Parliamentary Budget Office

Enhancing the Legislative and Oversight Role of the Kenyan Parliament

Monthly Bulletin on Indicators on Budget and Economy
July/August2014

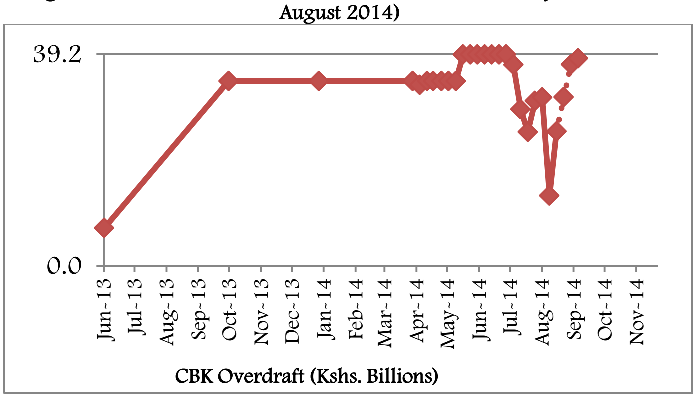
This brief provides a summary of key recent economic and budget developments and is intended to keep stakeholders especially the legislators updated on the latest trends in the economy.

The month of July 2014

In the Month of July, Kenya's budget implementation picture for 2014/15 suffered a set back as a result of the slow pace of disbursement of funds to county governments occasioned by the delay in passage of County Allocation of Revenue Bill. This has put provision of basic social services at county level under threat manifested by the current unrest in the health sector due to issues surrounding payment of salaries to the health personnel. Overall, budget execution has started at a slow pace with expenditure pressures starting to build mainly from the health sector.

In June and July, the Government overdraft was almost hitting the statutory level of Kshs.39.22 billion. However, in the month of August, the overdraft declined significantly to Kshs. 24.9 Billion. This may have be occasioned by the slow uptake of cash by government ministries and the late disbursement of funds to counties. This may however be short lived if the expenditure pressures outpace the revenue collection in the coming months.

Figure 1: Trends in Government Overdraft in Kshs.Billion (June-2013-August 2014)



Data Source: CBK

Going forward, financing the development agenda for the 2014/15 budget aimed at accelerating the socio-economic development shall require multifaceted approaches for enhancing Domestic Resource Mobilization while at the same time addressing the expenditure re-orientation challenges.

As the country partners with other countries in bilateral trade and restructuring of the government way of doing business, there is renewed hope of growing our resource base. Reforms around the procurement system via introduction of e-procurement will go a long way in boosting investment confidence. This premised on the fact that it will introduce transparency in the process and reduce the turnaround time.

Economic Growth

It is estimated that Kenya's economic growth rate for the calendar year for the first half was 4.3 percent. This means that the economy must grow by 7.3 percent in the second half in order to meet the 5.8 percent target set by National Treasury.

The below target growth rate is an early warning sign that the 5.8 percent target set by national treasury may be unlikely achieved. The pressure may not ease since factors affecting the preferred growth are exogenous to the system. Travel advisories, the Ebola outbreak, internal threat (insecurity) and the persistent electioneering mood are but few of these exogenous factors worth mentioning.