Proposals for Kenya's Austerity in FY 2024/25

Introduction

Supplementary Budgets sum up the in-year adjustments made to different government programmes under the various Ministries, Departments and Agencies (MDAs). According to the notification by the National Assembly Clerk on 11th July 2024, the Supplementary Estimates I were informed by Article 223 of the Constitution and Section 44 of the Public Finance Management Act (PFMA) 2012 CAP 412A. Article 223 of the Constitution of Kenya stipulates the conditions under which additional money can be appropriated through Supplementary Budgets. These include, if the amount appropriated for any purpose under the Appropriation Act is insufficient or a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act or money has been withdrawn from the Contingencies Fund. Section 44 of the PFMA 2012 indicates that the national government shall submit to Parliament for approval, a supplementary budget in support of money spent under Article 223 of the Constitution, and after Parliament has approved spending under subsection (1), an Appropriation Bill shall be introduced for the appropriation of the money spent.

However, we note that circumstances for the initiated supplementary estimates I raise several constitutional questions on its use because it violates both Article 223 of the Constitution and Section 44 of the PFMA 2012 that are the assumed basis. While the documents in reference describe money that has been spent, it is unconstitutional, manipulative and misleading to misinterpret Article 223 to read that Parliament can amend the Appropriation Act through a supplementary budget.

These appropriations or adjustments can have a significant impact on the funding of key priorities. However, this part of the process has historically not been open to public scrutiny. The FY 2024/25 Supplementary I Budget is introduced in the context of the withdrawal of the Finance Bill 2024 which was meant to raise an additional KES 344 billion in tax revenue, and the attendant gapping KES 954 billion fiscal deficit. On account of this, the Supplementary I Budget proposes a reduction in allocation to the approved estimates of KES 156 billion, comprising KES 34.0 billion and KES 122 billion in recurrent and development expenditure respectively.

We present this memorandum with our views on the proposed changes in the Supplementary I budget, as well as alternative proposals on how the government can reduce the budget deficit over time and attain fiscal sustainability for Kenya's future.

Overall Analysis

A physical count shows that 78 ministries, departments, and agencies (MDAs) had their allocations decreased while only 2 State Department for Cooperatives, and State Department for Economic Planning had their allocations increased. Notably, only budgets for one MDA remained the same, that is, the National Intelligence Service.

Among the top 10 MDAs by budget cuts are social sector MDAs such as the State Department for Basic Education, the Teachers Service Commission, and the State Department of medical services. The three MDAs are slated to receive a collective budget cut of KES 32.3 Billion.

Table 1: Top MDAs by budget cuts

VOTE CODE TITLE	Approved Estimates 2024/2025 - KSHS	Supplementary Estimates 2024/2025 - KSHS	Changes in 2024/2025 - KSHS	Changes in 2024/2025 - %
1152 State Department for Energy	69.66	51.12	**-18.55**	**-26.6%**
1066 State Department for Basic Education	142.26	127.33	**-14.94**	**-10.5%**
1091 State Department for Roads	198.96	184.84	**-14.12**	**-7.1%**
2091 Teachers Service Commission	358.22	347.89	**-10.33**	**-2.9%**
1026 State Department for Internal Security & National Administration	35.88	27.33	**-8.55**	**-23.8%**
1071 The National Treasury	135.12	127.05	**-8.07**	**-6.0%**
1082 State Department for Medical Services	98.98	91.99	**-6.99**	**-7.1%**
1017 State House	9.50	4.31	**-5.19**	**-54.6%**
1112 State Department for Lands and Physical Planning	10.02	4.99	**-5.03**	**-50.2%**

At the programme level, the largest budget cuts are seen within the energy, roads and education sectors. Of the top ten programmes by budget cuts, three are within the education sector - Teacher Resource Management, Primary Education and Secondary Education.

Table 2: Top MDA programmes by budget cuts

	Approved Estimates 2024/2025 - KSHS	Supplementary Estimates 2024/2025 - KSHS	Changes in 2024/2025 - KSHS	Changes in 2024/2025 - %
0213000 Power Transmission and Distribution	51.83	33.88	**-17.95**	**-35%**
0202000 Road Transport	198.96	184.84	**-14.12**	**-7%**
0509000 Teacher Resource Management	347.69	337.68	**-10.01**	**-3%**
0717000 General Administration Planning and Support Services	76.48	66.74	**-9.74**	**-13%**
0502000 Secondary Education	103.34	95.28	**-8.06**	**-8%**
0629000 General Administration and Support Services	15.52	8.08	**-7.44**	**-48%**
0501000 Primary Education	29.94	23.18	**-6.76**	**-23%**

0402000 National Referral & Specialized Services	61.53	55.89	**-5.64**	**-9%**
1013000 Integrated Regional Development	7.13	1.89	**-5.24**	**-74%**

Source: Supplementary I Budget Estimates FY 2024/25

Sector Analysis & Recommendations on the Supplementary Budget I FY 2024/25

01: Education

The approved budget estimates for the education sector for FY 2024/25 marked a 5% or KES 33 billion reduction of the sector's FY 2023/24 budget. This is mainly driven by budget cuts across the State Departments for Basic Education, Technical Vocational Education and Training, Higher Education and Research. There was no clear justification for the cuts in this sector or an explanation of the anticipated impacts.

Now, in the Supplementary I FY 2024/25 estimates, the sector's budget is proposed to receive a further cut of KES -33.4 billion or another 5% on account of cuts across all MDAs in the sector. Indeed, among the top 10 programmes proposed to receive budget cuts in the Supp. I, FY 2024/25 budget, 3 programmes fall within the education sector.

Most affected is the State Department for Basic Education, which houses the Primary Education and Secondary Education programmes and is proposed to have its approved budget decrease by 10% equivalent to KES 14.9 billion.

Table 3: Proposed Education Sector Budget Changes

	Approved Estimates 2024/2025 - KSHS			Supplementary Estimates 2024/2025 - KSHS			Changes in 2024/2025 - KSHS			Changes in 2024/2025 - %		
VOTE, PROGRAMME CODES & TITLE	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**
1066 State Department for Basic Education	121.9	20.3	142.3	113.8	13.5	127.3	-8.1	-6.9	-14.9	-7%	-34%	-10%
2091 Teachers Service Commission	357.8	0.4	358.2	347.5	0.4	347.9	-10.3	0.0	-10.3	-3%	-11%	-3%
1065 State Department for Higher Education and Research	121.0	4.4	125.4	119.2	1.2	120.4	-1.8	-3.2	-5.0	-1%	-74%	-4%
1064 State Department for Technical Vocational Education and Training	23.1	7.6	30.7	23.1	4.4	27.5	0.0	-3.1	-3.2	0%	-42%	-10%
TOTAL	**623.8**	**32.7**	**656.6**	**603.7**	**19.4**	**623.1**	**-20.2**	**-13.3**	**-33.4**	**-3%**	**-41%**	**-5%**

Source: Supplementary I Budget Estimates FY 2024/25

The Supplementary Budget I, FY 2024/25, will affect the following areas in the education sector: primary education, secondary education, quality assurance, standards and general administration and planning and support services programs. A deeper look into the specific budget lines, shows significant cuts in crucial parts of the sector with an adverse effect on service delivery through the changes in the KPIs:

