COUNCIL OF GOVERNORS

Economic Outlook and Budget Overview

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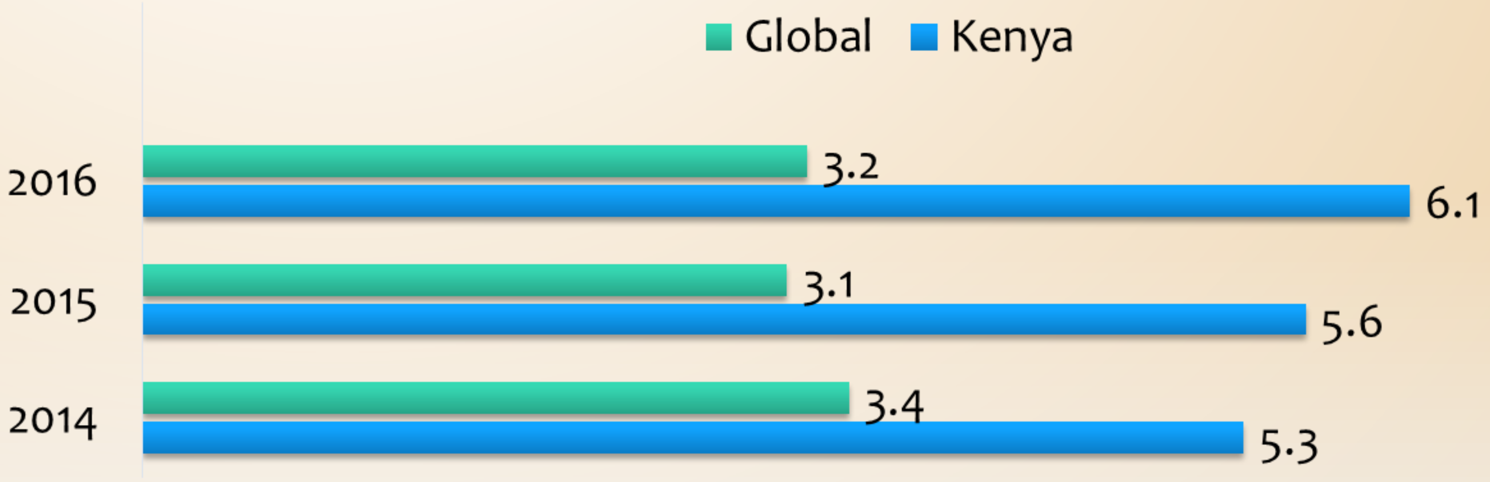
Macro-Economic Overview
(1)

Kenya's Economic Growth Outlook

Key enablers of the 2015/16 economic growth:

- Stable macroeconomic environment
- High but stable inflation rate
- Stable exchange rate

