

**REMARKS BY MR. HENRY K. ROTICH, EGH, CABINET SECRETARY, NATIONAL TREASURY
DURING THE LAUNCH OF THE 2017/18 BUDGET PREPARATION PROCESS AT KENYATTA
INTERNATIONAL CONVENTION CENTRE, NAIROBI 27TH JULY 2016**

**H.E the Deputy President of the Republic of Kenya,
Cabinet Secretaries,
Chairman, Budget and Appropriations Committee,
Principal Secretaries and Accounting Officers,
Development Partners,
Distinguished Guests,
Ladies and Gentlemen,**

1. Good Morning! May I take this opportunity to welcome H.E. The Deputy President and indeed to you all to the launch of the 2016 Sector Working Groups. We are very pleased to have H.E. The Deputy President as our chief guest and on behalf of all of us, let me take this opportunity to express our deep gratitude to him for accepting to honor this important day in our budget process. I also wish to thank you all for finding time to attend.

2. As you have noticed, we have revised our budget calendar to enable the current Parliament approve the FY 2017/18 Budget Estimates, in view of the fourth coming 2017 General Elections scheduled for August. The objective is to ensure that the budget for the 2017/18 is appropriated in good time for smooth operation of the budget before and after the 2017 general election.

3. This launch, therefore, marks the official start of the budget preparation process which will run for the next six months. During this period we are expected to deliver the following outputs:

- Ministerial Programme Performance Reviews, by Mid-August, 2016;
- The Budget Review and Outlook Paper (BRPOP), by Mid-September, 2016;
- Sector Budget Proposals, by Mid-October, 2016;
- The 2017 Budget Policy Statement, by Mid-November 2016;
- Division of Revenue Bill and County Allocation of Revenue Bill, by Mid-November 2016;
- The Estimates of Revenue and Expenditure, and end January 2017; and
- Pre-Election Report, by end-January 2017

4. The budget preparation is done and coordinated within the Sector Working Groups framework. The SWGs will be responsible for performance review, prioritization of budget proposals and allocation of resources to Sector priorities. I am sure you have all received the guidelines of this process and expect all MDAs to adhere to the guidelines including the timelines provided.

Ladies and Gentlemen:

5. The FY2017/18 Budget will continue to focus on delivery government strategic priorities as outline in the 2nd Medium-Term Plan of the Vision 2030, including:

- (i) Sustaining conducive business environment for investment opportunities by improving security; maintaining macro-economic stability, and reducing the cost of doing business;
- (ii) Investments in infrastructure to unlock constraints to growth, including ongoing public investments in the railway network, modernizing seaports and airports, improving road networks and expanding energy and water supplies;
- (iii) Investments in agriculture for food security and support for the manufacturing sector through growth of exports.
- (iv) Sustained investment in social services (education and health) and support for the vulnerable groups;
- (v) Enhancing service delivery and democratic process through devolution and competitive elections; and
- (vi) Structural reforms in the public sector, financial sector and business regulation for better service delivery

Ladies and Gentlemen:

6. The current financial year's Budget was prepared against a backdrop of weak global economic conditions, which is forecasted to continue throughout the FY2017/18. Despite the sluggish growth in the global economy, Kenya's economy has been stable and is expected to remain strong over the Medium Term. The economy grew by 5.6 percent in 2014 increasing to 5.6 percent in 2015. First quarter growth for this year indicate that the economy grew by 5.9 percent well above SSA average. Building on this momentum, the economy is expected to grow by over 6.0 percent in 2016, rising to 7.0 percent over the medium term. Inflation is expected to remain within target over the medium term. Interest rates are also expected to remain low and stable and the exchange rate competitive, underpinned by prudent fiscal and monetary policies.

7. Before I conclude, let me take this opportunity to underscore the critical importance of adherence to the budget ceilings that will be set in the Budget Review and Outlook Paper (BROP) that will be approved by Cabinet by 9th September 2016. The ceilings will be set based on our realistic projection of our revenue performance and our ability to borrow as guided by our Debt Sustainability Analysis. There will, therefore, no scope for additional resources once the ceilings are set. All accounting officers will therefore be required to respect this hard budget constraint and stay within the set ceilings as you compete for resources within your respective sectors.

8. With these few remarks, it is now my humble duty and pleasure to invite His Excellency the Deputy President of the Republic of Kenya to give a keynote address and officially launch the 2016 Sector Working Groups.

Welcome your Excellency.

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