

## PARLIAMENT OF KENYA

### THE NATIONAL ASSEMBLY

#### THE HANSARD

Thursday, 10<sup>th</sup> June 2021

The House met at 2.30 p.m.

*[The Speaker (Hon. Justin Muturi) in the Chair]*

#### PRAYERS

#### PETITION

##### ALLOCATION OF FUNDS TO COMPENSATE EX-KENYA AIR FORCE OFFICERS

**Hon. Speaker:** Hon. Members, pursuant to Standing Order No.225(2)(b), I wish to report to the House that I have received a Petition from Messers D.G. Njau and L.R. Ngure on behalf of several other Ex-Kenya Air Force officers who were dismissed in 1982.

Hon. Members, the petitioners claim to have diligently served the nation through the Kenya Air Force until 1<sup>st</sup> August 1982 attempted coup, following which they were arrested for allegedly participating in the attempted coup. They further claim to have been imprisoned for periods spanning six months to several years and thereafter unlawfully and unconstitutionally dismissed from the Kenya Air Force without compensation, despite not having been involved in the attempted coup.

Hon. Members, the petitioners state that they pursued justice through the High Court of Kenya and the courts granted them varying awards on different dates from 2012 onwards. The Petitioners aver that they obtained certificates of decrees, taxation and orders against the Government to be paid in 2017.

In spite of the fact that the Principal Secretary for Defence swore an affidavit on oath averring that the Ministry had factored the decretal amounts in the 2017/2018 Budget to settle the compensation, the orders remain unheeded several years later. They are, therefore, worried that since most of their colleagues are senior citizens aged above 65 years and with no capacity to fend for themselves, any further delay in compensating them will worsen their deteriorating conditions of life.

Hon. Members, the petitioners are therefore praying that the National Assembly allocates to the Ministry of Defence such funds necessary in the Financial Year 2021/2022 for compensation and settlement of decretal debts and the interests accrued thereof to the Ex-Kenya Air Force officers who were dismissed in 1982.

Hon. Members, having determined that the matters raised by the petitioners are well within the authority of this House, I order that pursuant to the provisions of Standing Order No.227, the Petition be committed to the Budget and Appropriations Committee. The Committee is required to consider the Petition and report its findings to the House and the petitioners in accordance with

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Standing Order No.227 (2). The Committee may also consider proposing necessary adjustments to the 2021/2022 Budget for the relevant Vote or Votes so as to accommodate the prayers of the petitioners should they find them capable of being accommodated.

I thank you, Hon. Members.

Hon. Members, in view of the business ahead, I will dispense with the requirement to allow Members to comment for 30 minutes on that Petition. So, the Petition will just stand committed to the Budget and Appropriations Committee.

Let us proceed.

### PAPERS LAID

**Hon. Speaker:** Leader of the Majority Party.

**Hon. Amos Kimunya** (Kipipiri, JP):Hon. Speaker, I beg to lay the following Papers on the Table of the House:

Reports of the Auditor-General and Financial Statements for the Kenya Veterinary Vaccines Production Institute for the year ended 30<sup>th</sup> June 2015, 2017 and 2018 and the certificates therein.

Reports of the Auditor-General and Financial Statements in respect of the following institutions for the year ended 30<sup>th</sup> June 2020 and the certificates therein:

- (i) The State Department for Youth Affairs;
- (ii) The Public Service Commission;
- (iii) The State Department for Development of the Arid and Semi-Arid Lands (ASALs);
- (iv) The National Government Constituencies Development Fund Board;
- (v) Development Revenue Statements from the National Treasury;
- (vi) Revenue Statements of the Government Investments and Public Enterprises from the National Treasury;
- (vii) The East Africa Tourist Visa Fee Collection Account from the National Treasury;
- (viii) The Government Clearing Agency Fund;
- (ix) The National Exchequer Account from the National Treasury;
- (x) Office of the Controller of Budget Mortgage Fund;
- (xi) Stores and Services Fund from the State Department for Public Works;
- (xii) Consolidated Fund Services – Pension and Gratuities from the National Treasury;
- (xiii) Mechanical and Transport Fund from the National Youth Service;
- (xiv) The State Department for Public Works; and
- (xv) The County Governments Budget Implementation Review Report for the First Nine Months of 2020/2021 Financial Year.

Thank you, Hon. Speaker.

**Hon. Speaker:** Next Order.

### ORDINARY QUESTIONS

**Hon. Speaker:** We will start with Questions. The first Question is by the Member for Kajiado North, Hon. Joseph Manje.

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*Question No. 176/2021*

## STATUS OF IMPLEMENTATION OF KENYA NATIONAL ADDRESSING SYSTEM

**Hon. Joseph Manje** (Kajiado North, JP): Thank you, Hon. Speaker. My Question is to the Cabinet Secretary ICT, Innovation and Youth Affairs:

- (i) Could the Cabinet Secretary provide an update on the status of implementation of the Kenya National Addressing System under the Communications Authority which involves physical and electronic naming and numbering of buildings and streets?
- (ii) What urgent measures are the Ministry taking to ensure that institutionalisation of the National Addressing System is expedited?

Thank you, Hon. Speaker.

**Hon. Speaker:** The Question will be replied to before the Departmental Committee on Communication, Information and Innovation. Next Question is by the Member for Starehe, Hon. Charles Njagua.

*Question No. 182/2021*

## INVESTIGATIONS INTO DEATH OF MR. PETER ODUOR

**Hon. Charles Njagua** (Starehe, JP): Thank you, Hon. Speaker. I rise to ask Question No.182/2021 which is directed to the Cabinet Secretary for Interior and Coordination of National Government:

- (i) Could the Cabinet Secretary provide a status report on the investigations into an accident that occurred on 5<sup>th</sup> May 2021 near Pangani Girls High School, along Juja Road involving an ambulance registration number KCY 015S belonging to Medihealth Group of Hospitals which led to the death of Mr. Peter Oduor of National ID No. 21764388?
- (ii) Could the Cabinet Secretary undertake to ensure that the matter will be fully investigated with a view to ensuring justice for the victim and compensation for the life lost?

Thank you, Hon. Speaker.

**Hon. Speaker:** The Question will be replied to before the Departmental Committee on Administration. The last Question is by the Member for Saboti, Hon. Caleb Amisi. He indicated that he had given authority to Hon. Njagua to ask the Question on his behalf.

*Question No. 176/2021*

## STEPS TO RESCUE MR. GERISHON WASIKE

**Hon. Charles Njagua** (Starehe, JP): Thank you, Hon. Speaker. I rise on behalf of Hon. Caleb Amisi to ask Question No.183/2021 to the Cabinet Secretary for Defence:

- (i) Could the Cabinet Secretary elaborate the steps, if any, the Ministry is taking to ensure the successful rescue of Mr. Gerishon W. Wasike, a Member of the Kenya

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Commented [AN1]:

Defence Forces, KDF No. 64809, who was taken hostage in 2016 by the *Al Shabaab* terror group in Somalia?

- (ii) Could the Cabinet Secretary explain the Government's policy regarding rescue of Kenyan prisoners of war?

Thank you, Hon. Speaker.

**Hon. Speaker:** The Question will be replied to before the Departmental Committee on Defence and Foreign Relations.

I can see the Member for Dagoretti South has an intervention. What is your intervention about?

**Hon. John Kiarie** (Dagoretti South, JP): Hon. Speaker, this is unintended. Thank you very much.

**Hon. Speaker:** Member for Mwea, what is your intervention about?

**Hon. Josphat Kabinga** (Mwea, JP): Hon. Speaker, there could be a problem with the system because my gadget does not show anything. Thank you.

**Hon. Speaker:** Any other intervention, whether intended or unintended? Member for Garissa Township, is your intervention intended or unintended?

**Hon. Aden Duale** (Garissa Township, JP): Hon. Speaker, mine is intended. Two-and-a-half months ago, I sought a Statement from the Chairperson of the Departmental Committee on Energy on the matter of independent power producers and their role in electricity bills. I urge you to direct that on our sitting next Tuesday, the Committee should furnish the House with the information. I asked for a written statement, but the one I got had five fundamental questions. I am sure the Clerk has a copy of the Statement. Two of the questions, questions 4 and 5, the Committee asked that I should go to court and get a court order so that the Cabinet Secretary can furnish me with the names of the specific directors of the 13 companies that provide power to Kenya Power. Secondly, they did not provide the contractual obligations showing how much each company was paid per month.

In line with Article 125 of the Constitution, the Powers and Privileges Act and Article 35 of the Constitution on access to information, once a Committee of this House demands for information from the Executive or any arm of Government, that information must be provided. This is a matter of national interest. When I sought that Statement, the same evening the Executive formed a taskforce in a very unusual manner. As a Member of Parliament, I am under obligation to provide to the people of Kenya the cost of power *vis-à-vis* what the private independent power producers charge Kenya Power. How much do they charge Kenya Power and how does that translate to the price ordinary citizens and investors pay? So, Hon. Speaker, I want you to use your powers to ask the Chair of the Departmental Committee on Energy to supply me with the information so that the House can interrogate the matter. It is now two months.

**Hon. Speaker:** Where is the Chair of the Departmental Committee on Energy, Hon. Gikaria? Who deputises him? As you can see, both the Chairperson and the Vice-Chairperson are absent, not desiring to be present on this momentous day. How can the Chairperson be absent on a day like today? The House was sitting yesterday, so it cannot be said they are travelling from their villages.

*(Hon. Mohamed Abdikhaim raised his hand)*

**Hon. Speaker:** The Member raising his hand up there, do you want to speak on behalf of the Chairperson or the Vice-Chair or on your own behalf? Is that Hon. Osman?

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Hon. Duale, your concerns are noted and the Leader of the Majority Party will convey the message. Let them bring the Statement on Tuesday. It has taken too long.

I can see an intervention by the Member for Uriri, Hon. Nyamita.

**Hon. Mark Nyamita** (Uriri, ODM): Hon. Speaker, on 13<sup>th</sup> May 2021, I did ask a Question which was directed to the Departmental Committee on Defence and Foreign Relations. My Question was on compensation of one of the Ex-members of Kenya Defence Forces who had not been compensated for over 25 years.

Hon. Speaker, you directed that the Question be addressed by the then Chair, Hon. Katoo ole Metito and he agreed to bring feedback to this House in two weeks' time. We are heading towards the end of June, and we have not heard from them. They have not come back to this House to even seek additional time. I am seeking your intervention so that they can possibly fast-track this. The people on whose behalf I was petitioning are waiting.

**Hon. Speaker:** You have heard the Petition which I have just read out. Perhaps, it could have been addressed in that Petition.

It could also be covered because mine was specific and I gave out all the details. If they could address us, probably, they are responding to our Petition.

**Hon. Speaker:** Hon. Katoo ole Metito, kindly, you have the Floor. The Question was not directed to the Chairman, but to the Cabinet Secretary.

**Hon. Katoo ole Metito** (Kajiado South, JP): Thank you, Hon. Speaker. Indeed, I was glad when you referred that Petition to the Budget and Appropriations Committee. We have a long list of Ex-Army officers who are having such claims as alluded to by Hon. Nyamita. All these cases end up being in court; from the Court Martial to the High Court. The High Court cleared and awarded damage charges. If you inquire from the Government and especially, the Ministry of Defence and the Attorney-General's Office, there is a pending appeal. The Government had appealed before the judgement was made. There are many such cases, actually, a colossal sum of money was awarded to those Ex-army officers. The Budget and Appropriations Committee has powers in this House to appropriate. Hon. Nyamita's case should be covered there. The Budget and Appropriations Committee will look into the judgment of the High Court and whether there is any live appeal in the Court of Appeal on the same matter then, they will make an informed decision.

Thank you.

**Hon. Speaker:** Hon. Nyamita, you can pursue the matter through the Budget and Appropriations Committee. I heard Hon. Nyamita say that since he raised the Question on 13<sup>th</sup> May 2021, it is now towards the end of June 2021. Certainly, 10<sup>th</sup> June cannot be towards the end. Nevertheless, your concern is noted.

Hon. Nyamita, kindly you have the Floor.

