.0	3,302.0	24,651.0	-	-	-	100%		
Exploration and Distribution of Oil and Gas	87.0	2,910.0	2,997.0	-	-	-	100%		
General Administration Planning and Support Services	20,933.0		20,933.0	-	-	-	100%		
Mineral Resources Management	267.0	162.0	429.0	-	-	-	100%		
Geological Survey and Geoformation Management	62.0	230.0	292.0	-	-	-	100%		
Total	**131,010.0**	**276,750.0**	**407,760.0**	**113,039.0**	**308,966.0**	**422,004.0**	**3%**		

Source: National Treasury

There has been reorganization of functions whereby the state department for petroleum has been introduced while the state department for mining has been moved to the environment sector. Initially, both were under the Ministry of petroleum and mining. This hints to the reason why the sector received just a 3 % budgetary increase.

At the state department level, Transport recorded an increase in the budget estimates from Ksh 10, 972 million to Ksh 62,576 million between FY 2022/23 and 2023/24 with the road transport safety and regulations programme receiving the highest increase in allocations in the subsector. Yet this sub-sector needs to improve on the absorption rate, which is barely more than half of its budget, for it to achieve its targets in the medium term. Some of the projects that the sub sector aims to achieve include rehabilitation of JKIA and Moi International Airport; Isiolo airport expansion; and development and rehabilitation of airstrips including Angama and Lanet. Additionally, the State Department plans to implement the Horn of Africa Gateway Development Project and ensure compliance to International Civil Aviation Organization (ICAO) standards. A question therefore arises as to:

What is the reason for the huge increase in the proposed allocations for the State Department of Transport in FY 2023/24 by Ksh 51,604.0 million yet the department recorded a low absorption rate of 55% in FY 2021/22?

3.3 Health sector

3.3.1 Overview

The health sector is made up of two sub-sectors namely the State Department for Medical Services, with 11 autonomous and semi-autonomous agencies and the State Department for Health Standards and Professional Management, comprising 18 regulatory boards and councils.

In the 2023 Budget Policy Statement, the government highlights key focus areas for the health sector. First, the government commits to continue with the implementation of the Universal Health Coverage plan that is intended to address high out of pocket expenditure, which stands at Ksh. 150 billion. More emphasis will be on preventive and promotive care, as diseases such as cancer, heart conditions, kidney failure and hypertension are detectable at this level without necessitating hospital visits or admission.

For the FY 2023/24, the health sector budget is set to increase by 20%, with two programs taking the bulk of the budget increase – National Referral and specialized services increasing by 49% and health policy standards and regulations increasing by 39%. These changes are attributed to significant allocations to government transfers to other agencies and increase in grants, other transfers and other recurrent expenditures. In terms of programme budget share, of the 154 billion allocated to the sector, the national referral and specialized services programme takes the highest share at 55%, up from 46% in FY 22/23, followed by Preventive, Promotive and RMNCAH programme at 29%, down from 37% in FY 22/23.

3.3.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

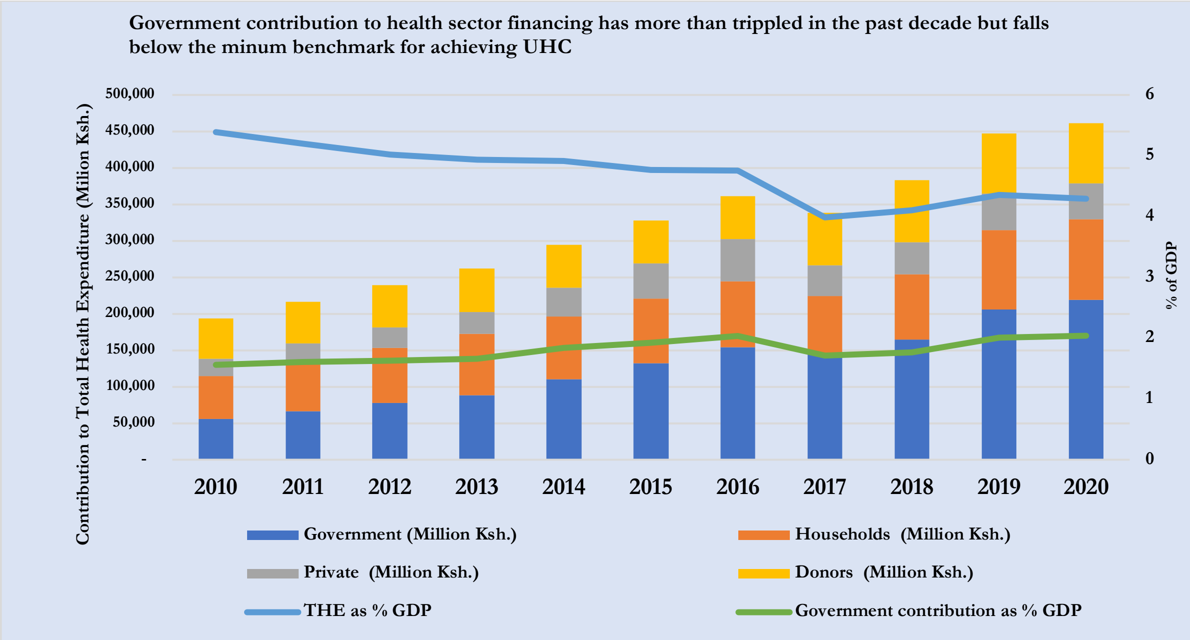
If the government is committed to achieving UHC, why isn't it investing more in health? And where should that money come from?

Domestic government spending accounts for a growing share of total health expenditure (47% in 2020 and 2% of GDP), but it still falls below the threshold of at least 5 % of GDP required for attainment of Universal Health Coverage (UHC). Additionally, even if this requirement is achieved, it must be supplemented with a second target of US$86 Official Health (OH) per capita spending.

Based on the country's nominal GDP of Ksh 13,650,722 billion in 2022, the two levels of government therefore would need to allocate Ksh 682,536 million to the health sector to meet the 5% of GDP minimum requirement to achieve UHC. That is more than 5 times as much as the current health budget.

Health Sector Questions

1. Why is government contribution to health sector financing below the benchmark for achieving UHC?
2. What are the factors contributing to the underspending of the development budget in the health sector and what measures can be taken to boost effective utilization of development funds?
3. What is the impact of NHIF's underperformance on the attainment of Universal Health Coverage?
4. Is the anticipated increase in budget allocations in 2023/24 sufficient to meet the ambitious goals set in the BPS?
5. Why is there a sporadic trend in allocations with some programs having significant over-allocations while others have no allocations?



Source: NHA Data 2023

What are the factors contributing to the underspending of the development budget in the health sector and what measures can be taken to boost effective utilization of development funds?

Health Sector budgets are underperforming with a larger gap observed in absorption of development budgets

In FY 2021/22, the absorption rate for the development budget was 68 % while that of the recurrent budget was 100 %. To address the underperformance of health sector budgets and the larger gap observed in the absorption of development budgets, the government needs to ensure there is timely release of funds from the exchequer.

There are five programs under the health sector: Preventive, Promotive and Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH), National Referral and Specialized Services, Health Research and Development, General Administration and Support Services and Health Policy, Standards and Regulations. Their absorption rates in the FY 2021/22 are as shown in Table 3.3.2.1

The absorption rate for the entire sector as shown above was 84%. The Preventive, Promotive and Reproductive, Maternal, Neonatal, Child and Adolescent Health

Table 3.3.2.1: Absorption rate by economic classification FY 2021/22 (Ksh. Millions)

Economic Classification	Allocations	Expenditure	Absorption rate
Recurrent	66,661	66,633	100%
% of Total	51	61	
Development	63,809	43,456	68%
% of Total	49	39	
Total	**130,479**	**110,089**	**84%**

Table 3.3.2.2: Health Sector Fiscal Performance FY 2021/22

Program	Approved Budget	Expenditure	Absorption rate
Program 1: Preventive, Promotive and Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH)	30,077.0	15,482.0	51%
Program 2: National Referral and Specialized Services	50,281.0	48,010.0	95%
Program 3: Health Research and Development	11,353.0	11,221.0	99%
Program 4: General Administration and Support Services	8,102.0	7,534.0	93%
Sector Total	130,469.0	110,089	84%
Program 5: Health Policy, Standards and Regulations	**30,657.0**	**27,840.0**	**91%**

(RMNCAH) program had the lowest absorption rate at 51 %, while the highest absorption rate was by the National Referral and Specialized Services program, at 99 %. The low absorption rate in program 1 is consistent with the absorption rates of its sub-programs except for radiation safety and nuclear security that had 100 % absorption rate. The other sub-programs under the program: communicable disease control, non-communicable disease prevention, RMNCAH, environmental health and disease surveillance and response had relatively low absorption rate of 59 %, 74 %, 42 %, 59 %, and 51 % respectively. For both sub-programs under the health research and development program, the absorption rates were 99 % each.

Why was the absorption for what should be a priority area, Preventive and Promotive Health, so low?

How can the budget be underspent and yet there is an increase in pending bills now accounting for more than half of the sector's budget?

As indicated above, 16 % of the sector's budget was not absorbed. However, the pending bills have increased from FY 2020/21. In FY 2021/22, the health sector's total pending bills were Ksh. 67,314 million, approximately 52 % of the sector's total budget. Of this 11 % (Ksh. 7,312 million) was due to lack of liquidity while the remaining 89 % (Ksh. 60,002 million) was due to low budgetary provision. In addition to this, it is unclear why pending bills dating back to 1991 remain unfunded despite the statutory requirement that they are a first charge to the sector's allocation. This is specific to the pending bills in Kenyatta National Hospital due to NSSF contributions in arrears between July 1991 to November 2009. Despite the inclusion of this expense in the budget for financing, it remains unfunded. This is as summarized below.

Table 3.3.2.3: Summary of Pending Bills (Ksh Million)

Economic Classification	Due to Liquidity		Due to Lack of Budgetary Provisions	
	2020/21	2021/22	2020/21	2021/22
MOH	45	5,009	32,985	40,890
KMTC	482	100	4,143	2,270
KEMRI	312	339	1,721	2,087
KNH	766	1112	10997	10236
MTRH	442	438	513	1,077
KEMSA	0	0	2,920	3,442
NCK	6	10	0	0
MNTH	0	175	0	0
Spinal Hospital	0	129	0	0
Total	**2,053**	**7,312**	**53,279**	**60,002**

Source: MOH (2023)

How can underachievement of the set targets be blamed on budget inadequacy yet there is high absorption rates by all programs other than Program 1?

Several KPI shortfalls in the sector were attributed to budget inadequacies. First, the target number for the distribution of Mother and Child Health Books was 2.2 million, but none was distributed as there were inadequate resources to print the booklets. Second, the number of pre-school and school going children to be dewormed was six million, but only 5.4 million were dewormed as the medical commodities were not sufficient. Third, a budget shortfall from UNICEF curtailed the achievement of the set target of 25,000 open defecation free villages as the achievement was 23,492 villages. Fourth, there was a 100 % target for the development of the integrated food safety surveillance system, but no progress was made as there were budget cuts. Fifth, budget cuts resulted in only 5 of the targeted 15 county referral health facilities being trained on safety and health committees. Sixth, there was a target of accrediting 47 hospitals as hubs for the PHC networks, but only 7 were operationalized as there was insufficient resources to roll it out in all the 47 counties. In addition to this, assessments on UHC implementation, country burden of disease and COVID-19 impact were not done due to inadequate budget. With the exception of the Mother and Child health books that were under Program 1, with the lowest absorption, it is unclear why the justification of the unattained targets is attributed to budget inadequacies yet they had over 90 % of the allocated budget. This therefore raises the question whether allocations to the sector take into consideration the KPIs set and whether changes in the budget are accompanied by the revision in the KPI targets that had been initially set.

3.3.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

What is the impact of NHIF's underperformance on the attainment of Universal Health Coverage?

Regarding the social protection in the health sector, there has been an under-attainment of targets. This is despite the government's commitment to ensure that all Kenyans are covered under the scheme. The resources available in FY 2021/22 were only sufficient to cover 1 million households, rather than the targeted 1.5 million households. Total member benefits paid out under the NHIF program totalled 67.9 billion in FY 2021/22 compared to Ksh. 76.8 billion in the budget, signifying an 88 % performance level.

Table 3.3.2.4: NHIF Budget vs Expenditure (Ksh. Millions)

Economic Classification	Approved Budget Allocation			Actual Expenditure		
	2019/20	2021/22	2021/22	2019/20	2020/21	2021/22
Gross	73,199.0	67,132.0	90,565.0	60,824.0	62,149.0	85,716.0
AIA	73,199.0	67,132.0	90,565.0	60,824.0	62,149.0	85,716.0
NET						
Compensation to Employees	4,782.0	5,234.0	5,083.0	4,911.0	5,211.0	5,037.0
Transfers						
Other Recurrent	68,416.0	61,898.0	81,110.0	55,913.0	56,938.0	80,679.0
of which						
Insurance	54.0	25.0	31.0	17.0	21.0	27.0
Utilities	20.0	20.0	15.0	17.0	13.0	15.0
Rent	248.0	233.0	286.0	229.0	239.0	257.0
Contracted Professionals (Guards, Cleaners etc)	121.0	102.0	123.0	112.0	98.0	98.0
Others (Members Benefits)	59,815.0	56,555.0	76,886.0	54,362.0	54,061.0	67,950.0
Others (Use of Goods)	2,767.0	2,358.0	3,769.0	2,175.0	2,048.0	2,623.0
Deficit/Surplus	5,391.0	2,607.0	4,372.0	(999.0)	458.0	9,710.0

Source: MOH (2023)

Is the anticipated increase in budget allocations in 2023/24 sufficient to meet the ambitious goals set in the Budget Policy Statement?

The allocation for health in FY 2023/24 is expected to increase by 26 % from FY 2022/23 in nominal terms.

The development and recurrent allocations are set to increase by 36 % and 17 %. The overall resource gap and the development resource gap is anticipated to decline from 36 % to 34 % and 45 % to 36 % of the resource requirement respectively. Development budget allocations in FY 2022/23 account for 44 % of the total budget but is expected to increase in FY 2023/24 to 48 %. This is as summarized in the table 3.3.2.5.

Table 3.3.2.5: Allocations vs Requirements by Economic Classification (Ksh. Millions)

	FY 2022/23				FY 2023/24			
	Approved	Requirement	Resource gap	Resource gap (% of req.)	Proposed	Requirement	Resource gap	Resource gap (% of req.)
Dev.	54,017.0	98,250.0	44,233.0	45%	73,638.0	115,732.0	42,094.0	36%
Rec.	68,503.0	92,430.0	23,927.0	26%	80,374.0	117,685.0	37,311.0	32%
Total	**122,520.0**	**190,680.0**	**68,160.0**	**36%**	**154,013.0**	**233,417.0**	**79,404.0**	**34%**

While large resource gaps remain, it is worth noting that midyear budget revisions have resulted in significant cuts in the health budget. For example, the approved budget for FY 2022/23 was later revised downward by Ksh.9 billion or 8% during the preparation of Supplementary Budget 1. Taking into consideration the resource gap of 36% and the anticipated cuts of about 8%, the budget allocations for FY 2023/24 are likely to fall short of what is needed to meet the priorities outlined in the 2023 Budget Policy Statement by about 44%.

Why do some programs have significant over-allocations relative to reported needs, while others have no allocations?

Some of the programs had allocations that exceeded their resource requirements. In FY 2022/23, recurrent expenditure for compensation to employees under the National Referral and Specialized Services program had approved allocations of Ksh. 6.2 billion which was five times higher than the resource requirement of Ksh. 1.2 billion. In contrast, intended expenditures under development have resource gaps of up to 51 %. Development expenditure categories- acquisition of non-financial assets, capital transfers to government agencies and other development had resource gaps of 35 %, 21 %, and 51 % respectively.

For the Health Policy, Standards and Regulations, there is no development budget allocation in FY 2022/23 despite a stated resource requirement of Ksh. 21.9 billion. However, in FY 2023/24, it is expected to have an over-allocation of 75 %. In 2023/24, the proposed allocation for other recurrent expenditure is Ksh. 607 million against a resource requirement of Ksh. 20 million. What explains these patterns?

