

# BUDGET

## HIGHLIGHTS

CITIZEN'S - GUIDE  
2011/12



June 2011

### BUILDING RESILIENCE, DEALING WITH EMERGING CHALLENGES — ADDITIONS TO SPENDING PLANS

- KSh 7.3 billion for irrigation programmes covering various parts of the country
- KSh 1.6 billion for water harvesting and construction of water pans.
- KSh 1 billion for Agribusiness Fund to catalyze funding to agriculture
- KSh 400 million for Livestock Development Fund to boost livestock development
- KSh 2.1 billion to boost the current safety nets to cushion the vulnerable (disabled, orphans, older persons, and urban poor)
- KSh 3.3 billion (first phase) to enhance pension for retired teachers and cushion them from rising cost of living
- KSh 840 million for bursary (KSh 20,000 per child) to cover additional 200 poor students per constituency
- KSh 300 million for sanitary pads to support girls in schools countrywide.
- KSh 2.3 billion for basic services—water/irrigation, health, solar power, slaughterhouses—in marginalized areas.
- Additional KSh 3.7 billion (KSh 17.8 million per constituency) for CDF for completion of existing projects.
- KSh 2 billion capital grants to cooperative societies to pay coffee debts
- KSh 2.9 billion for expansion and upgrade of commuter rail in Nairobi and its environs
- KSh 4.2 billion for resettlement of IDPs (all categories)

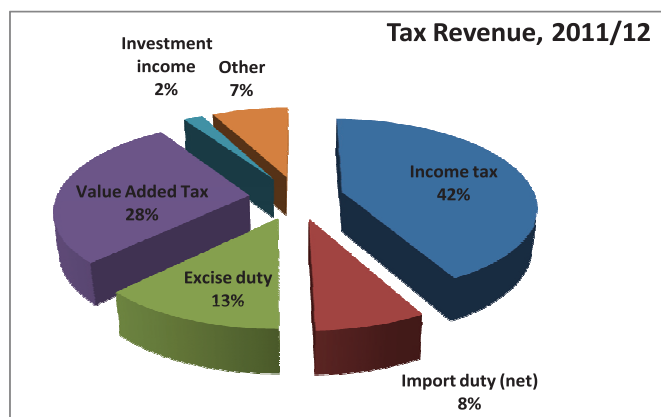
### SUSTAINING INCLUSIVE GROWTH FOR A BETTER KENYA

- Economic growth of 5.3% is projected for 2011, rising to 6.1% in 2012 and 6.5% in the medium-term. For FY 2011/12, this translates to an average growth of 5.7%.
- Inflation averaged 4% in 2010, but expected to rise to average 9.3% in 2011 and thereafter ease to the 5% target in the medium-term.
- Additional KSh 58 billion expenditure to ministerial spending plans for strategic interventions and cushioning the vulnerable.
- Projected budget deficit of 8.8% of GDP for 2011/12, declining to 5% by 2013/14.
- Public debt projected to rise from the estimated KSh 1.3 trillion at the end of June 2011 to KSh 1.6 trillion in 2011/12.
- The projected growth to create jobs slightly over half a million a year.
- KSh 1.6 billion for job creation through support for labour intensive public works programmes, skills development and internship programme
- Continued spending in social services—education (KSh 149.4bn) and health (KSh 64bn).

*Removing binding constraints for faster growth:*

- Continued investment in infrastructure (KSh 221.4 billion)—of which, energy (KSh 65.7bn), roads (KSh 100.9), rail (KSh 3.3 billion for construction of Standard Gauge Railway and KSh 2.8 billion for upgrade of commuter rail), among others.
- KSh 3.5 billion for police to boost security operations
- KSh 20.8 billion for implementation of new Constitution including preparation of next elections.

