# 2019/20 Fiscal Analytic Snapshot: Kenya[i]

Prepared by Oxford Policy Management and the Institute of Public Finance Kenya[ii]

## Key messages:

- **<u>Strong economic growth:</u>** Growth has been strong since 2008 (averaging 5.6%), driving down poverty levels by 10 percentage points. However, perhaps because of historically high-income inequality, poverty is still at higher levels than in some neighbouring countries with lower GDP (Tanzania, Uganda).
- **<u>Private investment is set to increase:</u>** Private investment has been constrained by the lack of available credit, in part due to a stringent interest rate cap. This was repealed in November 2019, which should lead to well-needed private investment growth.
- **<u>Growing debt is a key vulnerability of the economy:</u>** In spite of strong growth, the government is running an unsustainable fiscal deficit, with mounting debt. If borrowing is not brought under control, this will significantly hamper its ability to respond to future macroeconomic shocks and maintain current growth levels. Recent measures to increase the debt ceiling are a concern. *To monitor: The next IMF Article IV mission (scheduled for early 2020) will provide a critical update on current debt sustainability.*
- **<u>Subsequent fiscal consolidation plans means expenditure growth will need to be reined in:</u>** The growing stock of debt and sizable fiscal deficit means there is a tightening in prospect, although when remains to be seen (the increase in the debt ceiling, and failure to meet 2018/19's fiscal consolidation target, suggests the Government is delaying the inevitable). Moderate increases in fiscal space would be possible in the medium term if costs are controlled in the recurrent budget and/or revenues are improved in the near term. *To monitor: A new IMF programme agreement (including a precautionary loan arrangement to cushion the shilling from external shocks) may emerge in 2020.*
- **<u>Budgets are growing, for the time being:</u>** The recurrent budget is growing the most rapidly; capital is more volatile. If spending is to be reined in, past trends suggest the capital budget will cut hardest, potentially impacting future growth and human development outcomes. *To monitor: the 2020/21 Budget Policy Statement, to be tabled in Parliament in February, will set out future expenditure plans.*
- **<u>There are inefficiencies and inequities in spending:</u>** e.g. weak budget execution particularly at the county level and in capital, mismatch between stated priorities and budget allocations, and wide variation in per capita spending between counties. Addressing these could improve outcomes without an overall budget increase. *To monitor: national PEFA and (final) National Treasury Strategic Plan are due to be published in 2020, setting future PFM reform direction.*
- **<u>Aid is a critical but declining source of financial inflows.</u>** With donor plans to transition currently under discussion, funding gaps may arise, particularly in the health sector. *To monitor: US Government is the biggest donor to Kenya (overall and in health) and has a new programming period from 2021; changes in their funding plans need to be anticipated.*

# Key indicators:

| Fiscal space: | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Real GDP per capita growth** | | **Vulnerability** | **Gross revenue as share of GDP** | | | **Fiscal Deficit as a share of GDP** | | **Debt** | |
| Annual over 5 years | 2 years projected annual change | number of macro setbacks in last 20 years | level 2018/19 | Annual change over 5 years | 2 years projected annual change | level 2018/19 | 2 years projected annual change | PV Debt: GDP | Debt service: revenue |
| 3.1% | 3.5% | 3 | 18.1% | -0.3% | 1.4% | 7.7% | -1.2% | 60.6% | 49.4% |

| Adequacy and efficiency of current spending: | | | | | | |
|---|---|---|---|---|---|---|
| **Government expenditure % GDP** | | | **Budget execution** | **Economic disaggregation** | **Health expenditure** | |
| level, 2018-19 | Annual change over 5 years | 2 years projected, 2019-2021 | Average over past 4 years (2015-16 to 2018-19) | Capital expenditure as % primary government expenditure - average over past 5 years (2014-15 to 2018-19) | Gov health expenditure % GDP, 2018-19 | Gov health expenditure per capita, 2018-19 current USD |
| 25.8% | 1.1% | -1.5% | 82% | 35% | 2.7% | 36 |

Sources and notes: Data sources are consistent with data used throughout the brief. Full citations and subsequent links to data can be drawn from the endnotes of the brief. GDP data: WDI data (outturn), IMF art. IV (projections). Fiscal data: GoK Budget Outlook Papers (outturn), IMF art. IV (projections). Debt data: IMF article IV. Execution rates and economic breakdown of expenditures: Controller of Budget, Budget Implementation Review Reports (BIRRs) and Budget Implementation Review Reports (CBIRRs). Health expenditure data: Controller of Budget, Budget Implementation Review Reports (BIRRs) and Budget Implementation Review Reports (CBIRRs).

## Macroeconomic context and outlook

**Economic growth in Kenya has been robust and stable since the global financial crisis, with the economy expanding by 6.3% in 2018.** Over the last 5 years, annual GDP growth in Kenya has averaged 5.6% in real terms, driven by an expansion in public spending and growing private consumption. This growth has been relatively broad-based, indicating a well-diversified economy. On average, the services sector accounts for over half of total GDP growth (55%), while agricultural output accounts for an average of 24% and industry the remaining 21%.[iii] The composition of Kenya's GDP and employment shares have remained relatively stable over the last decade, meaning that labour productivity has increased in all sectors. Launched in 2018/19, the Government's Big 4 Agenda sets out four medium-term development priorities for Kenya; namely manufacturing, affordable housing, universal health coverage, and food security and nutrition. There is an uptick in manufacturing activity in 2018 data. Agriculture remains a strong driver of growth and a key contributor to exports and retains the largest share of employment in Kenya (57%).[iv]

Figure 1. Kenya has achieved strong economic growth contributing to an expansion in GDP per capita

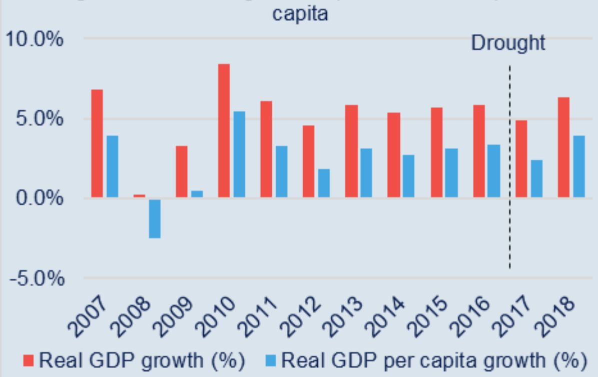
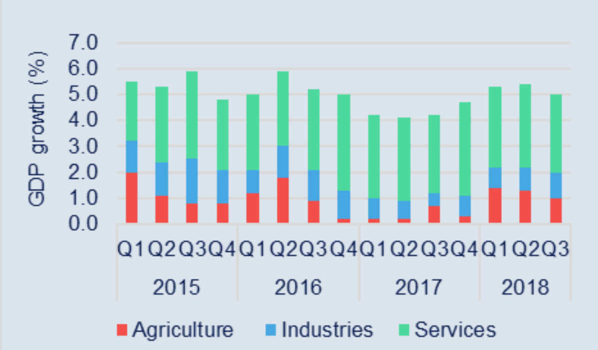



Figure 2: Kenya's economy is relativey broad-based, and there is a small uptick in manufacturing




Sources: World Bank development indicators and World Bank Economic updates for Kenya.

**Economic growth has resulted in improved livelihoods and falling poverty in Kenya, but when compared to neighbouring countries with lower GDP, the level of Kenya's poverty is higher.** Over the last 5 years, GDP per capita has increased by 16% to US$1,710, while poverty data illustrates a 10.7 percentage point reduction in poverty headcounts between 2005 and 2015. Although this trend is moving in the right direction, poverty levels in Kenya (36% in 2015) still remain higher than neighbouring countries with lower levels of GDP (such as Tanzania or Uganda – see figure 3 below)[v]. Inequality has come down from the very high levels witnessed in the early 90s (Gini coefficient of 0.58 down to 0.41 in 2015), but remains higher than neighbouring countries[vi], which helps to explain the higher level of poverty.