Table 3.3.2.6: Overall sector resourcing

Sector Progammes	2022/23 Approved	23/24 Proposed Allocation	Change In Budget Allocation 22/23 – 23/24	% Change In Allocation	% Share 22/23	% Share 23/24
Programme 1: Preventive, Promotive and RMNCAH	**45,054.00**	**45,122**	**68.00**	**0.2%**	**37%**	**29%**
Current Expenditure	2,193.00	3,352	1,159.00	53%	2%	2%
Compensation to Employees	654.00	654	0.00	0%	1%	0.4%
Use of Goods and Services	274.00	374	100.00	36%	0.2%	0.2%
Grants and other Transfers	1,264.00	2,324	1,060.00	84%	1%	2%
Other Recurrent	0.00	0	0.00	0%	0%	0%
Capital Expenditure	42,861.00	41,770	-1,091.00	-3%	35%	27%
Acquisition of Non-Financial Assets	2,758.00	0	-2,758.00	-100%	2%	0%
Capital transfers to Govt Agencies	33,989.00	41,731	7,742.00	23%	28%	27%
Other Development	6,114.00	39	-6,075.00	-99%	5%	0.03%
Programme 2: National Referral & Specialised services	**56,485.00**	**84,305**	**27,820.00**	**49%**	**46%**	**55%**
Current Expenditure	46,879.00	54,475	7,596.00	16%	38%	35%
Compensation to Employees	6,154.00	6,071	-83.00	-1%	5%	4%
Use of Goods and Services	675.00	689	14.00	2%	1%	0.4%
Grants and other Transfers	39,592.00	47,107	7,515.00	19%	32%	31%
Other Recurrent	457.00	607	150.00	33%	0.4%	0.4%
Capital Expenditure	9,606.00	29,830	20,224.00	211%	8%	19%
Acquisition of Non-Financial Assets	815.00	0	-815.00	-100%	1%	0%
Capital transfers to Govt Agencies	3,577.00	22,968	19,391.00	542%	3%	15%
Other Development	5,214.00	6,862	1,648.00	32%	4%	4%
Programme 3: Health Research and Development	**12,399.00**	**13,906**	**1,507.00**	**12%**	**10%**	**9%**
Current Expenditure	10,850.00	12,220	1,370.00	13%	9%	8%
Compensation to Employees	0.00	0	0.00	0%	0%	0%
Use of Goods and Services	0.00	0	0.00	0%	0%	0%
Grants and other Transfers	10,850.00	12,220	1,370.00	13%	9%	8%
Other Recurrent	0.00	0	0.00	0%	0%	0%
Capital Expenditure	1,549.00	1,686	137.00	9%	1%	1%
Acquisition of Non-Financial Assets	456.00	0	-456.00	-100%	0%	0%
Capital transfers to Govt Agencies	1,093.00	1,686	593.00	54%	1%	1%
Other Development	0.00	0	0.00	0%	0.0%	0%
Programme 4: Health Policy, Standards and Regulations.	**5,017.00**	**6,959**	**1,942.00**	**39%**	**4%**	**5%**
Current Expenditure	5,017.00	6,609	1,592.00	32%	4%	4%
Compensation to Employees	3,765.00	4,438	673.00	18%	3%	3%
Use of Goods and Services	432.00	581	149.00	34%	0.4%	0.4%
Grants and other Transfers	796.00	1,515	719.00	90%	1%	1%
Other Recurrent	24.00	75	51.00	213%	0.02%	0.05%
Capital Expenditure	0.00	350	350.00	100%	0%	0.2%

Acquisition of Non-Financial Assets	0.00	350	350.00	100%	0%	0.2%
Capital transfers to Govt Agencies	0.00	0	0.00	0%	0%	0%
Other Development	0.00	0	0.00	0%	0%	0%
General Administration, Planning & Support Services	**3,565.00**	**3,718**	**153.00**	**4%**	**3%**	**2%**
Total Health Sector Budget	**122,520**	**154,010**	**31,490.00**	**26%**	**100%**	**100%**

3.4 Public administration and international relations

3.4.1 Overview

The Public Administration and International Relations sector is a fundamental pillar of the Kenyan economy. It achieves this by providing overall leadership and policy direction, oversight in economic and devolution management, public service delivery, youth empowerment, resource mobilization and implementation of Kenya's Foreign Policy for global competitiveness and national prosperity.

The sector comprises twenty sub- sectors, five of which were introduced in the 2023 Budget Policy Statement, while the State Department for Youth Affairs was moved to the Social Protection, Culture and Recreation Sector. Among key achievements reported include: local economic development in 15 counties; implementation of investment Projects on Health, Trade, Agriculture, Roads and Water sectors in 39 Counties; hosting of the 9th Edition of Pan-African conference for local authorities and sub-regional Governments (Africities Summit); enhanced access to public services to over 30 million Kenyans through the Huduma Kenya Service Delivery Platforms; First digital Kenya Population and Housing Census; construction and renovation of over 28,000 institutional facilities; and awarding of bursary to over 2 million beneficiaries.

With regard to the 2023/24 budget proposals, a majority of the budget cuts and increases within the sector can be attributed to reorganization and shift of functions within the programs and sub-programmes. For example, the Executive Office of the President had a 64% budget cut but this was attributed to a shift of functions,for example NMS which has wound up while the Deputy President Service has shifted from the Executive Office of the President and is currently a standalone sub sector.

Under the State Department of Devolution, Devolution Services faced a 61% budget cut, but this funding was shifted to a new sub program, Management of Intergovernmental Relations. Finally, for the National Treasury, the 25% budget cut was as a result of rail and marine transport shifting to the Energy sector.

Notably, some programmes received budget increases, for instance , the State Department of Economic Planning had a 27% increase largely attributed to the National Statistical Information Services, whose budget was doubled from 1.5 billion to 3.3 billion. However, the Public Financial Management sub-programme under the National Treasury had an unexplained budget cut of 40%, yet this department plays a critical role in overseeing the public finance management systems in the country as indicated in the Budget Policy Statement 2023.

Public Administration and International Relations sector questions

1. Why are certain programs in this sector under-spending their budget, particularly their development budgets?
2. What measures has the National Treasury put in place to fast-track and address completion of projects?
3. Why are some service delivery indicators in the budget located under the National Treasury, when the NT does not deliver these services?

3.4.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

Table 3.4.2.1: PAIR Sector Budget Performance FY 2021/22 (Ksh Million) and Absorption Rate (%)

Program	Approved Budget			Actual Expenditure			Absorption Rate		
	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total
Executive office of the president									
State House Affairs	8,512.1	202.0	8,714.1	8,951.1	199.0	9,150.1	105%	99%	105%
Deputy President Services	1,485.8	17.6	1,503.4	1,449.1	17.6	1,466.7	98%	100%	98%
Cabinet Affairs	1,518.2	245.1	1,763.3	1,485.1	244.6	1,729.7	98%	100%	98%
Government Advisory Services	681.4	-	681.4	679.6	-	679.6	100%	0%	100%
Nairobi Metropolitan Services	18,039.4	11,204.0	29,243.4	13,312.1	4,717.7	18,029.9	74%	42%	62%
Ministry of Devolution									
Devolution Support Services	795.8	1,128.9	1,924.7	759.5	1,059.3	1,818.8	95%	94%	94%
Management of Intergovernmental Relations	732.4	-	732.4	724.3	-	724.3	99%	0%	99%
Administration Support Services	402.4	4.7	407.1	388.8	4.7	393.5	97%	100%	97%
Special Initiative	1,233.2	105.0	1,338.2	1,205.0	-	1,205.0	98%	0%	90%
Ministry of Foreign Affairs									
General Administration, Planning and Support Services	2,378.2	66.5	2,445.3	2,377.2	48.1	2,423.3	100%	72%	99%
Foreign Relation and Diplomacy	16,124.9	1,149.6	17,274.6	16,042.5	1,149.6	17,192.1	99%	100%	100%
Economic Cooperation and Commercial Diplomacy	51.8	-	51.8	51.8	-	51.8	100%	0%	100%
Foreign Policy Research, Capacity Development and Technical Cooperation	140.4	80.0	220.4	140.4	60.2	200.6	100%	75%	91%

The National Treasury									
General Administration, Planning and Support Services	51,573.1	11,005.7	62,578.8	49,085.1	6,832.0	55,917.2	95%	62%	89%
Public Financial Management	5,981.9	49,940.4	55,922.3	5,099.2	42,910.5	48,010.1	85%	86%	86%
Economic and Financial Policy Formulation and Management	1,174.4	662.8	1,837.3	1,114.9	424.4	1,539.3	95%	64%	84%
Market Competition and Creation of an Enabling Business Environment	302.1	30.0	332.1	302.1	30.0	326.1	100%	100%	98%
Government Clearing Services	67.9	-	67.9	48.7	-	48.7	72%	0%	72%
Rail Transport	-	45,375.5	45,375.5	-	35,980.1	35,980.1	0%	79%	79%
Marine Transport	-	5,934.0	5,934.0	-	4,474.5	4,474.5	0%	75%	75%
State Department for Planning									
Economic Policy and National Planning	1,952.2	46,979.5	48,931.7	1,934.8	44,034.3	45,969.1	99%	94%	94%
National Statistical Information Services	1,527.6	585.7	2,113.3	1,527.6	516.6	2,044.3	100%	88%	97%
Public Investment Management Monitoring and Evaluation Services	156.5	86.5	243.0	153.3	82.1	235.4	98%	95%	97%
General Administration, Planning and Support Services	345.6	-	345.6	335.1	-	335.1	97%	0%	97%

State Department for Public Service									
Public Service Transformation	7,926.3	500.3	8,426.5	7,672.9	500.3	8,173.1	97%	100%	97%
General Administration Planning and Support Services	590.6	117.8	708.5	563.7	67.2	630.9	95%	57%	89%
National Youth Service	10,973.8	50.0	11,023.8	10,763.2	50.0	10,813.2	98%	100%	98%
Commission on Revenue Allocation	446.0	-	446.0	434.1	-	434.1	97%	0%	97%
Government Clearing Services	67.9	-	67.9	48.7	-	48.7	72%	0%	72%
Rail Transport	-	45,375.5	45,375.5	-	35,980.1	35,980.1	0%	79%	79%
Marine Transport	-	5,934.0	5,934.0	-	4,474.5	4,474.5	0%	75%	75%
Public Service Commission									
General Administration, Planning and Support Services	772.8	19.3	792.1	748.6	6.5	755.1	97%	34%	95%
Human Resource Management & Development	1,419.3	-	1,419.3	1,365.8	-	1,365.8	96%	0%	96%
Governance and National Values	145.7	-	145.7	137.7	-	137.7	95%	0%	95%
Performance and Productivity Management	34.4	-	34.4	33.9	-	33.9	98%	0%	98%
Salaries and Remuneration Commission									
Salaries and Remuneration Management	621.4	-	621.4	589.7	-	589.7	95%	0%	95%
Office of the Auditor General									
Audit Services	6,077.5	6.0	6,083.5	5,654.5	3.7	5,658.2	93%	62%	93%
Office of the Controller of Budget									
Control and Management of Public Finances	649.6	-	649.6	619.4	-	619.4	95%	0%	95%
Commission on Administrative Justice									
Promotion of Administrative Justice	583.5	41.3	624.8	553.2	39.5	592.7	95%	96%	95%
GRAND TOTAL	**145,418.2**	**175,538.4**	**320,956.6**	**136,303.7**	**143,452.5**	**279,756.2**	**94%**	**82%**	**87%**

Data source: Sector Working Group Report, 2023

Why are certain programs in this sector under-spending their budget, particularly their development budgets?

In the FY 2021/22, the PAIR sector approved budget was roughly Ksh 321 billion, consisting of the development vote of Ksh 176 billion and the recurrent vote of Ksh 145 billion. Overall, during this period the sector absorbed 87 per cent of its total approved budget, with actual expenditures amounting to just 280 billion. Out of this, the development vote absorption rate was 82 per cent or Ksh 143 billion while the recurrent vote absorbed 94 per cent or (Ksh 136 billion).

A closer look at the program level indicates that many programs posted high capital budget absorption rates with some posting as high as 99.9% absorption of their development budget. These agencies include Foreign Relations and Diplomacy, Deputy President Services and Cabinet Affairs. However, some programs absorbed little of their development budget, with the lowest performance that of the Nairobi Metropolitan Services at 42 5%. There is no specific reason provided in budget documents as to why the Nairobi Metropolitan Services performed so poorly.

In contrast, the PAIR Sector Working Group report shows high achievement in the key performance indicators for NMS. Of the 31 indicators reported during the FY, 18 were funded and achieved, even surpassing their targets; 12 were not funded but nevertheless posted high achieved numbers; and only 1 indicator was under performed, but by a very small margin. Clearly, NMS faces challenges in identifying meaningful performance indicators if performance can be this high with under-funding and poor absorption. What is the government doing to prepare more realistic performance plans for NMS?

Notably, the Special Initiative program, despite a development budget allocation of Ksh 105 million, recorded 0% absorption of the budget. It is problematic when the government fails to provide any justification for such stark under-performance.

3.4.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

What measures has the National Treasury put in place to fast-track and address completion of projects?
An analysis of performance of capital projects for FY 2019/20 to 2020/21 in the Sector Working Group Report shows that the sector posted low completion rates for its capital projects, with 18 capital projects completed out of 172 planned as of 30th June 2022. The sector report points at challenges such as high foreign exchange losses and unexpected budget cuts among others as the reasons for the delay.

On the other hand, the 2023 Budget Policy Statement prioritizes implementation of economic recovery strategies of the new administration to reposition the economy on a steady, inclusive, and sustainable growth trajectory. Moreover, according to the Sector Working Group Report, in the FY 2023/24 and the Medium Term, the sector is set to upscale its activities in line with the Bottom-Up Economic Transformation Agenda.

It is unclear how the government will achieve these ambitious goals with glaring lag in project completion. No explanations on how the incomplete projects will be fast tracked are provided, nor reforms laid down which might address the obstacles to capital expenditure moving forward.

Why are some service delivery indicators in the budget located under the National Treasury, when the NT does not deliver these services?

When an agency's indicators and targets do not align with its objectives, it is difficult to track implementation progress. For example, the mandate of the National Treasury is mainly formulation and implementation of financial and economic policies to promote economic transformation. However, analysis of programme targets and actual achievements for FY 2019/20-2021/22 reveals that under the National Treasury, Public Financial Management programme, there are outputs on Antiretroviral Therapy (ART) supplies, %age of Tuberculosis patients treated and tested for HIV and number of people receiving ACT. Why are these kinds of indicators attributed to the National Treasury, when they are clearly delivered by other agencies using other budgets? Who is ultimately responsible for their delivery?

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Table 3.4.3.1: PAIR Resource Budget Allocation, Ksh Million

Sector Resource Requirement by Programmes	2022/23 Approved			2023/24 Allocation			% change in allocation	% Share of the Sector Budget	
	Recurrent	Dev.	Total	Recurrent	Dev.	Total			
Public Administration and International Relations	**177,982.1**	**178,875.5**	**356,857.6**	**195,061.7**	**113,852.3**	**308,914.0**	**-13%**		
Executive Office of the President	**17,083.9**	**5,983.1**	**23,067.0**	**6,967.3**	**1,281.0**	**8,248.3**	**-64%**	**7%**	**3%**
Cabinet Affairs	1,594.6	252.3	1,846.9	1,549.9	352.3	1,902.1	3%	0.5%	0.6%
Government Advisory Services	649.3	75.0	724.3	491.2	-	491.2	-32%	0.2%	0.2%
State House Affairs	4,080.8	286.9	4,367.7	4,926.3	928.8	5,855.0	34%	1%	2%
Deputy President Services	1,690.5	20.4	1,710.9	-	-	-	-100%	0.5%	0.0%
Nairobi Metropolitan Services	9,068.7	5,348.6	14,417.3	-	-	-	-100%	4.0%	0.0%
Office of the Deputy President	**-**	**-**	**-**	**4,283.9**	**250.4**	**4,534.3**	**100%**	**0.0%**	**2%**
Deputy President Services	-	-	-	4,283.9	250.4	4,534.3	100%	0.0%	2%
State Department for Devolution	**1,444.9**	**297**	**1,741.9**	**1,594.9**	**293**	**1,887.9**	**8%**	**0.5%**	**0.6%**
Devolution Services	1,444.9	297	1,741.9	379.3	293	672.3	-61%	0.5%	0.2%
General Administration, Planning and Support Services	-	-	-	482.5	-	482.5	100%	0.0%	0.2%
Management of Intergovernmental Relations	-	-	-	732.6	-	732.6	100%	0.0%	0.2%
Office of the Prime Cabinet Secretary	**-**	**-**	**-**	**2,048.7**	**-**	**2,048.7**	**100%**	**0.0%**	**0.7%**
Public Service Performance Management and Delivery Services	-	-	-	374.9	-	374.9	100%	0.0%	0.1%
Government Coordination and Supervision Services	-	-	-	272.0	-	272.0	100%	0.0%	0.1%
General Administration, Planning and Support Services	-	-	-	1,144.5	-	1,144.5	100%	0.0%	0.4%
Parliamentary Liaison & Legislative Affairs	-	-	-	257.3	-	257.3	100%	0.0%	0.1%
State Department for Foreign Affairs	**17,236.2**	**1,796.1**	**19,032.3**	**18,046.2**	**2,371.0**	**20,417.2**	**7%**	**5%**	**7%**
General Administration Planning and Support Services	2,413.9	252.1	2,666.0	2,851.5	500.0	3,351.5	26%	0.7%	1%
Foreign Relation and Diplomacy	14,630.7	1,394.0	16,024.7	15,003.1	1,671.0	16,674.1	4%	5%	5%
Economic and Commercial Diplomacy	51.8	-	51.8	51.8	-	51.8	0%	0.0%	0.0%
Foreign Policy Research, Capacity Dev and Technical Cooperation	139.8	150.0	239.3	139.8	200.0	339.8	42%	0.1%	0.1%