**Hon. Mark Nyamita** (Uriri, ODM): Hon. Speaker, whereas I appreciate the feedback from the Chair of Defence and Foreign Relations, it would be just if the Committee, at least, looked into the matter instead of generalising and saying "I think." The Chair cannot come and say he "thinks" when they are seized of that very Question that I asked. They need to find out the details, and if it requires the intervention of the Budget and Appropriations Committee where I also sit, he can say so. However, to just dismiss it without having the benefit of looking at it, we might be directing it to the wrong Committee. Mine was not exactly a Petition, as you had earlier said. I urge them to look into it and find out the facts. It is for them to tell us whether the respective department has launched an appeal instead of the Budget and Appropriations Committee doing so. We would not be in a position to go and check, that is the work of the Committee. They can then direct it to...

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**Hon. Speaker:** Irrespective of the Question raised by Hon. Nyamita, can you bring back a specific response as to whether or not the State appealed on Thursday? If they did, then what is the status of appeal for the comfort of the Hon. Member?

**Hon. Katoo ole Metito** (Kajiado South, JP): Yes. Hon. Nyamita, who is my good friend, knows very well that this is a very serious Committee. We just came back the day before yesterday since 13<sup>th</sup> May. We resumed on 8<sup>th</sup> June 2021. We have not failed to bring it on time. However, I will go by your directive which is to bring the response next week on Thursday. I was not “thinking”. I am being told by my good friend here, the Member for Kiambu that I am not allowed to think. I am certain that the end game for all these Petitions on Ex-Army Officers is a consolidated Petition to be decided by the Budget and Appropriations Committee. Nevertheless, I will respond as directed by you, Hon. Speaker.

**Hon. Speaker:** Hon. Osotsi, the Nominated Member, you have an intervention. What is it about?

**Hon. Godfrey Osotsi** (Nominated, ANC): On a point of order. Hon. Speaker, just like the case of my good friend Hon. Nyamita, I too asked a Question in April touching on Kenya Revenue Authority and revenue performance. The Question was directed to the Departmental Committee on Finance and National Planning. I am concerned because it has taken long for me to get an answer. I seek your intervention so that the Committee can invite KRA to come and respond to the issues that I had raised.

**Hon. Speaker:** Chair of the Departmental Committee on Finance and National Planning, Hon. Wanga, kindly have the Floor.

**Hon. (Ms.) Gladys Wanga** (Homa Bay CWR, ODM): Thank you, Hon. Speaker.

I am surprised by Hon. Osotsi’s claim because I have been in constant communication with him. After inviting KRA to come and respond to his Question, he said that he was not going to be available and would not come and listen to the answers. He asked me to postpone it indefinitely until he is available. I am, therefore, surprised for him to come and mention this on the Floor, as if the Committee has not moved on the matter. He who comes into equity must come with clean hands.

I invited KRA and they were ready to come. However, Hon. Osotsi approached me and said he was not available on the day and that I should postpone it until the day that he would be available. I am just waiting for him to come back and tell me when he is available. So, to come and raise the matter on the Floor, and make the Committee look incompetent is out of order.

I request you, Hon. Speaker, to find him out of order. He had better just be quiet.

Thank you, Hon. Speaker.

**Hon. Speaker:** Hon. Osotsi, what has been stated by the Chair of the Departmental Committee on Finance and National Planning is stuff that should see you being thrown out of the Chamber. It is not fair that you can approach the Chair of the Committee to postpone your Question, and then come to complain here. Is that so? As she says then, your hands will look extremely dirty.

**Hon. Godfrey Osotsi** (Nominated, ANC): Hon. Speaker, Indeed, I have been in touch with the Chair of the Departmental Committee on Finance and National Planning. At some point, I said I was not going to be available because I was going to be out of town. However, I never said the Question should not be asked. I am more than willing for the Committee to still invite the respondent to respond to the Question. I never said that since I was not available at that particular time, I was not going to be available any other time. I am available at any other given time and I am keen to get answers to the same Question.

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**Hon. Speaker:** Hon. Osotsi, the same way you approached the Chair to postpone is the same way you should have approached her to ask the Question. However, to come and raise it here is to cast aspersions on the Committee; that they are sitting on your Question. That is the point being made by Hon. Wanga. You approached her to postpone asking Question. In addition, she says she was waiting for you to now go back and tell her when it is you are available. Now you come here and start saying the Committee has not responded. Yes, actually you should apologise to the Committee. Hon. Osotsi, apologise to the Committee.

**Hon. Godfrey Osotsi** (Nominated, ANC): Hon. Speaker, it is very clear that I have been in touch with the Chair of the Committee on Finance and National Planning, whom I respect a lot. It is only that at one point I was not available and I am sorry for all that confusion. However, through your intervention, Hon. Speaker, I will still request that if the opportunity is available I would be very keen to get the responses to my Question.

**Hon. Speaker:** In the same way you approached her, go and approach her to set a date for the Question to be answered.

Hon. Members, let us proceed with business. You can now see Members think it is an occasion for... I do not know what is causing the excitement. You can see, you may have forgotten because of the long holiday. You see, Hon. Osotsi forgot he is the one who requested for the postponement of response to the Question.

*(Hon. (Ms.) Rehema Jaldesa stood on a point of intervention)*

Hon. Jaldesa, what is your intervention about?

**Hon. (Ms.) Rehema Jaldesa** (Isiolo CWR, JP): Thank you, Hon. Speaker. I had earlier pressed an intervention before he apologised. I appreciate you.

**Hon. Speaker:** Very well. Leader of Majority Party. Yes, he has apologised.

### STATEMENT

#### BUSINESS FOR THE WEEK COMMENCING 15<sup>TH</sup> TO 17<sup>TH</sup> JUNE 2021

**Hon. Amos Kimunya** (Kipipiri, JP): Hon. Speaker, pursuant to the provisions of Standing Order 44(2) (a) I rise to give Statement on behalf of the House Business Committee which met on Monday 7<sup>th</sup> June 2021 to prioritise the business for consideration.

Hon. Speaker, I wish to officially welcome Members back from their mid-year recess held from 13<sup>th</sup> May 2021 to 7<sup>th</sup> June 2021. It allowed departmental committees to consider and discuss Budget Estimates for Financial Year 2021/2022 with relevant government ministries, state departments and other government institutions according to their respective mandates and make their recommendations through the Budget and Appropriations Committee. I am delighted that the Budget and Appropriations Committee has tabled its detailed report for consideration and adoption by this august House in accordance with Standing Orders. I wish to commend the committees for their diligence in finalising their work within the tight periods. I am also happy that committee chairs and members have begun making their contributions on the Floor of the House regarding the Budget Estimates.

Hon. Speaker, today we welcome the Cabinet Secretary for the National Treasury and Planning as he makes public pronouncement on budget highlights and revenue raising measures for the Government for the fiscal year 2021/2022 in accordance with Standing Orders 25A(a) and 244C.

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Hon. Speaker during the Afternoon Sitting of Tuesday next week, we shall have the following Bills being read the First Time:

1. The Trustees (Perpetual Succession) (Amendment) Bill, National Assembly Bill No. 23 of 2021;
2. The Perpetuities and Accumulations (Amendment) Bill, (National Assembly Bill No. 24 of 2021); and,
3. The Certified Managers Bill, (National Assembly Bill No. 26 of 2021).

Hon. Speaker, we shall also continue consideration of Budget Estimates for the Financial Year 2021/2022 for the third and final allotted day. Once this is concluded, the House shall continue to debate the Report of the Auditor-General on the Financial Statements of the National Government for the Financial Year 2017/2018.

Hon. Members will recall that we amended the calendar of the House to hold evening sittings on Tuesdays and Wednesdays starting from next week until our next recess in July. As such, during the evening session of Tuesday 15<sup>th</sup> June, 2021, that is the session beginning from 7.00 p.m. to 9.30 p.m., we have scheduled the following business for consideration:

1. Committee of Supply, in accordance with the procedure provided in Standing Order No. 240(1);
2. The Second Reading of the WAQF Bill (National Assembly Bill No. 73 of 2019); and,
3. Report of the Departmental Committee on Finance and National Planning on Inspection Visits to Ascertain the Impact of Revenue Enhancement Initiatives on Revenue Collection.

Hon. Speaker, due to the tightness of the business, I am informed that there are no Questions scheduled for response by Cabinet Secretaries next week. The House Business Committee will reconvene on Tuesday, 15<sup>th</sup> June, 2021 to schedule business for the rest of the week.

I now wish to lay this Statement on the Table of the House. Thank you.

*(Hon. Amos Kimunya laid the Statement on the Table)*

**Hon. Speaker:** Very well, Next Order.

## BILLS

### *First Readings*

THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (AMENDMENT) BILL

THE KENYA ROADS (AMENDMENT) BILL

*(Orders for First Readings read -Read the First Time and ordered to be referred to the relevant Departmental Committees)*

**Hon. Speaker:** Next Order.



**COMMUNICATION FROM THE CHAIR****INTERRUPTION OF BUSINESS FOR DELIVERY OF HIGHLIGHTS  
OF BUDGET ESTIMATES –2021/2022**

**Hon. Speaker:** Hon. Members, this is Communication No.27 of 2021 which deals with interruption of business for delivery of the highlights of Budget Estimates for the Financial Year 2021/2022.

Hon. Members, as you are aware this week the House has been considering the Report of the Budget and Appropriations Committee on the Budget Estimates for the National Government, Parliament and the Judiciary for the Financial Year 2021/2022. This process will proceed to the Committee of Supply which will allocate funds to various votes and programmes under the three arms of the national Government. Ultimately, the process will come to an end upon the passage and enactment of the annual Appropriations Act which anchors the respective allocations in law and authorises the attendant withdraws from the Consolidated Fund. As part of this process, Section 40(1) of the Public Finance Management Act, 2012 as read together with Standing Order 244C require the Cabinet Secretary for the National Treasury and Planning to make a public pronouncement of the budget highlights and revenue raising measures of the National Government.

For this reason, I will shortly be interrupting business of the House to allow the Cabinet Secretary of the National Treasury and Planning to discharge this obligation.

*(Applause)*

Hon. Members, before I do so, allow me to recognise the following Cabinet Secretaries who are seated on the Speaker's Row for this occasion:

Hon. James Macharia EGH, Cabinet Secretary, Transport;

Hon. (Prof.) Margaret Kobia EGH, Cabinet Secretary, Public Service

Hon. (Ms.) Cecily Kariuki, Cabinet Secretary, Water and several other dignitaries.

*(Applause)*

They are welcome to the National Assembly. I also wish to recognise the Governor of the Central Bank of Kenya, Dr. Patrick Njoroge as well as representatives from the Judiciary led by Commissioner Evelyne Olwande who is accompanied by the Chief Registrar of the Judiciary, Ms. Anne Amadi and other judicial officers.

*(Applause)*

At least, they are seated in the Diplomatic boxes.

Hon. Members, seated at the public servants' benches are other distinguished guests from the National Treasury accompanying the Cabinet Secretary this afternoon. They include the Chief Administrative Secretary (National Treasury), Hon. Nelson Gaichuhie, the Chief Administrative Secretary (Planning), Mr. Eric Simiyu Wafukho and the Principal Secretary at the National Treasury, Dr. Julius Muia.

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Finally, may I also recognise our very own, Mrs. Phyllis Makau, the Director of the Parliamentary Budget Office, who is also seated at the public servants' benches. Please join me, Hon. Members in welcoming them to the National Assembly this afternoon in our usual manner.

*(Applause)*

Hon. Members, paragraph (a) of Standing Order 25(A) provides thus:

“The Speaker may designate a suitable place in the Chamber or at the bar of the House for

(a) The Cabinet Secretary responsible for finance to make a public pronouncement of the budget policy highlights and revenue raising measures for the national Government as contemplated under the Public Finance Management Act.”

In furtherance of this provision, I have designated a suitable place to the right of the Speaker's seat and adjacent to the public servants' benches to enable the Cabinet Secretary for the National Treasury and Planning discharge his obligation under Section 40 of the Public Finance Management Act, 2012 and Standing Order No.244C of the National Assembly Standing Orders.

In this regard Hon. Members, it is now my pleasure to invite the Cabinet Secretary for the National Treasury and Planning, Hon. (Amb.) Ukur Yatani, to make a public pronouncement of the Budget Highlights and the Revenue Raising Measures for the National Government for the Financial Year 2021/2022 and the Medium Term, not later than 3.15 p.m.

Cabinet Secretary, you are welcome.

I thank you.