Percentage Economic Growth Global Versus Kenya



Source: World Bank Economic Outlook

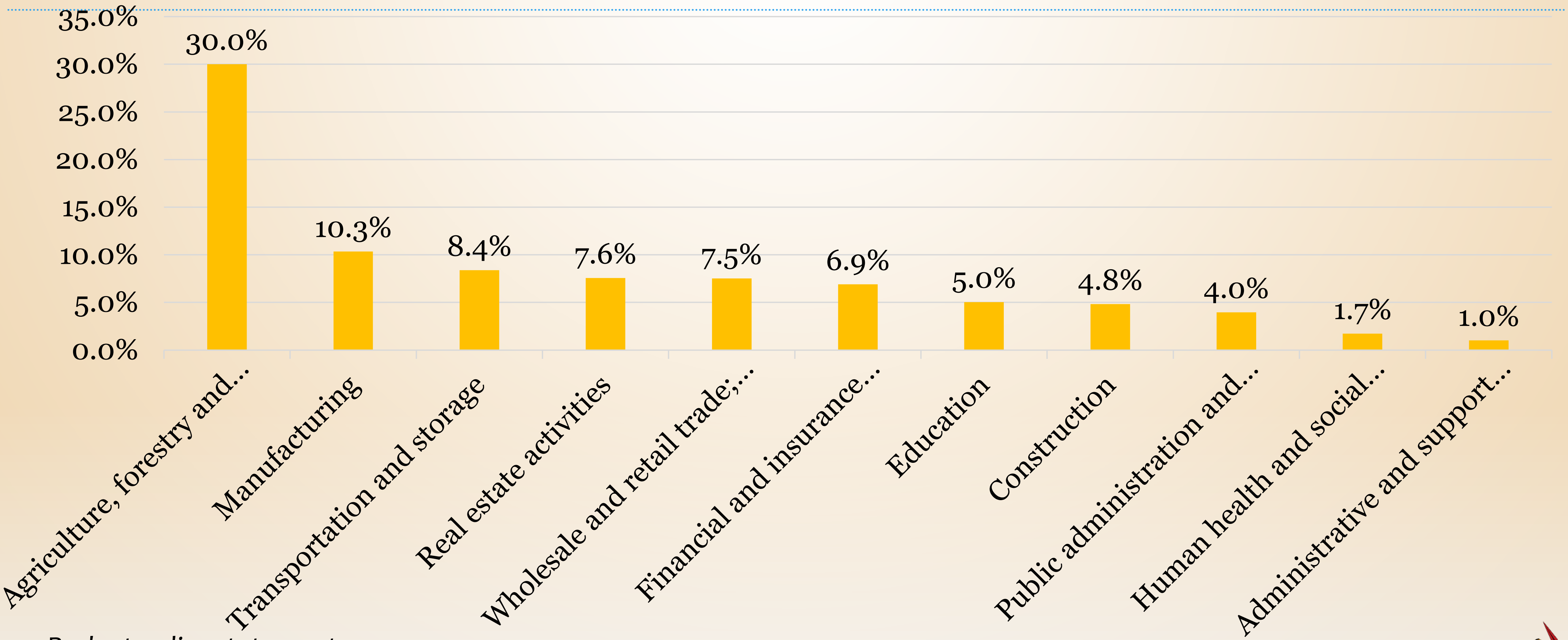
Regional Comparison

Kenya's GDP accounts for 40% of the region's GDP, followed by Tanzania at 28%, Uganda at 21%, Rwanda at 8%, and lastly Burundi at 3%

Facts (2015)	**Kenya**	**Uganda**	**Tanzania**	**Rwanda**
Real GDP growth (%)	5.6	5.0	7.0	7.2
Population (Millions)	44.2	38.8	55.0	11.9
GDP per capita (USD)	1,588	422.0	600.6	695.7
Inflation rate (%)	6.6	4.9	5.6	4.5