State Department for Diaspora Affairs	**-**	**-**	**-**	**814.0**	**-**	**814.0**	**100%**	**0.0%**	**0.3%**
General Administration, Planning and Support Services	-	-	-	104.7	-	104.7	100%	0.0%	0.0%
Management of Diaspora and Consular Affairs	-	-	-	709.3	-	709.3	100%	0.0%	0.2%
The National Treasury	**53,045.1**	**120,551.3**	**174,396.9**	**82,994.4**	**47,905.9**	**130,900.3**	**-25%**	**49%**	**42%**
General Administration Planning and Support Services	44,707.9	1,515.3	59,223.7	65,535.0	13,452.7	78,987.7	33%	17%	26%
Public Financial Management	7,561.8	61,394.6	68,956.4	16,400.5	24,690.4	41,090.0	-40%	19%	13%
Economic and Financial Policy Formulation and Management	1,198.4	9,562.8	10,761.2	623.8	9,705.8	10,334.6	-4%	3%	3%
Market Competition	302.1	30.0	332.1	352.1	57.0	409.1	23%	0.1%	0.1%
Government Clearing Services	74.3	-	74.3	73.1	-	73.1	-2%	0.0%	0.0%
Rail Transport	-	31,928.0	31,928.0	-	-	-	-100%	9%	0.0%
Marine Transport	-	3,120.6	3,120.6	-	-	-	-100%	0.9%	0.0%
State Department for Economic Planning	**3,955.5**	**45,130.6**	**49,086.1**	**4,146.0**	**58,072.9**	**62,218.9**	**27%**	**14%**	**20%**
Economic Policy and National Planning	2,107.0	44,806.4	46,913.4	2,257.8	54,414.5	56,672.3	21%	13%	18%
National Statistical Information Services	1,317.6	228.8	1,546.4	1,317.6	3,532.9	4,850.6	214%	0.4%	2%
Monitoring and Evaluation Services	180.3	95.5	275.8	114.4	125.5	239.9	-13%	0.1%	0.1%
General Administration Planning and Support Services	350.6	-	350.6	456.2	-	456.2	30%	0.1%	0.1%
State Department for Public Service	**23,141.80**	**703**	**23,844.80**	**23,181.70**	**1,078.10**	**24,259.80**	**2%**	**7%**	**8%**
Public Service Transformation	9,659.70	602.2	10,261.9	1,287.4	383	1,670.4	-84%	3%	0.5%
General Administration Planning and Support Services	569	30.8	599.3	599,9	30.0	629.9	5%	0.2%	0.2%
Public Service Human Resource Management and Development	-	-	-	8,380.0	581.1	8,962.0	100%	0.0%	3%
National Youth Service	12,913.2	70.0	12,983.2	12,913.5	84.0	12,997.5	0%	4%	4%
State Department for Youth Affairs	**1,524.3**	**1,932.8**	**3,457.1**	**-**	**-**	**-**	**-100%**	**1%**	**0.0%**
Youth Empowerment	498.9	476.7	975.6	-	-	-	-100%	0.3%	0.0%
Youth Development Services	638.6	1,456.1	2,094.7	-	-	-	-100%	0.6%	0.0%
General Administration, Planning and Support Services	586.3	-	586.3	-	-	-	-100%	0.2%	0.0%
Parliament	48,155.0	2,065.0	50,220.0	38,336.8	2,065.0	40,401.8	-20%	14%	13%

The Commission on Revenue Allocation	**492.0**	**-**	**492.0**	**501.3**	**-**	**501.3**	**2%**	**0.1%**	**0.2%**
Intergovernmental Transfers and Financial Matters	492.0	-	492.0	501.3	-	501.3	2%	0.1%	0.2%
Public Service Commission	**2,555.8**	**26.3**	**2,582.1**	**2,721.9**	**45.3**	**2,767.2**	**7%**	**0.7%**	**0.9%**
General Administration, Planning and Support Services	916.8	26.3	943.1	932.5	45.3	977.8	4%	0.3%	0.3%
Human Resource management and Development	1,445.7	-	1,445.7	1,521.7	-	1,521.7	5%	0.4%	0.5%
Governance and National Values	147.7	-	147.7	151,0	-	151	2%	0.0%	0.0%
Performance and Productivity Management	45.6	-	45.6	61,8	-	61.8	36%	0.0%	0.0%
Administration of Quasi-Judicial Functions	-	-	55.0	-	55.0	100%	0.0%	0.0%	
Salaries and Remuneration Commission	**612.5**	**-**	**612.5**	**612.5**	**-**	**612.5**	**0%**	**0.2%**	**0.2%**
Salaries and Remuneration Management	612.5	-	612.5	612.5	-	612.5	0%	0.2%	0.2%
Auditor General	**6,508.5**	**389.7**	**6,898.2**	**7,283.1**	**489.7**	**7,772.8**	**13%**	**2%**	**3%**
Audit Services	6,508.5	389.7	6,898.2	7,283.1	489.7	7,772.8	13%	2%	3%
Office of the Controller of Budget	**702.4**	**-**	**702.4**	**749.0**	**-**	**749.0**	**7%**	**0.2%**	**0.2%**
Control and Management of Public finances	702.4	-	702.4	749.0	-	749.01	7%	0.2%	0.2%
The Commission on Administrative Justice	**724.3**	**-**	**724.3**	**779.8**	**-**	**779.8**	**8%**	**0.2%**	**0.3%**
Promotion of Administrative Justice	724.3	-	724.3	779.8	-	779.8	8%	0.2%	0.3%

Data Source: National Treasury

2023 Budget Policy Statement
2022 Budget Review and Outlook Paper
https://www.treasury.go.ke/wp-content/uploads/2022/12/PAIR-Sector-Report.pdf

3.5 Education

3.5.1 Overview

The Education sector comprises six sub-sectors: Early Learning and Basic Education, Technical Vocational Education and Training (TVET), University Education and Research; Post Training and Skills Development; Implementation of Curriculum Reforms, and Teachers Service Commission. The 2023 Budget Policy Statement has identified several programs to be implemented during the FY 2023/24 for the sector. These include enrolment in primary and junior secondary schools, TVETs and Universities, construction of classrooms and laboratories, School Feeding Programme, sanitary towels, curriculum designs, recruitment of TVET trainers and TSC teachers, and student loans, among others. To implement these programmes, the Sector was allocated Ksh. 597 billion in FY 2023/24. This comprises Ksh. 56 billion for recurrent expenditure and Ksh. 34 billion for development expenditures.

Although the budget for the education sector in FY 2021/22 was larger overall than the year before, this was mostly due to increases in TSC wages and a modest rise in the basic education capital budget. Budget reductions were made to the other agencies in the sector this year. In the 2023/24 proposed allocations, most of the programs retained their share of their total education budget as compared to 2022/23. The Teachers Service Commission budget increased by 8% for FY 23/24 and retained its high share of the total education budget at 54%.

The State Department for Basic Education was the biggest gainer, with a 17% budget increase. Within this State Department, the Primary Education Programme had the highest increase of 64%. Although the State Department for Higher education and Research budget increased by 7%, the specific program of Research, Science, Technology and Innovation faced a 19% budget cut. This raises the question:

Why is research being deprioritized in the current budget at a time when universities are struggling financially and there is a public outcry for increased funding to universities and calls for stronger investment in research?

Shadow Budget Education sector questions:

1. Why did the programmes Quality Auusrance and Standards and General Administration, Planning and Support Services have low performance of its KPIs yet they had high budget absorption rates?
2. Why are the pending bills high in the university education sub-sector despite good absorption rates?
3. Why the primary education programme has the highest increase in FY 2023/24 budget allocation yet absorbed the lowest. Budget in FY 2021/22 and achieved only 52% of its KPIs?

3.5.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

Table 3.5.2.1: Education sector Budget Performance FY 2021/22 (Ksh Million) and Absorption Rate (%)

Programmes	Approved Budget	Actual Expenditure	Absorption Rate	No. of Key Performance Indicators 2021/22	No. of Key Performance Indicators achieved in FY 2021/22	% of Key Performance Indicators achieved in FY 2021/22
State Department For Early Learning & Basic Education						
Primary Education	22,240.0	18,772.0	84%	23	12	52%
Secondary Education	75,837.0	74,852.0	99%	14	9	64%
Quality Assurance and Standards	4,298.0	4,051.0	94%	16	7	44%
General Administration, Planning and Support Services	5,051.0	4,747.0	94%	21	8	38%
State Department For Vocational And Technical Training						
Technical Vocational Education and Training	23,053.0	20,417.0	89%	35	22	63%
State Department For University Education						
University Education	104,451.0	99,869.0	96%	17	15	88%
Research, Science, Technology, and Innovation	1,040.0	1,026.0	99%	18	13	72%
Teachers Service Commission	290,835.0	290,510.0	100%	21	15	71%
GRAND TOTAL	**526,805.0**	**514,244.0**	**98%**	**165**	**101**	**61%**

Source: Education Sector MTEF 2023/24 - 2025/26

Why did the programmes Quality Assurance and Standards and General Administration, Planning and Support Services have low performance of their Key Performance Indicators, yet they had high budget absorption rates?

The Quality Assurance and Standards programme had a budget absorption of 94% but only achieved 44 % of its Key Performance Indicators. To improve the quality and standards in schools, the programme targeted to assess 18,500 learning institutions but only managed to assess 13,465 institutions. To facilitate co-curricular activities, 1787 schools were targeted to participate in science fairs organized at the Sub-County level but reported performance was 0. Equally, despite a 94 % absorption rate, the General Administration Planning and Support Services had glaring underperformance in its Key Performance Indicators, the target number of education officials to be trained on NEMIS was 10,000 but only 26 were trained; 50 % of Ministry's Information Security Management Standard (ISMS) was to be developed, yet none was done. Finally, 14,900 Final Schools Accounts were to be audited, and only 4017 were actualized. The Sector Working Group Report does not provide any explanation for the low achievement of the Key Performance Indicators, but when the budget is almost fully utilized and Key

Performance Indicators fall this far short, the question is why agencies are setting such unrealistic targets.

Why is the stock of pending bills so high in the university education sub-sector despite good absorption rates?

The average absorption rate for the education sector is 98 % with university education absorbing 96 % of the allocated budget. With this absorption, the Sector Working Group Report shows that university education still posts a pending bill of about Ksh. 40 billion (against an approved estimate of Ksh. 108.5 billion in FY 2022/23 against approved budget. This scenario calls for an in-depth analysis of the program's pending bills and clear plan on how these bills will be cleared. It requires universities to be more innovative in income generation and a policy directive from the government for universities to prioritize pending bills even as they ask for more funds.

3.5.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

Why does the primary education programme have the highest increase in FY 2023/24 budget allocation when it absorbed the lowest budget in FY 2021/22 and achieved only 52% of its Key Performance Indicators? What will the government change in the upcoming year to guarantee that money designated for primary education is spent?

Primary education has received about Ksh. 32 billion in FY 2023/24 which is a 39 % increase in budget allocation compared to the approved budget of Ksh. 19 billion in FY 2022/23. With 84 % budget absorption in FY 2021/22, the primary education programme only achieved 52 % of the target Key Performance Indicators. For example, to enhance digital learning and ICT integration services, the programme targeted 1000 Smart classrooms in public primary schools for establishing digital learning programmes but zero was achieved. Also, to facilitate nutrition and hygiene services the programme targeted 1,680,000 teenage girls in public primary schools to receive Sanitary Towels but only managed to reach 898,379, 53 % of the target. The primary sector introduced a new curriculum that required a totally new approach to how it is going to be implemented. This meant that new constructions were to be made to the CBC and JSS programmes and that required more resources.

Table 3.5.3.1: Education Resource Budget Allocation, Ksh million

Sector Requirement Vs Allocation (By programmes)	2022/23 Approved			2023/24 Allocation			% change	% share of budget 22/23	% share of budget 23/24
	Recurrent	Capital	Total	Recurrent	Capital	Total			
EDUCATION SECTOR TOTAL	515,600.7	28,918.8	544,519.5	562,874.0	34,312.0	597,186.0	10%		
Teachers Service Commission	297,718.0	656.0	298,374.0	321,594.0	1,139.0	322,733.0	8%	55%	54%
Teacher Resource Management	289,373.3	600.0	289,973.3	312,996.0	1,095.0	314,091.0	8%	53%	53%
Governance and Standards	1,161.0	-	1,161.0	1,310.0	-	1,310.0	13%	0.2%	0.2%

General Administration, Planning and Support Services	7,183.7	56.0	7,239.7	7,288.0	44.0	7,332.0	1%	1%	1%
State Department for Basic Education	95,302.0	15,379.0	110,681.2	109,332.0	20,704.0	130,036.0	17%	20%	22%
Primary Education	17,992.7	1,884.7	19,877.4	19,979.0	12,596.0	32,575.0	64%	4%	5%
Secondary Education	68,516.0	12,898.5	81,414.8	79,106.0	7,275.0	86,381.0	6%	15%	14%
Quality Assurance and Standards	3,638.8	446.0	4,084.8	4,196.0	633.0	4,829.0	18%	1%	1%
General Administration, Planning and Support Services	5,154.0	150.0	5,304.0	6,051.0	200.0	6,251.0	18%	1%	1%
State Department for Higher Education & Research	102,857.0	6,980.7	109,838.0	111,604.0	5,388.0	116,992.0	7%	20%	20%
University Education	101,521.0	6,925.7	108,446.8	110,527.0	5,284.0	115,811.0	7%	20%	19%
Research, Science, Technology and Innovation	991.0	55.0	1,046.0	743.0	104.0	847.0	-19%	0.2%	0.1%
General Administration, Planning and Support Services	345.0	-	345.0	334.0	-	334.0	-3%	0.1%	0.1%
State Department for Technical, Vocational Education and Training	19,100.5	5,829.8	24,930.0	20,344.0	7,081.0	27,425.0	10%	5%	5%
Technical Vocational Education and Training	18,860.0	5,829.8	24,690.0	20,039.0	7,081.0	27,120.0	10%	5%	5%
Youth Training and Development	44.9	-	44.9	47.0	-	47.0	5%	0.0%	0.0%
General Administration, Planning and Support Services	195.5	-	195.5	258.0	-	258.0	32%	0.0%	0.0%
State Department for Post Training and Skills Development	283.6	73.0	356.6	0.0	-	-	-100%	0.0%	0.0%

General Administration, Planning and Support Services	134.0	-	318.0	-	-	-	-100%	0.1%	0.0%
Work Place Readiness Services	100.8	73.0	173.8	-	-	-	-100%	0.0%	0.0%
Post Training Information Management	48.5	-	48.5	-	-	-	-100%	0.0%	0.0%
State Department for Implementation of Curriculum Reforms	339.0	-	339.0	-	-	-	-100%	0.1%	0.0%
Coordination of the Curriculum reforms Implementation	339.0	-	339.0	-	-	-	-100%	0.1%	0.0%

3.6 Governance, Justice, Law and Order (GJLO) sector

3.6.1 Overview

The Governance, Justice, Law and Order (GJLO) Sector consists of sixteen (16) subsectors, nineteen (19) Semi-Autonomous Government Agencies (SAGAs) and twenty (20) tribunals each implementing specific mandates. The Sector has been identified in the 2023 Budget Policy Statement as one of the enablers of a conducive and secure business environment to enhance the productivity of other sectors. In the FY 2023/24 and the medium term, the government has committed to equipping the office of the Attorney General with resources needed to safeguard public interest and negotiate agreements; bolstering the financial and technical capabilities of independent institutions; strengthening the office of the Registrar of Political Parties; ending the weaponization of anti-corruption efforts; granting financial independence to EACC and National Police Service; and promoting openness and accountability in the management of public affairs.

A review of the sector's budget performance reveals that despite the sector having a high number of sub-sectors and semi-autonomous agencies, the bulk of its budget was allocated to only a few of these. In FY 2022/23, the State Department for Interior and Citizen Services was allocated 66 % of the total sector budget. In FY 2023/24, the department's functions were reorganized into Interior and Citizen Services, Internal Security and National Government Administration and National Police Service. With the reorganization, the National Police Service holds the lion's share of the sector's budget at 47 %. Cumulatively, the three sub-sectors together with the State Department for Correctional Services have been allocated 80 % of the sector's budget.

In the FY 2023/24, the sector has been allocated roughly Ksh. 230 billion, representing a 2% decline from allocations in FY 2022/23. Apart from budget cuts in the State Department for Interior and Citizen Services, Independent Electoral and Boundaries Commission (IEBC) and Office of the Registrar of Political Parties in the FY 2023/24, all other sub-sectors received a budgetary increase. The State Department for Interior and Citizen Services faced a 93 % budgetary cut as a result of transfer of the department's functions to the newly created National Police Service and State Department for Internal Security and National Government Administration. IEBC faced a 79 % budgetary cut due to completion of the general election in August 2022.

