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An Exploration of Annual Budgets and GDP Trends of Kenya for the Period 2018-2023

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ABSTRACT: *This study presents a comprehensive analysis of the annual budgets and of gross domestic product (GDP) changes in Kenya over the last six years to identify and understand the economic trends and some factors that have influenced the growth and development of the country. Kenya is considered to be an emerging country in Africa and in the countries of the East African Community, of which it is a member. The study uses a quantitative technique to assess the annual budgets of Kenya, focusing primarily on revenue and expenditure, including some important areas such as infrastructure, health care, and education. It also examines the internal and external variables that influence the evolution of GDP and, finally, it identifies the financing mechanisms. The study revealed fluctuations in annual budgets and GDP over the last six years. But in general, increasing changes indicate a growing economy. The study recommends a genuine inclusive approach to budget preparation, evaluation of tax policies to create positive attitudes of citizens towards taxes, and improved debt management to reduce the risk of indebtedness.*

KEYWORDS: Budget, gross domestic product, trend, debt, tax

INTRODUCTION

East Africa is home to Kenya, also known as the Republic of Kenya. It is bordered by Tanzania to the south, Uganda to the west, South Sudan to the northwest, Ethiopia to the north, Somalia to the northeast, and the Indian Ocean to the southeast. Kenya is a member of the EAC along with Tanzania, Uganda, Rwanda, Burundi, Southern Sudan, and the Democratic Republic of Congo.
The way a nation handles fiscal management relies heavily on its budgets, which spell out the plans for the revenue of the government and expenses for a given time period. Understanding the economy of a nation's priorities, financial allocation, and policy direction is made easier by analyzing its annual budgets (OECD Senior Budget Officials, 2014). On the other hand, the Gross Domestic Product (GDP), which calculates the total value of the products and services generated in a nation, is a significant indication of economic performance (Callen, 2013).

One way to quantify the output and national income of an economy over a certain time period is through its GDP. The market value of all final products and services produced in the nation over a specific time period is the basis of the GDP definition. GDP is determined by the total effective domestic and international demand for domestic goods. While foreign customers buy domestic products in the form of exports, domestic demand is made up of spending by the government, households, and businesses. Domestic demand is stimulated by imports as well as by domestic products, which reduces total GDP (Kira, 2013). Budget implementation has a significant impact on the performance of the economy. It is important to prepare a good budget and execute it correctly, thereby recommending policy measures to improve the effect of budget implementation on national performance (OKE 2013).

The decision to revive the East African Community was made at the appropriate time. It is the right choice because it will help the East African partner states sustain the effects of globalization, foster an environment that will draw foreign direct investment, expand their market to over 90 million people, remove trade restrictions and other obstacles, and lower their cost of living. A common market ensures economic harmony and coordination by allowing the free movement of capital, labor, goods, services, and people (Kinyua, 2015).

The economy of Kenya has proven resilient to the COVID-19 shock, with output increasing above pre-pandemic levels in the first half of the year. The total gross domestic product (GDP) is predicted to increase by 5% in 2021, making it one of the Sub-Saharan African nations with the fastest recovery (World Bank, 2021). The government budgeting process refers to the series of steps and procedures followed by a government to formulate, implement, and monitor its budget. It involves planning and allocating financial resources to various sectors and programs in order to achieve policy objectives and address the needs of the country (Isaboke & Kwasira, 2016).

Demand for products and services are financed by sources of income. Aggregate demand is determined by the interaction of the three components of GDP. Long-term fluctuations in income and employment are caused by changes in investment, government spending, consumption, or exports, which also have an impact on the nation's GDP (Kira, 2013). However, the lack of structures and resources for efficient planning, coordination, execution, monitoring, and pragmatic program adjustment impede economic growth, stressing the need of funding for organizational viability.

Kenya has been experiencing significant economic growth in recent years, with average GDP growth rates exceeding 5%. This period of six years is important for analyzing the country's economic performance and identifying trends and patterns in GDP changes. Nevertheless, despite the admirable economic growth, Kenya is dealing with a number of difficulties that are impeding its development. These include financial access issues, environmental deterioration, infrastructure gaps, trade obstacles, political unrest, and infrastructure deficiencies (Owaka, 2022). In addition, rising fuel and commodity costs as a result of the Russian-Ukrainian conflict pose a threat to Kenya post-COVID-19 economic recovery (The National Treasury and Economic Planning, 2022).

The study therefore aims to analyze annual budgets and changes in gross domestic product (GDP) in Kenya over the past six years, to identify patterns, trends, and potential divergences between budget allocations and economic performance.

Through the analysis of annual budgets and changes in GDP, the study seeks to fill the knowledge gap regarding the effectiveness of fiscal policies in supporting sustainable economic growth and achieving development goals in Kenya. Specifically, the research aims to assess the alignment between budget priorities, resource allocation, and actual economic performance, while identifying potential factors that may have influenced budget and GDP dynamics over the study period. Through this analysis, the study intends to provide insights and recommendations for improving fiscal management, budget implementation, and overall economic performance in Kenya.

The overall objective of the study is to explore the trends in the annual budgets and GDP changes of Kenya over the last six years. The specific objectives were:

i. To compare the annual budgets of Kenya over the last six years
ii. To find out the changes in GDP of Kenya over the last six years
iii. To identify the financing mechanisms of Kenya over the last six years

To carry out the study, the researcher raises questions about the subject and seeks to answer them. This allows them to concentrate on the core of the study.

i. What are the trends in annual budgets of Kenya over the last six years?
ii. What are the GDP changes of Kenya over the last six years?
iii. What are the financing mechanisms of Kenya for the last six years?

The significance of the study, which examines the trend in gross domestic product (GDP) changes and annual budgets and in Kenya over the last six years, lies in a number of aspects. The budget proposals, particularly those for the last three years, focus on economic recovery from the covid-19 pandemic, reducing the high cost of living and unemployment, supporting private sector growth, and reducing public debt (The National Treasury, 2021). The study can be helpful to Kenyan decision-makers and government officials by looking at trends in annual budgets and changes in GDP. Understanding how budget decisions affect a nation's economic performance can help with future resource allocation, budget planning, and policy development to promote economic growth and development. It aids in identifying areas where budgetary changes may be required to support long-term economic growth and development. In addition, the study enables decision-makers in government to assess the efficiency of spending choices in relation to GDP expansion. It offers information on whether the money given is being used effectively and efficiently to promote economic growth. The study highlights the value of transparency and accountability in budgetary allocations, encouraging regional cooperation. It promotes information sharing and increases awareness among country leaders. The study focuses on exploring annual budgets and GDP growth over the last six years as well as identifying sources of funding in Kenya.

The study examines annual budgets over six years and the evolution of Kenya's GDP over this period. It seeks to provide a broad picture of the budget-GDP dynamics over this period. It examines the spending plans, targets, and regulations included in the annual budget documents and the potential effects they may have on GDP growth. The study examines the evolution of gross domestic product over this period. It aims to understand the variables that affect GDP growth, such as the effect of macroeconomic variables and budgetary decisions. The study looks for patterns, trends, and potential divergences by comparing annual budgets with corresponding changes in GDP. It seeks to determine how budget allocations and economic performance are linked, taking into account both alignment and changes in GDP. The study relies on the availability and reliability of data sources relating to annual budgets and changes in GDP in Kenya. The analysis depends on the accuracy and completeness of data obtained from official budget documents, GDP reports, economic surveys, and other relevant sources. The study recognizes that changes in GDP can be influenced by a range of factors that go beyond budgetary decisions alone. While the research examines the relationship between budgets and GDP, it does not encompass the full range of factors that contribute to the growth or contraction of the economy. The findings and conclusions of the study are specific to the Kenyan context and the six-year period chosen. While the research may offer valuable insights into the budget-GDP relationship in Kenya, the results may not be directly applicable to other countries or time periods without considering their unique contexts and dynamics.

LITERATURE REVIEW

Keynesian principles

The objective of this review is to shed light on the linkages, effects, and consequences of fiscal policies on economic growth in Kenya by examining theoretical views and existing empirical studies. This study focuses on budgetary policy and economic growth theories particularly on Keynesian economics that emphasizes the role of government intervention through fiscal policy in boosting aggregate demand and promoting economic growth. This research seeks to deepen Keynesian economic theory by examining how budget allocations and tax measures in Kenya have aligned with Keynesian principles.

The idea that aggregate demand is the most significant economic driver was revolutionary to British economist John Maynard Keynes during the 1930s. According to Keynes, the absence of self-balancing mechanisms in free markets necessitates government intervention in enacting public policies that will lead to full employment and price stability. According to Keynes, the output of an economy is determined by four different factors: consumption, investment, government purchases, and net exports. In his view, insufficient demand is the cause of high unemployment. He adds that in times of recession, government intervention is essential to maintain total demand and slow economic growth (Jahan et al, 2014).

Keynesians contend that changes in any spending component, consumption, investment, or governmental expenditure lead to changes in output because of a certain degree of price rigidity. For instance, output will rise if government expenditure rises while all other spending factors stay the same. Keynesian economics suggests that during periods of economic downturn or recession, increased government spending can stimulate aggregate demand and boost economic activity (Jahan et al, 2014). These principles are perfectly in line with Kenya's economic policy, which responds to the negative effects of covid-19 on its economy with strategies aimed at restoring economic stability. After the global economic slowdown, the economy in Kenya is projected to rise by 5.5%, with a focus on employment, income distribution, social security, tax revenue, and foreign exchange profits. The development program aims for investments in housing, healthcare, Small and Medium Enterprises (SME), agriculture, and digital industries (Muia, 2022). The development program of the government focuses on economic recovery and inclusive growth.

The annual budgets of Kenya over the last six years

As the saying goes, 'If you fail to plan, you are planning to fail'. This highlights the significance of an annual budget. An annual budget typically covers the course of one year and estimates an organization's revenue, expenditures, assets, liabilities, and liquidity. Annual budgets may also be referred to as operational plans, financial operating plans, or annual operating plans. Additionally, budgets provide management with the data they require to oversee the organizing, observing, and directing of the operations within the entity (Jain, 2022). According to Will Kenton (2020), when creating an annual budget, a corporation must balance its revenue streams against its outlays. The annual budget is frequently complemented by a balance sheet and cash flow statement, especially for non-individuals.

