



PFM Updates by Institute of Public Finance Kenya

Revenue Updates in Kenya between July and November 2020ⁱ

Introduction

Citizen access to relevant and timely budget information on how government is raising and spending taxes is a worth opportunity that enables them to contribute effectively in decision making. Section 28(7) of Public Finance Management act, 2012 authorizes the National Treasury to give monthly statements on actual revenue collected in the accounts relating to Article 206 of the Constitution to the Commission on Revenue Allocation.ⁱⁱ Further, section 46 (2) of the PFM Act 2012 requires that within twenty-one days after the end of each month, the Cabinet Secretary shall publish in the Gazette a statement of actual revenues collected by category and net exchequer issues by the National Treasury.

Revenue review

The total revenue estimates for FY 2020/21 are Kshs. 2.830 trillion. Tax revenue estimates have the largest share at 55.4% (Kshs. 1,567 Billion) with domestic borrowing target following closely at 27.8% (Kshs.786.65 Billion) while external Loans and Grants will account for 13.2% (Kshs. 373.20 Billion) and non-tax revenue and other domestic financing sources of revenue accounting for 2.3% (Kshs. 66.13 Billion) and 1.3% (Kshs. 36.82 Billion) respectively.

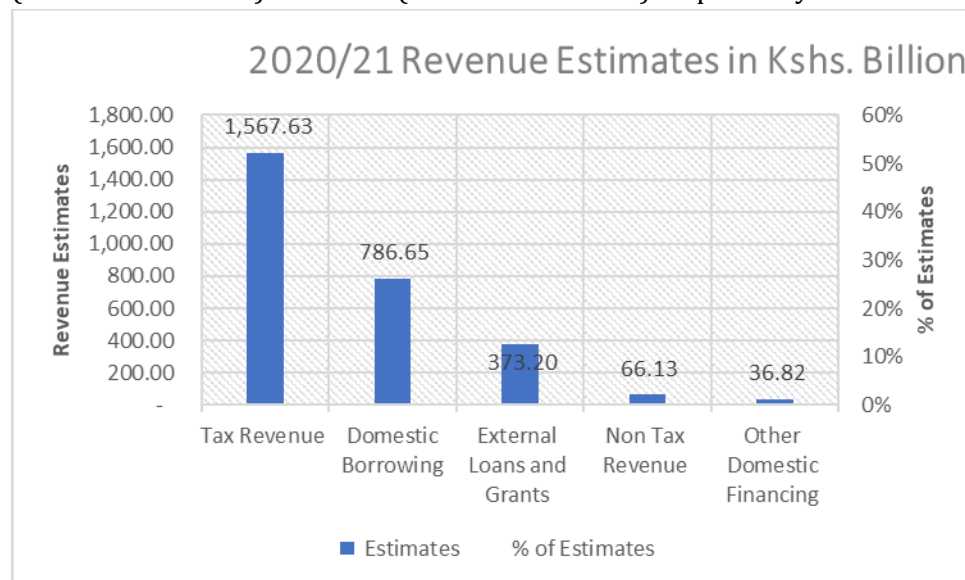


Figure 1: FY 2020/21 Revenue Estimates

Revenue performance as of November 2020 Compared to November 2019

As of November 2020, total revenue collected for FY 2020/21 was Kshs. **1.002 Trillion** which is equivalent to 35% of the total targeted revenue of Kshs. 2.83 Trillion. This was a decline compared to the same period for financial year 2019/20 where total actual revenue receipts were Kshs. **1.023 Trillion** or 39% of the revenue estimates. The revenue for the period compared to the same period in last financial year decreased both in absolute terms and in proportionate terms.

While the decreased revenue performance could be partly attributed to economic disruptions brought about by Covid-19, there is need for the National Treasury to update its revenue projection models to take into account current events as COVID-19 had already set in while the budget was prepared.

