BUDGET 2013/14 HIGHLIGHTS — The People's Guide

BUILDING RESILIENCE FOR A HIGHER AND BETTER GROWTH FOR EMPLOYMENT

INVESTMENT IN INFRASTRUCTURE TO ACCELERATE GROWTH

Ksh. 288.5 billion has been set aside for the FY 2013/14. For:- improving infrastructure and management in counties, cities, and urban centers, attaining efficient and economic road transport, expanding generation capacity and access to electricity, developing modern national ICT infrastructure, and development, expansion of the ports and rail facilities.

Road construction and maintenance - Ksh. 97.9billion
Geothermal development - Ksh. 12.5billion
Power Transmission - Ksh. 23.8billion
LAPSSET - Ksh. 3.7billion
Expansion of Kisumu Port - Ksh. 299million
Standard Gauge Railway - Ksh. 22billion

Proposed Turkana Wind Power Project

STRATEGIC INTERVENTIONS

Kshs.494.1bn has been proposed for strategic interventions.
In the first year, Kshs.108.6bn has been proposed to start the implementation of a program of transforming Kenya into a Middle Income status.

	FY2013/14	FY2014/15	FY2015/16	Total	FY2016/17	FY2017/18	Total
	Year 1	Year 2	Year 3	Year 1 -3	Year 4	Year 5	Year 1 - 5
Food Security	17,850	46,670	52,380	**116,900**	60,048	68,113	**245,061**
Transport	23,060	77,060	96,125	**196,245**	45,125	500	**241,870**
Water/Flood	7,450	7,803	8,173	**23,425**	8,661	9,069	**41,156**
Security	16,576	13,725	14,488	**44,789**	15,265	16,057	**76,111**
Education	17,375	17,730	18,103	**53,208**	18,164	19,048	**90,420**
Health	10,554	10,904	10,309	**31,767**	10,975	11,707	**54,448**
Social Protection	9,747	5,885	5,885	**21,517**	5,885	5,885	**33,287**
Youth/Women Fund	6,000	200	0	**6,200**	0	0	**6,200**
TOTAL	108,612	179,977	205,462	494,051	164,123	130,378	788,552

RAISING A HEALTHY GENERATION

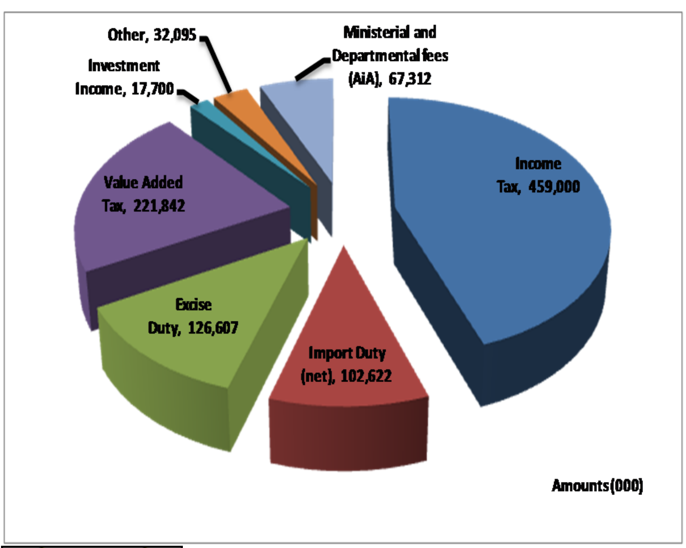
The Government has set aside Ksh. 31.6bn for enhanced quality and access to health care over the Medium Term Framework period (MTEF).

Ksh. 10.6bn has been set aside for this FY 2013/2014, as follows:

- Ksh. 3.8bn for free access to maternal health;
- Ksh. 700m for free access to all health centres and dispensaries by all citizens;
- Ksh. 1.2bn for construction of 1,500 prefabricated housing units for health care officials;
- Ksh. 200m for construction of 200 prefabricated health care facilities in slums;
- Ksh. 1bn for lease financing of health care equipment; and
- Ksh. 3.1bn and Ksh. 522m for recruitment of 30cumminity nurses and 10 community health workers, respectively, for each Constituency.

