

THE MWANANCHI GUIDE

Financial Year 2024/25 Budget

THEME: *Sustaining Bottom-Up Economic Transformation Agenda, Fiscal Consolidation and investing in Climate Change Mitigation and Adaptation for Improved Livelihoods.*

MAUDHUI: *Kudumisha Ajenda ya Ustawi wa Uchumi Kupitia Mfumo wa Chini Juu, Kuimarisha Matumizi ya Fedha na Kuwekeza Katika Kukabiliana na Adhari za Mabadiliko ya Tabianchi ili kuboresha Maisha.*



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The PFM Act, 2012 requires the Government's Budget to be publicized. This Mwananchi Guide therefore, seeks to disseminate information on the Budget for the FY 2024/25 to all segments of the society.



Total Government Expenditure and Net Lending
Ksh. 3,992.0 billion

Ministerial Recurrent Expenditure
Ksh. 1,628.6 billion

Interest payments and pensions
Ksh. 1,213.4 billion

Ministerial Development Expenditure
Ksh. 745.9 billion

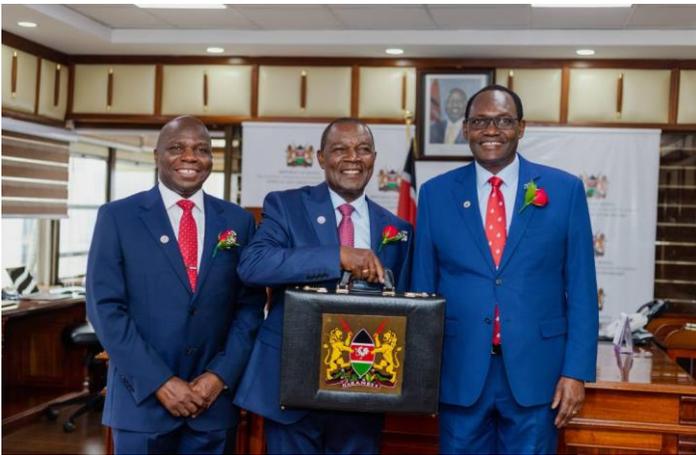
Contingency Fund
Ksh 4.0 billion

Equitable share to Counties
Ksh. 400.1 billion

SPENDING PRIORITIES INCLUDE :

The “Bottom-up Economic Transformation Agenda” Clusters

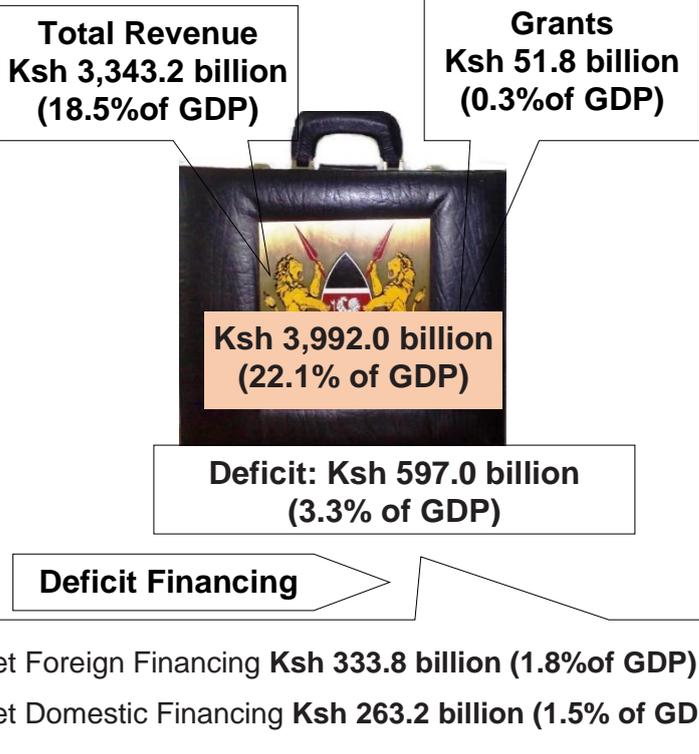
- Ksh 100.5 billion**
Infrastructure
- Ksh 86.6 billion**
Social Sectors
- Ksh 46.2 billion**
Finance and Production Economy
- Ksh 22.1 billion**
Environment and Natural Resources
- Ksh 28.1 billion**
Government and Public Administration