Budgets are crucial management action guides, but they should not be taken as gospel. Unexpected developments in the company environment must be taken into account, and managers must create a process for determining how they will affect budgeting. With a comprehensive year-round timetable and deadlines for all levels and components of the operating plans for the year, budgeting makes it easier to manage money wisely. Planning and budgeting combined ensure effective resource usage and encourage resource conservation in a strong management system (Tamplin, 2023). Indeed, financial management skills and ability lead to effective budget management. Budget analysis involves examining your actual income and expenditure and comparing them with your budget to determine whether you are on track. Budget analysis allows you to address budget overruns and revise your estimates (Osman, 2023).

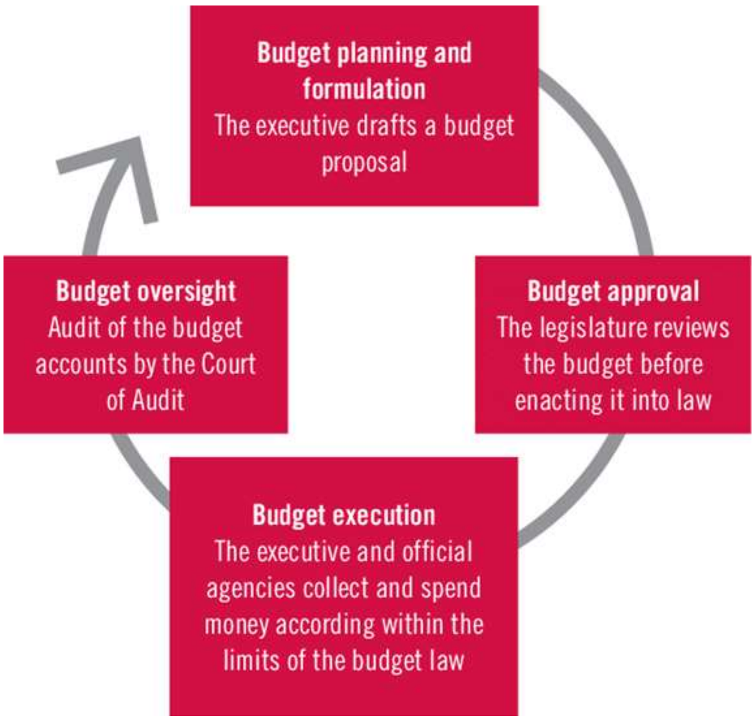
According to the Parliamentary Communications Services in South Africa (2029), the budget serves as the vehicle for converting plans and policies into public goods and services. Any without a budget, a program or plan is less likely to be carried out successfully. Economic success depends on the government's capacity to make the best use of its limited resources. Modish Project in Nigeria (2020), states that the inability to match budgetary projections with anticipated revenue, the length of time required, the non-release of budgetary funds to finance what was planned for, and the rest, to name a few, are some of the obstacles that prevent efficient budget implementation. The budget period in the EAC region consists of four stages: the explanation by the Minister of Finance of the achievements of the previous 'financial year' and an outline of the vision of the nation's interests for the future, parliamentary discussion, scrutiny of the budget by civil society, expert societies and annual commitments. Although these procedures are supposed to improve the lives of vulnerable people, they often make things worse. Although promises are made, the lives of the weak and disadvantaged continue to deteriorate (East African Community, 2013).

Demand for more budget transparency and good governance has increased as a result of government challenges. Implementation of capital spending has been difficult, with deficient project management and project appraisal practices leading to delayed economic benefits (Parliamentary Budget Office, 2019). All of these nations of EAC concurrently present their budgets as part of an agreement to harmonize and increase economic convergence. The budget period is made up of a number of narratives that serve as a progress report on how each country is doing with respect to achieving its economic and development goals. The budgets showcase the national priorities and offer a glimpse into potential future growth plans (East African Community, 2013).

The participatory budgeting is trend training in Africa. Indeed, Participatory Budgeting (PB) is an effective method for spreading knowledge, raising consciousness, and fostering community resilience. Through residents' direct interactions with the government, it encourages the distribution of financial resources and effective local initiatives. It enhances governance, transparency, citizen engagement, infrastructure reinvestment, social networks, and bridges elected representatives and civil society organizations (Castro &Tesoriere, 2021).

In preparing for the 2023/24 financial year and the medium-term budget in Kenya, the focus will be on aggressive revenue mobilization, including policy measures to incorporate additional revenues while containing expenditure growth. This will reduce the budget deficit, which will contribute to reducing public debt growth to ensure debt sustainability (The National Treasury and Economic Planning, 2022). Besides, the budget cycle is divided into several stages, including planning and formulation, vote authorization, budget execution, amendment, and monitoring. The budget cycle frequently starts in the prior fiscal year and concludes in the succeeding year (Lande, 2016).

Figure 1: The budget Cycle



Source: National budget cycle: (Hege, 2018)

Kenya's GDP changes over the last six years

The sum of the monetary or market value of all finished products and services produced in a country over a given period is called gross domestic product (GDP). It determines the health of a national economy (Jason, 2023). He went ahead to say that the usefulness of the GDP of a nation can be increased by making a number of changes. According to analysts Wang Masa (2023), the GDP of a nation reflects the size of its economy but offers little insight into its standard of living. GDP is a comprehensive economic assessment, indicating total domestic production. It is reported in actual values, adjusted for variations in prices, and net of inflation, and is predicted either yearly or quarterly.

The indicator that provides the most insight into the state of the economy is real GDP. Economists, analysts, investors, and political decision-makers all monitor it closely and engage in discussion about it. Even if the influence may be minimal, market moves nearly always result from the early disclosure of the most recent data (Jason, 2023). According to projections made by Eurostat, the

European Union's statistical agency (2023), seasonally adjusted GDP declined by 0.1% in the EU and stayed steady in the Eurozone during the fourth quarter of 2022. The third quarter of 2022 saw GDP growth of 0.4% in the EU and the euro region. According to the International Monetary Fund (2023), the current account balance, as a percentage of the European GDP, is 0.7.

Data analysis for the BRICS and G7 economies (2023) found out that the GDP share of the BRICS countries climbed from 10.66% in 1982 to 31.59% in 2022, while the GDP share of the G7 countries, measured in purchasing power parity (PPP), decreased from 50.42% in 1982 to 30.39% in 2022. In spite of the epidemic, the BRICS countries' share of global GDP measured in purchasing power parity (PPP) was equivalent to that of the G7 countries in 2020.

Due to geopolitical tensions, climate change challenges, and Covid-19 pandemic consequences, Africa's GDP growth has slowed to 3.8% in 2022. Many nations, however, expect steady prospects for 2023 and 2024 as well as positive development in 2022. Africa's GDP growth is anticipated to be above the 2.7% and 3.2% global averages in 2023 and 2024, averaging about 4% (African Union, 36th ordinary session of the Assembly, 2023).

Real GDP growth in the Economic Community of West African States (ECOWAS) area is anticipated to be 3.9 percent and 4.4 percent, accordingly, in 2021 and 2022, with different Member States' recovery pathways (ECOWAS Bank, 2021). World Bank Group (August 2022), mentioned that after the Covid-19 shock in 2020, real GDP growth in Sierra Leone is predicted to have recovered to 3.2% or so in 2021 and to rise to 3.6% in 2022. International Monetary Fund (2021) showed that the forecast is for a reduction of 2.7% of GDP during the ensuing three years and a return to the primary public deficit of 1.4% of GDP from before the epidemic by 2022 for Ghana.

In general, East Africa saw a strong economic rebound in 2021, but the majority of its nations have not yet returned to their pre-Covid growth rates. According to the analysis, the region's GDP growth will slow to 4% in 2022 before rising to 4.7% in 2023, helped by the economies' reopening. The expected rapid growth is not uniform across the area; Ethiopia, Kenya, Rwanda, Seychelles, Tanzania, and Uganda are the top performers.

Kenya's economic performance deteriorated in 2022, with real GDP growth falling to 4.8% from 7.5% in 2021. Domestic economic activity was hampered by the unfavorable weather shock and restrictive macroeconomic policies, notably in the second half of the year (World Bank, 2023). Kenya's economy grew by 5.3% in the first quarter of 2023, the fastest pace in a year, thanks to a 5.8% increase in the sectors of food, lodging, and agriculture. Construction and manufacturing both declined (Kenya National Bureau of Statistics, 2023). However, Kenya remains an emerging country in terms of economic growth among the countries of the East African Community and beyond.

Financing mechanisms of Kenya

An organization, program, or method of business of obtaining the funds needed to operate is referred to as its financing mechanism. The financial system of a government typically relies on taxes or other ways to raise money from the populace, which is then used to fund various organizations and programs (Wiesen, 2023). It describes how organizations raise money for short- and long-term industrial demands, such as paying for fixed assets, establishing offices, buying raw materials, and covering everyday expenditures (Barr & McClellan, 2018).

Governments have had a big impact on innovative finance through initiatives like licensing, digital innovations, and solidarity levies. Through the use of tax and subsidy tools, rules, and awareness raising initiatives, they can have a direct and indirect impact on the creation of new financing structures and solutions. To help key industries, governments might pool risk, form investment alliances, and create capital platforms. To boost efficiency and make finance timelier and effective, innovative financing methods utilizing digital and Financing Technology might be supported by innovation grants (Davies & Palacin, 2021). Corporate financing may originate internally or externally. While external finance uses capital from investors, shareholders, bonds, or loans, internal financing uses cash on hand. Equity, working capital, retained earnings, and asset sales are all forms of internal financing (Grozdanovska, et al., 2017).

The Fund intends to boost regional integration and socio-economic development through treaty implementation, encourage cooperative contributions from development partners and EAC, and ease planning and accounting (East African Community, 2022). The current system calls for equal contributions from all EAC Partner States to make up 65% of the budget, with the remaining 35% of the overall budget being supplied based on Partner States' average nominal GDP per capita over the previous five years as determined by the World Bank (Owaka, 2021).

The financial industries in EAC Partner States are diversified and include, among others, commercial banks, central banks, and microfinance organizations (East African Community, 2022). The EAC partner countries keep highlighting investment opportunities to draw Foreign Direct Investment, (FDI), into the various priority sectors. Manufacturing, construction, and services have received the majority of FDI flows into the EAC to date. The EAC still receives the majority of its FDI from China and India (EAC Investment, 2022). The EAC Partnership Fund, which was started in 2006, is a vehicle for a basket fund that supports projects and activities for regional integration. The EAC and Development Partners have signed contribution agreements and memorandums of understanding to fund it. Belgian, Canadian, Danish, Finnish, French, German, Japanese, Norwegian, Swedish, UK, and the European Union are currently members.

