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# BUDGET STATEMENT

**FY 2022/23**

***Theme: "Accelerating Economic Recovery for  
Improved Livelihood"***

**STATEMENT DELIVERED TO THE NATIONAL ASSEMBLY ON 7<sup>TH</sup> APRIL, 2022 BY HON. (AMB.) UKUR YATANI, EGH, CABINET SECRETARY FOR THE NATIONAL TREASURY AND PLANNING, REPUBLIC OF KENYA, WHILE HIGHLIGHTING THE BUDGET POLICY AND REVENUE RAISING MEASURES FOR THE FINANCIAL YEAR 2022/23**

**1<sup>ST</sup> JULY, 2022 TO 30<sup>TH</sup> JUNE, 2023**

© Budget Statement 2022

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## **I. INTRODUCTION**

**1. Mr. Speaker,** it is once again an immense privilege for me to present to this august House and to the people of the Republic of Kenya the Budget Statement that highlights the budget policies and the revenue raising measures for the Financial Year 2022/23. The presentation of this statement is in fulfilment of the requirements of Section 40 of the Public Finance Management Act and the standing order number 241 of the National Assembly.

**2. Mr. Speaker,** our Partner States in the East African Community have agreed that Kenya can proceed with an early presentation of the Budget Statement this month. This aligns the budget calendar with the timelines for the General Elections scheduled for August 2022.

**3. Mr. Speaker,** His Excellency the President Hon. Uhuru Kenyatta took office in 2013, at the time, the country had just completed implementation of the first Medium Term Plan of the Kenya Vision 2030 and was on

the third year of implementation of the 2010 Constitution. During the first five years, his Administration designed and implemented an Economic Transformation Agenda under the second Medium Term Plan of Vision 2030.

**4.** The Agenda focused on five key pillars: **one**, improving the business climate by maintaining macroeconomic stability, addressing security challenges, and reducing the cost of doing business; **two**, closing the infrastructure gaps; **three**, promoting investment in key sectors such as manufacturing, agriculture and tourism; **four**, sharing prosperity by investing in pro-poor programmes in health, education and social welfare and, **five**, fostering the devolved system of Government to enhance service delivery.

**5.** Building on the progress made under the Economic Transformation Agenda, the Government initiated the **“Big Four” Agenda** anchored on the third Medium Term Plan of the Vision 2030. The Government focused



on transforming the lives of Kenyans through strategic interventions on Food and nutritional security, Affordable housing, Manufacturing for job creation and Universal Health Coverage.

**6. Mr. Speaker,** while we celebrate remarkable achievements from the past investments in the priority programs under the Economic Transformation and the **“Big Four” Agenda**, the country continues to grapple with various social, economic and environmental challenges. In preparing this year’s budget, we extensively consulted Kenyans: their insightful comments and suggestions have informed the priorities laid in this Budget. Key among the concerns were: **one**, the high cost of living; **two**, high level of unemployment among the youths; **three**, income inequality; and **four**, public debt burden.

**7. Mr. Speaker,** we have noted that most of the concerns raised by Kenyans were associated with the negative effects of COVID-19 pandemic. In response,

the Government developed and implemented appropriate economic policies and rolled out targeted programs that cushioned the citizens and businesses from the adverse effects of the pandemic. Building on the progress realized, we have outlined policies in this Budget that are geared towards returning the economy back on a more sustainable growth path for improved livelihoods. In pursuit of this, we have therefore chosen this year's Budget theme as "**Accelerating Economic Recovery for Improved Livelihood**". The Government will implement economic policies and undertake structural reforms geared towards improving the welfare of Kenyans. This includes aligning and accelerating implementation of the "Big Four" Agenda and the third Economic Stimulus Program for sustainable growth.

**8. Mr. Speaker,** conscious of the constrained fiscal space, we intend to implement these policy measures within a sustainable fiscal framework. Indeed, we have

moderated our spending level targets and ensured cautious revenue projections. We have re-prioritized public spending towards pro-poor expenditures in health, education and supporting the vulnerable segment of the population. In addition, we are leveraging on the Public Private Partnerships to fund public projects, support the private sector and narrow the fiscal deficit.

**9. Mr. Speaker,** the next section of my Statement will give highlights of the economic policy context, policy priorities of the Government and the strategy for accelerated economic recovery. I will later provide highlights of the fiscal framework underpinning this Budget, spending priorities and the proposed tax policy measures.

## **II. ECONOMIC POLICY CONTEXT**

### **Global Economy**

**10. Mr. Speaker,** this year's Budget has been prepared against a background of a moderate global growth of **4.4**

**percent** from a recovery of **5.9 percent** in 2021. The global economy contracted by **3.1 percent** in 2020 following the outbreak of COVID-19 Pandemic. However, there are risks to this growth outlook largely from possible re-emergence of COVID-19 pandemic and the ongoing conflict in Eastern Europe.

### **Domestic Economy**

**11. Mr. Speaker,** Kenya's economy demonstrated remarkable resilience to the COVID-19 shock in **2020** and a staged strong recovery in 2021. Following the easing of COVID-19 restrictions, reopening of the economy as well as targeted stimulus interventions by the Government, the economy registered strong recovery of **9.9 percent** in the third quarter of 2021. Overall, the economy is estimated to have expanded by **7.6 percent** in 2021, a much stronger level from the contraction of **0.3 percent in 2020**. In 2022, the economy is projected to stabilize at **6.0 percent**

supported by recovery in agriculture, industry and services sectors.

**12. Mr. Speaker,** to further strengthen this growth outlook, the Government will continue to safeguard macroeconomic stability by ensuring inflation remains within the Government target range while interest rates remain stable to support growth in private sector credit.

**13.** The foreign exchange market is largely expected to remain stable with foreign exchange reserves providing buffers against shocks in the foreign exchange market. The current account deficit is projected at **5.9 percent** of GDP in 2022 supported by a rebound in horticulture and tea exports as well as increased inflows of remittances.

**14. Mr. Speaker,** the economic outlook may be affected by emerging domestic and external risks. **On the domestic front,** re-emergence of COVID-19 variants and possible adverse weather conditions could reverse the projected economic recovery.

**15. On the external front,** the ongoing conflict in Eastern Europe has created uncertainties that will affect the global economic outlook through disruption of supply chains, rising global oil prices and increased inflationary pressures.

**16. Mr. Speaker,** the Government will monitor all the domestic and external risks and take appropriate policy actions to cushion the economy and Kenyans in the event the risks materialize.

### **III. POLICY PRIORITIES AND STRATEGY TO ACCELERATE ECONOMIC RECOVERY**

**17. Mr. Speaker,** since 2017, the Government has progressively implemented policies and programmes under the “Big Four” Agenda to foster socio-economic development. However, the COVID-19 pandemic slowed down the implementation and full realization of the expected benefits.

**18. Mr. Speaker,** to further accelerate economic recovery and improve livelihoods, the Government will

continue to implement and expand the Economic Recovery Programme in this budget. The Programme is hinged on a sound macroeconomic policy framework that aims to:

- a. **one**, enhance **security** for our citizens and their properties, while fostering a secure and conducive business environment;
- b. **two**, scale up **development of critical infrastructure** in roads, rail, energy and water sectors. This will ease movements of people and goods, reduce the cost of doing business, enhance access to social amenities and promote Kenya's competitiveness;
- c. **three**, enhance **transformation of key economic sectors** for broad-based sustainable recovery by promoting agricultural productivity, growth in manufacturing, environmental conservation and water supply; support tourism recovery; and ensure sustainable land use and management;

- d. **four**, expand access to quality social services in health, education and appropriate social safety-nets for the vulnerable population;
- e. **five**, support **the youth, women and persons living with disabilities** through Government funded empowerment programs;
- f. **six**, continue supporting the **devolved system of Government** through active engagements, policy guidance and timely transfers of sharable revenues. This will indeed strengthen County Governments' systems and enhance quality service delivery; and
- g. **lastly**, sustain implementation of various reforms targeted at enhancing efficiency in the delivery of public services.

**19. Mr. Speaker**, the implementation of the Economic Recovery Programme that is also supported by the International Monetary Fund is fully on track.



**20.** The IMF Programme has four key objectives: **first**, scaling up the COVID-19 response by supporting health and other sectors most impacted by the pandemic; **second**, reducing debt vulnerabilities by pursuing a revenue-driven fiscal consolidation plan that targets to stabilize the debt to GDP ratio and subsequently put it on a downward level; **third**, supporting structural and governance reforms while addressing weaknesses in state-owned enterprises with a view to enhancing efficiency in the management of economic and fiscal affairs; and, **fourth**, implementing specific measures to strengthen the monetary policy framework and support financial stability.

**21. Mr. Speaker,** alongside the aforementioned, the Government has continued with the implementation of various stimulus programs to manage COVID-19 pandemic, support businesses and general employment in order to minimize the adverse socio-economic impact of COVID-19 pandemic.

**22. Mr. Speaker,** in the financial year 2021/22, the third phase of the Economic Stimulus Programme under implementation targeted; **one,** the “Kazi Mtaani” Programme to create employment for over 200,000 youths across the country; **two,** preparation of the education sector for the transition into the Competency Based Curriculum (CBC) by constructing new classrooms to accommodate more than one million pupils expected to join Junior secondary schools in January 2023; **three,** construction of additional 50 New Level 3 Hospitals in non-covered and densely populated areas across the Country to enhance access to medical services; **four,** supporting livelihoods of farmers within the sugar belt; provision of fertilizer subsidy to small scale tea farmers; and, completion of ongoing interventions in the coffee sub-sector; and **five,** supporting communities affected by drought in the arid and semi-arid regions of the Country.

**23. Mr. Speaker,** in this Statement, I will be proposing additional allocation to various activities under the Economic Stimulus Programme to further support livelihoods and stimulate economic activities.

**24. Mr. Speaker,** in this budget, the Government will strive to:

- enhance the role of the private sector in the economy, including financing infrastructure projects through the Public Private Partnership;
- support micro, small and medium enterprises by facilitating access to finance;
- invest in ICT and digital infrastructure to support the use of digital platforms to facilitate e-commerce and efficient delivery of public services;
- promote and strengthen local and foreign resource mobilization efforts to sustain funding of the identified development projects and programmes;

- improve social-protection through targeted policy interventions and programmes;
- promote local production processes and domestic supply value chains; and,
- strengthen monitoring and evaluation systems for quality outcomes of the projects.

