



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

**KEYNOTE ADDRESS BY HON. (AMB) UKUR YATANI, EGH
CABINET SECRETARY, THE NATIONAL TREASURY &
PLANNING DURING THE OFFICIAL OPENING OF THE
PUBLIC HEARINGS OF THE FY 2022/23 & THE MEDIUM-
TERM BUDGET PROPOSALS HELD ON 13TH OCTOBER 2021
AT KENYATTA INTERNATIONAL CONVENTION CENTRE.**

Cabinet Secretaries;

Chief Administrative Secretaries;

Principal Secretaries and Accounting Officers;

Chairperson, Budget and Appropriations Committee;

Heads of Constitutional Commissions and Independent Offices;

Development Partners;

Distinguished Guests;

Ladies and Gentlemen:

1. Good morning. Let me take this opportunity to welcome you to this year's official launch of the Public Sector Hearings. We are delighted that you found time to attend this event in person. I also express my gratitude to our numerous stakeholders who graciously agreed to join us through various virtual platforms thus facilitating our full compliance with the dictates of the constitution as regards mandatory Public participations. This important engagement of the National Government Budget Making Process will run for the next three days in this venue.

2. Indeed, article 201 of the constitution of Kenya, 2010 outlines openness and accountability in the management of public finances, and public participation as key principles that guide the public financial management.

3. The 2021 Public Hearings, therefore seeks to provide stakeholders and Citizens the opportunity to exercise their civic duties of shaping and influencing decisions on the sectoral budget proposals. The Hearings will further provide a platform for interrogating the Government's scorecard on the previously approved priorities, their budgetary allocation, as well as measuring deliverable outcomes. Through this process the Public will provide inputs to the FY 2022/23 and Medium Term Budget proposals. The proposals will be consolidated into a National Budget and submitted to Parliament early next year.

4. During the next three days, stakeholders will therefore be expected to engage with the respective sectors on the achievements made towards the implementation of previous planned programmes for the last three years, and moving forward prioritize policies, strategies, programmes, and their corresponding budgetary allocation for consideration in the next Financial Year and the Medium-Term Budget.

Ladies and Gentlemen:

5. It is important to underscore that with the upcoming General Elections in August 2022, the Calendar for the preparation and submission of the National Government Budget was revised to allow the Appropriation of the Budget by 31st March, 2022.

6. As we commence the Public Hearings on the FY 2022/23 and the Medium-Term Budget proposals, I am aware that a number of our stakeholders will not be able to join the meetings physically due to the Ministry of Health and WHO protocols on COVID-19 pandemic. However, to ensure continued involvement and participation of our stakeholders in this process, the National Treasury has created and shared a virtual link with the public. It is our expectation that with the link participants will follow the proceedings and give their inputs on the Budget Proposals, from convenient locations.

Ladies and Gentlemen:

7. Prior to the emergence of COVID-19 pandemic in March 2020, our Medium Term plan prioritized the ‘**the Big Four Agenda**’ and **macroeconomic stability** as envisioned under the MTP III, these remain core Government priorities in the management of the economic affairs of our country. We remain committed to uphold high level fiscal discipline and prudent economic and financial management. We shall focus on measures to expand the revenue base while at the same time rationalizing Government operating expenditure under a tight fiscal framework in order to contain the debt burden as well as corresponding debt servicing costs.

Ladies and Gentlemen:

8. As you may recall, the year 2020 was a challenging one both globally and at the domestic level following the outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures. Our economic development was greatly disrupted forcing the Government to step in with targeted fiscal and monetary measures while also offering direct support to the vulnerable and the new urban vulnerable segment of the society.

9. Overall, Kenya’s economy contracted by **0.3 percent** in 2020 compared to a growth of **5.0 percent** in 2019. While most services sector contracted, agricultural production, construction, mining, health and financial and insurance sectors recorded strong positive growths moderating the overall contraction of the economy.