**The informal sector acts as a key employer in Kenya but is less productive than the formal sector. A concern for growth and for tax mobilization is that the formal sector is absorbing a shrinking share of total employment.** In 2018, the informal sector employed 84% workers compared to a mere 16% employed in the formal sector, excluding small scale farmers and pastoralists. The majority of non-agricultural workers within the informal sector are employed in the trade, hotel and restaurant industries within the services sector. The Kenya Institute for Economic Affairs shows the informal sector is much less productive than the formal sector[vii]. The IFC link this to engagement in lower value-added activities, with poor access to capital and technology (worsened by the interest rate cap, discussed below), limited connectivity to global supply chains and slow utilisation of market opportunities. [viii] The concern for future growth is that employment in the lower-productivity informal sector has been growing at a much faster pace than the formal sector over the last 8 years (60% vs 40%). Furthermore, a large informal sector suggests a large proportion of uncollected revenue, which helps explain why growth in revenue has not kept pace with GDP growth in Kenya. Although Kenya's revenue to GDP ratio was historically high compared to the average for low income developing countries, it is now a lower-middle income country and its revenue to GDP ratio is on a declining path, falling from 23.5% in 2011/12, to 18.1% in 2018/19.[ix]

Figure 3: Kenya has made good advances in poverty rate reduction but still lags behind some of its less developed neigbours

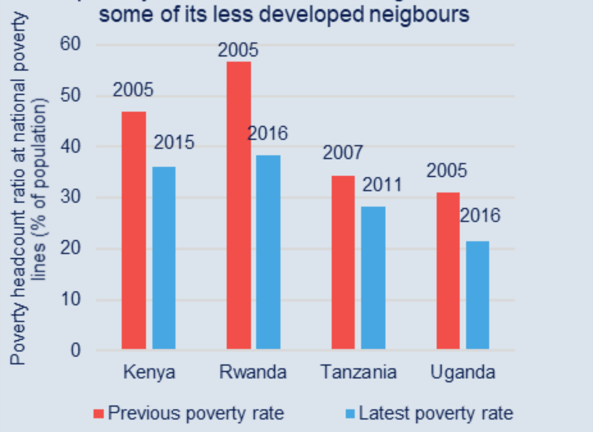
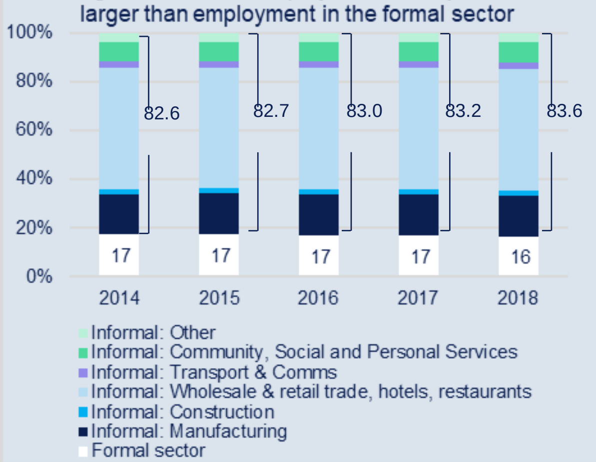



Figure 4: Informal employment in kenya is x5 larger than employment in the formal sector

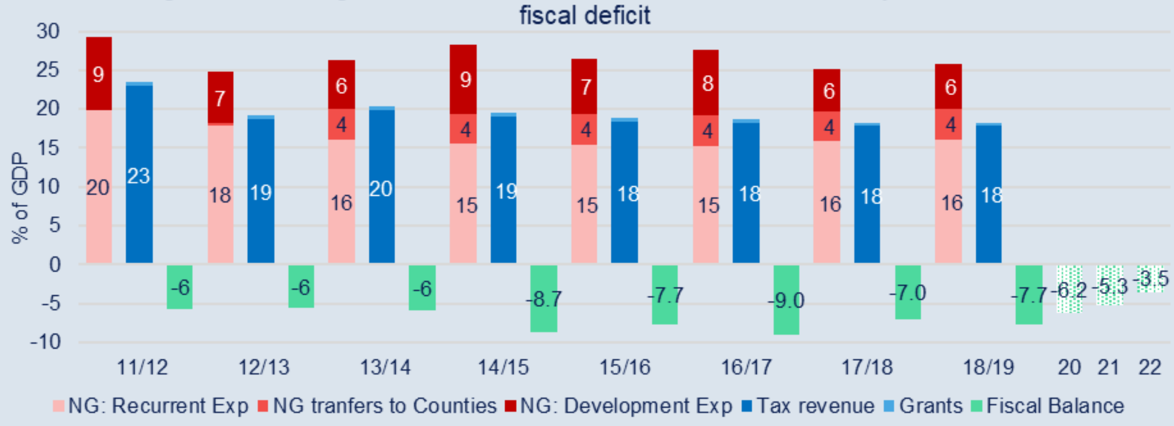



Sources: Poverty data and GDP data from World Bank development indicators, employment data from KNBS.

**Macroeconomic fundamentals have remained supportive of economic growth, with the exception of low savings and investment rates; however, the recent repeal of the interest rate cap is set to address this.** Inflation has been broadly contained within Government targets over the last 8 years, with deviations limited to temporary climate induced food price hikes. The current account deficit is beginning to narrow and external buffers remain adequate. The savings rate in Kenya, however, is low by regional standards, with a savings to GDP of 5% vs 19% average across SSA, as is investment, with gross fixed capital formation to GDP of 17%, compared to 24% in Uganda and Rwanda.[x] Investment is dominated by the public sector, with private investment constrained by the lack of available credit, which is in part due to the unintended consequence of a stringent interest rate cap introduced in 2016 (which meant banks could not charge interest rates more than 4% of the base rate). The cap led to a decline in credit to SMEs and is estimated to have reduced GDP by 0.25 and 0.75 percentage points annually[xi]. It was repealed in November 2019, in a move that was pushed through Parliament by President Kenyatta, despite considerable opposition from lawmakers, and is expected to boost private sector investment and pave the way for a new IMF programme.[xii]

**Following years of an expansionary fiscal stance (starting in 2013/14), fiscal consolidation commenced in 2017/2018 in an attempt to reign in Kenya's unsustainable deficit. A return to an increasing fiscal deficit in 2018/19, however, calls into question the Government's commitment to meaningful corrective action.** Kenya's fiscal deficit, ranging between 7 and 8% of GDP in recent years, is sizeable in the relatively robust growth. Continuing to run a deficit of this size is unsustainable. It is also resulting in a violation of the 2012 PFM Act, which stipulates that borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. For example, in 2017-18, covering the full cost of National Government (NG) recurrent expenditure used up 87% of domestic revenue, including the recurrent proportion of transfers to county governments increases this to 104%.[xiii] The Government missed the fiscal deficit target by 0.9 percentage points of GDP in 2018/19 (6.8% of GDP), with growth in expenditure and revenue collection on a downward trend.[xiv] So, a more decisive policy response is required to close the fiscal gap. In the short-term, there needs to be stricter control of recurrent as well as capital expenditure increases (including wages), preferably alongside medium-term efforts to improve revenue collection, until the structural deficit is eliminated.

Figure 5: Declining revenues have hindered efforts to reduce Kenya's sizeable fiscal deficit




Sources: Kenya National Treasury and Planning, 2010-2019.[xv]

**Kenya's public debt levels have grown faster than GDP in recent years, despite strong growth performance. The latest IMF Debt Sustainability Analysis reported that** Kenya currently owes 63.2% of its GDP in outstanding debt (60.6% in present value (PV) terms).[xvi] While this is below the IMFs debt threshold of 74% of GDP for low-middle income countries (PV), it was, until recently, 12.3 percentage points above Kenya's own (non-binding) debt ceiling, laid out in the PFM Act 2012. (This ceiling has since been raised, and in the Government's latest report debt stood at 64% of GDP at the end of 2020[xvii]). While the level of debt is not an immediate cause for concern, the rapid speed at which it was accumulated is, as is the amount of fiscal space which is redirected to repayment. Kenya's rapidly accumulated debt stock from the ramping up of infrastructure projects is fairly evenly split between domestic and external debt. Interest payments represent a sizeable 22% of tax revenue in 2018/19, compared to only 14% in 2012/13.

