



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

KEY NOTE ADDRESS BY NJUGUNA NDUNG’U, CBS, CABINET SECRETARY FOR THE NATIONAL TREASURY AND ECONOMIC PLANNING DURING THE PUBLIC HEARINGS FOR THE FY 2023/24 AND THE MEDIUM-TERM BUDGET PREPARATION AT KENYATTA INTERNATIONAL CONVENTION CENTRE ON 11TH JANUARY 2023

Cabinet Secretaries Present

Chairperson, Budget and Appropriation Committee;

Principal Secretaries and Accounting Officers;

Development Partners;

Members of the fourth estate;

Distinguished Guests;

Ladies and Gentlemen.

Good Morning

1. It is my pleasure to be here with you this morning to officiate the official opening of the Public Sector Hearings for the FY 2023/24 and Medium Term Budget Preparations. The purpose of organizing this forum is to give all other stakeholders an opportunity to interrogate the proposed sector budgets and give their inputs on planned Government priority programmes for the period. This is supposed to address market

failures problems and other challenges being faced in Kenya. I therefore wish to sincerely thank all the participants for finding time to attend this event and I do hope a fair amount of effort and positive discussions will take place.

- **Public Participation**

2. **Ladies and Gentlemen**, public participation in the budgeting process is an important requirement under our Constitution and it is important in diverse ways:

- (i) It enables stakeholders to engage in the planning process to identify their development needs and propose homegrown solutions to address any challenges; An endogenous ownership emerges and develops.
- (ii) It helps in promoting inclusivity in the budget making process, thus enhancing greater ownership and participation of Kenyans in subsequent programme implementation;

- (iii) It allows harmonization of government interventions, minimizes duplication of efforts and wastage of resources;
- (iv) It enables the citizens to better appreciate the resource constraints and the importance of prioritizing planned programmes; and
- (v) Finally enhances openness and transparency by providing a platform for receiving feedback from the public on the effectiveness of public spending that is a step towards accountability.

- **Economic Outlook**

3. **Ladies and Gentlemen**, let me now turn to the economic outlook for 2023. There are clear signals that New Year 2023 is likely to shape up to be a rough one for the global economy. Multiple factors are likely to come into play and affect the growth prospects across the globe. For instance, if Russia-Ukraine conflict continues to

escalate, the global supply chains will continue to be affected thereby causing supply disruptions and a surge on inflation, but also incomes for the exporters in our region.

4. Indeed, some parts of the world are already in an economic crisis. Low-income countries have been hit hard by these supply disruptions, debt, surges in food and commodity prices, the devastating effects of climate change, and limited access to foreign finance. Even in middle- and high-income economies, a combination of factors are hitting hard on cost of living. We have witnessed here in Kenya that food security and climate change has produced severe crisis compounded by this supply disruptions, inequality, poverty and social conflicts. The FY2023/24 Medium-Term Budget is being prepared against that background.

- **Debt-related risks**

5. **Ladies and Gentlemen**, according to the World Bank, the world's poorest countries have been spending the highest share of their revenues on debt-service payments. Debt-related risks are on the increase for low and middle-income economies. It on this recognition that the Government of Kenya will continue to pursue fiscal consolidation to push for a platform for debt sustainability. This involves gradual reduction of the overall fiscal deficit and the pace of debt accumulation over the medium-term as well as an effective liability management strategy. The policy will be supported by enhanced revenue mobilization and instituting austerity measures on non-priority recurrent expenditure as well as redirecting resources to finance priority growth-supporting programmes.

- **GDP growth in 2023**

6. **Ladies and Gentlemen.** According to the latest forecast from the IMF, Global growth is forecast to slow from 3.2% in 2022 to 2.7% in 2023. Emerging Market and Developing Economies growth is forecast at 3.7%, Advanced Economies growth is forecast at 1%, Euro Area growth is projected to come in at 0.5%, China's economy is forecast to grow 4.4% and Emerging Market growth is forecast at 2.9% in 2023 and Sub-Saharan Africa growth is projected to be 3.7%.

- **The Bottom-Up Economic Transformation**

7. **Ladies and Gentlemen,** Kenya's economy is projected to grow by 5.5 percent in 2022 and above 6.0 percent over the medium term. This growth will be reinforced by the Government's Bottom-Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth. Avenues of inclusive growth include creating jobs and agro-processing for export will be critical.

The Bottom-up Approach to economic management will drive the economic recovery agenda that will emphasize on three dimensions to support economic recovery;

First, protect private investments, targeted at human capital development that is health, education and nutrition outcome. Human capital development is an important element to drive development.

Second, develop, regulate and protect markets. Markets will ignite and increase production and productivity downstream and increase incomes upstream. It is in markets that economic rents are shared and distributed which is the essence of Bottom Up approach.

Finally, the digital solutions will create an efficient platform for government services that will reach all effectively.

8. The Bottom-Up Economic Transformation Agenda will seek to increase investments in at least five sectors envisaged to have the largest impact on the economy as well as on household welfare. These include Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. The Government has in this regard launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment in the past interventions moved up the MFIs. Sector Working Groups are urged to ensure that the planned Programme gives priority to 5 thematic areas, even as we seek to complete the ongoing programmes.

- **Resource Mobilization for Growth**

9. **Ladies and Gentlemen,** as we prepare the FY 2023/24 and the Medium Term, emphasis will be on aggressive revenue mobilization including policy measures to bring on board additional revenue. The strong outcome in revenue collection in the FY 2021/22 offers a strong base for supporting the expenditure estimates. In this regard, the National Treasury has initiated the development of the Medium-Term Revenue Strategy (MTRS). Based on the County Governments' fiscal performance in the FY 2021/22, County Governments are also expected to put measures in place to address the following: optimization of Own Source Revenue collection; adherence to fiscal responsibility principles; and clearance of pending bills.

10. **Ladies and Gentlemen,** as noted earlier, public participation in the budget process is a Constitutional requirement. This forum therefore gives Kenyans in general an opportunity to give their input to the budget process. I therefore, call upon all stakeholders to scrutinize various budget proposals to ensure that they address their needs. The public by virtue of being the primary stakeholders and revenue contributors

have a right to know how the revenues collected will be applied to programmes which will ultimately benefit them.

- **Budgeting for Results**

11. Ladies and gentlemen, the proposals have also adopted the program-performance based budgeting (PBB), it puts emphasis on the management of public resources for results. This has, at the same time, increased the need for greater accountability from managers of public resources who will from time to time be called upon to explain the manner they implemented government programs, the constraints they faced and the remedial actions they intend to take.

Conclusion

12. Ladies and Gentlemen, in conclusion, I wish to appreciate the effort that has been put by respective Sector Chairpersons, Accounting Officers and officers at National Treasury and Economic Planning and those in the line Ministries in coming up with the reports within a very short duration after the launch of the Sector Working Groups in November last year.

13. Lastly, I would like to assure the Public and Kenyans in general that their comments will be taken into account and be included in the final Sector Budget Proposals. I therefore sincerely wish to thank all of you for setting aside your valuable time to attend this function.

14. Ladies and Gentlemen, with those few remarks, it is now my great pleasure to officially open the Public Hearings for the FY 2023/24 and the Medium-Term Budget Preparation that will cover the next three days.

THANK YOU FOR YOUR ATTENTION