On the other hand, the biggest gainers were the Judicial Service Commission (53 % growth in budget over last year), Kenya National Commission on Human

Rights (23 %) and National Police Service Commission (21%). Other departments, such as the State Law Office, Judiciary, Office of the Director of Public Prosecution and Witness Protection Agency, had increases of between 12% and 15%. This is because of the Government's commitment to bolster the financial and technical capacities of independent institutions as per the 2023 Budget Policy Statement.

In terms of percentage share of the total sector budget, most programs/ state departments retained their shares as they were in 2022/23, with the State Department for Correctional Services posting a marginal increase from 14% to 16%, and IEBC dropping from 9% to 2%.

Shadow Budget GJLO Sector questions:

1. Why is the development budget absorption rate at 86 per cent as compared to recurrent at 97 per cent and what measures will be put in place to enhance development budget absorption?
2. Why has the government reduced funding for priority programmes within the sector?
3. Why has resource allocation to the sector declined, despite it being identified as an enabler towards achieving the bottom-up economic model?
4. Why was IEBC not allocated resources to undertake electoral boundary reviews despite a constitutional deadline of March 2024?
5. Why has the sector consistently received low development budget allocation despite the longstanding need for development projects?
6. Why is the information on performance and resource requirements for the Judiciary not included in the sector working group reports?
7. Why are some independent commissions within the sector massively underfunded?

3.6.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

Table 3.6.2.1: Summary of Sub-Sectors with Highest and Lowest Absorption Rates in the FY 2021/22 (Ksh. million)

Sub-sector	2022/23 Approved			2023/24 Allocation			Absorption Rates		
	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total
Witness Protection Agency	490.0	-	490.0	489.0	-	489.0	100%	-	100%
Kenya National Commission on Human Rights	400.0	-	400.0	397.0	-	397.0	99%	-	99%
State Department for Interior Services	134,359.0	8,504.0	142,863.0	133,068.0	7,708.0	140,776.0	99%	91%	99%
State Department for Correctional Services	28,521.0	360.0	28,881.0	28,033.0	0	28,356.0	98%	90%	98%

Ethics and Anti-Corruption Commission	3,519.0	67.0	3,586.0	3,495.0	37.0	3,532.0	99%	55%	98%
The Judiciary	15,968.0	2,592.0	18,560.0	15,061.0	1,809.0	16,870.0	94%	70%	91%
Independent Electoral & Boundaries Commission	23,041.0	125.0	23,166.0	20,020.0	0	20,137.0	87%	94%	87%

Source: National Treasury and NCAJ Report FY 2021/22

Why is the development budget absorption rate at 86 % as compared to recurrent at 97 %? What measures will be put in place to enhance development budget absorption?

The Sector utilized approximately Ksh. 214 billion and Ksh. 10 billion on recurrent and development expenditure, translating to absorption rates of 97% and 86% respectively. A similar trend is observed across the sub-sectors where recurrent budget absorption is higher than the development budget absorption with the exception of IEBC. The Judiciary and the Ethics and Anti-Corruption Commission (EACC) had the lowest development budget absorption at 70% and 55% respectively.

A review of the Judiciary's annual report for the FY 2021/22[5] revealed that inadequate funding in the year affected implementation of key activities aimed at enhancing access to justice. This included renovation of court premises and purchase of furniture and ICT equipment to operationalize 22 gazetted courts; purchase of furniture, ICT equipment and other working tools for newly appointed judges; and purchase of motor vehicles for courts and tribunals among other activities. However, when budgets are not fully utilized, it raises the question of whether inadequate funding is the main constraint on performance.

Similarly, no information is provided on EACC's development budget indicators (target vs. achievement) in the GJLO Sector Report despite the low budget absorption. EACC had planned to refurbish its headquarters and automate its business processes with the allocated development budget but the extent of achievement of planned targets and the causes of underperformance are unknown, requiring further interrogation.

Why has the government reduced funding for priority programmes within the sector?

Supplementary budget cuts affect the capacity of State Departments to meet their original development targets identified at the beginning of the financial year. For example, the State Department for Interior and Citizen Services has been allocating resources towards construction of prison staff houses and penal facilities over the past two (2) years. However, the allocations have been removed through supplementary budget cuts, delaying completion of crucial infrastructure. For example, in FY 2021/22, the government cut approximately Ksh. 664 million earmarked for the construction of prison staff houses, penal facilities and probation centers in the supplementary budget. The State Department planned to improve the welfare of Prison Wardens through the construction of 13 staff quarters and issue 20,000 officers with new uniforms. However due to the budget cuts, they only managed to issue uniforms to 9,318 officers and did not complete the construction of any staff quarters. The Department also planned to improve inmate welfare through provision of beddings and linen to 20,000 inmates and feeding pans to 35,000 inmates to reduce the incidence of prisoners sharing personal items. At the end of the FY 2021/22, only 16,594 inmates were issued with beddings and linen and 10,255 inmates issued with feeding pans. It is imperative that the National

[5] Judiciary of Kenya, "State of Judiciary and Administration of Justice: Annual Report FY 2021-22

Treasury only develops supplementary budgets to fund unforeseen/emergency expenditure to prevent deviations from development plans.

3.6.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

Why has resource allocation to the sector declined, despite it being identified as an enabler towards achieving the bottom-up economic model?

The GJLO sector has been identified in the 2023 Budget Policy Statement as one of the enablers that will support other sectors to realize their development potential. However, budgetary allocation to the Sector has declined by 2 % (Ksh 4.6 billion) as shown in Table 2 below. In real terms, this decline is even more significant taking into account the 9.3 % inflation rate as at February 2023, meaning that the real decline in the sector's allocation is approximately 11 % of FY 2022/23 approved budget.

Why was IEBC not allocated resources to undertake electoral boundary reviews despite a constitutional deadline of March 2024?

The reduction in allocation to the sector is primarily as a result of the reduction in the proposed allocation to Independent Electoral and Boundaries Commission (IEBC) by Kshs. 17.2 billion as a result of the completion of the election period in August 2022. However, IEBC is set to embark on a crucial electoral boundaries' delimitation exercise:reviewing constituency boundaries to keep up with population growth and accommodate new constituencies for populous units. This is a highly polarized and politicized exercise that has a bearing on the resource sharing framework. Article 89(2) of the Constitution of Kenya requires IEBC to review the names and boundaries of constituencies at intervals of not less than eight (8) years and not more than twelve (12) years. Since the last review was conducted in March 2012 the deadline for the next review is March 2024. IEBC requested Kshs. 7.2 billion to conduct the delimitation exercise but was only allocated Kshs. 276 million. The budgetary cuts to IEBC may lead to a constitutional crisis if the resources are not allocated in FY 2023/24.

Why has the sector consistently received low development budget allocation despite a long-standing need for development projects?

Due to the service-oriented nature of most programmes implemented within the sector, the sector has prioritized allocation to recurrent expenditure. The sector allocated 96 % and 4 % of allocated resources in the FY 2022/23 to recurrent and development expenditure respectively. However, there has been a long-standing need to address the dilapidated state of police stations; police housing units; prisons and prison quarters; police equipment including aircraft; and stalled construction of law courts among others. Besides the low share of resources allocated to the development budget, allocations to development expenditure in the sector has been on a decline. It has reduced from Kshs. 19.2 billion in FY 2018/19 to Kshs. 10.3 in FY 2022/23, and further declined to Kshs. 10.2 billion in FY 2023/24. This is a worrying trend.

Moreover, as we saw above, the government tends to reduce development budgets during the year through supplementary budgets. A similar trend is observed in the first supplementary budget of the FY 2022/23 where the sector's budget increased by Ksh. 2.7 billion but allocation to development declined by 31% (Ksh. 3.2 billion). With the budget cuts to development expenditure, the State Department for Correctional Services reduced the number of staff houses to be constructed from 35 to six (6) further delaying the provision of quality houses to prison officers.

Why does the government consistently allocate funds for development in the sector, and then reduce them during the budget year? Given the impact of resource reallocation on attainment of planned development targets, how can the National Treasury limit the number and size of supplementary budget adjustments and ensure that they only support urgent unforeseen expenditure?

Why is the information on performance and resource requirements for the Judiciary not included in the sector working group reports?

The government has pledged to increase the Judiciary budget by Ksh. 3 billion annually over the medium term and operationalize the Judiciary Fund. The Judiciary was allocated an additional Ksh. 2.8 billion during the supplementary budget in FY 2022/23, increasing its budget to Ksh. 21.1 billion. The proposed allocation to Judiciary in the FY 2023/24 has further increased by Ksh. 862 million to Ksh. 21.99 billion.

While there is an increased resource allocation to the Judiciary, information on performance reviews over the previous medium term, priorities of the current medium term, resource requirements and allocation is not provided in the GJLO Sector Working Group Report. Currently, information on Judiciary's performance is provided in the State of the Judiciary and Administration of Justice annual report but this information is backward looking i.e. presents performance of previous year but does not include target and priorities for the coming year. Even though the Judiciary has a special status within the budget process, providing its performance and priority information in the GJLO sector working group report would not only enhance citizen's access to information as envisaged in the constitution, enable the centralization of information on the sector and provide a complete overview of sector's achievements, priorities, resource requirements and resource gaps for future reference and advocacy initiatives.,

Why are some independent commissions within the sector massively underfunded?

The Kenya National Human Rights Commission is massively underfunded affecting its ability to undertake their mandate effectively. For example, in the FY 2021/22, the Kenya National Human Rights Commission received and processed 1,581 cases related to human rights violations. They were only able to investigate and report on 76 cases of the 1,581 reported due to underfunding. Further, the Commission was supposed to train 400 public officers on human rights and fundamental freedoms but managed to only train 169 public officials.

The commission has been consistently allocated 0.2 % of the sector's budget and it can barely perform activities beyond compensating employees and paying for utilities. For example, the Commission could only investigate 76 out of the 1,561 reported cases of human rights violations in the FY 2021/22 despite absorbing 99 % of its budgetary allocation. This translates to 5 % of the reported cases and presents a strong argument for increasing budgetary allocation to the commission.

Table 3.6.3.1: GJLO Resource Budget Allocation, Ksh Million

Sector Resource Requirements By Programmes	2022/23 Approved			2023/24 Allocation			% change	% Share of sector budget 22/23	% Share of sector budget 23/24
	Recurrent	Capital	Total	Recurrent	Capital	Total			
Governance, Justice, Law, And Order	224,127.0	10,281.0	234,408.0	219,591.0	10,222.0	229,813.0	-2%		
State Department For Interior And Citizen Services	136,754.0	6,779.0	143,533.0	-	-	-	-100%	61%	0.0%
Policing Services	101,321.0	1,795.0	103,116.0	-	-	-	-100%	44%	0.0%
Government Printing Services	735.0	300.0	1,035.0	-	-	-	-100%	0.4%	0.0%
Migration & Citizen Services Management	2,780.0	950.0	3,730.0	-	-	-	-100%	2%	0.0%

Road Safety	2,304.0	521.0	2,825.0	-	-	-	-100%	1%	0.0%
Population Management Services	4,003.0	1,232.0	5,235.0	-	-	-	-100%	2%	0.0%
General Administration And Support Services	24,551.0	1,881.0	26,432.0	-	-	-	-100%	11%	0.0%
Policy Coordination Services	1,058.0	100.0	1,158.0	-	-	-	-100%	1%	0.0%
State Department For Correctional Services	31,053.0	1,165.0	32,219.0	34,747.0	1,430.0	36,177.0	12%	14%	16%
General Administration, Planning And Support Services	358.0	15.0	373.0	458.0	15.0	473.0	27%	0.2%	0.2%
Prison Services	28,851.0	880.0	29,731.0	32,119.0	1,075.0	33,194.0	12%	13%	14%
Probation & After Care Services	1,845.0	270.0	2,115.0	2,170.0	340.0	2,510.0	19%	1%	1%
State Department For Immigration And Citizen Services	-	-	-	7,481.0	2,710.0	10,191.0	100%	0.0%	4%
General Administration And Support Services	-	-	-	824.0	5.0	829.0	100%	0.0%	0.4%
Population Management Services	-	-	-	4,182.0	1,730.0	5,912.0	100%	0.0%	3%
Migration & Citizen Services Management	-	-	-	2,476.0	975.0	3,451.0	100%	0.0%	2%
National Police Service	-	-	-	106,186.0	1,748.0	107,934.0	100%	0.0%	47%
Policing Services	-	-	-	106,186.0	1,748.0	107,934.0	100%	0.0%	47%
State Department For Internal Security And National Administration	-	-	-	27,301.0	1,563.0	28,864.0	100%	0.0%	13%

General Administration And Support Services	-	-	-	25,420.0	1,129.0	26,549.0	100%	0.0%	12%
Government Printing Services	-	-	-	749.0	384.0	1,132.0	100%	0.0%	1%
Policy Coordination Services	-	-	-	1,133.0	50.0	1,183.0	100%	0.0%	1%
State Law Office	5,179.0	224.0	5,403.0	6,017.0	211.0	6,228.0	15%	2%	3%
Legal Services	2,479.0		2,479.0	2,755.0		2,755.0	11%	1%	1%
Governance, Legal Training And Constitutional Affairs	1,898.0	134.0	2,031.0	2,131.0	81.0	2,212.0	9%	1%	1%
General Administration, Planning And Support Services	803.0	90.0	893.0	1,131.0	130.0	1,261.0	41%	0.4%	1%
The Judiciary	16,397.0	1,900.0	18,297.0	18,897.0	2,200.0	21,097.0	15%	8%	9%
Dispensation Of Justice	16,397.0	1,900.0	18,297.0	18,897.0	2,200.0	21,097.0	15%	8%	9%
Ethics And Anti-Corruption Commission	3,421.0	158.0	3,579.0	3,724.0	128.0	3,852.0	8%	2%	2%
Ethics And Anti-Co Eruption	3,421.0	158.0	3,579.0	3,724.0	128.0	3,852.0	8%	2%	2%
Office Of The Director Of Public Prosecutions	3,282.0	45.0	3,327.0	3,585.0	155.0	3,740.0	12%	1%	2%
Public Prosecution Services	3,282.0	45.0	3,327.0	3,585.0	155.0	3,740.0	12%	1%	2%
Office Of The Registrar Of Political Parties	2,127.0	-	2,127.0	2,101.0		2,101.0	-1%	1%	1%
Registration, Regulation And Funding Of Political Parties	2,127.0	-	2,127.0	2,101.0		2,101.0	-1%	1%	1%

Witness Protection Agency	649.0	-	649.0	726.0		726.0	12%	0.3%	0.3%
Witness Protection	649.0	-	649.0	726.0		726.0	12%	0.3%	0.3%
Kenya National Commission On Human Rights	464.0	-	464.0	573.0	-	573.0	23%	0.2%	0.2%
Protection And Promotion Of Human Rights	464.0	-	464.0	573.0	-	573.0	23%	0.2%	0.2%
Independent Electoral And Boundaries Commission	21,687.0	-	21,687.0	4.448.2	77.0	4,525.0	-79%	9%	2%
Management Of Electoral Processes	21,365.0	-	21,365.0	4,173.0	77.0	4,250.0	-80%	9%	2%
Delimitation Of Electoral Boundaries	322.0	-	322.0	276.0	-	276.0	-14%	0.1%	0.1%
Judicial Service Commission	587.0	-	587.0	897.0	-	897.0	53%	0.3%	0.4%
General Administration, Planning And Support Services	587.0	-	587.0	897.0	-	897.0	53%	0.3%	0.4%
National Police Service Commission	1,029.0	-	1,029.0	1,246.0	-	1,246.0	21%	0.4%	1%
National Police Service Human Resource Management	1,029.0	-	1,029.0	1,246.0	-	1,246.0	21%	0.4%	1%
National Gender And Equality Commission	473.0	10.0	483.0	531.0	-	531.0	10%	0.2%	0.2%
Promotion Of Gender Equality And Freedom From Discrimination	473.0	10.0	483.0	531.0	-	531.0	10%	0.2%	0.2%

Independent Policing Oversight Authority	1,025.0		1,025.0	1,132.0	-	1,132.0	10%	0.4%	1%
Policing Oversight Services	1,025.0		1,025.0	1,132.0	-	1,132.0	10%	0.4%	1%

3.7 Agriculture, Rural and Urban Development (ARUD) sector

3.7.1 Overview

The Agriculture, Rural and Urban Development (ARUD) Sector comprises five sub-sectors, implementing 11 programmes. The sub-sectors are: State Department for Lands and Physical Planning (SDLPP); State Department for Livestock Development (SDLD); State Department for The Blue Economy and Fisheries (SDBEF); State Department for Crop Development (SDCD); and National Land Commission (NLC).