As part of the Prosper Africa initiative, the United States Agency for International Development (USAID) program known as the Kenya Investment Mechanism (KIM) is supporting investments worth $520 million in key Kenyan sectors such as agriculture and regional trade (Kimithi, 2023).

The instability of Kenya is a result of its high debt-to-GDP ratios, high sustainability risk, and low European bond spread. With sufficient capital and liquidity safeguards, policy changes, and enhanced regulatory scrutiny, the financial sector is predicted to stay resilient. Money received by the government from tax and nontax sources to use on government expenditures. Grants: Funds provided for a specific purpose linked to public benefit, and not required to be paid back (Nicholson, 2023). The financing mechanisms of Kenya rely on both internal and external resources. External resources, both multilateral and bilateral, are obtained either through grants or borrowing. Internal financing is more diversified. There are tax and non-tax revenues, investments, and domestic borrowing.

2.5 Theoretical Framework

In this study of a comparison of annual budgets and GDP changes in Kenya over the last six years, the theoretical framework would include concepts and theories related to public finance, economic indicators, and fiscal policy.

Public finance theory

After the Second World War, the work of Keynes on the theories of demand and state intervention gave rise to the theory of public finance. Keynesians proposed three strategies for achieving full employment: increasing public spending, reducing taxes or increasing the budget balance. Public finance is an examination of the competitive economy, the structure of government and public choice processes. Public finance is the study of a government's revenue and expenses, with an emphasis on revenue collection and resource distribution for crucial government functions (Doyle, 2018). This theory includes ideas about budgeting procedures, taxation, and the function of fiscal policy in the growth of the economy. It offers a framework for comprehending how governments distribute resources and decides on budgetary priorities.

Macroeconomic theory

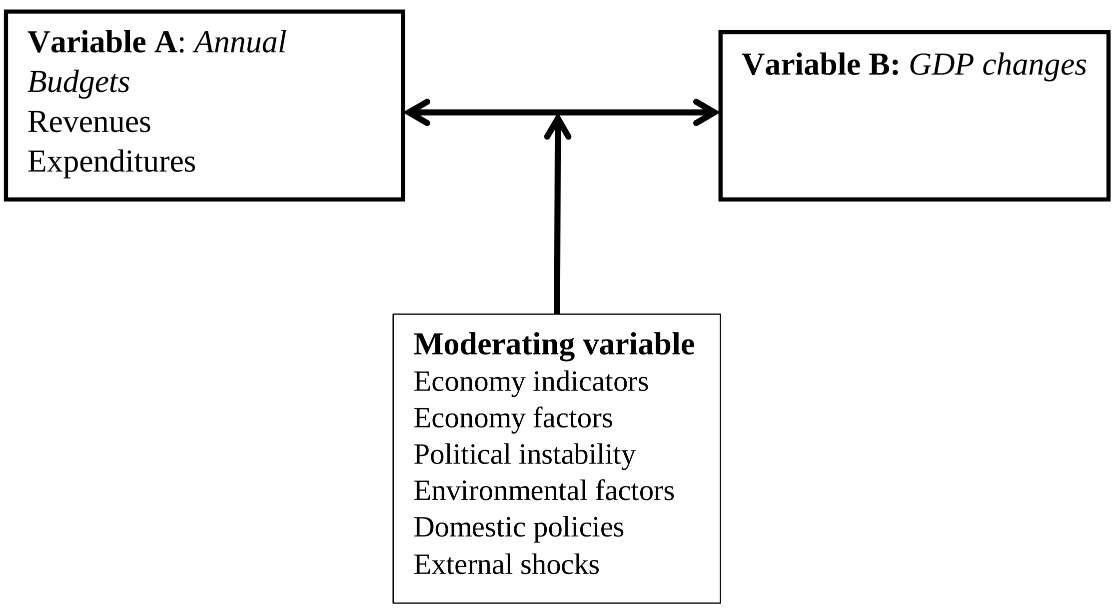
The discipline of macroeconomics, which was initially developed by the Norwegian economist Ragnar Franz in 1933 and focuses on the behaviour of the economy as a whole, originated during the Great Depression of the 1930s. This area of economics focuses on the economy's general health, taking into account variables like GDP growth, inflation, and unemployment. The relationship between fiscal policy actions (such as budget modifications) and changes in more general economic indicators like the GDP can be better understood using macroeconomic theories and models (Froyen, 2020).

Economic Growth Theories

The 18th century saw the introduction of the theory of economic growth and development. They are a group of ideas that describe how a nation makes use of its resources and controls its economic variables to achieve empowerment. Over time, these theories have changed. They have been influenced by well-known economists including Adam Smith, David Ricardo, John Keynes, and many more (Łukasz, 2014). These theories investigate elements including investment, production, scientific advancement, and governmental regulations. Analyzing these theories can assist in determining how budgetary choices affect GDP variations over time.

Conceptual Framework

Figure 2 below includes the crucial ideas and connections that are unique to the focus of this study.



The financial strategy of the government for a particular fiscal year is described in the yearly budget. It comprises anticipated revenue, budgeted expenses, and policy priorities. The governmental economic priorities and resource distribution are reflected in the annual budget. Taxes, grants, loans, and other types of cash that support the government's budget are examples of revenue sources. The study would take into account the breakdown of revenue sources and how they related to changes in GDP.

Government spending is the sum of money that the government allocates to several areas and initiatives, including infrastructure, education, healthcare, and defense. The study would look into how changes in government spending impact changes in GDP. Fiscal policy describes how the government affects the economy through taxation, spending, and borrowing. Fiscal policy decisions are reflected in adjustments to the annual budget, and the study would look at how these decisions affect GDP changes.

GDP is a measure of the overall economic output of a nation over a given time period, including all commodities and services. It is a gauge of economic activity and a reliable predictor of the strength and expansion of the economy of a country. Economic indicators are statistics that shed light on an economy's overall health. In order to conduct a thorough analysis in this study, variables like inflation rates, employment levels, and investment rates could be taken into account alongside GDP fluctuations. Changes in GDP can be influenced by a number of economic factors, including global commerce, exchange rates, and governmental policies. The study would examine how these elements interact with financial choices and have an effect on the economy.

METHODOLOGY

Research Design

The research design provides a plan for the study, such as the rules for collecting and analyzing data to answer the research questions. In quantitative approach, the research design would involve the collection and analysis of numerical data to examine annual budgets and changes in GDP. The study will be conducted through exploratory research design. It followed a longitudinal approach, as it has been conducted through historical example due to the secondary data.

Target Population

The study intends to assess and analyze the trends and patterns of annual budgets and GDP changes in Kenya across the whole population of data points or readily available records for the last six years. These data may come from government budget reports, economic indicators published by statistical agencies, international databases, academic sources or other reliable sources of information.

Validity and Reliability

The degree to which the study accurately measures and establishes a causal relationship between relevant variables, such as annual budgets and changes in GDP, is referred to as validity. In fact, clear technique reporting makes it easier to determine whether the study is applicable to various contexts or eras.

Reliability refers to the consistency and accuracy of the study data, which requires reliable sources, consistent collection procedures and processing techniques. Transparent documentation allows results to be reproduced and reinforced. In this section, credibility concerns the ability of the researcher to respect the value of truth, which means her fidelity to the results of the study as they are, and the quality of the method used for the research.

Data Collection Procedures

The study will use secondary sources to collect the data. Secondary data will come from sources such as official website, Secretary's reports, and private sources, namely press releases, annual reports, newspapers, research papers, and official documents available on the Internet. Validity will be assessed based on the credibility and originality of the sources and reliability will depend on the sources being properly cited. The study comparing the annual budgets and GDP changes of Kenya over the last six years will only consider data published since 2013. All data before this year or not published are excluded.

Table 1: Sources for secondary data

Object	Data Sources
Demographic details	Kenya National Bureau of Statistics The United Nations - Department of Economic and Social Affairs
Annual Budgets	The National Treasury & Economy Planning Parliamentary Budget Office Central Bank of Kenya
GDP	Annual GDP | Central Bank of Kenya (CBK) Kenya National Bureau Statistics Parliamentary Budget Office
Financing Mechanisms	National Treasury, QEBR Q4, 2022 Kenya National Bureau of Statistics Ministry of Tourism and Wildlife

Data Analysis

This process consists of a systematic method of analyzing the data collected. The study uses a quantitative data analysis method to evaluate the results of secondary data collected from different sources. The data will be analyzed according to each research question. The first step will be to explore each year's budget through the key elements of the budget such as income and expenditure allocation. The aim is to analyze the increases or decreases in revenues and expenses to provide a likely explanation emanating from the internal or external environment. The second step is to assess changes in GDP over the period, analyzing the causes and effects of these changes within the country. Identifying internal and external financing mechanisms will elucidate the financial partners of Kenya, the extent of its reliance on internal and foreign loans and how they are managed. As analytical techniques, the researcher will use tables for greater clarity and simplicity.

Ethical Considerations

When gathering data from different sources, researchers must always abide by a set of ethical principles. Ethical considerations in research include the principles of confidentiality, privacy, anonymity, and other forms of rules that guide scientific research. Since the data being studied is already in the public domain, the researcher is not bound by any of these principles in this study. To ensure the validity of the findings, the researcher must, however, be truthful, faithful to the sources, and, finally, select trustworthy sources. The researchers have taken care to avoid any form of plagiarism.