Table 4: Anticipated Service Delivery Impact of Changes in the Education Sector

HEADS	NET AMENDMENTS (KES)	KPI IMPACTS
1066005200 Education Assessment and Resource Centre (EARC)	-281 Million	Number of primary school special needs learners assessed reduced from 7,200 learners to 3,000 learners
1066004900 National Council for Nomadic Education in Kenya (NACONEK)	-3 Billion	Number of vulnerable learners provided with school meals in a year reduced from 4,000,000 to 0.
2110100 Basic Salaries - Permanent Employees	-10 Billion	No change in the targeted indicators
1066105300 Junior Secondary School Infrastructure Improvement - BETA	-2 Billion	Decrease in the number of JSS/CBC classrooms built from 1400 to 0. No change in number of learners to be enrolled in Junior Secondary School and Public Secondary Schools
1066101500 Primary Schools infrastructure Improvement	-532 Million	Number of new classrooms built constructed reduced from 320 to 0

Source: Supplementary I Budget Estimates FY 2024/25

There are notable and significant cuts in crucial areas such as development of infrastructure in both public secondary and primary schools as well as JSS classrooms. Its significant example is the 6,450,133 learners targeted to be enrolled in the upcoming financial year, yet the number of classrooms that were meant to be constructed are reduced 320 to 0, and adverse shift in targets that will directly affect service delivery to learners.

The school feeding program shows a complete cut in the budget under NACONEK. However, the estimates under the State Department for ASALs and Regional Development, show a planned increased allocation of KES 3 billion to the National Drought Management Authority on account of the reallocation of the school feeding programme from NACONEK.

Recommendations

1. We contend that the Education sector is critical to the long term development of the nation due to its contribution to human capital development. While budget rationalisation remains key, allocations to education infrastructure should be protected from cuts in order to support the absorption of new and current learners slated to be enrolled in different levels.
2. We further propose opportunities for budget rationalisation in the following areas:

Table 5: Proposed Alternative Budget changes within the Education Sector

	Amount	
	GoK	**Justification for the cut**
State Department for Higher Education and Research		
1. Headquarters Administrative Services	1,446,147,790	The significant allocation of 1,446,187,676 does not match up to the low targets set under the key performance indicators. The targets stand at numbers as low as 2 employees targeted to be sensitised on wellness with other activities that can survive budget cuts for the financial year such as the recruitment of scouts and the construction of education field offices.
2. Science and Technology Development and Promotion	348,159,112	The program has an estimated allocation of 418,159,112 a significant increase from the allocation in FY 2023/24 of 260,415,533. However the targets of the program are quite limited in comparison to the allocation. These include registration, accreditation and inspection of institutes with targets set numbers on the lower side such as only 10 institutes targeted in FY 2024/2025
3. ICT integration in Secondary Schools - Free Day Secondary Educations	400,000,000	The budget is for the procurement of only 2000 computers. This will not contribute much to a secondary school student population of 3.2 million. The project can wait for a future year where it can be still implemented and at a larger scale.
4. East Africa Skills Transformation and Regional Integration	600,000,000	The funding is for model institutions that are fully funded by the government. The funding is for infrastructure which will require operationalization which may be difficult this year. Therefore, it can be implemented in the future where there are resources to also operationalize the facilities.
Teachers Service Commission		
Teachers Service Commission: Governance and Standards	1,309,066,143	It overlaps with the functions performed by Quality Assurance and Standards under the State Department for Basic Education. The Presidential Task Force also recommended merging of the two.
Total	**3,103,373,045**	

Source: Approved Budget Estimates FY 2024/25

3. **Furthermore, we recommend the rationalisation of affirmative action funds within the education sector.** Our analysis of the approved estimates found five separate funds within the Education sector worth KES 36 billion that could be traced for education bursaries at multiple levels of schooling. Notably, this is alongside the capitations made by the State Department For Higher Education through the Higher Education Loans Board and University Funding board, and the State Department For Basic Education for primary and secondary school students.

Table 6: Proposed affirmative action funds in the Education Sector for Rationalization

MDA/ Programme	Allocation
1072 State Department for Economic Planning	

1072101500 National Government Constituency Fund (NGCDF)	23,983,900,000
1212 State Department for Gender and Affirmative Action	
1212000700 National Government Affirmative Action Fund (NGAAF)	8,680,000
1185 State Department for Social Protection and Senior Citizens Affairs	
1185001100 Children's Children Support Services Services (PSSB)	400,000,000
Estimated County Allocations to Bursaries across 47 counties (based on regional sample of 5)	**12,313,880,817**
Estimated Total Allocation to Bursaries	**36,706,460,817**

Source: Program-Based budget FY 2024/25, National and various County

02: Social Protection Culture and Recreation

The Social Protection Culture and Recreation Sector is proposed to receive a 3.3% budget cut, equivalent to KES 2.39 billion. Despite the cut being borne by all MDAs, the largest absolute and percentage cut was to the State Department for Youth Affairs and Creative Economy, which will lose KES 640 million from its approved allocations from FY 2024/25.

The State Department for Gender and Affirmative Action is proposed to receive a KES 550 million cut to its programmes, including a complete cut of the Women Enterprise Fund allocation of KES 183 million and a KES 291 million allocation cut to the Affirmative Action Social Development Fund.

The State Department for Social Protection and Senior Citizens Affairs is slated to receive a 360 million budget cut to its allocation, majorly on account of cuts to the Domestic Travel and Subsistence, Other Transportation Costs, Hospitality Supplies and Services Other Operating Expenses.

Table 7: Proposed SPCR Sector Budget Changes

	Approved Estimates 2024/2025 - KSHS			Supplementary Estimates 2024/2025 - KSHS			Changes in 2024/2025 - KSHS			Changes in 2024/2025 - %		
VOTE, PROGRAMME CODES & TITLE	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL
1185 State Department for Social Protection and Senior Citizens Affairs	33.11	2.19	35.30	33.04	1.91	34.95	-0.07	-0.28	-0.36	-0.2%	-12.9%	-1.0%
1212 State Department for Gender and Affirmative Action	2.08	4.04	6.11	2.00	3.56	5.56	-0.08	-0.47	-0.55	-3.7%	-11.7%	-9.0%
1135 State Department for Youth Affairs and Creative Economy	1.90	2.14	4.05	1.87	1.54	3.41	-0.03	-0.61	-0.64	-1.6%	-28.4%	-15.8%

1134 State Department for Culture and Heritage	2.87	0.16	3.03	2.78	0.01	2.79	-0.09	-0.15	-0.24	-3.0%	-93.9%	-7.9%
1132 State Department for Sports	1.11	16.64	17.74	1.09	16.46	17.56	-0.01	-0.17	-0.19	-1.2%	-1.0%	-1.1%
1184 State Department for Labour and Skills Development	4.32	1.51	5.83	4.27	1.15	5.42	-0.05	-0.36	-0.41	-1.2%	-24.0%	-7.1%
TOTAL	**45.39**	**26.69**	**72.07**	**45.06**	**24.63**	**69.69**	**-0.33**	**-2.06**	**-2.39**	**-0.7%**	**-7.7%**	**-3.3%**

The State Department for ASALs and Regional Development

The State Department for ASALs and Regional Development facilitates a number of social protection programs, including the Hunger Safety Net Programme implemented by the National Drought Management Authority (NDMA) and the school feeding programme. The MDA is expected to receive a 20% cut to its overall budget worth KES 2.54 billion.