### **Achievements since 2013**

**25. Mr. Speaker,** implementation of socio-economic policies and structural reforms, have seen Kenya graduate from a low-income to a lower middle-income country with an estimated per capita income of **Ksh 244,099** in **2021**. This is a significant leap of **92.1 percent** from the level of **Ksh 127,065** in 2013. Our vision is to achieve the upper middle-income status by 2030 with a minimum per capita income of at least **Ksh 453,150**.

**26. Mr. Speaker,** looking back since 2013 when the current Government took reign of power, Kenya has

achieved monumental milestones especially at the **macroeconomic level**; for instance,

- i) The economy has grown by **155 percent** from the value of **Ksh 5.3 trillion** to **Ksh 13.5 trillion in 2022**;
- ii) A strong economic growth averaging **4.6 percent** has been realized over the period including impressive recovery of **7.6 percent** in 2021 from a contraction of **0.3 percent** in 2020 occasioned by the COVID-19 pandemic.
- iii) Cumulatively **5.1 million** new jobs in both formal and informal sectors were created.
- iv) The economy has maintained macro-economic stability with inflation rate within target and interest rates remaining stable. The average annual inflation rate declined from **7.2 percent** in 2013 to **5.7 percent** in 2021.

- v) Commercial banks' lending to the private sector doubled from **Ksh 1.5 trillion** to **Ksh 3.1 trillion** in 2021.
- vi) Successfully lengthened the average time to maturity for Treasury bonds from **7.4 years** in June 2013 to **9.0 years** in March 2022. This has improved the maturity profile of domestic debt and supported refinancing risk mitigation.
- vii) The foreign exchange market has remained stable with the official foreign exchange reserves increasing from **US dollar 6.5 billion** or **4.4 months** of import cover to **US dollar 9.5 billion** or **5.6 months** of import cover in 2021. The current account deficit improved by dropping from **7.7 percent of GDP** in 2013 to **4.9 percent of GDP** in 2021 effectively supporting the stability of the foreign exchange market.

- viii) Annual Diaspora remittances grew by close to **300 percent** from **Ksh 112.3 billion** in 2013 to the current **Ksh 436.8 billion** in 2022.
- ix) Foreign Direct Investment (FDI) rose from **Ksh 56.7 trillion** in 2013 to **Ksh 75.1 trillion** in 2017.
- x) Ordinary revenue collection has more than doubled from **Ksh 0.8 trillion** in the financial year 2012/13 to **Ksh 1.8 trillion** in the financial year 2020/21 and further to **Ksh 2.0 trillion** in the financial year 2021/22.
- xi) The poverty prevalence rate declined from **36.1 percent** in 2013 to **33.6 percent** in 2019.

**27. Mr. Speaker,** the on-going police reforms aimed at protecting lives and enhancing general security of the citizens have significantly improved the ratio of police to citizen; from **one policeman to 1000 citizens** in **2012** to the current **one policeman to 462 citizens**.

**28.** With regard to infrastructure, **Mr. Speaker,** the Government has constructed an additional **10,500 Kms**

of tarmacked roads spread across the 47 Counties facilitating efficient movement of people and goods thereby rapidly stimulating economic activities.

**29. Mr. Speaker,** the completion of the Standard Gauge Railway has not only eased movement of passengers during the period but also led to transportation of over **17.6 million tons** of cargo between 2018 to 2021. During this period, over **6.5 million passengers** have used the Standard Gauge Railway. This has had positive effects on the economy including creation of jobs.

**30. Mr. Speaker,** within the same period the Government tripled power generation from **1,300 megawatts** to the current **3,900 megawatts**. Of this, **73 percent** is from green source thus consolidating Kenya's lead in generation of green energy in Africa. This has significantly increased the number of households connected to electricity to more than **8.3 million** today compared to **2.3 million** in 2013.



**31. Mr. Speaker,** the international oil prices have been rapidly rising for close to a year without any sign of easing. Conscious of the adverse impact of the high oil prices on all sectors of the economy, the Government has taken deliberate steps to subsidize pump prices through the Petroleum Development Levy Fund. This action has stabilized pump prices and consequently prices of goods and services. The Government remains committed to provide adequate resources to mitigate the rising cost of fuel.

**32. Mr. Speaker,** in its pursuit to increase productivity while staying on the economic transformation trajectory, the government has sustained the pace of investment in all sectors. The agricultural sector remains the largest contributor to our GDP and a priority under the “Big Four” Agenda on food and nutritional security. The Government has continued to support large scale production of staple food; expanded irrigation schemes; increased access to agricultural inputs; and supported

smallholder farmers to sustainably produce and market various commodities. In addition, the Government introduced the warehouse receipt system to reduce post-harvest losses.

**33. Mr. Speaker,** the price of fertiliser has more than doubled in the last one year and is still rising. To safeguard food security in the country, the Government has allocated **Ksh 3.0 billion** to subsidize farmers during the current planting season. We propose to further allocate **Ksh 2.7 billion** in the FY 2022/23 to cushion the farmers while sustaining food production.

**34. Mr. Speaker,** to strengthen land and property ownership, the Government has issued over **5.3 million title deeds** over the last eight years. The Government has also fully digitized land records in Nairobi registry under the National Land Information Management System (ArdhiSasa) program to improve accessibility of land records and lowering the cost of land transactions.

**35. Mr. Speaker,** Kenya's emergent oceans and blue economy will remain, a key growth engine for the country. In the last five years, the Government has heavily invested in measures to expand marine fisheries, grow marine transport and logistics, and establishing Kenya as source of quality and cost-effective labor. These measures have resulted in opening of the Port of Lamu, re-opening of the Port of Kisumu, establishment of nascent shipyards at the Port of Mombasa and Kisumu, revival of the Kenya National Shipping Line, construction of an ultra-modern tuna fish hub at Liwatoni in Mombasa, amongst others.

**36. Mr. Speaker,** with the proposed interventions, the sector is on course to be among the top five key contributors to the Kenyan economy and a game changer in enhancement of the socio-economic fortunes of Kenyans living next to our marine resources.

**37. Mr. Speaker,** prior to COVID-19 pandemic, the Government's strategy to revive the tourism sector has

yielded positive results. The earnings from the sector had increased by **74 percent** from **Ksh 94.0 billion** in **2013** to **Ksh 163.6 billion** in **2019**. Tourist arrivals had also increased from **1.5 million** to **2.0 million** during the same period. In 2020 these numbers significantly declined due to the adverse effects of COVID-19 pandemic.

**38. Mr. Speaker,** in the health sector, hospital bed capacity increased from **56,069** in 2013 to **82,291** in 2020. This increase is attributed to over **1,912** new hospitals constructed across the country by the National and County Governments. Further, the introduction of free maternal health care program dubbed "**Linda Mama**" initiated in 2016 has led to the decline of maternal mortality rate by **26 percent**. This program alongside the "**Beyond Zero Campaign**" led by the First Lady has significantly contributed to the improvement of maternal health care in the country.

**39. Mr. Speaker,** to address the growing cancer burden, over the last decade, the Government has formulated appropriate policies and allocated sufficient resources to guide the delivery of cancer testing and treatment services. Some of these interventions includes; **one,** establishment of the National Cancer Institute as an overall coordinating agency; **two,** construction and equipment of comprehensive cancer centres at KNH, in Mombasa, Nakuru and Garissa Counties; and **three,** support to 10 County Referral Hospitals to operationalize chemotherapy clinics.

**40. Mr. Speaker,** to address the quality of education in the country, the Government has rolled out radical reforms in the sector that have significantly improved the quality of education in the country. For instance, the investment in the sector has seen the number of primary schools increase from **26,549** to **32,437** and secondary schools from **7,174** to **10,413** between **2012 and 2020**. The number of Technical and Vocational

Education Training (TVET) Institutions also increased from **701** to **2,301** during the same period. As a measure of unprecedented success, transition rate from primary to secondary schools moved from **64.5 percent** in 2012 to the current 100 percent. In addition, under the radical **Competence Based Curriculum (CBC)** the plan for the first group to join Junior Secondary Schools in January 2023 is well on course.

**41. Mr. Speaker,** following sustained investment in human capital development, Kenya was impressively ranked position three in sub-Saharan African region with a Human Capital Index of **0.55** in the year 2020.

**42. Mr. Speaker,** from 2013 to 2021, the Government disbursed **Ksh 151.6 billion** through the Inua Jamii Program to support over **1.2 million** vulnerable persons among them orphans, the elderly and persons living with severe disabilities. Further, the Government disbursed **Ksh 6.95 billion** to support women, youth and persons

with disabilities enterprises through **74,021 groups** under the Uwezo Fund.

**43. Mr. Speaker,** to improve efficiency in the delivery of Government services, the Government initiated and operationalized **52 Huduma Centers** across the Country. In 2014, the Government launched the e-citizen platform where **350 Government services** have now been successfully migrated. The platform has since served over **27.2 million** customers while raising **Ksh 87.1 billion** in revenue for the government.

**44. Mr. Speaker,** in 2013, the Government successfully rolled out **implementation of the 2010 Constitution.** The 47 County Governments, independent commissions and other institutions established by the Constitution were duly operationalized albeit with huge financial requirement thereby straining the country's fiscal position.

## **Policy, Legal and Institutional Reforms**

**45. Mr. Speaker,** to build on the milestones achieved so far, we will be implementing the following policy, legal and institutional reforms to improve the business environment, increase efficiency in public service delivery and strengthen transparency and accountability in public finance management.

## **Procurement Reforms**

**46. Mr. Speaker,** the Government has continued to implement various reforms in procurement to improve efficiency and transparency, enhance good governance and promote savings in the procurement process. Among the reforms is the procurement of an end-to-end e-Government Procurement system whose pilot phase will commence in July 2022 with a target date for full roll-out to all Ministries, Departments and Agencies in January 2023.