RESULTS

Demographic Details of Kenya

Kenya is an East African country with a varied demographic profile.

i. Population

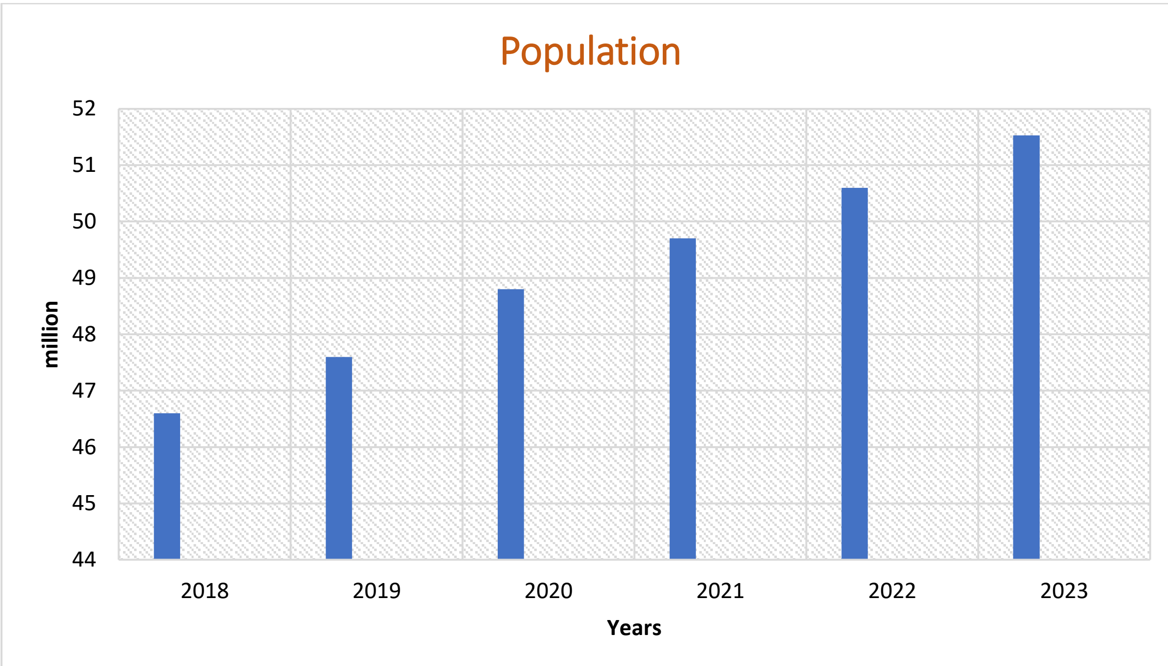
In this table, the Kenya National Bureau of Statistics shows the evolution of the total population from 2018 to 2022, and the projected population in 2023.

Table 2: Number of Population

Years	2018	2019	2020	2021	2022	2023
Population (million)	46.4	47.6	48.8	49.7	50.6	51.526

Source: Kenya National Bureau of Statistics

Figure 3: Population



ii. Education Enrollments

Table 3 below displays the number of people in education from primary to university level, technical and vocational education.

Table 3: Education Enrollments

Year / **Levels**	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Primary thousands	10,542,5 00	10,072,000	10,170,100	10,285,100	10,364,500
Secondary million	2,942,700	3,260,000	3,520,400	3,692,000	3,858,100
Tertiary thousands	519,500	509,500	546,700	562,100	563,000
TVETs	402,200	462,300	469,100	520,200	580,500

Source: Kenya National Bureau of Statistics

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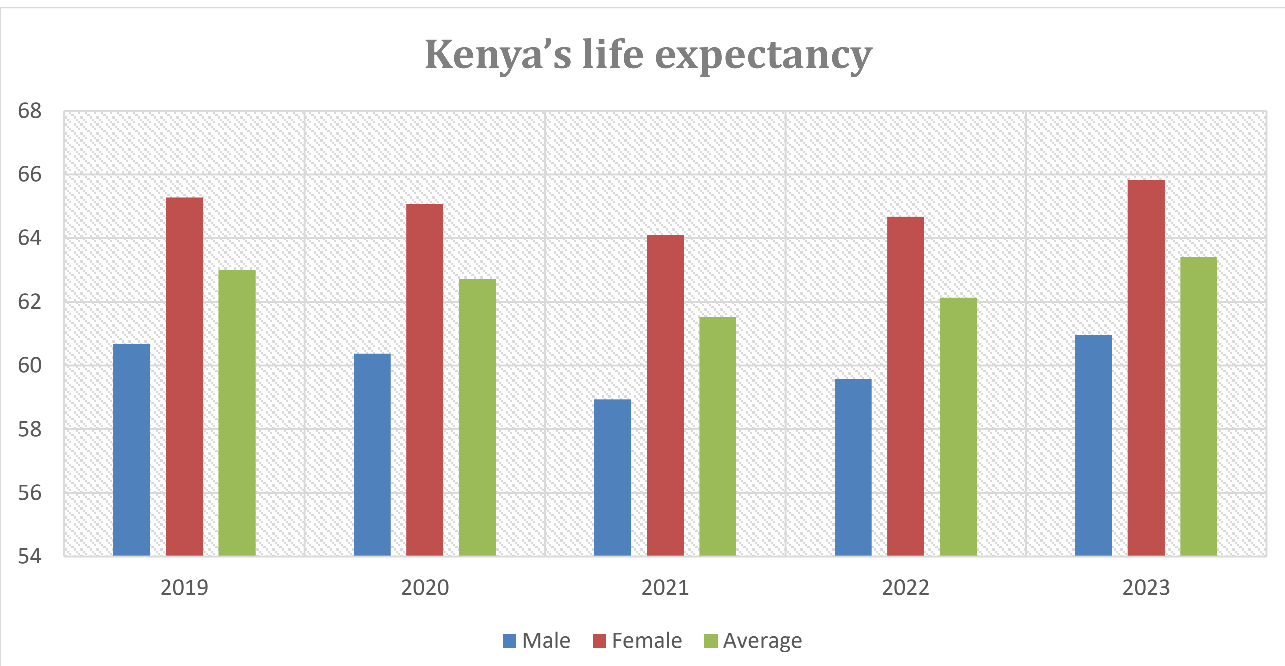
Life Expectancy
Table 4 below represents information on population change in Kenya by province between years 2018 and 2023.

Table 4: Life Expectancy

Years / Gender	2019	2020	2021	2022	2023
Female	65.2753	65.06	64.09	64.67	65.83
Male	60.68	60.37	58.9354	59.58	60.95
Total value	63	62.72	61.52	62.13	63.4

Source: The United Nations - Department of Economic and Social Affairs

Figure 4: Life Expectancy



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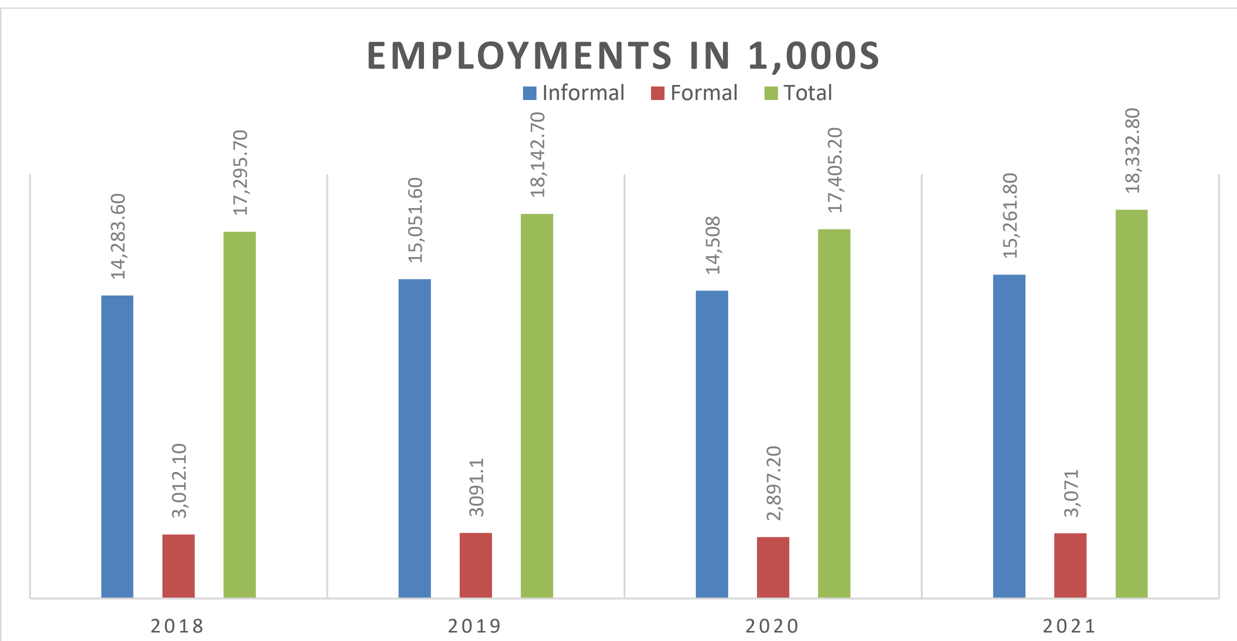
Total employment in Kenya from 2015 to 2021 by Sector
Table 5 provides total employment in the formal and informal sectors, excluding small businesses, small-scale agriculture, and pastoral activities.
Table 5: Employments in 1,000s

Employment \ Years	2018	20 19	2020	2021
Informal	14,283.6	15,051.6	14,508	15,261.8
Formal	3,012.1	3,091.1	2,897.2	3,071
Total	17,295.7	18,142.7	17,405.2	18,332.8

Source: Kenya National Bureau Statistic

Figure 5: Employments in 1,000s



Comparison of annual budgets of Kenya over the last six years
Table 6 below shows the annual budgets for the last six years. It takes into account the elements of total income, including grants, expenditures, and deficits for each year, which are generally covered by loans.