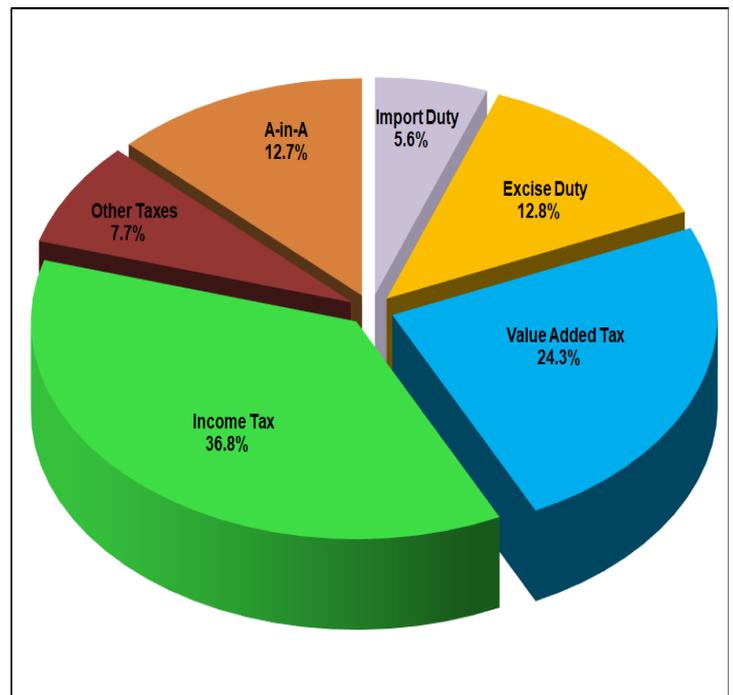
Allocations to thematic areas

- Ksh 23.7 billion**
Supporting Manufacturing for Job Creation
- Ksh 377.5 billion**
Enhancing National Security.
- Ksh 402.7 billion**
Investing in Critical Infrastructure
- Ksh 656.6 billion**
Enhancing Access to Quality Education Outcomes.
- Ksh 110.1 billion**
Environmental Protection, Water and Natural Resources.
- Ksh 89.5 billion**
Equity, Poverty Reduction, Women and Youth Empowerment.
- Ksh 31.3 billion**
Social Protection and Affirmative Action.
- Ksh 23.7 billion**
Stimulating Tourism Growth, Sports Culture and Recreation.
- Ksh 400.1 billion**
Equitable Share to County Governments

Overall Budget and Financing



Composition of Ksh 3,343.2 billion Total Revenue inclusive of A.I.A



STATE OF THE ECONOMY

- Economic growth was at 5.6 percent in 2023 from 4.9 percent in 2022 mainly supported by a rebound in agriculture, which had faced two consecutive years of output decline owing to prolonged drought.
 - Other key drivers of 2023 growth included information and communication, transportation and storage, financial and insurance, real estate and accommodation and food service activities sectors.
- The economy is expected to remain vibrant in 2024, growing by 5.5 percent supported by a robust services sector, strong performance in agriculture and a decline in global commodity prices that is expected to reduce the cost of production.
 - This outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda (BETA) and improvement in aggregate demand.
- The macroeconomic environment remains stable with inflation rate declining to 5.1 percent in May 2024 and 5.0 percent in April 2024 from a peak of 9.6 percent in October 2022 and is within target.
 - The decline was largely driven by the easing of food and energy prices, pass-through effects of exchange rate appreciation, the impact of monetary policy tightening and Government interventions aimed at lowering the cost of production.
- The Kenya Shilling exchange rate continues to stabilize against major international currencies due improved market perception following the de-risking of the 2024 Euro bond, tightened monetary policy stance and significant reforms in the interbank foreign exchange market.
- Fiscal policy seeks to support BETA through continued implementation of a growth responsive fiscal consolidation plan designed towards slowing down public debt without compromising service delivery.
 - The policy targets to progressively reduce the fiscal deficit from 5.7 percent of GDP in FY 2023/24 to 3.1 percent of GDP in FY 2027/28. This will be achieved through broadening the revenue base and containing non-priority expenditures while enhancing social safety nets.