OVERVIEW OF THE BUDGET

TOTAL REVENUE



Projected Division of Available Funds, 2013/14 - 2015/16 (Ksh billion; unless indicated)			
	2013/14	2014/15	2015/16
	Projections		
1.0 National Government	**709.0**	**831.5**	**973.5**
Of which:			
Conditional grants (CDF)	21.8	25.9	29.9
Equalization fund	3.4	3.9	4.4
Contigency fund	5.0	7.5	7.5
2.0 Counties	**210.0**	**231.0**	**254.1**
Equitable share	190.0	209.0	229.9
Conditional Allocations	20.0	22.0	24.2
of which:			
Shared facilities (level 5 hospitals in 11 Counties)	10.1	10.6	11.1
3.0 Total Shareable revenue 2/	**919.0**	**1,062.5**	**1,227.6**
Percentage share			
National Government	77.1%	78.3%	79.3%
Counties	22.9%	21.7%	20.7%
Memo items:			
Counties' Own-Revenue (Estimated) 3/	*24.8*	*28.4*	*32.6*
County Allocations as % of Approved Latest Audited Revenues (Ksh 608.1 billion for FY 2010/11)	*34.5%*	*38.0%*	*41.8%*
County Allocations as % of Unapproved Latest Audited Revenues (Ksh 682 billion for FY 2011/12)	*30.8%*	*33.9%*	*37.3%*
Minimum Allocations to Counties as per the Constitution	*15.0%*	*15.0%*	*15.0%*
Source: National Treasury			
Notes:			
CDF = Constituency Development Fund			
2/ As defined in CRA Act (Income taxes, import duty, VAT, excise taxes, and non-tax revenues). This is approximated by ordinary revenues.			
3/ Own sources of revenue -- includes CILOR, property rates, SBP, vehicle parking, market fees, plot rents, water & sewerage, cess receipts, house rents, and other.			

BUDGET 2013/14 HIGHLIGHTS

PRIORITY AREAS CONSIDERED FOR ADDITIONAL RESOURCES

	Priority Areas of Consideration for Additional Resources
	Interventions identified during the county stakeholder consultations for 2012/13 MTEF Budget, including issues identified by Sector Working Groups.
	Implementation of the new Constitution covering proposals not accommodated within the baseline ceilings issued to Ministries.
	Strategic interventions in the areas of education, health, infrastructure (especially rural/feeder roads), tourism, security and agriculture (especially irrigation programmes and other food security enhancing programmes), as well as policy interventions covering the entire nation to enhance regional integration and social equity.
	Specific consideration to job creation for the youth based on sound initiatives identified within and outside the normal budget preparation.

Investing and Efficient and Reliable Transport Systems

Proposed Two-Track Standard Gauge Railway Line From Mombasa to Kisumu

The Government will embark on the development of a two-track Standard Gauge Railway line from Mombasa to Kisumu.

- This will reduce the cost of transport (by an estimated 300%) and also the cost of doing business in general;
- Improve cargo off take from the port of Mombasa;
- Save the depletion of our roads and reduce maintenance costs;
- Save on time taken to transport goods from the port of Mombasa to the borders; and
- Boost trade and investments in the country; among other benefits.

Harnessing New and Cheaper Sources of Energy

Geothermal Power Production in Naivasha , clean and affordable energy for growth.