*(Applause)*

### PRONOUNCEMENT OF THE BUDGET HIGHLIGHTS

**The Cabinet Secretary, National Treasury and Planning** (Amb. Ukur Yatani): Hon. Speaker, it is once again a privilege for me to present to this Hon. House and to the people of Kenya highlights of the budget policy and the revenue raising measures for the Financial Year 2021/22.

This Statement is in fulfillment of the requirements of Section 40 of the Public Finance Management Act and the Standing Order Number 241 of the National Assembly. I do this in performing my fiduciary duty to Kenyans.

Before I proceed with the rest of the Statement, allow me to state that during the preparation of this Budget, I had very fruitful engagements with diverse stakeholders and received valuable feedback. The breadth of the stakeholders spanned from Government Ministries, departments and agencies, county governments, committees of this House, development partners, private sector and Kenyans from all walks of life. I extend my sincere gratitude to them for their views and useful suggestions which informed the priorities of this Budget.

Hon. Speaker, pressing concerns raised by Kenyans during the consultation process revolved around the impact of COVID-19 and its containment measures. Kenyans were concerned about the high cost of COVID-19 treatment and availability of vaccines, in addition to food security, high cost of living and unemployment levels among the youth. In addition, Kenyans raised concerns about the general levels of poverty and inequality as well as the increased public debt.

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Hon. Speaker, at the outset, I wish to assure Kenyans that these concerns have been considered and I will be elaborating specific interventions later in this Statement.

Hon. Speaker, as you recall, following the outbreak of the COVID-19 Pandemic in March last year, the Government instituted containment measures to curb the spread of the virus and save lives. To cushion Kenyans and businesses, the Government rolled out specific fiscal interventions including reduction of Pay As You Earn (PAYE) and corporate tax rates from 30 to 25 per cent, Value Added Tax (VAT) from 16 to 14 per cent and turnover tax from 3 to 1 per cent. The Government also offered 100 per cent tax relief to Kenyans earning below Kshs 24,000 per month. In addition, the Government enhanced cash transfer allocations to the vulnerable segment of our society including the emerging urban vulnerable.

Hon. Speaker, the Government further implemented various monetary policy measures to enhance access to credit by the private sector. This included reduction of the Central Bank Rate from 8.25 to 7.0 per cent and lowering of the Cash Reserve Ratio from 5.25 to 4.25 per cent thereby injecting an additional Kshs 35.0 billion to the money market. Further, during this period, commercial banks were allowed flexibility with regard to the requirements for loan classification and provisioning.

Hon. Speaker, to spur economic activities in the country, the Government implemented a comprehensive Economic Stimulus Programme, targeting activities in infrastructure, education, health, business liquidity, agriculture and food security, tourism, manufacturing, environment, water and sanitation.

Hon. Speaker, in spite of these interventions, a lot remains to be done in order to deal with the challenges of unemployment among our youth as well as high poverty and income inequality levels that have been aggravated by the COVID-19 Pandemic. Our rallying call in this year's Budget is therefore, job creation through continued and sustained economic growth. To strengthen this position, we shall implement a comprehensive economic recovery strategy that will expand economic activities and address these challenges.

Hon. Speaker, the private sector remains key to employment creation and poverty reduction in the country. In order to expand the scope and pace of policy interventions and enhance access to credit by businesses, the Government established the Credit Guarantee Scheme to de-risk lending to the micro, small and medium enterprises.

Hon. Speaker, the plight of the vulnerable in our society, particularly the emerging urban vulnerable, remains a key concern for our Government. In order to cushion this particular group, the Government will enhance cash transfer allocations and institute other targeted interventions in this Budget.

Hon. Speaker, the COVID-19 Pandemic has triggered one of the worst health and economic crisis of our time. The pandemic overstretched our health systems, and in line with the advisory of the World Health Organization (WHO), the Government implemented appropriate interventions to save lives. The response has undoubtedly strengthened our health care system through provision of necessary medical supplies, installation of modern equipment, and deployment of more health personnel. In addition, in March 2021, the Government launched the National COVID-19 vaccination programme initially targeting the frontline workers and other highly vulnerable groups.

As at end May, 2021, about one million persons had received the first COVID-19 vaccine dose. In order to facilitate further roll-out of vaccines to create herd immunity, we propose to allocate Kshs 14.3 billion in the FY 2021/22. This is in addition to the Ksh 7.6 billion appropriated in the current Budget.

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Hon. Speaker, to enhance access to affordable medicine and equipment for management of COVID-19 and other chronic diseases, I will later in this Statement be proposing tax relief measures on various pharmaceutical products and medical equipment.

Hon. Speaker, the containment measures instituted by the Government to stem the spread of the virus and save lives, adversely affected economic activities and revenue performance. To stimulate economic activities and enhance Government's ability to respond, we prioritised health and social expenditures and formulated an economic recovery strategy programme that targeted: First, enhancing our ability to respond to the COVID-19 Pandemic; second, reducing debt vulnerabilities through a revenue-driven fiscal consolidation with a view to stabilising the debt to GDP ratio over the medium term; third, implementing targeted policy, legal and institutional reforms while at the same time addressing vulnerabilities in the State-owned enterprises worsened by the COVID-19 Pandemic; and, fourth, strengthening the monetary policy framework and financial stability.

Under this Programme, we plan to reduce the level of fiscal deficit from 8.7 per cent of GDP in the current Budget to 7.5 per cent of GDP in the Financial Year 2021/2022 and further to 3.6 per cent of GDP in the Financial Year 2024/2025. This will be a 5.1 per cent reduction in 10 fiscal deficits over the next four years, thereby slowing the annual growth of debt. Upon our request, this economic recovery programme is supported by multi-lateral and bilateral development partners with the International Monetary Fund providing financial resources amounting to US\$2.34 billion over the next three years.

Further, in response to the COVID-19 Pandemic, the G-20 countries extended support to developing countries by offering debt service suspension under the G-20 Debt Service Suspension Initiative Framework. The fiscal space created under this initiative is to increase social, health and economic spending in response to the COVID-19 crisis. Kenya has benefited from this initiative through expansion of health and social services. Additionally, Kenya welcomes the initiatives under the recent French-African Summit that agreed to, among others, increase funding through the IMF's Special Drawing Rights to African States to support economic recovery, extension of the G-20 debt service suspension and facilitate manufacture of vaccines in Africa.

Hon. Speaker, I will now highlight the economic policy context in which this Budget has been prepared. This year's Budget has been prepared against a backdrop of projected global economic recovery. This is despite the emergence of COVID-19 variants occasioning re-introduction of containment measures to further stem the spread of the virus. The projected recovery reflects additional fiscal support in a few large economies and monetary easing that further uplifts the economic outlook. This outlook is further supported by the on-going vaccination, which is expected to pick up in the second half of 2021.

In this regard, the global economy is projected to grow by 6.0 per cent in 2021, from a contraction of 3.3 per cent in 2020. Closer home, due to improved exports and commodity prices, economic growth in the Sub-Saharan Africa region is projected to expand by 3.4 per cent in 2021 from a contraction of 1.9 per cent in 2020. This growth will also be supported by a recovery in both private consumption and investment as economies reopen. Like the rest of the world, our economy was not spared from the adverse impact of the pandemic. In addition, the Kenyan economy experienced two other shocks: The invasion of desert locusts that damaged crops and the floods that caused loss of lives and livelihoods, displacement of people and destruction of infrastructure. Given the impact of these shocks, economic growth for 2020 declined to 0.6 per cent from 5.4 per cent in 2019. Economic growth is expected to rebound to 6.6 per cent in 2021. This recovery reflects the lower base of 2020 when most service sectors were adversely affected

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by the closure of the economy thus recording negative growths. The outlook in 2021 will be reinforced by the prevailing stable macro-economic environment and the ongoing implementation of the strategic priorities of the Government under the Big Four Agenda and Economic Recovery Strategy. Weather conditions are expected to be favourable thus supporting agricultural output. As a result, export of goods and services will expand as global demand normalises. Over the medium term, the economy is expected to remain resilient and grow at a rate above 6.1 per cent.

This growth outlook is affirmed by recent surveys by the Monetary Policy Committee revealing a general optimism about economic growth prospects. In addition, the recent IMF Mission to Kenya noted that economic recovery is underway and estimates economic growth is consistent with our projections. To support this growth outlook, we shall continue to maintain macro-economic stability. Inflation, which stood at 5.9 per cent in May 2021, is expected to remain within a target range of 5 per cent with a margin of 2.5 on either side, supported by prudent fiscal and monetary policies. Interest rates will be expected to remain low and stable thus supporting the growth of private sector credit. The balance of payments is also expected to be strong with the current account balance projected to remain at 5.2 per cent of GDP. Further, the rebound in horticulture and tea exports as well as increased inflows of remittances will support the build-up of adequate levels of official foreign exchange reserves thus creating buffers against short-term shocks in the foreign exchange market.

Hon. Speaker, the aforementioned economic outlook may be affected by emerging domestic and external risks. The emergence of new COVID-19 variants could lead to reinstatement of containment measures disrupting, among others, trade and tourism. In addition, adverse weather conditions could lead to lower agricultural output. Further, increased public expenditure pressures, particularly wage demands could put a strain to the fiscal space. The Government will continue to monitor these developments and take appropriate policy interventions to safeguard the economy where the risks do materialise. Having outlined the economic policy context for this Budget, we have carefully reflected on a theme that would resonate with our strategies to protect lives and livelihoods during this period of COVID-19, cushion the vulnerable and support economic recovery for employment creation and poverty reduction. In this respect, we have framed the theme for this Budget as “Building Back Better: Strategy for Resilient and Sustainable Economic Recovery and Inclusive Growth.”

The next section of my Statement will give highlights of the policy priorities of the Government and the strategy for economic recovery. I will later provide highlights of the fiscal framework underpinning this Budget, spending priorities and the proposed tax policy measures. The implementation of the Big Four Agenda remains a high priority and critical to economic recovery. In this regard, the Government will fast-track the implementation of programmes and projects under the Big Four Agenda to enhance food and nutrition security, achieve universal healthcare, provide affordable housing, and support the growth of the manufacturing sector for job creation. The Government will also undertake the following targeted strategic interventions to achieve a resilient and sustainable economic recovery:

1. Maintain macro-economic stability and enhance security to foster a secure and conducive business environment and security of Kenyans and their properties.
2. Scale up development of critical infrastructure in the country such as roads, rail, energy and water to reduce the cost of doing business and ease movement of people and goods as well as promote competitiveness.
3. Enhance investment in key economic sectors for broad-based sustainable recovery by promoting agricultural transformation, growth in manufacturing, environmental

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conservation and water supply, stimulating tourism recovery, and sustainable land use and management.

4. Expand access to quality social services in health, education and appropriate social safety nets for the vulnerable population.
5. Support the youth, women and persons living with disabilities through Government-funded empowerment programmes that leverages on partnerships with private sector organisations.
6. Support the county governments through transfer of sharable revenues to strengthen their systems and capacity in service delivery.
7. Implement various policies, legal and institutional reforms to enhance efficiency of public service delivery.

Hon. Speaker, following the outbreak of the pandemic, we implemented the Economic Stimulus Programme to support economic activities and mitigate the adverse impact of the pandemic on Kenyans and businesses. The achievements of the Programme include:

1. Creation of over 100,000 job opportunities for the youth under the “Kazi Mtaani” initiative and 5,500 community scouts in wildlife conservation areas across the 47 counties.
2. Improvement of education outcome through construction of additional classrooms in secondary schools, procurement of locally fabricated desks for both primary and secondary schools and recruitment of 4,000 and 8,000 primary and secondary school intern teachers, respectively;
3. Enhancement of healthcare system capacity by recruiting 5,000 diploma and certificate level healthcare workers for one year under the Universal Health Coverage;
4. Enhancement of liquidity to business through payment of VAT refunds of Kshs10 billion and clearance of pending bills of Kshs13.1 billion;
5. De-risking of lending to Micro, Small and Medium Enterprises by providing Kshs3 billion to the Credit Guarantee Scheme as a seed capital; and,
6. Cushioning the vulnerable particularly, the emerging urban vulnerable, with an additional Kshs10 billion to the cash transfer programme.