Government Investment in Climate Change Mitigation and Adaptation

The Kenyan economy is susceptible to the ravaging impact of climate change as demonstrated by prolonged drought in 2021 and 2022, and the 2024 floods and landslides that caused wide spread damage in the country.

- These extreme climate change events have emerged as key drivers of food insecurity and increased cost of living, and have also led to loss of lives and livelihoods.

The Government has stepped up climate adaptation and mitigation efforts including green energy, smart agriculture, de-carbonized manufacturing, e-mobility and green building, all aimed at the attainment of zero carbon by 2050.

- The Government will continue to implement the National Tree Growing Programme as part of its plan to grow 15 billion trees across the country by 2030 to promote and support more resilient livelihoods.



CS/NT&EP, Prof. Njuguna Ndung'u, EGH, led tree planting exercise in Nyandarua

To mitigate the impacts of the floods nationwide, the Government adopted a "Whole of Government Approach" to ensure an effective response to the disaster. Some of the measures implemented include:

- Provided essential food, temporary shelters, and a Ksh.1 billion for rebuilding school infrastructure, with Ksh. 10,000 allocated for 40,000 evacuated residents due to flood damage.
- Embarked on constructing social housing for residents of riparian reserves, as well as affordable housing options and financial assistance programs for affected individuals.

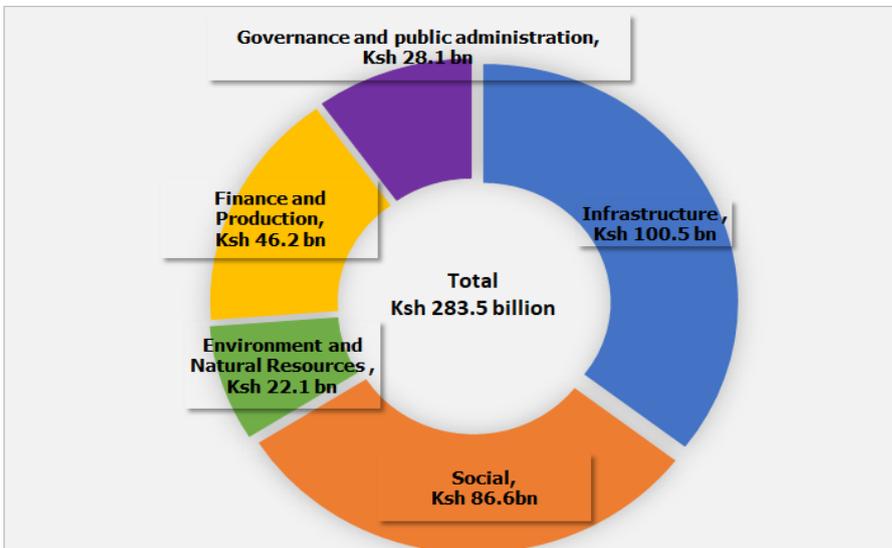
THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA

The implementation of the **Bottom-Up Economic Transformation Agenda (BETA)**, as prioritized in the Fourth Medium Term Plan of the Vision 2030, remains a high priority and critical to economic transformation and improved livelihood.

The agenda recognizes the importance of managing the cost of living through well-functioning markets to enhance income generation, productivity as well as availability and affordability of goods and services to all citizens. The BETA interventions target five core priority areas namely:

- 1) **Agricultural Transformation and Inclusive Growth;**
- 2) **Micro, Small and Medium Enterprise (MSME);**
- 3) **Housing and Settlement;**
- 4) **Healthcare; and**
- 5) **Digital Superhighway and Creative Industry**

The budgeting process for the priority programmes under BETA was undertaken through a **value chain approach under five clusters**. In this regard, **Ksh 283.5 billion** has been allocated in the **FY 2024/25** under the five clusters.