### BUDGET AT A GLANCE



#### MACROECONOMIC OUTLOOK, 2010/11 - 2013/14

	2010/11	2011/12	2012/13	2013/14
	Est.	Pro.	Pro.	Pro.
Real GDP growth	5.4%	5.7%	6.3%	6.5%
Investment (% of GDP)	22.3%	23.4%	24.8%	25.3%
Gross National Savings (% of GDP)	13.8%	15.5%	17.6%	19.0%
Exports of goods & Services (% of GDP)	28.3%	28.2%	27.2%	26.8%
Imports of goods & Services (% of GDP)	40.6%	41.4%	39.3%	37.7%
Nominal GDP growth	12.3%	15.3%	12.7%	11.8%
Real GDP per capita growth	2.5%	2.8%	3.4%	3.6%
GDP deflator	6.4%	9.1%	6.0%	5.0%
CPI Index (avg)	7.4%	9.3%	6.4%	5.0%
Current account % of GDP	-8.5%	-7.9%	-7.2%	-6.3%
Revenue (incl. Aia)	686.3	787.7	894.5	1,010.0
% of GDP	24.9%	24.7%	24.9%	25.2%
Expenditure*	917.5	1,066.8	1,112.0	1,210.3
% of GDP	33.2%	33.5%	31.0%	30.2%
Budget Deficit	(231.1)	(279.1)	(217.5)	(200.4)
% of GDP	-8.4%	-8.8%	-6.1%	-5.0%
Public Debt (net) (KSh billion)	1,324	1,546	1,764	1,872
GDP (in KSh billion)	2,761	3,184	3,589	4,011

\* Exclude domestic debt redemptions and external debt repayments.

#### GOVERNMENT EXPENDITURE BY SECTOR 2010/11 - 2011/12 Ksh Million

	2010/11	2011/12
	Est.	Proj.
Agriculture and Rural Development	38,197	33,301
Physical Infrastructure	165,811	221,412
Trade, Tourism and Industry	12,296	12,143
Governance, Justice, Law, and Order	98,738	121,543
Human Resources Development	201,750	214,982
Special Programmes	40,346	36,234
Public Administration and International Relations	77,458	112,856
Research, Innovation and Technolo	65,895	75,562
National Security	61,021	58,376
Environment, Water and Irrigation	50,351	57,000
<b>Total</b>	<b>811,863</b>	<b>943,409</b>



***Irrigation farming will ensure food security for Kenyans***

## DEALING WITH FOOD INSECURITY HEAD ON — GOVERNMENT TO INVEST BILLIONS INTO IRRIGATION PROGRAMMES COUNTRYWIDE

***Faced with the current challenges of rising food prices, the government is investing billions of shillings to expand and construct irrigation projects countrywide and transform agriculture into business***

The Government will spend KSh 10.2 billion in FY 2011/12 for expansion and construction of new irrigation projects countrywide. Completion of these projects will assure food security for Kenyans on a sustainable basis. Kenya has a huge untapped potential for irrigation agriculture estimated at about 1.7 million acres. To date only 20 percent of this has been utilized. The Economic Stimulus

Programme irrigation projects successfully brought an additional 40,000 acres under rice cultivation in Bura and Mwea, and maize in Hola.

To deal with food insecurity once and for all, the government will invest huge amounts of money to expand and initiate various irrigation projects spread throughout the country. KSh 8.6 billion is a conditional transfer to National Irrigation

Board to complete all the on-going irrigation projects, initiate new projects and fast track completion of designs for new strategic irrigation projects. The completion of on-going projects will bring under irrigation a total of 36,100 acres of agricultural land that will benefit about 560,000 households, while the new projects will bring under irrigation about 16,000 acres in the 2011/12 out of 70,000 acres we plan to complete in the medium term. This intervention will benefit about 300,000 Kenyans.

Towards transforming agriculture and livestock into business, the government has launched an Agribusiness and Livestock Development Fund, with an initial amount of KSh.1 billion and KSh.400 million, respectively.