Source: World Bank

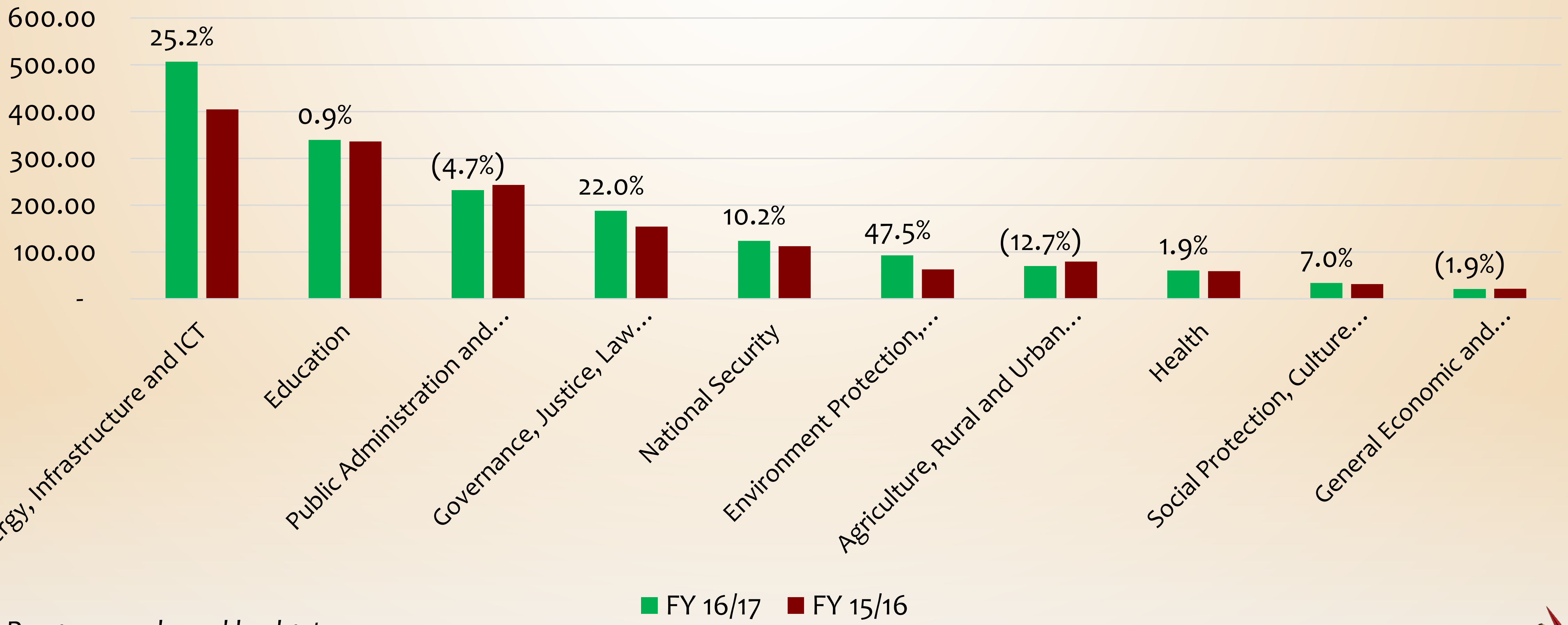
Key Sectors’ Contribution to GDP