Hon. Speaker, building on the success of the aforementioned interventions, the Government is now set to implement an elaborate Economic Recovery Strategy that aims to reposition the economy on an inclusive and sustainable growth trajectory. This strategy seeks to enhance resource mobilisation to ensure sustainable funding of our development programmes from diverse sources, including Public Private Partnership (PPP) and lease financing. The strategy will also support the role of the private sector in the economy and further facilitate credit access by Micro, Small and Medium Enterprises through the Credit Guarantee Scheme. Under the strategy, the Government will upscale investment in ICT and digital infrastructure in order to facilitate e-commerce and efficient delivery of public services. The Government shall also promote local production processes and domestic supply value chains and strengthen social-protection through targeted policy interventions and programmes. Undoubtedly, successful implementation of this strategy will enable us realise the aspired economic growth, create employment and narrow income inequalities. I will later in this Statement propose budget allocations to the Government priority areas. Besides the achievements under the Economic Stimulus Programme, the ongoing key strategic interventions of Government as well as sustained policy reforms over the years have greatly transformed the economy and improved the welfare of Kenyans.

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I will now highlight some of the key achievements realised from these investments and reforms:

Hon. Speaker Sir, at the macro-economic level, our prudent fiscal, monetary and financial policies have resulted into:

First, strong economic growth that averaged at 5.6 per cent between 2013 and 2019. However, the onset of the COVID-19 Pandemic slowed growth in the year 2020. The GDP per capita increased by an impressive 80.4 per cent from Kshs113,000 in 2013 to Kshs204,000 in 2019. New jobs created by both the formal and informal sector increased by 12 per cent from 755,000 in 2013 to 846,000 in 2019.

Second, inflation rate has remained within target range, averaging 6.1 per cent.

Third, interest rates have declined while credit to the private sector increased. Lending rates declined from 17.3 per cent in 2013 to 12 per cent in 2020, while the Central Bank rate declined from 8.5 per cent in 2013 to 7 per cent in 2020. As a result, credit to the private sector increased from Kshs1.5 trillion in 2013 to Kshs2.8 trillion in 2020;

Fourth, the current account deficit improved from 8.8 per cent of GDP in 2013 to 4.7 per cent of GDP in 2020, thus supporting the stability of the foreign exchange market; and,

Fifth, revenue collection including Appropriations-in-Aid (A-in-A) doubled from Kshs900 billion in 2013/2014 to an estimated Kshs1.8 trillion in the Financial Year 2020/2021.

Hon. Speaker, our investment in the expansion of road networks, railways, seaports, airports and energy has enhanced domestic and regional connectivity, boosted rural productivity and reduced urban congestion. These investments include:

One, the Standard Gauge Railway and the urban commuter rail in Nairobi; the ongoing rehabilitation of meter gauge railway line along various routes including Nairobi-Nanyuki and Nakuru-Kisumu-Butere.

Two, the recently launched first berth in Lamu Port as a critical pillar of the LAPSSET corridor. Our focus is to make Lamu a free port for both domestic and trans-shipment purposes. In addition, the Government is establishing a disease free zone in Lamu to support export of live animals and processed meat;

Three, the rehabilitation and subsequent use of Kisumu Port will enhance efficiency in regional trade; and,

Four, expansion in energy generation and connectivity with over 7.5 million households connected to electricity today compared to 2.3 million households in 2013.

Hon. Speaker, the Government has provided various incentives at our ports including exempting the fuel supplied to the shipping lines from import and excise duty, VAT as well as railway development levy and import declaration fees. To further attract more ships to our ports, particularly to the recently launched Lamu Port, the Government will review the arrangements on fuelling by vessels calling at the Kenya Ports with a view to allowing ship to ship refueling and establishment of fuel bunker facilities. In addition to the various reforms in the agricultural sector, we focused on the livestock sector by reviving the Kenya Meat Commission. We shall set up a meat processing plant in Lamu to provide ready market for livestock, increase income to farmers and enhance the meat value chain. We also focused on increasing fish production by refurbishing Liwatoni Fishing Complex and setting up a new fish processing plant in Lamu. This will promote exports and increase incomes for the local fishermen.

Hon. Speaker, in order to improve access to land as a factor for development, we have stepped up investment in the sector and rolled out ambitious national programme of land titling and digitisation of land records. Tea and coffee sub-sectors provide livelihoods to millions of

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Kenyans. Despite its contribution to foreign exchange earnings, the returns to farmers have been declining due to low productivity, high input costs, low levels of value addition and weak regulatory and institutional framework. Under the ongoing reforms in the coffee and tea sectors, I will be proposing further measures to enhance competitiveness of these sub-sectors.

With regard to manufacturing, the Government has revived and transformed textile, leather and automobile industries, which have in turn created jobs for our youth. The full operationalisation of Special Economic Zones in Dongo Kundu, Naivasha and Kisumu will support local industrial activities and unlock additional employment opportunities. The Government over the years has supported local assembly of motor vehicles and motorcycles by providing various tax incentives. These include removal of excise duty on locally assembled motor vehicles, duty-free importation of completely knocked down kits and reduced corporate tax from 30 to 15 per cent for the first five years of operation. I am pleased to note that the industry has responded positively to these interventions and to date, we have approved 13 motor vehicle and 17 motor cycle assemblers. These local assemblers have created employment opportunities while also saving the country substantial foreign exchange. Whereas, the assembly of commercial vehicles has registered tremendous growth, the passenger category of motor vehicles remains under-developed. This category is still dominated by imported used vehicles comprising over 70 per cent of passenger vehicles, which is largely attributed to the high cost of assembly. In this regard, the Government is working on a framework to support the assembly of affordable passenger vehicles.

Further, the Government, in consultations with stakeholders, is in the final stages of instituting comprehensive policy and administrative reforms to fully entrench local assembly of motor vehicles and motor cycles. While we have made tremendous progress as a nation, we remain alive to structural constraints that impede the pace of economic development. Aware that a resilient and sustainable economic recovery is indeed predicated on timely implementation of appropriate policy, legal and institutional reforms, I propose the following interventions to improve the business environment, increase efficiency in public service delivery and strengthen accountability and transparency in public finance management:

Hon. Speaker, on procurement, this House approved the Public Procurement and Asset Disposal Regulations, 2020, that came into effect in July 2020. With these regulations, it is now easier for procuring entities to meet the specified requirements of bilateral and multi-lateral agreements, technology and knowledge transfer, local content and employment quotas among others. For smooth implementation of the regulations, we have conducted capacity building in all the 47 counties. I, therefore, direct procuring entities to fully comply with these regulations.

In order to ensure efficiency in the procurement process and facilitate access by micro, small and medium enterprises, the Government has reviewed the consolidation policy on procurement of Information, Communication and Technology (ICT) equipment and related services. In this regard, procurement of ICT equipment and related services will be decentralised to various ministries, departments and agencies with effect from 1<sup>st</sup> July 2021.

Hon. Speaker, last year, we began the process of automating public procurement through end-to-end electronic procurement system. So far, we have developed an implementation strategy that reengineers all public procurement processes, including functional and technical requirements. In order to actualise this initiative, 31<sup>st</sup> December 2021 will be the final date for rolling out the electronic government procurement system and, therefore, discontinuation of the manual procurement processes. In this regard, the Government will realise savings as a result of greater

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efficiency, reduce operational costs and enhance transparency and accountability through increased bidding participation.

To support our local contractors and undertake the construction of infrastructural projects, we have proposed changes to the contracting framework through the Public Procurement and Asset Disposal Bill, 2020. The Bill before this House proposes among others to allow award of contract to multiple bidders. This, indeed, will support local firms and accelerate delivery of services.

Given the prevailing business environment which had adverse impact of COVID-19 Pandemic, there is an urgent need to evaluate the financial position and governance of key State corporations and institutions. It is in this respect that the Government is exploring targeted reforms to strengthen these institutions, including public universities. In the interim, the Government provided financial support to strategic institutions including Kenya Airways, Kenya Power and Lighting Company (KPLC), and Postal Corporation of Kenya, which were in dire need of cash to meet critical obligations.

Hon. Speaker, we have developed a robust information management system to strengthen the statutory role of the National Treasury in financial and operational oversight as well as the financial risk analysis for State corporations. You may recall that the Government introduced cost-sharing in public universities in the year 1991. At that time, Government funding to public universities per year was set at Kshs120,000 per student. Of this, the Government capitation per student was Kshs70,000 while the student contributed Kshs50,000 through loan funding from the Higher Education Loans Board (HELB), out of which Kshs16,000 catered for tuition fees. This is less than half of tuition fees paid currently by students in various colleges of Technical and Vocational Education Training (TVET) institutions.

The ideal cost of training a student in the university has increased from Ksh120,000 to about Ksh200,000 per year. Therefore, the prevailing funding arrangement introduced in 1991 is unsustainable. Under the current arrangement, universities have not only experienced financial constraints, but have also been unable to continuously honour their statutory obligations. In order to ensure sustainability and self-reliance of public universities, the Ministry of Education is expected to engage stakeholders beginning July 2021 with a view to addressing the matter.

Hon. Speaker, delays in payment of pending bills to businesspeople who provide services to both national Government and county governments has affected liquidity and operations of these entities. In a number of cases, this has led to closure of businesses and affected livelihoods of the suppliers. Though progress was made in settlement of these bills by the national Government, we still have challenges with the county governments that still owe various suppliers huge amounts. In this regard, I direct Government Ministries, Departments and Agencies and the county governments to clear all their pending bills by 30<sup>th</sup> June 2021.

I urge this House to support our efforts towards enforcing compliance in payment of all verified pending bills by the county governments by backing our proposal under Article 225 of the Constitution of Kenya to temporarily stop transfers to county governments that persistently fail to comply with the directive to clear pending bills.

Hon. Speaker, the financial sector has remained stable and continue to make significant contributions to the economic growth. Our commercial banks continue to expand their businesses to the neighbouring markets, including recent acquisitions in the Democratic Republic of Congo and the Republic of Uganda. The continued regional expansion will leverage on the trade and investment opportunities under the Africa Continental Free Trade Area.

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In 2020, the Kenyan banking sector continued on its transformation journey that commenced five years ago, where the key pillar of the journey has been the strengthening of banks' business models, governance frameworks, and entrenching customer centricity in their operations.

Hon. Speaker, at the onset of the COVID-19 Pandemic in March 2020, the banking sector moved quickly to mitigate the impact of the pandemic on staff, customers and the public, and instituted emergency measures to support business continuity, use of digital channels to mitigate COVID-19 infection risk, enhanced liquidity to businesses as well as facilitated compliance with health and safety protocols. As a result, banks continued to provide uninterrupted banking services to customers mainly through digital channels.

Hon. Speaker, over the last one year, more than 54 per cent of the bank loans, equivalent to Ksh1.7 trillion, were restructured to enable borrowers navigate through the hard time due to the pandemic. As we move to the recovery phase, the banking sector will be expected to play a pivotal role in supporting the recovery of enterprises.

To spur economic recovery, additional capital and investments are required. In this regard, the recently established Nairobi International Financial Centre Authority will play an important role and is expected to publish, before end of December 2021, a framework for attracting investments and innovative financial services into our economy and the region.

Hon. Speaker, the high cost of mortgages, land acquisition, and housing units has limited access to affordable housing. Nevertheless, Government interventions are beginning to yield the desired results for affordable housing. Significant progress has been made to enhance efficiency, transparency and certainty in land matters by re-engineering the land registration processes, digitisation of land records, and implementation of the Sectional Properties Act. The Government is also in the process of streamlining and simplifying the legal and regulatory process governing the housing sector and providing basic infrastructure services to developers.

Further, the Kenya Mortgage Refinance Company is supporting the growth of residential housing market in Kenya by providing long-term funding to the mortgage lenders in order to increase affordability of mortgage loans to Kenyans. As of December 2020, Kenya Mortgage Refinance Company had refinanced 1,400 affordable housing loans worth Kshs2.75 billion.

The Kenya Mortgage Refinance Company is scheduled to issue an infrastructure bond by October 2021 to raise additional financing for its affordable housing finance objectives. Consequently, the company plans to issue Green Bonds to finance climate friendly housing projects.

Hon. Speaker, during the current fiscal year, the Government operationalised the Credit Guarantee Scheme by providing seed capital of Ksh3 billion to de-risk lending to Micro, Small and Medium Enterprises. To this effect, the National Treasury signed Credit Guarantee Agreements with seven commercial banks which have now rolled out credit to Micro, Small and Medium Enterprises. To further promote access to affordable credit by Micro, Small and Medium Enterprises, the Government has committed to progressively raise the capital to Ksh10 billion. In this Budget, I propose to allocate an additional Ksh2billion to the scheme.