To implement BETA, the Government has identified **nine key value chain areas** for implementation, namely:

- (i) Leather and Leather Products;
- (ii) Textile and Apparel;
- (iii) Dairy;
- (iv) Edible Oils;
- (v) Tea;
- (vi) Rice;
- (vii) Blue Economy;
- (viii) Natural Resources Including Minerals & Forestry); and
- (ix) Construction and Building Materials.



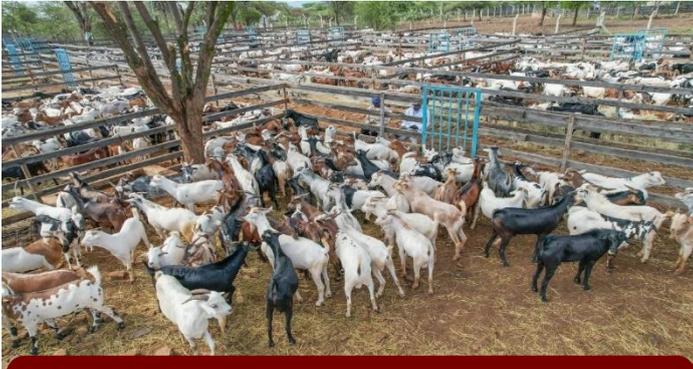
1. Agricultural Transformation and Inclusive Growth

The Government will continue to focus on agricultural transformation and inclusive growth through the value chains approach. This aims to provide adequate and affordable working capital to all farmers through cooperative societies and deploy modern agricultural risk management instruments that ensure farming is profitable and income is predictable.

In FY 2024/25 budget, **Ksh 54.6 billion** has been allocated. Key allocations in this budget include:

Ksh 10.0 billion	Fertilizer Subsidy Programme;
Ksh 647 million	Small Scale Irrigation and Value Addition Project;
Ksh 2.5 billion	Emergency Locusts Response;
Ksh 2.4 billion	Enable Youth and Women in Agriculture;
Ksh 6.1 billion	National Agricultural Value Chain Development Project (NAVCDP);
Ksh 642 million	Food Security and Crop Diversification Project;
Ksh 12.3 billion	Livestock Resources Management and Development;

Ksh 300 million	Development Leather Industrial Park- Kenanie;
Ksh 1.0 billion	MSMEs Agricultural Credit;
Ksh 11.3 billion	Blue Economy Priority Projects;
Ksh 182 million	National Drought Emergency Fund;
Ksh 3.7 billion	Settlement of the Landless;
Ksh 930 million	Processing and Registration of Title Deeds; and
Ksh 585 million	Digitization and construction of Land Registries;



The Government continues to support livestock farming as part of value chain addition.



Subsidized Fertilizer for Farmers



2. Transforming the Micro, Small and Medium Enterprise (MSME) Economy

The Government will continue to transform the MSME economy by strengthening the Hustler Fund to provide access to affordable credit; capacity building; and linkage to markets. In addition, the Government will strengthen the capacity of MSMEs to venture into economic activities in the value chain.

Key allocations in FY 2024/25 include:

Ksh 5.0 billion	Hustlers Fund;
Ksh 200 million	Youth Enterprise Development Fund;
Ksh 162.5 million	Centre for Entrepreneurship Project; and
Ksh 1.9 billion	Rural Kenya Financial Inclusion Facility



President William Ruto during the launch of Second Product of the Hustler Fund at KICC, Nairobi on February 2, 2023.



Government continues to support MSMEs to venture into economic activities.



3. Housing and Settlement

The Government's commitment is to turn the housing challenge into an economic opportunity to create quality jobs for the youth directly in the construction sector and indirectly through the production of building products. This will be done through among other measures facilitating delivery of 200,000 houses per annum and enabling low-cost housing mortgages.

In FY 2024/25 budget, **Ksh 92.1 billion** has been allocated for the housing programme. This includes:

Ksh 67.4 billion	Affordable and Social Housing & Social Physical Infrastructure;
Ksh 11.3 billion	Kenya Informal Settlement Improvement Project-Phase II;
Ksh 1.1 billion	Construction of Markets;
Ksh 1.0 billion	Construction of Housing Units for National Police and Kenya Prisons;
Ksh 876 million	Maintenance of Government Pool Houses;
Ksh 496 million	Construction of Foot Bridges; and
Ksh 444 million	Construction of County Headquarters



Informal settlement project in Kisumu.