**Growing debt levels could seriously limit the Government's ability to maintain current growth levels in the face of a future economic shock.** The IMF's baseline scenario assumes that the fiscal balance (excluding interest payments) falls to zero between 2020 and 2022. This is highly optimistic in light of poor revenue performance, continued expenditure growth (next section), and the government's recent decision to increase its debt ceiling to KSH 9 trillion, equivalent to 101% of current GDP, signalling an intention to increase debt in the future. Furthermore, it is notable that all of the IMF's previous baseline debt projections have proven overly optimistic (see Figure 7). The IMF's alternative scenarios for debt levels are more realistic: 1) assumes that the fiscal balance (excluding interest payments) falls gradually over time, while 2) assumes the fiscal balance (excluding interest payments) remains high at 2017 levels. Kenya will most likely fall in between these two pathways, depending on the government's ability to implement fiscal consolidation, bolster revenue collections and maintain its current growth path. If debt levels continue to grow, as expected following the increase in the debt ceiling, limited buffers leave Kenya much more vulnerable to potential future economic shocks and limit the ability of the Government to invest in human development. The present current situation in India is an apposite example of this. There the Government has been running a large deficit, but managing to keep debt: GDP under control thanks to very fast growth of around 7% per annum. Now growth has stumbled (to 5%) and debt: GDP is set to rise through sustainability thresholds, while the Government has limited room to manoeuvre in terms of counteracting the slow down.[xviii]

Figure 6: Debt has grown rapidly in recent years with a reduction requiring rapid fiscal consolidation

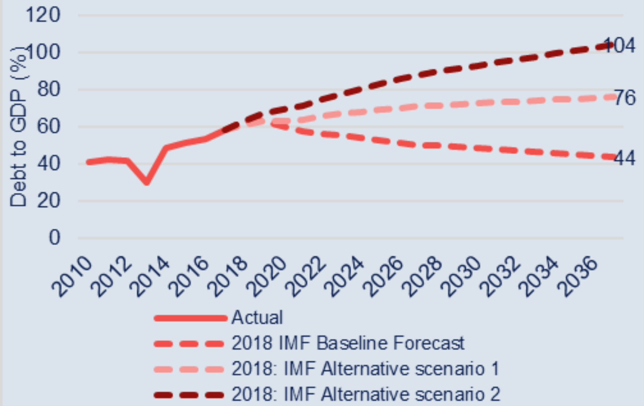
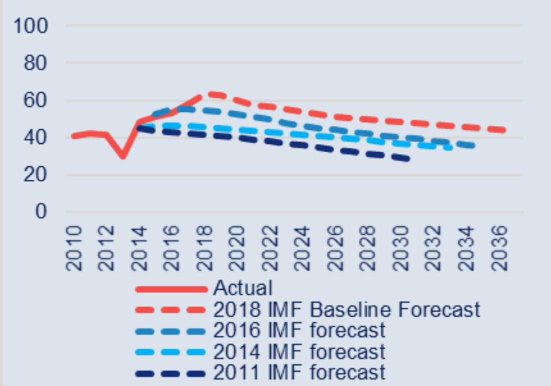



Figure 7: Based on past overly optimistic forecasts, it seems unlikely that debt will follow the IMFs baseline scenario




Sources: IMF, 2014-2018.[xix]

**Kenya's medium-term outlook, presented by the IMF appears favourable but the economy remains vulnerable to adverse shocks.** The IMF growth forecast is optimistic, estimating that Kenya's GDP will continue to grow on an upward trajectory reaching 6.5% in 2021. Growth is driven by better public investment management and an improvement in the business environment, including the removal of the interest rate cap). The IMF estimated this will offset the contractionary effects of the planned fiscal consolidation. It is likely, however, that progress towards fiscal consolidation will be slower than is foreseen in the IMF forecast. While slower-than-expected fiscal consolidation is likely to improve medium term growth, higher debt is likely to negatively impact on longer term growth prospects and compromise macroeconomic stability. Sustained investment by the government is likely to crowd out the private sector access to credit, as well as increasing the cost of serving government debt.

## Budget update

**Public scrutiny of public finances in Kenya is constrained by gaps and lags in published information, particularly for county-level finances.** The national Government doesn't perform badly with regards to fiscal transparency, particularly compared to some of its regional peers including Rwanda and Tanzania.[xx] A critical constraint relates to subnational information; six counties were recently subject to Public Expenditure and Financial Accountability (PEFA) assessments, and across the board fiscal transparency was scored a D (the poorest score available).[xxi] County budgets are not consolidated in any single place, and only about half of counties have published up to date (2019/20) budgets. The Office of the Controller of Budget (OCOB) produces high-quality quarterly Budget Implementation Review Reports (BIRRs), for counties, however these only become available three months into the fiscal year. As a result, timely analysis of proposed or newly passed county budgets is very challenging.

**Real growth in budgets and expenditures bring into question the Government's fiscal consolidation ambitions.** The National Government's (NG's) spending plans, as set out in its annual budget, have increased in real terms every year since 2015/16 apart from 2017/18. Actual expenditures have followed suit, contracting by 10% in 2017/18 (due to a severe drought and extended elections), but growing in real terms by 18% and 11% in 2016/17 and 2018/19, respectively. Trends at the county level are similar, with expanding in-county budgets and expenditures in most years, and very rapid real growth in 2018/19. While expenditure growth in periods of economic growth is not atypical, there is no evidence of a concerted effort to control and limit increases in recurrent as well as capital spending, which would have been expected given the formal commitment to consolidation. Forecasted budgets as presented in the Medium Term Expenditure Framework (MTEF) suggest that NG MDA spending will taper off in 2020/21 and 2021/22, however the reliability of these estimates are in in doubt, when consecutive PFM assessments have highlighted significant discrepancies between forecasted budgets and what is eventually passed,[xxii] and given the recent increase in the debt ceiling.

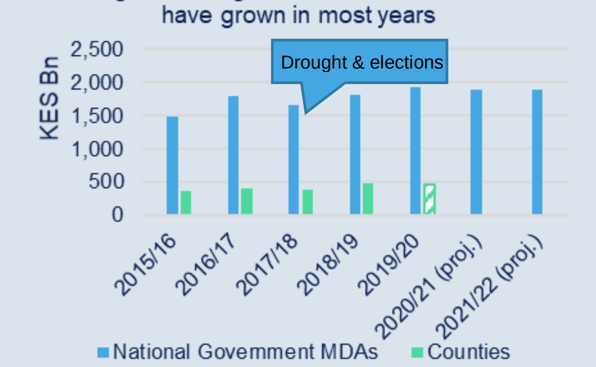


Figure 9 Budgets for NG and Counties have grown in most years

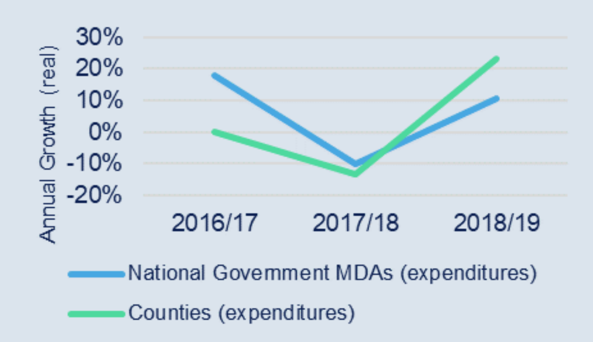


Figure 10 Expenditures at both levels have grown in real terms

Sources: COB BIRR and CBIRR reports; projections from MTEFs in MDA's Programme-based Budgets (PBBs). Notes: 2019/20 county budget is an estimate based on latest published county budgets, as no consolidated source of county budgets existed (2019/20 Q1 County CBIRR was not published at time of analysis).

**A considerable share of the budget is for development, but this is more vulnerable to cuts than the recurrent budget.** The development budget (for capital) constitutes 38% of the total consolidated primary budget in 2018/19 (i.e. excluding debt servicing).[xxiii] This puts Kenya on an even footing with some of its peers (Rwanda: 42%, Tanzania: 37%, Ethiopia: 41%)[xxiv] and means it is comfortably meeting Public Financial Management Act (PFMA) obligation to spend at least 30% of the budget on development. However, the development budget has been quite volatile, peaking in 2016/17 with the onset of number of large-scale infrastructure investments, including the loan-financed Mombasa–Nairobi Standard Gauge Railway. It then contracted in 2017/18 as two rounds of general elections stalled investment progress. The recurrent budget is more stable, growing year on year, and the real growth in the 2019/20 budget is primarily driven by further expansion in recurrent budget. A large share of the recurrent budget is spent on personnel emoluments (PE) (40% in 2018/19)[xxv]. Salaries can be particularly hard to curtail. Indeed, in 2017/18, when there was a real contraction in spending introduced mid-year through a supplementary budget, it was the development budget that took the hit (the recurrent budget conversely grew between the first budget and the supplementary). In that supplementary budget, the share going to development dipped to less than 35.9%; this is still not worryingly low, but indicative of a tendency to cut capital first in order to sustain recurrent budget growth. Using the development budget to achieve fiscal consolidation in this way could undermine Kenya's future growth.