Hon. Speaker, alongside the Credit Guarantee Scheme, on account of improved business environment, the private sector has rolled out other innovative credit products targeting Micro, Small and Medium Enterprises. Through these innovations, the banking sector had disbursed over Kshs20.8 billion to Micro, Small and Medium Enterprises, equivalent to 0.7 per cent of total gross loans by the end of April 2021.

In order to unlock the full potential of digital lenders, the Government, through the Central Bank of Kenya (Amendment), Bill, 2021, has proposed to provide for licensing of digital credit service providers. This Bill was submitted to this House for consideration and approval.

Capital markets play a critical role of channeling national savings and foreign capital inflows into the productive sectors. In order to enhance inclusivity and access to the investment opportunities in the capital markets, I propose to amend the Central Depositories Act to allow for opening of omnibus investment accounts by persons investing on behalf of others in the securities market. This will allow investments by individuals, as well as collective investment by groups.

Further, to improve efficiency in our capital markets and ensure fair administrative actions by the Capital Markets Authority, I propose to amend the Capital Markets Act to enable the Capital Markets Tribunal to hear and determine any appeal within 90 days.

Hon. Speaker, working with the Kenya Bankers Association and other industry players, we shall establish an electronic over-the-counter secondary market platform for Government securities. This platform will help in deepening our domestic debt market, improve pricing efficiency and transparency in securities trading, thereby lowering yields and cost of credit in the economy. We expect the operations of the over-the-counter secondary market platform to be in place by June 2022.

The defined benefit pension scheme for civil servants, teachers and disciplined forces has constrained growth of pension savings and also exerted fiscal pressure on Government. In order to address these twin problems, the Government rolled out the much-awaited Public Service Superannuation Scheme on 1<sup>st</sup> January 2021 that covers civil servants, teachers and the disciplined forces aged below 45 years at the commencement of the scheme with an option for those over 45 years to join, if they elect to do so. As of April 2021, a total of 340,318 public servants had indeed joined the scheme.

In the past, the processing and payment of pension benefits to retired public servants has neither been efficient nor timely. Thus, it denies senior citizens regular incomes. To address this, the National Treasury has carried out targeted reforms including systems re-engineering and the provision of real time pension services in all the Huduma Centres countrywide. I am pleased to note that, as a result of these interventions, the cumulative pension payments and pension files processed increased by 40 per cent by 31<sup>st</sup> May 2021 compared to the previous year. We expect further improvement with the planned implementation of a Pensions Management Information System later in the year.

Given the disparities in the design of the various existing pension schemes and the attendant laws, it has become necessary to harmonise these laws. Hence, there is the need for the establishment of one National Retirement Policy. The policy which is currently under development seeks to achieve comprehensive pension coverage across formal and informal sector, so as to protect the interests of beneficiaries and rights of pension contributors. In this regard, I shall publish this policy by December 2021.

Further, to enhance good governance, improve accountability and transparency in the management of retirement benefits schemes, I propose to amend the Retirement Benefits Act to provide for the registration and regulation of corporate trustees that provide services to pension schemes.

*(Applause)*

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Our retired citizens experience challenges in accessing medical care. For this reason, we have developed post-retirement medical regulations to allow members to make additional voluntary contributions to a medical fund. This will enable retirees to access the funds at retirement or transfer a portion of it to a medical insurance provider. However, the existing regulations exclude post-retirement medical funds which are established under irrevocable trust by employers and service providers outside a retirement benefits scheme popularly known as “Stand-Alone Post-Retirement Medical Funds”. These funds remain unregulated. This exposes members’ funds adversely. As such, I propose to amend the Retirement Benefits Act to provide for regulation of those funds.

Hon. Speaker, majority of Kenyans in the informal sector are not covered by any pension scheme thus making them vulnerable during old age. To address this, I undertook to establish a National Informal Sector Pension scheme last year which has a sustainable model that combines long-term savings with short-term needs targeting the more than 15 million informal sector workers who have been excluded from the current pensions arrangement. To this effect, I wish to report that the necessary instruments to operationalise the scheme, including the trust deed and rules, business plan and investment policy, have been prepared. We intend to roll out this scheme in the next financial year.

To reinforce the realisation of affordable housing, we amended the Retirement Benefits Act and mortgage regulations last year to allow members to use part of their accumulated benefits to purchase residential houses. This was to support members of retirement benefit schemes to own homes. In this Budget, I propose to amend the mortgage regulations to allow members to utilise up to 40 per cent or a maximum of Kshs7 million of their accrued benefits to purchase a house under a tenant purchase basis by their pension scheme.

Currently, foreign insurance brokers are excluded from the definition of brokers under the Insurance Act. This makes them operate in the country without any controls. Thus, they put insurers and policyholders at a risk. To address this, I propose to amend the Insurance Act to provide for the regulation of foreign insurance brokers.

Classes of long-term insurance business were amended in 2009 to align with modern classification and bring into perspective the industry's current size. However, the permitted maximum management expenditure was not updated to match the new classification which causes insurers to either over-estimate or under-estimate the management expenses thus impacting negatively on policyholders. I, therefore, propose to amend the insurance regulations to provide for the maximum permitted expenditure for each category.

Hon. Speaker, to effectively manage disaster response in a more coordinated manner, the Government has developed a Disaster Risk Management Bill, 2021. The objective of the Bill is to prepare better and coordinate our disaster response, mitigation and recovery, as well as build resilience at both national and county level. Given the urgency to provide a framework for disaster management at both levels of Government, I appeal to this House to prioritise the consideration of this Bill.

Climate change remains a key concern globally, given its adverse impact on economies. In this regard, the Government will strengthen capacity of national and county governments to plan, budget, implement and monitor climate resilience investments. The Government has partnered with development partners in the implementation of the proposed financing of Locally- Led Climate Action Programme. It has already mobilised funding of over Kshs18 billion to support the initiative over the next five years. Through this programme, we shall strengthen national and county governments’ capacities to manage climate risk through support to

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the county climate change units, establishment of County Climate Change Fund and development of climate change laws.

The Government has also developed and approved the Sovereign Green Bond Framework and identified a portfolio of projects for consideration under the framework. It is prepared to issue the first Sovereign Green Bond to raise capital to finance green projects under the economic recovery strategy.

Hon. Speaker, as part of Ease of Doing Business Reforms to facilitate trade, we have finalised the development of Maritime Single Window System under the TradeNet System. This will provide a harmonised and simplified ship to shore clearance procedures to maritime stakeholders. The Maritime Single Window System will allow shipping agents in Kenya to electronically submit vessel pre-arrival and pre-departure declarations to Government agencies.

The Maritime Single Window System is expected to replace the current system that is manual, decentralised, with unnecessary lengthy processes that affect the ship turnaround time and increase costs at the Port of Mombasa. I am pleased to note that this Maritime Single Window System went live on 2<sup>nd</sup> June 2021.

The fiscal policy supporting the Financial Year 2021/2022 and the medium-term budget is designed to support economic recovery and reduce fiscal deficit. The policy aims to mobilise revenues through the ongoing reforms in tax policy and administration. On the expenditure side, the focus will be to rationalise non-priority expenditures from the budget and align the resources to the Big Four Agenda and the Economic Recovery Strategy.

The execution of the Budget for Financial Year 2020/2021 has progressed well albeit with revenue under-performance and elevated expenditures associated with the adverse impact of the COVID-19 Pandemic. The shortfalls in revenues reflect weaker business environment and the impact of containment measures adopted in March 2020 following the outbreak of the pandemic.

The Government then responded to the pandemic by, among others, implementing tax relief measures in April 2020. These measures resulted in reduced collection of revenues adversely impacting the implementation of the Budget. Arising from this, the Government, in January 2021, made reversal of some of the relief measures resulting in improvement in revenue collection. However, in March 2021, containment measures were re-introduced as a result of the third wave of the COVID-19. These measures lasted for only one month.

Hon. Speaker, we remain committed to reducing the level of tax exemptions to create parity of treatment, while also raising more revenues to fund social programmes and reducing the fiscal deficit. In this Budget, I will be proposing selected measures to expand the revenue base.

Our tax policies are spread across various tax statutes which are amended every year during the budget process, thus creating uncertainty in tax legislation. In this regard, I have initiated a process of developing a National Tax Policy Framework that will not only enhance administrative efficiency of the tax system, but provide consistency and certainty in tax legislation and management of tax expenditure.

A draft National Tax Policy is now ready and will be shared with stakeholders and members of the public in line with the dictates of our Constitution, before forwarding to this House for consideration and approval.

Hon. Speaker, total revenue including Appropriations-in-Aid and grants for the Financial Year 2021/2022 Budget is projected at Kshs2.1 trillion, equivalent to 17 per cent of GDP. Of this, total revenue is projected at Kshs2.04 trillion, equivalent to 16.4 per cent of GDP, an increase in nominal terms from Kshs1.84 trillion in the Financial Year 2020/2021. Ordinary revenue in the budget is projected at Kshs1.78 trillion, equivalent to 14.3 per cent of GDP.

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The total expenditures in the Financial Year 2021/2022 Budget are projected at Kshs3.03 trillion, which is equivalent to 24.5 per cent of GDP from Kshs2.89 trillion, equivalent to 25.8 per cent of GDP in the Financial Year 2021/2022 Budget. Recurrent Expenditure will amount to Kshs2 trillion or 16.2 per cent of GDP. On the other hand, Development Expenditure including foreign financed projects, allocation to Contingencies Fund and conditional transfers to county governments are projected at Kshs669.6 billion. This funding is expected to accelerate completion of ongoing critical infrastructure projects in the country.

The expenditures I have outlined in this Budget are consistent with those approved in the 2021 Budget Policy Statement. Given the performance of revenue and the available level of funding from our development partners, it is, indeed, necessary that we strictly adhere to the expenditure ceilings as presented so as to manage and stabilise public debt.

Given the projected revenues and grants against the projected expenditures, the fiscal deficit for the Financial Year 2021/2022 Budget is projected at Kshs929.7 billion, which is equivalent to 7.5 per cent of GDP. This fiscal deficit is lower than the Kshs976.2 billion, equivalent to 8.7 per cent of GDP in the Financial Year 2021/2022 Budget. The fiscal deficit in Financial Year 2021/2022 Budget will be financed through net external financing of Kshs271.2 billion, which is equivalent to 2.2 per cent of GDP and net domestic financing of Kshs658.5 billion, which is equivalent to 5.3 per cent of GDP.

Our Medium-Term Consolidation Policy aims at reducing fiscal deficit progressively to Kshs613.8 billion, which is equivalent to 3.6 per cent of GDP by Financial Year 2024/2025. In this respect, we shall closely monitor the impact of COVID-19 to the economy and accordingly adjust the fiscal plan including tax measures to ensure that our development agenda remains sustainably funded.

We shall carefully do this while limiting in-year adjustments of the budget for new projects except those of emergency nature. This will enhance certainty in the budget process and improve the implementation of Government programmes and projects while adhering to the fiscal consolidation plan.

Hon. Speaker, Kenya's public debt remains sustainable, but the debt carrying capacity has however declined. Financing of the fiscal deficit will continue to be strictly guided by the Debt and Borrowing Policy and the annual Medium-Term Debt Strategy.

The Government is implementing reforms to strengthen the institutional arrangement of public debt management by aligning the operations of the Public Debt Management Office to the Public Finance Management (PFM) Act. In this respect, decisions on the day-to-day management and operations of public debt management shall be undertaken by the Public Debt Management Office to enhance efficiency, strengthen accountability and transparency.

In addition, during this calendar year, we have scheduled a set of debt management operations to lower cost and risk in our public debt portfolio to improve on the country's debt sustainability indicators and sovereign credit rating. I look forward for support of the august House for the amendment of public debt ceiling set in the Public Finance Management Act to enable the implementation of debt management operations including financing of the fiscal deficit.

With the desire to meet our development objectives, the gap between development needs and available resources has been expanding, thus underscoring the need for alternative financing mechanisms. Last year, I highlighted the importance of Public Private Partnerships as an option for closing the financing gap. The current Public Private Partnership Act impedes expeditious financial closure of Public Private Partnership projects. To this effect, I undertook to transform the Public Private Partnerships framework, which included review of legal, operational and

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institutional structures. In this regard, I submitted the Public Private Partnership Bill, 2021, to this House for consideration and approval.