**47. Mr. Speaker,** on framework contracting, we have submitted to this House for enactment the Public Procurement and Asset Disposal (Amendment) Bill, 2021. This Bill provides for multiple awards where several bidders can be awarded the same contract. Once enacted, it will hasten the delivery of services to citizenry and support local firms particularly in specialized areas like pharmaceuticals, supply of foodstuffs and commodity markets.

**48. Mr. Speaker,** further, we have put together a framework that harmonizes the qualifications for Supply Chain Management professionals that clarifies the competencies for the various cadres in the supply chain management function. In this respect, I direct all Procuring Entities to adhere to the requirement of this framework.

**49. Mr. Speaker,** the Government commitment to empowering SMEs owned by women, youth and persons with disabilities under the Access to Government

Procurement Opportunities (AGPO) program remains firmly on course. In this respect, National Treasury has re-engineered the AGPO portal to enable real-time registration and monitoring. The system has further been linked to other Government institutions to facilitate faster verification and reporting.

### **State Corporations Reforms**

**50. Mr. Speaker,** we have undertaken a comprehensive assessment of vulnerabilities in State-Owned Enterprises. In particular, the in-depth financial evaluations of selected State-Owned Enterprises excluding Kenya Airways that face the largest financial and fiscal risks revealed a cumulative liquidity gap of **Ksh 383.0 billion** over the next five years. This gap is expected to be covered by undertaking specific policy interventions to improve efficiencies, reduce costs and increase revenue.

**51. Mr. Speaker,** in order to enhance the operational and financial efficiency of State Owned Enterprises we

shall: **first**, implement the Blue Print on Governance reforms on enforcement and separation of roles and responsibilities among institutions that exercise oversight; **second**, fast-track the implementation of Government Investment Management Information System (GIMIS) and capture, among others, all loans advanced to the enterprises; **third**, extend the coverage of financial evaluations to other State Owned Enterprises to be able to anticipate, quantify, monitor, manage and mitigate fiscal risks from the State Corporations.

**52. Mr. Speaker,** Kenya Airways plays a major and catalytic role in the economic development of this country. The airline is facing severe cash-flow constraints following global lockdowns triggered by the COVID-19 pandemic. The Government as a major shareholder is supporting the restructuring of Kenya Airways to adapt to the challenges facing the aviation industry due to the adverse impact of COVID-19 pandemic. Kenya Airways will be required to trim its

network, rationalize frequencies of flights, operate a smaller fleet, and rationalize its staff complement. I will be proposing a budget allocation to meet the restructuring costs.

**53. Mr. Speaker,** the Government will continue to support Kenya Power and Lighting Company to increase its efficiency while sustaining systematic reduction in tariff to electricity users. The recent 15% tariff reduction by the Government has not only brought immediate relief to the consumers but also led to realization of broad benefits including reductions of prices of goods by manufacturers.

### **Financial Sector Stability and Development**

**54. Mr. Speaker,** the Kenyan banking sector is stable and has shown great resilience with strong capital and liquidity buffers built on reforms initiated by the Central Bank of Kenya. A clear demonstration of resilience and recovery of the banking sector from the adverse effects of COVID-19 Pandemic was strong capital adequacy and

liquidity ratios. As at end of December 2021, capital adequacy ratio was **19.6 percent** which was above the minimum requirement of **14.5 percent** while liquidity ratio was **56.2 percent**, which is also above the **20.0 percent** requirement.

**55.** The sector has continued with its transformation journey under the Kenya Banking Sector Charter issued in 2019 by the Central Bank of Kenya. The Charter focuses on strengthening risk-based credit pricing, entrenching customer centricity in their operations and ensuring ethical culture in banks. In addition, the CBK (Amendment) Act 2021 was enacted to provide the Central Bank with powers to license and oversight the previously unregulated digital credit providers.

**56. Mr. Speaker,** commercial banks face climate-related risks in their operations. In this regard, the CBK issued a detailed Guidance on Climate-Related Risk Management to all commercial banks in October 2021.

The banks are now required to integrate climate-related risks into their overall risk management frameworks.

### **Access to Financial Services**

**57. Mr. Speaker,** the FinAccess Survey 2021 conducted in the 47 Counties revealed that access to formal financial services **improved** from **82.9 percent** in 2019 to **83.7** percent in 2021. The increase of **0.8 percent** access through the formal channels was attributed to the progress made by Kenya to expand financial access through various channels including mobile money financial platforms. Access through informal channels, on the other hand, reduced from **6.1 percent** to **4.7 percent**, while the excluded population increased slightly from **11 percent** to **11.6 percent** during the same period.

### **National Payments Strategy for the period 2022 to 2025**

**58. Mr. Speaker,** over the last 15 years, an elaborate financial services ecosystem in Kenya has evolved from

an initial basic money transfer innovation. In this period, access to financial services has increased from **26 percent** of adults in 2006, to the current **83 percent**. Further, the Government has rolled out mobile money, strengthened Real Time Gross Settlement System and established the regional payments systems at both the EAC and COMESA regions.

**59.** In order to strengthen the National Payment System, **Mr. Speaker**, the Central Bank of Kenya in February 2022, launched the National Payments Strategy, 2022-2025 which seeks to realize a faster, secure, efficient and collaborative payments system that supports financial inclusion and innovations, while reinforcing the emergence of 24-hour economy.

### **The Nairobi International Financial Centre**

**60. Mr. Speaker**, in order to attract increased financing and investment into Kenya, the Nairobi International Financial Centre (NIFC) Authority has put in place the required operating framework and Regulations. With the

necessary framework now in place, and the official opening slated later in the year, NIFC will be expected to be a key catalyst in supporting economic growth.

### **Support to Affordable Housing**

**61. Mr. Speaker,** the Kenya Mortgage Refinance Company continues to play a leading role in the delivery of Affordable Housing in Kenya. I am pleased to note that since September 2020, KMRC has disbursed over **Ksh 2.0 billion** to seven primary mortgage lenders and is currently processing an additional **Ksh 7.0 billion**.

**62.** To provide a sustainable source of funding and to complement the existing credit lines, the Company whose bond was recently listed at the Nairobi Securities Exchange, successfully issued its first Corporate Bond of **Ksh 1.4 billion** under a Medium-Term Note Program of **Ksh 10.5 billion**.



## **Credit Support to Micro, Small and Medium Enterprises**

**63. Mr. Speaker,** since the launch of the Credit Guarantee Scheme in December 2020, total loans extended to Micro, Small and Medium Enterprises under this scheme had surpassed **Ksh 2.2 billion** by **December 2021**. This has expanded access to affordable credit to Micro, Small and Medium Enterprises to **45 counties** across 11 different sectors of the economy.

**64.** To enhance coverage of the Scheme, additional Participating Financial Intermediaries will be brought on board. Further, the Government will seek support of development partners to increase the scheme's capital from the current **Ksh 4 billion** to **Ksh 10 billion** over the medium term.

## **Capital Markets Developments**

**65. Mr. Speaker,** to deepen capital markets, the Government is undertaking a review of the legal and

regulatory framework to address emerging issues in the capital markets space. These include, among others, aspects on collective investment schemes and investment-based crowd-funding. In addition, the Government is installing a new Central Securities Depository System at the Central Bank of Kenya to support planned reforms in secondary trading of government bonds.

**66. Mr. Speaker,** to enable more investment advisors to offer investment advisory services, I propose to amend the Capital Markets Act to expand the spectrum of persons who can act as investment advisors. This will allow single director companies and partnerships to be licensed as investment advisors.

### **Pension Reforms**

**67. Mr. Speaker,** the payroll for the public service pension continues to grow and had more than 300,000 pensioners and dependents as at December 2021. The National Treasury will roll out, the much-awaited re-

engineered pension management system in the course of the financial year. The system will offer an end-to-end Enterprise Resource Planning solution in the management and processing of pension benefits.

**68. Mr. Speaker,** the Public Service Superannuation Scheme that was operationalized in January 2021 has attracted more than 352,000 members with a current Fund value of **Ksh 27.0 billion**. The Scheme is eventually expected to ease pressure on the pension wage bill while guaranteeing sustainability of public service pensions.

**69. Mr. Speaker,** to further improve the pensions policy framework, the National Treasury is developing an over-arching National Pensions Policy that sets the guiding principles for application across board on structuring and management of retirement benefits for public servants.

**70.** In order to widen the scope of investment where Pension Schemes can invest their funds, **Mr. Speaker,**

I propose to amend the Retirement Benefits Investment Guidelines to include the unlisted Real Estates Investment Trusts incorporated in Kenya that are approved by the Capital Markets Authority.

## **Operationalization of Kenya National Entrepreneurs Savings Trust**

**71. Mr. Speaker,** the much-awaited Government-backed pensions scheme for informal sector workers; Kenya National Entrepreneurs Savings Trust (KNEST) targeting over 15 million marginalized informal sector workers has now been registered. To operationalize the scheme, the Government is restructuring the M-Akiba bond platform for safe and secure investment for the unique heterogeneous informal workers. To this effect, the National Treasury is working with stakeholders in the financial sector to roll out the scheme across the 47 counties in this financial year.

## **Insurance Reforms**

**72. Mr. Speaker,** In the recent times, motorcycles and three wheelers have increasingly been engaged in commercial fare paying passengers business. Unfortunately, the number of accidents in this category of business have been on a steady rise yet the owners of motorcycles do not have insurance covers to cater for any treatment in case of injuries or compensation in case of death or any other damages caused by an accident involving motorcycles. In this respect, I propose to amend the Insurance Regulations to require motorcycles and three wheelers used by fare paying passengers to take insurance for their passengers.

## **Disaster Risk Management Framework**

**73. Mr. Speaker,** in an effort to strengthen disaster risk management in the country, the Government will fast-track the enactment of the Disaster Risk Management Policy and Bill; finalize the Disaster Risk Management Strategy and update the Disaster Risk Financing

Strategy. In addition, the National Treasury will expedite the finalization of Public Finance Management (Disaster Management Fund) Regulations, 2022.

## **Building Resilience against Climate Change**

**74. Mr. Speaker,** in order to demonstrate our commitment in addressing climate change, the Government will implement the “Financing Locally-Led Climate Action Program (FLLoCA)” – a 10-year financing program aimed at mobilizing climate finances to support local communities build their resilience and adapt to the impacts of climate change in 47 Counties. In the FY 2022/23, I propose to allocate **Ksh 6.1 billion** to this Program.

