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# ***National Budget 2012/2013***

Responsiveness to the needs  
of Kenyans

June 2012

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## **Quote;**

*“ I can say that was a well-balanced budget aimed at benefitting the common mwananchi, and redistributing wealth with areas that have less benefitting from those that have more”*

***Elias Mbau, Chairman of the Parliamentary Budget Committee.***

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# ***Agenda***

## **Section one:**

Budget and the Constitution

## **Section two:**

Revenue and Expenditure highlights

## **Section three:**

Pro development/Pro-poor budget

## **Section four:**

Issues to consider

# *National Budget 2012/2013*

## Section 1:

### Budget and the Constitution

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## ***Budget Process***

- Second budget under new constitution
- Legal framework – New constitution, Fiscal Mgt Act 2009, and Parliamentary Standing Orders
- Budget process more consultative and increased involvement of parliament through Parliamentary Budget Committee (PBC)
- Key instruments – Budget Calendar; Sector Reports; Budget Policy Statement(BPS); and Estimates of revenue and expenditures and reports by PBC

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## ***The scorecard for the overall implementation of the Constitution***

Since the promulgation of the Constitution, the following has happened:

Various laws have been passed and bills presented

Various commissions have been set up and are in operation

Reforms in the Judiciary is underway

What has not gone well?

Some crucial bills have not been enacted, namely the County Governments Bill and the Public Finance Management Bill

Some commissions are not yet operating effectively

Major administrative backlogs have not been addressed

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## ***What influenced the 2012/13 Budget?***

The Minister was specific about the government's commitment and resolve to see through the implementation of the Constitution

However, as the counties are not yet in existence, the funds allocated to them in the Budget—a total of 148 billion KES—have been assigned to the specific national ministries but earmarked for the counties

Other funding allocations include 3 billion KES for office facilities

The equalisation fund also received 3 billion KES

This amounts to 18.9% of the current budgeted nationally collected revenue, or 26% of the most recent audited revenues

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## ***What has not been provided for in the Budget?***

Cost of clearing the significant backlog in the current administration/dispensation

- ✓ Financial Audits: asset and liability verifications

Cost of funding counties that are not financially viable

- ✓ 15% of revenue allocated is not new money
- ✓ A financing model is required to establish the shortfall

Cost of developing the capacity necessary for the counties to perform their roles

- ✓ Shortage in numbers and skills to deliver services to citizens



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# ***Outstanding Legislation***

Controller of the Budget

Public Finance Management

County Governments

# *National Budget 2012/2013*

## Section 2:

### Revenue and expenditure highlights

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## ***Revenue and expenditure highlights***

At 1.459 trillion KES, this is Kenya's most ambitious budget yet.

## *Budget numbers in summary*

Receipts	KES Bn	%
Ordinary revenue - KRA	870.5	60%
Ordinary revenue - Other	86.1	6%
External grants	56.2	4%
External Loans	169.3	12%
Domestic borrowing	277.8	19%
	1,459.9	
<b>Expenditure</b>		
Recurrent	1,003.2	69%
Development	451.7	31%
Contingency fund	5.0	0.3%
	<b>1,459.9</b>	

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## ***Financing the Budget***

- Ordinary Revenue – KRA: KES 870.5 bn can be a challenge as KRA is expected to fall short of target by 25bn in FY11/12.
- It is not clear how this ambitious target can be met in the absence of new drastic tax measures.
- Ordinary revenue – AiA – KES 84.8bn – there has been challenges in collection of AiA revenue by government ministries and departments, often falling short of target.
- Total external grants and loans – KES 225.5bn – issues around low absorption of donor funds due to procurement procedures and capacity.
- Domestic borrowing – KES 278bn – which stretches the debt limit further.

# Expenditure highlights

Total Expenditure estimates by sector				
	MTEF Sector	2011/12	2012/13	
		Revised	Estimate	%
S01	AGRICULTURE AND RURAL DEVELOPMENT	52,955	53,257	5%
S02	ENERGY, INFRASTRUCTURE & ICT	219,002	267,293	24%
S03	GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS	19,469	21,827	2%
S04	HEALTH	72,751	85,029	8%
S05	EDUCATION	213,877	232,362	21%
S06	GOVERNANCE, JUSTICE, LAW AND ORDER	106,133	132,431	12%
S07	PUBLIC ADMINISTRATION & INTERNATIONAL RELATIONS	110,531	138,979	13%
S08	NATIONAL SECURITY	78,560	83,454	8%
S09	SOCIAL PROTECTION, CULTURE AND RECREATION	38,091	38,023	3%
S10	ENVIRONMENTAL PROTECTION, WATER AND HOUSING	47,707	55,206	5%
	<b>TOTAL</b>	<b>959,076</b>	<b>1,107,861</b>	<b>100%</b>
<b>Excluding Consolidated Fund Services KES 345.9bn for FY2012/13</b>				