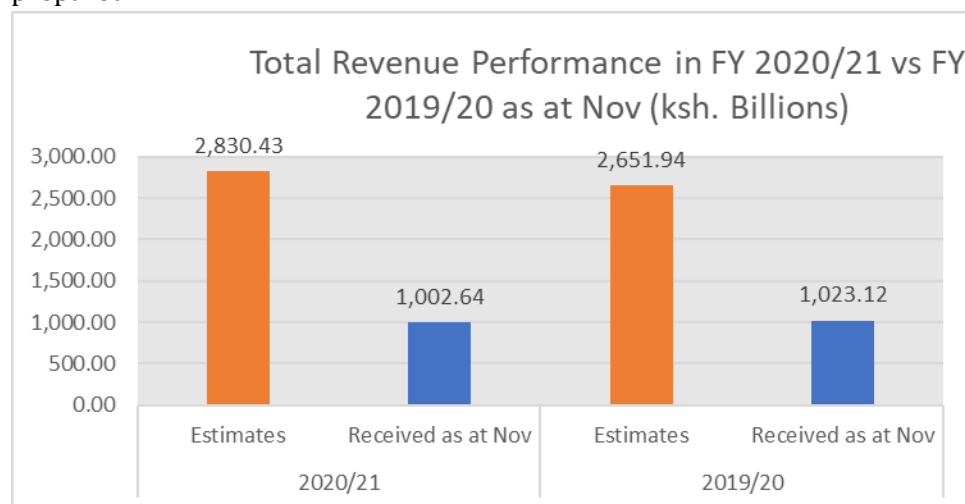


Figure 2: Total Revenue Performance as at November 2020 vs Nov 2019

- Tax income between July and November 2020 was Kshs. 527 billion while the same period in the previous FY 2019/20, the tax revenue was Ksh.628 billion signifying a drop of Kshs 100 billion.
- Non-tax income between July and November 2020 was Kshs. 37billion which was a decline from Kshs. 49 billion recorded in the same period in the previous financial year.
- Revenue from domestic borrowing on the hand between July and November 2020 was Kshs. 360 billion an increase from Kshs. 221 billion realized from domestic borrowing as at Nov 2019 for the FY 2019/20.

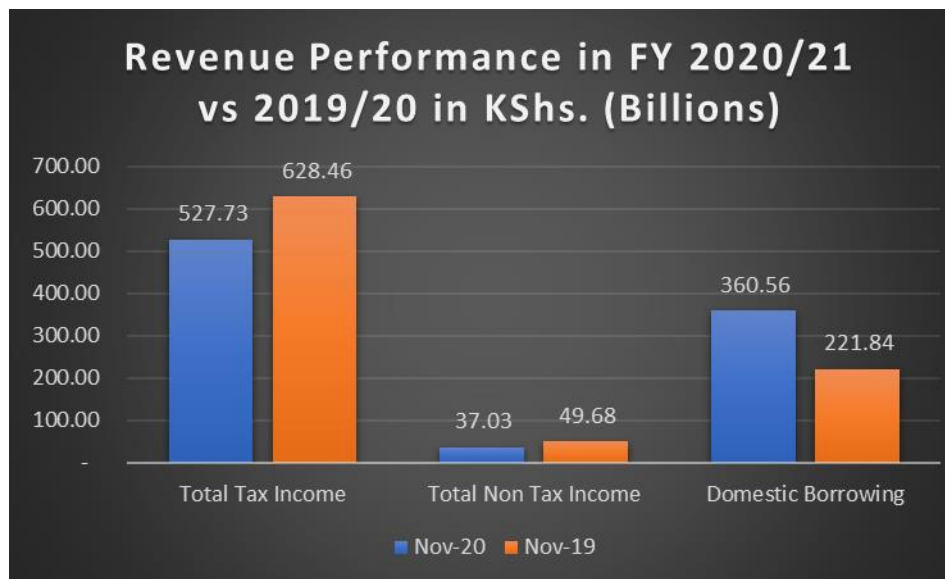


Figure 3: Revenue Performance in 2020/21 vs 2019/20

Exchequer Releases

In FY 2020/21, the National government expects Kshs. **2,446.78 Billion** as the exchequer releases of which Kshs. **355.72 Billion** is for development expenditure, Kshs. **1,028.06 Billion** is for Consolidated Fund Services and Kshs. **1,062.99 Billion** for recurrent expenditure.

As at November 2020, the exchequer had released Kshs 391.37 Billion towards the Consolidated Fund Services (38% of the estimates), Kshs. 371.18 Billion towards recurrent expenditure (35% of the estimates) while the development expenditure issues had received Kshs. 114.13 Billion or 32% of its estimates.