**75. Mr. Speaker,** in addition, the Government has finalized the Long-Term Low Emission Strategy to guide a low carbon-climate resilient development path. To address the financing challenge of climate change actions, the Government will develop a Climate Finance Mobilization Strategy. Further, in order to promote

private sector investments in green projects and programmes, the Government will fast-track the finalization of the National Policy Framework on Green Fiscal Incentives and the development of the carbon mechanism design.

**76.** In the Forestry sector, the Government is committed to expand the country's tree cover from current **7.2 percent** to the **10 percent** target. The Government is revitalizing efforts to meet this important target through resource mobilization with partners, and engagement with Counties to dedicate more areas and resources under the forestry regimes, as well as tackling the catchment degradation that has contributed to the rising lakes phenomenon. In this regard, I propose to allocate **Ksh 10.2 billion** to support conservation of forests and water towers.

### **Unclaimed Financial Assets**

**77. Mr. Speaker,** in order to encourage reporting and recovery of identified assets by the Unclaimed Financial

Assets Authority, I propose to amend the Unclaimed Financial Assets Act to provide for waiver of penalties, fines and audit fees in justifiable circumstances as well as to cap accumulation of penalties and interests to the value of the asset. I also propose a 12-month Voluntary Disclosure Program to grant relief of penalties on the unclaimed financial assets declared and delivered in the next 12 months under the program.

### **Operationalization of the Judiciary Fund**

**78. Mr. Speaker,** Article 173 of our Constitution established a Judiciary Fund which will be administered by the Chief Registrar in meeting the administrative expenses of the Judiciary. In this respect, the necessary procedures for the operationalization of the Fund have been put in place. In particular, the following have so far been achieved; **one,** the Judiciary Fund Act and Regulations have been enacted; **two,** the Bank accounts for the Fund have been opened at the Central Bank of Kenya; **three,** an appropriate budget for Judiciary in the



financial year 2022/23 has been created; and, **four**, IFMIS has been enhanced to accommodate Judiciary Fund operations. This Fund will be fully operational with effect from 1<sup>st</sup> July, 2022.

#### **IV. FISCAL FRAMEWORK**

**79. Mr. Speaker**, the **fiscal policy** supporting the budget for the financial year **2022/23** and also the medium-term is designed to accelerate economic recovery for improved livelihoods for Kenyans.

**80. Mr. Speaker**, as mentioned earlier, one of the objectives of our economic recovery programme is to reduce debt vulnerabilities by pursuing a revenue-driven fiscal consolidation. In this regard, the Government has developed a draft National Tax Policy to guide tax administration that will soon be shared with stakeholders and peer review institutions for inputs. Further, the Government is developing a Medium-Term Revenue Strategy to boost tax revenues, improve the

tax system and link taxation to our development needs over the medium term.

**81. Mr. Speaker,** in addition, the Government will continue to rationalize tax expenditures and retain those whose intention is to promote investments and ensure sustainability and value for money from our resources. In the tax expenditure report for 2021, we noted a significant decline in the level of tax expenditure from **5.17 percent** of GDP in 2017 to **2.96 percent** as a percent of GDP in 2020. We shall continue to review the existing tax expenditure in order to boost the tax revenues.

### **Revenue Projections**

**82. Mr. Speaker,** we project total revenue collection including Appropriation-in-Aid and grants for the FY 2022/23 budget to be **Ksh 2.4 trillion** equivalent to **17.5 percent** of GDP. Of this, ordinary revenue is projected at **Ksh 2.14 trillion** equivalent to **15.3 percent** of **GDP**.

## **Expenditure Projections**

**83.** On the other hand, **Mr. Speaker**, total expenditure in the FY 2022/23 is projected at **Ksh 3.3 trillion** equivalent to **23.9 percent** of **GDP**. Recurrent expenditures will amount to **Ksh 2.2 trillion** while development expenditures including allocations to foreign financed projects, Contingency Fund and conditional transfers to County Governments is **Ksh 715.5 billion**. This funding is expected to accelerate completion of ongoing infrastructure projects. The equitable share to Counties is projected at **Ksh 370.0 billion**.

## **Fiscal Balance**

**84. Mr. Speaker**, given the projected revenues and grants against the projected expenditures, the fiscal deficit is projected to decline to **Ksh 862.5 billion** equivalent to **6.2 percent** of GDP in the financial year 2022/23 from **Ksh 1,024.3 billion** equivalent to **8.1 percent** of GDP in the FY 2021/22. The fiscal deficit will

be financed through net external financing of **Ksh 280.7 billion** equivalent to **2.0 percent** of GDP and net domestic financing of **Ksh 581.7 billion** equivalent to **4.2 percent** of GDP.

**85. Mr. Speaker,** our medium-term fiscal consolidation policy targets to progressively reduce the level of fiscal deficit from **Ksh 862.5 billion** equivalent to **6.2 percent** of GDP in **FY 2022/23** to **Ksh 634.1 billion** equivalent to **3.2 percent** of GDP in **FY 2025/26**.

### **Strengthening Public Debt Management**

**86. Mr. Speaker,** Kenya has implemented reforms in public debt management to strengthen debt transparency and accountability. The depth of coverage and disclosures on debt information has been enhanced in line with best practices. A broad range of information on public debt is readily available to the general public on the National Treasury website while an Investor Relations Unit within the Public Debt Management Office

facilitates investor, lender and public engagements on public debt issues.

**87. Mr. Speaker,** Kenya's debt carrying capacity is rated moderate and the overall public debt is sustainable. We have initiated implementation of a set of measures to lower cost and risk in the public debt portfolio. These measures include cancellation of some non-disbursing external loans, re-arrangement of syndicated external loans and increasing the issuance of Treasury Bonds to lengthen the maturity structure and improve debt sustainability indicators. The preferred debt financing are highly concessional loans offered at below market interest rates with long repayment periods. Recourse to commercial borrowing has been maintained at minimum levels.

**88. Mr. Speaker,** the current legal numerical public debt ceiling has constrained public funding of projects while at the same time failing to consider the effects of external shocks on the economy. In this regard, we

propose to replace the **debt ceiling** with a **debt anchor** and set it at **55 percent** of debt to GDP in present value terms. This is in line with internationally accepted conventional practise. Further, we've provided a requirement that the Cabinet Secretary National Treasury reports to Parliament whenever the debt levels swings beyond the threshold with time-bound remedial actions. This approach ensures that debt remains within sustainable levels and entrenches accountability and transparency in public debt management. I have forwarded to this August house the necessary changes to the PFM Act to align ourselves to this desired position and request that the house considers it favourably.

### **Public Private Partnerships Framework**

**89. Mr. Speaker,** the Public Private Partnerships (PPP) Programme has gained traction under the new PPP Act 2021 that has reduced the number of approval processes, introduced timelines and strengthened the

institutional framework by elevating the PPP Unit to a Directorate in the National Treasury.

**90.** So far, the Government has achieved closure on a number of projects, of which a key one seeks to deliver over four thousand housing units to frontline Kenya Defence Forces personnel.

**91. Mr. Speaker,** to ensure projects with the highest socio-economic returns are selected and implemented, we are putting in place a joint Public Investment Management and Public Private Partnership planning framework and strengthening the coordination between Public Debt Management Office and the Public Private Partnership Directorate for effective control of fiscal exposure, as envisioned in the new PPP Act 2021.

**92.** Further, the Government will fully operationalize the Public Private Partnership Project Facilitation Fund to support activities of PPP Directorate and those of the contracting authorities in the preparation phase of a

project during the tendering processes and project appraisal.

## **Public Investment Management**

**93. Mr. Speaker,** in view of the limited fiscal space, the Government will embark on rationalizing the existing portfolio of projects being implemented by the National Government and issue Regulations for managing public investments. The Government has developed the Public Investment Management Information System, which is expected to be a repository of all projects implemented by the National and County Governments.

## **V. SPENDING PRIORITIES**

**94. Mr. Speaker,** let me now turn to the highlights of the Government spending priorities in the coming financial year. In light of the revenue challenges and significant expenditure demands, spending in the FY 2022/23 will focus on supporting economic recovery and the “Big Four” Agenda to ensure the highest impact on



the well-being of Kenyans. The proposed **total programmed spending** for the **FY 2022/23** amounts to **Ksh 3.3 trillion**.

### **Economic Stimulus Programme**

**95. Mr. Speaker,** as I mentioned earlier, the Government is implementing the third Economic Stimulus Programme of **Ksh 30.1 billion** to accelerate the pace of economic growth and sustain the gains realized so far. To further enhance the ongoing interventions, I propose a total of **Ksh 20.6 billion** in this budget to support implementation of various activities. **Mr. Speaker,** out of this, **Ksh 2.1 billion** is for youth empowerment and employment creation under the **Kazi Mtaani Programme**; **Ksh 8.2 billion** for improving education outcomes; **Ksh 1.3 billion** for improving health outcomes; **Ksh 5.8 billion** for improving environment, water and sanitation facilities; **Ksh 1.5 billion** for fertilizer subsidy; and **Ksh 1.6 billion** for enhancing liquidity to businesses.

## **Fulfilling the “Big Four” Agenda**

**96. Mr. Speaker,** to support implementation of the projects and programmes under the “Big Four” Agenda I have proposed a total of **Ksh 146.8 billion**.

## **Universal Health Coverage**

**97. Mr. Speaker,** we have continued to strengthen our health care systems in our quest for universal health coverage. Better health outcomes depend on the availability, accessibility, and capacity of health workers to deliver quality services anchored on well-equipped and provisioned health care facilities. Towards this end, the Government has implemented various initiatives laying ground for achieving the goal of 100 percent health insurance coverage. Key among these initiatives include: the free maternity program dubbed “Linda Mama”, which currently benefits over one million mothers annually; increasing the total number of health workers in the public and private sector; investment in health infrastructure and development of a digital health

platform to support effective monitoring of the health sector.

**98.** In addition, the Government enacted the NHIF Amendment Act which provides for the establishment of a centralized healthcare provider management system to ensure efficient management and payment of claims as well as data collection.