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## ***Expenditure highlights***

- Energy, Infrastructure and ICT sector lead with 24% allocation on account of ongoing road and Energy projects.
- This is followed by Education sector at 21% with expenditures on FPE, and teacher salaries.
- The key economic sectors of ARD and General Economic, Commercial and Labour affairs have been allocated a paltry 5% and 2% respectively, which contradicts the Government's assertion of promoting private sector as key economic driver.
- Also the low allocation on social protection and environment sectors of 3% and 5% respectively do not support the government's policy towards more equitable development and protection of vulnerable groups.

# *National Budget 2012/2013*

Section 3:

Pro-development/Pro-poor budget?



## ***Agriculture leads the pack – key to poverty reduction***

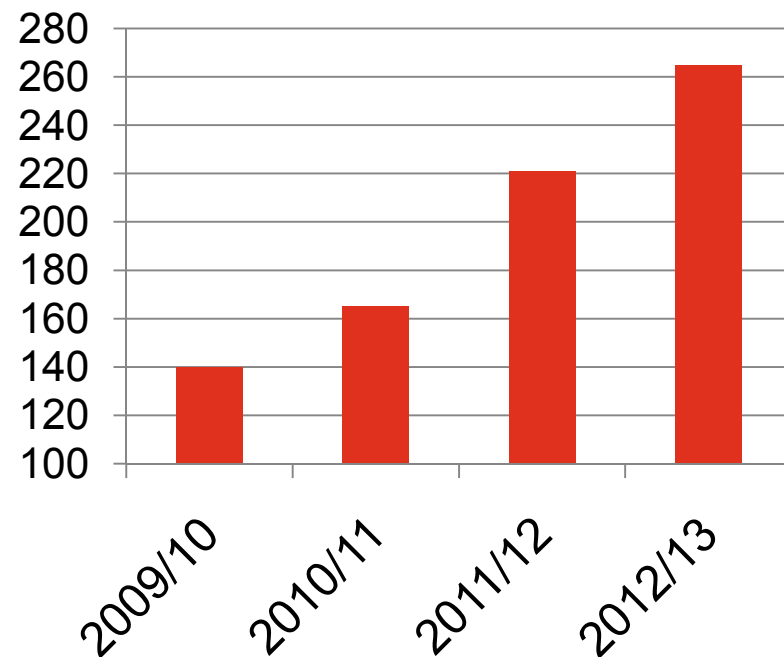
- Agriculture still important but no real investment to address poverty
- 8 billion KES to irrigation. Not enough for a complex issue
- 1 billion KES to NIB
- 1.5 billion KES debt write-off to farmers
- 1.6 billion KES strategic reserves

Sources of GDP growth (%)				
	2008	2009	2010	2011
Agriculture	22.3	23.5	21.4	24
Wholesale, retail	10.2	9.8	10.2	10.6
Manufacturing	10.8	9.9	9.9	9.4
Financial intermediation	4.6	5.4	5.6	6.4
Education	6.3	6	6.2	5.8
Construction	3.8	4.1	4.3	4.1
Transport & Comm	10.3	9.9	10	9.7
	<b>68.3</b>	<b>68.6</b>	<b>67.6</b>	<b>70</b>

## ***The 2012/13 budget reiterated the importance of infrastructure as an economic driver***

- The infrastructure allocation was increased by 21% to 268 billion KES
- Key projects includes ports, energy, road, and rail
- Some additional financing expected to come from the private sector
- Need to:
  - Address country absorption capacity
  - Procurement and implementation challenges

**Infrastructure budget allocation over the years, billion KES**



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## ***Education***

10,000 teachers to be recruited

1 billion KES to NACADA to enforce laws

Significant allocation to FPE and FSE

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## ***Security***

Police reforms

3, 500 police officers to be recruited

1.4 billion KES for motor vehicles

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## ***Youth employment***

KYEP additional 491 million KES

Youth fund additional 550 million KES

Women fund additional 440 million KES

***Accountability issues?***

***Industrialisation?***

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## ***Social Safety Net***

4.4 billion KES for OVC

1.1 billion KES for the elderly

2.1 billion KES for SFP

1.1 billion KES for bursaries

## ***Accountability?***

# *National Budget 2012/2013*

Section 4:

Issues to consider

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## ***Issues to consider***

Budget absorption

Budget monitory

Procurement issues