The Agribusiness Fund is part of a wider project of KSh.5 billion Impact Investment Fund under the Kenya Incentive Based Risk Sharing Agricultural Lending (KIRSAL) to be implemented over a four year period in order to leverage KSh. 50 billion lending to agricultural sector and rural development targeting another 1.5 million small-holder farmers and over 10,000 agribusinesses throughout the country.

The operationalization of the project will empower and position the private sector players in the agricultural sector to deliver pro-poor economic growth, diversify our exports, expand employment, reduce poverty, and assure food security on a lasting basis.

## SPENDING PLANS FOR 2011/12

- KSh 149.4bn for education including free primary and free day secondary education, and teachers salaries
- KSh 64bn for preventive and curative health services
- KSh 13.3bn for social safety net including cushioning the vulnerable from current challenges
- KSh 2,000 Monthly Cash Transfer for the elderly
- KSh 100.9bn for roads and KSh 62.7bn for energy
- KSh 33.3bn for agriculture
- KSh 57bn for environment, water and irrigation
- KSh 10.2bn for Irrigation
- KSh 6.1bn for construction of new railway line (Standard Gauge), and commuter rail services in Nairobi
- KSh 9.3bn for judicial reforms
- KSh 8.1bn for parliamentary reforms
- KSh 60.5bn for provincial administration and police services
- KSh 15.8bn for Home Affairs and prison services
- KSh 58.4bn for defense and national security intelligent services
- KSh 12.1bn for IIEC and next election

### SAFETY NET FOR THE VULNERABLE

In KSh million	2010/11	2011/12
Persons with Disabilities	232	667
Orphans and Vulnerable Children	2,724	2,842
Gunny bags grants to urban poor	-	845
Girl Child	-	300
Older Persons Cash Transfer	530	1,000
Street Children Rehabilitation Fund	-	100
Resettlement of IDPs	3,656	4,157
Enhanced pension to retired teachers	0	3,340

## SCALING UP YOUTH EMPLOYMENT PROGRAMMES

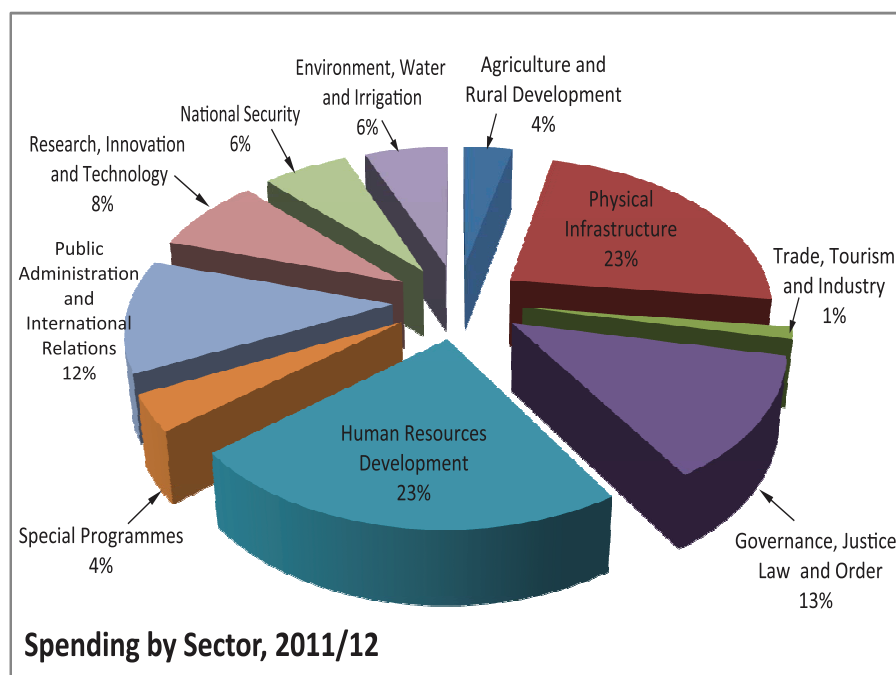
The Government will spend KSh 1.8 billion for Kenya Youth Empowerment Project covering labour-intensive works and social services. This will reduce the vulnerability of unemployed youth through expansion and enhancement of the Kazi kwa Vijana initiative.