**99. Mr. Speaker,** to further enhance the realization of the Universal Health Coverage, I propose to allocate **Ksh 146.8 billion** to the health sector to support the various programmes aimed at improving health outcomes.

**100.** Of this amount, **Ksh 62.3 billion** will fund activities and programmes for the attainment of Universal Health Coverage. Specific allocations for various activities and programmes include: **Ksh 7.0 billion** for purchase of COVID-19 vaccines and related expenditures; **Ksh 4.1 billion** for Free Maternity Health Care; **Ksh 5.2 billion** for the Managed Equipment Services as well as **Ksh 1.8 billion** to provide medical

cover for the elderly and severely disabled persons in our society.

**101. Mr. Speaker,** to lower cases of HIV/AIDS, Malaria and tuberculosis in the country, **Ksh 16.2 billion** has been recommended for the purpose. To enhance vaccines and immunizations programme, I propose an allocation of **Ksh 5.2 billion**.

**102. Mr. Speaker,** to further improve health service delivery, **Ksh 18.1 billion** has been proposed for the Kenyatta National Hospital; **Ksh 11.7 billion** for the Moi Teaching and Referral Hospital; **Ksh 7.7 billion** for the Kenya Medical Training Centres; **Ksh 2.9 billion** for the Kenya Medical Research Institute; **Ksh 1.1 billion** for the construction of Kenya National Hospital Burns and Paediatrics Centre; **Ksh 1.2 billion** for procurement of family planning & reproductive health commodities; **Ksh 300 million** for procurement of cyber knife radiotherapy equipment; **Ksh 1.3 billion** for construction of cancer centre at Kisii level V hospital; and **Ksh 619.0 million**

for procurement of equipment at the National Blood Transfusion Services.

### **Affordable Housing**

**103. Mr. Speaker,** in 2013 the Government embarked on a plan to provide decent and affordable houses for Kenyans. This was envisaged to create additional jobs, provide market for manufacturers as well as suppliers and raise the contribution of real estate and construction sectors to GDP. To achieve this, the Government has been implementing policy and administrative reforms targeted at lowering the cost of construction and improving access to finance for affordable housing. The Government has also mobilized resources to support construction of affordable housing units and social housing units.

**104.** Building on the gains and to ensure success of this initiative, I have proposed an allocation of **Ksh 27.7 billion** for the Affordable Housing Programme. The proposed allocation includes: **Ksh 4.6 billion** to Kenya

Mortgage Refinance Company for enhancement of the company's capital as well as for on-lending to primary mortgage lenders; **Ksh 8.7 billion** for construction of Affordable Housing Units as well as **Ksh 1.2 billion** for construction of Social Housing Units.

**105. Mr. Speaker,** to support the Nairobi Metropolitan Services in reversing urban indignity in Nairobi City County, **Ksh 200.0 million** has been recommended for the Nairobi Metropolitan Services Improvement Project and **Ksh 118.7 million** for construction of foot bridges.

**106.** Other key allocation to the Housing, Urban Development and Public Works sector includes **Ksh 5.9 billion** for the Kenya Informal Settlement Improvement Project-Phase II; **Ksh 700 million** for construction of markets; **Ksh 1.0 billion** for maintenance of Government Pool Houses; **Ksh 1.1 billion** for the construction of Housing Units for the National Police and Kenya Prison; **Ksh 700.0 million** for the Kenya Urban

Programme. In addition, **Mr. Speaker**, I have proposed an allocation of **Ksh 1.2 billion** to support the Nairobi Bus Rapid Transport Project to offer an efficient and time saving public transport.

### **Supporting Manufacturing for Job Creation**

**107. Mr. Speaker**, implementation of appropriate policies coupled with enhanced investments in the manufacturing sector has created a conducive business environment to support and protect local industries, generation of jobs and improved livelihoods.

**108. Mr. Speaker**, to further promote local industries, I have proposed an allocation of **Ksh 10.1 billion** under various implementing Ministries, Departments and Agencies. Out of this, **Ksh 1.0 billion** will go to the Credit Guarantee Scheme to enhance access to affordable credit by Micro, Small and Medium Enterprises in the manufacturing sector; and **Ksh 626 million** for provision of finances to Micro, Small and Medium Enterprises through the Kenya Industrial Estate.

**109.** In addition, **Mr. Speaker**, I have proposed **Ksh 2.6 billion** for Dongo Kundu Special Economic Zone; **Ksh 295 million** for the development of the Special Economic Zone Textile Park in Naivasha, Kinanie Leather Industrial Park and Athi River Textile Hub; **Ksh 50 million** for the Freeport and Industrial Park Special Economic Zone in Mombasa. Other proposed allocations include; **Ksh 410.4 million** for the modernization of RIVATEX and **Ksh 3.0 billion** for supporting access to finance and enterprise recovery.

**110.** **Mr. Speaker**, in order to maximize the benefits from our cash crops, the Government will make further investments towards their revival and enhancement of output. In this respect, **Mr. Speaker**, I propose an allocation of **Ksh 212.1 million** for modernization of cooperative cotton ginneries and a further **Ksh 250.4 million** for the Cotton industry revitalization.

**111.** **Mr. Speaker**, to equip our youths with essential training and internship opportunities; I have



proposed an allocation of **Ksh 1.3 billion** for the Kenya Industry and Entrepreneurship Project; **Ksh 2.2 billion** for the Kenya Youth Employment and Opportunities Project; **Ksh 500 million** for Industrial Research Laboratories; **Ksh 200 million** for Constituency Industrial Development Centres.

### **Enhancing Food and Nutrition Security**

**112. Mr. Speaker,** as part of the Big Four Agenda, the Government is implementing measures and interventions to achieve food and nutritional security for all Kenyans. These measures include: supporting large scale production of staple food; expanding irrigation schemes; increasing access to agricultural inputs; and supporting small-holder farmers to sustainably produce and market various commodities.

**113.** To further support programmes under this pillar, I propose an allocation of **Ksh 46.7 billion** in this budget. Out of this, **Ksh 4.2 billion** will go to the National Agricultural and Rural Inclusivity Project; **Ksh**

**1.7 billion** for the Kenya Cereal Enhancement Programme; **Ksh 1.9 billion** has been proposed for the Emergency Locusts Response; **Ksh 1.5 billion** for the National Value Chain Support Programme; **Ksh 1.1 billion** for the Agricultural Sector Development Support Programme II; **Ksh 1.5 billion** for the Small Scale Irrigation and Value Addition Project; and **Ksh 690 million** for Food Security and Crop Diversification Project. **Mr. Speaker,** the Government will further set aside **Ksh 2.7 billion** for Fertilizer Subsidy to cushion farmers during the short rains from October to December 2022. This is in addition to the **Ksh 3 billion** allocated in the FY 2021/22.

**114. Mr. Speaker,** to improve livestock production, I propose **Ksh 500 million** for Free Disease Holding Ground in Lamu. I also propose **Ksh 1.7 billion** for the Kenya Livestock Commercialization Programme; and **Ksh 121 million** for Livestock Production under “Big Four” initiative.

**115. Mr. Speaker,** to promote sustainable utilization of the blue economy resources, I have proposed an allocation of **Ksh 1.9 billion** for the Aquaculture Business Development Project; **Ksh 2.8 billion** for Kenya Marine Fisheries & Socio-Economic Development Project; **Ksh 1.3 billion** for Exploitation of Living Resources under the Blue Economy; **Ksh 1.0 billion** for construction of Fish Processing Plant in Lamu; **Ksh 270.0 million** for Coastal Fisheries Infrastructure Development; **Ksh 210 million** for rehabilitation of Fish Landing Sites in Lake Victoria; **Ksh 204.0 million** for Aquaculture Technology Development and Innovation Transfers; and **Ksh 126.3 million** for the development of the Blue Economy initiatives.

**116. Mr. Speaker,** in order to increase agricultural productivity and enhance resilience to climate change risks in targeted smallholder farming and pastoral communities in Kenya, I have set aside **Ksh 147 million** for the Climate Smart Agricultural Productivity Project;

**Ksh 850 million** to enhance drought resilience and sustainable livelihood; **Ksh 178.0 million** towards Ending Drought Emergencies in Kenya and in addition, I have proposed an allocation of **Ksh 421 million** for the Livestock and Crop Insurance Scheme to reduce the vulnerabilities of Kenyan farmers to diseases and natural disasters.

**117. Mr. Speaker,** to ensure legitimacy of land ownership, I have recommended **Ksh 1.1 billion** for Processing and Registration of Title deeds; **Ksh 769 million** for Digitization of Land Registries and **Ksh 130 million** for Construction of Land Registries.

**118. Mr. Speaker,** other proposed allocations include: **Ksh 90.0 million** for Revitalization of Cotton Industry; **Ksh 300 million** for mitigation of Fall Army Worms; **Ksh 200 million** for establishment of Liquid Nitrogen Plant; **Ksh 200 million** towards the Embryo Transfer Project and **Ksh 250 million** for construction and refurbishment of the Leather Science Institute.

**119. Mr. Speaker,** having highlighted expenditures under the Economic Stimulus Programme and the “Big Four” Agenda initiatives, I now turn to other proposed areas of expenditures in this budget that will support our path to sustainable and resilient economic recovery.

### **Investing in Infrastructure**

**120. Mr. Speaker,** the Government continues to expand critical infrastructure in roads, rails, air and seaports to create an enabling environment for economic recovery and employment creation. Towards this end, I have proposed an allocation of **Ksh 212.5 billion** to support construction of roads and bridges as well as their rehabilitation and maintenance.

**121. Mr. Speaker,** the Standard Gauge Railway has presented a modern and efficient transport system that is safe, comfortable, and affordable for passengers and freight. To expand railway transport to the rest of the country, I have proposed **Ksh 18.5 billion** for development of the Standard Gauge Railway; **Ksh 1.1**

**billion** for Railways Metro Lines; **Ksh 439 million** for rehabilitation of locomotives; and **Ksh 264 million** for development of ERP system for SGR.