The affordable housing program has employed over 130,000 Kenyans.



4. Affordable Healthcare to All

To deliver Universal Health Coverage, the Government embarked on various interventions to: i) provide fully public financed primary health care system, an emergency care fund and health insurance fund that covers all Kenyans, ii) install digital health management information system, iii) set up a Fund for improving health facilities; iv) set up an Emergency Medical Treatment Fund, iv) establish a National Insurance Fund that covers all Kenyans, and v) avail medical staff who would deliver Universal Health Coverage.

In FY 2024/25 Budget, the sector has been allocated **Ksh 127.0 billion**. Allocations to the sector include:

Ksh 4.2 billion	Universal Health Coverage Coordination and Management Unit;
Ksh 4.6 billion	Specialized Medical Equipment and Stipend for Community Health Promoters;
Ksh 2.0 billion	Free Maternity Health Care;
Ksh 3.6 billion	Managed Equipment Services;

Ksh 861.5 million	Medical Cover for the Elderly and Severely Disabled in our Society;
Ksh 4.1 billion	Primary Healthcare Fund;
Ksh.2.0 billion	Emergency, Chronic and Critical Illness Fund;
Ksh 28.7 billion	Global Fund (HIV, Malaria, TB);
Ksh 4.6 billion	Vaccines and Immunizations Programme;
Ksh 1.2 billion	Construction and Equipping Kenya Medical Training Colleges(KMTC);
Ksh 2.6 billion	Kenya National Hospital Burns and Paediatrics Centre;
Ksh 1.1 billion	Construction and Strengthening of Cancer Centers; and
Ksh 4.1 billion	Management of Medical Personnel



The Government continues to make investments to increase access to safe blood.



Acquisition of specialized medical equipment to support UHC

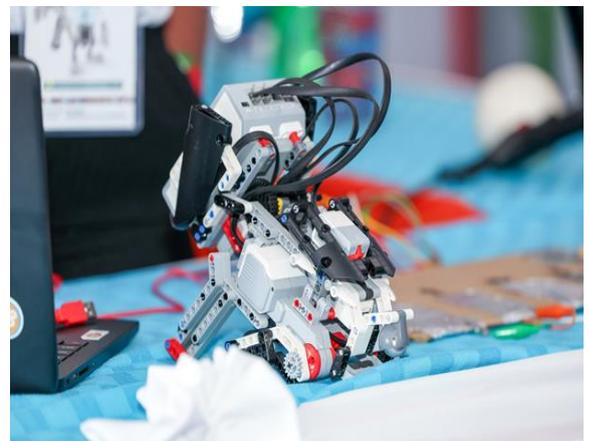


5. Digital Superhighway and Creative Economy

To enhance productivity and overall competitiveness, the Government is scaling-up broadband connectivity and fully implementing the Last Mile Electricity Connectivity Programme to improve the business environment.

This thematic area has an allocation of **Ksh 16.3 billion** in the FY 2024/25. Allocations include:

Ksh 5.2 billion	Konza data Center & Smart City Facilities;
Ksh 2.3 billion	Construction of KAIST at Konza Technopolis;
Ksh 2.8 billion	Kenya Digital Economy Acceleration Project; and
Ksh 2.8 billion	Last Mile County Connectivity Network.
Ksh 1.8 billion	Digital Superhighway and Government shared services.



Presidential Innovation Award to support innovative ideas.

OTHER KEY ALLOCATIONS TO THEMATIC AREAS

A. Improving National Security

The Government continues to implement reforms targeted at improving the operational capacities of our security forces to protect Kenyans against external and internal threats. In this regard, **Ksh 362.6 billion** has been allocated in FY 2024/25 to support operations of the National Police Service, Defence, the National Intelligence Service and Prison Services. Other proposed allocations include:

Ksh 7.4 billion	Lease Financing of Police Motor Vehicles;
Ksh 6.5 billion	Police Modernization Programme; and
Ksh 918.4 million	Equipping the National Forensic Laboratory.



