

Growing tomorrow's economy

The budget and the Constitution

National Budget 2012/2013

*The theme of the
this year's Budget:
Deepening our
Economic and
Social Prosperity
within a System of
Devolved
Government*

Revenue and Expenditure highlights

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

Budget numbers in summary

The table below presents the revenues and expenditure for 2012/13

Receipts	Billion KES
Ordinary revenue - KRA	870.5
Ordinary revenue - Other	86.1
External grants	56.2
External loans	169.3
Domestic borrowing	277.8
	1,459.9
Expenditure	
Recurrent	1,003.2
Development	451.7
Contingency fund	5.0
	1,459.9

Financing the Budget

Ordinary KRA Revenue of 870.5 billion KES can be challenged as KRA is expected to fall short of the target by 25 billion KES in FY11/12. It is not clear how this ambitious target can be met as the Minister did not propose any far-reaching tax measures. Other issues with collecting revenue include challenges collecting Appropriations in Aid revenue by National Budget 2012/2013

government ministries and departments and low absorption of donor funds due to procurement procedures and capacity constraints. Domestic borrowing of nearly 278 billion KES will stretch the debt limit further.

Expenditure highlights

The Energy, Infrastructure and ICT sector leads with a 24% allocation on account of ongoing road and energy projects. This is followed by Education at 21% with expenditures on FPE and teacher salaries. The key economic sectors of Agriculture and Rural Development (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 the private sector as key economic driver.

The low allocation on social protection and environment sectors of 3% and 5% respectively does not support the government's policy towards more equitable development and protection of vulnerable groups.

Expenditure by Sector

The table below summarises expenditure by sector.

Energy, Infrastructure and ICT sector

The sector is an enabler for sustained development but it faces challenges like the delayed uptake of donor

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%
	TOTAL	959,076	1,107,861	100%

Excluding Consolidated Fund Services
345.9bn KES for FY2012/13

Agriculture and Rural Development (ARD)

The sector is critical to economic growth, employment and poverty reduction and it is a mainstay of Kenya's economy, contributing 26% of GDP. Improving agricultural productivity, exploiting irrigation and increasing the commercialisation of the sector are important but the sector faces many challenges. These include unfavourable climate changes, poor planning and inadequate warning systems and low production and productivity.

funds, road maintenance backlog and a lack of adequate local construction capacity.

General Economic, Commercial and Labour Affairs

The sector faces inadequate legal, regulatory and institutional challenges, limited access to credit and high costs of production, among others.

Health

Goals include providing equitable and affordable healthcare to Kenyans but there are many challenges like inadequate infrastructure and the

need for more qualified health personnel.

Education

The sector is increasingly improving access to education and raising the quality and relevance of education but also faces challenges like inadequate infrastructure and staffing.

Governance, Justice, Law and Order (GJLOS)

The sector plays an important role in providing a stable environment for political, social and economic activities. It hosts most of the new Constitutional offices and funding should assist in the implementation of the new Constitution, better access to judicial and legal services and other activities.

Social Protection, Culture and Recreation

The sector's aims are to formulate and implement national and cultural heritage policies, youth empowerment and social development. Priorities include resettlement of IDPs, disaster mitigation and development of cultural and heritage infrastructure.

Environmental protection, water and housing

Access to decent and affordable housing and potable water in a clean and secure environment are a few of the sector's aims.

National security

Defence and national security intelligence services focus on priorities like improved security domestically and internationally.