**122. Mr. Speaker,** to support production of reliable and affordable energy, I propose a total of **Ksh 91.5 billion** excluding the provisions set aside under the “Big Four” Initiatives. Out of this, **Ksh 62.9 billion** will cater for transmission and distribution of power; **Ksh 18.5 billion** for development of geothermal energy; **Ksh 9.3 billion** for electrification of public facilities and **Ksh 2.0 billion** for development of nuclear energy as well as exploration and mining of coal.

### **Improving Security**

**123. Mr. Speaker,** the security of our nation remains paramount and must be maintained to safeguard the considerable development gains. For this reason, I have proposed an allocation of **Ksh 317.8 billion** to support operations of the National Police Service, Defence and the National Intelligence Service.

**124. Mr. Speaker,** the proposed allocations include **Ksh 128.4 billion** for Defence; **Ksh 46.1 billion** for the National Intelligence Service; **Ksh 122.2 billion** for Police and Prisons Services; **Ksh 10.7 billion** for leasing of police motor vehicles and **Ksh 1.0 billion** for Police Modernization Programme; **Ksh 1.0 billion** for the National Communication and Surveillance System; and **Ksh 335.0 million** for the equipment of the National Forensic Laboratory.

**125. Mr. Speaker,** other proposed allocations include **Ksh 4.8 billion** for medical insurance for the National Police Service and Prisons; **Ksh 2.3 billion** for the group personal insurance for National Police Service and Prisons as well as **Ksh 1.0 billion** for the National Integrated Identity Management System.

### **Enhancing Quality and Relevant Education**

**126. Mr. Speaker,** we are committed to provide access to quality education for our children and youth. This will indeed facilitate realization of their full potential

and enable them effectively contribute to the development of the country. The allocations and efficiency in spending on education has been increased to improve outcomes. As a result, access to education at all levels has improved remarkably as evidenced by increased enrolment in the basic and tertiary institutions. To further improve education outcomes, I propose a total of **Ksh 544.4 billion** to support programs in the education sector.

**127. Mr. Speaker,** out of the proposed allocation, **Ksh 12.0 billion** will cater for Free Primary Education; **Ksh 2.5 billion** for recruitment of teachers; **Ksh 64.4 billion** for Free Day Secondary Education including insurance under NHIF for secondary school students; **Ksh 5.0 billion** for examinations fee waiver for grade six, class eight and form four candidates; and **Ksh 1.96 billion** for the School Feeding Programme.

**128.** In addition, **Mr Speaker,** I have proposed an allocation of **Ksh 1.2 billion** for training of teachers on



Competency Based Curriculum and **Ksh 310.0 million** for the Digital Literacy Programme and ICT Integration in our Secondary Schools.

**129. Mr. Speaker,** to support transition from primary education to junior secondary education under the Competency Based Curriculum (CBC), **Ksh 4.0 billion** has been set aside for the construction of classrooms; to support school infrastructure development and ensure safe learning in our schools, I have proposed an allocation of **Ksh 2.8 billion** for Primary and Secondary schools' infrastructure and **Ksh 1.8 billion** for construction and equipping of Technical Training Institutes and Vocational Training Centres. Further, **Ksh 1.1 billion** has been set aside to increase access and improve the quality of Technical and Vocational Education and Training programs under the East Africa Skills Transformation and Regional Integration Project.

**130. Mr. Speaker,** other proposed allocations to the education sector include: **Ksh 294.7 billion** to Teachers Service Commission; **Ksh 91.2 billion** for University Education; **Ksh 15.8 billion** to the Higher Education Loans Board; **Ksh 6.8 billion** for Kenya Secondary Education Quality Improvement Project; and **Ksh 5.2 billion** capitation for TVET students. Further, **Ksh 527.0 million** has been set aside for Technical, Vocational Education Training and Entrepreneurship; **Ksh 971.0 million** for promotion of Youth Employment and Vocational Training; and **Ksh 323.0 million** for the National Research Fund.

### **Protecting the Vulnerable Groups**

**131. Mr. Speaker,** unleashing the productive potential of people living in poverty involves the removal of constraints through economic inclusion programs. In this respect, the Government continues to support vulnerable groups through the Social Safety Nets Programmes (Inua Jamii). To continue protecting this

vulnerable segment, I have proposed an allocation of **Ksh 39.5 billion** for social protection and affirmative actions in this budget.

**132. Mr. Speaker,** out of this allocation, **Ksh 17.5 billion** will cater for cash transfers to elderly persons, **Ksh 7.9 billion** for Orphans and Vulnerable Children and **Ksh 1.2 billion** for persons living with severe disabilities.

**133. Mr. Speaker,** the proposed allocation also includes **Ksh 5.1 billion** for the Kenya Hunger Safety Net Programme; **Ksh 500 million** for National Drought Emergency Fund; **Ksh 2.6 billion** for the Kenya Development Response to Displacement Impact Project; and **Ksh 2.8 billion** for the Kenya Social and Economic Inclusion Project. In addition, **Ksh 933.8 million** will go to the Child Welfare Society of Kenya; **Ksh 400 million** for the Presidential Bursary for the orphans; and **Ksh 459 million** for the National Development Fund for Persons living with Disabilities.

## **Equity, Poverty Reduction, Women and Youth Empowerment**

**134. Mr. Speaker,** we acknowledge and support the critical role that youth and women play in nation building. The need for full and equal participation of youth and women across all spheres of the economy need to be accelerated and sustained.

**135.** To further empower the youth and support businesses owned by youth, women and persons living with disabilities; I have recommended **Ksh 13.1 billion** for the National Youth Service; **Ksh 2.2 billion** for the Kenya Youth Empowerment and Opportunities Project; **Ksh 175 million** for the Youth Enterprise Development Fund; **Ksh 170.0 million** for the Women Enterprise Fund; and **Ksh 92.0 million** for the Youth Employment and Enterprise Fund.

**136. Mr. Speaker,** to promote regional equity, reduce poverty and enhance social development, I have proposed **Ksh 44.3 billion** for the National Government

Constituency Development Fund; **Ksh 2.1 billion** for the National Government Affirmative Action Fund; as well as **Ksh 7.1 billion** for the Equalization Fund to finance programmes in previously marginalized areas.

### **Digitalizing our Economy**

**137. Mr. Speaker,** we recognize the great opportunities that digital technologies offer in various sectors of the economy. Efficiently deployed, digital technologies have strong potential to accelerate economic recovery and improve livelihoods at relatively low cost for sustainable and inclusive development. For this reason, we have proposed an allocation of **Ksh 15.6 billion** to fund initiatives in the Information, Communication and Technology sector. Specifically, this allocation includes **Ksh 620 million** for Government Shared Services.

**138. Mr. Speaker,** the Government is investing in the development of the Konza National Data Centre and Smart City Facilities. This National Data Center was

commissioned in July 2021 and is currently hosting client services including Government Agencies and is a platform for the acceleration of innovation particularly among the youth in Kenya. We encourage all MDAs to take advantage of this modern facility.

**139. Mr. Speaker,** to fast track the development of the Konza Technopolis City, I have proposed an allocation of **Ksh 5.2 billion** for the Horizontal Infrastructure Phase I; and **Ksh 3.8 billion** for Konza Data Centre and Smart City Facilities.

**140. Mr. Speaker,** other proposed allocations include: **Ksh 2.7 billion** for maintenance and rehabilitation of last mile connectivity network; **Ksh 1.2 billion** for maintenance and rehabilitation of the National Optic Fibre Backbone Phase II Expansion Cable; and **Ksh 1.4 billion** for installation and commissioning of Eldoret-Nadapal Fibre Optic Cable.

## **Stimulating Tourism Recovery, Sports, Culture, Recreation and Arts**

**141. Mr. Speaker,** to further support sports development and tourism recovery, I have proposed an allocation of **Ksh 15.8 billion** for the Sports, Arts and Social Development Fund; **Ksh 3.2 billion** for the Tourism Fund; **Ksh 1.8 billion** for Tourism Promotion Fund; and **Ksh 125 million** for refurbishment of the regional stadia.

## **Environmental Protection, Water and Natural Resources**

**142. Mr. Speaker,** environmental protection and access to adequate supply of clean water is fundamental for the achievement of the socio-economic development envisioned by the Kenya Vision 2030. To expand access to clean and adequate water for domestic and agricultural use, I have proposed an allocation of **Ksh 45.9 billion** for water and sewerage infrastructure development; **Ksh 16.0 billion** for water resources management; and **Ksh 9.8 billion** for water storage and

flood control. In addition, I have set aside **Ksh 8.5 billion** for irrigation and land reclamation and **Ksh 2.1 billion** for water harvesting and storage for irrigation.

**143. Mr. Speaker,** in order to support environment and water conservation, I propose to set aside **Ksh 10.2 billion** for forests and water towers conservation; **Ksh 3.1 billion** for environment management and protection; **Ksh 1.5 billion** for Meteorological Service; and **Ksh 7.0 billion** for wildlife conservation and management.

### **Improving Governance and Sustaining the Fight against Corruption**

**144. Mr. Speaker,** stronger institutions and effective policy implementation and management of resources improves service delivery, transparency and accountability. We shall continue to seek better public service delivery by building and sustaining strong, efficient and accountable institutions. In order to enhance good governance and scale up our fight against



corruption, I propose an allocation of **Ksh 3.6 billion** for the Ethics and Anti-Corruption Commission; **Ksh 3.4 billion** for the Office of the Director of Public Prosecutions; **Ksh 8.4 billion** for the Criminal Investigations Services; and **Ksh 6.4 billion** for the Office of the Auditor General.

**145.** Additionally, **Mr. Speaker**, to enhance the oversight and legislative role of Parliament and access to justice, I propose an allocation of **Ksh 50.2 billion** to Parliament; and **Ksh 18.9 billion** to the Judiciary.

### **Funding of the 2022 General Elections**

**146.** **Mr. Speaker**, in order to facilitate the 2022 General Elections, we allocated **Ksh 22.9 billion** in the current FY 2021/22 and propose a further allocation of **Ksh 21.7 billion** in the FY 2022/23 to the Independent Electoral and Boundaries Commission (IEBC).

## **Transfers to County Governments**

**147. Mr. Speaker,** the County Governments will receive a proposed allocation of **Ksh 370.0 billion** as equitable share in the financial year 2022/23. This represents **27.3 percent** of the most recent audited and approved revenue raised nationally.