The additional amount of money will enhance the coverage of the programme and target youths aged between 18-35 years under the KKV. It aims to put money into the pockets of our youths while at the same time enhancing community access to social and economic infrastructure.

Private sector firms offering internship and training placement for youth will also benefit from tax rebates for training and passing on the relevant work experience and enhancing the employability of the youth.

Private sector firms are called upon to reciprocate and avail opportunities for internship while also harnessing on the potential of the Kenyan Youth. The Implementing Agencies include Office of the Prime Minister, Ministry of Youth Affairs, and other line ministries, while KEPSA will provide an anchor for the private sector involvement.

### HOW MUCH IS GOING TO BE SPENT?



## CUSHIONING THE POOR FROM THE CURRENT HIGH FOOD PRICES

KSh 13.3 billion has been allocated to cushion the vulnerable members of our society from the current high prices of food and fuel. Part of the allocations comprise additional Ksh 385 million for cash transfer programme targeting the physically challenged persons, Ksh. 260 million for orphaned and vulnerable children and Ksh. 470 million for the elderly persons, among others. For the latter, the amount include an upward adjustment of the monthly

transfers to Ksh.2,000 as recently directed by Parliament.

The 2011/12 budget also provides a relief to the willing and able to work low income households in the informal settlements in our main cities of Nairobi, Mombasa and Kisumu. The Government has allocated Ksh. 845 million to the Urban Food Security Program currently funded by the European Commission and AFD.

The program was launched in

2008 focusing on improving urban food security through sack gardening in slum areas in response to soaring food prices and increased food insecurity among urban slum dwellers.

The amount will go towards the purchase and provision of two empty sacks, soil, pebble stones, manure and seedling of any vegetables to each household covering 80,000 households in five urban slums in Nairobi, 50,000 households covering three

slums in Mombasa and 50,000 households covering two slums in Kisumu.

This project will not only make these households food secure, but also provide a source of income, savings and above all cure the raging food inflation in our cities. It also has environmental benefits through use of waste water, greening of the slum areas and relocation of waste disposal to designated areas to create room for sack gardening.



## PRO-POOR SPENDING

- KSh 8.3bn for free primary education
- KSh 18.5bn for free secondary education
- KSh 32.3bn for preventive health services
- KSh 31.7bn for curative health services
- KSh 103 bn for teachers salaries
- KSh 23.1bn for labour-intensive public works programmes to support youth employment
- KSh.2,000 Monthly Cash Transfer for the elderly

## EQUITY AND REGIONAL BALANCE

- KSh 2.7bn for provision of basic services in marginal areas
- KSh 17.2bn for new allocation of CDF
- Addition to CDF of KSh 5.5bn (KSh 26.4 million per constituency) for completion of ongoing projects
- KSh 475 million for construction of water harvesting systems in 10 primary schools per constituency
- KSh 1.1bn for construction of water pans

## PRO-GROWTH SPENDING

- KSh 100.9 bn for road sector
- KSh 65.7 bn for energy investments
- KSh 10.2 bn for expansion and construction of irrigation projects country wide
- KSh 33.3 bn for agriculture services and KSh 1bn for Agribusiness Fund
- KSh 3.3 bn for construction of Standard Gauge Rail line
- KSh 2.8 bn for construction of commuter rail in Nairobi and its environs

## INVESTING IN PEOPLE

Human resource development is a key foundation for national socio-economic transformation. To deal with the current challenges, government will continue to allocate a significant amount of resources to education and health while ensuring its efficient use to promote service delivery.

