

**OFFICIAL OPENING OF PUBLIC HEARINGS FOR THE
FY 2018/19 MEDIUM-TERM BUDGET**

**SPEECH BY MR. HENRY K. ROTICH, EGH,
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**24th January 2018 at Kenyatta International
Convention Centre, Nairobi**

**Your Excellency the Deputy President of the Republic
of Kenya,**

Fellow Cabinet Secretaries;

Chairman, Budget and Appropriations Committee;

Principal Secretaries and Accounting Officers;

Chief Executive Officers of State Corporations;

Development Partners;

Members of the Media;

Distinguished Guests;

Ladies and Gentlemen:

1. Welcome to this very important event in the Budget Calendar, the Public Sector Hearing. I wish from the onset to thank His Excellency the Deputy President for finding time to grace this occasion despite his busy schedule. I also wish to thank all the other stakeholders for finding time to attend the forum.

2. The Public Hearings as envisaged in our Constitution is an annual event mainstreamed in the budget making process. The hearings provide stakeholders with an

opportunity to give their input in the budget process as they interrogate and validate the planned Government Programmes for a given Fiscal Year and the Medium-Term. They also accord the stakeholders an opportunity to receive feedback on progress made in the implementation of Government Programmes undertaken in the previous fiscal year.

3. The 2018 Public Hearings is the culmination of the participatory Sector Working Group Budget preparation process that we launched in September 2017. Over the next three days, stakeholders will have an opportunity to discuss sector specific issues that will add value to the budget proposals for the forthcoming financial year.

4. **Ladies and Gentlemen**, before I invite His Excellency the Deputy President to officially open the Public Hearings, allow me Your Excellency, to make a few remarks.

5. We have now released the 2018 draft Budget Policy Statement and invited the public and all the stakeholders to provide comments. The document is available on the National Treasury website.

6. **Ladies and Gentlemen**, the thrust of the Financial Year 2018/19 and the Medium-Term Budget is “**Creating Jobs, Transforming Lives - “The Big Four” Plan**”. This theme is anchored on the achievements realised under the Economic Transformation Agenda, which have been under implementation since 2014.

7. The policy agenda over the next five years will build on the achievements under the Economic Transformation Agenda and is expected to transform lives by creating the much needed jobs, enable Kenyans meet their basic needs, improve living conditions, lower cost of living, and reduce poverty and inequality.

8. We purpose to ride on the progress made so far to accelerate industrialization by tackling the remaining bottlenecks that continue to hold our economy from achieving its full potential.

9. Great emphasis will therefore, be laid on raising value addition in the manufacturing sector to increase its share to GDP from 9.2 percent in 2016 to 15 percent by 2022; guaranteeing food security and nutrition to all Kenyans; ensuring Universal Health Coverage to all Kenyans; and provision of at least five hundred thousand affordable houses. With these interventions we shall not only be creating jobs for the unemployed but also improve the overall welfare of our people.

10. **Your Excellency**, as we focus on this we shall religiously safeguard macroeconomic stability and implement appropriate monetary and fiscal policies while undertaking the necessary reforms that will enable attainment of “The Big Four” Plan.

11. While we continue to face increasing expenditure pressures amidst scarce resources, we shall continue to tighten our fiscal policy by reducing on all non core expenditures while undertaking policy, legal and administrative revenue mobilisation efforts. We have reduced the fiscal deficit to 7.2 percent of GDP in FY 2017/18, 6.0 percent in FY 2018/19 and 3.0 percent by FY 2021/22. This fiscal plan will support economic growth, while safeguarding sustainable debt position.

Enhancing Revenue Mobilization Measures

12. We are completing an overhaul of the Income Tax Act. This will help remove most of the tax exemptions that have been a drain on our revenues. We have also agreed on various revenue enhancement efforts by the Kenya Revenue Authority. These include:

- i. Roll out of the Integrated Customs Management System (ICMS) to sealing loop holes at the Customs to prevent concealment, undervaluation, mis-declarations and falsifications of import documents;
- ii. Implementation of the Regional Electronic Cargo Tracking (RECTS) to tackle transit diversion;
- iii. Enhance scanning activities to detect concealment;
- iv. Scaling-up on-going and routine activities such as Pre-Verification of Conformity (PVOC), benchmarking and auctions;
- v. Data matching and use of third party data to enhance compliance by integration of iTax with IFMIS;
- vi. Expansion of tax base by targeting informal sector, betting lotteries and Gaming, pursue non-filers and increase focus on taxation of international transactions and transfer pricing; and
- vii. Enhance investigations, intelligence capacity and KRA capacity to support revenue collection.