Table 8: Proposed Budget Changes in the State Department for ASALs and Regional Development

	Approved Estimates 2024/2025 - KSHS			Supplementary Estimates 2024/2025 - KSHS			Changes in 2024/2025 - KSHS			Changes in 2024/2025 - %		
VOTE, PROGRAMME CODES & TITLE	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**	**GROSS CURRENT**	**GROSS CAPITAL**	**GROSS TOTAL**
1036 State Department for the ASALs and Regional Development												
0733000 Accelerated ASAL Development	2.91	2.02	4.93	5.89	1.81	7.70	2.98	-0.21	2.77	102%	-10%	56%
0743000 General Administration, Planning and Support Services	0.48	-	0.48	0.41	-	0.41	-0.06	-	-0.06	-13%	-	-13%
1013000 Integrated Regional Development	1.47	5.66	7.13	1.47	0.42	1.89	0.00	-5.24	-5.24	0%	-93%	-74%
Total Programmes	**4.86**	**7.68**	**12.54**	**7.77**	**2.23**	**10.00**	**2.91**	**-5.45**	**-2.54**	**60%**	**-71%**	**-20%**

Source: Supplementary I Budget Estimates FY 2024/25

Large cuts are proposed to the Integrated Regional Development programme which expects to see its budget decrease by 93% in the Supplementary I. This is on account of cuts to a number of development budget lines, including programmes under regional development authorities as shown in the snapshot below.

HEADS	APPROVED ESTIMATES 2024/2025			NET AMENDMENTS	AMENDED APPROVED ESTIMATES 2024/2025		
	GROSS	A-I-A	NET		GROSS	A.I.A	NET
1036114900 Turkwel Multipurpose Dam Infrastructure	86,239,484	-	86,239,484	(86,239,484)	-	-	-
1036115100 Tana and Athi river Catchment Management Program - TARDA	35,000,000	-	35,000,000	(35,000,000)	-	-	-
1036115200 Dams for Domestic Water Supply Kabuswo & Saborkitany -Keiyo S. KVDA	26,680,000	-	26,680,000	(26,680,000)	-	-	-
1036115300 Dams for Domestic Water Supply Emsoo - Keiyo North) - KVDA	26,680,000	-	26,680,000	(26,680,000)	-	-	-
1036115400 Kadengoi Water Pan in Turkana S. Shared btn Turkana & Pokot - KVDA	16,000,000	-	16,000,000	(16,000,000)	-	-	-
1036115500 Morkokei School and Community Borehole - KVDA	5,330,000	-	5,330,000	(5,330,000)	-	-	-
1036115600 Rehabilitation of Community Farrows in Marakwet East/Pokot C. - KVDA	26,680,000	-	26,680,000	(26,680,000)	-	-	-

Source: Supplementary I Budget Estimates Dev Book FY 2024/25

The Supplementary I also proposes a complete cut of the National Drought Emergency Fund (NDEF) worth KES 183 million, which according to the PBB will reduce the number of persons receiving relief from assistance during flood and other disasters from 1,500,000 to 0. The estimates also show a planned increased allocation of KES 3 billion to the National Drought Management Authority on account of the reallocation of the school feeding programme from NACONEK.

Recommendations:

1. **We propose reallocation of decreased funds to Regional Development Authorities to Counties through the equitable share.** The cuts to the Regional Development Authorities is welcome given that many of these authorities play a duplicative role to county governments in the WASH sector, as identified by the IGTRC[1]. However, to ensure development in Kenya's different regions it will be crucial that some of the funds cut here are reallocated to counties through the equitable share.
2. **We propose the protection of the allocation to the National Drought Emergency Fund (NDEF),** slated to be KES 183 million, given its key role in drought response in the Northern Region of Kenya following the soaring climate change impacts.

03: Environment Protection, Water, And Natural Resources

1 https://igrtc.go.ke/views/img/downloads/Emerging%20Issues%20on%20Transfer%20of%20Functions%20to%20National%20and%20County%20Governments./Emerging%20Issues%20on%20Transfer%20of%20Functions%20to%20National%20and%20County%20Governments..pdf

The EPWRN sector is proposed to receive a 10% budget cut equivalent to KES 10.8 billion in the Supplementary I Estimates. This is on account of a 1% and 14% decrease in the recurrent and development expenditure respectively.

Table 9: Proposed EPWRN Sector Budget Changes

	Approved Estimates 2024/2025 - KSHS			Supplementary Estimates 2024/2025 - KSHS			Changes in 2024/2025 - KSHS			Changes in 2024/2025 - %		
	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL
1332 State Department for Forestry	9.04	4.02	13.06	9.03	3.05	12.08	-0.01	-0.97	-0.98	0%	-24%	-8%
1203 State Department for Wildlife	12.09	2.25	14.34	12.05	0.34	12.39	-0.04	-1.92	-1.95	0%	-85%	-14%
1331 State Department for Environment & Climate Change	3.33	1.69	5.02	3.15	1.31	4.46	-0.18	-0.38	-0.56	-5%	-22%	-11%
1109 State Department for Water & Sanitation	5.75	46.66	52.41	5.74	42.95	48.69	-0.01	-3.71	-3.72	0%	-8%	-7%
1192 State Department for Mining	1.11	0.65	1.76	0.99	0.00	0.99	-0.11	-0.65	-0.76	-10%	-100%	-43%
1104 State Department for Irrigation	**1.21**	**21.92**	**23.13**	**1.18**	**19.13**	**20.31**	**-0.03**	**-2.79**	**-2.83**	**-3%**	**-13%**	**-12%**
SECTOR TOTAL	**32.54**	**77.19**	**109.73**	**32.15**	**66.77**	**98.92**	**-0.38**	**-10.42**	**-10.81**	**-1%**	**-14%**	**-10%**

The MDA within the sector with the largest cuts include the State Department for Water & Sanitation which is proposed to receive an 8% cut to its development budget worth 3.71 billion. The cut of the development budget is on account of complete or partial budget cuts to several projects under the regional water works development authorities. The Supp. I PBB Key performance indicators show that the impact of this will be a complete or partial reduction in the number of WASH projects completed in FY 2024/25.