Hon. 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 Financial Year 2021/2022 will focus on critical areas with the highest impact on the well-being of Kenyans and support economic recovery. Therefore, the total programmed spending for the Financial Year 2021/2022, excluding redemptions, amounts to Kshs3.03 trillion.

The Government will continue with the implementation of the Economic Stimulus Programme in the Financial Year 2021/2022, which targets to cushion vulnerable citizens and businesses, particularly those affected by the COVID-19 Pandemic. We have, in this regard, set aside Kshs23.1 billion in the Financial Year 2021/2022 Budget for continuation of this Programme. Out of this, Kshs3 billion is earmarked for youth empowerment and employment creation under the *Kazi Mtaani* Programme, Kshs2.6 billion will go towards enhancing liquidity to businesses, Kshs6.4 billion for improving education outcomes, Kshs6.9 for improving the environment, water and sanitation facilities, Kshs1.17 billion for improving agriculture and food security as well as Kshs1.2 billion for recruitment of health workers. I have also set aside Kshs1 billion for Kenya Wildlife Services (KWS) to employ community scouts.

The implementation of priority programmes under the Big Four Agenda is a critical part in supporting sustainable economic recovery and accelerating employment creation. To realise this, I have set aside Kshs142.1 billion to support implementation of the Big Four Agenda for both drivers and enabler projects.

The outbreak and rapid spread of the COVID-19 Pandemic necessitated an urgent need to upscale implementation of universal health coverage to all our counties. Towards this end, I have proposed allocation of Kshs121.1 billion to the health sector to support various programmes aimed at improving health outcomes. Of this amount, Kshs47.7 billion will fund activities and programmes for the attainment of universal health coverage. Specific allocations to various activities and programmes include Kshs8.7 billion for the Kenya COVID-19 Emergency Response Project, Kshs4.1 billion for free maternity health care, Kshs7.2 billion for the Managed Equipment Services as well as Kshs1.8 billion to provide medical cover to the elderly and severely disabled persons in our society. To lower cases of HIV and AIDS, malaria and tuberculosis in the country, Kshs5.8 billion has been set aside. To enhance vaccination and immunisation programmes, we have set aside Kshs3.9 billion. Further, we propose an additional Kshs14.3 billion for purchase of COVID-19 vaccines and related expenditure in the course of the financial year.

To enhance early diagnosis and management of cancer and reduce the burden of treatment on Kenyans, I have proposed allocation of Kshs450 million for procurement of CyberKnife radiotherapy equipment for Kenyatta University Teaching, Referral and Research Hospital. A further Kshs350 million has been set aside for the establishment of two cancer centres in Kakamega. Further, to improve service delivery, Kshs15.2 billion has been set aside for Kenyatta National Hospital, Kshs11.5 billion for the Moi Teaching and Referral Hospital, Kshs7.3 billion for the Kenya Medical Training Centres, Kshs2.8 for the Kenya Medical Research Institute, Kshs1.3 billion for the construction of the Kenya National Hospital Burns and Paediatric Centre, Kshs863 million for procurement of family planning and reproductive health commodities and Kshs600 million for procurement of equipment for the National Blood Transfusion Centre.

Affordable housing programme is a pragmatic approach to addressing housing problem, especially in the urban centres. To ensure the success of this initiative, I have proposed allocation of Kshs13.9 billion for affordable housing programme. The proposed allocation includes Kshs3.5

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billion to Kenya Mortgage Refinance Company for enhancement of the company's capital as well as for on-lending to primary mortgage lenders, Kshs8.2 billion for construction of affordable housing units as well as Kshs500 million for construction of social housing units.

To support the Nairobi Metropolitan Services in reversing urban indignity in Nairobi City County, Kshs100 million has been set aside for its improvement project and Kshs111.2 million for construction of foot bridges. Other key allocations to the housing, urban development and public works sector include Kshs3.5 billion for the Kenya Informal Settlement Improvement Project, Phase II, Kshs1 billion for construction of markets, Kshs1 billion for maintenance of Government pool houses, Kshs750 million for construction of housing units for the National Police Service and Kenya Prisons Service, Kshs700 million for the Kenya Urban Programme, Kshs200 million for the Africities Summit and Kshs45.6 million for the construction and completion of stalled Government buildings. In addition, I have proposed allocation of Kshs700 million to support the Nairobi Bus Rapid Transport project to offer an efficient and time-saving public transport.

The Government continues to scale up reforms to encourage investment in the manufacturing sector to support and protect local industries. Despite the challenges brought about by the COVID-19 Pandemic, the fiscal and monetary policy measures that the Government implemented significantly cushioned the sector. To further promote local industries, I have proposed allocation of Kshs20.5 billion under various implementing ministries, departments and agencies. Out of this, Kshs2 billion will go to the Credit Guarantee Scheme to enhance access to affordable credit by micro, small and medium enterprises in the manufacturing sector, Kshs500 million will support development of various micro, small and medium enterprises in Kenya and Kshs600 million for provision of finances to micro, small and medium enterprises through the Kenya Industrial Estates.

In addition, I have set aside Kshs8.3 billion for Dongo Kundu Special Economic Zone, Kshs350 million for development of the Special Economic Zone Textile Park in Naivasha, Kenanie Leather Industrial Park and Athi River Textile Hub, Kshs90 million for the Free Port and Industrial Park Special Economic Zone in Mombasa. Other proposed allocations include Kshs130.2 million for modernisation of RIVATEX, Kshs800 million for access roads to industrial park facilities.

In order to maximise benefits from our cash crops, the Government will make further investments towards their revival and enhancement of output. In this respect, I have proposed Kshs210.4 million for coffee industry revitalisation, Kshs59.2 million for modernization of cooperative cotton ginneries and Kshs50 million for cotton development as a subsidy and extension support.

To equip our youth with essential training and internship opportunities, I propose allocation of Kshs1.4 billion for the Kenya Industry and Entrepreneurship Project, Kshs800 million for the Kenya Youth Employment and Opportunities Project, Kshs448 million for Industrial Research Laboratories and Kshs199.5 million for constituency industrial development centres.

In order to support our aspirations of attaining 100 per cent food and nutrition security, I have set aside Kshs60 billion to relevant programmes. Out of this, Kshs7 billion will go to the National Agricultural and Rural Inclusivity Project, Kshs2.7 billion for the Kenya Cereal Enhancement Programme, Kshs1.8 billion has been proposed for the Emergency Locust Response, Kshs1.5 billion for the National Value Chain Support Programme, Kshs1.5 billion for the Agricultural Sector Development Support Programme II, Kshs1.5 billion for the Small Scale

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Irrigation and Value Addition Project, and Kshs620 million for Food Security and Diversification Project.

To improve livestock production, I propose Kshs3 billion for Free Disease Holding Ground in Lamu. I have also proposed Kshs488.1 million for the Regional Pastoral Livelihood Resilience Project, Kshs455 million for the Kenya Livestock Commercialisation Programme, Kshs163 million for the Livestock Value Chain Support Project and Kshs156.2 million for livestock production. To enhance animal disease control, I set aside Kshs180 million for Sustainable Tsetse and Trypanosomiasis Free Areas in Kenya, Kshs131.4 million for the disease-free zones programme and Kshs60 million for modernisation of the foot and mouth disease laboratory and related activities.

Hon. Speaker, the realisation of food and nutrition security also relies heavily on the sustainable utilisation of the blue economy resources. To promote this, I have proposed an allocation of Kshs3.2 billion for the Aquaculture Business Development Project, Kshs 4 billion for Kenya Marine Fisheries and Socio-Economic Development Project, Kshs2.1billion for exploitation of living resources under the Blue Economy, Kshs1 billion for construction of fish processing plant in Lamu, Kshs290 million for Coastal Fisheries Infrastructure Development, Kshs326.6 million for rehabilitation of fish landing sites in Lake Victoria, Kshs150 million for Aquaculture Technology Development and Innovation Transfers, and Kshs195.3 million for development of Blue Economy initiatives.

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 Kshs8.9 billion for the Climate Smart Agricultural Productivity Project, Kshs1.1 billion to enhance drought resilience and sustainable livelihood, Kshs178 million towards ending drought emergencies in Kenya and in addition, I have proposed an allocation of Kshs529.5 million for the Livestock and Crop Insurance Scheme to reduce the vulnerabilities of Kenyan farmers to diseases and natural disasters.

To ensure legitimacy of land ownership, I have set aside Kshs1.5 billion for processing and registration of title deeds, Kshs600 million for digitisation of land registries and Kshs105 million for construction of land registries. Other proposed allocations include Kshs100 million for revitalisation of the cotton industry, Kshs300 million for mitigation of fall army worms, Kshs150 million for establishment of liquid Nitrogen plant, Kshs200 million towards the embryo transfer project and Kshs65 million for construction and refurbishment of the Leather Science Institute.

Having highlighted expenditures under the Economic Stimulus Programme and the Big Four Agenda initiatives, allow me to turn to other proposed areas of expenditures in this Budget that will support our path to sustainable and resilient economic recovery.

The Government continues to expand critical infrastructure in roads, railways, sea and airports to create an enabling environment for economic recovery and employment creation. Towards this end, I have proposed an allocation of Kshs182.5 billion, excluding the provisions, I have set aside for the Economic Stimulus Programme and the Big Four Agenda, to support construction of roads and bridges as well as their rehabilitation and maintenance.

The rehabilitation of the metre gauge railway has improved interconnectivity and reduced traffic congestion on our roads. To continue improving public transport within the Nairobi Metropolitan Area, I have set aside Kshs1.3 billion for railways metro lines. Further, to expand railway transport to the rest of the country, I have set aside Kshs27.2 billion for Phase II of the Standard Gauge Railway, Kshs2 billion for construction and rehabilitation of Naivasha Inland Container Depot - Malaba Line, Kshs2 billion for construction and rehabilitation of Riruta-Lenana-

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Ngong Railway, Kshs1.1 billion to complete rehabilitation of the Nairobi-Nanyuki Metre Gauge Railway Line and Kshs700 million to complete rehabilitation of the Nakuru-Kisumu Metre Gauge Railway. I have also set aside Kshs2 billion for the Kenya National Ship Yard.

To support development of our ports, I have proposed an allocation of Kshs7.5 billion for the construction of the Mombasa Port Development Project and Kshs7.5 billion for the LAPSSET Project. Further, I have set aside Kshs128 million for insurance of ferries for the Likoni Channel, Kshs149 million for maintenance of ferries and jetties headquarters and Kshs603 million for construction and expansion of airports and airstrips.

To support production of reliable and affordable energy, I have set aside a total of Kshs71.9 billion excluding the provision set aside under the Big Four Agenda initiatives. Out of this, Kshs50.1 billion will cater for transmission and distribution of power, Kshs11.3 billion for development of geothermal energy, Kshs6.4 billion for electrification of public facilities and Kshs1.3 billion for development of nuclear energy as well as exploration and mining of coal.

Enhanced national security will create an enabling environment for business to thrive while aiding faster economic recovery. In this regard, I have proposed an allocation of Kshs294.5 billion to support operations of the National Police Service, Defence and the National Intelligence Service. The proposed allocations include Kshs119.8 billion for Defence, Kshs42.5 billion for the National Intelligence Service, Kshs110.6 billion for Policing and Prisons Services, Kshs10.7 billion for leasing of police motor vehicles and Kshs1 billion for Police Modernisation Programme. To step up war on crime and enhance support to administration of justice, I have set aside Kshs1.5 billion for the National Communication and Surveillance System and Kshs335.0 million to equip the National Forensic Laboratory.

Other allocations include Kshs4.8 billion for medical insurance for the National Police Service and Prisons, Kshs2.3 billion for the group personal insurance for National Police Service and Prisons as well as Kshs1 billion for the National Integrated Identity Management System.

The outbreak of COVID-19 Pandemic last year disrupted in-person learning leading to closure of schools for nine months. The Government is determined to recover the lost time while ensuring safe learning in our schools, colleges and universities. In this respect, I have set aside a total of Kshs202.8 billion to support programmes in the education sector. Out of the proposed allocation, Kshs12 billion will cater for free primary education, Kshs2.5 billion for recruitment of teachers, Kshs62.2 billion for free day secondary education including insurance under the NHIF for secondary school students, Kshs4.0 billion for examinations fee waiver for all Class Eight and Form Four candidates, and Kshs1.8 billion for the School Feeding Programme.