The sector budget accounted for 3% of the total national budget. Most programs posted a marginal change in budget share from the 2022/23 budget. Although the State Department for Crop Development had the lion's share of the total sector budget at 52%, this was a 10% decline from 65% in FY 22/23. The State Department for Livestock budget share increased from 11% in FY 22/23 to 26% in FY 23/24. The sub-sector received a 168 % increase in its budget.. This indicates that the government is placing a high priority on livestock development, as evidenced by investments in initiatives such as Kenya Livestock Commercialization Project (KELCOP) and Towards Ending Drought Emergencies (TWENDE)

Questions for Agriculture, Rural and Urban Development (ARUD) Sector:

1. Why does the sector have stark underperformance of KPIs while budget absorption is seemingly high?
2. Why is the development budget absorption lagging over recurrent budget absorption for most programs?
3. Why has the Livestock department received the highest budget share against wanting performance in absorption and KPI achievement?
4. What measures have been put in place to enhance efficiency and credibility around budget execution against set KPIs?

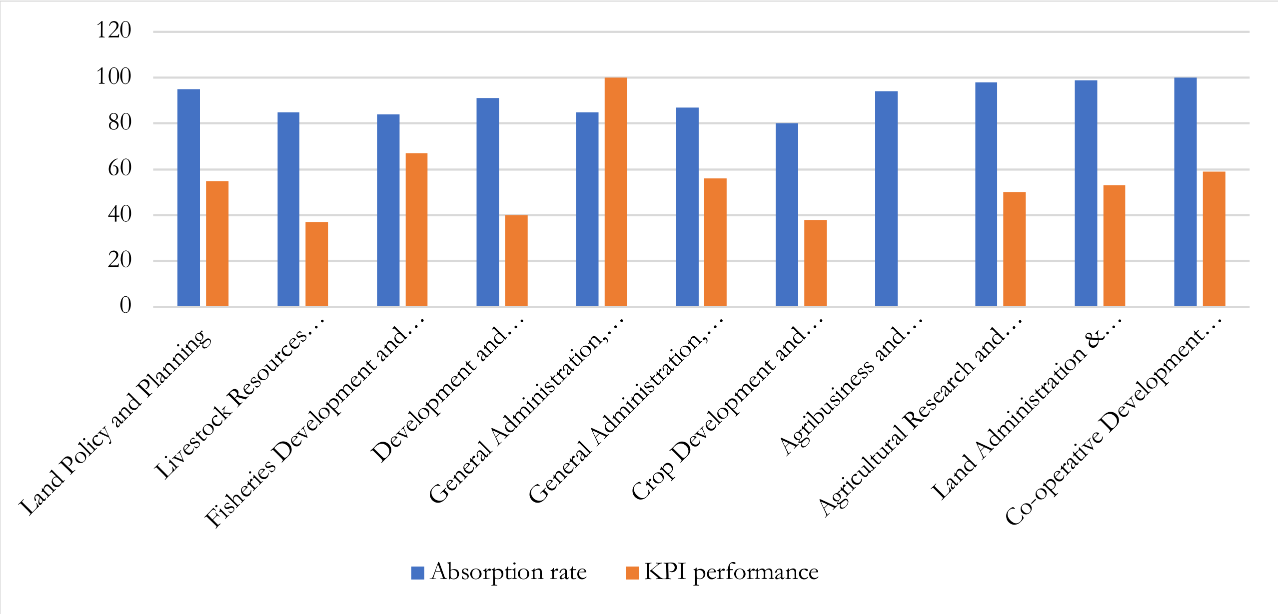
3.7.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

Table 3.7.2.1: ARUD Programmes absorption rates and performance of Key Performance Indicators FY 2021/22

Programme	2021/22 Approved Budget	2021/22 Actual Expenditure	Absorption Rate (%)			% Share of actual expenditure	KPI Performance (% of the total)
			Recurrent	Development	Total		
Land Policy and Planning	5,461.0	5,193.0	99.0	89.0	95.0	9%	55%
Livestock Resources Management and Development	6,476.0	5,566.0	88.0	82.0	85.0	9%	37%
Fisheries Development and Management	6,363.0	5,347.0	99.0	77.0	84.0	9%	67%
Development and Coordination of the Blue Economy	1,634.0	1,497.0	100.0	91.0	91.0	3%	40%
General Administration, Planning and Support Services	226.0	193.0	86.0	80.0	85.0	0.0%	100%
General Administration, Planning and Support Services	8,488.0	7,447.0	95.0	77.0	87.0	12%	56%
Crop Development and Management	28,713.0	23,214.0	97.0	79.0	80.0	39%	38%
Agribusiness and Information Management	1,380.0	1,307.0	99.0	94.0	94.0	2%	0.0%
Agricultural Research and Development	6,495.0	6,391.0	98.0	96.0	98.0	11%	50%
Land Administration & Management	1,726.0	1,712.0	99.0	100.0	99.0	3%	53%
Co-operative Development and Management	1,928.0	1,938.0	100.0	99.0	100.5	3%	59%
Grand Total	**68,889.0**	**59,805.0**	**96.0**	**87.0**	**86.0**	**100%**	**55%**

Source: ARUD Sector Group Report - FY 2023/24 and the Medium-Term Budget.

Figure 3.7.2.1: Absorption rates Vs Key Performance Indicators performance



Data source: ARUD Sector Working Group Report MTEF 2023/24-2025/26

Why does the sector exhibit stark underperformance of Key Performance Indicators while budget absorption is high?

It is expected that sectors set their Key Performance Indicators in consideration of their budgetary allocations. On analysis, most programs posted low achievement of Key Performance Indicators, with only General Administration, Planning and Support Services achieving their targets. The absorption rates are high (ranging between 84 and 100.52 %) while the performance of Key Performance Indicators (% of the total achieved against the targets) in the ARUD sector was relatively low (on average about 55%) across all the programmes as depicted in Figure 3.7.1.

Furthermore, the largest spenders in the sector have weak performance on Key Performance Indicators. The Crops Development and Management program accounted for the lion's share of the actual expenditure (39%) but had the lowest level of KPI achievement at 38 %. Equally, the General Administration and Support Services and Agricultural Research and Development accounted for 12 and 11 per cent budget share respectively, but only achieved 56 and 50 % of their target Key Performance Indicators.
According to the 2021 Budget Policy Statement, the Government intended to achieve total food and nutrition security through projects such as the Kenya Climate Smart Agriculture Project (KSCAP) under the Crops Development and Management program. The project had an allocation of KSh 8.96 billion but failed to meet its targets i.e. no. of direct beneficiaries of the Climate Smart Agriculture Technologies in Common Interest Groups (CIGs) and Vulnerable & Marginalized Groups (VMG) and no. community projects supported during FY 2021/22. Underperformance was attributed to delayed release of funds to counties due to prolonged process of enacting Disbursement Framework for conditional grants.

However, while the program cites delays in release of funds, 80 % of funds were utilized, raising questions about the real causes of underperformance.

Why is the development budget absorption lagging behind recurrent budget absorption for most programs?

The sector absorption rates are higher for recurrent expenditure (96 %) as compared to development (87 %). Three specific programs – Fisheries Development and Management, Crops Development and Management and General Administration, Planning and Support

Services absorbed less than 80% of their development budgets on one hand, and close to 100 % for recurrent budget. However, the Sector Working Group reports do not address the glaring disparities between the development budget absorption rate and recurrent absorption rates.

On Co-operative Development and Management programme, the absorption rate exceeded 100%, suggesting that the program spent more than its approved budget. It is important to investigate why the program exceeded its budget and whether this is attributed to effective management or unexpected costs that caused transfer of funds from other programmes. Moreover, while the absorption rate was high, the programme's KPI performance was still low (59 % achieved).

Why has the Livestock department received the highest budget share against wanting performance in absorption and KPI achievement? What measures have been put in place to enhance efficiency and credibility?

The 168% budget increase to the State Department for Livestock Development can be attributed to the newly introduced initiatives such as the Kenya Livestock Commercialization Project (KELCOP), and Towards Ending Drought Emergencies (TWENDE). While TWENDE aims to reduce the cost of climate change induced drought on Kenya's national economy, KELCOP aims to increase small-scale farmer incomes and improve opportunities for the rural poor. These are worthy goals, but a question of budget credibility and efficiency holds. In FY 2020/21, the department had a low absorption rate of 85 per cent and only achieved 35 per cent of the targeted Key Performance Indicators. What steps will the responsible agency put in place to ensure that the increased budget will be absorbed, and Key Performance Indicators achieved?

Why do pending bills continue to escalate in this sector?

Over the years, pending bills have been constantly increasing. In the FY 2019/20 they amounted to Ksh 766 million, Ksh. 9 billion in the FY 2020/21 and the total pending bills for the sector as of FY 21/22 was Ksh. 1.710 billion, against a sector budget of Ksh. 5 billion. Out of these, Ksh. 492 million were attributed to lack of provisions, whereas Ksh. 1.2 billion were attributed to exchequer releases. Failure to settle pending bills during the year to which they relate distorts budget implementation for the subsequent fiscal year because they form a first charge on resources available. This adversely affects the budgeted development programs as money meant for such programs is reallocated to settle pending bills.

Table 3.7.2.2: ARUD Sector summary of Pending Bills

Sub/Sector/ Program	Pending Bills as of FY 21/22
Ministry of Lands and Physical Planning	570.0
State Department for Livestock	190.0
Fisheries, Aquaculture and Blue Economy	114.0
State Department for Crops Development and Agricultural Research	302.0
National Lands Commission	532.0
State Department for Cooperatives	2.0
TOTAL	**1710**

Data source: ARUD Sector Working Group Report MTEF 2023/24-2025/26

3.7.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

Table 3.7.3.1: ARUD Sector allocations vs requirements per program for FY 2022/23 and 2023/24

Sector Requirement Vs Allocation (By programmes)	2022/23 Approved			2023/24 Allocation			% change	% share of budget 22/23	% share of budget 23/24
	Recurrent	Capital	Total	Recurrent	Capital	Total			
State Department for Lands and Physical Planning	3,306.5	2,621.8	5,928.3	3,447.0	2,675.0	6,122.0	3%	9%	8%
Land Policy and Planning	3,306.5	2,621.8	5,928.3	3,447.0	2,675.0	19,287.0	3%	9%	8%
State Department for Livestock Development	3,590.2	3,617.1	7,207.3	9,306.0	9,981.0	19,287.0	168%	11%	26%
Livestock Resources Management and Development	3,590.2	3,617.1	7,207.3	9,306.0	9,981.0	9,359.0	168%	11%	26%
State Department for Blue Economy and Fisheries	2,391.6	8,105.8	10,497.4	2,730,0	6,629.0	7,965.0	-11%	16%	12%
Fisheries Development and Management	2,099.6	5,917.2	8,016.9	2,375.0	5,590.0	332.0	-1%	12%	11%
General Administration, Planning and Support Services	269.3		269.3	332.0		1,062.0	23%	0.4%	0.4%
Development and Coordination of the Blue Economy	22.7	2,188.6	2,211.3	23.0	1,039.0	39,144.0	-52%	3%	1%
State Department for Crop Development	14,463.7	27,042.3	41,506.0	15,120.0	24,024.0		-6%	62%	52%
General Administration Planning and Support Services	5,227.4	3,609.4	8,836.9	5,785.0	1,220.0	7,005.0	-21%	13%	9%

Crop Development and Management	3,483.8	21,241.2	24,725.0	3,764.0	20,783.0	24,547.0	-1%	37%	32%
Agribusiness and Information Management	133.9	1,470.7	1,609.7	139.0	1,458.0	1,597.0	-1%	2%	2%
Agricultural Research & Development	5,613.5	721.0	6,334.5	5,432.0	563.0	5,995.0	-5%	9%	8%
2021 National Land Commission	1,468.0	90.3	1,558.3	1,585.0	106.0	1,691.0	9%	2%	2%
Land Administration and Management	1,468.0	90.3	1,558.3	1,585.0	106.0	1,691.0	9%	2%	2%

Data Source: The National Treasury, SP denotes supplementary budget

3.8 Social Protection, Culture and Recreation sector

3.8.1 Overview

Social Protection, Culture, and Recreation (SPCR) is made up of six sub-sectors: Youth Affairs, Sports and the Arts, Culture and Heritage, Labour and Skills Development, Social Security and protection, and Gender and Affirmative Action. There is one Autonomous Government Agency (AGA)- National Social Security Fund (NSSF)-, 27 semi-autonomous government agencies (SAGA), and two Trust Funds. The two trust funds are the Street Families Rehabilitation Trust Fund (SFRTF) and the National Assistance Trust Fund for Victims of Trafficking.

The sector is key to the socio-economic transformation of the country.. Based on the framework of the Bottom-Up Transformation Agenda (BETA), the government has identified several focus areas for social protection. First, the government intends to set up a more comprehensive social security system that includes pensions, occupational hazards, and unemployment insurance. Second, under the National Council for People Living with Disabilities Fund, the Hunger Safety Net Program, and the Social Safety Nets Programmes (Inua Jamii), the government will continue to provide support to the most vulnerable in society. It will also work to achieve full NHIF coverage for senior citizens within three years, overhaul the cash transfer programs for the elderly, and invest in caregiver education and training to improve the provision of specialised care for the elderly. Third, to improve children's welfare, the government will work towards the eradication of malnutrition. The sector also promotes the interests of the disabled through various policies and funds.

3.8.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

Why do certain programs have significantly low development budget absorption rates?

On average, the SPCR sector had a budget absorption rate of 94% in FY 2021/22., with recurrent budget absorption at 94% and development budget absorption at 87%. notably, several programs have significantly low

Social Protection, Culture and Recreation Sector questions:

1. Why is the sector's absorption rate of recurrent budget higher than that of the development budget?
2. What is the criteria used in the setting of the Key Performance Indicators for programs such as Community Development?
3. What percentage of resources are allocated to general administration and planning in the Sports Development Program to facilitate development and review of policies and bills relating to sports in FY2023/24?
4. What is the justification for the budget cuts for capital projects within the sector?
5. What is the reason for the significant increase in allocations to The Arts program projected in FY 2023/24?

development budget absorption. For instance, social development and children services and manpower development absorbed 46% and 54% of their development budgets respectively, while absorbing their recurrent budgets almost to entirety. Similarly, the National Safety Net Program, Culture and Library, Gender and Youth Empowerment had also low development budget absorption rates. The low absorption rates hinder implementation of projects, service delivery and achievement of Key Performance Indicators, and challenges the justification for additional funding if the sectors are unable to absorb already allocated funds.

What is the criteria used in the setting of the Key Performance Indicators for programmes such as Community Development?

The Community Development programme, which had a 100 % absorption rate surpassed all its targets for FY 2021/22. The key outcome of the program is improved well-being for the vulnerable members of society. It is of course to be celebrated that the programme has achieved its targets, but when targets are significantly surpassed it suggests that they were not ambitious enough. The key performance indicators (KPI) for this outcome in FY 2021/22 were three. The first KPI was the number of vulnerable students benefiting from bursaries and scholarships. The planned target was 20,200. The actual number of beneficiaries was 35,141. The second KPI was the number of groups supported through grants for socio-economic development, with 1,823 served against a target of 1,000. The third was the number of groups funded for value addition initiatives, which was exceeded by approximately nine times as there were 1,363 groups funded against a target of 150.

3.8.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

In the BPS 2023, one of the government's commitments is to review the Sports Act and develop a Public-Private Partnership Framework. In FY 2021/22 there were no sports policies and bills developed or reviewed despite setting a target of 2 bills. Additionally, only 1 of the 4 targeted monitoring and evaluation (M&E) reports were developed. In both instances, the reason given for the shortfall in attainment of the targets is the lack of funds and facilitation. The breakdown of the funding for the Sports program in FY 2022/23 and FY 2023/24 leaves out information on the allocations for the general administration and planning subprogram under which policy development and review targets are set and assessed.

Table 3.8.2.1: SPCR Sector budget execution

Programmes	Approved Budget			Actual Expenditure			Absorption Rates		
	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Sports Development	1,307.2	15,167.8	16,475.0	1,146.7	14,543.6	15,690.3	88%	96%	95%
Culture Development	1,940.9	43.6	1,984.5	1,927.4	33.9	1,961.3	99%	78%	99%
The Arts	175.7	10.0	185.7	169.7	10.0	179.7	97%	100%	97%
Library	793.9	11.0	804.9	790.4	7.9	798.3	100%	71%	99%
General Administration Planning and Support Services	178.2	1.2	179.4	173.1	1.2	174.3	97%	100%	97%
Promotion of Best Labour Practices	600.5	63.8	664.3	588.7	51.4	640.1	98%	81%	96%
Manpower Development, Employment and Productivity Management	1,703.1	802.8	2,505.9	1,697.4	437.3	2,134.7	100%	54%	85%
General Administration, Planning and Support Services	440.8	-	440.8	436.9	-	436.9	99%	-	99%
Social Development and Children Services	3,851.7	563.3	4,415.1	3,771.7	261.5	4,033.2	98%	46%	91%
National Safety Net Program	29,840.4	2,743.0	32,583.4	29,526.7	1,796.9	31,323.7	99%	66%	96%
General Administration, Planning and Support Services	212.2	-	212.2	200.9	-	200.9	95%	-	95%
Community Development	55.8	2,130.0	2,185.8	55.8	2,130.0	2,185.8	100%	100%	100%
Gender Empowerment	770.8	351.4	1,122.2	767.3	275.2	1,042.5	100%	78%	93%
General Administration, Planning and Support Services	312.9	-	312.9	305.8	-	305.8	98%	-	98%
Youth Empowerment	1,418.6	3,976.8	5,395.4	1,374.1	2,977.7	4,351.7	97%	75%	81%

Workplace Readiness services	70.0	-	70.0	67.0	-	67.0	96%	-	96%
Post Training Information Services	37.0	-	37.0	32.0	-	32.0	86%	-	86%
General Administration, Planning and support services	125.0	-	125.0	119.0	-	119.0	95%	-	95%
SECTOR TOTAL	**43,834.8**	**25,864.8**	**69,699.5**	**43,150.6**	**22,526.5**	**65,677.1**	**98%**	**87%**	**94%**

What percentage of resources are allocated to general administration and planning in the Sports Development Program to promote sports development, facilitate development and review of policies and bills relating to sports in FY 2023/24?