HEAD	ESTIMATES YEAR 2024/2025		
	Change in Gross Expenditure	Change in Appropriations in Aid	Change in Net Expenditure
1109127400 Tana Water Works Development Agency	(190,000,000)	-	(190,000,000)
1109127500 Coast WWDA Projects	(10,000,000)	-	(10,000,000)
1109127600 Lake Victoria North WWDA Projects	(250,000,000)	-	(250,000,000)
1109127700 Lake Victoria South WWDA Projects.	(221,000,000)	-	(221,000,000)
1109127800 Central Rift Valley WWDA Projects.	(8,000,000)	-	(8,000,000)
1109128000 Northern WWDA Projects	(30,000,000)	-	(30,000,000)
1109128100 North Rift Valley WWDA Projects.	(547,000,000)	-	(547,000,000)
1109129400 Public Participation Projects	(61,000,000)	-	(61,000,000)
Total Change for Vote D1109 State Department for Water & Sanitation	**(3,707,810,000)**	**-**	**(3,707,810,000)**

PART E. SUMMARY OF PROGRAMME OUTPUTS AND PERFORMANCE INDICATORS FOR 2024/2025

1109127000 Water Harvesting Projects - Central Rift Valley WWDA	Water services	% completion of project	50	-
1109127100 Water Harvesting Projects -Tanathi WWDA	Water services	% completion of projects	60	10
1109127300 Water Harvesting Projects - North Rift Valley WWDA	Water services	% completion of project	70	-
1109127400 Tana Water Works Development Agency	Water Services	% completion of projects	60	5
1109127500 Coast WWDA Projects	Water services	No. of water projects constructed	50	-
1109127600 Lake Victoria North WWDA Projects	Water services	No. of water projects constructed	20	2
1109127700 Lake Victoria South WWDA Projects.	Water services	No. of water projects constructed	8	3
1109127800 Central Rift Valley WWDA Projects.	Water services	No. of water projects constructed	10	2
1109128000 Northern WWDA Projects	Water services	No. of water projects constructed	55	-
1109128100 North Rift Valley WWDA Projects.	Water services	No. of water projects constructed	30	5

The State Department of Irrigation also saw its budget fall by KES 2.83 billion on account of a KES 2.79 cut to development expenditure. Majority of the decrease in allocation can be found in the Water Harvesting and Storage for Irrigation programme, which saw its budget revised downwards by 61.51%.

A deeper look into the programme's budget lines reveals cuts to specific lines across programmes within the State Department for Irrigation. These and their potential service delivery impacts are listed in the table below.

Table 10: Anticipated Service Delivery Impact of Changes in the EPWNR sector

HEADS	NET AMENDMENTS (KES)	KPI IMPACT
1104102000 Drought Resilience Program in Northern Kenya	-1.5 billion	No change in service delivery targets.
1104102600 Household Irrigation Water Harvesting Project	-700 million	No change in service delivery targets.

1104102200 Siyoi-Muruny Water Project	-254 million	Decrease in % completion from 100 to 94.
1104102100 Flood Control Works	+254 million	Increase in no. of Kilometers of dykes from 0 to 15
1104100600 Community Based Irrigation Projects	-150.8 million	Decrease in the no. of acres developed from 1300 to 1100.
1104100800 National expanded irrigation Programme	- 210 million	Decrease in the no. of acres developed from 17.1k to 15.5k.

Recommendation

1. **We propose reallocation of decreased funds to Water Works Development Authorities to Counties through the equitable share.** The cuts to the Regional Development Authorities is welcome given that many of these authorities play a duplicative role to county governments in the WASH sector, as identified by the IGTRC[2]. However, to ensure development in Kenya's different regions it will be crucial that some of the funds cut here are reallocated to counties through the equitable share.

04: Health

The Health sector is made up of the State Department for Medical Services and the State Department for Public Health and Professional Standards. The approved budget estimates for FY 2024/25 realised a 9% (KES 11 billion) decrease from the sector's allocation from FY 2023/24. The Supplementary Budget I now proposes a further 7% (KES 8.94 billion) decrease in the sector's budget on account of cuts to both state departments.

This means that compared to the approved estimates for FY 2023/24, the total budget for health has been essentially cut by KES 19.94 billion which will have a significant impact in the delivery of health services.

Table 11: Changes in Allocations to the State Departments in the Health Sector

	Approved Estimates 2024/2025 - KSHS			Supplementary Estimates 2024/2025 - KSHS			Changes in 2024/2025 - KSHS			Changes in 2024/2025 - %		
VOTE	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL	GROSS CURRENT	GROSS CAPITAL	GROSS TOTAL
1082 State Department for Medical Services	64.10	34.89	98.98	64.04	27.95	91.99	(0.05)	(6.94)	(6.99)	-0.09%	-19.89%	-7.06%
1083 State Department for Public Health and Professional	22.62	5.56	28.19	22.56	3.69	26.24	(0.07)	(1.88)	(1.94)	-0.30%	-33.72%	-6.90%

2 https://igrtc.go.ke/views/img/downloads/Emerging%20Issues%20on%20Transfer%20of%20Functions%20to%20National%20and%20County%20Governments./Emerging%20Issues%20on%20Transfer%20of%20Functions%20to%20National%20and%20County%20Governments..pdf

Standards												
Total Health Sector	**86.72**	**40.45**	**127.17**	**86.60**	**31.64**	**118.24**	**(0.12)**	**(8.81)**	**(8.94)**	-0.14%	-21.79%	-7.03%

The budget for the State Department for Medical Services will see its budget cut by KES 6.99 billion with a reduction of KES 54.52 million and KES 6.94 billion being for recurrent and development expenditure, respectively. The fall in development expenditure comprises a significant 5.62 billion cut to the National Referral & Specialized Services programme on account of the **cancellation of several scheduled hospital/facility constructions or renovations where entire budgets have been cut.**

In addition, there are also significant cuts to other non-construction-related budget lines including a KES 500 million cut to the Procurement of Family Planning & Reproductive Health Commodities, and procurement of various medical equipment as listed in the table below. Also notable was the **protection of key health programmes from cuts, this included Linda Mama, Vaccines Programme, and Acquisition of Specialized Medical Equipment for CHPs.**

Table 12: Anticipated Service Delivery Impact of Changes in the State Department for Medical Services

HEADS	NET AMENDMENTS (KES)	KPI IMPACT
1082103100 Procurement of Family Planning & Reproductive Health Commodities	- 500 million	Decrease in the proportion of Women reproductive age receiving FP commodities from 55% to 0%.
1082101900 Research and Development - KEMRI	-400 million – Entire allocation	No change in service delivery targets.
1082103000 Integrated Health Management Information System - BETA	-100 million	No change in service delivery targets.
1082104400 Human Vaccine Production - BETA	-200 million – Entire allocation	Decrease in number of Research evidence briefs developed from 17 to 7
1082100900 Procurement of Equipment at the National Blood Transfusion Services	- 260 million	Decrease of the number of Kenya Blood Transfusion and Transplant Service (KBTTS)with capacity to collect blood from 65 to 45.
1082100500 Managed Equipment Service-Hire of Medical Equipment for 98 Hospital	2.46 billion	Decrease in percentage of public hospitals equipped with MES equipment achieving an uptime of 95% from 100 to 0.

On the other hand, the budget for the State Department for Public Health and Professional Standards will face a KES 1.94 billion cut, with a KES 70 million and KES 1.88 billion cut to recurrent and development expenditure, respectively. On the recurrent budget, we note that in almost all programmes, the domestic travel, subsistence and transport costs have been cut by almost half with the exception of the Port Health Control. On the development side of the budget, as seen in the table below, the programmes that have been affected include those from Public Participation and especially those towards construction and equipping of Kenya Medical Training College (KMTC).