13. **Ladies and Gentlemen**, the expenditure priorities in the sector proposals to be discussed over the next three days have therefore been realigned to “The Big Four” Plan, while ‘ring fencing’ the allocations to other critical sectors such as education, infrastructure, energy and social protection so as to achieve the targeted objectives.

14. We are aware that implementation of the “The Big Four” Plan requires huge capital outlay. To ensure we create fiscal space to raise the required resources we shall undertake a raft of expenditure reform measures that includes:

Targetted Expenditure Reform Measures

15. **“Zero Based Budgeting”**: Guided by this objective, the formulation and preparation of the FY 2018/19 and Medium Term Sector Budget Proposals is a departure from the past. Over the last two months we have engaged Ministries, Departments and Agencies in a “zero based budgeting” to clean the baseline for preparing the budget,

and weed out any wasteful expenditure. We shall continue with these measures as we finalize the itemized budget in April 2018, before its submission to Parliament.

16. **Managing the Ballooning Public Wage Bill:** The Public Wage Bill remains a major challenge. We shall continue to work with the Salaries and Remuneration Commission (SRC), various employers in the Public Sector, and the County Governments to contain the rising wage bill by addressing both the value attached to the jobs and the size of the Public Service. This will ensure a sustainable wage bill and releases of resources to the fund the planned public investments.

17. **Enhancing Public Investment Management, Forward Planning and Budgeting:** Following our recent assessment of public investment management, we shall in due course establish at the National Treasury, a Public Investment Unit with the relevant skill mix, which shall ensure that all capital projects are thoroughly scrutinized, appraised before receiving funding and periodically tracked during implementation. In addition we shall deliberately strengthen forward planning and budgeting of these projects, so as to improve certainty in budgetary allocation over the implementation period and timely completion of the projects.

18. **Addressing the Rising Pending Bills:** we shall be reconstituting the Pending Bills Closing Committee to review all the outstanding pending bills incurred before 2015. The Committee will advise the Government on the stock of the pending bills, payable to enable provision of resources in the budget, thus bring the issue of pending bills to closure. I wish to remind Accounting Officers that it is illegal to commit the Government without adequate budgetary provision and they shall be personally held accountable for such violations.

19. **Leveraging on Public Private Partnership:** We are cognizant that even as we embark on the implementation of “The Big Four” Plan, our fiscal space is limited. We shall in this regard leverage on the private sector in partnership with the Government. In this respect, we shall be creating a High Speed Public Private Partnership (PPP) Unit to attract and engage the private sector on implementation of most of the projects under “The Big Four” Plan.

20. **Reforming the State Owned Enterprises:** The Government shall fast-track implementation of the parastatal reforms initiated during the first term of Jubilee Administration so as to create some fiscal space.

21. **Creation of the Enabling Environment for the Private Sector to thrive:** I wish to emphasize the Government will continue to preserve macroeconomic stability; expand infrastructure; improve security; implement business regulatory reforms; expand access to finance and instituting governance reforms so as to achieve “The Big Four” Plan. The Government will also support higher levels of value addition in domestically produced goods, strengthen the fight against corruption and counterfeits, enhance the use of public procurement to promote “Buy Kenya Build Kenya” initiative and support the Micro, Small and Medium Enterprises (MSME) sector.

22. The above expenditure and revenue measures in addition to ongoing infrastructural investments, and continued recovery in tourism, increased consumer confidence, supported by a conducive business environment will help accelerate economic growth and development prospects in Kenya.

23. **Ladies and Gentlemen** we have framed the FY 2018/19 and the Medium Term budget against a background of improving global and regional economic prospects. We therefore expect our economy to remain

resilient supported by a stable macroeconomic environment, strong domestic demand and ongoing public investments. This is will accelerate economic growth to above 7.0 percent by 2022 from the estimated 4.8 percent in 2017.

24. **Ladies and Gentlemen** as we firm up the 2018 Budget Policy Statement and the FY2018/19 and Medium-Term Budget, the output of these Public Sector Hearings will be important input. We are expected to submit the Budget Policy Statement and other accompanying documents to the National Assembly by 15th February 2018 and the main detailed Programme Based Budget by 30th April, 2018 for approval.

25. Finally, we look forward to candid discussions and feedback from our stakeholders. We assure you that your views will be taken into account in the finalization of the budget. With those few remarks it is now my pleasure to welcome H.E the Deputy President of the Republic of Kenya to make his remarks and officially open the Public Hearings.

THANK YOU AND GOD BLESS YOU!

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