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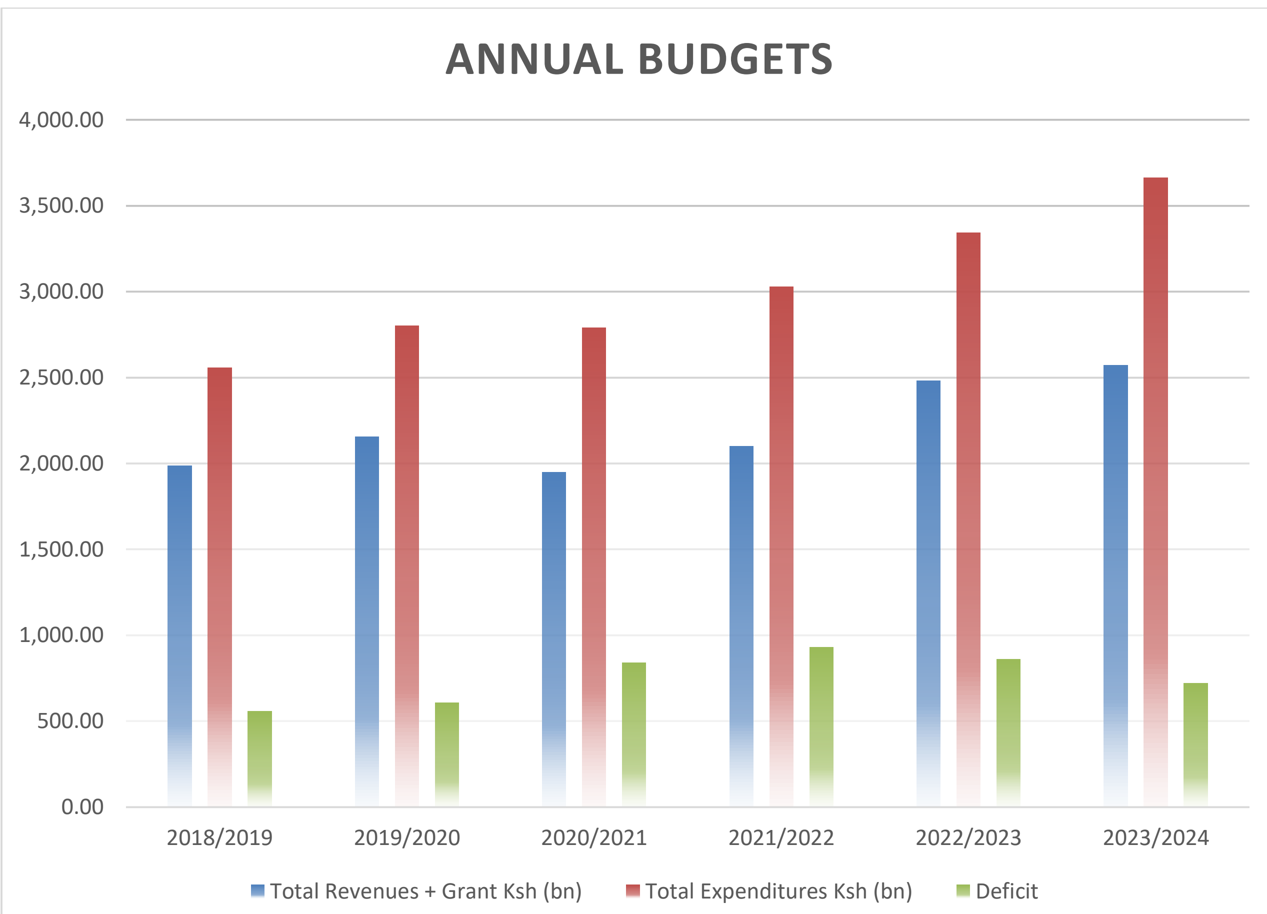
Annual Budgets of Kenya over the last six financial years

Table 6: Annual budgets

Financial Years	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Total Revenues + Grant Ksh (bn)	1,987.7	2,154.7	1,949.8	2,100.6	2,480.3	2,571.2
Total Expenditures (bn)	2,556.6	2,800	2,790.4	3,030.3	3,342.8	3,663.1
Deficit	558.9	607.8	840.6	929.7	862.5	720.1

Source: The National Treasury & Economy Planning, and Parliamentary Budget Office

Figure 6: Annual Budgets



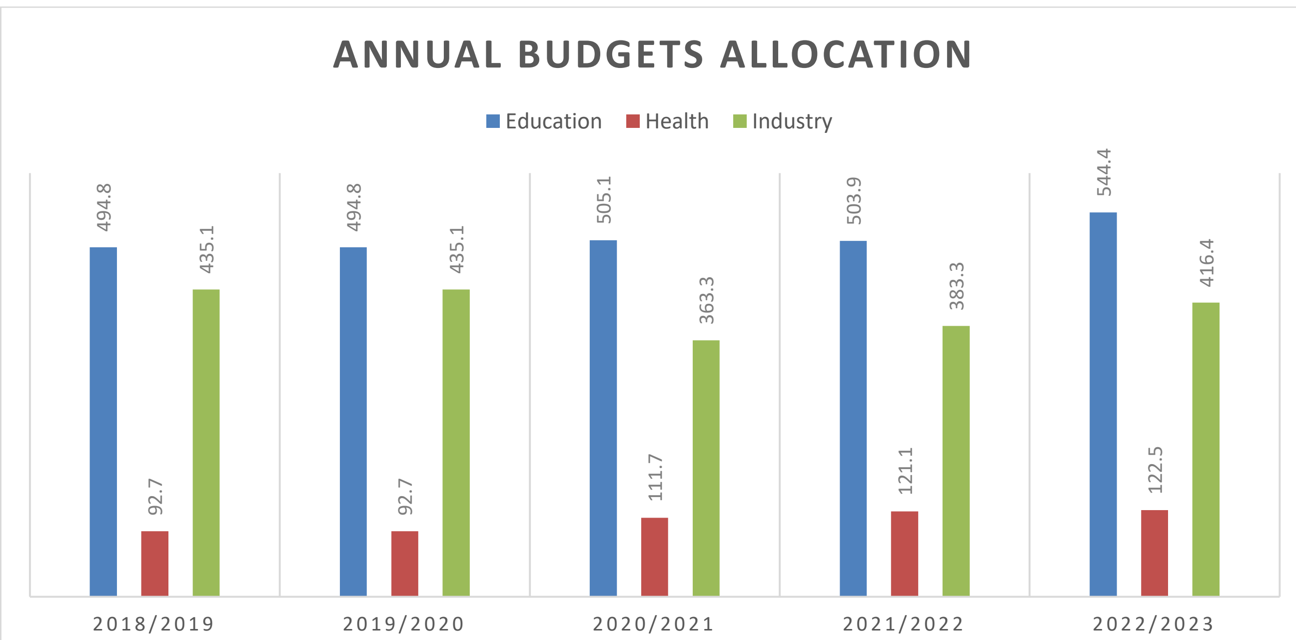
Budget allocation in Education, Health and Industry

Table 7: Annual Budgets Allocation

FY / **Expenses**	2018/2019	2019/2020	2020/2021	202021/2022	2022/2023
Education	494.8	494.8	505.1	503.9	544.4
Health	92.7	92.7	111.7	121.1	122.5
Industry	435.1	435.1	363.3	383.3	416.4

Source: The National Treasury & Economy Planning

Figure 7: Annual Budgets Allocation



Trends in Kenya's Total Public Debt in (KSh. Million)

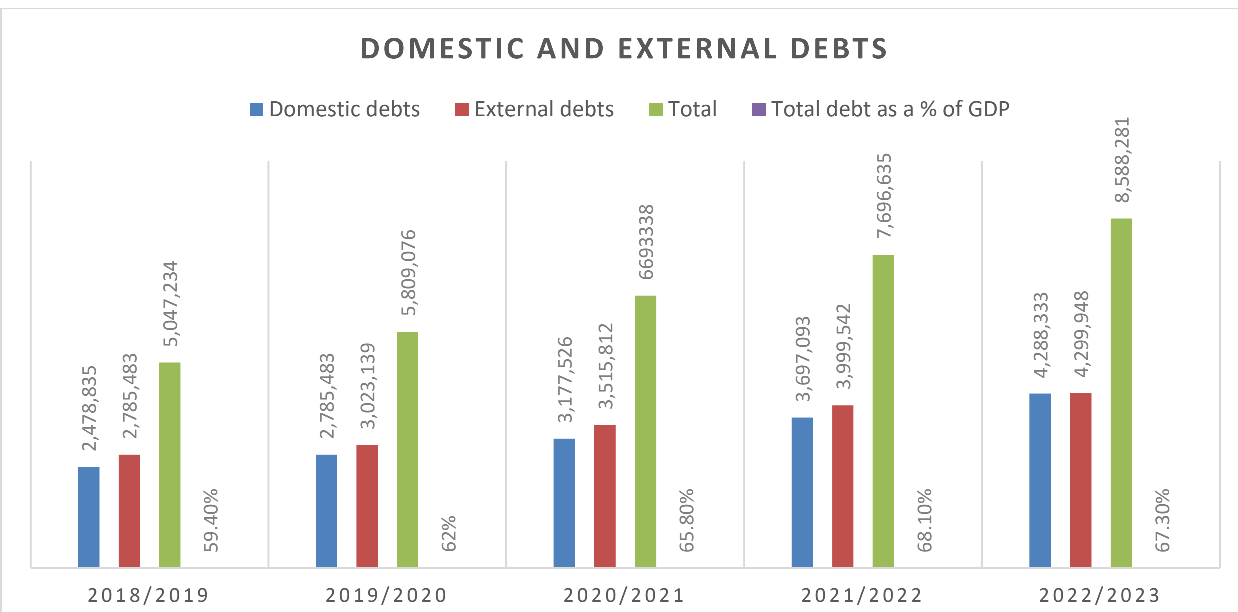
Over the years, overall national debt of Kenya has increased substantially. Both internal and external debt is referred to as public debt. Loans from foreign governments and international organizations can count as external debt. Table 8 below presents the public debt in Kenya.

Table 8: Domestic and External Debts

FY	2018/2019	2019/2020	2020/2021	202021/2022	2022/2023
Domestic Debts	2,478,835	2,785,483	3,177,526	3,697,093	4,288,333
External Debts	2,568,399	3,023,139	3,515,812	3,999,542	4,299,948
Total	5,047,234	5,809,076	6,693,338	7,696,635	8,588,281
Debt of GDP %	59.4	62	65.8	68.1	67.3

Source: National Treasury and Central Bank of Kenya

Figure 8: Domestic and external debts



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Inflation

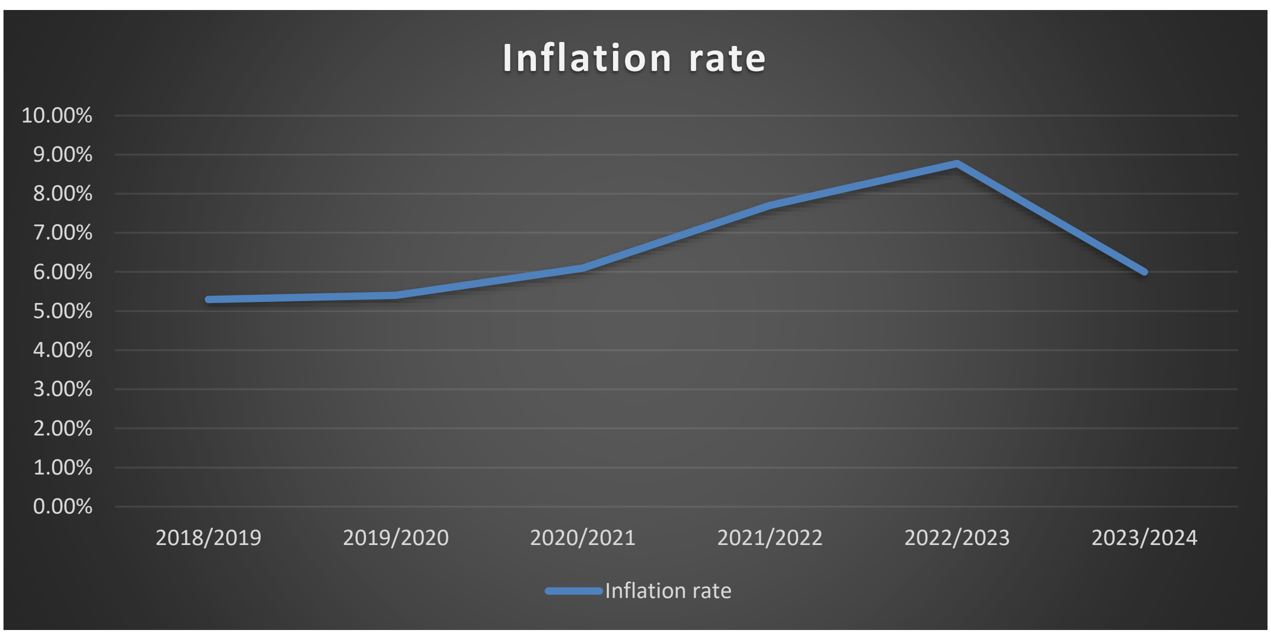
Table 9 shows variations in inflation over the last six years according to the Kenyan National Bureau of Statistics and the annual average given by the Central Bank of Kenya.