In addition, I have proposed an allocation of Kshs1 billion for the Competency Based Curriculum and Kshs420 million for the Digital Literacy Programme and ICT integration in our secondary schools.

To support infrastructure development and ensure safe learning in our schools, I have proposed an allocation of Kshs4.2 billion for primary and secondary schools' infrastructure and Kshs1.8 billion for construction and equipping of Technical Training Institutes and Vocational Training Centres. Further, Kshs1.1 billion has been set aside to increase access and improve the quality of Technical and Vocational Education and Training programmes under the East Africa Skills Transformation and Regional Integration Project.

Hon. Speaker, other proposed allocations to the education sector include Kshs281.7 billion to the Teachers Service Commission, Kshs76.3 billion for university education, Kshs15.8 billion to the Higher Education Loans Board, Kshs5.8 billion for the Kenya Secondary Education Quality Improvement Project and Kshs5.2 billion capitation for TVET students. Further, Kshs745.0

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million has been set aside for Technical, Vocational Education Training and Entrepreneurship, Kshs633 million for promotion of youth employment and vocational training and Kshs323.0 million for the National Research Fund.

On protecting the vulnerable groups, when COVID-19 Pandemic struck last year, we injected additional resources to the traditional cash transfer programme to cushion the vulnerable in our society. To continue protecting this vulnerable segment, I have proposed an allocation of Kshs37.8 billion for social protection and affirmative actions in this Budget.

Hon. Speaker, out of this allocation, Kshs16.7 billion will cater for cash transfers to elderly persons, Kshs7.9 billion for orphans and vulnerable children and Kshs1.2 billion for persons living with severe disabilities.

Hon. Speaker, the proposed allocation also includes Kshs4.1 billion for the Kenya Hunger Safety Net Programme, Kshs3.7 billion for the Kenya Development Response to Displacement Impact Project, and Kshs2.7 billion for the Kenya Social and Economic Inclusion Project. In addition, Kshs933.8 million will go to the Child Welfare Society of Kenya, Kshs400 million to the Presidential Bursary for Orphans and Kshs200 million to the National Development Fund for persons living with disabilities.

The most pressing challenge in our country at the moment is lack of job opportunities for the youth. This has been exacerbated by the hard economic times following the adverse impact of COVID-19 Pandemic. In order to empower the youth and support businesses owned by youth, women and persons living with disabilities, I have set aside Kshs10 billion for the National Youth Service, Kshs4.2 billion for the Kenya Youth Empowerment and Opportunities Project, Kshs454.1 million for the Youth Enterprise Development Fund, Kshs120 million for the Women Enterprise Development Fund and Kshs62.0 million for the Youth Employment and Enterprise Fund.

To promote regional equity, reduce poverty and enhance social development, I have set aside Kshs41.7 billion for the National Government Constituencies Development Fund, Kshs2.1 billion for the National Government Affirmative Action Fund as well as Kshs6.8 billion for the Equalisation Fund to finance programmes in previously marginalised areas.

The rapid technological advancements portend great potential to catalyse economic recovery, create jobs and improve lives and livelihoods of Kenyans. To leverage on these technological gains, I have proposed an allocation of Kshs20.9 billion to fund initiatives in the Information, Communication and Technology sector. Specifically, this allocation includes Kshs1.0 billion for Government Shared Services and Kshs670 million for the Digital Literacy Programme.

Further, to fast track the development of the Konza Technopolis City, I have proposed an allocation of Kshs12.0 billion for the Horizontal Infrastructure Phase I, Kshs3.6 billion for Konza Data Centre and Smart City Facilities, Kshs400 million for construction of Konza Complex Phase 1B, and Kshs200 million for development of Konza Technopolis Master Plan.

Hon. Speaker, other proposed allocations include Kshs1.2 billion for maintenance and rehabilitation of the National Optic Fibre Backbone Phase II Expansion Cable, Kshs1.1 billion for installation and commissioning of Eldoret-Nadapal Fibre Optic Cable and Kshs463.0 million for maintenance and rehabilitation of Last Mile County Connectivity Network.

The outbreak of the COVID-19 Pandemic and the ensuing containment measures significantly affected the tourism, sports, culture and arts sectors. To support recovery of these sectors, I have proposed an allocation of Kshs15.0 billion for the Sports, Arts and Social Development Fund, Kshs1.7 billion for the Tourism Fund, Kshs643.0 million for the Tourism Promotion Fund and Kshs90.0 million for refurbishment of the regional stadia.

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To expand access to clean and adequate water for domestic and agricultural use, I have proposed an allocation of Kshs38.0 billion for water and sewerage infrastructure development, Kshs16.4 billion for water resources management and Kshs10.8 billion for water storage and flood control. In addition, I have set aside Kshs10.5 billion for irrigation and land reclamation and Kshs1.6 billion for water harvesting and storage for irrigation.

Hon. Speaker, in order to support environment and water conservation, I have set aside Kshs9.6 billion for forests and water towers conservation, Kshs3.3 billion for environment management and protection, Kshs1.4 billion for Meteorological Service and Kshs8.2 billion for wildlife conservation and management.

To enhance good governance and scale up the fight against corruption, I have set aside Kshs3.3 billion for the Ethics and Anti-Corruption Commission, Kshs3.2 billion for the Office of the Director of Public Prosecutions, Kshs7.6 billion for the Criminal Investigations Services and Kshs5.9 billion for the Office of the Auditor-General.

Additionally, in order to enhance the oversight and legislative role of Parliament and access to justice, I propose to set aside Kshs37.9 billion for Parliament and Kshs17.9 billion for the Judiciary.

Hon. Speaker, acknowledging the place of devolution in our country, the county governments will receive Kshs370.0 billion as equitable share representing 27.3 per cent of the most recent audited and approved revenue raised nationally in line with Article 203(2) of the Constitution.

In addition, the county governments will receive Kshs7.5 billion as conditional allocations from the national Government share of revenue and Kshs32.3 billion from development partners, bringing the total allocation to the county governments for Financial Year 2021/22 to Kshs409.9 billion. Indeed, this marks a substantial increase compared to Kshs353.2 billion allocation in Financial Year 2020/21, a clear testimony of the Government's commitment to supporting devolution.

In line with the High Court ruling on Petition No.252 of 2016 directing that conditional and unconditional grants to county governments should not be provided for under the Division of Revenue Act, the National Treasury, in consultation with other stakeholders, is developing an appropriate legal instrument to be used to disburse additional conditional grants from the national Government's share of revenue as well as from proceeds of loans and grants to county governments.

In February 2020, the national Government and the Nairobi City County Government entered into a mutual agreement in line with Article 187 of the Constitution, through which the Nairobi City County transferred some of its functions to the national Government. To ensure that the process of such a transfer of functions is fully re-enforced in law, the National Treasury is developing a legislation to operationalise Articles 187 and 189 of the Constitution on Transfer of Functions and Cooperation between the national and the county governments.

To facilitate performance of the transferred functions by the Nairobi Metropolitan Services, I propose to allocate Kshs27.2 billion comprising of Kshs18.0 billion for Recurrent Expenditure and Kshs9.2 billion for Development Expenditure.

To support the county governments' capacities to enhance their own sources of revenue and reduce over-reliance on the equitable share, the National Treasury rolled out a nationwide capacity building exercise for the county governments on interventions contained in the National Policy to Support Enhancement of County Governments' Own-Source Revenue. The policy proposes broadening of the revenue bases while enhancing counties revenue administrative

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capacities. The policy further proposes legal framework to ensure that county governments comply with Article 209(5) of the Constitution of Kenya when formulating their revenue raising measures. In this regard, we re-submitted the County Governments (Revenue Raising Process) Bill, 2020 to this august House in early 2020 for consideration. It is my hope that the Bill will get the necessary priority and approval.

Further, the Government, through a multi-agency taskforce, has reviewed existing revenue management systems with a view to deploying one Integrated County Revenue Management System for use by all the 47 county governments. The taskforce has completed its work and made appropriate recommendations for consideration by the two levels of the Government.

In order to provide basic services to previously marginalised areas as envisaged under the Constitution of Kenya, the concerned county governments have been allocated Kshs6.8 billion under the Equalisation Fund in the Financial Year 2021/22. Arising from the High Court ruling declaring the Equalisation Fund Guidelines unconstitutional, the National Treasury has developed the Public Finance Management (Equalisation Fund) Regulations, 2021, which is now before this House for consideration and approval.

Hon. Speaker, I will now turn to taxation policy measures for the Financial Year 2021/22 Budget. I will begin by highlighting some of the key measures on Custom Duty as agreed during the East African Community (EAC) Partner States Pre-Budget consultations in May, 2021. I will then highlight some of the proposed amendments in the various tax laws relating to tax administration. These amendments are contained in the Finance Bill 2021 that I submitted to this House in April 2021 for consideration and approval.

The custom measures agreed by the EAC Partner States and the proposed amendments in the Finance Bill, 2021 are expected to generate an additional Kshs8.7 billion to the Exchequer for the Financial Year 2021/22 Budget.

On Custom Duties, during the EAC Pre-Budget meeting, the CSs noted with concern the proliferation of cheap imports into the region and agreed on measures to protect locally manufactured products from unfair competition. The agreed measures under Customs shall become effective from 1<sup>st</sup> July 2021.

Hon. Speaker, to sustain the fight against the COVID-19 Pandemic, EAC partner States have agreed to extend the duty-free importation window for raw materials and inputs for manufacture of masks, sanitisers, ventilators and personal protective equipment remission for a further one year.

Over the years, we have developed sufficient capacity for local manufacturing in the metal and allied subsector. This has generated job opportunities for our youth. However, the local manufacturers in this sub-sector continue to face stiff competition from cheaper imports. In this regard, and in order to continue protecting this sub sector, the EAC partner States agreed that imported iron and steel products shall continue attracting a duty rate of 25 per cent with the corresponding specific rates for a further one year.

Our farmers have been working hard to produce enough food to satisfy demand in the region. In particular, the sector has been meeting local demands for vegetable products including potatoes, peas, and tomatoes among others. To protect these farmers and the sector from cheap imports, the EAC partner States agreed that vegetable products including potatoes, peas, tomatoes among others shall attract a duty rate of 30 per cent for one year as we await the finalisation of the review of the EAC Common External Tariff.

Baby diapers are essential products and there is need to supply them at affordable prices. In this regard, last year, we allowed manufacturers to access inputs for manufacture of baby diapers

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duty free, under duty remission scheme. This was meant to support Kenya's capacity to manufacture these products locally and create jobs. I am happy to note that many companies have responded to this incentive by increasing production. In order to nurture the growth of this industry and to continue sustaining the smiles of babies, we have agreed to extend the duty free importation of inputs for manufacture of baby diapers for a further one year.

Kenya has sufficient raw materials for manufacture of leather and footwear products. In support of this sector, the Government imposed a duty of 25 per cent on imported products for manufacture of leather and footwear products. However, the sector continues to face competition from imported products due to undervaluation, thereby discouraging investments in the sector. To this effect and in order to enhance incomes of our farmers, the EAC partner States have agreed to retain the Import Duty on imported products for manufacture of leather and footwear products at 25 per cent and introduce a further specific duty rate to guard against undervaluation.

Our micro, small and medium enterprises that operate in the *Jua Kali* Sector have continued to thrive, creating jobs and incomes to millions of families. Of particular interest is the furniture industry that has continued to attract local artisans who have been able to provide high quality products. However, the industry continues to face stiff competition from imported finished products sometimes of low quality. In this regard, the EAC partner States agreed to extend the applicable Import Duty on furniture at the rate of 35 per cent for a further one year.

Hon. Speaker, to give impetus to the affordable housing programmes and facilitate availability of locally made roofing tiles at affordable prices, EAC partner States agreed to extend, for a further one year, the duty-free window for importing inputs for the manufacture of roofing tiles under the Duty Remission Scheme.

I now turn to the proposed amendments to the Income Tax Act. To ensure equity and fairness in taxation, I have proposed to align the Income Tax Act with international best practice through introduction of provisions to prevent tax base erosion and profit shifting as well as restrict treaty benefits to curb tax evasion and avoidance. In this respect, I propose to amend the Income Tax Act to expand the definition of the term "permanent establishment" so as to align the Income Tax Act with the international best practice.