Investing in irrigated agriculture through modern and efficient farming methods to promote farming as a business and enhance prudent water use

KEY POLICIES & STRUCTURAL REFORMS

Key reforms lined up for the FY 2013/2014 include:

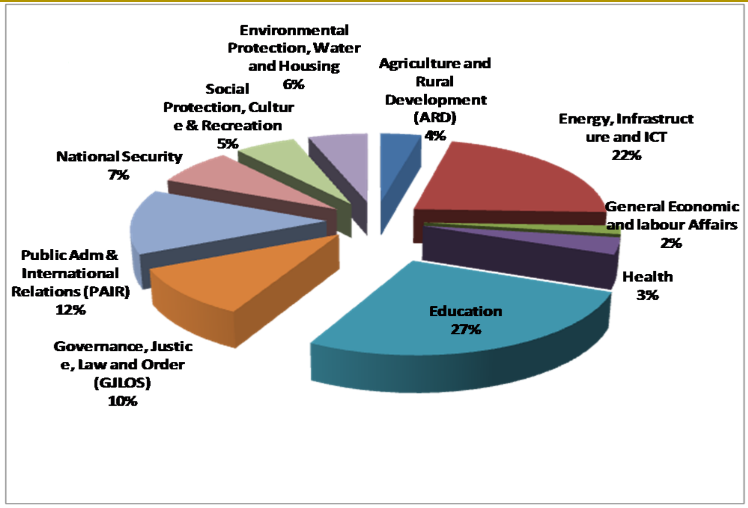
1. Building Resilience to Cushion the Economy against frequent and unwarranted Exogenous Shocks;
2. Positioning Export as the Growth & Employment Driver in Kenya;
3. Transforming Agriculture for Food Security, Export & Employment;
4. Facilitating Investment & Business to Drive Shared Growth & Employment;
5. Investing in our People for Higher Productivity & Long-term Development;
6. Creating Fiscal space to Implement all the above pledges;
7. Implementation & Coordination of Government's key Growth Policies;
8. Procurement Reforms & Review of various Legislations;
9. Implementation of the PFM Law & its Regulations;
10. Civil Service Reforms, aimed at Improving Efficiency, Service Delivery, Creating a Lean & Right-sized Civil Service, Culture change & Entrenching positive attitude in Public Service Delivery; and
11. Introducing Agri-business Farming in schools, starting with Secondary schools throughout the Country.

BUDGET 2013/14 HIGHLIGHTS

Sector Allocations

Allocations to various sectors

- KSh. 273.7bn for Education including free primary and secondary education and school feeding program.
- KSh.34.7bn for preventive and curative health services.
- KSh. 57.2bn for social protection, culture and recreation.
- KSh. 220.8bn for energy, ICT and infrastructure including geothermal development.
- KSh. 38.1bn for agriculture and rural development.
- KSh. 55.4bn for environment, water and irrigation and housing.
- KSh. 16.1bn for judicial reforms.
- KSh. 19.0bn for parliamentary reforms.
- KSh. 74.4bn for National security.
- KSh. 5.0bn for Contingency Fund to cater for unforeseen expenditures.
- KSh. 105.1bn for governance, justice, law and order.
- KSh. 134.1bn for public administration and international relations.
- KSh. 22.7bn for regional integration, creation of an enabling business and investment environment, tourism development, among others.



FOOD SECURITY INTERVENTIONS

- Construction of irrigation infrastructure - Ksh. 700m
- Construction of 2, 10million cubic meter dams - Ksh. 2.4bn
- Expansion of on-going irrigation projects - Ksh. 8bn
- Agri-business fund - Ksh. 2bn
- Purchase of agricultural machines and equipment – Ksh. 300m
- Repairs of roads destroyed by rains in rural areas - Ksh. 1.5bn

Investing in Key Stakeholders

Key stakeholders charged with the responsibility of building a resilient and prosperous Kenya have not been left out. In FY 2013/14 Budget, we will:

For Business and Investors:

- Expand access to energy, water and development of other infrastructure;
- Invest in a first-class road network, railways, ports and harbours, dry and wet cargo storage, fish landing, processing and storage, waterways and ICT in order to reduce cost of doing business; and
- Implement an efficient port clearance system – The National Single Window System by October 2013.