Table 9: Inflation Rate

Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Rate (%)	5.3	5.4	6.1	7.7	8.77	6.0

Source: Kenya National Bureau Statistics; Central Bank of Kenya

Figure 9: Inflation Rate



GDP changes in Kenya over the last six years

Kenya is the largest economy in the EAC. Over the past six years, its GDP growth rate has shown some fluctuations. Periods of economic growth lead to increases in GDP, while economic contractions or recessions result in declines. The overall health of the economy can vary over time due to various factors.

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Annual Gross Domestic Product Growth (GDP) Rates

Table 10 shows the changes in GDP over the last five years according to the Kenya National Bureau of Statistics, and the average GDP projected for 2023/2024 by the Parliamentary Budget Office.

Table 10: Gross Domestic Product Growth (GDP)

Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Rate	5.6	5.10	-0.30	7.6	4.8	5.6
Market Price	9,340,306.7	10,237,727.3	10,715,070.0	12,027,661.5	13,368,340.0	119,660,000

Source: Kenya National Bureau Statistics, Parliamentary Budget Office

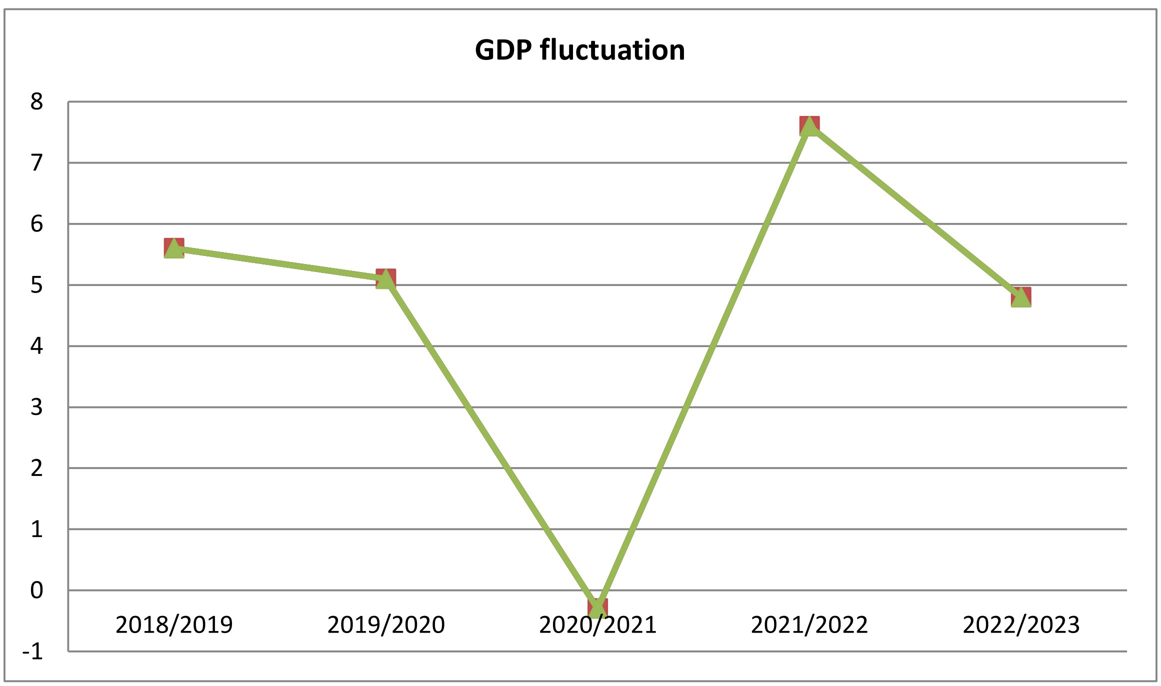

Figure 10: GDP

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Financing Mechanisms
The term financing mechanism refers to the many strategies and channels used by the state and other organizations to raise money to support their initiatives. These methods are essential for maintaining public services, the growth of infrastructure, and other projects.

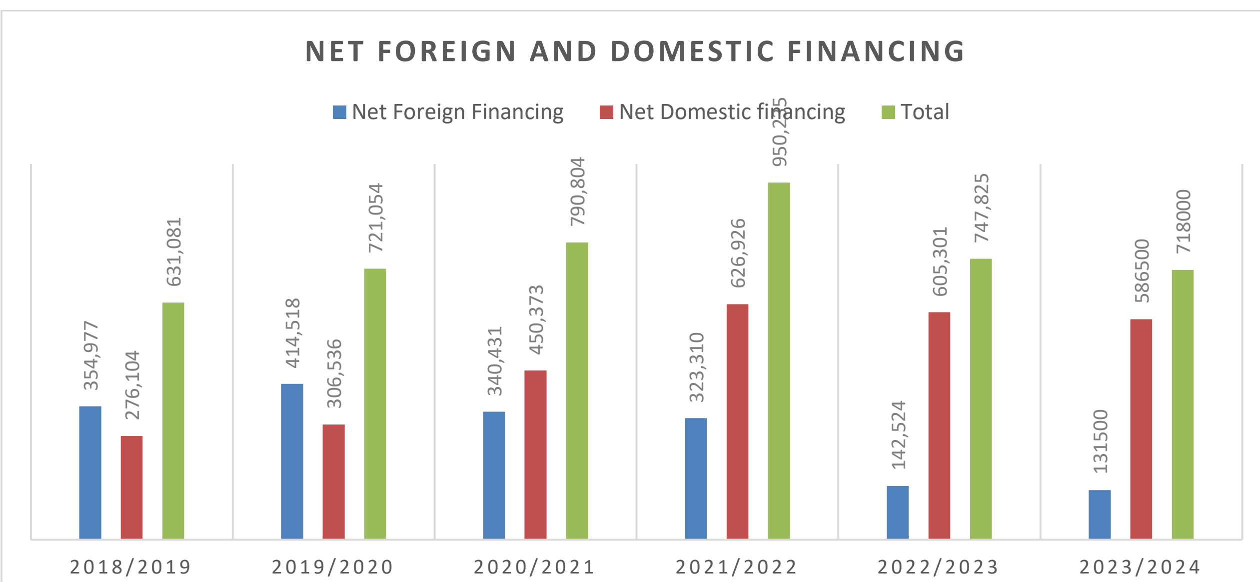
Financing Fiscal Balance

Table 11: Net Foreign and Domestic Financing

FY / Mechanisms	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Foreign Financing	354,977	414,518	340,431	323,310	142,524	131,500
Domestic financing	276,104	306,536	450,373	626,926	605,301	586,500
Total	631,081	721,054	790,804	950,235	747,825	718,000

Source: National Treasury, QEBR Q4, 2022

Figure11: Net Foreign and Domestic Financing



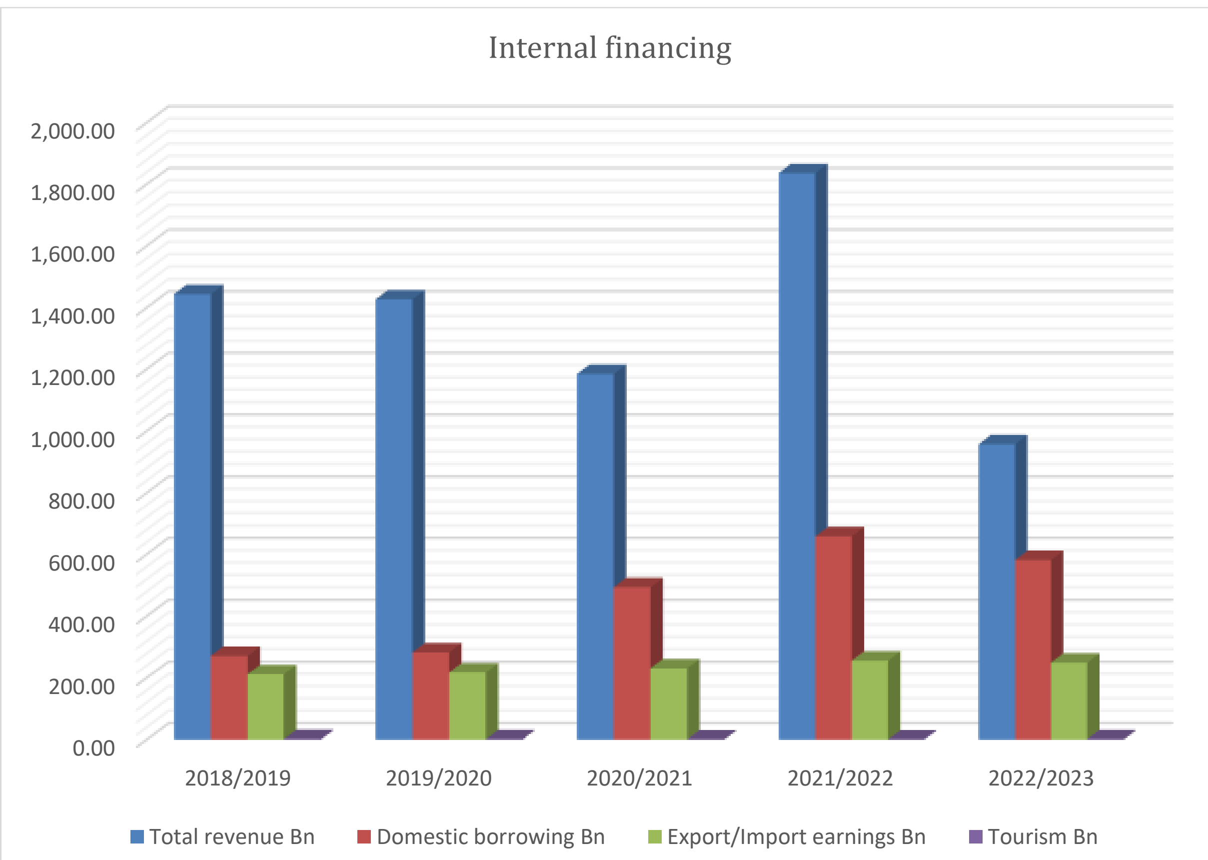
Internal financing mechanism

Table 12: Internal Financing

FY / Financing	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Tax Revenue Bn	1,444.21	1,427.51	184.76	1837.22	957.78
Domestic borrowing (Bn)	271.9	283.5	493.7	658.5	581.7
Export/Earnings (Bn)	211.5	217.9	231.8	256.7	125.249
Tourism (Bn)	1.97	1.84	0.76	1.06	1.38