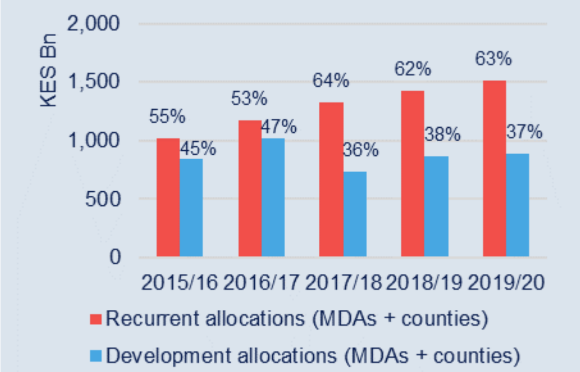


Figure 11 Recurrent budgets are dominant and growing

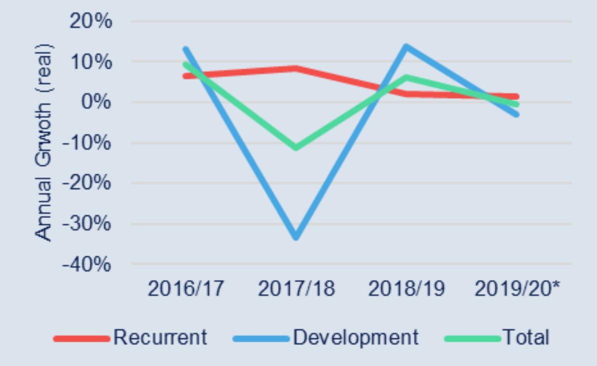
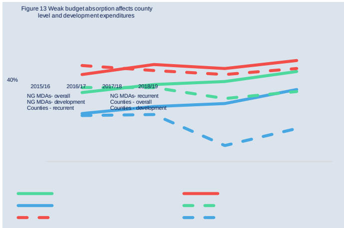


Figure 12 Budget growth is reined in through reduced development expenditure

Sources: COB BIRR and CBIRR reports. *2019/20 county budget estimated based on latest county budgets.

**Budget execution (termed budget absorption in Kenya) is improving at the national level but continues to be a significant challenge at the county level, and for development budgets.** The budget absorption rate for NG MDAs (defined as total expenditures for the year, as a percentage of the latest revised budget for that year) stood at 89% in 2018/19.[xxvi] This means while the NG is still not able to spend all of the monies approved in the budget, its performance is improving year on year. The improvement seen in 2018/19 can be attributed to the newly re-elected Government that sought to prioritise the issue through a presidentially appointed committee, chaired by the Cabinet Secretary- Interior, which is mandated to supervise all development projects and has been very active. The progress of Counties has floundered, with a lower share of all county budgets spent in 2018/19 compared to 2015/16.[xxvii] Recent County-level PEFA assessments attributed this to a combination of delays in disbursement of funds by the National Treasury (NT), long procurement processes, unrealistic estimates, and structural weaknesses in the financial and accounting systems.[xxviii] At both levels of Government, execution of the development budget lags behind that of the recurrent budget, considerably so at the county level.



Sources: COB BIRR and CBIRR reports.

**The share of expenditure incurred at the subnational level is around 20% overall; per capita spending levels vary significantly between counties, largely driven by variation in county revenues**. A fifth of expenditure is incurred at county level, a share which hasn't varied much since 2015/16.[xxix] Spending levels vary significantly between counties; in 2018/19 the highest spend per capita county, Isolio, spent 356% of the average; whereas the lowest, Nakuru, spent only 61%.[xxx] Variations in revenue levels are a major contributing factor to this. While the largest source of county revenues - the Equitable Share block grant - is determined by a formula that includes provisions for population levels (see table 2 towards the end of this brief), it does not fully counteract prevailing revenue and expenditure inequities between counties (Figure 15). Growth in counties' own source revenue (OSR) has been disappointing, accounting for 9% of revenues in 18/19, compared to 10.2% in 2015/16. [xxxi]

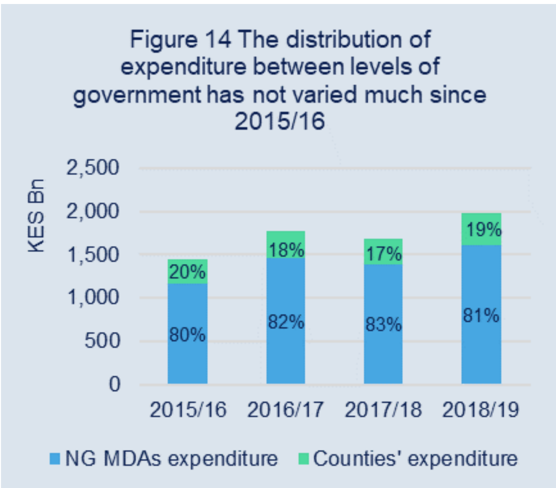



Figure 14 The distribution of expenditure between levels of government has not varied much since 2015/16

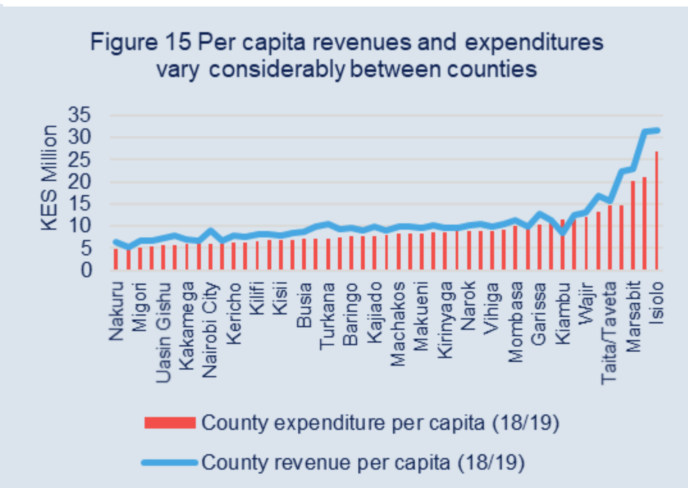



Figure 15 Per capita revenues and expenditures vary considerably between counties

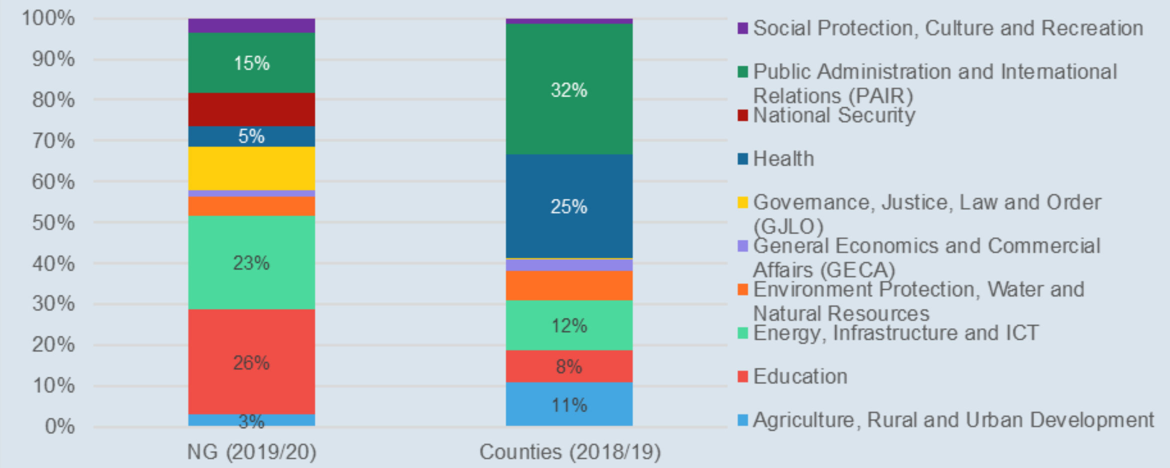
Sources: COB BIRR and CBIRR reports 2016/16 – 2018/19.

**The National Budget is dominated by spending in the education sector and energy, infrastructure and ICT, broadly in line with stated policy priorities.** Two of the Big 4 agenda items fall under NG mandate; manufacturing and affordable housing. The energy, infrastructure and ICT sector, accounts for a considerable share of the 2019/20 NG budget (23%)[xxxii], indicating a broad alignment of the NG with these policy priorities. GOK has historically always dedicated a large share of its budget to education, as compared to most of its sub-Saharan African peers[xxxiii], and it continues to be the largest sector in 2019/20 budget (26%).[xxxiv] Underlying this is the Government's policy commitment to free primary education and secondary education, which has driven up enrolment rates and led to the hiring of more teachers.

Looking at the dynamic trends in NG sector allocations sheds lights on where discretionary spending has been going. Between 2015/16 and 2019/20, only the education sector has received a substantial increase in its budgetary share (4 percentage points), supporting the analysis above that free education is a top priority. Other key service delivery sectors (social protection, culture and recreation; and health) benefitted from a more modest increase in their respective shares (1 percentage point). By contrast, the energy, infrastructure and ICT sector saw a 5-percentage point reduction in its budget between 2015/16 and 2018/19. This is surprising, given the highly ambitious targets set for manufacturing and housing in 2018/19.[xxxv] Public administration and international relations, and agriculture, rural and urban development, both saw a reduction in their respective shares of 2 percentage points. [xxxvi]

**The alignment between county budgets and development policy frameworks is less apparent, with the biggest share of County Budgets going towards public administration.** Universal healthcare (UHC) is the responsibility of county governments, however currently on average only 25% of county budgets to health in 2018/19[xxxvii], which is insufficient (discussed further under the health section, below). Food security is also a Big 4 agenda assigned to County Governments, and so it is surprising that only 11% of budgets were for agriculture[xxxviii], indicating a lack of alignment between national policy frameworks and local budgets.