Table 13: Anticipated Service Delivery Impact of Changes in the State Department for Public Health and Professional Standards

HEADS	NET AMENDMENTS (KES)	KPI IMPACT
1083102100 Public Participation Projects - Capital Grants to government agencies and other levels of government	-49.5 million	Completion of Ziwa KMTC completion rate reduced from 100% to 0% as the entire budget line has been cut.
1083102800 Public Participation Projects - Construction of buildings and purchase of specialised plan, equipment and machinery	-111 million	The completion of public participation projects has been reduced from 100% to 0% since the entire budget line has been cut.
1083100700 Construction of Tuition Blocks and Laboratories at KMTC	-614.5 million	Targets have been zeroed out as a result of the entire budget cut.
1083100800 Equipping of Laboratories and Classrooms at KMTC	-500 million	Targets have been zeroed out as a result of the entire budget cut.
1083100400 Procurement of Anti TB Drugs Not covered under Global fund TB Programme	-300 million	Targets have been zeroed out as a result of the entire budget cut.

A key highlight in the retention of medical interns in the health sector, we also note that health capacity building and training services received significant cuts as shown in the snippet below.

1083 State Department for Public Health and Professional Standards

PART E. SUMMARY OF PROGRAMME OUTPUTS AND PERFORMANCE INDICATORS FOR 2024/2025

1083102100 Public Participation Projects	Health Training Services	% completion of Ziwa KMTC	100	0
1083102800 Public Participation Projects	Health Training Services	% completion of public participation projects	100	0

Sub Programme: 0407020 Research and Innovation on Health

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2024/2025	Revised 2024/2025 Targets
1083102200 Infrastructure upgrade at Kenya Institute of Primate Research	Health Research Services	Percentage Completion of Kenya Institute of Primate Research	100	0

Sub Programme: 0407030 Health Profession Services

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2024/2025	Revised 2024/2025 Targets
1083002400 International Health Exchange Program - HQ	Health Training Services	No. of Health workers approved for training in different health specialties	37	29
1083003500 Professional Standards Management	Human Resource for Health (HRH) Services	Percentage completion of framework for management of specialist healthcare workers	95	70
		Number of Medical Interns placed in health facilities	4,178	4,178

Recommendations

1. We commend the protection of allocations of key social health interventions including Linda Mama and UHC. **However, we propose the protection of other key health programmes from rationalisation, including the Procurement of Family Planning & Reproductive Health Commodities.**

Further Proposed MDA Budget Cuts for Supplementary I FY 2024/25

Below are some areas we think the national government can make savings on its expenditure in the FY 2024/25 budget, which would not significantly negatively impact service delivery but would relieve fiscal pressure from unnecessarily high expenditure lines. Some of the budget lines were selected because they are duplications of already existing budget lines and so could either be merged with existing lines or removed. Others were chosen as they represented non-essential allocations that can be delayed in the current FY, including new constructions, purchase of vehicles and furniture, hospitality and catering, and foreign and domestic travel. Finally, some selected allocations are proposed to be cut simply because their purpose and service delivery value were unclear, represented an unjustifiable rise in expenditure, or did not match the size of their key performance indicators as shown in the PBB FY 2024/25.

The table 14 below proposes further budget cuts to the FY 2024/25 Approved budget of KES 105 billion shillings spanning four sectors. Based on the above considerations, we believe the largest savings can be made in the PAIR, GECA and Energy infrastructure and ICT sectors.

Table 14: OUC Proposed Further Budget Cuts by Sector

Sector/State Department	**Amount (KES)**
GJLO	**811,228,525**
R1023 State Department for Correctional Services	35,000,000
1023101800 Acquisition of Prisons ICT & Telecommunication infrastructure	18,500,000
2220200 Routine Maintenance - Other Assets	234,000,000
2211000 Specialised Materials and Supplies	1,000,000
1026 State Department for Internal Security and National Administration	5,000,000
3111000 Purchase of Office Furniture and General Equipment	5,000,000
1252 State Law Office	2,147,775
2210700 Training Expenses	2,000,000
2220100 Routine Maintenance - Vehicles and Other Transport Equipment	700,000
2210500 Printing , Advertising and Information Supplies and Services	5,000,000
2141 National Gender and Equality Commission	2,000,000
2210400 Foreign Travel and Subsistence, and other transportation costs	500,880,750
GECA	**14,866,144,485**
State Department for Labour and Skills Development	3,806,952,972
State Department for Micro, Small and Medium Enterprises Development	8,897,005,288

State Department for Gender and Affirmative Action	2,162,186,225
ENERGY, INFRASTRUCTURE & ICT	**6,756,611,174**
1091 State Department of Roads	246,945,000
1092 State Department for Transport	6,146,939,763
1093 State Department for Shipping and Maritime	34,154,930
1094 State Department for Housing and Urban	131,597,362
1095 State Department for Public Works	57,512,638
1152 State Department for Energy	57,561,964
1122 State Department for Information, Communication and Technology	8,546,826
1123 State Department for Broadcasting & Telecommunications	62,531,774
1193 Ministry of Petroleum	10,820,917
PAIR	**83,251,208,081**
State Department for Economic Planning	63,000,000,000
State Department for Devolution	4,242,428,367
Government printing services	1,417,396,876
Office of the spouse of the deputy president	557,565,241
Office of the prime cabinet secretary	1,140,788,324
State department for cabinet affairs: other operating expenses	140,000,000
Office of the 4th retired president: foreign travel	120,000,000
Executive office of the president	79,450,000
Office of the deputy president	2,000,442,860
State house	300,559,630
Office of the council of economic advisors	87,098,231
Public Service Commission:	2,549,203,550
State Department for Public Service	7,616,275,002
TOTAL	**105,685,192,265**

Source: Approved Programme Based Budget FY 2024/25

Rationalisation of 'Funds' with overlapping mandates in the Budget

Kenya's fiscal infrastructure is rife with funds created and allocated for specific purposes ranging from financial inclusion to education enrolment. However, the fragmentation of these funds that serve similar purposes has led to an overlap of allocations, whereby different ministries, departments and agencies each fund their own version of a specific function. We contend that these overlaps provide an opportunity for rationalisation and efficiency in service delivery.

The national budget also contains a number of programs and budget lines meant to support entrepreneurship activities including but not limited to access to credit, training, business employment opportunities among others. Our analysis found eight such programs worth KES 9.7 billion across the State Department for Micro, Small and Medium Enterprises Development, State Department for Youth Affairs and Creative Economy, and State Department for Gender and Affirmative Action.

Table 15: Proposed Enterprise And Financial Inclusion Affirmative Action Funds across sectors for rationalization

MDA/ Programme	Allocation
1176 State Department for Micro, Small and Medium Enterprises Development	
1176100600 Youth Employment and Enterprise Initiative-BETA	100,000,000
1176100400 Financial Financial Services Inclusion Fund (Hustler Fund)-BETA	5,000,000,000
1176100700 Centre for Centres for entrepreneurship Entrepreneurship Project - BETA	62,500,000
1176100900 National Youth Opportunities Towards Advancement (NYOTA)	1,240,000,000
1135 State Department for Youth Affairs and Creative Economy	
1135102000 Youth Enterprise Development Fund	125,020,000
1212 State Department for Gender and Affirmative Action	
1212100400 Women Enterprise Fund - BETA	216,100,000
1212000700 National Financial Services Government Affirmative Action Fund (NGAAF)	43,400,000
1212100300 Affirmative Action Social Development Fund	3,000,000,000
TOTAL	**9,787,020,000**

Source: Program based budget FY 2024/25

The proliferation of these funds in these and a number of other sectors represent opportunities for the national government to rationalise the budget without significant impacts on service delivery provision. We therefore recommend the following:

1. A rationalisation of the funds within key sectors such as education and economic empowerment with the aim of consolidating yearly budget allocations and reducing the fragmentation of programs targeted at a specific function.
2. Assessment of the service delivery impact of each of the funds, to assess their efficiency and service delivery value in order to guide the process of rationalisation and winding up of key funds.