The sector has several capital projects whose implementation has stalled due to insufficient budgetary allocations. An example of this is the Institute of Primate Research (IPR) infrastructure upgrade project which started in 2011. The project is identified as essential to the achievement of UHC as the centre is mandated to undertake research and development of drugs, vaccines and medical devices for humans. Contrary to the expectation that it would be prioritized in funding due to its role in UHC attainment, the project has stalled as it has not received adequate funding in each of the financial years. The project's completion rate stands at 63 % as at the end of June 2022, with no KPI set in the FY 2022/23 for its completion even though it is expected to end in June 2023. It is therefore unclear whether the project's completion is still a government priority within the financial year or not.

In addition to this, it is unclear why funding of some projects such as the upgrading of the Mombasa Industrial Training Center (MITC) which is supposed to be completed in June 2024 have been discontinued. The project has stalled at 56 % completion rate since FY 2019/20, as it was last funded in FY 2018/19. Another stalled project is the National Industrial and Vocational Training Centre with only 29 % completion rate since its start in June 2012 as its last funding was in FY 2016/17.

What is the reason for the significant increase in allocations to The Arts program projected in FY 2023/24?

While majority of the programmes receive a slight increase, two programmes stand out as the biggest beneficiaries of the growth. The Arts will receive an increase of 765 % from Ksh. 157 million in FY 2022/23 to Ksh. 1.4 billion in FY 2023/24. The Promotion of Best Labor Practices will receive an increase of 161 %. However, the Budget Policy Statement does not identify any priority areas within these programmes that justify such large increases. Some of the programmes set to receive cuts to their allocations include the manpower development, employment and productivity and the library services. There are also no explanations provided for the cuts in these budgets.

What were their delays in the disbursement of funds, with some projects not receiving their half year development budgets?

Disbursement of funds in time is key in the execution of the budget. From the Sector Working Group Reports it emerges that the sector did not accomplish some activities because they did not receive their half year development budgets. They include the provision of PWDs with bursaries and scholarships, provision of assistive and supportive devices and services and supporting the PWDs with Local Purchase Order (LPO) financing. If Parliament had flagged this as a concern, the National Treasury would have released the funds in a timely manner to allow for smooth implementation of the programmes. In this financial year, the sector spent Ksh. 65,677.14 million representing an absorption rate of 94 %. However, the national government makes revision to its budget either reducing or increasing the sectoral expenditures. It is therefore important to monitor the budget implementation to ensure that even when these cuts are being made, the programmes being prioritised are not greatly affected.

Table 3.8.3.1: Social Protection Resource Budget Allocation, Ksh Million

Programmes	Approved Budget			Actual Expenditure			% change	% Share of the Sector Budget	
	Recurrent	Dev.	Total	Recurrent	Dev.	Total		2022/23	2023/24
State Department for Sports & Arts	2,684.4	15,913.0	18,597.4	3,184.0	16,417.0	19,601.0	5%	28%	28%
Sports Development	1,543.0	15,883.0	17,426.0	1,370.8	16,129.1	17,499.9	0%	26%	25%
The Arts	157.1	-	157.1	1,142.8	216.6	1,359.4	765%	0%	2%
Library	793.7	30.0	823.7	395.7	71.3	467.0	-43%	1%	1%
General Administration Planning and Support Services	190.6		190.6	274.7	-	274.7	44%	0%	0%
State Department for Culture and Heritage	2,203.6	47.5	2,251.1	2,841.3	127.2	2,968.5	32%	3%	4%
Culture Development	2,013.0	47.5	2,060.5	2,586.6	127.2	2,713.8	32%	3%	4%
General Administration Planning and Support Services	190.6		190.6	254.7	-	254.7	34%	0%	0%
State Department for Labour	2,911.1	572.5	3,483.6	3,382.4	689.0	4,071.3	17%	5%	6%
Workplace Readiness services	-	-	-	787.1	166.4	953.5			1%
Promotion of Best Labour Practices	730.6	111.8	842.3	1,716.2	479.6	2,195.7	161%	1%	3%
Post Training Information Services	-	-	-	36.8	43.0	79.8	-	-	0%
Manpower Development, Employment and Productivity Management	1,676.5	460.7	2,137.3	25.0		25.0	-99%	3%	0%

General Administration, Planning and Support Services	504.0	-	504.0	817.3	-	817.3	62%	1%	1%
State Department for Social Protection, Pensions & Senior Citizens Affairs	31,805.9	2,870.3	34,676.2	32,545.2	3,567.4	36,112.6	4%	52%	52%
Social Development and Children Services	4,252.5	318.8	4,571.3	4,444.5	325.3	4,769.8	4%	7%	7%
National Safety Net Program	27,309.6	2,551.5	29,861.1	27,831.9	3,242.1	31,073.9	4%	45%	45%
General Administration, Planning and Support Services	243.9		243.9	268.9		268.9	10%	0%	0%
State Department for Gender	1,200.4	2,776.0	3,976.4	1,403.8	2,557.8	3,961.7	0%	6%	6%
Community Development		2,130.0	2,130.0	36.0	2,130.0	2,166.0	2%	3%	3%
Gender Empowerment	874.3	646.0	1,520.3	1,002.6	427.8	1,430.5	-6%	2%	2%
General Administration, Planning and Support Services	326.1		326.1	365.2		365.2	12%	0%	1%
State Department for Youth Affairs	1,524.3	1,932.8	3,457.1	1,393.3	898.8	2,292.1	66%	5%	3%
Youth Empowerment	498.9	476.7	975.6	231.7	248.7	480.4	-51%	1%	1%
Youth Development Services	638.6	1,456.1	2,094.7	806.2	650.2	1,456.4	-30%	3%	2%
General Administration, Planning and support services	386.8	-	386.8	355.4	-	355.4	-8%	1%	1%
SECTOR TOTAL	**42,329.7**	**24,112.1**	**66,441.8**	**44,750.0**	**24,257.2**	**69,007.2**	**4%**		

3.9 Environment Protection, Water and Natural Resources sector

3.9.1 Overview

Environment Protection, Water and Natural Resources (EPWNR) Sector consists of six (6) sub-sectors namely: Environment; Forestry; Water Sanitation; Irrigation; Wildlife and Mining. The Sector has twenty-seven (27) Autonomous Agencies and Semi-Autonomous Government Agencies (SAGAs). In addition, the sector has the following entities: National Environmental Complaint Committee (NECC); National Environment Tribunal; Hydrologist Registration Board, and Wildlife Clubs of Kenya (WCK). The Sector plays a critical role in Kenya's economy in securing, stewarding, and sustaining the environment and natural capital of the country.

The sector's budget for FY 2021/22 was Ksh 102.1 billion, and it spent Ksh 88.6 billion, representing an average absorption rate of 87%. In comparison to this financial performance, the sector met some of its key outputs while failing to achieve others due to several challenges such as climate change and limited human and financial resources. Generally, throughout the FYs 2022/23 and 2023/24, the sector's allocation has increased from an average of Ksh 107.2 billion to Ksh 124.6 billion, an increase of 16 %. In FY 2022/23 the Ministry of Water, Sanitation and Irrigation received the largest share of 78 % of the total sector budget while the Ministry of Environment and Forestry and the State Department for wildlife received 14 and 8 % respectively.

The sector's resource allocation was increased in the budget proposals for 2023/2024 even though the sector only spent 87 % of its budget in FY 2021/22. However, the increase was driven by restructuring of government functions and the introduction of new sub-sectors such as the State Departments for Mining and Environment and Climate Change.

Additionally, the budget shares for some state departments also experienced noticeable change not attributable to restructuring. The State department for Water and Sanitation accounts for 57 % representing the largest share of the sector's budget in the proposed allocations for FY 2023/24. A further 20 and 9 % is allocated to the State Department for Irrigation and Forestry. The State Departments for Environment and Climate Change and Mining received the lowest share of 5 and nearly one % respectively.

Environment Protection Water and Natural Resources Sector questions:

1. Why are certain programs in this sector under-spending their budget, particularly their development budgets?
2. Why would the Sector experience high absorption rates in some programmes with low achievement of Key Performance Indicators?
3. Why have the State Department for Wildlife and the Water and Sanitation program received budget increases/ allocations of more than 30 percent in FY 2023/24, despite low absorption of previous budget and low KPI achievement?
4. What is the reason for the budget cut in the water towers protection and conservation program under the state department for environment and climate change despite environment and climate change being an enabler in the BPS?
5. Why are there some similar KPIs reported differently across the programs?

3.9.2 Review of Past Sector Fiscal Performance and Key Performance Indicators

Why are certain programs in this sector under-spending their budget, particularly their development budgets?

The budgetary allocation for the sector in 2021/22 FY was about Ksh. 102 billion, while the expenditure during the same period was Ksh. 89 billion representing an absorption rate of 87%. [6] Out of this, the development vote absorption rate was 85% while the recurrent vote absorbed 93%. A similar trend is replicated across the sub-sectors where recurrent budget absorption is higher than the development budget absorption except for the Wildlife sub-sector. The Environment sub-sector had the lowest development budget absorption at 79%.

Why would the Sector experience high absorption rates in some programmes with low achievement of Key Performance Indicators?

During the period under review, the sector managed to accomplish some of its key performance indicators. However, some Key Performance Indicators were not met despite the programs registering high absorption rates. For example, the Water Harvesting and Storage for Irrigation programme had a good absorption rate of nearly 93% but only managed to achieve 25% of its target Key Performance Indicators. The Education Sector Working Group Report attributes under-achievement of some of these Key Performance Indicators to inadequate funding resulting from budget reviews and late disbursement, yet budgeted funds were spent on the specific programmes. Programme targets are set relative to budget, so if budgeted funds are spent, that cannot be satisfactory reason for targets not being met. Other programs had projects in various stages of implementation that were below their targets. Moreover, during the period, FY 2019/20 – 2021/22, the total pending bills for both recurrent and development was about Ksh 32.5 billion (Ksh 8.9 billion FY 2019/20, Ksh 8.88 billion FY 2020/21 and Ksh 13.6 billion for FY 2021/22), attributed to lack of exchequer and lack of provision. These pending bills continue to accumulate despite a presidential directive to prioritize clearing of pending bills. this then. This

Table 3.9.2.1: Analysis of Programme Expenditure and Key Performance Indicators 2021/22 FY

Programmes	Absorption Rate (%) Rec.	Absorption Rate (%) Dev.	Total Absorption Rate (%)	Key Performance Indicators Achieved in FY 2021/22 (%)
General Administration, Planning and Support Services	92.9	0	92.9	75
Environment Management and Protection	84.8	52.6	71.1	61.8
Meteorological Services	97.0	87.9	94.5	66.7
Forest Resources Conservation and Management	94.4	96.8	95	63.2
Resources Surveys and Remote Sensing	0	0	N/A	N/A
General Administration, Planning and Support Services	99.7	100	99.8	0
Water Resources Management	100	85.9	87.1	91.3
Water and Sewage Infrastructure Development	100	85.5	86.9	39.5

[6] Environment Sector Working Group Report
2023 Budget Policy Statement
National Treasury, Environment Protection, Water and Natural Resources Sector Report for The Mtef Period 2023/24-2025/26 (2022

Irrigation and Land Reclamation	99.7	71.7	73.4	31.6
Water Storage and Flood Control	0	93.2	93.2	0
Water Harvesting and Storage for Irrigation	100	92.5	92.6	25
Wildlife Conservation and Management	88.6	94.5	89.1	57.1

Source: Environment Sector Working Group Report for the MTEF PERIOD 2023/24-2025/26

then broadens the question on absorption rates and whether pending bills are prioritized as required.

3.9.3 Allocations Vs Requirements for FY 2023/24 and the Medium Term

The Sector's approved budget for the fiscal year 2022/23 was Ksh 107 billion, compared to Ksh. 182 billion in resource requirements, representing a resource deficit of 41 % of budgetary needs. Equally, the proposed allocation for FY 2023/24 is Ksh. 125 billion, which is Kshs.83.56 billion less than the requested amount. Despite the sector having a large number of sub-sectors, the majority of its budget was allocated to only a small number of sub-sectors. Generally, the budget allocation for the sector seems to be focused on water and sanitation and irrigation programs, with the State department of Water & Sanitation and State department of Irrigation receiving the largest share of the budget at 57 and 20 % respectively in the proposed allocations for 2023/24. On the other hand, the State Department for Environment and climate change and mining accounted for the least share of 5% of the overall sector's budget.

Why have the State Department for Wildlife and the Water and Sanitation program received budget increases/ allocations of more than 30 % in FY 2023/24, despite low absorption of previous budget and low KPI achievement?

Despite the State Department for Wildlife absorbing only 89% of the previous budget, the state department has received a significant increase in the proposed allocations for FY 2023/24. Is there evidence to suggest that this increase in funding will be effectively absorbed to finance the activities and Key Performance Indicators?

Equally, it will be interesting to monitor how the Water and Sewarage program will absorb its 39% budget share in FY 2023/24. How will the program enhance its budget absorption, given that it accounts for 39% of the total sector budget but had remarkably low achievement on Key Performance Indicators in FY 2021/22?

What is the reason for the budget cut in the water towers protection and conservation program under the state department for environment and climate change despite environment and climate change being an enabler in the BPS?

There is a concerning budget cut of 7 percent in the water towers protection and conservation program for the FY 2023/24 while the government prioritises it in the bottom-up economic transformation agenda in the BPS. In addition, the program accounts for the least share of 0.5 percent of the state department's budget with other programmes such as environment management and protection and meteorological programs accounting for 2.8 and 1.3 percent respectively.

Why are there some similar KPIs reported differently across the programs?

The Environment Management and Protection and the Water towers conservation and protection programs have reported similar KPIs including the number of seedlings produced and planted, and kilometres of terraces done according to the Sector Working Group Report. whereas these activities could be undertaken by the different programmes, it is difficult and confusing to monitor overall progress made.