10. The FY 2022/23 and the Medium-Term Budget is being framed against a background of projected global economic recovery. This is despite the emergence of COVID-19 variants occasioning re-introduction of containment measures. The projected recovery is supported by the ongoing vaccinations, additional fiscal support and monetary easing. Global Growth in 2021 is therefore projected at 6.0 percent and 4.9 percent in 2022 from a contraction of 3.2 percent in 2020.

11. In Kenya, leading indicators for the economy so far point to robust economic recovery following the reopening of the services sectors and stronger global demand. As a reflection of the lower base in 2020 and continued implementation of the strategic priorities of the Government under the “Big Four” Agenda, Economic Recovery Strategy and other key priority programmes as well as the prevailing macroeconomic stability, economic growth for the domestic economy is projected to expand by **6.0 percent** in 2021 from a contraction of **0.3 percent** in 2020.

12. It is important to note that in spite of the COVID-19 Pandemic, we have continued to preserve macro-economic stability by maintaining low and stable inflation, interest rates, and a competitive exchange rate.

13. Budget implementation in the first quarter of the FY 2021/22 has progressed well against the background of continued growth in revenue collection that keeps pace with targets as economic and business activities pick up. We indeed remain committed to fiscal consolidation path so as to reduce and stabilize growth in public debt. The fiscal deficit is projected

to decline from **8.4 percent** of GDP in the FY 2020/21 to **7.4 percent** in the FY 2021/22 and further to **5.7 percent** in FY 2022/23.

Ladies and Gentlemen:

14. In the FY 2022/23 revenue collection is projected at 17.5 per cent of GDP whose performance will be underpinned by the on-going reforms in tax and revenue administration as well as implementation of Economic Recovery Strategy. The overall expenditure and net lending is projected at 23.5 per cent of GDP while fiscal deficit is projected at 5.7 percent of GDP. The deficit will be financed by a net external financing of 2.7 per cent of GDP and a net domestic financing of 3.0 per cent of GDP.

Ladies and Gentlemen:

15. The ongoing COVID-19 vaccination programme that was launched in March 2021, initially targeting the frontline workers and other highly vulnerable groups has progressed well. As at the end of September, 2021, about **3.76 million** Kenyans had been vaccinated with a target of **10 million** adults by December, 2021 and **26 million** by June, 2022. This will indeed boost immunity of the entire population.

16. Further, its worthy to note that possible heightened political activities in 2022 due to the forthcoming General Elections may slow private investments thereby affecting the pace of projected economic growth. The

Government will however continue to monitor these developments and take appropriate measures to safeguard the economy and livelihoods.

Ladies and Gentlemen:

17. Considering the tight resource envelope, Sector Working Groups were required to scrutinize proposed budgets of Ministries, Departments and Agencies (MDAs) and ensure strict adherence to the budget constraint. It is therefore expected that this was taken into account when coming up with the Sector Budget proposals.

18. I wish to emphasize that Sector Working Groups are expected to maintain these objectives during the 3 day Public Hearings. The output of the Hearings, will go towards the firming up of revenue and spending proposals to be submitted to Parliament.

19. The revenue and expenditure projections contained in the 2021 Budget Review and outlook Paper (BRBP) will therefore be reviewed to reflect the obtaining macro-economic environment in both the international and domestic scenes, through the Budget Policy Statement that we shall be submitting to Parliament by 30th November, 2021.

Ladies and Gentlemen:

20. I am also aware that to formulate the Budget Proposals and the 2021 Public Hearings, the Sector Working Groups and their respective stakeholders, and the Staff of the National Treasury and Planning, have

been working for long hours, including working during the holidays and weekends for which I thank them immensely.

21. Finally, I want to once again encourage members of the public to feel free to give their inputs and raise issues where necessary during the discussions of individual Sector Budget Proposals, as we truly value your contribution. I look forward to your active and candid engagement during the Hearings.

22. It is now my pleasant duty to declare the 2021 Public Hearings officially launched.