



13TH JUNE 2019

The PFM Act, 2012 requires the budget for the government to be publicized. This Mwananchi guide therefore, seeks to disseminate information on the budget for the FY 2019/20 to all segments of the society.

THEME: CREATING JOBS, TRANSFORMING LIVES— HARNESSING “THE BIG FOUR” PLAN

Government expenditure and net lending for the Financial Year 2019/20 is **Ksh 2.8 trillion**.

Of which:

- ◆ **Ksh 1,208.6bn** Ministerial recurrent expenditure; *includes Judiciary (Ksh 15.0bn) and Parliament (Ksh 37.5bn)*
- ◆ **Ksh 686.1bn** for Ministerial development expenditure;

(includes Judiciary (Ksh 4.4bn) and Parliament (Ksh 3.1bn)

- ◆ **Ksh 551.6bn** CFS excl domestic bond redemptions;
- ◆ **Ksh 310.0bn** Shareable transfer to Counties
- ◆ **Ksh 5bn** for contingency fund
- ◆ **Ksh 1.74bn** for net lending

Overall Budget

Total Revenue Ksh 2,115.9bn

Grants Ksh 38.8bn

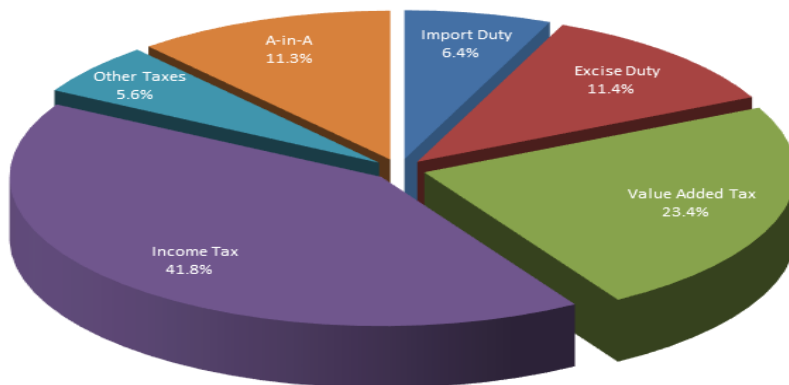


Deficit (Ksh 607.8bn)

Deficit Financing

- Project Loans **Ksh 240.6bn**
- Commercial Financing **Ksh 213.1bn**
- Program Support **Ksh 2.0bn**
- Foreign Payments **Ksh -131.4bn**
- Net Domestic Financing **Ksh 283.5bn**

Sources of the Ksh 2,115.9bn Total Revenue inclusive of A.I.A



NB: The expenditure of Ksh 2.8 trillion excludes external repayments (Ksh 131.4 bn) and Internal repayments (Ksh 123.7 bn) which are already reflected under financing.

Priority areas for the FY 2019/20

Where are some of your taxes going?

Drivers and Enablers of the “Big Four” Plan

Ksh 96.6billion

Support Value Addition and Raise the Manufacturing sector’s share to GDP to 15% by 2022.

Ksh 42.6billion

Enhancing Food and Nutrition Security to all Kenyans by 2022.

Ksh 47.8billion

Providing Universal Health Coverage to guarantee quality and affordable healthcare to all Kenyans.

Ksh 11.4billion

Provision of Affordable and Decent Housing for all Kenyans.

Ksh 252.5 billion

Cross cutting enablers of the “Big Four” plan

Achievements under the “Big Four” Plan

- ◆ Economic growth remains resilient and broad based averaging 5.7% in the past 6 years and generating a total of around 5 million new jobs since 2013. Growth recovered to 6.3% in 2018 from 4.9% in 2017.
- ◆ Macroeconomic stability (inflation within target, stable interest rates and competitive exchange rate for high adequate reserves) and improved security created a conducive business environment for investment.

Since the adoption of the “Big Four” Plan in FY2017/18, notable progress has been made on the implementation across the four strategic areas:

- ◆ To support growth of the **manufacturing sector**, the Government has scaled up reforms to encourage investment in the sector. In particular, the Government has heightened the fight against illicit trade and contrabands to protect genuine businesses and traders.
- ◆ To enhance **food and nutrition security**, the Government has aligned all policies under the agriculture sector towards increasing food production, boosting smallholder productivity and reducing the cost of food.
- ◆ To make **Universal Health Coverage** a reality, Government has launched the pilot phase of universal health programme in four Counties namely, Kisumu, Machakos, Nyeri and Isiolo.
- ◆ **On housing**, the Government has established; (i) the National Housing Development Fund which will be responsible for mobilizing capital to finance the affordable housing project. (ii) the Kenya Mortgage Refinance Company (KMRC) to leverage funds from Development partners and the private sector and provide secure long– term funding to financial institutions thereby increasing the availability and affordability of mortgage loans.