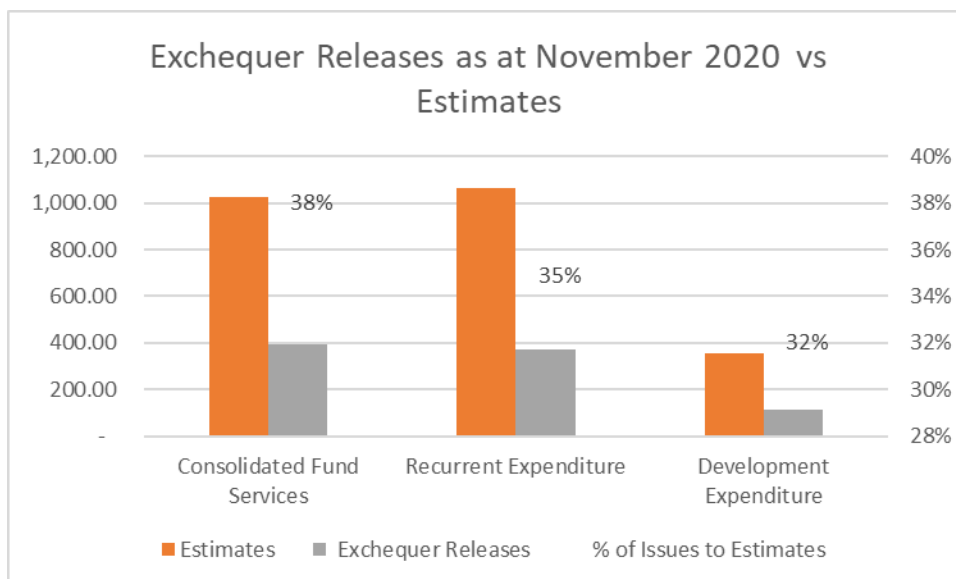


Figure 4: Exchequer Releases as at November 2020 vs Estimates

As at November 2020 in FY 2020/21, Consolidated Fund Services (CFS) Exchequer issues accounted for the largest share of the total National Government exchequer releases at 45% followed by recurrent issues at 42%. Development Issues accounted for the smallest share at 13%.

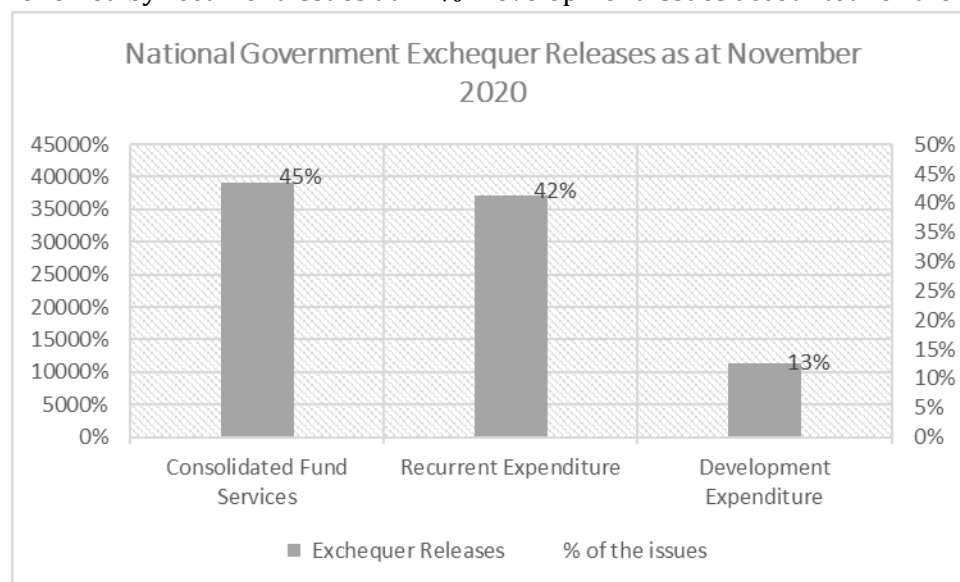


Figure 5: National Government Exchequer Issues as at November 2020

Zoom into the Consolidated Fund Services (CFS): The Consolidated Fund Services comprises of funds allocated towards (i) Repayment of Public Debt (domestic and foreign debt, and government-guaranteed loans to parastatals) (ii) Pensions and Gratuities (iii) Salaries and Allowances to Constitutional Officeholders and miscellaneous services, and (iv) Subscriptions to International Organizations. These payments are also obligatory and cannot be changed in any given year without major legal reforms.