**Figure 16 Half of the NG budget is for education and infrastructure, while 25% of county budgets are for health and 11% for agriculture**




Sources: COB BIRR and CBIRR reports. Notes: County budgets are not reported by sector, so a mapping was conducted between departments and sectors.

**Kenya has set itself ambitious targets regarding WASH services, and has set aside a comparatively high share of its budget for WASH**. The country seeks universal access to water and sanitation for all by 2030, with coverage rate targets of 100% and 80% for piped water supplies and sewerage services in urban areas respectively[xxxix]. Such ambitions have been estimated to require at least KES 75 billion annually according to the water sector master plan.[xl] Kenya is allocating a substantial amount of funding to WASH. Taking the budget of line ministries with responsibilities for WASH (including the recently created Ministry of Water and Sanitation), together with the estimated WASH budget at county level, funding for WASH amounted to KSH 97 billion in 2019/2020– compared with KSH 65 billion in 2015, and represented between 3.25% and 4.07% of the total government budget between 2015/2016 and 2018/2019.[xli] By way of comparison, Tanzania allocated 2.4% of its budget to WASH in 2017/2018.[xlii] Despite these efforts, funding it still below what would be required to reach national targets; amounting to 80% of the costed annual requirement for capital investments alone.

**Increased budgets are not translating into improved WASH outcomes.** The main cause for concern is that the growing WASH budgets barely translate into increases in coverage rates; between 2015 and 2017, access to piped water supplies only increased from 63% to 64%, whilst access to sewers declined to 43% to 41%. There are various reasons for this. This is in part a reflection of strong population growth. It is also a result of resources being poorly spent: at the national level, the execution rate of the WASH sector development budget of the Ministry of Water and Sanitation did not surpass 59% in 2018/2019.[xliii] At county level, this execution rate only reached 69% in 2014/2015 and 59% in 2015/2016.[xliv] Critical factors affecting low budget execution include: overlapping capacities for planning water and sanitation services at county level; lack of clarity on roles and responsibilities for water asset management (especially since devolution) and limited oversight from relevant national institutions to guide counties.[xlv] Poor outcomes may also be a reflection of allocative inefficiencies. For example, budgets for sanitation appear particularly low (whilst difficult to estimate from the central government budget, funding for sanitation appear to represent only 1% of counties' total budgets (when WASH can be estimated to represent 5% to 10% of counties' budget)).[xlvi]

**Nutrition expenditure is far below the World Bank benchmark and focused on nutrition-sensitive agriculture.** Food and nutritional security are one of the "Big Four" agenda plans for the Kenyan government. Interventions in this area are governed by National Food and Nutrition Policy (FNP) which focuses primarily on agriculture and food security more so than nutrition.[xlvii] However in 2012 the National Nutrition Action Plan was created with a focus squarely on nutrition-specific investments.[xlviii] Tracking financing for nutrition is challenging for the reasons stated above, however in 2016 the Government reported to the Scaling Up Nutrition movement on its domestic nutrition investment, in which it indicated that a total of US$ 109.5 million was spent on nutrition-relevant programmes in 2014, equal to 0.22% of the national GDP. By way of comparison, Burkina Faso and DRC reported to spend 0.85% and 1.03%, respectively.[xlix] For Kenya, this translates into US$ 24.60 per capita expenditure on nutrition, of which only US$ 0.19 was nutrition-specific and majority spending was nutrition-sensitive (mirroring the focus on nutrition-sensitive food and agriculture in the FNP). The US$ 0.19 investment on nutrition-specific programming falls far short of the recommended US$ 10 per child per year spending by the World Bank.[l]

**Kenya introduced gender-responsive budgeting (GRB) in 2011, but policy implementation shortfalls have made transformational change on gender equity elusive.** The National Gender and Equity Commission (NGEC) is the main technical agency charged with implementing GRB in national and county budgets. It has developed guidelines for mainstreaming gender into planning and budget-making, produced frameworks for gender monitoring and evaluation, and carried out gender budget analysis and capacity building. As part of the mainstreaming strategy, the NGEC has also created 'gender-desks' (focal points) in all ministries. While a considerable amount of policy-making attention and resources have been devoted to the issues of gender mainstreaming and gender responsive budgeting, it is also clear that there are some 'last mile' policy implementation shortfalls which, until they are addressed, are likely to constrain the achievement of transformational changes in gender equity. Progress has been made in cross-government awareness-raising, capacity and accountability, yet tangible performance in actual budgeting has remained poor—demonstrated most notably in a narrow GRB focus on individual budgetary items and failure to assess the entire budget from a gender perspective.[li]

**The PFM system in Kenya faces some critical weaknesses. The National Treasury's draft Strategic Plan sets out how it will address these weaknesses, but the current draft is light on implementation detail.** A NG PEFA assessment, currently underway and due to be published in 2020, will provide the most up-to-date assessment of PFM performance in Kenya at this time. Many of the issues it is likely to identify have already been alluded to in this brief. These include insufficient and poorly forecasted revenue, rapidly accumulating debt, continuing challenges in the execution of development budgets, and inefficiency in some sector spending. Encouragingly, the NT's Strategic Plan for 2018/19 – 2022/23 (currently under consultation), proposes a number of corrective measures. For example, on debt management, the NT commits to making borrowing from domestic and external markets more prudent and instituting refined systems for tracking debt. Progress on this front has begun, with the circulation of a draft Debt Policy and Borrowing Framework for public comment in late 2019.[lii] On the revenue side, the Strategic Plan includes a commitment to broadening the tax base (although the current draft is light on the detail of how that will be achieved, in light of the large informal sector), and support county governments enhance own source revenue and improve revenue forecasts. To tackle inefficiencies, the NT plan to build capacity of MDA's on public investment management. For budget execution, an explicit target of 98% absorption of the NG recurrent budget and 92% of the development budget is set for 2022/23 (although there is currently scant information on how they intend to do this).[liii] While there is no formal pooled fund for donor support to PFM, it is expected that partners will seek to coordinate around the findings of the PEFA and align behind NT's Strategic Plan, once they are finalised later this year.

## Aid update

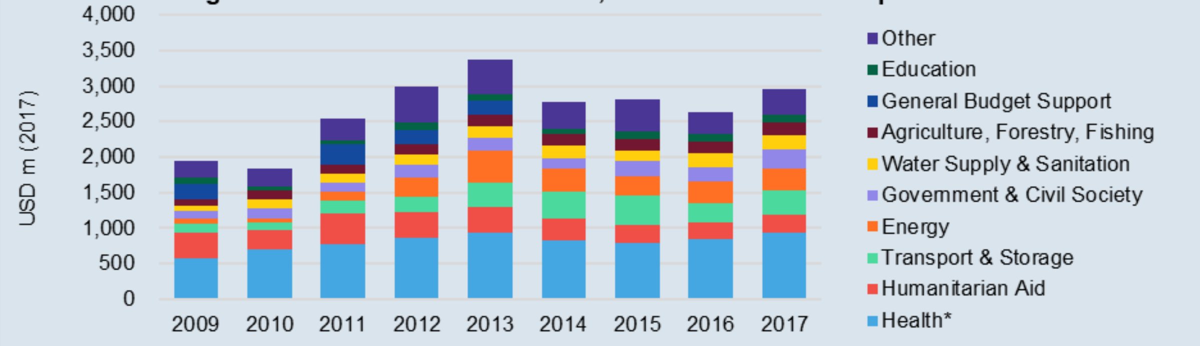
**Official development assistance (ODA) is a critical but declining source of financial inflows, led by the US Government (USG) focused in the health, infrastructure and humanitarian sectors.** ODA to Kenya stood at US$ 2.949 bn in 2017, a fall of 12.7% in real terms since its peak in 2013.[liv] By way of comparison remittances stood at US$ 1.7bn in 2016 and tourism brought in US$ 1.6m; so ODA remains a critical inflow of resource, even if it is declining. [lv] Between 2010 and 2017, the largest donor was the USG, accounting for nearly 30% of all ODA, followed by the World Bank (15%), and African Development Bank (7%) (Table 1). The largest sectors on average between 2016 and 2017 were health (34%); economic infrastructure and services (25%), and humanitarian (12%) (Figure 17). [lvi]