Table 3.9.3.1: Analysis of Programme Expenditure and Key Performance Indicators 2021/22 FY

Programmes	Approved Estimates 2022/23			Proposed Allocations 2023/24			% change in allocation	% Share of the Sector Budget	
	Recurrent	Dev.	Total	Recurrent	Dev.	Total		2022/23	2023/24
State Department for Wildlife	**7,164.0**	**821.8**	**7,985.8**	**8,848**	**1,592**	**10,440**	**31%**	**7%**	**8%**
Wildlife Conservation and Management	7,164.0	821.8	7,985.8	8,848	1,592	10,440	31%	7%	8%
Ministry of Environment and Forestry	**10,616.0**	**4,639.8**	**15,255.8**	-	-	-	**-100%**	**14%**	-
Environment Management and Protection	1,958.0	1,153.8	3,111.8	-	-	-	-100%	3%	-
General Administration, Planning and Support Services	475.2	-	475.2	-	-	-	-100%	0.4%	-
Meteorological Services	1,103.8	413.0	1,516.8	-	-	-	-100.0%	1.4%	-
Forests and Water Towers Conservation	7,079.0	3,073.0	10,152.0	-	-	-	-100%	9%	-
Ministry of Water & Sanitation and Irrigation	**6,747.5**	**77,189.1**	**83,936.6**	-	-	-	**-100%**	**78%**	-
General Administration, Planning and Support Services	**813.6**	**866.0**	**1,679.6**	-	-	-	**-100%**	**2%**	-
Water Resources Management	1,779.6	13,530.0	15,309.6	-	-	-	-100%	14%	-
Water and Sewerage Infrastructure Development	3,395.8	42,324.1	45,719.9	-	-	-	-100%	43%	-
Irrigation and Land Reclamation	726.5	8,399.0	9,125.5	-	-	-	-100%	9%	-
Water Storage and Flood Control		10,012.0	10,012.0	-	-	-	-100%	9%	-
Water Harvesting and Storage for Irrigation	32.0	2,058.0	2,090.0	-	-	-	-100%	2%	-
State Department for Environment and Climate Change	-	-	-	**4,231.0**	**1,923.0**	**6,154.0**	**-100%**		**5%**
Programme 1 General Administration, Planning and Support Services	-	-	-	337.0	-	337.0	100%	-	0.3%
Programme 2: Environment Management and Protection	-	-	-	2,258.0	1,278.0	3,536.0	100%	-	3%
Programme 3: Meteorological Services	-	-	-	1,142.0	495.0	1,637.0	100%	-	1%
Programme 4: Water Towers Rehabilitation and Conservation	-	-	-	494.0	150.0	644.0	100%	-	0.5%
State Department for Forestry	-	-	-	**7,274.0**	**4,049.0**	**11,323.0**	**100%**	-	**9%**
Programme 1: Forests and Water Towers Conservation	-	-	-	7,274.0	4,049.0	11,323.0	100%	-	9%

State Department for Water & Sanitation	-	-	-	**5,581.0**	**65,528.0**	**71,109.0**	**100%**	-	**57%**
Pl. Genera] Administration, Planning and Support Services	-	-	-	726.0	420.0	1,146.0	100%	-	0.9%
P2. Water Resources Management	-	-	-	1,367.0	19,938.0	21,305.0	100%	-	17%
P3. Water and Sewerage infrastructure Development	-	-	-	3,488.0	45,170.0	48,658.0	100%	-	39%
P4. Water Storage and Flood Control	-	-	-				100%	-	0.00%
State Department for Irrigation	-	-	-	**1,351.0**	**23,001.0**	**24,352.0**	**100%**	-	**20%**
Programme 1: General Administration, Planning and Support Services	-	-	-	83.0	-	83.0	100%	-	0.1%
P2. Irrigation and Land Reclamation	-	-	-	744.0	16,481.0	17,225.0	100%	-	14%
P3. Water Harvesting Storage for Irrigation	-	-	-	31.0	1,970.0	2,001.0	100%	-	2%
P4. Water Storage and Flood Control	-	-	-	493.0	4,550.0	5,043.0	100%	-	4%
State Department for Mining	-	-	-	**648.0**	**542.0**	**1,190.0**	**100%**	-	**0.9%**
1007000 General Administration Planning and Support Services	-	-	-	281.0	-	281.0	100%	-	0.2%
1009000 Mineral Resources Management	-	-	-	301.0	190.0	491.0	100%	-	0.4%
1021000 Geological Survey and Geoformation Management	-	-	-	66.0	352.0	418.0	100%	-	0.3%
GRAND TOTAL	**24,527.5**	**82,650.7**	**107,178**	**27,933.0**	**96,635.0**	**124,568**	**16%**	**100%**	**100%**

CHAPTER FOUR | FISCAL DECENTRALIZATION

4.0 Overview

The 2023 Budget Policy Statement proposes to enhance resource allocation to counties to facilitate county public financial management. To promote devolution, the Government has claimed that it will complete the transfer of all functions constitutionally earmarked to counties within six months, and will develop a framework for ensuring that state-owned enterprises carrying out devolved or shared functions are reformed in line with the expectations that finance follows functions. The Government has also committed to improve County Governments' capacity to generate their own income and reduce over-reliance on transfers from the National Government. Finally, the government commits to ensuring that shareable revenue is transferred to counties in a timely and predictable manner.

4.1 County Revenue Performance

Why have county revenue sources performed so poorly, leading to overreliance on delayed transfers of the equitable share?

A review of the last three financial years reveals that only in the FY 2021/22 were counties allocated equitable share transfers equal to or higher than CRA recommendations. In the FYs 2018/19 and 2020/21, the counties fell short of receiving the amounts of equitable share proposed by the CRA but nevertheless received equitable share that was more than the 15% of the total revenue (based on the last audited accounts) raised by the national government as enshrined in Article 203 (2) of the Constitution. County government's revenue comprises Equitable The dependence on equitable share is even clearer when we examine actual outturns for the period under

Fiscal decentralization questions:

1. Why have county revenue sources performed so poorly, leading to overreliance on delayed transfers of the equitable share?
2. Why have most counties failed to achieve their own source revenue targets?
3. Why have county governments only absorbed 57 % of their development budget against 89 % of the recurrent budget?
4. 4Why are some county governments spending more than the legally required 35 % of their total revenue on compensation of employees?
5. Why has equitable share allocation to county governments declined in real terms in the FY 2023/24?
6. Why has the 2023 Budget Policy Statement not presented policy guidelines to unlock arrears in the disbursement of Equalization Fund?

Table 3.9.2.1: Summary of Budget changes between FY 2022/23 and 2023/24

Programmes	CRA recommendation, equitable share (Ksh. Billions)	CRA recommendation, conditional grants (Ksh. Billions)	Equitable share received (Ksh. Billions)	Conditional grants received (Ksh. Billions)	Total revenue raised by the national government (Ksh. Billions)	Equitable share as a % of total revenue raised by the national government
2018/19	337.2	30.5	314.4	0.0	1580.0	19.9
2020/21	321.7	5.0	316.5	28.5	1669.0	19.0
2021/22	316.5	53.5	370.0	7.5	1297.0	28.5

Source: https://www.kra.go.ke/images/publications/Revenue-Performance-Report-2018-19.pdf, https://www.kra.go.ke/images/publications/202021-annual-revenue-performance-final.pdf , https://www.kra.go.ke/images/publications/KRA-ANNUAL-REVENUE-PERFORMANCE-FY-2021-2022.pdf , Revenue Allocation Recommendations by the CRA 2023

review. For example, equitable share was to account for 67 % of budgeted revenue but accounted for 73 % of revenue outturns as a result of underperformance of the other revenue sources. On the other hand, OSR was to account for 12 % of budgeted revenue but accounted for 8 % of revenue outturn. A similar trend is observed in conditional grants, which were to account for 10% of budgeted revenue but accounted for 7 % of revenue outturns. This trend is observed over the three financial years of focus as shown in table 4.1.2.

The overreliance on equitable share from national government poses a risk to the attainment of county

Table 4.1.2: County budgeted revenue vs. outturns FY 2019/20 – 2021/22

Revenue Source	Budgeted Revenue (Kshs. Billion)				Revenue Outturns (Kshs. Billion)			
	2019/20	2020/21	2021/22	Total	2019/20	2020/21	2021/22	Total
Equitable Share	317.0	317.0	370.0	1,003.0	287.0	317.0	340.0	944.0
Equitable share as at % of revenue	65%	66%	70%	67%	70%	72%	78%	73%
Conditional Grants from NG and DPs	62.0	53.0	40.0	155.0	38.0	34.0	12.0	84.0
CGs as a % of revenue	13%	11%	8%	10%	9%	8%	3%	7%
Own Source Revenue	58.0	56.0	60.0	174.0	36.0	34.0	36.0	106.0
OSR as at % of revenue	12%	12%	11%	12%	9%	8%	8%	8%
Opening Balance from Previous Year	51.0	50.0	59.0	160.0	51.0	52.0	48.0	151.0
Opening Balance as at % of revenue	11%	11%	11%	11%	12%	12%	11%	12%
Total	**488.0**	**476.0**	**529.0**	**1,493.0**	**412.0**	**437.0**	**436.0**	**1,285.0**

governments' development objectives when exchequer disbursements are delayed. As of January 2023, the Council of Governors noted that the National Treasury delayed disbursement of Kshs. 103 billion to counties for the FY 2022.23 budget and called out the Treasury for delaying disbursements on average by three months contrary to the law.[7] This has paralyzed delivery of crucial services in the counties and some face threats of industrial action by staff over delayed salary payments. Counties over rely substantially on equitable share that experience delayed disbursements hence the need for counties to enhance their own source revenue mobilization strategies.

Why have most counties failed to achieve their own source revenue targets?

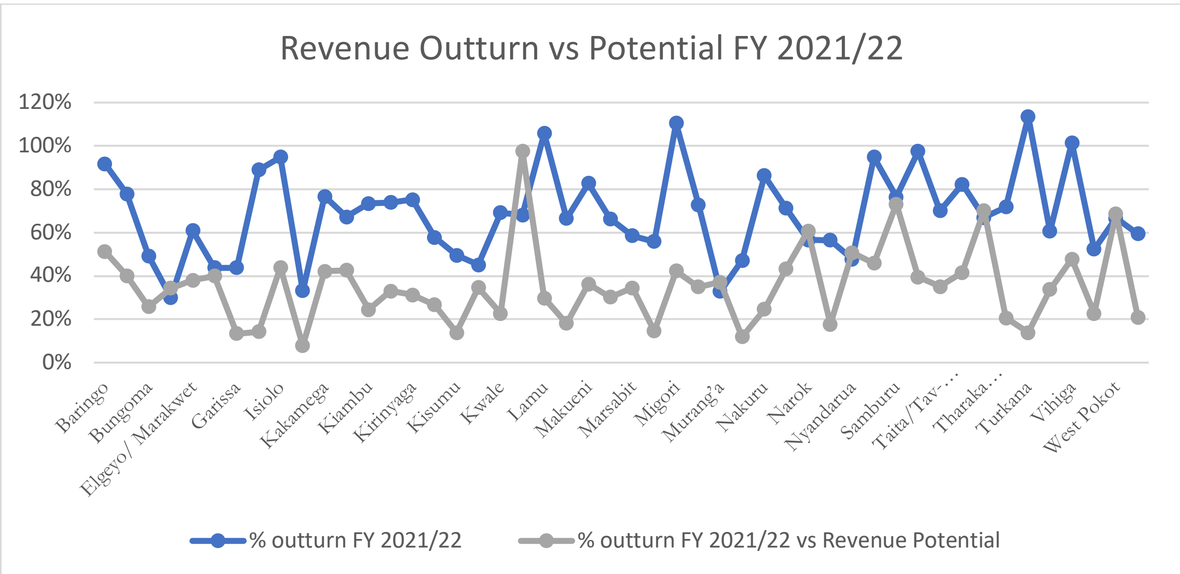
Enhanced own source revenue performance is crucial to the realization of county development needs and delivery of goods and services to the citizenry. However, county governments have been setting ambitious revenue targets that they have consistently failed to achieve over the last decade casting doubt on county capacities to accurately forecast revenue collections. OSR performance has been declining between the FY 2019/20, 2020/21 and 2021/22, with the county governments collecting 63, 62, and 59 % of their annual targets respectively.

In the FY 2021/22, only four (4) counties had outturns that were higher than OSR targets while nine (9) counties had outturns that were less than 50 % of their OSR targets. Turkana County had the highest outturn at 114 % of OSR target while Busia County had the lowest outturn at 30% of OSR targets.

Of course, counties failing to collect targets could simply mean that the targets are too high. However, CRA estimates suggest that counties are failing to reach their revenue potential, suggesting that targets might be reasonable or even too low in some cases. Comparing OSR outturns to OSR potential, based on CRA estimates[8], only seven (7) county governments have achieved revenue outturns of more than 50 % of their revenue potential. On the other hand, nine (9) counties achieved outturns that are less than 20 % of their OSR potential. On average, the county governments collected 21 % of their revenue potential.

OSR underperformance increases dependence on national government disbursements. Delay in

Figure 2: County Revenue Outturn vs. Revenue Potential



[7] https://www.capitalfm.co.ke/business/2023/01/governors-ask-treasury-to-disburse-over-sh103bn-owed-to-counties/

[8] OSR-Report-FINAL-PRINT 09_05_2022.pdf (igrtc.go.ke)

disbursements to county governments leads to lower budget absorption; delays in implementation of planned interventions; mounting pending bills and failure by county governments to achieve development targets. The increased spending on national debt service coupled with planned fiscal consolidation measures and revenue underperformance at national level may further constrain timely disbursements to county governments.

While the data suggest counties can do better, improving OSR collection in counties will require county governments to strengthen revenue collection systems and focus on poorly performing revenue streams[9]. Additionally, county governments should enhance enforcement to deter defaulters and prevent revenue leakages.

4.2 County Development and Recurrent Expenditures

Why have county governments only absorbed 57 % of their development budget against 89 % of the recurrent budget?

Between FY 2018/19 – 2021/22, county governments budgeted to spend Ksh. 2.02 trillion, Kshs.1.3trillion (63 %) on recurrent and Ksh. 754 billion (37 %) on development expenditure. Total allocations (including OSR and conditional grants) have steadily increased within the period from Ksh. 483 billion in FY 2018/19 to Ksh. 536 billion in FY 2021/22. On the other hand, absorption has declined from 78 % to 75 % within the same period. County governments have attributed some of the declining absorption to reduced economic activity as a result of COVID-19 pandemic in the FY 2019/20 and 2020/21.

On average, county governments absorbed 73 % of allocated resources. They performed reasonably well on recurrent budget absorption at 89 %, but only managed 57 % development budget absorption. The high recurrent budget absorption is in part due to the nature of such expenditure: mainly salaries and operation and maintenance which are due every month. Development expenditure on the other hand funds capital projects that take a longer period to implement and expenditure is not as smooth.

When counties fail to absorb their development budgets, development needs of the citizenry are not met contrary to the objects of devolution of government under Article 174 (f) of the constitution of Kenya 2010 that seeks to promote social and economic development and the provision of proximate, easily accessible services throughout Kenya. There is need therefore to ensure that county development budget absorption is improved to achieve intended development targets and deliver quality services to the citizens.

Additionally, in managing the County Government finances, the Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 % of each County Government's budget shall be allocated to development expenditure. A review of the FY 2021/22 county budgets reveals that, all the

Table 4.2.1: Total counties' budget estimates, expenditures, and absorption rate analysis

FY	Allocation (Kshs. Million)			Expenditure (Kshs. Million)			Absorption (%)		
	Rec	Dev.	Total	Rec	Dev.	Total	Rec	Dev.	Total
2018/19	297,711.0	185,762.0	483,473.0	268,999.0	107,436.0	376,435.0	90	58	78
2019/20	311,634.0	187,985.0	499,619.0	279,273.0	104,515.0	383,788.0	90	56	77
2020/21	314,878.0	186,858.0	501,736.0	281,946.0	116,068.0	314,878.0	90	62	79
2021/22	342,213.0	193,529.0	535,742.0	302,494.0	98,471.0	400,965.0	88	51	75
Total	**1,266,435.0**	**754,134.0**	**2,020,569.0**	**1,132,712.0**	**426,490.0**	**1,476,066.0**	**89**	**57**	**73**

Source: Commission on Revenue Allocation, 2023

[9] OSR-Report-FINAL-PRINT 09_05_2022.pdf (igrtc.go.ke)

county governments except Kiambu (27.8%) and Nairobi City County (26%) complied with this legal requirement. However, when it comes to expenditure, more than half the counties (35) spent less than 30% of total expenditure on development (see annex 2). Marsabit County at 41.8% and Uasin Gishu County at 37.1 spent the highest share of their total expenditure on development while Garissa County at 12.5 % and Nairobi City County at 10.7 % spent the lowest.

Why are some county governments spending more than the legally required 35 % of their total revenue on compensation of employees?

Section 25(1) (b) of the Public Finance Management (County Governments) Regulations 2015 requires county governments to ensure that expenditure on wages and benefits does not exceed 35% of their total revenue. This is to ensure that county governments remain with sufficient resources to fund county operations and development needs after paying salaries. However, over the years, counties have flaunted this provision. On average, county governments have unsuccessfully struggled to stay within the legal wage spending threshold since fiscal year 2014/15. A review of the Budget Policy Statements from 2017/18 to 2021/22 shows that the number of countries complying has been varying from year to year. For example, in FY 2017/18, 15 counties complied, whereas in 2018/19 only 5 complied, and 11 in 2019/20. In addition, OCOB's budget implementation reports for the FYs 2018/19 to 2021/22 show that counties spent as high as 51.3% of their revenues on employee compensation. This therefore raises the need to challenge the initiatives undertaken by county governments to ensure that expenditure on wages and benefits is within the legal threshold.

4.3 Allocation vs. Requirements FY 2023/24 and the medium-term priorities

Why has equitable share allocation to county governments declined in real terms in the FY 2023/24?

The equitable share allocated to county governments has increased by Ksh. 15 billion (4 %) to Ksh. 385 billion in FY 2023/24 as compared to Ksh. 370 billion allocated in FY 2022/23. However, when inflation and population growth is taken into account, there is a decline in county allocations to provide goods and services to the citizens.

For example, the year-on-year inflation as at March 2023 is 9.2 % . This means that in real terms allocations have declined by 5.1 % from the FY 2022/23 allocation. Given the population growth projections in 2023, per capita allocation has declined from Ksh. 7,309 in FY 2022/23 to Ksh. 7,113 in FY 2023/24.There is a need to ensure that county allocation takes into consideration inflation rate and population growth to at least ensure that per capita allocation is maintained at the previous year's level if not increased.

Why has the 2023 Budget Policy Statement not presented policy guidelines to unlock arrears in the disbursement of Equalization Fund?