For the Poor, Vulnerable and Rural Population:

- Provide and expand resources for free primary and free day secondary education;
- Create a Presidential secondary school bursary scheme for orphans, poor and bright students;
- Fund provision of free maternal health care and free access by all patients to dispensaries and health centers throughout the country;
- Construct health care facilities in the slums; and
- Double the social protection safety net in form of cash transfer.

For Youth and Women:

- Develop a more efficient framework of delivering a revolving fund of Kshs. 6bn to all youth and women; and
- Ensure 30% of government procurement goes to the youth.

CUSHIONING THE POOR AND VULNERABLE-SOCIAL SAFETY NETS

To cushion the poor or those susceptible to shocks and poverty and other vulnerable groups, we have once again allocated sufficient resources, doubling the social protection safety net in form of cash transfers.

Specifically; -

Ksh. 7.5bn for doubling the number of orphans and vulnerable children from 155,000 to 310,000;

Ksh. 3.0bn for increasing, two-fold, the number of elder persons under cash transfer from 59,000 to 118,000;

Ksh. 770m for increasing coverage of those with extreme disability from 14,700 to 29,400;

Ksh. 462m for doubling the number of other disabled persons under coverage of cash transfer; and

Ksh. 400m for Presidential Secondary School Bursary Scheme for orphans, poor and bright students.

BUDGET 2013/14 HIGHLIGHTS

PRO-POOR SPENDING

- Financing the Small and Medium Enterprise/Joint Loans Board - Ksh. 900m
- Development of additional Constituency Industrial Development Centers - Ksh. 540m
- Provision of Sanitary Towels - Ksh. 299m
- Equalization Fund - Ksh. 3.4b
- Provision of land for Resettling IDPs - Ksh. 300m
- Slum upgrading programs - Ksh. 200m
- Provision of ARVs - Ksh. 903m

The Digital Generation

Ksh. 53.2bn, of which Ksh. 17.4bn is for FY 2013/2014, has been deployed for 1.35 million laptops for class 1 pupils, development of digital content, building capacities of teachers and rolling out computer laboratories for class 4 to 8 pupils in all schools throughout the country.

Ksh. 9.8bn for purchase of laptops

Ksh. 800m for capacity building

Ksh. 500m for digital content

Ksh. 5.8bn to establish computer laboratories in 10 primary schools in each constituency countrywide, at Ksh. 2m each.

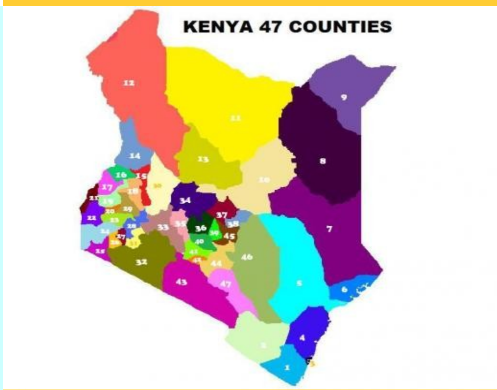
Class one pupils with Laptops (Photo from Sparki Primary School, Mvita)

PREPAREDNESS FOR DEVOLUTION

Under the PFM Act, 2012, each level of government should be able to plan, formulate, execute and report on their budgets. The national government will build capacity to ensure that proper financial management is in place in all the counties.

Supporting devolution is not a choice but rather a duty as demanded by the Constitution. In addition to the minimum requirement by the constitution of 15percent of total revenue, we have costed the devolved functions that the county governments are expected to perform. To this end, we have allocated Kshs. 210bn for FY 2013/14 which is 30.8 percent, well above the 15% Constitutional requirement.

The national government will continue to provide support for creation of the necessary institutional structures and capacity building to enable the county governments to function and deliver on their mandate.



