



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

KEYNOTE ADDRESS BY HON. (AMB.) UKUR YATANI, EGH CABINET SECRETARY OF THE NATIONAL TREASURY & PLANNING DURING THE LAUNCH OF THE FY 2022/23 AND MEDIUM-TERM BUDGET PREPARATION PROCESS AT THE KENYATTA INTERNATIONAL CONVENTION CENTRE, NAIROBI ON 5TH AUGUST 2021

Cabinet Secretaries,

Chief Administrative Secretaries,

Principal Secretaries and Accounting Officers,

Chairperson, Budget and Appropriations Committee,

Development Partners,

Distinguished Guests,

Ladies and Gentlemen

Good Morning.

1. It is my immense pleasure to be with you this morning for the official launch of the FY2022/23 and Medium Term Budget Preparation Process. As you may have noticed, we are launching the process well ahead of the usual timeframe to allow for ample time to prioritize government programmes and engage with stakeholders. In addition, 2022 being the year that falls within the General Election cycle, we have to start the budget preparation process well in advance to be consistent with the calendar of Parliament.

Ladies and Gentlemen:

2. The emergence of COVID-19 pandemic in 2019 and the subsequent health and economic crisis marked a turning point in many economies of the world, including Kenya. Uncertainty still surrounds the global economic outlook, especially in terms of how the pandemic will unfold. Today, as we launch the budget preparation process, we need to be alive that our economy has not fully recovered from the negative impacts of the COVID-19. A lot still needs to be done to reverse the negative impact of the pandemic from disruption of business, loss of jobs and incomes as well as stemming inequalities in the country.

3. In this regard, interventions across all sectors of the economy to address the rising unemployment, health challenges and income inequalities occasioned by the COVID-19 pandemic is imperative. These interventions targeted at creation of jobs and economic opportunities is expected to raise living standards of the low-income households, the vulnerable and Kenyans in general while also sustaining investments in health care delivery system.

4. The Sector Working Group process will therefore provide a framework for Ministries, Departments and Agencies (MDAs) to identify, prioritize and allocate resources to areas that will have the greatest impact in addressing the above challenges. These will be the priority projects and programmes that the Government will be implementing over the coming three years.

Ladies and Gentlemen,

5. In responding to the health and economic crisis, the government is presented with a choice of using the moment to build back a stronger and more resilient economy with enhanced economic opportunities across the diverse socioeconomic groupings and regions. This will not only address the current challenges but also

give hope and build a strong foundation for future generations while improving the quality of life and wellbeing of the citizens in line with Vision 2030.

6. In the next three financial years, we shall therefore be pursuing an investment-led Economic Recovery Strategy (ERS) that will focus on restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities.

Ladies and Gentlemen,

7. It is projected that the global economy will experience an exceptionally strong but uneven recovery. While a rebound is expected in most countries, full recovery is not assured due to possible future COVID-19 waves, delays in vaccination programmes, increasing debt levels and rising inflationary pressures. Further, the likelihood of emergence of new COVID-19 variants could lead to reinstatement of containment measures thereby disrupting economic activities and slowing growth. The FY 2022/23 and Medium-Term Budget is therefore being prepared against this uncertain background.

Ladies and Gentlemen,

8. As noted above, the year 2022 being an election year could see heightened political activities especially during the fourth quarter of the FY2021/22. We are hopeful that the electioneering period will be well managed to avoid erosion of investor confidence as this could affect the route to accelerated economic growth. The Government will, however, continue to monitor these developments and take appropriate action to safeguard the economy and livelihoods.

Ladies and Gentlemen,

9. It is a fact that what happens in economies around the world has a direct bearing on our domestic economy. With regard to growth, the global economy is projected to grow by 6.0 per cent in 2021, from a contraction of 3.3 per cent in 2020. Growth in Sub-Saharan Africa region is projected at 3.4 per cent in 2021 from a contraction of 1.9 per cent in 2020. The anticipated global recovery will be largely driven by additional fiscal support in a few large economies and the planned vaccine roll out in the second half of 2021.

10. On the domestic scene, the prospects for Kenya's economic recovery will centre on the progress of the vaccination effort, macroeconomic stability and implementation of the projects under the "Big Four Plan". We remain hopeful that our economy will rebound to above 6.0 percent over the medium-term from a growth of 0.6% in 2020.

Ladies and Gentlemen:

11. On the policy framework underpinning the Medium-Term Budget for 2022/23 – 2024/25, despite the unprecedented contraction of economic activities in 2020 due to COVID-19 pandemic, the swift and targeted Government policy response to support businesses and citizens, the negative impact on the economy is likely to be less due to the unprecedented policy support. Drawing lessons from this experience, the Government budget plan will continue to focus on the theme "**Building back better**" through targeted implementation of Economic Recovery Programmes (ERS) that will also be aligned with the "Big Four Plan".