The Equalization Fund was established under Article 204(1) of the Constitution of Kenya 2010, to provide basic services including water, roads, health facilities and electricity in marginalized areas to the extent necessary to bring the quality of those services to the

Table 4.3.1: CRA Recommendations versus actual allocations to counties 2022-2024

FY	CRA Recommendation Equitable Share	Equitable Share Allocated	Conditional Grants	Equalization Fund	Total Allocation
2022/23	370.0	370.0	37.0	7.0	414.0
2023/24	407.0	385.0	44.0	9.0	438.0

Source: Revenue Allocation Recommendations by CRA, 2023 level generally enjoyed by the rest of the country. The fund is to be paid 0.5% of most recent audited revenues, as approved by the National Assembly. Cumulatively, the Fund has been allocated Kshs. 55.3 billion, but only Kshs. 12.4 billion has been disbursed so far. This is a result of a court order that halted operations of the fund and disbanded the Equalization Fund Advisory Board. However, the development of PFM (Equalization Fund Administration) Regulations 2021 and approval by Parliament paved the way for disbursements of the fund. With only seven years remaining before folding of the fund, there are numerous stalled projects. The 2023 Budget Policy Statement has not given any policy guidelines on measures to be taken to clear the arrears in the allocations as well as disbursements from the fund for the previous financial years. Why has the government failed to present a plan for ensuring that the resources in the fund are fully utilized to support services in marginalized areas, as envisioned by the Constitution?

Table 4.3.2: County Absorption Rates FY 2021/22

County	Budget Estimates (Kshs. Million)				Expenditure (Kshs. Million)				Absorption Rate (%)		
	Rec.	Dev.	Total	Dev. Budget as a share of the total Budget	Rec.	Dev.	Total	Dev. Exp as a share the total Exp.	Rec.	Dev.	Total
Mandera	7,840.8	5,442.9	13,283.7	41%	7,568.4	4,027.5	11,595.9	35%	97%	74%	87%
Nyamira	4,778.8	2,053.8	6,832.6	30%	4,516.5	1,327.8	5,844.3	23%	95%	65%	86%
West Pokot	5,150.6	2,521.1	7,671.7	33%	4,941.2	1,596.7	6,537.9	24%	96%	63%	85%
Nandi	6,019.8	2,945.8	8,965.6	33%	5,800.9	1,809.2	7,610.1	24%	96%	61%	85%
Kakamega	10,202.2	6,198.0	16,400.2	38%	9,307.9	4,550.5	13,858.4	33%	91%	73%	85%
Tana River	5,510.9	2,973.8	8,484.7	35%	5,241.4	1,927.7	7,169.1	27%	95%	65%	84%
Trans Nzoia	5,254.4	4,050.9	9,305.3	44%	5,211.7	2,591.6	7,803.3	33%	99%	64%	84%
Migori	6,690.5	3,753.5	10,444.0	36%	6,623.5	2,115.2	8,738.7	24%	99%	56%	84%
Marsabit	4,745.5	4,586.0	9,331.5	49%	4,514.8	3,245.2	7,760.0	42%	95%	71%	83%
Kitui	8,327.2	4,141.5	12,468.7	33%	7,586.0	2,728.1	10,314.1	26%	91%	66%	83%
Nyeri	6,097.5	2,635.8	8,733.3	30%	5,815.1	1,403.4	7,218.5	19%	95%	53%	83%
Kericho	5,299.7	3,104.3	8,404.0	37%	5,058.0	1,822.6	6,880.6	26%	95%	59%	82%
Homa Bay	6,350.3	3,334.1	9,684.7	34%	5,694.1	2,189.7	7,883.8	28%	90%	66%	81%
Wajir	7,341.9	4,243.7	11,585.6	37%	6,917.6	2,391.6	9,309.2	26%	94%	56%	80%
Meru	8,387.7	4,153.5	12,541.2	33%	7,422.0	2,585.9	10,007.9	26%	88%	62%	80%
Samburu	4,653.7	2,723.9	7,377.5	37%	4,033.8	1,855.3	5,889.0	32%	87%	68%	80%
Narok	9,344.8	4,007.3	13,352.1	30%	9,274.8	1,338.3	10,613.1	13%	99%	33%	79%
Siaya	5,624.8	3,345.5	8,970.3	37%	5,228.2	1,879.8	7,108.0	26%	93%	56%	79%

Bomet	5,842.2	2,961.0	8,803.3	34%	5,158.6	1,720.0	6,878.6	25%	88%	58%	78%
E/ Marakwet	3,700.8	2,858.6	6,559.7	44%	3,507.2	1,597.3	5,104.5	31%	95%	56%	78%
Isiolo	4,169.5	2,198.3	6,367.8	35%	3,759.7	1,172.1	4,931.8	24%	90%	53%	77%
Kirinyaga	4,531.1	3,174.3	7,705.3	41%	4,334.5	1,623.5	5,957.9	27%	96%	51%	77%
Embu	4,750.4	2,168.7	6,919.1	31%	4,221.7	1,110.8	5,332.6	21%	89%	51%	77%
Uasin Gishu	7,103.0	6,110.6	13,213.7	46%	6,410.9	3,782.0	10,192.8	37%	90%	62%	77%
Kwale	6,986.7	5,778.9	12,765.6	45%	6,602.9	3,184.4	9,787.3	33%	95%	55%	77%
Machakos	9,051.3	4,038.4	13,089.7	31%	8,673.3	1,317.5	9,990.8	13%	96%	33%	76%
Kisii	8,499.0	4,091.7	12,590.7	32%	7,703.6	1,887.9	9,591.5	20%	91%	46%	76%
Murang'a	7,372.4	3,296.2	10,668.6	31%	6,685.9	1,374.4	8,060.3	17%	91%	42%	76%
Garissa	7,097.0	3,343.8	10,440.7	32%	6,847.2	978.1	7,825.3	12%	96%	29%	75%
Lamu	3,115.7	1,881.7	4,997.4	38%	2,695.4	1,042.9	3,738.4	28%	87%	55%	75%
Taita/ Taveta	4,662.9	2,492.7	7,155.6	35%	4,492.0	822.6	5,314.5	15%	96%	33%	74%
Kiambu	12,637.2	4,869.7	17,506.9	28%	9,924.0	2,886.0	12,809.9	23%	79%	59%	73%
Makueni	7,269.9	4,275.0	11,544.8	37%	5,878.2	2,571.2	8,449.4	30%	81%	60%	73%
Nyandarua	5,223.9	2,808.6	8,032.5	35%	4,766.7	1,116.4	5,883.1	19%	91%	40%	73%
Bungoma	9,975.0	4,479.4	14,454.4	31%	8,601.2	1,969.5	10,570.7	19%	86%	44%	73%
Tharaka Nithi	3,987.1	1,924.2	5,911.3	33%	3,178.0	1,132.4	4,310.5	26%	80%	59%	73%
Baringo	5,415.4	4,205.2	9,620.6	44%	5,150.8	1,847.2	6,997.9	26%	95%	44%	73%
Nairobi City	29,293.6	10,334.0	39,627.5	26%	25,309.7	3,024.7	28,334.4	11%	86%	29%	72%
Laikipia	4,966.8	3,911.7	8,878.6	44%	4,355.2	1,862.1	6,217.3	30%	88%	48%	70%
Kajiado	7,451.7	3,570.4	11,022.1	32%	5,551.5	2,119.0	7,670.5	28%	74%	59%	70%
Kilifi	9,981.5	5,971.3	15,952.8	37%	8,678.4	2,116.8	10,795.2	20%	87%	35%	68%
Vihiga	4,475.2	1,933.7	6,408.9	30%	3,672.7	647.1	4,319.8	15%	82%	33%	67%
Nakuru	12,851.1	10,662.9	23,514.0	45%	10,062.5	5,499.9	15,562.4	35%	78%	52%	66%
Busia	5,681.5	4,548.9	10,230.4	44%	4,887.8	1,537.6	6,425.4	24%	86%	34%	63%
Kisumu	8,451.1	3,726.8	12,177.9	31%	6,307.9	1,175.7	7,483.5	16%	75%	32%	61%
Turkana	9,880.5	6,308.3	16,188.8	39%	7,285.4	2,491.9	9,777.3	25%	74%	40%	60%
Mombasa	10,168.2	9,388.9	19,557.0	48%	7,034.9	3,474.5	10,509.3	33%	69%	37%	54%
Total	**342,212.7**	**193,529.0**	**535,741.7**	**36%**	**302,493.6**	**98,471.4**	**400,964.9**	**25%**	**88%**	**51%**	**75%**

Source: Commission on revenue allocation, 2023

Table 4.3.3: County Own Source Revenue, targets and outturns, FY 2019-20 to 2021/22

	Annual OSR target FY 2019/20 (Millions)	FY 2019/20 Total OSR (Millions)	% outturn FY 2019/20	Annual OSR target FY 2020/21 (Millions)	FY 2020/21 Total OSR (Millions)	% outturn FY 2020/21	Annual OSR target FY 2021/22 (Millions)	FY 2021/22 Total OSR (Millions)	% outturn FY 2021/22	Estimated osr potential (Millions)	% outturn FY 2021/22 vs Revenue Potential
Baringo	393.4	301.7	77%	346.1	205.2	59%	288.5	264.9	92%	516.9	51%
Bomet	200.9	201.5	100%	275.9	183.0	66%	260.0	202.4	78%	505.6	40%
Bungoma	441.6	311.0	70%	700.0	395.1	56%	746.8	368.0	49%	1,428.0	26%
Busia	504.5	225.8	45%	1119.6	322.6	29%	976.1	292.7	30%	853.6	34%
Elgeyo/ Marakwet	149.9	132.0	88%	144.0	69.1	48%	266.1	162.3	61%	425.9	38%
Embu	920.0	509.7	55%	909.0	375.3	41%	900.0	394.5	44%	987.0	40%
Garissa	150.0	109.9	73%	150.0	103.5	69%	150.0	65.6	44%	491.6	13%
Homa Bay	117.3	118.5	101%	170.8	120.4	70%	165.0	146.6	89%	1,024.2	14%
Isiolo	170.9	122.1	71%	113.7	57.2	50%	113.7	107.8	95%	245.5	44%
Kajiado	1579.2	616.8	39%	1687.0	862.3	51%	1,595.1	527.9	33%	6,798.9	8%
Kakamega	1666.1	1180.8	71%	2113.0	1,118.2	53%	1,600.0	1,226.1	77%	2,905.7	42%
Kericho	711.6	473.7	67%	644.1	596.0	93%	842.6	566.8	67%	1,329.6	43%
Kiambu	3540.8	2466.3	70%	3988.4	2,425.2	61%	4,288.0	3,149.2	73%	12,841.3	25%
Kilifi	1100.0	788.8	72%	1150.0	833.8	73%	1,118.8	827.5	74%	2,503.9	33%
Kirinyaga	480.0	374.7	78%	405.0	346.5	86%	485.0	364.7	75%	1,167.6	31%
Kisii	870.0	333.2	38%	650.0	403.0	62%	700.0	404.6	58%	1,513.4	27%
Kisumu	1438.5	804.3	56%	1579.2	822.3	52%	1,984.0	982.8	50%	7,107.0	14%
Kitui	600.0	408.3	68%	600.0	326.5	54%	800.0	361.3	45%	1,044.3	35%
Kwale	325.0	254.4	78%	365.6	250.1	68%	438.0	302.7	69%	1,330.8	23%
Laikipia	1006.9	728.0	72%	1006.9	840.4	83%	1,313.8	894.9	68%	917.5	98%
Lamu	100.0	108.9	109%	150.0	108.4	72%	120.0	127.0	106%	426.5	30%
Machakos	1160.8	1376.2	119%	1729.8	1,296.4	75%	1,682.9	1,118.5	66%	6,186.5	18%
Makueni	655.2	465.9	71%	1093.0	527.5	48%	906.3	749.4	83%	2,070.7	36%

Mandera	183.6	125.0	68%	200.0	143.3	72%	200.0	132.9	66%	439.7	30%
Marsabit	170.0	126.7	75%	150.0	110.4	74%	170.0	99.6	59%	288.9	34%
Meru	705.0	383.3	54%	600.0	435.9	73%	689.1	385.4	56%	2,645.8	15%
Migori	450.0	305.7	68%	285.0	288.5	101%	350.0	386.9	111%	913.5	42%
Mombasa	4733.4	3260.0	69%	5252.4	3,314.5	63%	4,957.3	3,608.7	73%	10,327.5	35%
Murang'a	960.0	580.3	60%	900.0	627.2	70%	1,580.0	520.3	33%	1,398.8	37%
Nairobi City	17002.5	8523.4	50%	16209.5	9,958.0	61%	19,610.7	9,238.8	47%	77,907.8	12%
Nakuru	2100.0	1354.8	65%	1800.0	1,628.8	90%	1,980.0	1,707.4	86%	6,947.5	25%
Nandi	628.8	283.2	45%	405.4	261.0	64%	387.1	275.7	71%	635.5	43%
Narok	2397.4	2345.5	98%	3133.9	619.0	20%	2,354.4	1,334.6	57%	2,198.6	61%
Nyamira	250.0	185.6	74%	250.0	162.9	65%	295.0	166.5	56%	940.7	18%
Nyandarua	630.0	379.5	60%	830.0	408.7	49%	990.0	473.1	48%	932.8	51%
Nyeri	1,000.0	664.9	66%	1,000.0	886.9	89%	1,000.0	948.3	95%	2,065.8	46%
Samburu	267.0	215.7	81%	180.3	70.4	39%	157.3	120.0	76%	164.0	73%
Siaya	420.0	179.4	43%	351.0	332.9	95%	445.4	434.4	98%	1,097.8	40%
Taita/ Taveta	230.0	296.0	129%	363.0	302.0	83%	450.3	315.6	70%	897.9	35%
Tana River	66.0	64.5	98%	72.6	83.1	114%	87.8	72.3	82%	173.6	42%
Tharaka Nithi	350.0	270.1	77%	350.0	254.7	73%	350.0	234.3	67%	333.5	70%
Trans Nzoia	500.0	356.1	71%	500.0	340.5	68%	529.5	380.0	72%	1,848.4	21%
Turkana	250.0	176.2	70%	150.0	209.8	140%	180.0	204.3	114%	1,473.1	14%
Uasin Gishu	900.0	779.3	87%	991.0	1,105.7	112%	1,414.9	858.3	61%	2,547.8	34%
Vihiga	192.1	148.2	77%	216.1	169.1	78%	232.7	236.3	102%	494.2	48%
Wajir	150.0	60.4	40%	150.0	74.0	49%	100.0	52.4	52%	230.4	23%
West Pokot	130.3	65.2	50%	168.4	68.9	41%	170.0	113.4	67%	164.9	69%
Total	**52,948.8**	**33,541.4**	**63%**	**55,599.7**	**34,444.3**	**62%**	**60,422.4**	**35,907.6**	**59%**	**171,690.5**	**21%**

Source: Office of the Controller of Budget reports FY 2019/20, 2020/21, 2021/22

CONCLUSION

The FY 2023/24 Budget, first one under the Kenya Kwanza government, comes at a time when the economy is faced with downside risks like the ongoing Ukraine war, tight global financial conditions, rising food and commodity prices, political environment, and climate change related challenges. Also, the fiscal space has shrunk as debt servicing take a large share of revenue. A lot depends on the fiscal policy over the medium-term to enhance revenue mobilization, rationalize expenditure, support inclusive economic growth, and restore consumer confidence through price stabilization. Hard decisions should also be made to disinvest from non-performing state corporations while mitigating associated risks.

However, the fiscal approach has to be supported with a strong institutional framework and Coordination among MDAs to enhance effectiveness and efficiency in budget execution. The FY2023/24 budget envelope has Ksh. 3.6 trillion with most programmes and sub-programmes receiving incremental resources. Although this is a significant increase compared to the previous year, intended goals could not be met if budget absorption is not increased above the average 80 % in FY 2021/22.

Further, absorption of the development budget remains low while a review of financial and non-financial performance signals inefficiency where most sectors post an average budget absorption rate of 87 % while the rate of achieving targets for Key Performance Indicators is way below the budget absorption rate. The underachievement in some Key Performance Indicators has unsatisfactory reasons provided, failing to establish a causal relationship between the KPI and the cause for underachievement. There is also observed mismatch between revised targets for the FY 2022/23 and the reported achievement in the FY 2021/22. This points to weak performance reporting frameworks in the sector reports that need to be addressed not to compromise accountability.

In other instances, there are overlaps and duplication of activities across sub-programmes. The GECA sector has interventions targeted towards MSMEs, youth and women. At the same time, similar interventions are reported under SPCR.

Finally, there are instances where budget allocation in FY 2023/24 does not reflect the government's commitment to priorities highlighted in the 2023 Budget Policy Statement. Among them include small budget to the ARUD sector while the government lists agriculture and subsidies to farmers as a priority and a decline in budgetary allocation to SPCR sector at a time when the government is expected to cushion the vulnerable from high cost of living, increase cash transfers to the elderly and orphans, enrol the elderly and PLWDs to NHIF, and implement a Women Agenda.

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