IPF
INSTITUTE OF PUBLIC FINANCE

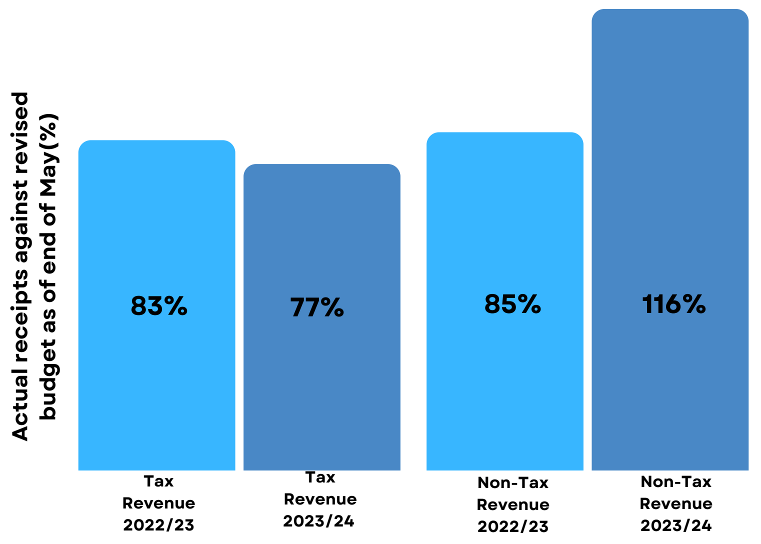
FY 23/24 Budget Performance

The shortfall in revenue in FY 2023/24 is substantial, more borrowing and debt service and less money for counties

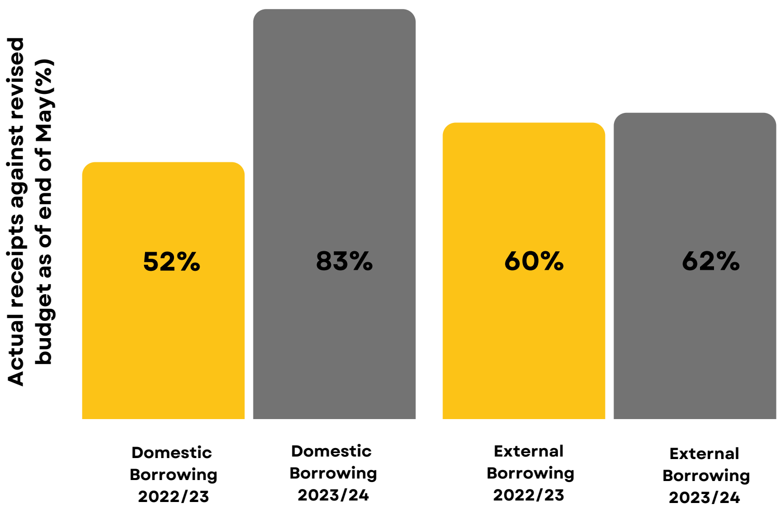
- We are one month to the end of the financial year, but GOK has only met 77 percent of the annual revenue target.
- National Treasury may miss the revenue collection targets for this year by almost Ksh 300 billion.
- To address this shortfall, the government has reduced the revised revenue targets by Ksh 250 billion in the final approved Supplementary II estimates.

- Domestic borrowing, although 19 percent below annual targets, has increased by 35 percent compared to the same period last year.
- The government plans to reduce domestic borrowing and increase external borrowing in the coming financial year.
- According to the estimates presented by the the National Treasury, the target is a ratio of 44:56, domestic borrowing to external borrowing for the FY 2024/25.

- Non tax revenue has surpassed targets for the year, and performed better than last year in the same period.