3. Where key funds are found to be critical but inefficient or opaque, we recommend that their allocations be transferred to the line ministry to supplement already existing allocations to that specific function fulfilled by the fund.

Proposed Policy Reforms to Support Austerity

We also recognize that the possibility of fiscal sustainability requires deeper and more long-term austerity measures. The sections below outline the key fiscal policy reforms that can support the proposed immediate budget cuts and, over time, reduce the size and wastage of Kenya's national government with the least impact on public services delivery.

1. Reforms on State Corporations (SCs)

State corporations as mechanisms through which governments can deliver vital services such as electricity, railway transport, and port services, have evolved into crucial components of the development of any nation-state. However, in Kenya, the evolution of state corporations as these vehicles of development have seen them pose an increasing risk to the achievement of Vision 2030, as well as successive national development agendas. This makes the management and state involvement in SCs a key area of consideration for enhancing long-term fiscal sustainability.

State corporations present several fiscal risks to the national and county governments. The Budget Policy Statement of 2023 estimated state corporations to hold about 96% of the stock of risk exposure to the national government worth KES 2.66 trillion. We contend that this risk has 3 main dimensions: *1) the value for money on transfers made by the national government, 2) the debt that the national government guarantees* and *3) the large stock of pending bills that SCs hold.*

On average, state corporations consume about a quarter of our national budget, having accounted for 25% of total MDA expenditure between 2020/21 and 2022/23. While some corporations producing public goods can be expected to rely on transfers from the exchequer, the ideal situation is one where these entities are able to be fully fiscally independent. In addition, commercial corporations are expected to fund themselves based on their own balance sheets. Despite this, the national government continues to disburse money annually into unprofitable and unproductive SCs at the expense of the taxpayers.

Furthermore, the national government has overtime had to service debts that some SCs owe when they default, contributing to the growing public debt crisis we now face. As at June 2023, the Government Guaranteed debt stood at Ksh. 170 billion owed by Kenya Electricity Generating Company PLC (KENGEN), Kenya Airways and Kenya Port Authority (KPA).[3]

[3] Guaranteed-Debt-Report.pdf (treasury.go.ke)

According to the National Treasury, Kenya Airways (KQ) has defaulted on multiple loans requiring the national government to step in and service KES 12.3 billion during the fiscal year 2022/23 alone.

State Corporations also owe roughly 78% of the stock of pending bills at the national level as at 30th June 2023. These bills comprise a mix of unpaid contractors' fees for capital projects (Ksh 159 billion), undischarged tax obligations (Ksh 42 billion) and unremitted employer pension contributions at (Ksh 42 billion). These pending obligations continue to have a negative impact on the private sector and Kenya's economy.

We commend the effort made so far by the government in state corporation reform, but believe there's more we can do. To address these challenges, we recommend:

1. **The implementation of recommendations of the National Treasury's 2021 state corporation reform recommendations, among which include[4]:**
   - The restructuring of insolvent or loss-making government owned enterprises, including the Kenya Broadcasting Corporation, African Portland Cement Company, Postal Corporation of Kenya and Kenya Post Office Savings Bank.
   - Improving performance monitoring control and transparency of strategic corporations, especially large service providers such as KQ and KENGEN and those supporting social welfare.
2. **The fast tracking of the financial evaluation for fifty (50) GOEs undertaken in 2023/24, and the publishing of this report as well as its submission to the fiscal risks committee.** This report will help identify non-strategic state corporations that pose fiscal risk to the government and areas for reform in strategic state corporations.

2. Duplication of functions

State corporations also continue to consume public resources through the functions that they perform across sectors that are already or legally should be performed by national government entities and county governments. According to the report of the presidential task force on Parastatal reforms, 18 SCs performed functions that have been devolved to counties, while 22 were earmarked for transfer of their functions back to the respective main stream ministries. The privatisation or divestiture form some of corporations provide an easy saving that can be made in Kenya's budget, where money is allocated for functions already performed by other MDAs or levels of government. According to an IGTRC report, some of the SCs performing county functions include a number of water Service Boards, Regional Development Authorities, Kenya Rural Roads Authority and Kenya Urban Roads Authority.[5]

[4] https://www.treasury.go.ke/wp-content/uploads/2021/07/State-Corporations-Reforms.pdf

[5] https://igrtc.go.ke/views/img/downloads/Emerging%20Issues%20on%20Transfer%20of%20Functions

According to the Parliamentary Budget Office, the national government could raise approximately Ksh. 30 billion annually from its privatisation programme over the medium term on some of the 248 SCs.

To resolve this overlap and duplication of devolved functions and reduce the accompanying budgetary allocations, we recommend the reform, restructuring or winding up of the following list of state corporations:

Table 2: FY24/25 Budgetary allocations to State Corporation Performing Devolved Functions

State Corporation Performing Devolved Functions	Budget Estimates FY 2024/25 (excl. A-I-A) (KES))
Athi Water Works Development Agency	340,000,000
Lake Victoria South Water Works Development Agency	228,600,000
Lake Victoria North Water Works Development Agency	152,185,800
Coastal Water Works Development Agency	281,400,000
Tana Water Works Development Agency	163,400,000
Northern Water Works Development Agency	201,600,000
TANATHI Water Works Development Agency	100,800,000
North Rift Valley Water Works Development Agency	106,000,000
Central Rift Valley Water Works Development Agency	143,800,000
Coast Development Authority (CDA)	98,862,475
Ewaso Nyiro North Development Authority (ENNDA)	128,105,022
Ewaso Nyiro South Development (ENSDA)	157,862,289
Tana and Athi Rivers Development Authority (TARDA)	367,715,910
Lake Basin Development Authority (LBDA)	232,205,655
Kenya National Library Service	390,001,625
Total	**3,092,538,776**

3. Audit of Public Debt

The evolution of Kenya's public debt burden continues to provide a case for developing nations to put in place effective transparency and accountability mechanisms towards ensuring value for money for citizens. According to the March 2024 debt bulletin, the true size, scope and

%20to%20National%20and%20County%20Governments./Emerging%20Issues%20on%20Transfer%20of%20Functions%20to%20National%20and%20County%20Governments..pdf nature of Kenya's public debt obligations worth KES 10.4 trillion remains unclear. Many state and non-state actors have highlighted this transparency challenge over the years, where it is simply impossible to ascertain; 1) the terms and conditions under which loan obligations were taken on, 2) how loan proceeds are being utilised and 3) how loans are ultimately serviced each fiscal year. Currently, the identified debt stock is 50.3% domestic that is KES 5.24 trillion and 49.7% external, accounting for KES 5.16 trillion. Despite the common knowledge of how costly domestic debts are, the March 2024 bulletin indicates an upward inclination to domestic borrowing. It is vital to understand the underlying factors behind this shift. The purposes of the tables below are to aid in understanding what forms external and internal debts, and which element commands a higher ratio. The displayed variance holds - as a country multilateral and bilateral plus treasury bills, other debt obligations and SDR allocations take the biggest portions.