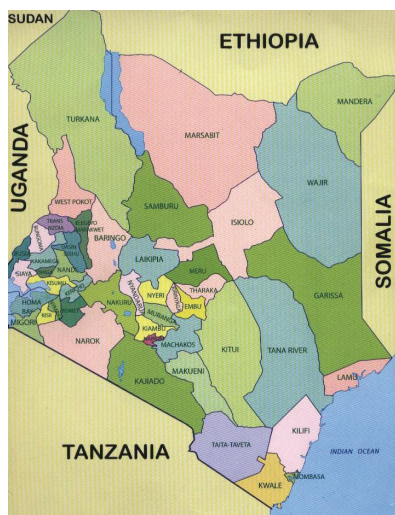
The government has upscaled the bursary program by KSh.840 million to cater for additional 42,000 orphans and children from poor households in secondary schools throughout the country. This initiative is over and above the current bursary schemes

being administered by the CDF and Ministry of Education.

In addition to FPE expenditure, Ksh. 300 million has been set aside for sanitary pads to support girls in public schools country-wide. This will go a long way to support free primary education and ensure that no girl child misses school days due to menses.

To enhance water harvesting in schools, KSh. 475 million has been allocated as a conditional grant under the Ministry of Education for schools countrywide.

## DEVELOPMENT FOR ALL



Noting that the disbursement of CDF and LATF comes to an end by 2012, it is critical that constituencies complete ongoing projects in readiness for handover to county government. To this end, the government has allocated KSh 17.2 billion for CDF in 2011/12, up from KSh.14.3 billion. A further KSh.1.8 billion as arrears to CDF has been allocated, bringing the total allocation to CDF to KSh.19 billion, translating to about KSh 90.5 million on average to each constituency.

Above this, the government has extended a conditional grant to the CDF Board amounting to KSh.3.7 billion or KSh.17.8 million per constituency toward completion of on-going projects under education, health, and sanitation.

## REMOVING BINDING CONSTRAINTS TO FASTER GROWTH

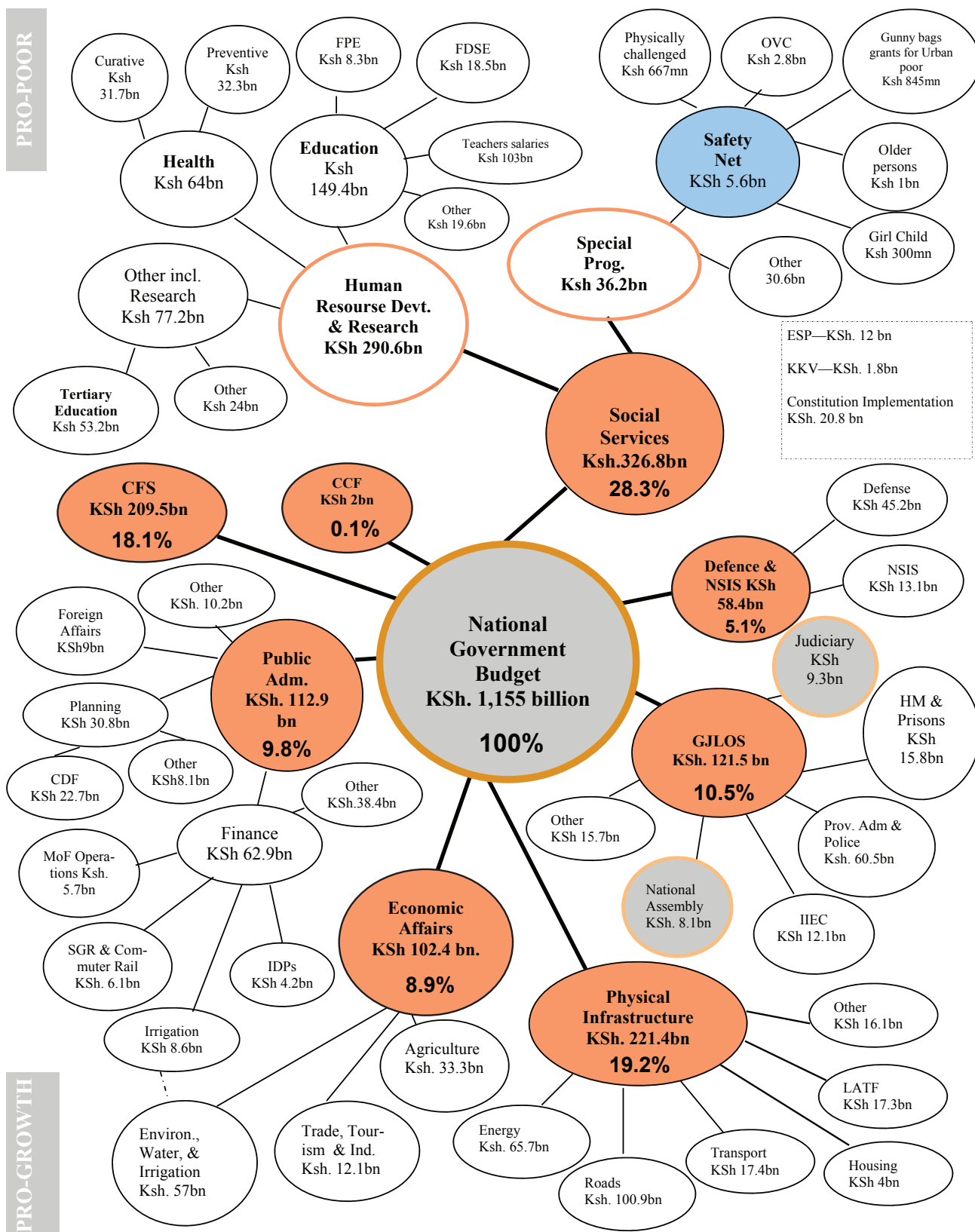
While the projected growth of about 6% in the medium-term will create jobs slightly over half a million a year, the government is cognizant that our economy needs to grow much faster at the rate of 10% envisaged in Vision 2030 to create more jobs in order to meaningfully deal with the current challenges of youth unemployment and poverty. To this end, and because of limited resources, the government will focus on removing binding constraints to faster growth, while at the same time taking measures to increase labor absorption and employability of our youth.