Source: Budget policy statement

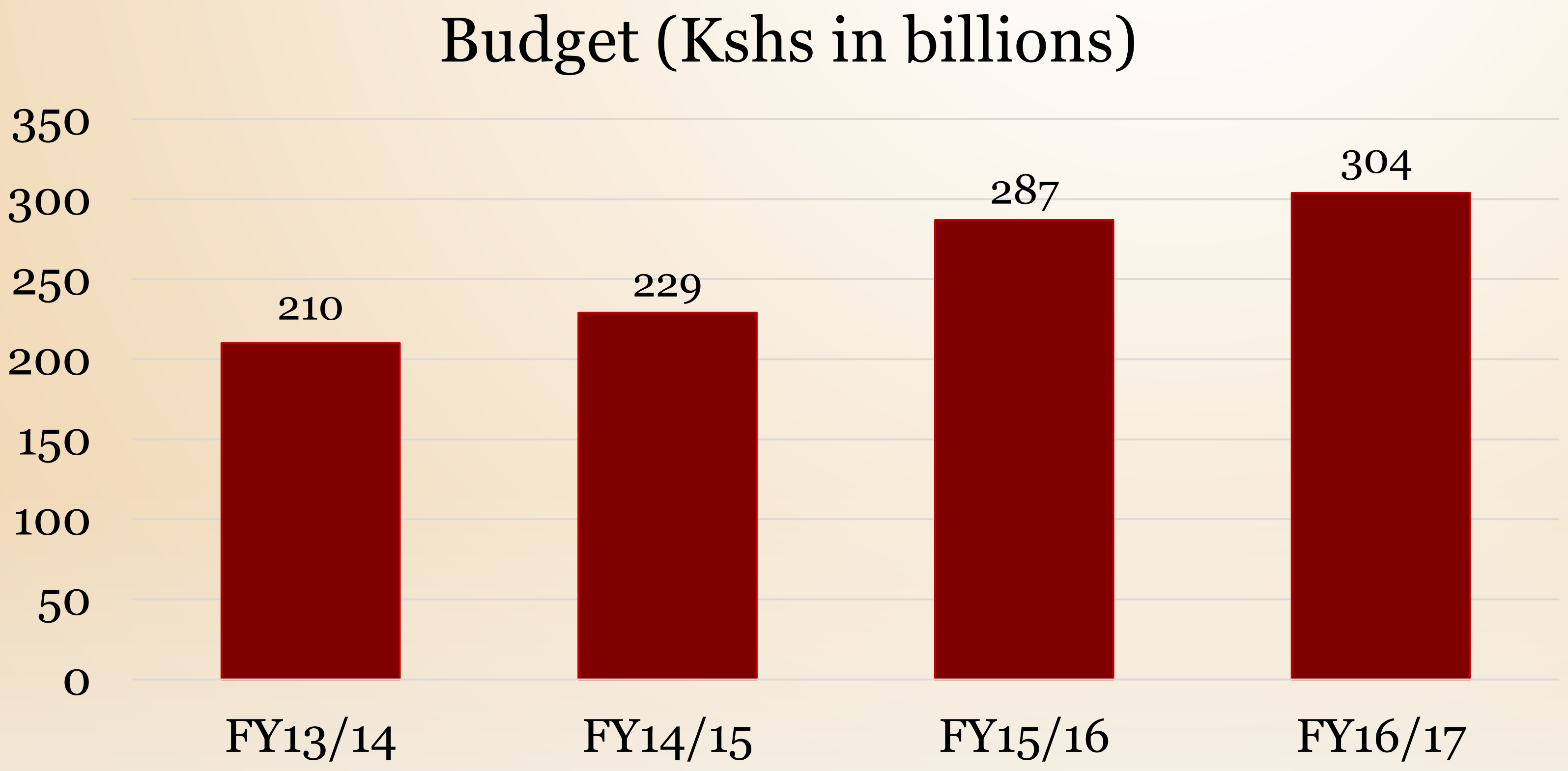
Key Messages from the Budget FY16/17 (2)