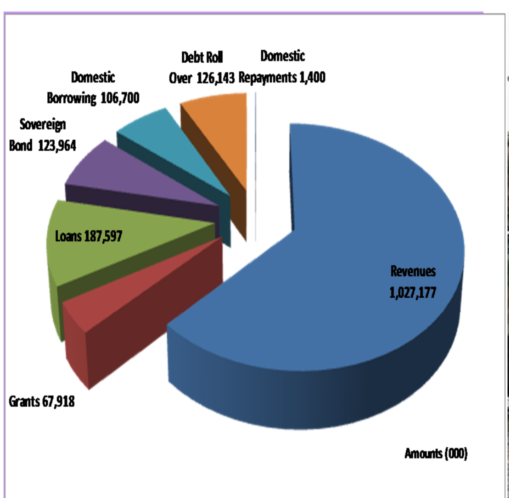
The Equalization Fund is in place at 0.5% of total revenue to address the issue of skewed resources and inequalities in the past.

We have allocated Ksh.3.4 billion, which is expected to grow with time as the revenue grows. This will enhance allocations to the marginalised areas, and facilitate equitable regional development.

Enhanced Security for Investment,

1. KShs.4bn for modern security equipment;
2. KShs.4.5bn for enhanced security operations;
3. KShs.1.5bn for crime research and investigation;
4. KShs.3.0bn for lease financing of 1,200 new and serviced motor vehicles;
5. KShs.2bn for specialized equipment; and
6. KShs.1.2bn for a rapid deployment of 2,000 police housing units.

FINANCING THE BUDGET 2013/2014



Securing Kenya for Growth and Investment

THE PUBLIC EXPENSE TRAIL

NB. Some Sectors have not been rationalized to conform to proposals from Parliament.

BUDGET 2013/14 HIGHLIGHTS

Summary of Proposed Tax Measures

- Items used to facilitate railway operations are exempt from import duty - in order to support the expansion and development of the railway network in the region.
- Plastic bag bio-gas digesters are proposed to be exempted - to encourage usage of this renewable energy.
- Import duty on welding electrodes is increased from 10% to 25%, millstones and grindstones from 0% to 25% and plastic tubes for packing of toothpaste, cosmetics and similar products from 10% to 25%. This is aimed at cushioning the local manufacturers from cheap imports.
- The tax exemption status for Persons with Disabilities is extended to five years.
- Premiums for Group Life and Group Personal Accident policy covers are proposed for exemption where they do not confer a benefit to the employees.
- The Income Tax Act is amended to impose withholding tax on winnings from gaming and betting.
- The Customs Law is amended to introduce the Customs warehouse rent for entered goods which remain at the port of discharge for a period exceeding 21 days from the date of commencement of discharge of the carrier. This is aimed at decongesting the Port.
- The Commissioner is empowered, through amendments to the Income Tax Act, to access books of accounts and where tax evasion is proved in Court, collect corporate tax from officers of corporate bodies convicted of tax fraud.
- To safeguard the original intention of discouraging consumption of illicit and dangerous brews through the excise tax remission on senator keg beer introduced in 2004 - the remission is reduced by 50 percent and will be granted only in respect of beer made of millet, sorghum and cassava. The senator keg will, however, continue to enjoy a remission at this new level, on a transitional basis, for a period of three years.

ABBREVIATIONS

CFS	**Consolidated Fund Services**
ECD	**Early Childhood Development**
FDSE	**Free Day Secondary Education**
GECLA	**General Economic, Commercial & Labour Affairs**
GJLOS	**Governance, Justice, Law and Order Sector**
ICT	**Information Communication Technology**
Ksh.	**Kenya Shillings**
MTEF	**Medium Term Expenditure Framework**
OVC	**Orphans and Vulnerable Children**

NOTES

- **Figures may not necessarily add up to totals due to rounding;**
- **Grey colour: Global Budget. Includes: National Government, Judiciary, Parliament, CFS, County allocation, Civil Service Contributory Pensions, and Contingency Fund;**
- **Different colours represent different Sectors; and**
- **Charts are not drawn to scale.**

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