**148. Mr. Speaker,** in addition to the equitable share of revenue raised nationally, the County Governments will receive recommended conditional allocations amounting to **Ksh 37.1 billion**, bringing the total allocation to the County Governments in the FY 2022/23 to **Ksh 407.0 billion**.

**149. Mr. Speaker,** we have also complied with the High Court ruling on conditional grants to County Governments. In this regard, conditional grants have now been excluded from the Division of Revenue Bill 2022 unlike in the case of last financial year. I note with appreciation that this House has unlocked the stalemate on the County Governments Grants Bill. This Bill will

provide a legal framework for transferring conditional grants to the County Governments.

### **Transfer of Functions between National Government and County Governments**

**150. Mr. Speaker,** in order to ensure that the process of transfer of functions between the National and County Governments is clearly provided for in law, we are developing a legislation to operationalize Articles 187 and 189 of the Constitution on Transfer of Functions and Cooperation between the National and the County Governments.

**151.** The proposed legislative framework will provide transparency in the administration of intergovernmental transfers in respect to transferred functions and cooperation between Governments. Once completed, the legislative proposal will be submitted to this honourable House for consideration and approval.

## **Measures to Enhance County Governments' Own Source Revenue**

**152. Mr. Speaker,** in order to support County Governments' efforts to enhance their Own Source Revenue (OSR), the National Treasury submitted the County Governments (Revenue Raising Process) Bill to this august House. The Bill, will regulate the manner in which Counties introduce or vary fees and charges. Once passed, this legislation will address the problem of multiplicity of fees and charges within and across counties in line with Article 209(5) of the Constitution. I call upon honourable members to consider and approve this Bill in a bid to create a conducive working environment for businesses and deal with the issue of multiplicity of fees and charges within the County Governments.

**153. Mr. Speaker,** in order to support implementation of the County Government Own Source Revenue Policy, the National Treasury in collaboration with the Ministry of Lands and Physical Planning, Council

of Governors and other stakeholders have developed the National Rating Bill 2022 to replace the outdated Valuation for Rating Act (Cap. 266) and Rating Act (Cap. 267). This Bill, was submitted to Parliament in January 2022 and once enacted will guide the valuation for rating and imposition of rates on rateable property.

### **Sharing of Mineral Royalty Revenues**

**154. Mr. Speaker,** Kenya has a wealth of mineral deposits. From the FY 2016/17 and 2019/20, the Government collected a total of **Ksh 5.5 billion** in royalties from extractive activities. This amount translates to an average of **Ksh 1.4 billion** annually. Although mineral royalties are currently being received from 15 Counties, **91 percent** of the payments are derived from extractive activities in only three Counties, namely Kilifi, Kwale and Kajiado.

**155. Mr. Speaker,** following a Presidential directive, the National Treasury has since developed a draft Framework which provides for mechanisms for sharing

of revenue from mineral royalties among the National Government, County Governments and Communities in line with Section 183 of the Mining Act, 2016. The framework which is currently being subjected to stakeholder consultation will provide basis for ensuring that revenues raised from mineral royalties trickle down to the County Governments and Communities where mining is taking place.

### **Equalization Fund**

**156. Mr. Speaker,** in line with Article 204(1) of the Constitution of Kenya, County Governments have been allocated **Ksh 7.1 billion** under the Equalization Fund in the financial year 2022/23, which represents **0.55 percent** of the most recent audited accounts of revenue received.

**157. Mr. Speaker,** following the High Court ruling on petition No. 272/2016 of 5th November, 2019 quashing the guidelines on administration of Equalisation Fund, and the ensuing disbandment of the

Fund's Advisory Board, all expenditures of the fund were stopped.

**158.** To mitigate this, **Mr. Speaker,** the National Treasury in collaboration with other stakeholders developed the PFM (Equalisation Fund Administration) Regulations 2021 which was approved by Parliament in October 2021.

**159.** **Mr. Speaker,** following the appointment of the Advisory Board, and establishment of the secretariat, it is expected that completion of projects as identified under the first policy and the implementation of programmes in the second and subsequent policies will be fast-tracked.

### **Pending Bills**

**160.** **Mr. Speaker,** continued delays in payment of pending bills to entities that provide goods and services to both National and County Governments have affected liquidity and operations of these entities. In a number of

cases, this has led to closure of businesses, affecting livelihoods of the suppliers. Though some progress was noted in settlement of these bills by the National and County Governments, we still have challenges where a number of suppliers are owed large amounts of money.

**161.** In this regard, I direct Government Ministries, Departments and Agencies (MDAs) and the County Governments to clear all their pending bills by 30th June, 2022. In addition, we call upon all the MDAs and County Governments to avoid accumulation of pending bills and ensure that payments are made as and when due.

## **VI. TAX POLICY MEASURES**

**162. Mr. Speaker,** I now want to highlight the tax policy measures for the FY 2022/23 budget which are contained in the Finance Bill, 2022. I will also highlight customs measures that Kenya will be presenting for consideration by the East African Community Ministers responsible for finance and economic affairs in their Pre-budget consultations planned for May 2022. These



custom measures will become effective from 1<sup>st</sup> July, 2022.

**163. Mr. Speaker,** the proposed measures contained in the Finance Bill, 2022 are expected to generate an additional **Ksh 50.4 billion** to the exchequer for the FY 2022/23 budget.

### **Customs Duties**

**164. Mr. Speaker,** as earlier indicated in this statement, we consulted other Partner States in East African Community, and Kenya was allowed to present its Budget Statement earlier than the other Partner States. With regard to customs measures, we have evaluated various proposals that we intend to submit for consideration during the EAC Pre-budget consultations, by the EAC Ministers for Finance, which will be held later in May this year. The measures that will be agreed upon will be communicated through the EAC Gazette and implemented from 1st July this year.

**165. Mr. Speaker,** these measures are generally meant to promote our manufacturing sector and enhance our exports by making inputs and raw materials used in the manufacture of goods more affordable, hence lowering the cost of production. In addition, some of the measures are aimed at enhancing the competitiveness of locally manufactured goods through protection from unfair competition by imported goods.

**166.** Some of the custom measures are also geared towards protection of critical sectors of our economy, like agriculture, from unfair competition occasioned by importation of products that can be produced by our gallant farmers. In cases where local production does not meet our demand, the Government will ensure the deficit is met in an orderly manner that does not adversely affect our farmers.

### **Value Added Tax**

**167. Mr. Speaker,** I now turn to the proposed amendments under the Value Added Tax Act. The

outbreak of COVID-19 pandemic and the ensuing socio-economic implications on Kenyans continue to impose a heavy burden on our health sector. In this regard, I have proposed to provide more incentives to the sector by exempting from VAT plant and machinery for use by manufacturers of pharmaceutical products.

**168. Mr. Speaker,** the Government has been progressively addressing the cost of health care in the country so as to expand access to quality and affordable health care services. To further reduce the health care cost, I propose to exempt from VAT medical oxygen supplied to registered hospitals, urine bags, adult diapers, artificial breasts, and colostomy or ileostomy bags for medical use.

**169. Mr. Speaker,** assembly of motor vehicles and manufacture of motor vehicle parts locally has gained traction. In order to encourage more investment especially in the manufacture of passenger motor vehicles locally, I propose to exempt from VAT inputs

and raw materials used in the manufacture of passenger motor vehicles. Additionally, I propose to exempt locally manufactured passenger motor vehicles from VAT.

## **Income Tax Act**

**170. Mr. Speaker,** charitable organizations play an important role of supporting the vulnerable members of the society. Currently, entities that make cash donations to charitable organizations that are registered under either the Societies Act or the Non-Governmental Organizations Coordination Act are allowed to deduct the cash donations from their taxable income. However, entities that donate cash to charitable organizations that are not registered under the two Acts are not allowed to deduct such donations from their taxable income. To address this challenge, I propose to amend the Income Tax Act to allow all entities that donate cash to charitable organizations to deduct the donation from their taxable income.

**171. Mr. Speaker,** Kenya has witnessed significant growth in the use of financial derivatives, including hedging, futures and options. However, there is no provision in the Income Tax Act to charge the gains accruing from financial derivatives to non-residents. To ensure equity and fairness, I propose to amend the Income Tax Act to provide for taxation of gains accruing to non-residents from transactions involving financial derivatives in Kenya.

**172. Mr. Speaker,** last year, the Income Tax Act was amended to replace the previous thin capitalization rule for determining taxable income with a method that restricts interest based on a ratio of earnings before interest, taxes, depreciation and amortization. In the amendment, microfinance institutions licensed under the Microfinance Act were omitted in the exclusion list of the application of the new rule. In this regard, I propose to amend the Income Tax Act to exclude microfinance institutions licensed under the Microfinance Act from the

interest restrictions based on a ratio of earnings before interest, taxes, depreciation and amortization in determination of their taxable income.

### **Excise Duty Act**

**173. Mr. Speaker,** next, I will highlight the proposed amendments under the Excise Duty Act. The Act provides for annual inflation adjustment of the specific duty rates on all products. However, it has been observed that the adjustment may not always be appropriate for some products, depending on economic and social environment facing these products at that time. To address this, I propose to empower the Commissioner General of KRA to exclude, from inflation adjustment, such products after consideration of the prevailing economic circumstances facing them.

**174. Mr. Speaker,** last year, the Excise Duty Act was amended to introduce excise duty on all imported eggs. This was meant to protect local producers of eggs. However, we have noted that the tax has adversely

affected the hatching business as there is insufficient local capacity to supply all the required eggs for hatching. To address the situation, I propose to exempt from excise duty eggs for hatching imported by licensed hatcheries upon recommendation by the responsible Cabinet Secretary.

**175. Mr. Speaker,** neutral spirit is an input for manufacture of pharmaceutical products. Manufacturers of pharmaceutical products, which are not subject to excise duty, are entitled to a refund of the excise duty paid on the raw materials or inputs. The processing of such refunds take time, hence creating cash flow challenges. To address this concern, I propose to exempt neutral spirit used by registered pharmaceutical manufacturers upon approval by the Commissioner General of KRA from excise duty.