CREATING JOBS, TRANSFORMING LIVES— HARNESSING “THE BIG FOUR” PLAN

1. Supporting value addition and raising the manufacturing sector’s share of GDP to 15 percent by 2022;
2. Focusing on initiatives that guarantee food and nutrition security to all Kenyans by 2022;
3. Providing Universal Health Coverage to guarantee quality and affordable Healthcare to all Kenyans;
4. Provision of affordable and decent housing for all Kenyans

1. Supporting Value Addition and Raising the Share of Manufacturing Sector to GDP

The Government continues to support job creation by increasing the manufacturing base, supporting innovation across the entire value chain. Focus will be on;

- i) Development of Export Processing Zones, Special Economic Zones and Industrial Parks across the country.
- ii) Scaling up reforms in textile industries and leather parks; agro-processing; blue economy; automotive sector and manufacture of pharmaceutical products.
- iii) Other important sub-sectors are; production of construction materials; oil, gas, and mining; iron and steel; and ICT.



Locally produced leather products; Ksh. 0.1 bn has been allocated to Leather Industrial Park Development



Workers at EPZ Baba Dogo; 0.2 bn set aside for Textile development EPZ hub

Key allocations for the development of industries in the FY 2019/20 include:

- ◆ Ksh 0.1bn for leather industrial park development;
- ◆ Ksh 1.0bn for industrial research laboratories;
- ◆ Ksh 1.7bn support to SMEs in manufacturing sector;
- ◆ Ksh 0.2bn for textile development EPZ hub;
- ◆ Ksh 0.6bn for modernization of RIVATEX;
- ◆ Ksh 0.4bn for Constituency Industrial Development centres;

2. Enhancing Food and Nutrition Security to all Kenyans

The strategies under the Food and Nutrition Security Pillar target to:

- i) reduce over-reliance on rain-fed agriculture; the Government will develop 85,000 acres of irrigation area and expand smallholder irrigation by 1,617 acres .
- ii) reduce the cost of food; the Government will provide affordable energy; enhance market distribution infrastructures and avail incentives for post-harvest technologies to reduce post-harvest losses.
- iii) reduce the number of food insecure Kenyans, and reduce chronic malnutrition among children under 5 years,
- iv) Create 1,000 production SMEs and 600,000 direct and indirect jobs and increase the average daily income of farmers.



Ksh 0.6bn allocated for small holder dairy commercialization



KALRO researchers working on drought resistant crops to maximize farm yield

For food security in FY 2019/20, Government has allocated:

- ◆ Ksh 7.9bn for ongoing irrigation programmes;
- ◆ Ksh 3.0bn for cherry coffee revolving fund;
- ◆ Ksh 1.8bn for Kenya cereal enhancement;
- ◆ Ksh 1.0bn for crop diversification;
- ◆ Ksh 0.6bn for fall army worm mitigation;
- ◆ Ksh 2.0bn for National value chain support ;
- ◆ Ksh 2.0bn for issuance of title deeds
- ◆ Ksh 0.7bn for digitalization of land registries.
- ◆ Ksh 0.6bn for livestock & crop insurance scheme

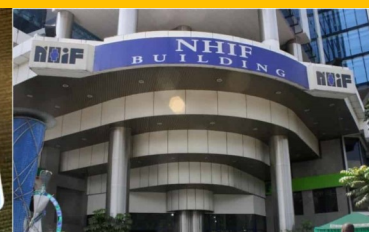
3. Providing Universal Health Coverage

The primary goal of Universal Health Coverage is to increase access to quality health care and reduce medical costs that are incurred by Kenyans. Focus for the next four years will be on:

- i) strengthening the provision of secondary and tertiary healthcare services;
- ii) Increasing the number of referral health facilities and use of e-health systems in delivering health care;
- iii) promoting the use of alternative sources of financing health care; and
- iv) strengthening primary healthcare systems; empowerment of communities, equipping of primary healthcare facilities and recruitment of additional health workers.

