REMARKS BY MR. HENRY K. ROTICH, EGH, CABINET SECRETARY FOR THE NATIONAL TREASURY AND PLANNING DURING THE LAUNCH OF FY 2019/20 AND THE MEDIUM-TERM BUDGET PREPARATION PROCESS AT KENYATTA INTERNATIONAL CONVENTION CENTRE, NAIROBI ON 13TH SEPTEMBER, 2018

Cabinet Secretaries,  
Chief Administrative Secretaries,  
Principal Secretaries and Accounting Officers,  
Chairpersons and Members of Budget and Appropriation and the Finance Committees of the National Assembly,  
Development Partners,  
Government Officials,  
Distinguished Guests,  
Ladies and Gentlemen:

1. I am deeply honoured to join you today, to officially launch the budget preparation process for the FY 2019/20 and the Medium-Term. This is an annual event that kicks off the annual budget making process of the Government. First, allow me to thank the stakeholders and the public who have turned out in large numbers this morning to be part of this process. The members of the Media present remain our critical partners in the dissemination of the budget process to the public.

2. This process provides a framework for Ministries, Departments and Agencies (MDAs) to come up with key programmes and priorities to be implemented over the next three years.
Ladies and Gentlemen,

3. As we embark on this process, allow me to mention that economic prospects are looking brighter. In particular, real GDP growth accelerated to 5.7 percent in the first quarter of 2018, from 4.9 percent 2017. A review of leading indicators as will shortly be demonstrated in the next presentation this morning show that economic recovery is on course reflecting a return to stability and renewed confidence following the conclusion of the lengthy electioneering process in 2017 and improving weather conditions. We therefore expect the economy to expand by 6.0 percent in 2018 and further to above 7.0 percent over the medium term.

4. In case some of you are wondering why we need a higher economic growth - a higher growth provides an environment where more jobs are created; A higher growth creates opportunities for large and small businesses to thrive; A higher growth supports increases in Government revenues; A higher growth facilitates the expansion of social programmes; and a higher growth leads to reduction in income disparities and reduction in poverty, just to mention but a few. The goal of working towards a higher economic growth is therefore a priority so as to improve the living conditions of all Kenyans.

5. The objectives of “the Big Four” Plan initiated by H.E. The President last year remains to improve the lives and welfare of Kenyans. “The Big Four” plan targets to address the priority needs of all Kenyans by ensuring food and nutrition security, enhancing access to universal health care, improving living conditions by providing affordable housing and supporting manufacturing activities for job creation.
Ladies and Gentlemen,

6. As you all know, implementation of “The Big Four” requires financial resources, which as we all know are limited. There is therefore need for prudent management of the available resources. A larger portion of the resources is expected to come from the private sector. On our part, we shall continue with the efforts of mobilising resources either domestically or internally to fund the programmes identified for implementation by the Government. Domestically, we continue to improve revenue collection through the efforts of Kenya Revenue Authority. As you are well aware, due to the slowed economic conditions last year, revenues did not perform as expected in FY 2018/19.

7. We have jointly identified key Revenue Enhancement Initiatives with KRA in order to turn around the low revenue performance. As you are also away, when presenting the FY 2017/18 budget Statement in Parliament, I did identify key areas to generating additional revenues to fund the priority programmes. I call upon Kenyans aimed to support Government in the effort of raising revenues that will be geared towards improving their wellbeing.

8. As an example, over the last six years, using the resources mobilised, we have continued to upgrade the quality infrastructure projects particularly in roads, airports, sea ports, rail (Standard Gauge Railway), energy generation among others. The quality of this infrastructure that Kenyans enjoy today is not comparable to ten years ago and is much better than that found in most countries in the East African Sub region and sub Saharan Africa. You have witnessed tremendous investments to critical social services in education in this case, free primary and free day secondary education; health with improved facilities; security – that has
led to improved security of our lives and property and enhanced service delivery through the Devolution. Indeed more can be done.

9. The policy environment continues to support investment and growth. As a country, macroeconomic stability remain stable with inflation remaining below the target of 5 percent. We have accumulated adequate foreign exchange that continue to support the stability of the Kenya shilling exchange rate. The Current Account balance has declined to below six percent of GDP. We have also managed to lower the fiscal deficit by more that 2.0 percent of GDP to within the target of 7.2 percent of GDP. In the FY 2018/19 we target a fiscal deficit below 6.0 percent of GDP and further down to below 5.0 percent of GDP in the FY 2019/20 budget.

10. This process of fiscal consolidation that we embarked on is bearing fruits and will lower net present value of debt to below 50 percent of GDP over the medium term. We have clear strategy on revenue mobilisation going forward and expenditure rationalisation. As you may recall while finalising the budget for FY 2018/19, we went through a zero based approach helping us eliminate non priority expenditures. As we embark on the FY 2019/20, I call upon all the Accounting Officers to undertake a zero based approach with all budget expenditure items backed by verifiable evidence.