- Domestic borrowing increases faster than external borrowing

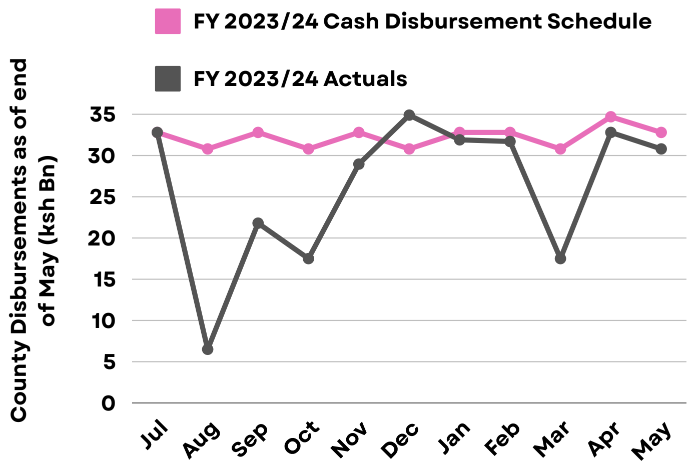


Counties will not receive their money in time to spend it

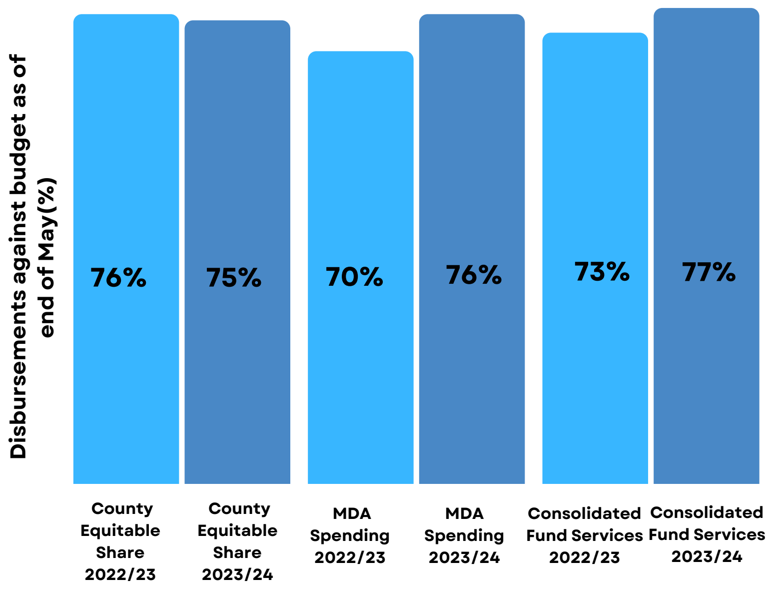
- According to the FY 2023/24 cash disbursement schedule, counties should have received 92 percent of the equitable share by the end of May 2024, however this target has been missed by 19 percent.
- The government should adhere to Article 219 of the constitution and transfer county monies without undue delay and deductions.

- County disbursements are trailing behind other government spending such as MDA and Consolidated Fund.
- During the month of May, public debt repayment amounting to 138 billion was the only component paid out of the Consolidated Fund Services. There were no exchequer issues for pensions & gratuities as well as salaries, allowances, and miscellaneous services.

- The government has cited the shortfall in revenues as the reason for delays in releasing funds to counties

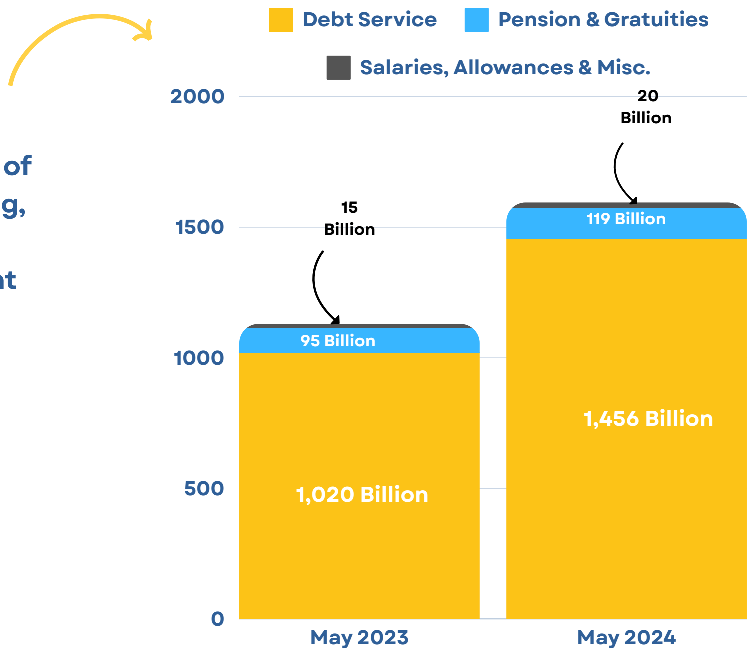


- While county expenditure is below last year, MDA and CF have risen relative to the same period in 2022/23



Debt service is consistently the largest share of CFS, but has increased by 43 percent compared to the same period last year, and reduced by 7 percent compared to April 2024

Debt service amounts to 75 percent of tax revenue as at May 2024, leaving only 25 percent of tax revenue for the rest of government spending, both recurrent and development. In a similar period in the last financial year, the government spent 59 percent of its tax revenue to service debt.



Source: Exchequer Release Gazette Notice issued on 14th June 2024