News release

Kenya's 1.16 trillion budget aligns priorities to focus on growth

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Nairobi

On 8 June 2011, the Honourable Uhuru Kenyatta, Minister of Finance, announced the major features of the 2011/2012 budget for Kenya. These include a strong focus on infrastructure and poverty reduction, recognising the impact of rising food and fuel prices.

'The budget is an opportunity for the government to share its priorities,' said Kuria Muchiru, Country Senior Partner for PwC Kenya. 'However, are those priorities aligned with Vision 2030 and how well does the budget serve to advance them?'

The budget outlines allocations and policy changes in six major areas: the constitution and political environment, infrastructure, poverty reduction, tax, macro-economic stability and sector reforms, particularly in financial services.

'In general, the budget effectively aligns priorities so that each of these areas will contribute towards economic growth,' continued Mr Muchiru. 'The budget does a good job of explaining how it will advance each priority and move us closer to Vision 2030.'

Main points in the budget include:

- Following the constitution referendum in August 2010, the budget allocates KES 20.8 billion towards enhancing governance, reforming the judiciary and devolving resources to counties.
- The budget identifies an allocation of KES 221 billion to infrastructure, an increase of 34% from 2010/2011, focusing primarily on roads, rail and energy
- Reducing poverty is a priority, particularly in light of rising food and fuel prices. The budget provides immediate cushioning in the form of a duty remission on maize and wheat, a reduction in duties on imported rice and the removal of excise on kerosene and maintenance of the recently-introduced 20% reduction on excise on diesel
- Major tax measures are intended to broaden the tax base. The budget also harmonises the excise duty on cigarettes and increases the excise rates for beer and wine.

'It's possible that the budget does not include a strong enough commitment to ensuring successful 2012 elections or the devolution of power to the counties,' commented Mr Muchiru. 'I think this is one priority area where the government should be doing more.

'Political stability—along with infrastructure and poverty reduction measures—contributes to economic growth.'

PwC recently concluded its 14th annual global CEO survey including interviews with over 30 CEOs in Kenya. In the survey, Kenya CEOs want government to focus on infrastructure and reducing poverty as well as financial sector stability, creating and fostering a skilled workforce and safeguarding intellectual property.

‘Each of these areas was identified and addressed in the budget,’ said Mr Muchiru. ‘But will the budget be effective in every area? Are priorities aligned in such a way as to promote sustainable, equitable growth?’ Complete results of the survey will be released this month in report published by PwC called *The Africa Business Agenda*.
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Notes to the editor

Spotlight on financial services: 2011 Risk Survey includes complete lists of risks facing banks and insurers and how they were ranked by a total of 45 respondents from Kenya, Uganda, Tanzania, Rwanda and Zambia.

The report also includes a thorough analysis of top risks, anecdotes from survey respondents themselves and editorial columns by PwC experts who share their insights on technology transformation, regionalisation and regulatory policy—all issues identified by respondents as affecting their risks profiles.

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