Key allocations in the FY 2019/20 include:

- ◆ Ksh 6.0bn for scaling up of Universal Health Coverage;
- ◆ Ksh 4.9bn for transforming health systems for UHC;
- ◆ Ksh 2.5bn for medical supplies to support UHC (piloting);
- ◆ Ksh 3.2bn to cover the Elderly and severely disabled;
- ◆ Ksh 6.2bn for leasing of medical equipment;
- ◆ Ksh 4.1bn for Free maternal health care;
- ◆ Ksh 4.1bn for doctors, clinical officers and nurses internship;
- ◆ Ksh 3.3bn for Vaccines and immunization;
- ◆ Ksh 0.4bn for Regional cancer centres.



Ksh 6.2bn allocated for Managed equipment services

4. Provision of Affordable and Decent Housing for All Kenyans

Through affordable housing programme, the Government targets to support provision of at least 500,000 affordable houses to Kenyans by 2022. To this end, the Government has;

- i) developed appropriate legal framework and policy foundation.
- ii) identified appropriate sites and availed 7,000 acres of land to roll out this program.

The County Governments are expected to provide land while the National Government will provide infrastructure such as power, water, and roads.

Construction companies are required to utilize locally produced building materials. Inputs such as doors, windows, hinges, sand and cement will be sourced in the domestic market.



Ksh 1.0 bn allocated for the construction of Affordable Housing



Construction of 2,720 affordable housing units at River Estate Ngara

Key allocations towards affordable housing and urban development in the FY 2019/20 include:

- ◆ Ksh 1.0bn for construction of affordable housing;
- ◆ Ksh 1.0bn for social housing units;
- ◆ Ksh 2.3bn for public servants house mortgage schemes;
- ◆ Ksh 5.0bn for National housing development fund;
- ◆ Ksh 1.0bn Housing for Police and Kenya Prisons;
- ◆ Ksh 11.7bn for Kenya Urban support programme.

Enablers for “The Big Four” Plan;

A. Conducive Business Environment for Investment

Improving National Security

National security is critical in creating a secure and conducive environment for socio- economic and political development.

Key allocations in FY 2019/20 include:

- ◆ Ksh 10.7bn for leasing of police motor vehicles;
- ◆ Ksh 9.0bn for enhanced security operations;
- ◆ Ksh 29.8bn for police and military modernization;
- ◆ Ksh 3.0bn for securitization of borders;
- ◆ Ksh 6.9bn for Police and Prison Officers Medical Insurance Scheme;

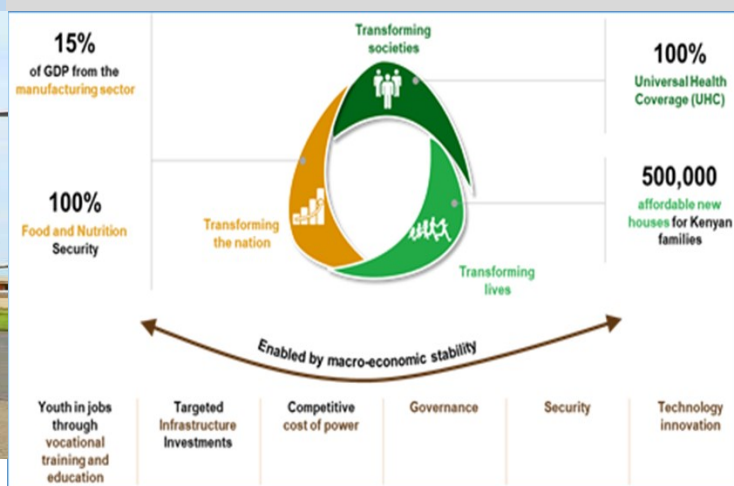
Macro economic Stability

The Government will pursue prudent fiscal and monetary policies that support strong economic growth, ensures price stability and maintains debt at sustainable levels .

- ◆ Fiscal policy supports the consolidation plan that targets revenue mobilization and rationalization of recurrent expenditure while protecting capital expenditure
- ◆ Monetary policy will maintain inflation within the target range of 2.5% on either side of 5.0%.
- ◆ Interest rates will be kept low and stable, and ensure the exchange rate remains broadly stable and competitive to support our exports.