- Debt repayment is the main expenditure item under Consolidated Fund Services (CFS).
- As at November 2020, Total Revenue collected for FY 2020/21 was Kshs. **1,002,635,444,131.09** while public debt repayment for the same period was Kshs. **359,209,912,033.10**. This implies that 36% of the revenue collected during that period went into debt repayment.

<i>CFS Exchequer Issues</i>	Estimates	Exchequer Releases (as at Nov 2020)
<i>Public Debt</i>	904,703,671,211.00	359,209,912,033.10
<i>Pensions and gratuities</i>	119,192,481,232.00	31,084,806,283.45
<i>Salaries, Allowances and Miscellaneous</i>	4,167,408,778.00	1,074,809,759.75
<i>Subscriptions to International Organizations</i>	500,000.00	

<i>Total CFS Exchequer issues</i>	1,028,064,061,221.00	391,369,528,076.30
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Counties funding for the period July to November 2020

The total estimates of the monies expected to be disbursed to the counties in the FY 2020/21 is Kshs. 383.6 billion. The approved equitable share to the counties in the FY 2020/21 is Kshs 316,5 billion which translates to 82% of the total revenue estimates to the counties. The counties also expect arrears from FY 2019/20 of Kshs. 29,7 billion translating to 8% of the total estimates. External conditional grants to the counties were Kshs. 30,204,347,508 (8%) while Government of Kenya conditional grants were Kshs. 7,226,000,016.00 (2%).

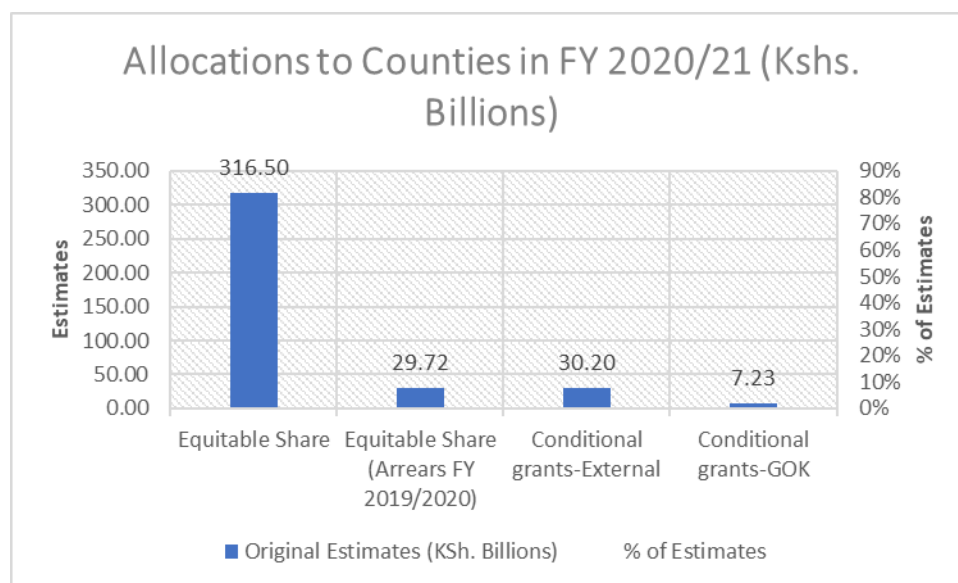


Figure 6: Allocation to Counties in FY 2020/21

As at November 2020 County governments had received, Kshs. 103,6 billion which accounts for 27% of the total estimates for the financial year.

- Due to the revenue sharing stalemate at the senate, the counties received their first FY 2020/21 disbursement in Oct 2020. The total disbursement to counties as at October 2020 was Kshs. 78,438,209,290
- In August 2020, the counties received a disbursement of Kshs. 26,215,709,290.00 which was part of the FY 2019/20 arrears.

ⁱ Gazette Notice: Vol.CXXII-No 226 18th December,2020 [Link](#)

ⁱⁱ The Public Finance Management Act, 2012 [Link](#)