Ladies and Gentlemen,

11. In an effort to strengthen our public investment management framework as a key component of better fiscal governance, we have now set up a Public Investment management Unit at the National Treasury. This Unit will establish a framework for public investment management that Accounting units in National and County Governments
shall adhere to before projects are selected for budgeting and implementation to ensure that priority projects are selected and implemented on time and within budget. The PIM Unit shall independently appraise projects before they are included for budgeting. The guidelines are currently undergoing stakeholder and public consultations before approval by Cabinet.

12. To further create fiscal space, Accounting Officers are reminded of the recent Government Directive that MDAs should not implement any new projects in the FY2018/19 and the Medium-Term Budget. Towards this end the National Treasury working with Ministries, Departments, and Agencies have finalized the review of all the development projects in the FY 2018/19 Budget, and identified projects that have to be delayed in order to create fiscal space for completion of ongoing projects.

13. The proposed revision of the budgetary provisions for these projects will be resubmitted to Parliament through a Supplementary Budget for necessary approval. The Sector Working Groups are therefore required to scale up prioritization of allocation of resources towards the completion of on-going projects.

**Ladies and Gentlemen,**

14. The Government will continue to scale up implementation of the initiatives under the “Big Four” Plan that I mentioned earlier in this statement. I wish to re-emphasize that indeed resources are scarce hence the need for proper prioritization to ensure that we focus on the ‘Big Four’ Plan and critical expenditures with the highest impact on Kenyans. In this regard, the aim of the Medium-Term Expenditure Framework is to strike an appropriate balance
between support for growth and continued fiscal discipline while providing fiscal space for the implementation of the "Big Four" Plan.

15. In the implementation of "The Big Four" Plan, the Government will continue to leverage on funding of initiatives and through the Public Private Partnerships (PPP) facilitated by the High Speed PPP Unit.

**Ladies and Gentlemen,**

16. I call upon the Sector Working Groups are therefore expected to conduct a thorough review of all Sector Budget proposals for FY2019/20 and the Medium Term to ensure that they are aligned to the achievement of the objectives of the "Big Four" Plan. This exercise should entail scaling up 'Zero Based Budgeting Approach' to create the required fiscal space for the "Big Four" interventions and other Government priorities. Establishing the resource requirement for priority programmes and projects, and funding of the priorities within the Sector ceilings provided.

17. To further create fiscal space, Accounting Officers are reminded of the recent Government Directive that MDAs should not implement any new projects in the FY2018/19 and the Medium-Term Budget. Sector Working Groups are therefore required to prioritize allocation of resources towards the completion of on-going projects.

**Ladies and Gentlemen:**

18. The Government will also continue to pursue its objective of ensuring value for money in public spending. Public expenditure must therefore be efficient and effective. Low-priority expenditures must give way to high-priority
service-delivery programmes, and wasteful expenditures must be eliminated in both levels of Government.

19. In addition, the Government will intensify the ongoing fight against corruption and proliferation of counterfeit products in the economy. The operations of the Multi-Agency teams will be strengthened and adequately resourced. These efforts will eliminate pilferage of public resources and substandard products.

**Ladies and Gentlemen:**

20. The formulation and preparation of the budget should be guided by the salient principles of our constitution. Key among them is public participation. Active engagement of the public in the budget process is essential in promoting transparency, accountability and good governance. The Sector Working Groups are therefore required to identify and engage stakeholders to obtain their input during the budget preparation process.

21. As we engage with our stakeholders, we need to also take stock of the available resources to be tapped from within and across Government, Development Partners and the private sector. This will accelerate the implementation of planned programmes and projects, and minimize duplication of effort and wastage of resources.

**Ladies and Gentlemen,**

22. The output of the Sector Working Group process will be an important input into the 2019 Budget Policy Statement (BPS), which will provide the framework for finalizing the next Budget. We therefore expect that all planned priority programmes and projects will be identified, prioritized and
accommodated in the Budget Policy Statement, within the available resources.

23. Finally, as we embark on this process, we look forward to meaningful consultations that will enable various stakeholders to play their rightful role and give useful input towards the finalization of FY 2019/20 and the Medium-Term Budget. We must respond to the needs of Kenyans and we must be seen to encourage them to participate in policy making. Public Participation is therefore, key in the budget process and all the Sector Chairs must ensure that this is adhered to.

Ladies and Gentlemen,
24. Finally, Ladies and Gentlemen, allow me to thank all the people who turned up for this event and the Kenyans in general for the interest in the budget making process. We shall ensure you get value for money in each of the programmes and projects identified in this budgeting process.

25. With these few remarks, it is now my pleasure and duty to declare the FY 2019/20 and the Medium Term Budget preparation process officially launched.

THANK YOU AND GOD BLESS YOU ALL.