Choppers for air wing operations; Ksh 29.8bn allocated for Modernization



B. Infrastructural Development

Road Construction

To ease congestion on roads and enhance movement of Kenyans and transportation of goods, the following has been allocated:

- ◆ Ksh 84.7bn for Ongoing Road Construction.
- ◆ Ksh 38.2bn for Rehabilitation of roads.
- ◆ Ksh 58.0bn for Maintenance of roads.



A completed section of Dongo Kundu bypass in Mombasa

Rail and Ports Construction

To develop and manage efficient and safe railway transport and modernize ports, the following have been allocated:

- ◆ Ksh 55.8bn Construction of SGR Phase II (Nairobi – Naivasha);
- ◆ Ksh 11.0bn for LAPSET Project;
- ◆ Ksh 7.2bn for Mombasa Port Development Project.
- ◆ Ksh 1.4bn for expansion of Airports and Airstrips



Ngong Tunnel of SGR Phase Two; SGR Phase 2 (Nairobi to Naivasha) has received an allocation Ksh.55.8bn



A section of Lamu Port; LAPPSET project has been allocated 11 bn

Energy

To ensure access to stable, reliable and affordable energy supply, allocations in FY 2019/20 include:

- ◆ Ksh 8.6bn for Geothermal Development;
- ◆ Ksh 54.3 billion for Power transmission;
- ◆ Ksh 4.5bn for Electrification of Public Institutions;
- ◆ Ksh 1.5bn for Constituency transformers;



Geothermal plant in Naivasha; Ksh 8.6bn for Geothermal development

Leveraging on ICT

To further enhance service delivery and open new frontiers for employment creation, the following has been allocated in the FY 2019/20:

- ◆ Ksh 1.8bn for National Optic Fibre Backbone Infrastructure (Phase II) Expansion;
- ◆ Ksh 2.9bn for Government shared services;
- ◆ Ksh 7.2bn for Development of Konza Metropolis;
- ◆ Ksh 3.2bn for Digital Literacy programme (school laptop project).
- ◆ Ksh 1.1bn for installation of an internet based 4000 Network
- ◆ Ksh 1.0bn for Ajira Fund

Environmental Conservation and Sustaining Water Supplies

The Government remains committed to the provision of a clean, secure and sustainable environment and adequate drinking water for all Kenyans. Allocations in FY 2019/20 are as follows:

- ◆ Ksh 27.4bn for Water & Sewerage infrastructure;
- ◆ Ksh 25.1bn for Dams construction;
- ◆ Ksh 1.3bn for Water harvesting, Storage & Flood control;
- ◆ Ksh 1.0bn for Water harvesting and storage for irrigation;
- ◆ Ksh 1.0bn for National tree planting campaign.

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

Quality and Relevant Education

The following allocations in the FY 2019/20 are aimed at promoting learning and competencies to develop quality and relevant skills and training required for the jobs of today and tomorrow:

- ◆ Ksh 59.4bn for free day secondary education;
- ◆ Ksh 13.4bn for free primary education;
- ◆ Ksh 3.2bn for recruitment of additional teachers;
- ◆ Ksh 2.0bn for school feeding program;
- ◆ Ksh 4.0bn to KNEC for examination fee waiver;
- ◆ Ksh 12.9bn for Higher Education Loans Board;
- ◆ Ksh 97.4bn for University Education;
- ◆ Ksh 23.3bn for Vocational and Technical Training institutes.



Rift Valley Technical Training Institute– Eldoret;

Equity, Poverty Reduction and Social Protection for Vulnerable Groups

Under National Safety Net (Inua Jamii) Programme, Government continues to extend cash transfers to vulnerable groups in the FY 2019/20 as follows:

- ◆ Ksh 7.9bn for Orphans and Vulnerable Children;
- ◆ Ksh 16.6bn Cash Transfer to elder persons;
- ◆ Ksh 1.1bn Cash Transfer to persons with severe disability.
- ◆ Ksh 2.3bn for Hunger Safety Net Programme.

To support youth and women empowerment, allocations in FY 2019/20 include:

- ◆ Ksh 0.6bn for Youth Enterprise Development Fund (YEDF);
- ◆ Ksh 4.4bn for Youth empowerments in informal settlements;
- ◆ Ksh 0.4bn for Women Enterprise Fund;
- ◆ Ksh 0.3bn for Youth Employment and Enterprise (Uwezo fund).