Composition of External Debt as at End of March 2024 (KES 5.16 trillion)					
Bilateral	**Multilateral**	**Commercial**	**Eurobond**	**Suppliers Credit**	**Publicly Guaranteed**
1.12 trillion	2.65 trillion	345.95 billion	944.91 billion	15.49 billion	98.11 billion

By far, China is the leading bilateral creditor at KES 747.88 billion followed by France at KES 95.37 billion. Under multilateral creditors IDA leads KES 1.51 trillion followed by ADB/ ADF and IMF at KES 500.96 billion and KES 429.33 billion, respectively.

Stock Domestic Debt Investments As at End of March 2024 (KES 5.24 trillion)			
Treasury Bills	**Treasury Bonds**	**Others**	**IMF SDR Allocations**
554.93 billion	4.48 trillion	115.17 billion	83.76 billion

Despite this, public debt repayments are taking around 65% of all ordinary revenue collections each fiscal year. In FY 2024/25 alone, interest payments on domestic and external obligations will amount to KES 1.85 trillion, equivalent to nearly a quarter of total expenditure for the entire year. Including redemptions, the total allocation to public debt repayments will be more than four times the allocation to devolved units in the form of the equitable share. The plan for FY 2024/25 budget is to increase consolidated fund services to KES 2.06 trillion and allocate KES 1.85 trillion to debt interests and redemptions from the previous KES 1.79 trillion. From this amount, payments to debt interests increase from KES 846.32 billion in FY 2023/24 to KES 1.01 trillion in FY 2024/25, where internal debt interests (treasury bonds & bills) account for KES 749.97 billion and external debt interests require KES 259.91 billion. Conversely, debt redemption obligations will account for KES 843.29 billion in the current financial year from KES 946.16 in the FY 2023/24. Internal debt redemptions will amount to KES 512.58 billion from the previous amount of KES 389.67 billion; whereas the external debt redemption will shrink to KES 330.71 billion from the previous KES 556.49 billion.

However, even as public debt is paid overtime it remains impossible to determine Kenya's true debt position. In its submissions to the Public Debt and Privatisation committee, the Office of the Auditor General highlighted the fact that there are no specific financial statement son Kenya's public debt position, making it impossible to '*ascertain the amount redeemed and current value; and therefore the validity of the public debt expenditure.'* [6]

In this situation, it is pertinent that as Kenya fulfils its public debt obligations this year and over the medium term there is an audit of the stock of public debt spanning all outstanding loans owed by the national government of Kenya. This for each loan the audit should include:

1. The amount of the loan contracted and currency of repayment
2. The terms and conditions of the loan, including interest and other charges payable and the terms of repayment
3. The purpose for which the loan was utilised
4. A status update on the utilisation of the loan proceeds and implementation status of loan-financed capital projects.

4. Fiscal Responsibility and Accountability

Budget leakages due to embezzlement, misappropriations and corruption remain a critical challenge in Kenya's Public Finance Management. The recent reports released by the Office of the Auditor General on NHIF and NTSA perfectly exemplify the blatant mismanagement of public funds. For NHIF, this included the loss of Ksh. 368 million due to 'typos', duplicate payments for deliveries totalling Ksh. 47 million, overpayment of legal fees by Ksh. 39 million, among other discrepancies.[7] Such financial haemorrhage explains NHIF's constant financial woes, which often leave Kenyans struggling to access the affordable health care it was designed to facilitate.

These occurrences, which are not isolated incidents, simply indicate that systemic inefficiencies and lack of stringent oversight mechanisms are pervasive. In an era of fiscal consolidation, where existing resources are stretched thin and every shilling counts, such malpractices not only undermine public confidence, but also divert critical funds away from essential services.

To combat corruption, a persistent challenge which flourishes in secrecy, we recommend the following:

1. **Enhanced transparency and citizen engagement:** All public institutions should publish their budget documents in a timely, user-friendly and accessible format. This will allow for citizens and Civil Society Organizations (CSOs) to act as external watchdogs, fostering greater accountability and hinder potential misuse of public

[6] Report of the Select Committee on Public Debt and Privatization on the 2023 Medium term Debt management strategy.pdf (parliament.go.ke) pg. 17.
[7] Report of the Auditor-General on National Health Insurance Fund for the Year Ended 30th June, 2023. Link

funds. This should also be supplemented by developing mechanisms for citizen feedback and participation.

2. **Improved law enforcement and sanctions:** The government should implement swift sanctions against those caught embezzling or misappropriating public funds. Moreover, institutions such as the Ethics and Anti-Corruption Commission (EACC) should be more proactive in investigating corruption cases.

5. Public Sector Wage Bill

Kenya's wage bill has continued to balloon over the years, raising concerns about its sustainability. There is evidence suggesting these increases may be inflated as reports indicate 'ghost workers' and excessive staffing levels may be contributing factors. In 2023, the Public Service Commission (PSC) found that some state departments and Semi-Autonomous Government Agencies (SAGAs) had more staff than officially authorised.[8]

For example, Kenya Medical Supplies Authority (KEMSA) had 115 percent more staff than officially authorised, with an approved staffing level of 347 but 734 actual employees. Similarly, other organisations with significant staffing surpluses included the National Water Harvesting and Storage Authority (72 percent excess), the State Department for Devolution 61 percent, the State Department for Higher Education and Research (69 percent excess), and the State Department for Immigration and Citizen Services (59 percent excess). Moreover, organisations such as the State House and New Kenya Cooperative Creameries had 483 and 492 more staff than were recorded in the official staff register. The issue of ghost workers is present at both national and county governments, leading to losses of millions of shillings.

Kenya's compensation to legislators has been called into question for being exorbitant. While the salaries for the office holders exceed Ksh. 100,000 by up to 14 times, the majority of Kenyans (88 percent) take home less than Ksh.100,000.[9,10] Additionally, there are numerous benefits received in the form of allowances. This significant disparity highlights a disconnect between the leaders and the lived realities of most Kenyans. In a country where a large population struggles with high living costs, inadequate healthcare and unemployment, the lavish compensation packages for legislators, which increase every other year, appear particularly unjust. Could alignment of their compensations more closely with the national average improve their responsiveness to the needs of their constituents, in addition to freeing up some financial resources?

We therefore recommend the following:

1. **A comprehensive audit of national and county government payrolls and wage bills.** This will be crucial to definitively determine the size of the public sector workforce. The audit(s) must be followed by decisive actions to eliminate ghost workers from the

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[8] Status of Compliance with Values and Principles in Articles 10 and 232 of the Constitution Annual Report 2022/2023. Link

[9] Statistical Abstract 2023. Link

[10] Kenya Gazette Vol. CXXV—No. 177. Link

payrolls and the identified excess staff. Past experiences demonstrate that audits alone are insufficient; concrete steps by decision-makers following the findings are vital to achieve lasting change.