Source: Kenya National Bureau of Statistics, Ministry of Tourism and Wildlife

Figure 12: Internal Financing



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External financing mechanisms

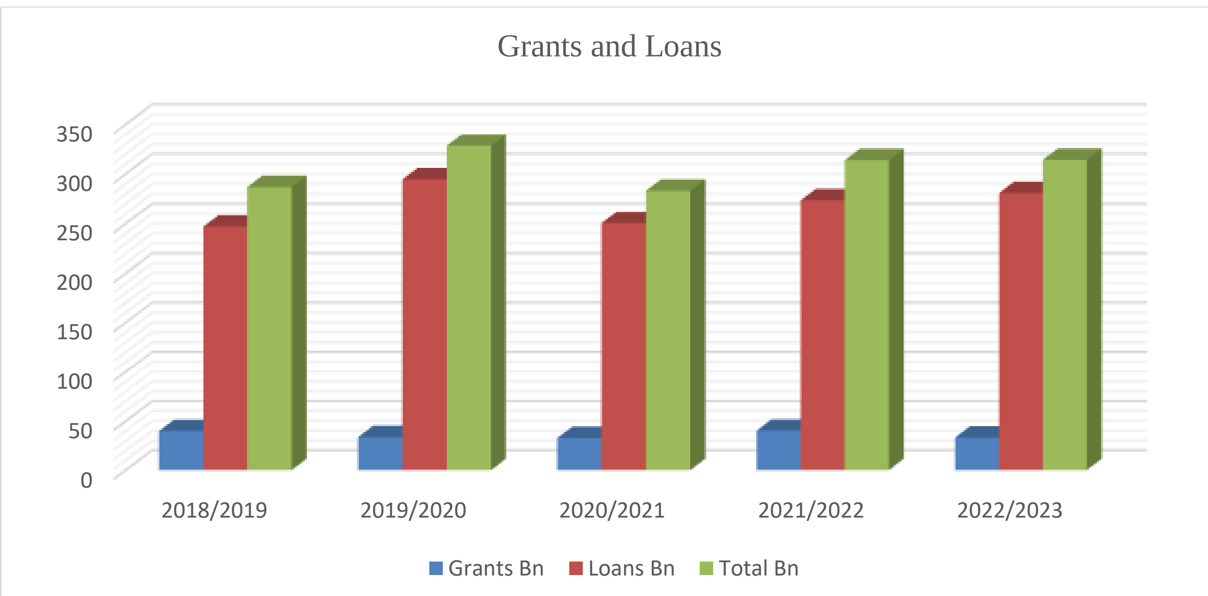
Grants and Loans

Table 13: Grants and Loans

FY / Financing	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Grants (Bn)	39.99	33.78	32.74	40.25	33.32
Loans (Bn)	246.82	294.48	250.34	273.53	280.76
Total (Bn)	286.81	328.26	283.08	313.78	314.06

Source: The National Treasury

Figure 13: Grants and Loans



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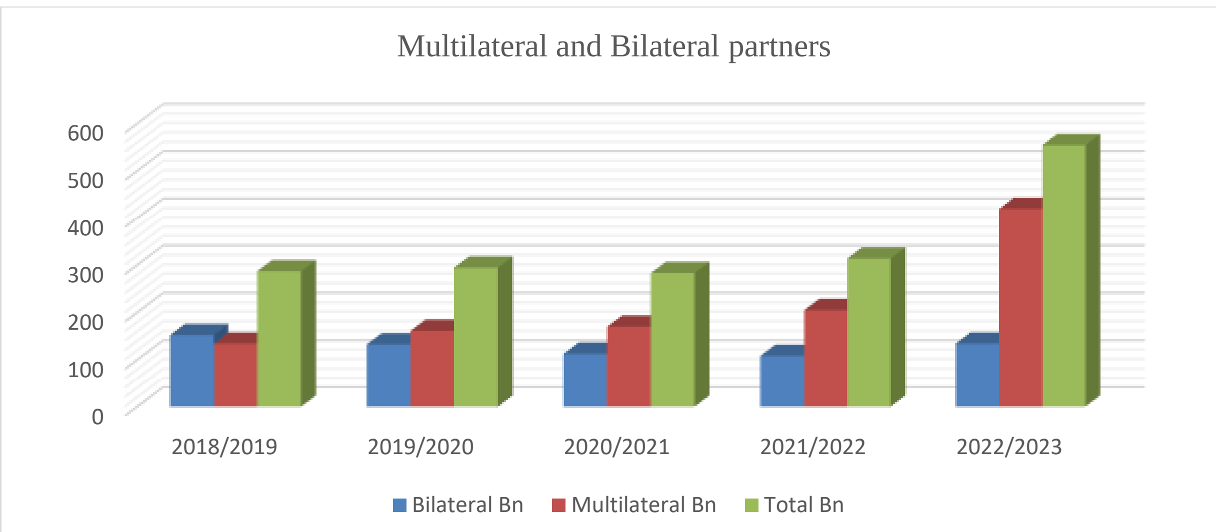
External Resource Contributions from Multilateral and Bilateral Partners

Table 14: Multilateral and Bilateral

FY / Financing	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Bilateral Bn	152.30	132.94	113.04	108.64	134.465
Multilateral Bn	134.501	161.54	170.04	205.15	419.876
Total Bn	286.801	294.48	283.08	313.79	554.341

Source: The National Treasury



4.4.3 Mode of Financing - Revenues versus Appropriations in Aid (AIA)

Table 15: Revenue and Appropriations in Aid (AIA) in billion

FY / Financing	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Revenue	68.22	79.72	94.1	117.42	214.16
A.I.A.	218.59	214.76	188.98	196.37	320.78
Total	287.21	214.76	283.08	313.79	534.51

Source: The National Treasury

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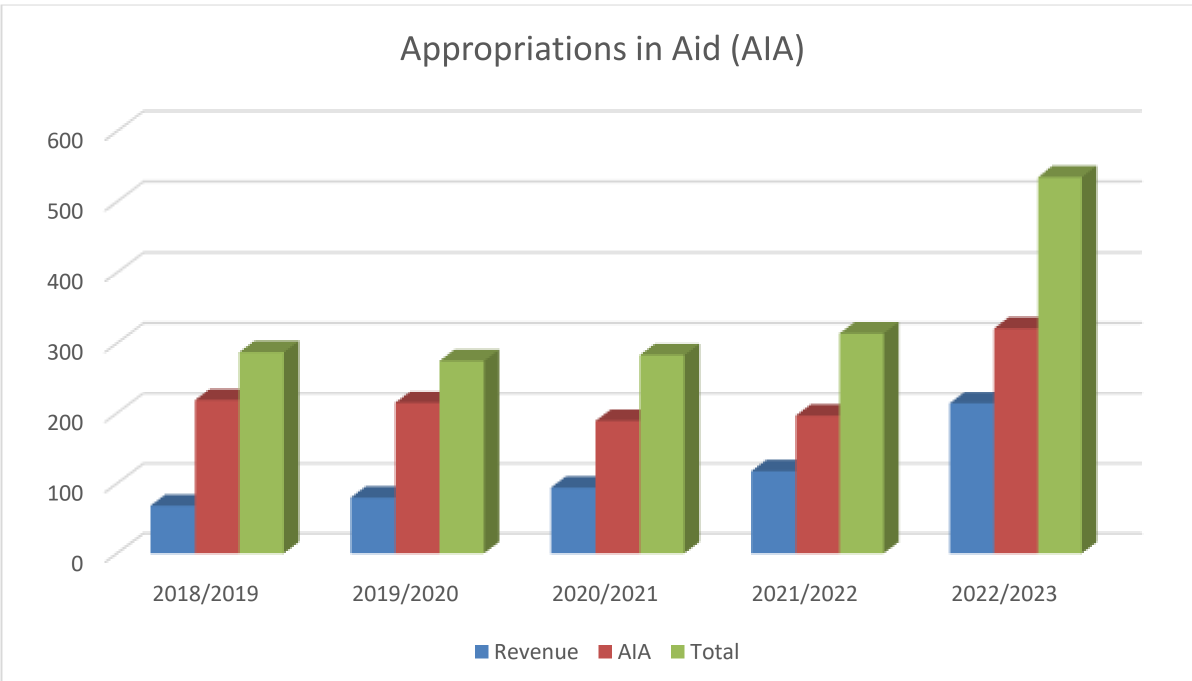
Figure14: Revenue and Appropriations in Aid



Summary

This chapter presented the results of the research, which aimed to compare Kenya's annual budgets and GDP growth over the last five years. For this, information on national budget allocations and GDP growth for each fiscal year over the chosen time was gathered and analyzed from reputable sources. Annual budget allocations showed noticeable swings during the six-year period, with some sectors seeing notable gains or losses. In terms of GDP trends, the data showed that growth rates varied during the course of the research period. The study pinpointed unique difficulties and constraints in gathering reliable data, which would have affected the accuracy of our findings. However, as much as possible, data was cross-checked from different authoritative sources.

DISCUSSION

Comparison of annual budgets of Kenya over the last six years

The research questions of this study sought to answer are as follows: Firstly, what are the trends of annual budgets in Kenya over the last six years? The findings showed a trend toward increased spending. Spending increases as the years change. The results reveal that from 2018/2023, with a total expenditure of Ksh 2,556.6 billion, the figure rises to Ksh 3,663.1 billion in 2023/2024. An analysis of annual budgets over the last six years in Kenya shows that many factors have contributed to this increase: these are population growth, infrastructure development, social programs, debt service, inflation, Government priorities, and external shocks.

