FY 24/25 Budget Performance

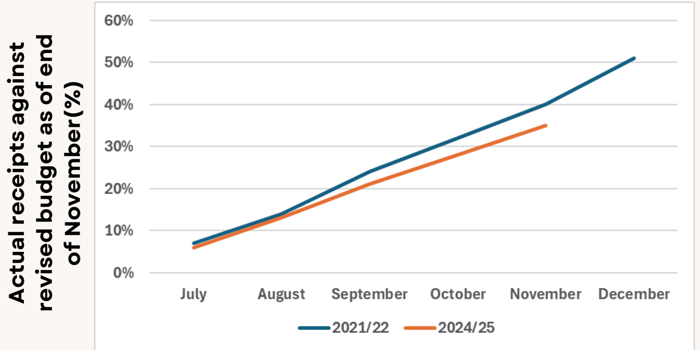
Exchequer releases November 2024

Slight growth in county equitable share allocation for FY 2024/25 compared to last year, increased development spending and a modest 1 percent growth in tax revenues

The Good

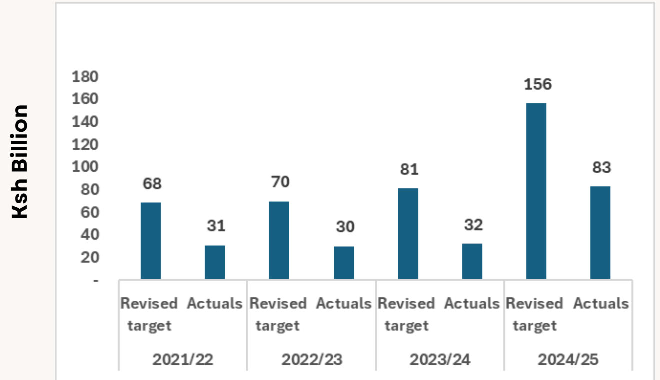
- Revenues(tax +non-tax) in the first five months of FY 2024/25 increased by 7 percent relative to the same period last year.
- Non-tax revenues grew significantly, but tax revenues only grew by 1 percent in the first five months, which is far below the targeted annual growth of 15 percent in FY 2024/25.

While revenue as a share of the annual budget is above last year's trend, it remains below 2021/22 when GOK last exceeded its targets



- In line with the Medium Term Revenue Strategy, non-tax revenues are growing rapidly.
- In the first five months of 2024/25 NTRs were at 53 percent of the revised target for the year and grew significantly by 156 percent compared to last year.

Non-tax revenues have grown significantly in the current financial year



- In the first five months of FY 2024/25, Ministries, Departments, and Agencies(MDAs) development spending grew by 90 percent compared to the same period last year, reaching Ksh 106 billion, which was 30% of the revised target.
- On the other hand, recurrent spending increased by just 17 percent compared to the same period last year.

The Bad

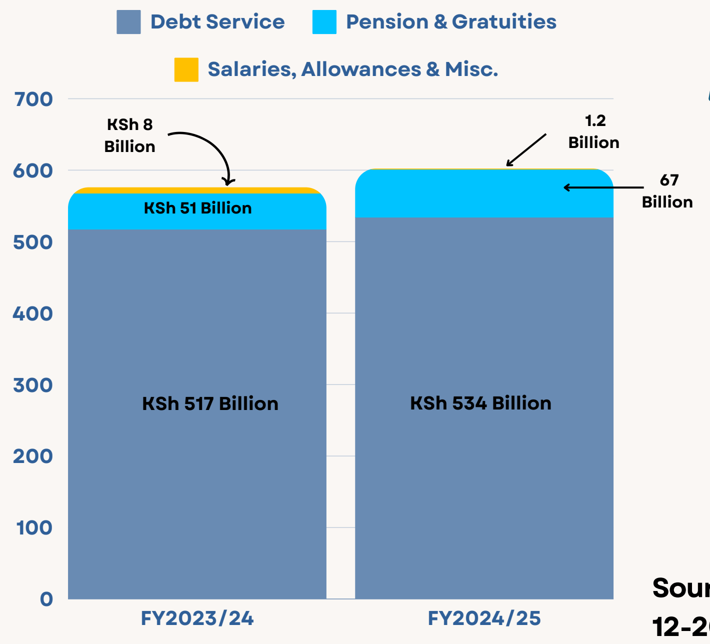
- In the first five months, 7 State departments had not yet received any of their allocated development funds for FY 2024/25.
- While external borrowing was only 17 percent higher than the same period last year, domestic borrowing jumped by 62 percent.
- While this has reduced currency risk, domestic borrowing is often more expensive, with higher interest rates than external concessional finance.

Trends to Watch

1. Will counties receive their money in time to spend it?

- The National Treasury has not been disbursing county money on time. The PFM Act mandates the National Treasury to disburse county monies not later than the 15th of every month. By the end of November(five months into the FY), counties were expected to have received Ksh 191 billion(including arrears from last year), but they had only received Ksh 158 billion.
- The 158 billion was not all fresh allocations: it included arrears of Ksh 31 billion from 2023/24 which were disbursed on 26th July 2024.
- The July 2024 allocation of Ksh 33 billion disbursed on 24th September 2024 and the allocation of Ksh 31 billion disbursed on 17th October 2024. September and October 2024 allocations of Ksh 33 billion and Ksh 31 billion were disbursed in mid-November. Although counties have received less than they should have, they do have large unspent balances in their accounts (Ksh 49 billion as at 15th November 2024). This suggests that if counties are unable to execute their budgets, there are additional factors beyond late disbursements at work. The Division of Revenue (Amendment) Act, 2024 was enacted recently, allocating counties an equitable share of Ksh 387 billion. Although this is lower than the original allocation of Ksh 400 billion, it is Ksh 2 billion more than the Ksh 385 billion allocated in the 2023/2024 financial year.

2. How will the government contain the rising debt service costs in FY 2024/25 and the medium term?



Debt service draws away significant share of financing from other government spending. It increased from 61 percent of tax revenue in November of FY 2023/24 to 62 percent in November of FY 2024/25. Only 38 percent of tax revenue was left for the rest of the government spending, both recurrent and development

Source: https://new.kenyalaw.org/akn/ke/officialGazette/2024-12-20/226/eng@2024-12-20