To combat crime, the Government has invested in modern equipment.



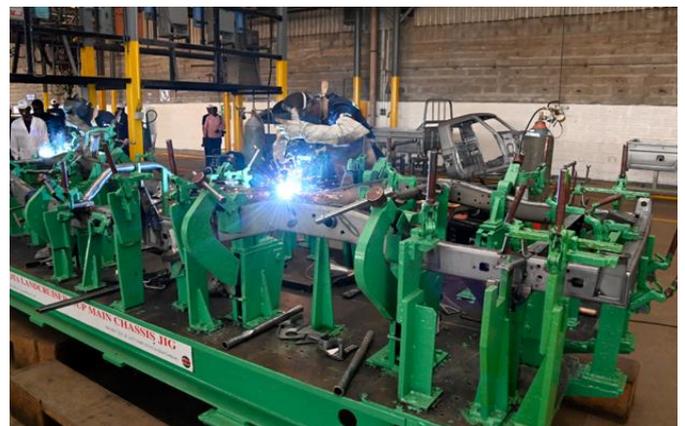
Launch of Regional Counterterrorism Training Centre in Kitui County

B. Supporting Manufacturing Sector for Productivity and Job Creation

The Government's value chain approach is expected to revamp the manufacturing sector and encourage competitiveness and growth of local industries. As such, **Ksh 23.7 billion** has been allocated in FY 2024/25 under various implementing Ministries, Departments and Agencies.

Key proposed allocations to the sector include:

Ksh 4.5 billion	Establishment of County Integrated Agro-Industrial Parks;
Ksh 1.9 billion	Finance & Enterprise Recovery (SAFER) Project;
Ksh 1.0 billion	Kenya Jobs Economic Transformation (KJET);
Ksh 440 million	Development of SEZ Textile Park Naivasha;
Ksh 1.5 billion	Sugar Reforms; and
Ksh 1.3 billion	Kenya Industry and Entrepreneurship Project



Government will develop demand driven programmes to bridge gaps in TVETs

C. Infrastructure Development for Inclusive Growth

Road Construction

The Government will continue to invest in road infrastructure by completing all roads under construction. It will focus on upgrading rural access routes, improving urban informal settlement roads, and enhancing critical national and regional trunk roads for maximum economic benefit.

Towards this end, **Ksh 193.4 billion** has been allocated in the FY 2024/25. This include:

Ksh 86.2 billion	Construction of Roads and Bridges;
Ksh 37.7 billion	Maintenance of Roads; and
Ksh 69.5 billion	Rehabilitation of Roads



Ongoing construction of Dongo Kundu bypass



454-Kilometre Kenya-Tanzania Road to be Completed in 2024

Rail, Sea and Air Transport

The Government continues to ensure national connectivity through rail and port infrastructure to open many areas to economic activities and spur growth in other sectors of the economy.

To improve rail transport and construction of ports, the following allocations have been proposed in the FY 2024/25:



- **Ksh 29.6 billion** to Expand Railway Transport and Associated Infrastructure;
- **Ksh 12.1 billion** for Air Transport
- **Ksh 3.1 billion** for Marine Transport; and
- **Ksh 4.2 billion** for Road Safety;

Reliable Energy Supply

To support production of reliable and affordable energy, the sector has been allocated **Ksh 70.3 billion** in FY 2024/25 as follows:

Ksh 27.8 billion	National Grid System;
Ksh 14.0 billion	Geothermal Generation;
Ksh 24.0 billion	Rural Electrification;
Ksh 1.3 billion	Mineral Resources Management and Geological survey;
Ksh 2.2 billion	Alternative Energy Technologies; and
Ksh 920 million	Development of nuclear energy.



Installed solar panels on health centers to provide reliable access to electricity.



Turkana wind mill project for electricity production

D. Environmental Protection, Water and Natural Resources

To support environment and water conservation and respond to climate change, the following allocations have been set aside for the FY 2024/25:

Ksh 73.1 billion	Expand Access to Clean and Adequate Water for Domestic and Agricultural Use;
Ksh 10.7 billion	Forests Resources Conservation and Management;
Ksh 1.7 billion	Forests Research and Development;
Ksh 5.9 billion	Kenya Financing Locally Led Climate Action Project;
Ksh 2.7 billion	Environment Management and Protection;
Ksh 1.6 billion	Meteorological Service; and
Ksh 13.1 billion	Wildlife security, conservation and management.