**Table 1: ODA by donor**

| Donor(s) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | % (2010-17) |
|---|---|---|---|---|---|---|---|---|---|
| **United States** | 634 | 786 | 886 | 949 | 844 | 736 | 826 | 861 | 29.8% |
| **World Bank** | 211 | 242 | 277 | 449 | 530 | 478 | 457 | 577 | 14.7% |
| **African Development Bank** | 97 | 151 | 186 | 233 | 215 | 263 | 202 | 199 | 7.1% |
| **United Kingdom** | 111 | 126 | 159 | 224 | 190 | 209 | 176 | 199 | 6.4% |
| **Japan** | 92 | 119 | 167 | 305 | 108 | 241 | 160 | 163 | 6.2% |
| **Germany** | 85 | 151 | 341 | 103 | 109 | 74 | 89 | 125 | 4.9% |
| **France** | 128 | 97 | 105 | 168 | 111 | 105 | 90 | 78 | 4.0% |
| **Global Fund** | 63 | 24 | 75 | 108 | 109 | 116 | 108 | 169 | 3.5% |
| **IMF** | 0 | 286 | 203 | 200 | 0 | 0 | 0 | 0 | 3.1% |
| **Sweden** | 45 | 66 | 70 | 67 | 62 | 66 | 55 | 63 | 2.3% |
| **Other** | 372 | 500 | 525 | 571 | 492 | 513 | 470 | 515 | 18.1% |
| **Official Donors, Total** | 1,837 | 2,548 | 2,994 | 3,378 | 2,770 | 2,803 | 2,634 | 2,949 | 100.0% |

Source: OECD CRS

**Figure 17. ODA is focused on health, humanitarian and transport sectors**




Source: OECD CRS. *Health includes CRS codes 120 and 130

**ODA is expected to continue to fall, as donors transition away from Kenya as it approaches LMIC status.** The expected decline in ODA to Kenya over the medium term may lead to funding gaps, given the fiscal space constraints discussed earlier in this brief. Given the current sectoral distribution of ODA, this is particularly of concern for the health sector. As the biggest donor (overall and to the health sector) changes in USG's funding plans need to be anticipated and mitigated to maintain services and commodities availability. The new USAID country strategy from 2021 is key in this regard.

## Health drill down

**Government spending accounts for a growing share of total health expenditure, but out-of-pocket remains too high.** According to National Health Accounts, over the last decade, the share of total health expenditure financed from government sources has grown from 30% to 40%. Donors constitute 23%, down from a peak of 35% in 2009/10, which is consistent with reports that development partners are transitioning out of health. Households' out of pocket (OOP) expenses account for 31% to total health expenditure, which is of concern given that the WHO finds that OOP financing of more than 20% can lead to catastrophic health expenditures and impoverishment.[lvii]

**Analysis of health budgets reveals a similar trend of growing allocations and expenditures, although this is insufficient for universal health coverage (UHC).** A review of budgets from the Ministry of Health and County Health Departments reveals that health budgets grew by 47% (in nominal terms) between 2015/16 and 2018/19, while expenditures grew even faster - by 62%.[lviii] In per capita terms, this equates to US$35.65 health expenditure per capita (2018/19), which is far below the benchmark proposed by McIntyre (2017) of $86 per capita benchmark needed to obtain Universal Health Coverage (UHC).[lix] Using NHA data instead puts this number at around US$32 government health expenditure per capita (2015/16), which rises to US$ 78 per capita when including all other financing sources.[lx] This indicates that financing for health is insufficient, despite citizens and donors contributing nearly half of all health expenditures, and in order to achieve the Big 4 UHC agenda, spending per capita will need to increase substantially from present levels.[lxi] Indeed, UHC is currently only being piloted in 4 counties in Kenya, with the expectation of nationwide rollout from 2020/21. However how this rollout will be financed is unclear. The MTEF, which provides projections of indicative spending for two and three years out, paints a picture of modest growth in health budgets going forward, albeit at a slower rate than in the past (nominal growth of 9% between 2018/19 and 2021/22, compared to 47% between 2015/16 and 2018/19)[lxii]. Furthermore, health ODA is expected to decline in the medium term, and a recent health funding landscape analysis warned that without clear transition plans for the main donors it is likely that funding gaps across the sector will arise, presenting a significant risk to provision of services.[lxiii]

**Health spending is partially devolved, with execution challenges affecting health budgets at all levels but particularly in counties.** Approximately 56% of the 2019/20 health budget was at the county level, reflecting partially devolved responsibilities. Health budget absorption rates stood at 80% overall in 2018/19, with performance better at the national level (83%) than the county level (73%).[lxiv]

**Government financing is focused on primary health care, but the shift from curative care to preventative is not yet fully realised.** A functional analysis of health expenditure is limited by the quality of county PBBs, and the fact that they aren't consolidated or publicly available in many cases.[lxv] This makes it challenging to assess whether Kenya is progressing on its Vision 2030 objective of realigning expenditure from curative to preventive care. The NHA did identify that in 2016, 59% of health expenditure financed from government domestic revenues was for curative care, compared to 23% for preventative, suggesting this shift is a work in progress.[lxvi] Spending is focused on primary care; recent research using a mapping NHA health care function data indicates that primary healthcare accounted for an estimated 70% of all government-revenue financed expenditures in 2015/2016.[lxvii]

Figure 18 Government is contributing a growing share of health financing but less than donors and households combined

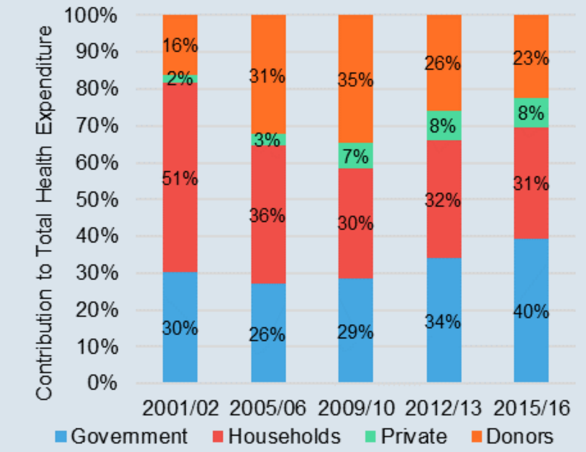
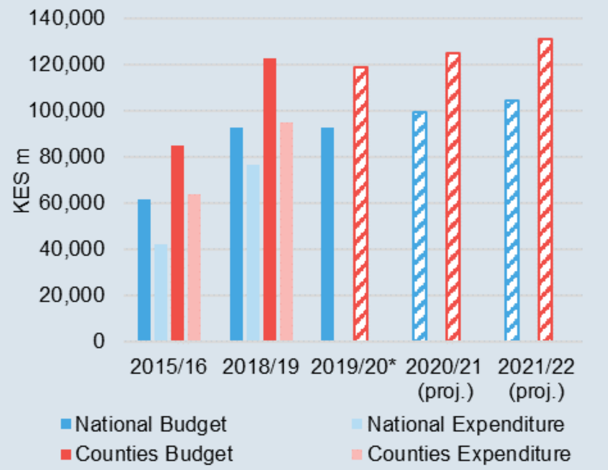



Figure 19 Health budgets and expenditures have been growing but this is expected to tail off




Source: Fig 18 – NHA 2015/16; Fig 19 – BIRR and CBIRR 2015/16 2018/19 Projections from 2019/20 PBBs (or latest available). Notes: County BIRRs do not present data by sector, therefore health spending at this level is estimated by taking expenditure for county health departments in the administrative breakdown. In some instances, the relevant departments also have non-health responsibilities (e.g. Department for Health and Sanitation in Garissa and Embu), in these instances no breakdown was provided and so the department's full budget and expenditure was included in calculations.

## Agriculture drill down

**National government budget allocations for agriculture and rural and urban development sectors have decreased** from 5% of total budget in 2015/16 to 3% in 2019/20. Even in absolute terms, the budget allocation in 2019-20 (KES 59.6 trillion) was less than the budget allocation figure in 2015/16 and 2018/19. In 2019-20, development budget allocations (as opposed to recurrent expenditure) constituted 68% of total budget allocations to agriculture. Over the past four years, budget execution rates for recurrent expenditure have varied between 88% and 96% while development budget execution rates have varied between 57% and 74%. County level government expenditure on agriculture is significant, which is to be expected given it is a devolved function. In 2018/19, county level expenditure totalled KES 33.6 trillion compared with national level of KES 51.3 trillion. On average, counties allocated 11% of their total country budget to agriculture.