**176. Mr. Speaker,** currently, locally assembled motor vehicles are exempt from excise duty. In order to ensure the same treatment for manufactured passenger

motor vehicles, I propose to exempt from excise duty locally manufactured passenger motor vehicles. This is aimed at encouraging investment in this sector and enhancing competitiveness of locally manufactured passenger motor vehicles.

**177. Mr. Speaker,** gambling, gaming and alcohol addiction, have become prevalent in our society. These habits are extremely addictive and can result in a variety of harmful repercussions especially to the youth. Advertisements for alcoholic beverages, betting, and gaming contribute greatly to the promotion of these habits. To discourage the promotion of these products and activities, I propose to introduce excise duty of 15 percent on fees charged by all television stations, print media, billboards, and radio stations for advertisements of these activities.

**178. Mr. Speaker,** in the recent years, innovations in the tobacco industry have led to introduction of new products beyond e-cigarettes. These products continue



to negatively affect the health of our citizens. The design of these products and their taxation regime makes them easily accessible to users including to school children and the youth, thus leading to nicotine addiction and consequently smoking and use of other drugs. In order to prevent these habits and make the liquid nicotine used in these devices less accessible to users including to school children and the youth, I propose to change the taxation regime for liquid nicotine from the current shillings per unit to an excise duty of Ksh. 70 per milliliter.

**179. Mr. Speaker,** in the Bill, I have also proposed to increase the specific rates of excise duty for a number of products by **10 percent** to generate additional revenue for the Government. Given the recent global increase in oil prices, I have excluded petroleum products from this increase.

## **Miscellaneous Fees and Levies Act**

**180. Mr. Speaker,** I now turn to the proposed amendments under the Miscellaneous Fees and Levies Act. In order to promote manufacturing of pharmaceutical products, I propose to exempt inputs and raw materials imported by manufacturers of pharmaceutical products from payment of Import Declaration Fees and Railway Development Levy. This will encourage investment in the health sector and improve access to affordable health care services.

**181. Mr. Speaker,** in order to support farmers who, rear cows as well as pastoralist communities who depend on sale of hides and skins, I propose to reduce the export levy on the raw hides and skins from 80 percent or **USD 0.5** per Kilogram to 50 percent or **USD 0.32** per Kilogram.

## **Enhancing Tax Administration Procedures**

**182. Mr. Speaker,** on the amendments to enhance tax administration procedures, Government agencies are expected to be sensitive and responsive to emerging customer needs. In this respect, the Kenya Revenue Authority has been on a journey of transformation to enhance customer-centric service delivery. In order to align the operations of the Authority to this emerging trend, I propose to amend the Kenya Revenue Authority Act to change the name of the Authority from **'Kenya Revenue Authority'** to **'Kenya Revenue Service'**. The change of the name is intended to rebrand the Authority and transform its public image thus enhance tax compliance through improved public relations and maintain a clear focus on taxpayers' needs. I have also proposed consequential amendments to other statutes which have reference to the name **'Kenya Revenue Authority'** and align them to the proposed new name.

**183. Mr. Speaker,** we have noted that tax disputes take too long to conclude, especially after judgement by the Tax Appeals Tribunal. In order to protect the disputed tax revenue, I propose to amend the Tax Appeals Tribunal Act, 2013 to require a deposit of 50 percent of the disputed tax revenue in a special account at the Central Bank of Kenya when the Tribunal makes a ruling in favour of the Commissioner General KRA as the taxpayer proceeds to appeal the decision. I have also proposed that in case the taxpayer receives judgment in his or her favour on final determination of the matter, the 50 percent deposit shall be refunded to the taxpayer within 30 days after the final determination of the matter by the Courts.

**184. Mr. Speaker,** the Tax Procedures Act empowers the Commissioner General, KRA to issue direction to the Land Registrar to put a caveat on land or restriction on transaction for taxpayers with tax arrears. It is noted that taxpayer may have other assets

other than land which the Commissioner can put caveat or restriction on transfer to secure unpaid tax revenue. In this respect, I propose to amend the Tax Procedures Act to require Registrars of ships, aircrafts, motor vehicles and any other properties that may be used as security for unpaid taxes to restrict disposal or transaction of these assets upon receipt of direction from the Commissioner.

**185. Mr. Speaker,** the Tax Procedures Act empowers the Commissioner General, KRA to request for additional information from the taxpayers in order to facilitate determination of an objection on assessed tax. The Act does not specify the number of times that the Commissioner can request for such information on a particular case. This prolongs the determination of tax disputes as additional information can be requested severally and any request for additional information provides the Commissioner with additional 60 days to make a decision. In order to address this gap, I propose

to amend the Act to require the Commissioner to issue a decision on objection by a taxpayer within one cycle of 60 days from the date of receiving a valid objection by a taxpayer.

**186. Mr. Speaker,** Kenya ratified and deposited the Multilateral Convention for Mutual Administrative Assistance in Tax Matters (MAC) with the Global Forum on Transparency and Exchange of Information on Tax Matters in July 2020. Under this Convention, Kenya is expected to exchange information on tax matters with tax jurisdictions that are members of the forum. In order to promote greater tax transparency among multinational enterprises, I propose to amend the Income Tax Act to require multinational enterprises which have operations in Kenya to report their activities within Kenya and in other jurisdictions to the Commissioner General, Kenya Revenue Authority.

**187. Mr. Speaker,** the Statutory Instruments Act that became effective in 2013, provides for automatic

expiry of statutory instruments after 10 years from the date of their publication. In this respect, there are several tax related Regulations issued in accordance with the Act as well as some that were issued prior to the enactment of the Act that will expire after the 10-year period. The expiry of these instruments will negatively affect tax administration and revenue collection. In this regard, I propose to amend the Statutory Instruments Act to exempt the tax related Regulations under various tax laws from automatic expiry provided under the Act.

## **VII. CONCLUSION**

**188. Mr. Speaker,** this administration has implemented socio-economic transformative programs under a devolved system of Government that required enormous financial resources. At the same time the country, was confronted by some degree of security challenges, the twin global challenges of COVID-19 pandemic and climate change and the locust invasion

that impacted on food security. In the midst of all these, **Mr. Speaker,** the Government has successfully maintained macroeconomic stability, achieved growth rates above that of sub-Saharan African region and improved welfare of Kenyans.

**189.** In conclusion therefore, **Mr. Speaker,** our sustained investments since 2013 have significantly transformed our economy and strengthened our resilience. Encouraged by this, our economy has bounced back, giving our people incredible optimism even in situation of extreme challenges.

**190.** **Mr. Speaker,** we are proud of our socio-economic achievements and seek to sustain higher economic growth so as to improve the welfare of our people. Considering the envisaged development agenda and the limited fiscal space, we have carefully balanced the difficult choices in resource allocation in order to finance the highest priorities that will propel this country to greater heights of prosperity. I am confident that we



have made the right decisions that will accelerate the pace of our economic growth.

**191.** At this point, **Mr. Speaker**, I wish to thank His Excellency the President, Hon. Uhuru Kenyatta for his leadership and guidance which has transformed this country into a regional economic hub.

**192.** I also thank my fellow Cabinet Secretaries, respective Principal Secretaries and Accounting Officers, and staff in all Government, Ministries, Departments and Agencies for their support and contributions to the FY 2022/23 budget.

**193.** **Mr. Speaker**, I also express deep gratitude to Kenyans for their rich and diverse contributions, proposals and suggestions that helped us to finalize this budget.

**194.** My appreciation also goes:

- **First**, to you, Honourable Speaker of the National Assembly and your counterpart in the Senate, the

Majority and Minority Leaders and the entire House Leadership including respective Clerks for overseeing the approval process of the budget estimates for FY 2022/23 and the related documents;

- **Second,** to Honourable Members of the Budget and Appropriations Committee, the Finance and National Planning Committee and all other Departmental Committees of this House as well as the staff of the Parliamentary Budget Office, for their constructive inputs during the approval process of the budget;
- **Third,** I recognize and appreciate the management and staff of the National Treasury who have worked tirelessly for long hours to ensure that this budget and supporting documents were prepared within new timelines to enable the presentation of this Budget in April thus paving way for the August general elections;

- **Fourth,** the Kenya Revenue Authority; Central Bank of Kenya; Attorney General's Office, Commission on Revenue Allocation; Financial Sector Regulators and the various Agencies under the National Treasury and Planning for their contributions and advice during the budget process;
- **Fifth,** my gratitude goes to our Multilateral and Bilateral Development Partners for their continued technical and financial support. Further, I thank the private sector for their sustained contribution to the growth of our economy; and
- **Sixth,** I wish to appreciate the Media and non-state actors for their active engagement and participation in the FY 2022/23 budget process.

**195. Mr. Speaker,** allow me to once again thank all Honourable Members of the National Assembly and the Senate for their support in facilitating legislative proposals supporting the Government economic transformation agenda over the last ten years. At this

juncture, I wish honourable members the very best as they seek to renew their mandates with the electorates during the upcoming general election. My hope is that the electioneering period will not distract us from our pursuit to solidify and sustain the economic growth trajectory we have realized over the years.

**196. Lastly,** I remain immensely grateful to my family for their love, understanding, regular encouragement and above all their unfailing support as I steer my demanding duties at the National Treasury and Planning since my appointment to the docket.

**I Thank You All and May God bless Kenya.**

**Pause**

**Mr. Speaker,** before I resume my seat, you will recall that I have already submitted to this House the budget estimates and the Finance Bill, 2022, together with the accompanying documents as required by the Public

Finance Management Act, 2012. Today, I further submit the following documents to this august House and request that you graciously receive them:

1. Budget Statement for the FY 2022/23;
2. Budget Policy Statement 2022;
3. Estimates of Revenue, Grants and Loans for the FY 2022/23 Budget;
4. Financial Statement for the FY 2022/23 Budget;
5. Medium Term Debt Management Strategy 2022;
6. Budget Highlights – The “Mwananchi” Guide for the FY 2022/23 Budget; and
7. Statistical Annex to the Budget Statement for the FY 2022/23.

**THANK YOU, HONOURABLE SPEAKER**

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**THE NATIONAL TREASURY AND PLANNING**  
**APRIL 7, 2022**

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