As the population increases, the demand for public services and infrastructure rises, necessitating larger budgetary allocations. The budget allocation for education, health, and employment base also increased over the same period, as shown in Tables 7. This is confirmed by Lars Kamers (2023), who explains that the increase in expenditure is due to the payment of interest, Investment in infrastructure projects, such as roads, bridges, and public transportation systems, have necessitated a larger budget. The budget allocated to the industrial sector has also increased over the years presented in Table 7.

Table 7 shows that the government has stepped up spending on social protection programs, healthcare, and education to meet the needs of its population. It has been raised from 494.8 billion to 504.4 billion for the education sector and from 92.7 billion to 122.5 billion for healthcare in 2018 and 2023 respectively. In addition, tables 8 and 9 show an increase in liabilities of Ksh 3,541,047 million difference and an inflation rate of 3.47% between the financial years 2018/2019 and 2022/2023. The economic shocks such as Covid 19 and international obligations such as the Russian-Ukrainian war have influenced budgetary decisions over this period. As indicated by the National Treasury and Economic Planning (2022), the rising fuel and commodity costs resulting from the Russian-Ukrainian conflict pose a threat to Kenya's economic recovery post-Covid-19.

However, there are ups and downs in revenues viewed in Table 6. There was a net increase in total revenue between 2018/2019 and 2019/2020, with Ksh 600 billion, and a slowdown between 2019/2020 and 2020/2021. This is justified by the covid-19 pandemic that has affected the global economy and Kenya is not exempt. After the covid-19 pandemic, the Kenyan economy is slowly but surely recovering, with results showing a continuous increase in revenues up to the forecasts for 2023/2024. According to Keith Hansen (2021), the World Bank's Country Director for Kenya, the economy has demonstrated remarkable resilience in the face of the enormous shock of the pandemic, and this year is anticipated to see one of the stronger growth rebounds in the region, thanks to diversified sources of growth, sound economic policies, and management. The Finance Bill 2023 proposes a 3% deduction for housing costs, tax changes, a digital asset tax to increase revenue (Magotzwi, 2023). In addition, the changes in foreign aid observed in Table 15 may explain the increase in total revenue.

A budget is a financial plan that sets out estimated revenues and proposed expenditures of a government for a given period, usually one year. Indeed, the study showed that the budget is key for resource mobilization and allocation and regulation. This is shared with Sultana (2019) when she says that budget is a crucial economic tool for obtaining, allocating, and conserving resources at the federal level. It is an essential instrument for advancing and achieving the objective of the fiscal year of the government.

The study found that to promote economic growth, the budget can be used as a weapon in economic policy. For example, to stimulate economic activity during a downturn, the government has increased spending on social programs and public projects, as was the case during covid 19. The National Treasury and Economic Planning of Kenya (2023) states that the budget for the Financial Year 2023–2024 highlights the government's policy aims for inclusive growth and economic recovery while also addressing new domestic and international shocks that may arise. Salaudeen (2017) support that budgets serve as a tool for shaping economic objectives, accelerating economic growth, influencing investment choices, fostering employment, and influencing income redistribution. For the responsible economists of every country, the goals of budgeting are economic growth and development.

The budget has a positive impact on social protection and debt management according to this study. For Sector of social protection, the budget allocation increased from TSh 61,968.26 in 2018/19 to kSh 77,287.33 million in 2019/20 and kSh59, 948.42 million in 2020/21in Kenya (The National Treasury 2021). Likewise, the nominal amount allotted by the government of Tanzanian for social security and welfare increased from TSh167 billion to TSh610 billion between FY 2019/20 and FY 2021/22. This is a 20% (TSh411 billion) increase (Unicef, 2022). The majority of nations borrow money to cover their budget deficits, much like Kenya. A budget deficit results when all revenues are not sufficient to cover all expenses. Besides, the current Kenyan government is taking a close interest in deficit management, as shown in Table 11, which presents a reduction in external debt compared with domestic debt. According to the EAC convention, member nations must maintain an import cover of $4.50 per month and a total public debt cap of 50%. Only Tanzania, however, adheres to this cap, while Uganda and Kenya go above the 50% mark. In 2022 and 2021, the IMF and World Bank indicated that EAC countries' debt sustainability indicators have worsened, with Kenya's risk of debt distress rising from moderate to high. Tanzania and Uganda have a moderate risk of debt distress. This transition is attributed to the collapse of tourism exports during the coronavirus pandemic.

5.2 GDP changes in Kenya the last six years

The next query was about what are the changes in the GDP of Kenya for the period 2018 to 2023. The study highlighted an irregularity in GDP variations. The 2020/2021 financial year has seen a sharp fall in GDP, with a growth rate of -0.3%, refers to Table 10. This can be explained by the lockdown caused by the covid pandemic due to the halt to certain activities generating revenue for the Kenyan economy. These are mainly transport, industry, and import/export and business activities. The travel ban, a government policy during covid 19 which severely restricted the ability of the people to enter and leave Nairobi, has had a detrimental impact on their business activities certified Helfers, Mutua, and Muyesu, (2019). It also caused a zero-covid in China, which worsened employment prospects in the construction industry and resulted in ongoing movement limitations (The National Treasury and Planning, 2022).

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Similarly, after a net increase of 7.6% in 2021/2022, there is an observed decrease of 4.8% of GDP in 2022/2023. The underlying reasons are the increase in inflation caused by international shocks such as the ongoing international conflict, as well as high Kenyan public debt. External economic shocks caused by international conflicts, changes in the global economy such as the dynamics of international trade, commodity prices and the economic conditions of major trading partners, notably Kenya, which relies heavily on imports of cereals and products such as fertilizers and irrigation equipment from Ukraine, influence its GDP performance, disrupt economic activity and lead to fluctuations in GDP.

The main indicator of how well an economy is doing and its performance is its GDP. It represents the entire cost of all commodities and services created inside a nation's borders over a given time frame, usually a year. An expanding and thriving economy is frequently correlated with positive GDP growth. As the budget, and especially revenue, falls, the GDP rate declines and vice versa, see Tables 6 and 10. This is confirmed by Tim Callen (2022), who argued GDP is significant since it provides information on the size and health of an economy. Real GDP growth is frequently used as a gauge of the economy's overall health. A rise in real GDP is often considered an indication that the economy is performing well.

The budget and GDP (gross domestic product) are two crucial economic concepts that play an important role in the financial management and economic growth of a country. The budget is an essential tool for governments and policymakers to manage economic activities, allocate resources efficiently, address socio-economic challenges, and promote sustainable economic growth. It reflects the values and priorities of a nation and contributes to the overall well-being of its citizens. A well-crafted and well-executed budget fosters economic stability, development, and social progress.

As governments and policy-makers to effectively manage economic activity, allocate resources, solve socioeconomic issues, and encourage sustainable growth, budgets are essential. A well-crafted budget reflects a country's values and advances society. GDP is a crucial measure for analyzing economic performance, governmental choices, investment, and the welfare of people in general.

External financing mechanisms

The third research question concerns the financing mechanisms for Kenya for the period 2018 to 2023. With the exception of the 2019/2020 fiscal year, the study indicated a decline in foreign contributions. The covid 19 pandemic began in this time frame. This exception is revealed by Wachira and Ochieng' (2021), who stated that Kenya was assisted in May 2020 by financing from the World Bank and the African Development Bank of $1 billion and €188 million, respectively. This reduction in external debt is the result of an effort by the Kenyan Government to draw on its resources. Hence the contrary fact is that domestic debts have been high over the years.

Revisit the Conceptual Framework

Based on the conceptual framework, there is no correlation between variables A and B. However, both variables A and B are affected by moderating variables. The increase in the inflation rate as an economic indicator, political instability and external shocks such as the international conflict and the covid 19 pandemic have played a role in the variation in expenditures, which increase over the years. In addition, environmental factors such as climate change affecting agricultural yields may negatively affect the revenues while national policies such as tax increases may contribute to its rise.

With regard to variable B, GDP is based more on economic factors, namely agriculture, manufacturing, energy, tourism and financial services. Hence the variation observed over the period in question. When these factors are affected, whether negatively or positively, GDP is also affected. In conclusion, the study shows a relationship between the moderating variable and variable A, namely the budget, which explains the variations observed. There is also a correlation between GDP changes and the moderator variable. However, no significant relationship was observed between the budgets and GDP.

Implication of the findings

Given that insufficient demand can result in unemployment and economic downturns, Keynesian economics places a strong emphasis on aggregate output as the driving force behind economic activity. Keynesians support government involvement to combat economic instability, promoting consumption during economic downturns and restricting it during inflationary periods. Fiscal policy involves altering government expenditure and taxation to affect overall consumption. However, According to this hypothesis, Keynesian policies, if not handled wisely, might result in fiscal deficits and rising public debt. It can also be improved by developing economic sustainability policies rather than just focusing on when there are recessions. The Government has a huge task to undertake to address issues of unemployment, high cost of living, huge debt, transparency and accountability in expenditures and taxation to ensure equitable sustainable development.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The results obtained from a comparative analysis of annual budgets over the last six years show an increasing rise in expenditure over the years and a discontinuous growth in revenue caused by political and external shocks such as pandemics, and international crises.

The conclusion drawn from an analysis of GDP trends over the same period shows growth over the years, but a huge drop in 2020 due to the Covid 19 pandemic.

Kenya has a wide range of financing mechanisms at its disposal, internally and externally, bilaterally and multilaterally. On the verge of debt risk, efforts are being made in debt management to reduce external debt. The recovery from covid19 and management of debt are still some of the major issues to give attention.

Recommendations

The analysis of trends in Kenya's annual budgets and GDP over the past six years has led to some recommendations aimed at improving understanding of these dynamics and informing policy decisions and governance practices.

The Government should continue with its current debt management, as Kenya is faced with a high-risk debt. The study shows an increase in domestic and foreign debt. The budget deficit is offset by the debt. Expenditure must be measured and reduced as much as possible to avoid dependency.

There is a need to explore the direct and indirect effects of specific tax policies on GDP growth and to assess the effectiveness of various policy interventions, such as changes in taxation, public spending, and investment incentives, in stimulating economic expansion.

A genuine thorough analysis should be carried out before developing a new tax policy. Today, the tax increases introduced and implemented by the Government are causing public discontent and leading to social unrest. In addition, the high cost of living is having a major impact on survival.
To achieve debt reduction and economic independence, the Government needs to instill a positive attitude towards taxes in the population by ensuring stewardship, transparency and accountability at all levels of governance.

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