National Allocations FY15/16 and FY16/17



Source: Programme based budget

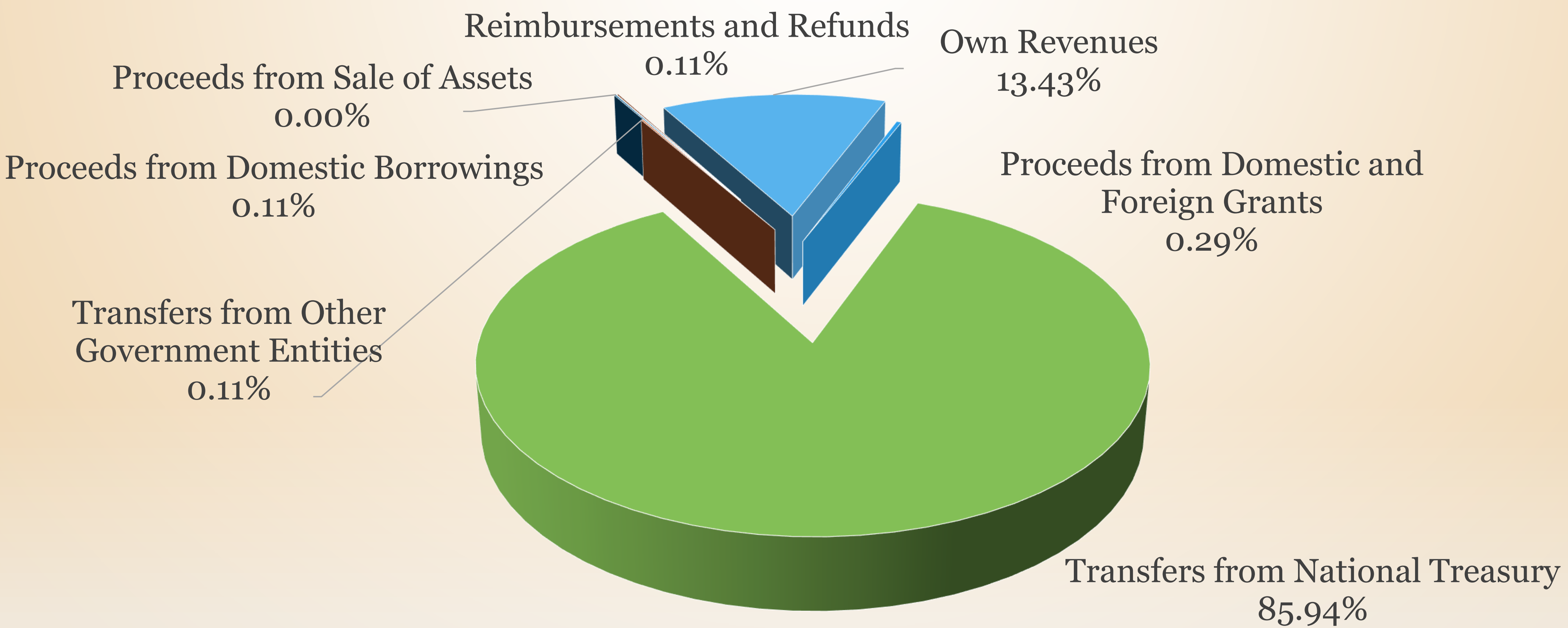
County Governments National Equitable Share



According to National Government, allocation of equitable share to counties is in excess of 15% and increasing year on year.

Source: Controller of Budget

County Governments Revenue Sources



Source: Treasury

County Governments Highest Revenue Streams

- Business permits
- Receipts from administrative fees and charges
- Vehicle parking fees
- Poll rates
- Other miscellaneous revenues
- Council natural resources
- Other local levies
- Technical services fees
- Rents
- Various fees
- Other health and sanitation

Source: Controller of Budget

ABSORPTION RATE ON BUDGET ALLOCATION

Item	FY13/14 (Kshs bn)	FY14/15 (Kshs bn)
Budget Allocation (National Equitable Share/Local Revenue/Other Sources)	224	304.78
Capital Allocation	100	144.91
Percentage Capital Allocation	45%	48%

Minimum requirement is 30% of the budget allocation

Source: Controller of Budget

Absorption Rate on Capital Allocation

Item	FY13/14 (Kshs bn)	FY14/15 (Kshs bn)
Capital Allocation	100	144.91
Actual Expenditure	36.6	90
Percentage Absorption	36%	63%

Minimum Requirement is 80% of the capital allocation

Source: Controller of Budget

Implications for Counties (3)

Macro-Economic Implications

- To achieve the macro-economic growth targets of 6% - 7%, County Governments have a pivotal role to play by implementing local economic development initiatives
- The CIDPs should be aligned to the National Government plans to achieve the macro-economy growth of Kenya

Implications based on the Budget FY16/17

- Increasing allocation of funds for counties
- Allocate and spend at least 30% of the total budget on development projects
- Increase local revenue
- Increased spend on infrastructure e.g. roads which will assist connectivity of counties

What Needs to be Done? (4)

What Needs to be Done?

- Put in place policies that improve 'ease of doing business' at county level e.g. registration of businesses
- Seek ways of introducing economies of scale for example economic blocs and shared services.
- Achieve an absorption rate of at least 80% of the development budget.
- Enhance existing revenue streams and generate new revenue streams.
- Reduce salaries and wages as a percentage of recurrent budget
- Protect your revenues for example through efficient tax compliance

THANK YOU