The Finance Act, 2020, introduced the Digital Service Tax on income earned through the digital market place. However, the current tax provisions do not cover all traders who use the digital service platform to transact their businesses. In this regard, I propose to expand the scope of the Digital Service Tax to include income derived through internet and electronic network. Further, I propose to amend the Income Tax Act to align the rate of withholding tax on service fees in the extractive industry with that withheld in respect of management and professional services under the same sector. This will remove ambiguity and manipulation that result in leakage of tax revenue through re-characterisation of income.

Private contributions made to insurance companies enjoy tax relief. However, the contributions to the National Health Insurance Fund do not enjoy this relief despite the Fund being the largest medical cover for majority of Kenyans under the universal healthcare. In order to support the contributors and encourage more non-registered persons to join the Fund, I propose to amend the Income Tax Act to allow contributions to the NHIF qualify for tax relief at the rate of 15 per cent of the contributed amount.

Hon. Speaker, the Income Tax Act provides for a tax rebate to employers who offer internship to a minimum of 10 university graduates for a period of one year. These employers are allowed to deduct, from their taxable income, an extra 50 per cent out of the cost of the apprentice emoluments. In order to encourage employers to provide similar opportunities to TVET graduates,

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I propose an amendment to the Income Tax Act to include graduates of TVET institutions under the programme.

Accordingly, employers who engage a minimum of 10 graduates from both universities and TVET institutions will be allowed to deduct, from their taxable income, an extra 50 per cent out of the cost of the apprentice emoluments. It is my hope that employers will take advantage of this incentive and give our young graduates from the TVET institutions opportunities to gain practical experience so as to expand their employability.

Last year, we revised the investment allowance regime under the Second Schedule to the Income Tax Act to introduce a new regime and retain the reducing balance method of deduction. However, under this method, deductions rarely get exhausted. In order to cure this problem, I propose to amend the Income Tax Act to replace the reducing balance method with the straight-line method which provides definite timeline for the deductions. This will provide certainty in taxation, ease tax administration and enhance compliance. We have noted that the current provisions on deductibility of interest allow some taxpayers to manipulate their balance sheets to reduce their tax liabilities. I, therefore, propose to replace the current thin capitalisation rule that is based on debt-to-equity ratio with interest restrictions based on a ratio of earnings before interest, taxes, depreciation and amortisation. Accordingly, any interest paid in excess of 30 per cent of a company's earnings before interest, taxes, depreciation and amortisation will be disallowed in determination of taxable income.

In addition to being an international best practice, this measure has been found to be a better indicator of the economic performance of businesses hence appropriate for determining the deductibility of interest on loans. This will guard against tax planning

Hon. Speaker, I now turn to the proposed amendments under the Value Added Tax Act. In order to strengthen our healthcare system, make the cost of medicines affordable for Kenyans and step up the fight against COVID-19 Pandemic, I propose to introduce VAT exemption on medicaments used in our health facilities including decongestants and food supplements. Further, I propose to provide VAT exemption to diagnostic and laboratory reagents, artificial respirators including therapeutic respiration apparatus, breathing appliances, gas masks as well as medical equipment and technologies used in the provision of medical services. It is my hope that the suppliers of these medicaments and medical equipment will reciprocate by making their prices affordable.

In order to promote local manufacturing of pharmaceutical products, I also propose to introduce VAT exemption on inputs used in the manufacture of medical ventilators and breathing appliances. This will enhance access to these products that are essential in management of the COVID-19 complications.

Despite the huge potential for mineral and petroleum resources in this country, exploration and mining sector remains underdeveloped due to huge capital outlay requirements. In order to promote exploration and mining activities in the country, I propose to exempt from VAT goods for exclusive use in geothermal or oil exploration and mining prospecting. To boost Kenya's effort on green energy, I propose to exempt from VAT equipment for generation of solar and wind energy. To provide a transition clause to allow companies that had already signed power purchase agreements with Government, I propose to amend the Value Added Tax Act, to provide for a transition for the projects that had been signed before April 2020 to enable them continue benefiting from the VAT exemption in respect of taxable goods used in the projects. This transition will expire upon completion of the said projects. In order to entrench the benefit of affordable housing including specialised facilities like student hostels, it is imperative to develop innovative

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financing alternatives. In this regard, I propose to exempt from VAT asset transfer into the Real Estate Investment Trusts and Asset Backed Securities. This will deepen our capital markets by encouraging investors to participate in Real Estate Investment Trusts.

As I turn to the proposed amendments to the Excise Duty Act, the Finance Act 2020 removed Excise Duty on betting. The removal of this tax generated a lot of public debate considering that betting has become widespread in our society resulting in negative social effects. In this regard, I propose to reintroduce Excise Duty on betting at the rate of 20 per cent of the amount wagered.

Innovations in the tobacco industry have led to introduction of new products such as nicotine pouches. These new products do not fall in the classification of tobacco products existing in the Excise Duty Act and are, therefore, currently not subject to taxation. In this regard, I propose to introduce Excise Duty on products containing nicotine or nicotine substitutes at a specific rate of Kshs5 per gramme. This rate of Excise Duty is equivalent to the duty applicable to similar products under the Act.

To support the growth of service industry particularly e-commerce, I propose to amend the Excise Duty Act so as to provide a rebate on the Excise Duty paid on internet data by a person who purchases the data in bulk for resale.

On the proposals to ease tax administration, 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. This convention is meant to facilitate automatic exchange of tax information between the Kenya Revenue Authority and other jurisdictions. In this regard, I have proposed amendments to the Tax Procedures Act, 2015 to facilitate the implementation of the convention. The convention will also enhance tax compliance by foreign taxpayers and act as deterrence to tax evasion and illicit financial flows. In addition, I propose to amend the Tax Procedures Act to empower the Kenya Revenue Authority seek intervention of other agencies to facilitate compliance with the provisions of the Digital Service Tax. There are various ways that some unpatriotic individuals are using to evade payment of their tax liabilities. For example, we have noted in our i-tax system perennial non-compliant taxpayers, defaulters, payment returns without payment, non-filers, nil filers, credit filers, stop filers and decliners. In addition, there are traders and merchants who are not registered at all for tax purposes. To gather information on tax malpractices, last year we introduced the iWhistle, a platform that enables members of the public to volunteer information. As at end April 2021, the iWhistle platform had received a total of 502 whistles and we thank the public for volunteering useful information. Considering the complexities and changing dynamics on intelligence gathering and to empower the Kenya Revenue Authority curb tax malpractices, I propose to amend the Kenya Revenue Authority Act to increase the maximum reward to a person who provides information leading to the identification of un-assessed taxes from Kshs100,000 to Kshs500,000. Further, I propose to increase the reward to a person who provides information leading to recovery from maximum of Kshs2 million to Kshs5 million. This will encourage receipt of voluntary information to the Kenya Revenue Authority thereby bolstering tax compliance and revenue collections.

Hon. Speaker, the Tax Appeals Tribunal has been hearing tax disputes and providing judgements at a very slow pace as the tribunal sits on a part time basis. This has led to huge backlog of pending cases before the tribunal. Currently, there are 549 pending cases with a revenue implication of Kshs107.4 billion. In order to strengthen the tribunal and allow members to expeditiously hear and conclude cases, I have proposed various amendments to the Act through

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the Tax Appeals Tribunal (Amendment) Bill, 2021 which I have submitted to this House for consideration. I urge the House to prioritise this Bill so as to facilitate faster disposal of tax appeals and boost revenue collection. The processing of applications under the EAC Duty Remission Scheme has been manual, time consuming and inefficient. In order to improve administration of the scheme, the Government automated the process, under the Single Window System, and successfully rolled out in September 2020. To strengthen the administration of tax exemption process for Official Aid Funded projects, we have embarked on automation of the application and approval under the Single Window System and target to roll out in the next financial year.

In conclusion, I must state that the preparation of this Budget required a lot of balancing. It has not been an easy process considering the prevailing weak business environment. I am confident that the plans I have laid in this Budget will be realised to achieve the envisaged economic recovery that will lead to improvement of the welfare of Kenyans. It is worthy to note that our President has steered our economy through one of the most difficult periods occasioned by the COVID-19 Pandemic. His leadership and commitment to protection of lives and livelihoods through implementation of a host of measures have not only reduced the fatalities caused by COVID-19, but also supported economic activities. The Budget I have presented today has articulated additional measures that the Government plans to undertake to further boost economic recovery. In light of the challenges in mobilisation of additional revenue and rising expenditure demands, spending in the next year's Budget will focus on critical areas with the highest impact on the wellbeing of Kenyans.

In this regard, I sincerely thank His Excellency President Uhuru Kenyatta, for his wise counsel, unflinching support and guidance not only during the budget preparation process, but also in the stewardship of the economy.

I also thank my fellow Cabinet Secretaries, the various accounting officers and staff for their contributions to the Financial Year 2021/2022 budget process. I also express deep gratitude to Kenyans for their insightful contributions, proposals and suggestions that helped us to finalise this Budget. In addition, my appreciation also goes to Honourable Speakers of the National Assembly and the Senate, the Majority and the Minority Leaders as well as other leadership of the two Houses and respective Clerks for overseeing the approval of the Budget Estimates for the Financial Year 2021/2022 and the related documents.

Secondly, I want to appreciate the Honourable Members of the Budget and Appropriations Committee, the Departmental Committee on Finance and National Planning 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.

Thirdly, in a special way, I give tribute to my incredible, selfless team at the National Treasury and Planning who have worked tirelessly for very long hours to ensure that this Budget and supporting documents were prepared in time as per the legal requirements.

Fourthly, the management and staff of the Kenya Revenue Authority, the Central Bank of Kenya, the Attorney-General's Office, Commission on Revenue Allocation (CRA), financial sector regulators and the various agencies under the National Treasury and Planning for their contributions and advice during the budget process.

Fifthly, our multilateral development partners, especially the International Monetary Fund, the World Bank, the African Development Bank and all our bilateral development partners for their contribution to our development agenda through various technical and financial support. Further, I thank the private sector for their resilience and continued contribution to development of this country.

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Sixth, my appreciation goes to the economic Fourth Estate for their active reporting on economic and financial developments as well as engagements on the Financial Year 2021/2022 budget process.

Lastly, I remain grateful to my family for their unfailing support, regular encouragement and understanding as I steer my responsibilities at the National Treasury and Planning at a critical time like this.

I thank you all and may God bless Kenya.

Hon. Speaker, before I resume my seat, you will recall in April 2021, I submitted to this House the Budget Estimates and the Finance Bill, 2021, together with the accompanying documents as required by the Public Finance Management (PFM) 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 Financial Year 2021/2022;
2. Budget Policy Statement (BPS) 2021;
3. Estimates of Revenue, Grants and Loans for the Financial Year 2021/2022 Budget;
4. Financial Statement for the Financial Year 2021/2022 Budget;
5. Medium-Term Debt Management Strategy 2021;
6. Budget Highlights - The "Mwananchi" Guide for the Financial Year 2021/22 Budget;

and

7. Statistical Annex to the Budget Statement for the Financial Year 2021/2022.

Thank you, Hon. Speaker.

*(Applause)*

**Hon. Speaker:** Hon. Members, I wish to thank the Cabinet Secretary for the National Treasury and Planning, for having made his public pronouncement on the Budget highlights for the National Government for the Financial Year 2021/2022, and the Medium-Term and the Revenue Raising Measures. As you know, Hon. Members, today's Budget Speech will not be accompanied by the usual parliamentary courtesies, given the limitations occasioned by the prevailing COVID-19 Pandemic and the attendant Ministry of Health guidelines regarding public meetings. In this regard, upon the adjournment of the House and exit of the Speakers' procession from the Chamber, all the guests are asked to depart the precincts of Parliament at their own pleasure. However, arrangements have been made for a modest press conference by the Cabinet Secretary for National Treasury and Planning at Parliament Gardens.

Hon. Members, you may also take opportunity to address the media on matters pertaining the Budget in the usual manner at the Parliamentary Gardens.

#### ADJOURNMENT

**Hon. Speaker:** Hon. Members, the time being 5.05 p.m., the House stands adjourned until Tuesday, 15<sup>th</sup> June 2021, at 2.30p.m.

The House rose at 5.05 p.m.

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