**Agriculture's contribution to GDP has fallen, although the Government plans to reverse this trend.** As alluded to in the macroeconomic section above, the contribution of agriculture to Kenya's GDP has slowly declined from 25% in 2012 to 23% in 2018. However, the World Bank estimates that agriculture accounts for 51% of GDP if its links to other sectors are also taken into account. The Agricultural Sector Transformation and Growth Strategy sets out the ambition to expand agricultural GDP from KES 2.9 trillion to KES 3.9 trillion by 2022/23, which would be a reversal of the recent trend.[lxviii] The FAO's Agricultural Orientation Index details the agriculture share of total government expenditure compared with the agriculture share of GDP. In Kenya, the index has remained very low compared with both regional and global standards at 0.05 to 0.06 between 2015 and 2017. The comparable global and Sub-Saharan African figures were 0.26 and 0.20 respectively in 2017.[lxix]

**A large share of agricultural spending is for poorly performing input subsidies**. A World Bank Public Expenditure of Agriculture Sector (PEAS) report estimates that on average, 22% of expenditures in the sector are directed to input subsidies, mainly fertiliser and seeds. The government also subsidises maize farmers through the National Crop and Produce Board (NCPB) which buys maize at above market prices and sells to millers at a discount, incurring losses for the government. This focus on input subsidies is reiterated in the Big 4 plan. The general fertiliser subsidy programme, focusing largely on maize production, was launched in

2008 as a response to the high fertiliser prices resulting from the oil price surge. According to World Bank reports, problems with the policy include poor targeting, late delivery, and inefficient distribution. It also suggests that it may have crowded out private sector investment. Results in terms of maize yields have also been poor with average yields lower than in previous decades (1628 kg/ha in 2015 compared with 1918 kg/ha in 1994) and lower than in neighbouring Uganda and Ethiopia.[lxx]

## Institutional update

**In Kenya, there are a number of key laws which guide the workings of the public financial system; however, these are not always adhered to.** The overarching PFM framework appears in Kenya's new Constitution, 2010, which establishes a set of principles that spell out the role of public finances in promoting an equitable society, public participation in the budget process and transparent financial reporting. The Public Financial Management Act 2012 itself provides for the effective management of public finances, which is operationalised in the 2015 Public Finance Management Regulations, for both national and county governments. While comprehensive, there are some deviations from these rules. For example, as discussed above in the macroeconomic section, Kenya has breached its debt ceiling, but with little material consequence (the government and parliament instead moving to revise to the debt ceiling, to almost twice its current size).

**As a result of fiscal devolution, allocations and equitable sharing of revenues between the different levels of government are now determined annually by law through the Division of Revenue and County Allocation of Revenue Acts enacted**. The County Allocation of Revenue Act provides for the equitable allocation of national revenue to the county governments. Each January the Commission on Revenue allocation determine the allocation; Kenya is now onto its third revenue sharing formula, which takes into account a number of parameters – as detailed in Table 2.

**Table 2. The third revenue sharing formula**

| Parameter | Indicator of Exp Need | Weight |
|---|---|---|
| **Health** | Facility gaps<br>Total Inpatient days<br>Total outpatient visits | 17% |
| **Agriculture** | Rural households | 10% |
| **Urban services** | Urban Households | 5% |
| **Other county services** | County population | 18% |
| **Minimum Share** | Shared equally<br>Inverse of Population | 20% |
| **Balanced Development** | Land area<br>Rural Access index<br>Number of poor people | 8%<br>4%<br>14% |
| **Revenue collection** | Revenue collections index | 2% |
| **Fiscal Prudence** | Fiscal Prudence index | 2% |

**The budget process in Kenya has four major stages**, reflected in the Figure 20 below, which also illustrates the lead actors and key decision makers at each stage. The budget process is dominated by the powerful National Treasury (NT). Parliament, mainly through the National Assembly (NA), also play a key role, as provided for in the 2012 PFM Act, but due to the ruling party majority in Parliament, the NA generally defers to the NT, giving them a great deal of autonomy. In recent parliamentary debates, the NT demonstrated their position by refusing to disclose actual public debt figures to the NA. [lxxi]

**Figure 20: The four stages of the budget cycle in Kenya**

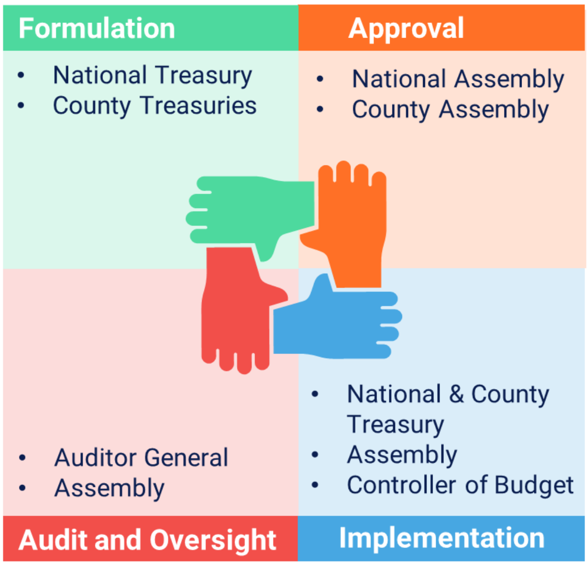



**Table 3. Key dates in budget cycle (Fiscal year runs July 1-June 30)**

| Date | Event |
|---|---|
| **30-Aug** | Budget circular issued |
| **Sept-Feb** | Annual development plan prepared; public consultations held |
| **21-Oct** | Budget Review and Outlook Paper submitted to Assembly by NT / County Treasury |
| **15-Feb** | Budget Policy Statement (BPS) tabled in Parliament (NG) |
| **28-Feb** | BPS approved by Parliament (NG), County Fiscal Strategy Paper tabled in County Assembly |
| **14-Mar** | County Fiscal Strategy Paper approved |
| **30-Apr** | Budget estimates proposed to Parliament (NG and Counties) |
| **May** | Budget appropriations Committees hold hearings and table report to Parliament |
| **30-Jun** | End of FY; National/ County Appropriation Act enacted |

**The dominant position of the NT has led to numerous allegations of corruption in regard to the use of public funds.** Most recently, in July 2019 the Minister of Finance, Henry Rotich, was arrested on corruption charges in relation to the procurement and payment process for the Arror and Kimwarer dam projects. The two dams were budgeted to cost $455m, but the NT negotiated a commercial facility to fund the project that increased the amount to about $610m, $155m more than was required. The Anticorruption court has charged Rotich with more than 10 financial crimes, including fraud, abuse of office and receiving bribes. [lxxii] The outgoing Auditor General, Edward Ouko, has also criticised the lack of independence from the NT. He cited poor budgetary allocations and threats and accusations of political bias, where the NT would castigate his office whenever there was conflict and deny it crucial money.[lxxiii] The Commission on Revenue Allocation's (CRA) recommendation that the NT be independent from the Ministry of Finance, has not been taken into consideration.[lxxiv] The recent appointment of Ambassador Ukur Yattani as Henry Rotich's replacement has raised questions over the government's commitment to combatting corruption. In his former roles as Marsabit Governor, Yattani also faced corruption allegations, although no cases were ever brought against him.

## Conclusion

While the macroeconomic context in Kenya appears robust, with strong and broad-based growth leading to considerable poverty reduction, there are nonetheless some vulnerabilities emerging. Chief among these are the large fiscal deficit and growing levels of debt. While debt levels are not breaching sustainability thresholds yet, in the context of weak revenue performance, failing to bring borrowing under control will significantly hamper the Government's ability to respond to future macroeconomic shocks and maintain current growth levels.

The growing stock of debt and the sizable fiscal deficit means there is a tightening in prospect, although when remains to be seen (the increase in the debt ceiling, and failure to meet 2018/19's fiscal consolidation target, suggests the Government is delaying the inevitable). Moderate increases in fiscal space would be possible in the medium term if costs are controlled (particularly in the recurrent budget) and/or revenues are improved in the near term. If spending growth is to be reined in, past trends suggest the capital budget will cut hardest, potentially impacting future growth, and growing funding gaps are likely in key social sectors (including health, which is reliant on transitioning donors).

Nonetheless, there are some key opportunities which BMGF and other partners should monitor. The recent repeal of the interest cap is expected to lead to well-needed growth in private investment. The Government has started to consult on a Debt Policy and Borrowing Framework and will be compelled to undertake decisive measures around debt management and the deficit, if the touted IMF programme is to come to fruition. Additionally, a PEFA assessment and NT Strategy, to be finalised this year, will pave the way for a new generation of PFM and revenue reforms.

---

[i] This brief provides an analytical snapshot of the economy and public finances in Kenya. It is based on publicly available data produced by the Government and a range of secondary analyses (listed in the endnotes). It is part of a package of ten country briefs commissioned by the Bill and Melinda Gates Foundation (BMGF), and is intended provide a common analytical backdrop to BMGF programming in Kenya, as well as be a useful resource for civil society and the broader donor community in country

[ii] The lead authors of this brief were Stephanie Allan (OPM), Dayna Connolly (OPM), James Muraguri (IPFK) and John Nyangi (IPFK). Additional inputs were provided by Winnie Mageto, Octavia Wachira, Goufrane Mansour, Terry Roopnaraine, William Smith and Mehroosh Tak.