The budget for 2011/12 provides for KSh 1.8 billion for job creation through support for labour intensive public works programmes, skills development, and internship programmes.

On removing binding constraints for faster growth, the budget provides for:

- Continued investment in infrastructure totaling KSh 221.4 bn—with energy (KSh 65.7), roads (KSh100.9), rail (KSh 6.1 billion for construction of Standard Gauge Railway and urban commuter rail), in order to improve the investment climate and reduce the cost of doing business.
- Additional KSh 3.5 billion for police to boost security operations to ensure security of all persons and property.
- KSh 20.8 billion for implementation of new constitution including preparation of elections to ensure transparent, responsive, accountable, efficient and effective national and county governments.

# KNOW WHERE YOUR TAX MONEY IS GOING



See Page 6 for key to abbreviations



## ABBREVIATIONS

CCF	Civil Contingency Fund
CDF	Constituency Development Fund
CFS	Consolidated Fund Services, includes Public debt Service, Pensions and Salaries for Constitutional Office holders
ESP	Economic Stimulus Programme
FDSE	Free Day Secondary Education
FPE	Free Primary Education
GJLOS	Governance, Justice, Law and Order Sector
HM	Home Affairs
IIEC	Interim Independent Election Commission
KKV	Kazi kwa Vijana
MOF	Ministry of Finance
LATF	Local Authority Transfer Fund
NSIS	National Security Intelligence Services
OVC	Orphans and Vulnerable Children
SGR	Standard Gauge Rail

### NOTE:

- *Figures may not necessarily add up to totals due to rounding off.*
- *For ESP and KKV, the funds are spread in various sectors*
- *Other - refer to the detailed expenditure estimates for various ministries*
- *Grey Colour: Spending by 3 arms of Government*
- *Orange colour: Spending by main sectors*

