

**KEY NOTE ADDRESS BY HON. UHURU KENYATTA, EGH, MP, DEPUTY PRIME MINISTER AND MINISTER FOR FINANCE; DURING THE LAUNCH OF 2011 SECTOR HEARINGS AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, NAIROBI, 12<sup>th</sup> JANUARY 2011**

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Hon. Minister for Planning and Vision 2030, Mr. Wicliffe Oparanya

Permanent Secretaries and Accounting Officers,

Chief Executives of State Corporations,

Development Partners,

Distinguished Guests,

**Ladies and Gentlemen:**

1. It gives me great pleasure to be with you this morning for the start of the 2011 Sector Hearings on the budget proposals for the MTEF period 2011/12 – 2013/14. I wish to express my appreciation to all our stakeholders for having responded favourably to our invitation to participate yet again in the Sector Hearings. This is indeed in line with the spirit of a participatory budget making process. Therefore, your presence is, in my view, a clear testimony of your patriotic commitment to contributing to the process of building a better **KENYA**. I sincerely thank you for accepting to be with us and to participate in this consultative process.

2. This occasion is vital to the budget process as it gives us an opportunity to formally engage members of the public, development partners, civil society and other stakeholders on the performance of various sectors for the last three years. But more importantly to chart the way forward for the next three years.

**Ladies and Gentlemen:**

3. From a practical point of view, the participation of stakeholders creates widespread support of government programmes, which increases the acceptance and legitimacy of policy plans. In situations where stakeholder's participation is not given prominence, we are likely to end up having important issues overlooked or under-prioritized. Worse still we could end up with development schemes designed but do not best address the concerns and priorities of the Wananchi.

**Ladies and Gentlemen:**

4. **The 2011/12 Budget** will be the first one to be prepared since the promulgation of the New Constitution. As you are aware, the new constitution advocates for decentralization of resources to the counties, which will go hand in hand with the reforms in public financial management. The ensuing MTEF Budget will, therefore, be critical in laying the foundation for fiscal decentralization and setting the stage for full operationalization of the new Constitution. That being the case, certain reforms will have to be undertaken in public financial management. These reforms to be undertaken will represent a radical shift from previous practices in the ways of doing business in government. In particular, we will focus on sweeping away non-functional systems which are complicated, hard to understand and open to abuse.

5. The new constitutional dispensation will require adoption of a strategic approach that will allow the government to review and manage planned expenditures between diverse national, county and local needs. The Government will make informed choices that are affordable in the medium-term while also ensuring maintenance of macroeconomic stability. Expenditures will be reprioritized and aligned in the spirit of implementing the new constitution. I want to assure you of our commitment to bringing back the economy on a higher growth trajectory and making the economy more competitive, flexible and adaptable so as to attain full employment with a view to improve the quality of life of all Kenyans in line with Vision 2030.

**Ladies and Gentlemen:**

6. Kenya's economy is on the road to recovery. While unemployment remains our most pressing social and economic challenge, we expect that with robust economic growth, supported by rising investor confidence, the economy will continue to expand and result in creation of more jobs over the medium term. The key challenges we face now as a country are to achieve and sustain high rates of economic growth, broaden participation and extend opportunities to all. We must strengthen our production capacity and deepen the quality of social development.

7. I wish to point out that in the last two years, we have made significant progress in delivering development to all Kenyans through a combination of deliberate policy measures targeted at jumpstarting the economy, addressing poverty and supporting human capital development. It is partly due to these interventions, complemented by undivided support and hard work by the Kenyan people, that the economy registered higher growth rates of over 5% in 2010.

8. We are committed to accelerate this growth even further and would want the 2011/11 MTEF budget to play an important role in this context. Therefore, the preparation of the 2011/12 MTEF Budget will be guided by:

- Maintaining a stable macroeconomic framework and creating an enabling environment for business to thrive;
- Setting up essential frameworks for implementing the new constitutional;
- Re-orienting expenditures towards Vision 2030 Medium Term Plan (MTP) priorities such as expanding investment in physical infrastructure, public transport, improving access to electricity, water, sanitation and housing;
- Enhancing the quality of education and skills development;
- Improving health care, with particular emphasis on reducing infant mortality rates, broadening prevention and treatment programmes, and tackling HIV/Aids;
- Reducing crime levels to enhance public security and create enabling business environment; and
- Deepening governance, anti-corruption and public financial management reforms to enhance transparency, accountability and efficiency in public spending.

**Ladies and Gentlemen:**

9. Let me reiterate on the importance of active participation by stakeholders in the Sector Working Group. In this regard, it is my hope that all Sector Working Groups were able to involve stakeholders in undertaking sectoral performance reviews and in the prioritization of the proposed medium-term programmes. During the next three days, you will have an opportunity to exhaustively discuss the sectoral achievements over last three years, programmes prioritized for funding in the medium term, expected outputs and outcomes from public spending; and other important elements of 2011/12 MTEF budget. Your contribution is welcome and will be very helpful in preparing the final programmes for the next financial year.

**Ladies and Gentlemen:**

10. In the process of deepening reforms in the budgeting process, we introduced Programme-Performance Based Budgeting in 2008/09. This new approach is aimed at enhancing transparency and accountability of public spending by providing public with sufficient information to track implementation of the funded programmes and equally important, to demand for the delivery of the desired results. We have been able to pilot this new approach across all the Ministries, Departments and Agencies over the last three financial years. It is now time to move to the next step and fully operationalize the new approach and present the same information to Parliament.

**Ladies and Gentlemen:**

11. These reforms will require to be anchored in a legal framework consistent with the new constitution. In this regard, we are planning to introduce comprehensive public finance management legislation that integrates the entire budgeting and budget management process. The proposed legal framework will also provide for transition in the format that the budget is presented to Parliament from the current itemized level to also include programmatic format. The law, if implemented as envisaged, will enhance efficiency, transparency and accountability in the management of public resources.

**Ladies and Gentlemen:**

12. The Government will continue to give priority to infrastructure programs – energy, transport and water; education and health; and those productive sectors that contribute most in employment creation and poverty reduction but within an acceptable environment framework and in line with the Vision 2030. We also need to prioritize programs and projects intended to put in operation our new constitution.

13. I have no doubt in my mind this is a daunting task if we take into account that our revenue base does not match with the increasing demand for resources. Moving forward, we will need to make significant tradeoffs within and across the sectors to cater for emerging priorities.

**Ladies and Gentlemen:**

14. I am also aware that to prepare for this occasion, a lot of effort has been put by our staff members, officers of various ministries and other stakeholders to prepare the substantive sector reports that are to be presented in this forum. I sincerely wish to thank everyone who has been involved in this demanding exercise. This is now your opportunity, our esteemed stakeholders, to interrogate the proposals and add value to the sectoral policies and proposed programmes so as to enrich the final proposals that I will be presenting to Parliament later in the financial year.

**Ladies and Gentlemen:**

15. To conclude, I want to once again urge you all to be frank in the discussions that will be taking place in the next couple of days. I am confident your discussions will generate new ideas to complement those already put together by the Sector Working Groups.

16. With those remarks, it is now my pleasure to declare the 2011 Sector Hearings officially opened.

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