[iii] KNBS, 2012-2019. *Statistical Release: Gross Domestic Product*, link.

[iv] World Bank Development indicators.

[v] Ibid. Tanzania data is for 2011, Uganda is for 2016.

[vi] World Bank Development Indicators

[vii] Institute of Economic Affairs, 2012. *The Budget Focus Issue No.29,* link.

[viii] IFC, 2019. Creating markets in Kenya: *Unleashing private sector dynamism to achieve full potential*, link.

[x] ibid

[xi] IMF 2018. Kenya: Selected Issues. Link

[xii] CNBC, Article 8th Nov 2019. *Kenya scraps its bank lending cap and grants the IMF its wish*, link

[xiii] Expenditure and revenue data are obtained from the Kenya National Treasury and Planning, 2010-2019. *Budget Review and Outlook Paper*, link. To calculate the recurrent proportion of the County Government transfers, data from the 2017/18 CBIRR has been utilised. Transfers to the county governments in 2017/18 comprised of 77.7% for recurrent expenditure and 22.3% for development expenditure according to the 2018/19 CBIRR. The 77.7% is added to the NG recurrent figure to obtain an estimate of the total recurrent expenditure in Kenya for 2017/18.

[xiv] World Bank, 2019. *Kenya Economic Update: Securing future growth – policies to support Kenya's digital transformation*, link.

[xvi] IMF 2018, *Staff report for the 2018 Article IV consultation and establishment of performance criteria for the second review under the stand-by arrangement*, link.

[xvii] National Treasury 2020. Presentation given by Director of Public Debt Management, 15th January 2020

[xviii] See BMGF (2020) *Fiscal Analytic Snapshot: India*

[xix] IMF 2014, 2016 & 2018. *Staff report for the Article IV consultation, link, link &* link.

[xx] Kenya Open Budget Survey Summary 2017 link

[xxi] PEFA 2018 Subnational Assessments for West Pokot, Nakuru, Makueni, Kakamega, Baringo, and Kajiado

[xxii] National Government PEFA Assessment 2012; County PEFA Assessments 2018.

[xxiii] COB BIRR and CBIRR annual report 2018/19

[xxiv] Tanzania National Government Budget 2018/19 and Rwanda National Budget 2018/19

[xxv] This figure is for NG only, and excludes salaries paid to the military or judiciary, which are included under "current transfers" in the budget. (BIRR 2018/19)

[xxvi] BIRR 2018/19

[xxvii] CBIRRs 2015/16 and 2018/19.

[xxviii] KIPPRA, 2018. *Towards Strengthening Public Financial Management in County Governments in Kenya.*

[xxix] CBIRRs 2015/16 – 2018/19

[xxx] Ibid.

[xxxi] Ibid.

[xxxii] 2019/20 approved NG budget

[xxxiii] World Bank development indicators, Link

[xxxiv] 2019/20 approved NG budget

[xxxv] Namely to support value addition and raise the manufacturing sector's share of GDP to 15 percent by 2022 and to provide at least five hundred thousand (500,000) affordable new houses to Kenyans by 2022. Link

[xxxvi] BIRRs 2015/16 – 2018/19 and approved NG budget 2019/20

[xxxvii] CBIRR 2018/19. Note: County budgets are not reported by sector, so a mapping was conducted between departments and sectors.

[xxxviii] Ibid

[xxxix] Vision 2030 and National Water Master Plan (2014)

[xl] National Water Master Plan

[xli] To arrive at this estimate we assume that WASH accounts for 7.5% of county budgets, which is consistent with secondary analyses, namely: Folscher, A.; Liabwel, I.; Malik, S.; Moon, S.; Feuerstein, L. 2019. *Pipes, Policy and Public Money: Integrity in Water Sector Public Financial Management in Kenyan Counties*. WIN, KEWASNET; and Krätke, F., Giles Álvarez, L., White, Z., Murray-Zmijewski, A., and Karuga, S. 2017. *County Public Expenditure Review for the Health and WASH Sectors in Kenya.* UNICEF Kenya.

[xlii] UNICEF, 2018. *Tanzania Water, Sanitation and Hygiene Budget Brief.*

[xliii] COB BIRR 2018/19

[xliv] Florian Krätke, Laura Giles Álvarez, Zach White, Alexandra Murray-Zmijewski and Stanley Karuga. 2017. County Public Expenditure Review for the Health and WASH Sectors in Kenya (Final Draft)

[xlv] Folscher, A.; Liabwel, I.; Malik, S.; Moon, S.; Feuerstein, L. 2019. Pipes, Policy and Public Money: Integrity in Water Sector Public Financial Management in Kenyan Counties. WIN, KEWASNET.

[xlvi] Ibid

[xlvii] National Food and Nutrition Security Policy (2011) Link.
[xlviii] **Nutrition-specific** interventions address the immediate determinants of foetal and child nutrition and development – adequate food and nutrient intake, feeding, caregiving and parenting practices, and low burden of infectious diseases. By contrast, **nutrition-sensitive** interventions address the underlying determinants of foetal and child nutrition and development – for example food security, access to health services, and sanitation and hygiene.
[xlix] SUN country snapshot, link
[l] Shekar, Meera, Jakub Kakietek, Julia Dayton Eberwein, Mary D'Alimonte, and Michelle Mehta. 2017. *Catalyzing Progress toward the Global Nutrition Targets: Three Potential Financing Scenarios.* Washington, DC: World Bank Group
[li] OCOB and UN Women (2016), Entry points for deepening gender-responsive budgeting within public finance management reforms: A scoping analysis. Link
[lii] National Treasury 2019. Public Notice on Proposed Debt Policy and Borrowing Framework: Invitation for comments. Link
[liii] National Treasury, 2019. *Strategic Plan 2018/19 – 2022/23; Sustained socio-economic transformation for job creation and shared prosperity*. Draft, October 2019.
[liv] OECD creditor reporter system
[lv] Development Initiative's Datahub Link
[lvi] OECD creditor reporter system
[lvii] National Health Accounts 2015/16 and World Health Organisation (2010) 'Health Systems Financing: The Path to Universal Coverage, World Health Report 2010', WHO, Geneva.
[lviii] BIRRs and CBIRRs 2015/16 and 2018/19. Note: County BIRRs do not present data by sector, therefore health spending at this level is estimated by taking expenditure for county health departments in the administrative breakdown. In some instances, the relevant departments also have non-health responsibilities (e.g. Department for Health and Sanitation in Garissa and Embu), in these instances no breakdown was provided and so the department's full budget and expenditure was included in calculations.
[lix] Meheus F, McIntyre D. Fiscal space for domestic funding of health and other social services. Health Econ Policy Law. 2017;12(2)
[lx] NHA 2015/16
[lxi] OPM, 2019. *Kenya health funding landscape analysis.* Prepared for the Bill and Melinda Gates Foundation.
[lxii] BIRRs and CBIRRs 2015/16 and 2018/19, projections from Ministry of Health and County Health departments PBBs.
[lxiii] OPM, 2019. *Kenya health funding landscape analysis.* Prepared for the Bill and Melinda Gates Foundation.
[lxiv] BIRRs and CBIRRs 2015/16 and 2018/19.
[lxv] 2019/20 PBBs could not be located for 24 counties. For a commentary on quality of county PBBs see Florian Krätke, Laura Giles Álvarez, Zach White, Alexandra Murray-Zmijewski and Stanley Karuga. 2017. County Public Expenditure Review for the Health and WASH Sectors in Kenya (Final Draft)
[lxvi] NHA as downloaded from Global Health Expenditure Database.
[lxvii] OPM, 2019. *Kenya health funding landscape analysis.* Prepared for the Bill and Melinda Gates Foundation.
[lxviii] Government of Kenya, 2019. *Agricultural sector transformation and growth strategy: Towards sustainable agricultural transformation and food security in Kenya*, link.
[lxix] FAO SDG Indicator dataset. Link
[lxx] World Bank, 2019. *Kenya Economic Update: Securing future growth – policies to support Kenya's digital transformation*, link.
[lxxi] Parliament of Kenya, 5th November 2019, link.
[lxxii] FT, 2019. Kenya's finance minister arrested on corruption charges, link.
[lxxiii] Standard, 2019. *Auditor General Ouko condemns lack of independence from Treasury, link.*
[lxxiv] CRA, 2019. CRA Kenya Tweet, link.

Prepared by Institute of Public Finance Kenya and Oxford Policy Management. For more information contact us at info@ipfkenya.or.ke