12. The Strategy places priority and focus on several key areas, including the strengthening of health care systems; facilitating the private sector to enhance its role in the recovery and growth of the economy; facilitating the recovery and growth of key economic sectors such as tourism, the MSMEs, manufacturing and transport, all of which have been hard hit by the pandemic; ensuring a green and resilient

recovery and growth; investment in ICT and digital infrastructure to support the delivery of public services while also facilitating e-commerce; increasing the resilience of the economy to global supply chain shocks; strengthening the national capacity for disaster preparedness; mainstreaming diaspora financial and human resources; strengthening governance and economic management; expediting implementation of policy, legal and institutional reforms and strengthening monitoring and evaluation systems in order to ensure effective implementation.

13. The Recovery Programmes will be mainstreamed into the regular programmes of Ministries, Departments and Agencies. This will facilitate continuous and smooth implementation of programmes and thus sustain Government investment towards supporting economic recovery as well as build resilience of our economy. In this regard, the **Medium-Term Fiscal Framework** will be anchored on the following:

- (i) Real GDP growth above 6.0%;
- (ii) Maintaining Inflation within the range of $\pm 2.5\%$ of the target 5%;
- (iii) Safeguarding stability of Interest and exchange rates;
- (iv) Gradual improvement in revenue collection to 18.5%; and
- (v) Gradual reduction in expenditures to about 22% of GDP over the Medium-Term in line with the fiscal consolidation policy.

Ladies and Gentlemen,

14. Fiscal consolidation policy remains key in the Government's pursuit to attaining debt sustainability. The policy's main objective is to free resources to growth-enhancing programmes by gradually reducing the overall fiscal deficit and the pace of debt accumulation. The fiscal consolidation policy will be supported by enhanced revenue mobilization, sustained rationalization of non-priority recurrent expenditure and redirecting resources to finance priority growth-supporting capital

projects with high return on investment. Sector Working Groups are therefore expected to play a lead role in guiding the prioritization process.

Ladies and Gentlemen,

15. During the programme prioritization and resources allocation process, we expect the Sector Working Groups to consider and apply the following criteria:

- (i) How a particular programme links to Economic Recovery Strategy;
- (ii) Programme linkage to “Big Four Plan” either as a driver or enabler;
- (iii) How the programme in question is aligned to the specific priorities, outcomes and outputs of the Medium-Term Plan III of the Vision 2030;
- (iv) Degree to which a programme addresses employment creation and poverty reduction;
- (v) The degree to which programmes address stalled projects and pending bills; and
- (vi) Efficiency, effectiveness and economic levels anticipated in the programme implementation.

Ladies and Gentlemen,

16. The Government is committed to ensuring that there is value for money in public spending. In this regard, the principles of efficiency, effectiveness and economy of public spending will strictly be enforced by ensuring that low-priority expenditures give way to high-priority service-delivery programmes. By doing so, wasteful expenditures will be eliminated. The Government will also continue to intensify the fight against corruption to eliminate pilferage of public resources.

Ladies and Gentlemen:

17. As we embark on the preparation of the next Financial Year Budgets and the Medium-Term Budget, we should be alive to the provisions of Article 201 of the Constitution and Section 35 (2) of the PFMA, 2012 which calls for public participation in all financial matters. Active engagement of the public in the budget process is essential in promoting transparency, accountability and good governance.

18. Sector Working Groups will therefore be required to identify and engage stakeholders to obtain their inputs during the budget preparation process. Due to the prevailing COVID-19 situation in the country, we recommend that the engagements be in strict adherence to the protocols and guidelines issued by the Ministry of Health and World Health Organization from time to time.

Ladies and Gentlemen,

19. The output of the Sector Working Group process will be an important input into the 2022 Budget Policy Statement (BPS), which will provide the framework for finalizing the Medium-Term Budget for the FY2022/23.

Ladies and Gentlemen,

20. As outlined in the Public Finance Management Act, 2012 and its attendant regulations, the budget process involves timely preparation of key policy documents for approval by Cabinet and Parliament. Given that 2022 falls within the cycle of a General Election, preparation of the Budget will be fast-tracked to ensure that the Estimates are approved before the term of the current Parliament lapses.

21. To facilitate finalization and approval of the policy documents and Bills within the stipulated timeframes, Accounting Officers will be required to strictly follow the schedule of activities outlined in the Budget Calendar as set out in the **Treasury Circular No.8 of 2021**. I shall be launching this Budget Calendar today for use by all stakeholders in the budget process.

Ladies and Gentlemen,

22. With those remarks, it is now my pleasure and humble duty to officially launch the budget preparation process for the Medium-Term period 2022/23 – 2024/25.

THANK YOU