Fulugani, Kwale County, during the ground-breaking of the construction of Mwache Dam

E. Sustained Investment in Social Services for the Welfare of Kenyans

Quality and Relevant Education

The Government has continued to heavily invest in education to facilitate development of the necessary skills and competencies to learners from pre-primary to the tertiary level to enable them effectively play their part by contributing to the nation building effort, and partake of the dividends of shared prosperity.

In FY 2024/25 **Ksh 656.6 billion** has been allocated to the sector. Key allocations include:

Ksh 71.0 billion	Free primary and Day Secondary Education
Ksh 30.7 billion	Junior Secondary School Capitation
Ksh 3.0 billion	School Feeding Programme
Ksh 5.0 billion	Examinations Fee Waiver
Ksh 358.2 billion of which:	Teachers Service Commission
Ksh 13.3 billion	Conversion of JSS teachers to permanent and pensionable
Ksh 1.3 billion	Competency Based Curriculum (CBC) Training of Teachers
Ksh 11.1 billion	Kenya Primary Education Equity in Learning
Ksh 6.0 billion	Infrastructure Development in Primary and Secondary Schools
Ksh 150 million	ICT Integration in Secondary Schools
Ksh 62.8 billion	Higher Education Loans Board (HELB) and Other Scholarships
Ksh 71.9 billion	University Education
Ksh 700 million	Research, Science, Technology and Innovation



Ksh 3.0 billion allocated to School Feeding Program in FY 2024/25



Digital library at Kanga Primary School in Migori County.

Protection for Vulnerable Groups

The Government continues with programmes aimed at protecting vulnerable segment of our society. In FY 2024/25 **Ksh 31.3 billion** has been set aside for social protection and affirmative actions. These allocations include:

Ksh 18.6 billion	Cash Transfers to Elderly Persons;
Ksh 7.9 billion	Cash Transfers to Orphans and Vulnerable Children;
Ksh 1.5 billion	Kenya Hunger Safety Net Programme
Ksh 1.2 billion	Cash Transfer to Persons with Severe Disability.
Ksh 400 million	Presidential Bursary for the Orphans
Ksh 815 million	Child Welfare Society of Kenya
Ksh 600 million	National Council for Persons Living with Disabilities

Equity, Poverty Reduction, Women and Youth Empowerment:

To empower the youth and support businesses owned by youth and women, **Ksh 89.5 billion** has been allocated in FY 2024/25 for these initiatives:

Ksh 1.1 billion	Kenya Youth Empowerment Program;
Ksh 10.4 billion	National Youth Service;
Ksh 2.7 billion	National Youth Opportunity Towards Achievement (NYOTA);
Ksh 200 million	Youth Enterprise Development Fund;
Ksh 162.5 million	Centre for Entrepreneurship Project;
Ksh 200 million	Uwezo Fund;
Ksh 230 million	Youth Empowerment Centers; and
Ksh 182.8 million	Women Enterprise Fund



The Government continues to empower and support Youth and Women

To promote regional equity, reduce poverty and enhance social development, the FY 2024/25 budget has set aside:

Ksh 63.0 billion	National Government Constituency Development Fund (NG-CDF);
Ksh 8.0 billion	Equalization Fund;
Ksh 3.5 billion	National Government Affirmative Action Fund (NG-AAF).



Projects Financed by the National Government Constituency Development Fund

F. Continued Support to Counties for Enhanced Service Delivery

The National Government continues to support the County Governments to ensure that devolution succeeds.

In the FY 2024/25, County Governments have been allocated **Ksh 444.5 billion**, which comprises of:

- » **Ksh 400.1 billion** from the equitable share of revenue raised nationally. This is equivalent to **25.48 percent** of the actual revenues raised nationally for FY 2020/21.
- » **Ksh 8.76 billion** as additional conditional allocations from the National Government share of revenue
- » **Ksh 35.66 billion** as conditional allocation from the Development Partners.