Proposed Areas for Protection During Austerity

While there are certain parts of the national budget that we believe can be cut, there are others that due to the importance in promoting social welfare particularly for the poor, vulnerable and marginalised should be protected from austerity measures. The sections below outline some of these priorities, including specific departmental and programme allocations as well as the equitable share to counties.

MDA Allocations

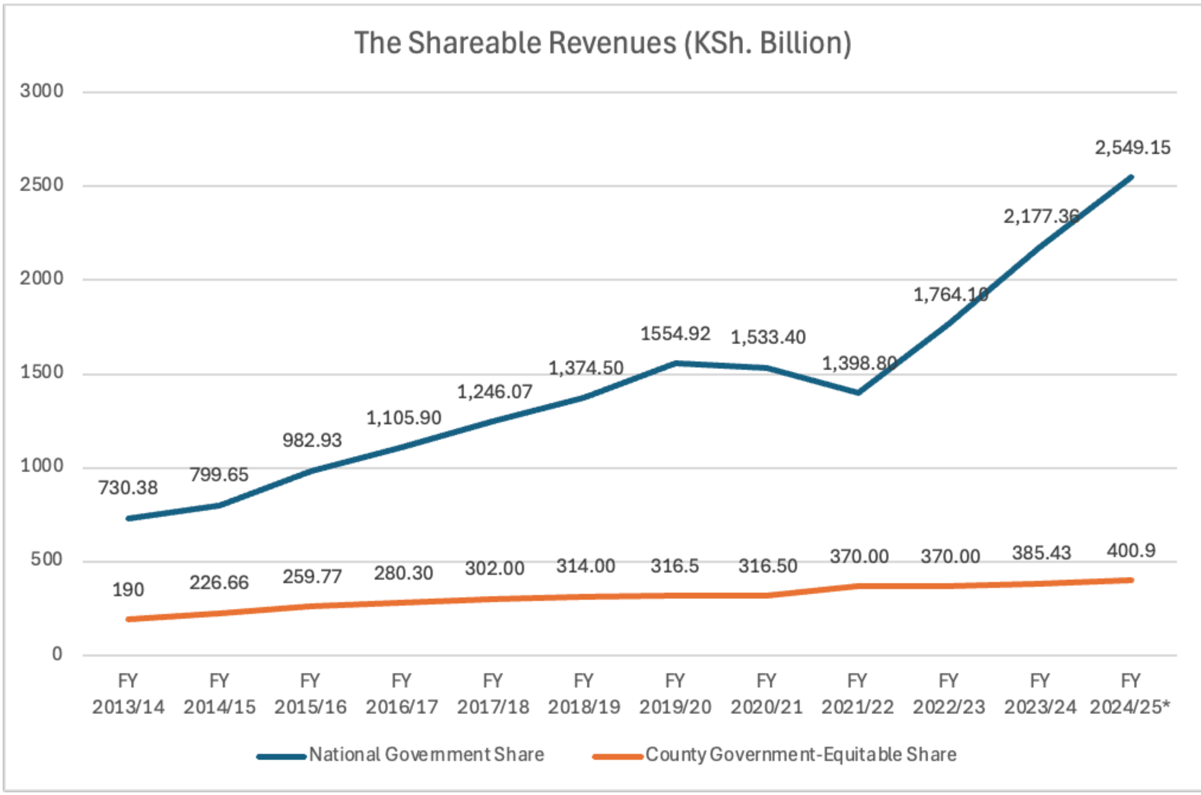
Although not exhaustive, the table below enumerates some of the areas we believe should be protected against proposed budget cuts based on the FY 2024/25 approved PBB. This comprises all locations primarily in social sectors like health, education and social protection. Sadly, most of these sectors have already received budget cuts in comparison to their financial year 2023/34 allocations. Therefore, we believe that programs touching on fundamental economic and social rights should be protected from further fiscal erosion to ensure the government is still able to deliver its commitment to the Bill of Rights as outlined in chapter 4 of the Constitution of Kenya 2010.

State Department/Programme	Amount (KES)
State Department for Basic Education	**84,557,682,963**
Free primary education	11,065,970,684
Free day secondary education	67,078,318,637
Special Needs Basic Primary Education	1,479,993,642
School Feeding Programme	4,933,400,000
Teachers Service Commission	**342,281,134,808**
Teacher Resource Management	342,281,134,808
State Department of Roads (Development)	**19,639,069,910**
State Department for Energy (Development)	**10,793,000,000**
State Department for Social Protection and Senior Citizens Affairs	**35,004,805,645**
State Department for ASALs and Regional Development	**2,278,744,385**
National Drought Management Authority	2,278,744,385
State Department for Medical Services	**75,997,994,614**
Social Protection in Health	11,675,163,086

National Referral & Specialized Services	64,322,831,528
TOTAL	**570,552,432,325**

Equitable Share to Counties & Conditional Allocations

County governments' responsibility for delivering specific functions under the Fourth Schedule of the COK 2010 demand them a share of the nationally corrected revenue ear financial year. This allows them to provide key devolved services in sectors such as health, within which county governments run approximately 99% of all public facilities. While the equitable share is the not the only source of revenue available to county governments, it remains a crucial source of finance, evidenced in the service delivery disruptions caused by delayed disbursements from the National Exchequer.



Source: Division of Revenue Acts

Following extensive discussions between the Senate and National Assembly, the equitable share to counties in the Fy 2024/25 was settled at Ksh.400.12 billion. We contend that the equitable share should be untouched, given the potential implications of a revision of this amount on service delivery at the county level. In addition, such a move would invalidate the Division of Revenue and County Allocation of Revenue processes, not to mention the public participation that was underway.

The undersigned Okoa Uchumi Members;

1. ActionAid International Kenya
2. African Forum and Network on Debt and Development (AFRODAD)
3. Amnesty International Kenya
4. Bunge Mashinani School of Governance
5. Centre for Fiscal Affairs
6. Christian Aid Kenya
7. Community Advocacy and Awareness Trust (CRAWN Trust)
8. EACHRights
9. East Africa Tax and Governance Network
10. Fight Inequality Alliance Kenya
11. Haki Nawiri Africa
12. IBON Africa
13. Institute of Public Finance
14. International Budget Partnership Kenya (IBPK)
15. Inuka Kenya Ni Sisi!
16. Katiba Institute
17. Kawangware Youth Paralegal Trust (KAYPAT)
18. Kenya Human Rights Commission (KHRC)
19. Mukuru Youth Initiative
20. Mzalendo Trust
21. National Democratic Institute
22. National Taxpayers Association (NTA)

23. Okoa Mombasa

24. Oxfam Kenya

25. Pawa254

26. REMUSI Housing

27. Right to Food Coalition

28. Social Justice Centers

29. The Hummingbird Grassroot Kenya

30. The Institute for Social Accountability (TISA)

31. The Kenyan Section of the International Commission of Jurists (ICJ Kenya)

32. The National Students' Caucus

33. Transparency International Kenya (TI-Kenya)

34. Twaweza East Africa

35. Youth Senate Kenya