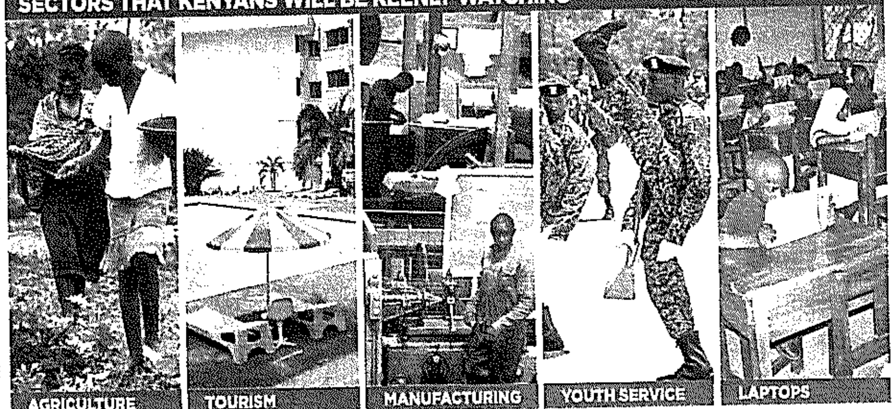
URY WILL HARD-PRESSED TO EXPLAIN WHY FUNDS FOR KEY PROJECT HAVE BEEN CUT

Budget to show how priorities have shifted

SECTORS THAT KENYANS WILL BE KEENLY WATCHING



ing halt much to the disappointment of more than 70,000 youth under the initiative.

Tourism which is also a key plank of Vision 2030 faces a deep cut in allocation. The sector whose earnings went down to Sh84.6 billion in 2015 compared to Sh87.1 billion in 2014 first got a warning shot in April after its promotion budget was slashed by Sh3.4 billion in the supplementary budget. And tomorrow's budget has no good news either for the industry that is yet to find its footing from the staggering effects of terrorism attacks.

Mr Rotich will once again reduce the allocations to the sector, whose international visitor arrivals declined by 12.6 per cent last year, from Sh8.1 billion to Sh4.5 billion.

The earlier budgetary cut did not sit well with players and Tourism secretary Najib Balala moved to calm the situation by saying the Treasury would refund the Sh3.4 billion cut from the vacation promotion fund in this year's budget. But there is nothing like that in Rotich's plan tomorrow. Why? We can only wait to hear as the briefcase unfolds.

Another notable aspect of the budget will be how the government plans to deal with its rising appetite for borrowing. Kenya has already burst its domestic borrowing limit by a mind-boggling Sh100 billion having taken Sh316 billion for the current fiscal year against a pro-rated borrowing of Sh201 billion. How this affects the ever high interest rates and what the government plans to bring the cost of credit down as outlined in last year's budget will be of interest to businesses.

While many will be happy to hear that about 80 per cent completion of the ongoing Standard Gauge Railway Project, a huge concern is whether local manufacturers and businesses have adequately benefited from the project. Last year, the CS made a promise: "I am putting on notice all those public entities that are yet to fully adhere to the requirements of Build-Kenya, Buy-Kenya. All MDAs are directed to strictly ensure that a minimum of 40 per cent local content requirement is adhered to by the winning tenderers at the procurement and supply stage," he said.

"Mr. Speaker, this requirement covers all procurement in respect of road works, railway works, airports and other ports and harbours, works and materials for generation, transmission and distribution of energy and other construction materials made in Kenya."

So far foreign suppliers have gobbled Sh167 billion from the project edging out locals. The material used have largely been imported and the CS is expected to give the plan to retain the business home in the next phase of the project.

On a positive note, the shilling has remained stable, the economy is projected to be growing at 5.6 per cent and inflationary pressures remain in check, facts that will give the CS relief tomorrow.

International Budget Partnership, a nonprofit promoting awareness on government spending in various countries have questioned the rationale behind budget cuts and the unpredictable ways in which the budget is structured.

The Organisation's country director Jason Lakin told *Smart Company* that this year's budget will not be any different apart from the reallocations and its increased size.

"We had been told to expect some austerity budget but I guess the focus on infrastructure will keep the spending plan higher. The Electoral body will obviously get more funding and the government is likely to begin focus on projects directly in touch with the common man as we approach an election year," Mr Lakin said.

Corruption has been a challenge in the implementation of good government plans and many will be keen to know financial commitment to wage war against the vice which is said to inflate project costs by over 30 per cent.