Allocation of the Ksh 400.1 billion Equitable share for each County Government

County	Equitable Share (Ksh billion)	County	Equitable Share (Ksh billion)	County	Equitable Share (Ksh billion)
Baringo	6.9	Kisumu	8.7	Narok	9.5
Bomet	7.3	Kitui	11.2	Nyamira	5.5
Bungoma	11.5	Kwale	8.9	Nyandarua	6.1
Busia	7.8	Laikipia	5.6	Nyeri	6.7
Elgeyo/Marakwet	5.0	Lamu	3.4	Samburu	5.8
Embu	5.5	Machakos	9.9	Siaya	7.5
Garissa	8.6	Makueni	8.8	Taita Taveta	5.2
Homa Bay	8.4	Mandera	12.1	Tana River	7.0
Isiolo	5.1	Marsabit	7.8	Tharaka Nithi	4.5
Kajiado	8.6	Meru	10.3	Trans Nzoia	7.8
Kakamega	13.4	Migori	8.7	Turkana	13.7
Kericho	7.0	Mombasa	8.1	Uasin Gishu	8.8
Kiambu	12.7	Muranga	7.8	Vihiga	5.5
Kilifi	12.6	Nairobi	20.9	Wajir	10.2
Kirinyaga	5.6	Nakuru	14.1	West Pokot	6.8
Kisii	9.6	Nandi	7.6		

PUBLIC EXPENDITURE TRACKING



SUMMARY OF PROPOSED TAX MEASURES

Value Added Tax Measures

- ◆ Increase the VAT registration threshold from Kshs. 5 million to Kshs 8 million to take into account the erosion of the value of threshold by inflation over time;
- ◆ VAT input tax deduction threshold for taxpayers producing mixed supplies limited to only input tax related to taxable supplies;
- ◆ Rationalization of tax expenditure to align with National Tax Policy and the Medium-Term Revenue Strategy

Income Tax Measures

- ◆ Tax-free allowances for the private sector working out of station increased from Ksh 2,000 per day to a maximum of 5% of the employee's monthly gross earnings;
- ◆ A review of the pension benefits tax structure to exempt-exempt-exempt;
- ◆ Affordable Housing Levy and contributions to the SHIF made tax-deductible;
- ◆ Telecommunications spectrum licenses to be deductible over a period of 10 years;
- ◆ Introduction of annual motor vehicle tax at a rate of 2.5% of the value of the vehicle subject to a minimum of Ksh 5000.

Excise Duty Measures

- ◆ Due date for payment of excise duty on alcoholic beverages increased from 24 hours to within 5 working days;
- ◆ Removal of excise duty on imported clinkers;
- ◆ Increase excise duty on betting, gaming, lottery and prize competition from 12.5% to 20%;
- ◆ Excise duty on alcohol beverages to be based on centiliter of pure alcohol at Ksh 22.50 for wines/beer and Ksh 16 for spirits;
- ◆ Excise duty rate on cigarettes harmonized at Ksh 4,100 per mille;
- ◆ Excise duty on liquid nicotine increased from Ksh. 70 to Ksh. 100 per milliliter;
- ◆ Excise duty on fee charged on telephone, internet data services and money transfers services increased from 15% to 20% with the exception of excise duty on fees charged on money transfer by cellular mobile services providers;

Miscellaneous Fees and Levies

- ◆ Export and Investment Promotion Levy reduced to between 10% and 3% from 17.5% and list of products expanded;
- ◆ Introduction of an eco-levy on specific products imported or produced locally. and
- ◆ Goods to National Intelligence Service for official use exempted from payment of Import Declaration Fees and Railway Development Levy.

ABBREVIATIONS

A.I.A	Appropriations in Aid	KNEC	Kenya National Examinations Council
CBC	Competency Based Curriculum.	RDL	Railway Development Levy
GJLO	Governance, Justice, Law and Order	SEZ	Special Economic Zone
IDF	Import Declaration Fee	UHC	Universal Health Coverage
KMRC	Kenya Mortgage Refinance Company		