To promote equity, social development and development in the marginalized areas, the Government has allocated:

- ◆ Ksh 41.7bn for National Government Constituency Fund;
- ◆ Ksh 2.3bn for National Government Affirmative Action Fund;
- ◆ Ksh 5.8bn for Equalization Fund.



President Uhuru Kenyatta during launch of the Inua Jamii cash transfer programme.



Some beneficiaries of YEDF; YEDF has been allocated 0.6 bn

D. Continued Support to Counties for better Service Delivery

In FY 2019/20, Equitable share allocation to County Governments is **Ksh 310 bn**.

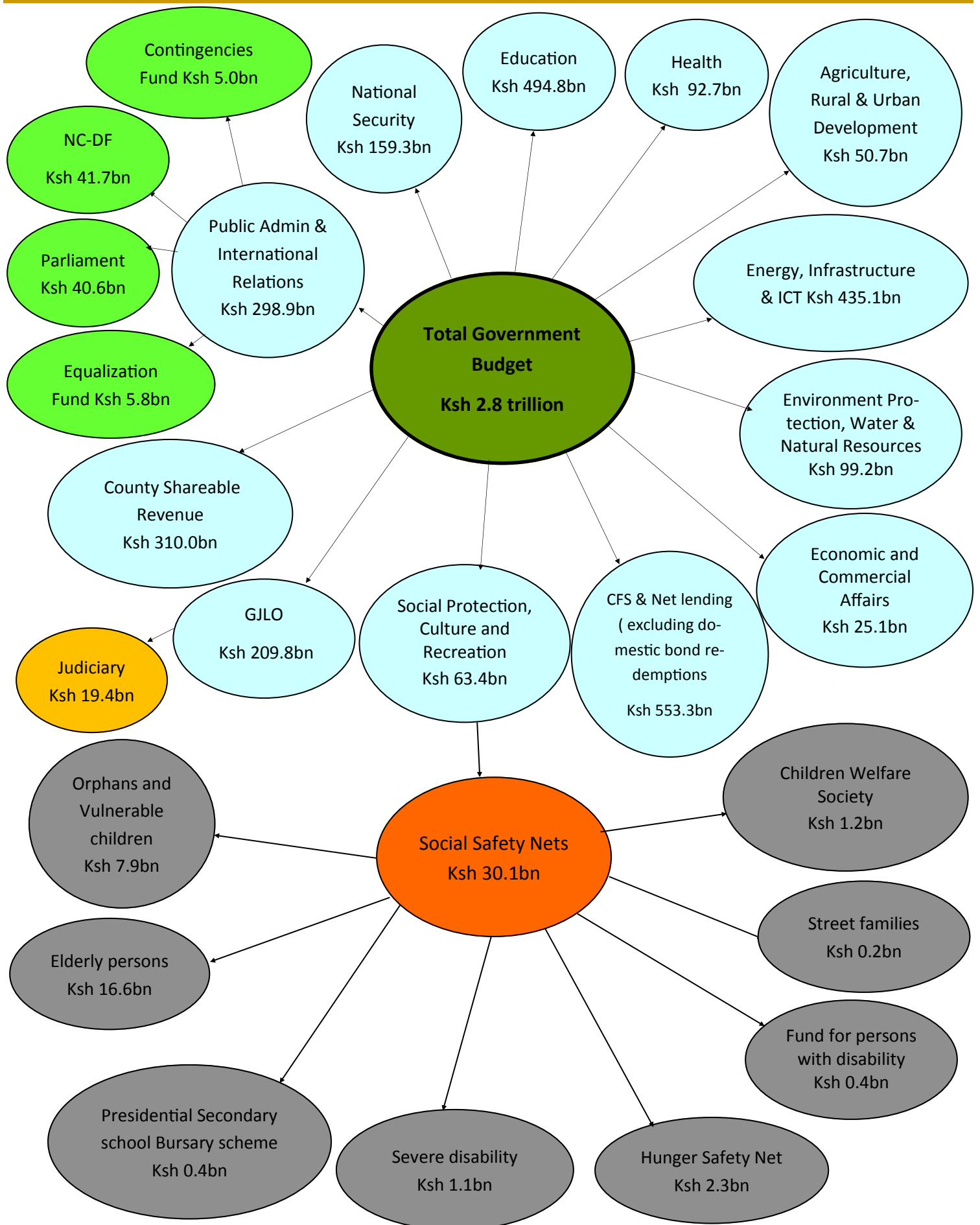
Additionally, they will receive **Ksh 61.6bn** conditional allocations constituting:

- ◆ Ksh 4.3bn for level-5 hospitals;
- ◆ Ksh 0.9bn for compensation of foregone user fees;
- ◆ Ksh 6.2bn for the leasing of medical equipment;
- ◆ Ksh 0.5bn to supplement construction of County headquarters;
- ◆ Ksh 2.0bn for rehabilitation of youth polytechnics; and
- ◆ Ksh 8.98bn allocation from the Fuel Levy Fund.

Other Conditional allocations from donor loans and grants amount to **Ksh 38.7bn** and include:

- ◆ Ksh 11.86bn loan and grants from World Bank,
- ◆ Ksh 0.99bn proceeds of a European Union grant,
- ◆ Ksh 1.0bn proceeds of a Danish Government grant (DANIDA),
- ◆ Ksh 0.85bn proceeds from Sweden Government,
- ◆ Ksh 23.7bn loan from International Development Association (IDA),
- ◆ Ksh 0.35bn proceeds from German Development Bank (KfW)

PUBLIC EXPENDITURE TRACKING



NB: The expenditure of Ksh 2.8 trillion excludes external repayments (Ksh 131.4 bn) and Internal repayments (Ksh 123.7 bn) which are already reflected under financing.

Summary of Proposed Tax Measures

Custom Measures

- ◆ Retained the import duty on iron and steel products at **35%** with the corresponding specific duty rate for the products produced in Kenya.
- ◆ Import duty on raw timber reduced from **10%** to **0%** to cushion manufacturers of furniture and in the construction industry, following the ban on logging.

Value Added Tax

- ◆ VAT exemption for locally manufactured motherboards to support local manufacturers of electronics and computer;
- ◆ Reduced VAT withholding rate from **6%** to **2%** to reduce the accumulation of credits associated with withholding VAT;
- ◆ Refine the VAT refund formula to ensure that inputs relating to the zero-rated supplies are taken into account in the refund process;
- ◆ Zero rating of denatured bio-ethanol to promote the use of clean energy

Excise Duty

- ◆ Reduction of excise duty rate on 100% electric powered motor vehicles to **10%** from **20%**;
- ◆ Excise duty rate on motor vehicles with an engine capacity of below 1500 cc retained at **20%**
- ◆ Increase of excise duty on other motor vehicles from **20%** and **30%** to **25%** and **35%** respectively;
- ◆ Introduction of excise duty of **10%** on amount staked on betting
- ◆ Increased excise duty on tobacco products, wines and spirits by **15%**

Income Tax

- ◆ Capital gains tax increased from **5%** to **12.5%** on gains from transfer of property
- ◆ Introduction of withholding tax at **5%** for residents and **20%** for non-residents, on fees paid for services offered on commercial basis that are not subject to the withholding tax.
- ◆ Housing Fund income exempt from tax to promote affordable housing.
- ◆ Reduced corporation tax to **15%**, for the first five years of operation for companies operating plastic recycling plant.

Fees and Levies

- ◆ Provision for refund of anti-adulteration levy paid by manufacturers of paints and resins.
- ◆ Reduction of Import Declaration fees from **2%** to **1.5%** on intermediate goods and raw materials for use by approved manufactures.
- ◆ Increase of Import Declaration Fees from **2%** to **3.5%** on finished goods.
- ◆ Maintained Railway Development Levy at **1.5%** on intermediate goods and raw materials for use by approved manufactures.
- ◆ Increased Railway Development Levy from **1.5%** to **2%** on finished goods.
- ◆ Imposition of export levy on tanned and crust hides and skins at **10%**.

ABBREVIATIONS

A.I.A	Appropriations in Aid	LAPSSET	Lamu Port-South Sudan-Ethiopia-Transport
CFS	Consolidated Fund Services	NG-CDF	National Government constituency Development Fund
EPZ	Export Processing Zone		
GJLO	Governance, Justice, Law and Order	NHIF	National Hospital Insurance Fund
KCC	Kenya Co-Operative Creameries	PAIR	Public Administration & International Relations
KNEC	Kenya National Examination Council	SGR	Standard Gauge Railway

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matumizi bora ya fedha wajibu wetu

